



N.B. The English text is an in-house translation of the original Swedish text. Should there be any disparities between the Swedish and the English text, the Swedish text shall prevail.

NOTICE OF EXTRAORDINARY GENERAL MEETING IN BALCO GROUP AB

The shareholders in Balco Group AB, reg. no. 556821-2319, are invited to an Extraordinary General Meeting, to be held on Tuesday 24 November 2020, at 3.00 pm at Kök 11, Honnörsgatan 15 in Växjö. Registration starts at 2.30 pm.

RIGHT TO ATTEND AND NOTIFICATION TO THE COMPANY

Shareholders who wish to attend the Extraordinary General Meeting shall:

be registered in the shareholders' register maintained by Euroclear Sweden AB on Monday 16 November 2020, or, if the shares are nominee-registered, request that the nominee registers the shares for voting no later than Wednesday 18 November 2020, and

notify the Company of their intention to attend the meeting no later than Wednesday 18 November 2020 by mail to: Balco Group AB, Extraordinary General Meeting 2020, Älgvägen 4, 352 45 Växjö or by telephone +46 470-53 30 00.

The notification shall set forth the name/business name, personal identity/reg. no., address, telephone number (daytime), the number of shares held and, when applicable, the number of assistants (not more than two).

Anyone who is not present in person at the Extraordinary General Meeting may exercise his or her right at the Extraordinary General Meeting by proxy with a power of attorney that has been written, dated and signed by the shareholder. If the power of attorney has been issued by a legal person, a copy of the certificate of registration or equivalent authorisation document for the legal person must be attached to the notification. Powers of attorney, certificates of registration and other authorisation documents should be received by the company at the address above well in advance of the general meeting. Power of attorney forms can be downloaded from the company's website www.balcogroup.se and can also be obtained from the company or ordered by telephone as above.

Shareholders may also choose to vote by post. The form for postal voting is available on the company's website, www.balcogroup.se, at the premises of the company and will be sent free of charge to shareholders who so request and provide their postal address. If a shareholder chooses to vote by post, a completed form for postal voting shall be sent by post to Balco Group AB, Extraordinary General Meeting 2020, Älgvägen 4, 352 45 Växjö. If the shareholder who chooses to vote by post is a legal entity, an attested copy of the current certificate of registration for the legal entity or corresponding authorisation documents must, in addition, be sent to the specified address in good time prior to the general meeting. The form for postal voting must be received by the company at the address stated above no later than by 5.00 pm on Monday 23 November 2020.

Please note that shareholders who intend to exercise their right to vote by post must notify their participation at the extraordinary general meeting in accordance with the procedure prescribed in this notice and, in such case, specify "Vote by Post". The shareholder may not provide the postal vote with special instructions or conditions. If

that were to happen, the entire postal vote is invalid. Further instructions and conditions can be found in the postal voting form.

Shareholders who have nominee-registered shares via a bank or any other nominee must request the nominee to register them in the share register kept by Euroclear Sweden AB no later than Wednesday 18 November 2020. Shareholders must therefore, in good time prior to the stated date contact the nominee and register for voting in accordance with the instructions provided by the nominee.

PROPOSED AGENDA

1. Opening of the Extraordinary General Meeting
2. Election of chairman for the Extraordinary General Meeting
3. Preparation and approval of the voting list
4. Approval of the agenda
5. Election of one or two persons to verify the minutes
6. Determination of whether the Extraordinary General Meeting has been duly convened
7. Resolution on introducing incentive programme 2020/2023
8. Resolution on amending the articles of association
9. Closing of the Extraordinary General Meeting

Precautionary measures due to COVID-19

For the purpose of protecting the health of all shareholders and employees the company will keep the general meeting as short and efficient as possible, as well as, minimise all non-essential social contact. Thus:

- No refreshments will be offered and the general meeting will be kept as short as possible.
- No exhibitions, events or similar will be held in connection with the general meeting.
- The number of participating members of the Board of Directors and management will be severely limited and their participation may be carried out by video- or telephone link.
- Shareholders are encouraged to follow the authorities' recommendations and to each take individual responsibility in order to prevent the spread of the infection, as well to vote by post.

The company is closely following the development and, if necessary, it may suggest additional safety measures. If the measures taken are not sufficient and the number of shareholders physically attending the general meeting exceeds what is prescribed or recommended by the relevant authorities, or if the Board otherwise considers that the general meeting cannot be performed safely, the company may cancel the general meeting and complete it at a later date. This may happen at a short notice. In the event of cancellation, a new notice will be distributed in the usual manner.

THE BOARD OF DIRECTORS' PROPOSALS

Proposal under item 2: Election of chairman of the Extraordinary General Meeting

The Nomination Committee proposes Tomas Johansson, the Company's chairman, as chairman of the Extraordinary General Meeting.

Proposal under item 5: Election of one or two individuals to verify the minutes

The Board of Directors proposes that two individuals who are active and nominated at the general meeting be elected to verify the minutes of the meeting.

