



Information on automatic redemption of shares in Höganäs AB 2008

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BRIEF DESCRIPTION OF THE REDEMPTION PROCEDURE

- After resolution at the Annual General Meeting on 21 April 2008, each Höganäs share (irrespective of series) will be divided into two shares (share split), of which one shall be named redemption share in the VPC-system.
- The record day for the share split and the right to receive redemption shares is 16 May 2008.
- The redemption share is redeemed automatically for a cash payment of SEK 15.
- The payment of the redemption amount is expected to take place on 12 June 2008.
- Trading in redemption shares on the OMX Nordic Exchange Stockholm will take place from 19 May until 30 May 2008. Banks and other institutions with necessary permits can assist with trading in redemption shares.

This document does not constitute an offer but merely gives information regarding the Board's proposal regarding distribution of capital to the shareholders in Höganäs through an automatic redemption procedure. The purpose of this document is solely to provide the shareholders in Höganäs with information before the Annual General Meeting on 21 April 2008 which will be proposed to decide on an automatic redemption procedure. The Board's complete proposal is available at the company and on the company's website (www.hoganas.com) and will be sent to shareholders at request.

This document is a translation of the Swedish version. In the event of any discrepancies between this translation and the Swedish version, the Swedish version shall prevail.

BACKGROUND AND REASONS FOR THE REDEMPTION PROCEDURE

On 8 February 2008, the Board of Höganäs AB ("Höganäs") announced a proposal regarding an automatic redemption procedure. The background of the Board's proposal, which entails distribution of a large lump sum to the company's shareholders, is to rationalise the company's capital structure.

The proposal of the redemption, which will be submitted at the Annual General Meeting in Höganäs on 21 April 2008, entails a share split in the Höganäs share, where each share will be divided into one share and one redemption share which automatically will be redeemed for SEK 15. This means through the redemption procedure, approximately SEK 522 million will be distributed to the shareholders. The payment of the redemption amount is expected to be made on 12 June 2008.

The Board has assessed that a redemption of approximately SEK 522 million, together with a

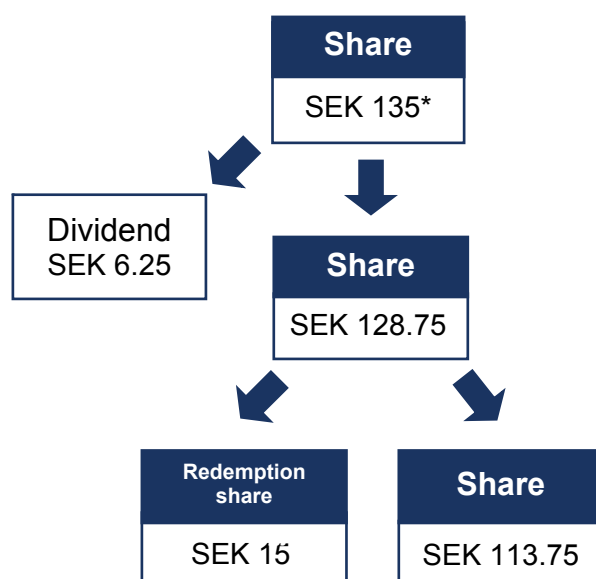
dividend of SEK 6.25 per original share, i.e. a total distribution of SEK 740 million is an appropriate level for the distribution of capital to the shareholders. Even after these distributions to the shareholders, Höganäs is deemed to have a stable financial position which enables further expansion pursuant to established plans. The proposed redemption procedure is a simple and effective way to distribute capital to the shareholders.

Additional information regarding the redemption procedure can be found in this brochure, which has been produced as information for the Annual General Meeting on 21 April 2008.

