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## **THE BOARDS PROPOSAL ON EXTRAORDINARY DIVIDEND AND STATEMENT REGARDING THE DIVIDEND IN ACCORDANCE WITH CHAPTER 18, SECTION 4 OF THE SWEDISH COMPANIES ACT**

The Board of Directors of Rotternos AB (publ) submits the following proposal to the EGM on 16 December 2015.

The item numbering refers to the agenda of the EGM.

### **Item 7 – Extraordinary dividend to the shareholders**

The Board of Directors proposes that the EGM resolves on an extraordinary dividend of SEK 0.40 per share, in total SEK 61,028,770.

After the latest resolution on dividends, at the AGM on 20 May 2015, there are SEK 261,828,219 left of the amount available pursuant to Chapter 17, Section 3, Paragraph 1 of the Swedish Companies Act. Thus there is full coverage for the Company's restricted equity. The Board's reasoned statement pursuant to Chapter 18, Section 4 of the Swedish Companies Act is stated below.

The Board of Directors proposes that the record date for receiving the dividend shall be Friday, 18 December 2015. If the EGM resolves in accordance with the proposal, it is estimated that Euroclear Sweden AB will execute the payment on Wednesday, 23 December 2015.

***With reference to the Board of Director's dividend proposal above, the Board hereby makes the following statement pursuant to Chapter 18, Section 4 of the Swedish Companies Act***

According to Rottneros dividend policy, dividends shall be adapted to Rottneros' performance level, debt/equity ratio, financial status, future development opportunities and investment needs. The capacity to pay dividends should be viewed over an entire business cycle rather than for an individual year. Dividends may consequently be restrained in good years so that it is possible to pay dividends in years where results are weaker. Rottneros financial goal imply that the Company must have an available liquidity corresponding to 10 percent of the Group's annual turnover.

Rottneros AB and the Rottneros Group had already at the end of 2014 a very high equity ratio, and had at the year-end an interest-bearing net debt. Even after the resolved dividends by the AGM 2015, the parent Company and the Group continues to have good equity ratio, a high level of available liquidity and are free of debt.

2015 has been a very good year for the Company from both a result and liquidity perspective. The Group has, at the end of September 2015, available liquidity amounting to 22.8 percent of the Group's annual turnover, which far exceeds the Group's target of 10 percent.

As previously announced, the Board of Directors has adopted a new long-term industrial plan, Agenda 500, which through very cost-effective investments aims to increase production in the Company's two mills to at least 460 000 tonnes per year. The total investment framework amounts to overall approximately MSEK 800 for Agenda 500, divided by approximately MSEK 400 for medium-term investments and MSEK 400 for long term investments. The rate of the investments will be determined by the Rottneros' ability to allocate the increased volumes on the market. Of the total investment framework, the Board of Directors has resolved upon investments amounting to MSEK 330.

The Board of Directors is of the opinion that the proposed dividend to the shareholders does not constitute an obstacle for the Company to meet its short or long term obligations, while the Company's financial position allows for continued investment and expansion. The proposed dividend of in total SEK 0.40 per share, which is equivalent to SEK 61,028,770, constitutes at the balance sheet date, 7.1 percent of the parent Company's equity and 6.7 percent of the Group's equity, after previously resolved dividends at the AGM 2015. The dividend reduces the Group's equity ratio from 92.9 percent to 92.4 percent and the Group's equity ratio from 76.2 percent to 74.9 percent, after previously resolved dividends at the AGM 2015, without regard for earnings during the period thereafter. The equity ratio is considered to be sufficient. Both the parent Company and Group companies are also deemed to be able to maintain good liquidity even after the Board's proposal.

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The Board of Directors is of the opinion, in the light of the above, that the proposed dividend is justified in view of the demands that the nature, scope and risks in the business place upon the size of the Company's and Group's equity and upon the Company's and Group's funding needs, liquidity and financial position in general, in accordance with the provisions in the Swedish Companies Act, Chapter 17, Section 3, Paragraphs 2-3.

Appendices:

- The Board's report regarding events of material significance for the Company's financial position which occurred subsequent to the presentation of the annual report (18:6 Swedish Companies Act);
- Statement from the Company's auditor with regards to the Board's report (18:6);
- The annual report for 2014, with the most recently adopted balance sheet and income statement and the audit report for 2014.

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Vallvik, November 2015

The Board of Directors Rottneros AB