

*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.*

## **The Board of Directors' proposal on dividends and statement in accordance with Chapter 18, Section 4 and Chapter 19, Section 22 of the Swedish Companies Act (2005:551)**

### **The Board of Directors' proposal for distribution of profits**

The distributable funds available to the Annual General Meeting amounts to SEK 173,752,888. The Board of Directors of Balco Group AB, reg. no. 556821-2319, proposes that the Annual General Meeting resolves on a distribution of profits for the 2018 financial year of SEK 2 per share, equivalent to a total of SEK 42,857,546.

The Board of Directors proposes that the record date shall be Thursday 23 May 2019. If the Annual General Meeting approves the proposal, the dividend is expected to be paid through Euroclear Sweden on Tuesday 28 May 2019.

### **Motivated statement pursuant to Chapter 18, Section 4 and Chapter 19, Section 22 of the Swedish Companies Act**

Regarding the Board of Directors' proposal for dividend, and the Board of Directors proposal to authorize the Board of Directors to resolve on acquisition of own shares, on one or several occasions during the period up to the next annual general meeting, to the extent that the Company's holdings of own shares totals no more than one tenth of all shares in the Company, the Board of Directors hereby makes the following statement in accordance with Chapter 18, Section 4 and Chapter 19, Section 22 of the Swedish Companies Act (2005:551).

The proposals regarding dividend and the authorization to resolve on acquisition of own shares are in accordance with the provisions of Chapter 17, Section 3, paragraph. 2 and 3 of the Swedish Companies Act for the reasons set out below.

The assets and liabilities have been valued at their true value in accordance with Chapter 4, Section 14 a of the Annual Reports Act (1995:1554). As the Company only use financial instruments to a limited extent, only an insignificant part of the Company's equity is affected by the application of such valuation.

The Company and the Group's financial position as per 31 December 2018 is stated in the most recent annual report. The annual report also states which accounting principles have been applied in the valuation of assets, allocations and liabilities.

The dividend distribution proposal sets out that the Board of Directors proposes a dividend distribution of SEK 2 per share. As of 31 December 2018, the Group's equity debt ratio amounted to 41.4 per cent and the parent company's equity debt ratio amounted to 64.8 per cent. The proposed distribution as well as any utilisation of the authorization to repurchase own shares does not jeopardise the completion of investments which are deemed to be necessary.

The dividend proposal is adapted to the ambition of paying a good and stable dividend over time. Balco Group's dividend target over time is to pay a dividend to shareholders of at least half of the profits after tax. In the Board of Director's opinion, the proposed dividend, as well as the proposal to authorize the Board of Directors to resolve on acquisition of own shares, are justifiable taking into account the requirements that the nature and scope of the business, as well as the risks associated with it, place on the Group's equity and financial position. Against the background and in view of the above, the Board of Directors is of the opinion that the proposed disposition of profits, as well as the proposal to authorize the Board of Directors to resolve on acquisition of own shares, are justifiable in view of the requirements set forth in Chapter 17 Section 3 paragraphs 2 and 3 of the Swedish Companies Act, that the value transfers shall be deemed justifiable in view of the requirements that the nature and scope of the business, as well as the risks associated with it, place on the Group's equity and the Company's and the Group's financial strength, liquidity and position in general.

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Växjö in April 2019  
**BALCO GROUP AB (PUBL)**  
*Board of Directors*