Höganäs in March 2008

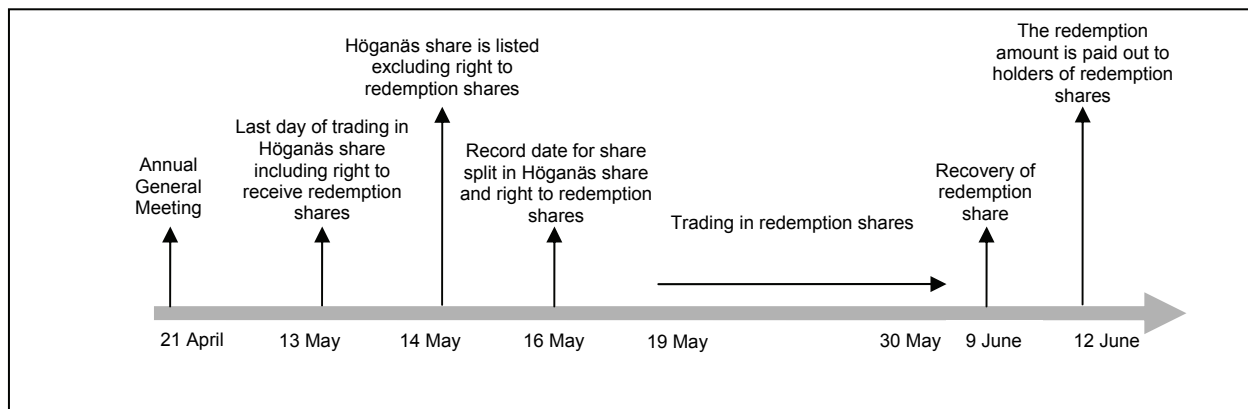
Höganäs AB

ILLUSTRATIVE EXAMPLE OVER THE SHARE SPLIT AND THE REDEMPTION PROCEDURE



Since the procedure is automatic, the shareholders in Höganäs do not need to take any course of action in order to receive the redemption amount.

*The current share price on the record day is, for illustrative purposes, assumed to be SEK 135.

TIMETABLE 2008**FURTHER INFORMATION REGARDING THE REDEMPTION PROCEDURE****PAYMENT OF REDEMPTION AMOUNT**

In connection with the payment of the redemption amount, the redemption shares will be removed from the shareholder's VP-account. A VP-notice relating to this will not be sent out.

The redemption amount of SEK 15 in cash for each payment of redemption share is expected to be made around 12 June 2008. The payment will be distributed through VPC to the yield account which is connected to the VP-account. A VP-notice will be sent as a confirmation of the payment.

NOMINEE REGISTERED SHARES

Shareholders in Höganäs, which shares are registered with a nominee, e.g. a bank or other fund manager, will receive redemption shares pursuant to information from each nominee.

FOREIGN SHAREHOLDERS

Shareholders who are not tax residents in Sweden but participate in the redemption procedure and have their shares redeemed, are obliged to pay Swedish withholding tax, see "Tax considerations in Sweden". Hence, withholding tax will be withheld from such shareholders in connection with the payment of the redemption amount. Consequently, a part of the redemption amount will be withheld for covering the withholding tax.

CONDITIONS FOR THE REDEMPTION PROCEDURE

The redemption procedure requires that the Annual General Meeting on 21 April 2008 resolves on an automatic redemption of shares subject to the Board's proposal. The proposal regarding redemption of shares entails decisions on amendment of the Articles of Association, a share split, reduction of the share capital for repayment to the shareholders and restoring of the share capital through a bonus issue.

FINANCIAL EFFECTS FOR HÖGANÄS

In order to illustrate how the redemption procedure and the share split would affect Höganäs' consolidated accounts as per 31 December 2007, pro forma information regarding certain items in the balance sheet and profit and loss accounts as well as certain key

ratios is presented below. The income of the period has been calculated as if redemption of shares took place as per 1 January 2007. The balance sheet items have been prepared as if redemption took place as per 31 December 2007.

Financial effects of redemption of shares for the Höganäs group

	31 Dec. 2007	Adjustment	Pro forma 31 Dec. 2007
Shareholders' equity, MSEK	2 764	-522	2 242
Financial net debt, MSEK¹⁾	900	+522	1 422
Earnings per share, SEK²⁾	12.39	-	12.39
Debt ratio³⁾	0.33	0.18	0.51
Equity/ assets ratio, %⁴⁾	53.3	-10.1	43.2

1) Total interest-bearing debt reduced by liquid funds.

2) Calculated on the weighted average number of outstanding shares before dilution.

3) Net borrowings in relation to the total of shareholders' equity.

4) Total shareholders' equity in relation to the total assets.

Changes in the shareholders' equity and the number of shares in Höganäs, pro forma (MSEK)					
The balance sheet for the group as per 31 Dec. 2007.	Pro forma before the transaction	Split 2:1	Redemption of shares	Bonus issue	Pro forma after the transaction
Shareholders' equity					
Share capital	175.49		-87.75	87.75	175.49
Reserves	-80			0	-80
Profits carried forward, incl. the result of the year	2 669		-434.26	-87.75	2 146.99
Total/change	2 764.49		-522.01	0	2 242.48
Quotient value, SEK	5.00	2.50	2.50	5.00	5.00
Number of shares – total, millions	35.10	70.20	35.10	35.10	35.10
Whereof shares held by Höganäs	0.298	0.596	0.298	0.298	0.298
Share capital, MSEK	175.49	175.49	87.75	175.49	175.49

TAX CONSIDERATIONS IN SWEDEN

The presentation below is a summary of certain Swedish tax regulations that apply to holders of series B shares in Höganäs as a result of the redemption procedure.