Proposal under Item 7: Resolution on introducing incentive programme 2020/2023

The incentive programme in brief

The Board of Directors proposes that the general meeting resolves to establish an incentive programme under which the company invites approximately 25 persons within the group to acquire warrants in the company. The right to acquire warrants shall be granted to the CEO of the company, senior executives and other key individuals in the group with the ability to directly influence the group's earnings.

The company's Board members shall not be granted any warrants.

The Board of Directors' proposal means that the general meeting resolves on (i) the establishment of an incentive program, (ii) a directed issue of not more than 400,000 warrants, and (iii) approving that the wholly-owned subsidiary that subscribes for the warrants transfers them to the participants in the incentive programme.

The rationale for the proposed incentive programme is to create conditions for retaining and recruiting competent personnel to the group, provide competitive compensation and reconcile the interests of the company's shareholders and the participants as well as promote a personal shareholding, and thereby promote shareholder value and the company's long-term value creation capability.

Issue of warrants 2020/2023

The Board of Directors proposes that the general meeting resolves on an issue of warrants on the following terms and conditions.

Number of warrants to be issued

The company shall issue a maximum of 400,000 warrants.

Right to subscription

The right to subscribe for warrants shall, with deviation of the shareholders' pre-emption rights, belong to a wholly-owned subsidiary of the company Nordiska Balco AB.

Reason for deviating from the shareholders' pre-emption rights

The reason for deviating from the shareholders' pre-emption rights is, by way of an incentive programme, to create conditions for retaining and recruiting competent personnel to the group, provide competitive compensation and reconcile the interests of the company's shareholders and the participants as well as promote a personal shareholding, and thereby promote shareholder value and the company's long-term value creation capability.

Subscription period

Subscription for the warrants shall take place on a separate subscription list no later than on 22 December 2020.

Over-subscription

Over-subscription is not allowed.

Issue price and payment

The warrants shall be issued to the wholly-owned subsidiary without compensation.

Terms and conditions for the warrants

- (i) Each warrant shall entitle the holder to subscribe for one new share in the company.
- (ii) The subscription price for each new share shall be equal to 110 per cent of the volume-weighted average price of the company's share on Nasdaq Stockholm during the five trading days that occur before (but not including) the day on which the Board of Directors for the first time decides to transfer the warrants from the wholly owned subsidiary Nordiska Balco AB to the participants. The subscription price calculated in accordance with the above shall be rounded to the nearest SEK 0.10, where SEK 0.05 shall be rounded down. The first transfer thus described may take place no later than 6 months from the date of the decision of the general meeting to issue the warrants.
- (iii) The warrants may be exercised during the period from and including the day that falls three (3) years after the day on which the Board of Directors for the first time decides to transfer the warrants to the participants up to and including the date that falls 30 calendar days thereafter, though no later than from and including the day that occurs 3 years and six months from the date of the decision of the general meeting to issue the warrants. Under the terms and conditions of the warrants, the period during which the warrants may be exercised may be extended if participants are prevented from exercising their subscription rights due to applicable laws on insider trading or equivalent.
- (iv) The new shares shall carry rights to dividends for the first time on the record day for dividends that occurs after subscription has been executed.
- (v) The complete terms and conditions for the warrants will be made available on the company's website, www.balcogroup.se, from 3 November 2020 at the latest. As set forth in the terms and conditions for the warrants, the subscription price and the number of shares that a warrant entitles subscription for, may be recalculated in certain cases.

Increase in share capital

The company's share capital may, upon exercise of all 400,000 warrants, increase by SEK 2,400,094.40 (calculated on a quota value of SEK 6.000236), subject to such recalculation of the number of shares that each warrant entitles subscription for that may be made in accordance with the complete terms and conditions of the warrants.

Authorisation

The Board of Directors shall be authorised to extend the subscription period.

Allotment to potential participants outside of Sweden is dependent on tax effects and that there otherwise are no legal obstacles towards such an allotment and that such an allotment can take place with reasonable financial and administrative resources. In the event of such an allotment, the Board of Directors is authorised to make such minor adjustments as may be necessary with regards to foreign applicable law.

The Board of Directors shall furthermore be authorised to make such minor adjustments in the resolution that may be required in connection with the registration of the warrants at the Swedish Companies Registration Office.

Approval of transfer of warrants to participants in the incentive programme

The Board of Directors proposes that the general meeting resolves to approve that the wholly-owned subsidiary eligible for subscription transfers not more than 400,000 warrants 2020/2023 to the CEO of the company, senior executives and other key individuals in the group with the ability to directly influence the group's earnings, or retains and later transfers the warrants on the following terms and conditions.

Price and valuation

The warrants shall be transferred against cash payment and at a price corresponding to market value. For warrants acquired at market price, the price (the warrant premium) shall be established in accordance with the Black & Scholes valuation model in connection with the time of transfer.

Allotment

The Board of Directors of the company shall decide on the allotment of warrants in accordance with the following principles.

