

---

# **POLICY ON CAPITAL ALLOCATION**

---



**BRØDRENE A & O JOHANSEN A/S**

Rørvang 3

DK-2620 Albertslund

Denmark

CVR (Central Business Register) No.: 58210617

As adopted by the Board of Directors on 5<sup>th</sup> December 2024

# **1 Financial objectives**

The Board of Directors has set the following financial objectives:

- An annual growth that exceeds the growth of the market. This growth is to take place through a combination of investments in organic growth and acquired growth.
- A profit margin that equals an EBITDA of 10%. The increase in the profit margin is to take place primarily via continuous economies of scale achieved through increased sales.
- A cash flow from operating activities that equals 7.5% of revenue.
- Solid capital resources that are compliant with the adopted capital resources policy.

# **2 Policy on capital allocation and dividend distribution**

It is Brødrene A & O Johansen A/S's policy to ensure and maintain robust capital resources with a solvency ratio of at least 40% and an indicative financial leverage of 1.0 to 2.5. Financial leverage can be increased in connection with acquisitions.

In compliance with the capital resources policy, AO wants to allocate the free cash flow in the following order of priority:

1. Reduction of the interest-bearing debt if AO is above the financial leverage target.
2. Investment in profitable growth, both investment in the existing business and acquisitions, where acquisitions, including synergies, are expected to generate a return on the invested capital before tax of at least 15%.
3. Allocation to shareholders in the form of ordinary dividends defined as 33-50% of the profit for the year after tax.
4. Excess liquidity is used for additional allocation to shareholders in the form of extraordinary dividends, share buy-back programmes, etc.

AO's Board of Directors may deviate from the above-mentioned policy, if it is deemed necessary out of consideration for future market conditions, acquisitions, or other conditions.