

Board of Directors' statement pursuant to Chap. 18 § 4 of the Swedish Companies Act

The Board of Directors has proposed that the Annual General Meeting (AGM) 2007 resolves on an appropriation of profit with a dividend of SEK 6.25 per share to the shareholders. Accordingly, the dividend amounts to a total of SEK 217,485,200. Due to the Board of Directors' proposed dividend, the Board of Directors hereby makes the following statement pursuant to Chap. 18 § 4 of the Swedish Companies Act (2005:551).

The group's profits carried forward from the previous year amount to MSEK 2,052 and the profit for the financial year 2006 to MSEK 402, of which MSEK 1 is attributable to minority share. For the parent company, profits carried forward are MSEK 923, and the profit for the financial year 2006 is MSEK 408. Assuming the AGM 2007 approves the Board of Directors' proposed appropriation of profits, SEK 1,113,879,583 will be carried forward. The company's restricted shareholders' equity is fully covered after the proposed dividend.

The Board of Directors considers that after the proposed dividend, the group's and the company's shareholders' equity will be sufficient in relation to the nature, scope and risks of the business of the group and the company. In this context, the Board of Directors has considered factors such as the group's profit level, future outlook, cash flow and investment requirements.

The Board of Directors has considered the group's and the company's position and the group's and the company's prospects of fulfilling their commitments in the short and long term. At year-end, the proposed dividend amounts to 8.3% of the consolidated shareholders' equity and 9% of the company's adjusted shareholders' equity. The company's shareholders' equity would have been MSEK 58 lower if the assets and liabilities valued at fair value pursuant to Chap. 4 § 14 a of the Swedish Annual Accounts Act, instead had been valued on the basis of acquisition value, or according to the lower of cost or market principle (*Sw. lägsta värdets princip*).

After the distribution of dividend, the group's and the company's equity/assets ratios are 47.2% and 46.8%, respectively. Accordingly, the group's and the company's equity/assets ratios are satisfactory. The Board of Directors considers that the group and the company will be able to assume future business risks, and to withstand potential losses. The dividend will not have a detrimental impact on the group's or the company's capacity to make further investments pursuant to the plans of the Board of Directors.

The proposed dividends will not exert a detrimental impact on the group's or the company's capacity to fulfil their payment commitments. The group and the company have ready access to short and long-term credit that can be drawn down at short notice. Accordingly, the Board of Directors considers that the group and the company are well prepared to respond to changes in regard to liquidity as well as unexpected events.

In addition to the above, the Board of Directors has considered other known circumstances that may be significant to the group's and the company's financial position. In this context, no circumstances have arisen implying that the proposed dividends would not appear justifiable.

Höganäs in February 2007
The Board of Directors
HÖGANÄS AB