

## **Board statement pursuant to Chap. 18 § 4 of the Swedish Companies Act**

The Board of Directors has proposed that the AGM (Annual General Meeting) 2006 resolves on an appropriation of profits implying dividends of SEK 5.75 per share to shareholders. Accordingly, dividends would amount to a total of SEK 200 086 384. Due to the Board of Directors' proposed dividends, the Board of Directors hereby makes the following statement pursuant to Chap. 18 § 4 of the Swedish Companies Act (2005:551).

The consolidated profits brought forward from the previous year amount to MSEK 1 962 and profit for the financial year 2005 of MSEK 290. For the parent company, profits brought forward are MSEK 953 and profits are MSEK 267. Assuming the AGM 2006 approves the Board of Directors' proposed dividends, SEK 1 020 330 618 will be carried forward. The company has full coverage for restricted equity after the proposed dividends.

The Board of Directors considers that after proposed dividends, the group's and the company's shareholders' equity will be sufficient in relation to the type, extent and risks of operations. Accordingly, in its assessment, the Board of Directors has considered factors such as the group's profit level, future outlook, cash flow and investment requirement.

The board has evaluated the group's and the company's position, and the group's and the company's scope to fulfil its commitments for the short and long term. At year-end, the proposed dividends amount to 7.8% of consolidated shareholders' equity and 14% of the company's shareholders' equity. The company's shareholders' equity would have been SEK 50 lower than if the assets and liabilities valued a fair value pursuant to Chap. 4 § 14a of the Swedish Annual Accounts Act had been valued proceeding from the acquisition value or the lower of cost of market instead.

After dividends are paid, the group's and the company's equity/assets ratio would amount to 44.7% and 45.5% respectively. Accordingly, the group's and the company's shareholders' equity is sufficient. The Board of Directors considers that the group and the company have the prospects to assume future business risks, and also to absorb potential losses. The dividends would not exert a negative influence on the group's and the company's capacity to make further investments pursuant to the Board of Directors' plans.

The proposed dividends would not negatively affect the group's and the company's capacity to fulfil their payment commitments. The group and the company have good access to short and long-term credits, which can be drawn down at short notice. Accordingly, the Board of Directors considers that the group and the company are well prepared to cope with changes in terms of liquidity and unexpected events.

Apart from what has been stated above, the Board of Directors has considered other known circumstances that may be significant to the group's and the company's financial position. Thus, no circumstances have arisen implying that the proposed dividends would not appear defensible.

*The Board of Directors*  
HÖGANÄS AB  
Höganäs, Sweden, February 2006