Tax considerations for shareholders in Sweden

Receipt of redemption shares

The receipt of redemption shares pursuant to the share split as such does not give rise to any taxation. Instead, the acquisition cost of the original Höganäs shares immediately before the share split shall be allocated between the redemption shares and the ordinary shares in Höganäs. The allocation will be based on the market values of the redemption shares and the ordinary shares in relation to the share split and the detachment of the redemption shares. Höganäs intends to seek general advice from the Swedish Tax Agency regarding how this allocation shall be made.¹

Example of allocation of acquisition cost

*Assume in this example, that a shareholder has one B share in Höganäs with an average acquisition cost of SEK 100 immediately before the share split, that the trading price at the time of the share split is SEK 130 and that the price of the redemption share is SEK 15. Furthermore, assume in this example, that the Swedish Tax Agency in its forthcoming general advice determines that 88 per cent (note that this is solely an assumption) of the acquisition cost for one original B share will be allocated to the remaining ordinary series B share received pursuant to the share split and 12 per cent to the series B redemption share. The acquisition cost of the redemption share will consequently be SEK 12 (12 per cent of SEK 100). The average acquisition cost of the remaining B share will then be SEK 88 (88 per cent of SEK 100). **Thus, when the redemption share is redeemed or sold a capital gain of (15-12) = SEK 3 will arise.***

Redemption and sale of redemption shares

Redemption of shares and sale of redemption shares, for example by sale in the market, give rise to capital gains taxation. A capital gain or capital loss shall be computed based on the difference between the received payment, after deduction of sales costs, if any, and the acquisition cost. The received payment for shares redeemed is the redemption amount. The received payment for redemption shares sold in the market is the sales price.

The acquisition cost for redemption shares received at the share split shall be calculated by allocating the acquisition cost as described above under the heading "Receipt of redemption shares". The acquisition cost of shares acquired in the market is the actual acquisition cost for the shares. The acquisition cost of all shares of the same series and type shall be computed collectively in accordance with the average method. It should be noted that the redemption shares are no longer considered to be of the same series and type as the ordinary Höganäs shares. For shares that are quoted on a market, the acquisition cost may alternatively be determined in accordance with the standard method to 20 per cent of the sales price after deduction of sales costs.

For **individuals**, the capital gain is taxed in the capital income category. The tax rate is 30 per cent. A capital loss on quoted shares is fully deductible against taxable capital gains in the same year on shares and other quoted securities that are taxed as shares except for units in Swedish investment funds that only contain Swedish receivables (Sw: räntefonder). Any excess losses are 70 per cent deductible against other income from capital.

If an overall capital deficit arises, a reduction from national and municipal income tax as well as from real estate tax and municipal real estate charge is granted. A tax reduction of 30 per cent is provided for

¹ Information on the Swedish Tax Agency's general advice will be published on Höganäs website (www.hoganas.com) and the Swedish Tax Agency's website (www.skatteverket.se).

deficits that do not exceed SEK 100 000 and 21 per cent of any remaining deficit. Deficits cannot be carried forward to later fiscal years.

In the case of **limited liability companies**, capital gains on shares that are not deemed to be held for business purposes are taxed as income from business operations at a tax rate of 28 per cent. Deductible capital losses on shares and other securities that are taxed as shares may only be offset against taxable capital gains on shares and other securities that are taxed as shares. In certain cases, capital losses may be offset against capital gains within a certain corporate group if group contributions are permitted among the companies. Capital losses that cannot be utilized during a certain year may be carried forward and be utilized against eligible capital gains in subsequent fiscal years.

Certain tax considerations for shareholders with a limited tax liability in Sweden

In the case of shareholders that have a limited tax liability in Sweden, the redemption of shares for cash payment is deemed to be a dividend, which means that Swedish withholding tax is levied on the received payment. The tax rate is 30 per cent but is generally reduced under tax treaties that Sweden has concluded with other countries. Swedish withholding tax is levied regardless of the redemption shares being received by the share split or acquired in the market. A refund for the withholding tax that is attributable to the acquisition cost of the shares or, provided that the shares are quoted, 20 per cent of the redemption amount, may be admitted if a claim for a refund is filed with the Swedish Tax Agency. The acquisition cost is usually allocated between the redemption shares and ordinary shares as mentioned in the example under the heading "Receipt of redemption shares". A claim for refund is to be filed with the Swedish Tax Agency at the latest at the end of the fifth calendar year after payment.

