

**The Board of Directors' of Höganäs Aktiebolag proposal for an automatic redemption of shares, including (A.) a change of the Articles of Association, (B.) a share split, (C.) a reduction of the share capital for repayment to the shareholders, and (D.) an increase of the share capital by way of a bonus issue, etc.**

## **Background**

The Board of Directors of Höganäs AB proposes, with the aim of rationalising the company's capital structure, that the Annual General Meeting to be held on 21 April 2008 resolves on an automatic redemption of shares. According to this procedure each share is to be divided into two shares (share split 2:1), with a quotient value of SEK 2.50, of which one share will be redeemed at SEK 15.00 and, as a result, a total amount of SEK 522,009,480 will be distributed to the shareholders in addition to the proposed ordinary dividend of SEK 6.25 per original share. To make it possible to distribute funds in an easy and time-efficient way, the Board of Directors further proposes that a bonus issue be implemented by a transfer of SEK 87,747,330 from the company's non-restricted equity to the share capital. For this reason, the Board of Directors proposes that the Annual General Meeting decides in accordance with the following proposal.

### **A. Change of the Articles of Association**

The Board of Directors proposes that the wording of the Articles of Association be changed, involving that the permitted range of the share capital be reduced from a minimum of SEK 127,500,000 and a maximum of SEK 510,000,000 to a minimum of SEK 80,000,000 and a maximum of SEK 320,000,000 (Section 4).

### **B. Share split**

The Board of Directors proposes that the quotient value of the share (the share capital divided by the number of shares) is changed by way of a so called share split, so that each share be divided into two shares (of the same series) of which one is to be named redemption share in the VPC system and be redeemed in the manner described under Section C. below. The record day at VPC AB (the Swedish Central Security Depository) for implementation of the share split is set to 16 May 2008. After implementation of the share split, the number of shares in the company will increase from 35,098,932 to 70,197,864, each share with a quotient value of SEK 2.50.

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**C. Reduction of the share capital for repayment to the shareholders**

The Board of Directors proposes that the Annual General Meeting resolves that the share capital be reduced for repayment to the shareholders by SEK 87,747,330 (the reduction amount) by way of redemption of 35,098,932 shares, each share with a quotient value of SEK 2.50, whereby redemption of redemption shares of series A and series B respectively is to be in proportion to the number of shares of each series by the time of the record day for the redemption shares. The shares that are to be redeemed are the shares which, after implementation of the share split in accordance with Section A. above, are named redemption shares in the VPC system, whereby the record day for the right to receive redemption shares according to Section B. above is to be 16 May 2008.

For each redeemed share (irrespective of the series of shares) a redemption price of SEK 15.00 shall be paid in cash, of which SEK 12.50 exceeds the quotient value of the share. Own shares, possessed by the company, shall however be redeemed without repayment. The total distribution amount is estimated to SEK 522,009,480 (the amount is calculated on the number of outstanding shares per 1 February 2008 when the company possessed 298,300 own shares). In addition to the reduction amount of SEK 87,747,330 a total amount of SEK 435,007,900 will be distributed, by use of the company's non-restricted equity. Payment for the redeemed shares is to be made as early as possible, however not later than ten banking days after the Swedish Companies Registration Office's registration of all resolutions pursuant to Sections A. – D.

After implementation of the reduction of the share capital, the company's share capital will amount to SEK 87,747,330, divided into, in total, 35,098,932 shares, each share with a quotient value of SEK 2.50. Apart from the reduction of the share capital, the company's restricted equity will not be affected.

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In its statement under Chapter 20, Section 13, fourth paragraph of the Swedish Companies Act, the Board of Directors states the following. The resolution on reduction of the share capital for repayment to the shareholders by redemption of shares according to this Section C. may be implemented without obtaining the Swedish Companies Registration Office's or a general court's permission, since the company at the same time implements a bonus issue according to Section D. below, as a measure with the object that neither the company's restricted shareholders' equity, nor its share capital be reduced. The effect of the reduction of the share capital and the bonus issue on the company's restricted equity and the share capital appears, as concerns the reduction, from what is stated in the preceding paragraph and, as concerns the bonus issue, from what is stated in Section D. below.

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The Board of Directors' statement pursuant to Chapter 20, Section 8 of the Swedish Companies Act is enclosed as Appendix 1.

**D. Increase of the share capital by way of a bonus issue**

The Board of Directors further proposes that the Annual General Meeting resolves that the company's share capital be increased by way of a bonus issue, by SEK 87,747,330 to SEK 175,494,660 by a transfer of SEK 87,747,330 from the non-restricted equity. No new shares are to be issued in connection with the increase of the share capital.

The number of shares in the company will, after implementation of the increase of the share capital, be 35,098,932, each share with a quotient value of SEK 5.00. In the company's Articles of Association there is a conversion clause according to Chapter 4, Section 6 of the Swedish Companies Act.

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Resolutions adopted by the Annual General Meeting pursuant to Sections A. – D. above is to be adopted as one single resolution. To be valid, the Annual General Meeting's resolution must be supported by shareholders holding at least two thirds of both the votes cast and the shares represented at the meeting.

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Finally, the Board of Directors proposes that the Annual General Meeting resolves to authorise the company's CEO to make the small adjustments of the resolutions pursuant to Sections A. – D. above that may be required in connection with the registration of the resolutions by the Swedish Companies Registration Office or VPC AB. Registration of the share split at the Swedish Companies Registration Office shall take place on 8 May 2008.

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Höganäs in March 2008  
HÖGANÄS AB (publ)  
The Board of Directors