- (i) The warrants may be granted to the company's CEO, senior executives and other key individuals in the group with the ability to directly influence the group's earnings. In such a case, the CEO of the company may be allotted up to 120,000 warrants. Other participants, in total numbering approximately 24, are divided based on seniority into different categories that may be allotted in total a maximum of 280,000 warrants. However, the maximum number of warrants that may be allotted shall not exceed 400,000 warrants. Members of the company's Board of Directors shall not be allotted any warrants. The first transfer to the participants in the programme may take place no later than 6 months from the date of the decision of the general meeting to issue the warrants.
- (ii) Warrants may be allotted to the participants during the period from and including the day of the decision of the general meeting to issue the warrants and during a period of 6 months thereafter. Allotment may only take place to the extent that the total number of warrants allotted under the incentive programme does not exceed 400,000 warrants. However, the last day for allotment and transferral pursuant to this item (ii) does not apply to warrants that

have not been transferred pursuant to item (iii) or which have been repurchased pursuant to item (iv).

- (iii) If a person who has been allotted a right to acquire warrants does not wish to acquire his or her full share, the non-acquired part of his or her share shall be included in the number of un-allotted warrants, which may be offered to other existing or newly recruited persons within the categories specified in item (i) above.
- (iv) In connection with the transfer of warrants to the participants in the incentive programme, the company shall reserve itself the right to repurchase the warrants under certain conditions. The company will thus have a right but not an obligation to repurchase warrants from participants during the term of the incentive programme. Repurchases of warrants shall be done at a price that does not exceed the market value of the warrants. Repurchases of warrants may however not take place during such periods when trading in financial instruments in the company is forbidden due to applicable laws on insider trading or any equivalents. Such repurchased warrants may be transferred in accordance with item (ii) above.

Dilution effect

If all 400,000 warrants 2020/2023 are exercised for subscription of 400,000 new shares, the dilution effect will be approximately 1.8 per cent (based on the total number of shares at time of this notice).

Subsidies

For the purpose of encouraging participation in the programme, the Board of Directors may decide to subsidise the participants' participation in the programme in the form of a gross salary supplement. The level of the salary supplement will at most correspond to the gross amounts invested by the participant to be subsidised. If the Board decides on such a subsidy to the participants, the subsidy will be paid out in connection with the exercise of the warrants and *i.a.* assume that the participant at that time still remains in his or her employment in the company or other equivalent employment within the Balco Group, and holds his or her warrants. The subsidy for each participant shall amount to a maximum amount corresponding to the premium paid for the participant's warrants held at the time of payment.

Costs

The transfers of the warrants will take place at a price that corresponds to the market value of the warrants at the time of the transfer, which means that no social security contributions will arise for the group in connection with the issue and transfer of the warrants.

Warrants transferred to participants will be accounted for in accordance with IFRS 2 and will be recorded as a personnel expense in the income statement over the duration of the incentive programme.

The total cost for the incentive programme, including social security costs, if any, the subsidies according to the previous heading and advisory fees, is estimated to be approximately SEK 4 million.

The programme is estimated to entail only limited direct costs for the company. Therefore, no measures to secure the programme are planned to be made.

Effect on key ratios

If the incentive programme had been established in 2019, subject to the assumptions set out above, the impact on earnings per share would have been approximately SEK 0.08.

Subject to the assumptions set out above, the total cost of the incentive programme, including social security, is estimated to be approximately SEK 4 million over the duration of the incentive programme. This cost may be compared to the company's total salary costs, including social security costs, of approximately SEK 217 million in 2019.

Preparation of the proposal

The incentive programme has been prepared by the Board of Directors and the remuneration committee and has been dealt with at Board meetings during August and October 2020.

Proposal under item 8): Resolution on amending the articles of association

The Board of Directors proposes that the Articles of Association be amended as follows. The amendment is a consequence of the fact that the concept in question has been reworded in the relevant legislation.

That the term "company name" (Sw. *firma*) in § 1 of the Articles of Association be adjusted to "company name" (Sw. *företagsnamn*).

NUMBER OF SHARES AND VOTES

The total number of shares and votes in the Company, at the time of the issue of the notice, is 21,909,348. The Company does not possess any own shares at the time of the issue of the notice.

SPECIFIC MAJORITY REQUIREMENTS

Resolution in accordance with the Board of Directors' proposals under item 7) above requires that shareholders with at least nine tenths of both the votes cast and the shares represented at the general meeting approve the proposal. Resolution in accordance with the Board of Directors' proposals under item 8) above requires that shareholders representing a minimum of two thirds of both the votes cast and the shares represented at the general meeting approve the proposal.

SHAREHOLDERS' RIGHT TO REQUEST INFORMATION

Shareholders present at the Extraordinary General Meeting may request information in accordance with Chapter 7 Section 32 of the Swedish Companies Act (Sw. *aktiebolagslagen*).

PROCESSING OF PERSONAL DATA

For information on how your personal data is processed, see <https://www.euroclear.com/dam/ESw/Legal/Privacy-notice-bolagsstammor-engelska.pdf>.

AVAILABLE DOCUMENTS

Documents that shall be provided prior to the Extraordinary General Meeting will be available at the Company's office and on the Company's website, www.balcogroup.se, from and including 3 November 2020 at the latest and will also be sent free of charge to the shareholders who make a request to that effect and provide their postal address.

Växjö in October 2020
Balco Group AB (publ)
The Board of Directors