

The Nomination Committee's explanatory statement regarding its proposal for the Board of Directors of Balco Group AB prior to the Annual General Meeting 2018

Report on the work of the Nomination Committee during the year

The Nomination Committee of Balco Group AB (Balco) for the 2018 Annual General Meeting comprises:

- Gabriel Urwitz, appointed by Segulah IV L.P. (chairman of the Nomination Committee);
- Carl-Mikael Lindholm, appointed by Carl-Olof och Jenz Hamrin's Foundation;
- Lennart Björkman, appointed by Skandrenting AB;
- Marianne Flink, appointed by Swedbank Robur; and
- Lennart Kalén, chairman of the Board of Directors of Balco.

The Nomination Committee's members are supported by shareholders who together represents approx. 51 per cent of all voting rights in the company.

The Nomination Committee held its first meeting on 13 February 2018 and has thereafter held a subsequent meeting on 20 March 2018 as well as additional contact by e-mail and telephone. All of the Nomination Committee's decisions have been unanimous.

The chairman of the Board of Directors has described the work of the Board of Directors of Balco to the Nomination Committee and explained how the Board evaluation was conducted. The Nomination Committee has also reviewed the Audit Committee's recommendation concerning external auditors.

Since Balco was listed in 2017, the Nomination Committee has taken into account the increased requirements for listed companies and that the Board representation should be based on the new ownership structure following the listing on the exchange.

The Nomination Committee has discussed matters regarding competence. The major shareholders have discussed the composition of the Board of Directors, and interviews have been conducted with the proposed Board members. The Nomination Committee's opinion is that the proposed Board of Directors has sufficient competence and experience, and that the Board members complement each other in a valuable way.

The Nomination Committee's explanatory statement regarding the proposal for members of the Board of Directors

The Nomination Committee has discussed the composition of the Board of Directors and agreed on the main profiles for the Board members, including requirements for independent members. The recommended composition of the Board of Directors meets the requirements for independent members. The recommended composition of the Board of Directors meets the requirements of the Swedish Corporate Governance Code on the independence of Board members, as all members are considered independent of the company and its management.

The composition of the Board of Directors also meets the requirement for at least two of the Board members to be independent of the company's major shareholders. In Balco's case, three out of seven Board members are independent of the company's major shareholders. Lennart Kalén, Percy Calissendorff and the two proposed new Board members, Carl-Mikael Lindholm and Johannes Nyberg, are not considered independent in relation to the major shareholders in the company.

As a diversity policy, the Nomination Committee has applied item 4.1 in the Swedish Corporate Governance Code. Thus, the Nomination Committee has taken under consideration that the Board of Directors should, subject to the company's operations, phase of development and other circumstances, have a composition characterised by versatility and breadth regarding the elected members' competence, experience, and background, and that gender balance should be pursued. The Nomination

Committee's proposal for members of the Board of Directors consists of five men and two women. Consequently, the proposal entails that the number of men and women remains unchanged compared to the previous mandate period. However, the Nomination Committee intends to continue pursuing gender balance in a long-term perspective.

The Nomination Committee assess that the Board members proposed for re-election and new election have a reasonable total workload so that a sufficient amount of time and commitment can be devoted to their duties in Balco.

The Nomination Committee's assessment is that the work of the current Board of Directors is efficient and that the Board of Directors collectively brings Balco significant knowledge and valuable experiences. The Nomination Committee therefore proposes re-election of Lennart Kalén, Ingalill Berglund, Percy Calissendorff, Tomas Johansson and Åsa Söderström Winberg. Due to the changed ownership structure following the listing of Balco's shares at Nasdaq Stockholm, the current members of the Board of Directors, Håkan Bergqvist and Marcus Planting-Bergloo, have declined re-election in order to enable new, larger shareholders to take place among the Board of Directors.

The Nomination Committee proposes that Carl-Mikael Lindholm and Johannes Nyberg are elected as new Board members.

Carl-Mikael Lindholm, born in 1971, holds a degree of Doctor of Medicine from Karolinska Institutet in Stockholm, as well as a specialist degree in general medicine and oncology. Carl-Mikael has previously served as a doctor in various positions at Karolinska Hospital, the County Hospital in Jönköping, and at the University Hospital in Linköping. Carl-Mikael Lindholm has been asset manager of the Carl-Olof and Jenz Hamrin's Foundation since 2016 as well as business developer for Herenco AB. Alongside the work within the Foundation and for Herenco, Carl-Mikael is Chairman of the board of Hamhus AB.

Johannes Nyberg, born in 1971, holds a MBA from Uppsala University's International Economics Programme, higher level studies at Humboldt University, Berlin (Germany), and at Queen's University, Kingston (Canada). Johannes is currently CEO of Skandrenting AB, which is the third largest shareholder in Balco, and has previously held leading positions at Kaupthing Bank Sverige AB, AGL Structured Finance, and within IBS Sverige AB. Alongside his role as CEO of Skandrenting AB, Johannes Nyberg is chairman of the board of Cryonite AB, and a Director of Raiffeisen Leasing Nordic AB and Skandrenting AB.

In combination with the remaining members of the Board of Directors, the proposed new Board members contribute to a dynamic board while simultaneously contributing to continuity and further development of the Board of Directors' work.

Information about all recommended Board members is available on Balco's website www.balcogroup.se

The Nomination Committee is of the opinion that the proposed Board of Directors has a sound composition that is well-suited to Balco's operations, needs and phase of development. It is the Nomination Committee's assessment that the Board of Directors brings valuable expertise, diversity and breadth in terms of experience and background.

Stockholm, 26 March 2018

Nomination Committee, Balco Group AB

Gabriel Urwitz
(Chairman)

Carl-Mikael Lindholm

Lennart Björkman

Marianne Flink

Lennart Kalén
(Chairman of Balco Group AB)