Shareholders with a limited tax liability in Sweden and who are not carrying on business operations from a fixed place or a permanent establishment in Sweden are generally exempt from capital gains taxation in Sweden on the disposal of shares. However, shareholders may be liable for tax in their country of residence. If a shareholder with a limited tax liability in Sweden, being an individual, has been resident or lived permanently in Sweden at any time during the year of the sale or the ten calendar years immediately preceding the year of the sale of Swedish shares, Sweden has the right under a domestic rule to tax such a holder. This right to tax is, however, limited by several tax treaties that Sweden has concluded with other countries.

It should be noted that no Swedish withholding tax is payable if the redemption shares are sold in the market.

*Unless otherwise stated, the summary is based on regulations and practice currently in force for shareholders who hold series B shares in Höganäs and have an unlimited tax liability in Sweden. The summary does not cover situations in which securities are held as current assets in business operations or are held by partnerships. Neither does it deal with the special tax regulations applying to certain corporate categories nor the rules on tax-exempt capital gains (including non-deductible capital losses) and dividends on shares considered to be held for business purposes. Nor does the summary cover the special rules that may apply to holdings in companies that have been acquired by means of "qualified shares" in closely held companies. For shareholders that are not tax resident in Sweden, the tax consequences are affected by provisions of the shareholder's home state and by tax treaties between Sweden and other states. The tax implications for each shareholder depend on the shareholder's specific circumstances. **All shareholders should consult a tax advisor for information on the specific tax consequences arising from the redemption procedure for their part.***

QUESTIONS AND ANSWERS

Why does not Höganäs invest the surplus fund in the business instead of “distributing” them?

Even after the regular dividend and the redemption procedure, Höganäs is deemed to have a stable financial position which enables further expansion pursuant to established plans.

What does an automatic redemption procedure of shares entail?

An automatic redemption means that the shares, which after an implemented share split are named redemption shares in the VPC-system, are automatically redeemed to a predetermined cash amount, with no need for any action on the part of the shareholders. This is a simple and effective way to distribute funds to the shareholders.

Does a shareholder need to do anything?

Provided that the Annual General Meeting on 21 April 2008 resolves on the automatic redemption procedure according to the Board's proposal, a shareholder on 16 May 2008, does not need to do anything. Höganäs will automatically redeem the redemption shares for a cash payment of SEK 15 per redemption share.

How and when will the share price of the Höganäs share be affected?

It is impossible to predict in detail how the share price will be affected by the split into shares and redemption shares. In theory, the share price should decrease by the redemption amount for the redemption share, that is SEK 15. This change in the share price will take place two trading days before the record date of the share split of the Höganäs share.

When will the redemption amount be paid out?

The redemption amount will be paid to the shareholders' yield account, connected to their VP-account around 12 June 2008. If a shareholder wishes to receive payment earlier, the redemption shares can be sold to current market price on the OMX Nordic Exchange Stockholm during the trading period 19 May – 30 May 2008. Commission will be levied.

Are there any conditions for the execution of the redemption procedure?

Yes, the implementation of the procedure is conditional upon approval of the procedure by the Annual General Meeting on 21 April 2008.

What is a redemption share?

A redemption share is a share in Höganäs which automatically will be redeemed for SEK 15. Payment for the redemption shares will take place around 12 June 2008.

How will shareholders find out the price of the redemption shares when traded?

The redemption shares will be listed on the OMX Nordic Exchange Stockholm. Hence, the price will be shown on the OMX Nordic Exchange Stockholm's website, in newspapers etc.

What are the options regarding the redemption procedure?

Shareholders can either:

1. Choose to wait and automatically receive payment for the redemption shares in connection with redemption of the shares. Payment of the redemption amount is expected to take place around 12 June 2008.
2. Choose to sell all or some of the redemption shares on the OMX Nordic Exchange Stockholm during the trading period 19 May – 30 May, 2008. Commission will be levied.

What are the tax consequences at redemption of shares compared to a dividend?

Shareholders must report the sale and/or redemption of redemption shares in their tax returns, see “Tax considerations in Sweden” on pages 6 and 7. For a large group of shareholders, for example individuals in Sweden, redemption of shares is more tax efficient than a dividend since, to put it simply, the shareholder may deduct a portion of the acquisition cost of the original share before the split. This is also the case should the shareholder choose to sell the redemption share, see example on page 6.

What are the tax consequences for foreign shareholders?

Shareholders who are not tax resident in Sweden and participate in the redemption procedure are obliged to pay Swedish withholding tax if their shares are redeemed, see “Tax considerations in Sweden” on pages 6 and 7. Withholding tax will thus be withheld for foreign shareholders in connection with the payment of the redemption amount. However, no Swedish withholding tax is payable if the redemption shares are sold in the market.

