

# Höganäs

## NOTICE CONVENING THE ANNUAL GENERAL MEETING

Shareholders of **Höganäs AB (publ)** are hereby convened to the AGM (Annual General Meeting) at 3 p.m. on Monday 21 April 2008 at HB-Hallen, Bruksgatan, Höganäs, Sweden.  
The premises open for registration at 1:30 p.m.

### Notification

Shareholders that wish to participate at the AGM should *first* be recorded on the share register maintained by VPC AB (the Swedish Central Securities Depository & Clearing Organization) by no later than on Tuesday 15 April 2008 *second* notify the company of their intention to participate at the AGM by no later than 4 p.m. on Tuesday 15 April 2008.

Notification can be made by post to Höganäs AB, 263 83 Höganäs, Sweden, by telephone +46 (0) 42 33 80 59, by fax +46 (0) 42 33 80 80, on the company's Website [www.hoganas.com](http://www.hoganas.com), or by e-mail: [bolagsstamma@hoganas.com](mailto:bolagsstamma@hoganas.com). Notifications should state name, address, telephone number, personal or corporate identity number and registered shareholdings. Shareholders intending to bring assistants should notify the company simultaneously with their own applications. Representatives of legal entities should submit the necessary authorization documentation prior to the Meeting. Power of attorney forms will be available from the company's Website [www.hoganas.com](http://www.hoganas.com), and can be sent by mail to those shareholders that contact the company stating their address.

For entitlement to participate at the AGM, shareholders that have registered their shares with bank trust departments or independent nominees must temporarily re-register their shares in their own name with VPC. Such registration should be complete by no later than 15 April 2008. Accordingly, shareholders should request re-registration of shares with their nominee in good time before this date.

### Proposed agenda:

1. Opening the Meeting and election of the Chairman of the Meeting;
2. Preparing and approving the Voting List;
3. Approving the agenda;
4. Appointing two people to verify the minutes;
5. Consideration of whether the Meeting has been duly convened
6. Submission of the Annual Report and Audit Report, and the Consolidated Financial Statements and Consolidated Audit Report, including statements from the Chief Executive Officer and a statement on the activities of the Board and the Board's Committees;
7. Resolutions on:
  - a) adopting the Income Statement and Balance Sheet and the Consolidated Income Statement and Consolidated Balance Sheet;
  - b) appropriation of the company's profits pursuant to the adopted Balance Sheet and the record date for dividends;
  - c) discharging the Board members and Chief Executive Officer from liability;
8. Approval of the number of Board members;
9. Approval of Directors' and auditors' fees;
10. Election of the Board of Directors and Chairman of the Board;
11. Approval of auditors' fees
12. Proposal regarding the Election Committee;
13. Proposal regarding the guidelines for remunerating the corporate management;
14. Proposal regarding the transfer of class B treasury shares to the Chief Executive Officer, without payment;
15. Proposal regarding a performance-related employee stock option plan encompassing resolutions on
  - a) the introduction of an employee stock option plan 2008;
  - b) the acquisition of shares in the company;
  - c) the transfer of treasury shares due to the employee stock option plan 2008;
  - d) the transfer of treasury shares due to the employee stock option plan 2007.

16. Proposal regarding an automatic redemption procedure including resolutions on:
  - a) Amendment of the Articles of Association;
  - b) division of shares;
  - c) reduction of share capital for re-payment to shareholders;
  - d) increase of share capital through bonus issue.
17. Closing the Meeting

### Proposal from the Election Committee (items 1 and 8-11)

The Election Committee for this year's AGM has comprised Ulf G Lindén (Lindéngruppen), Chairman, Carl-Olof By (Industrivärden), Ramsay Brufer (Alecta), Henrik Didner (Didner & Gerge Fonder) and Chairman of the Board Per Molin. The Election Committee has proposed that:

- Attorney Ragnar Lindqvist is appointed Chairman of the Meeting;
- The number of Board members will be eight, with no Deputies;
- Directors' fees will be SEK 2,100,000, with the Chairman of the Board receiving SEK 450,000 and other members elected by the AGM but not employed by the group each receiving SEK 225,000, and the remaining SEK 300,000 payable as remuneration for committee activities, at SEK 50,000 each to the two external Board members in the company's Finance Committee and SEK 100,000 to the chairman of the company's audit committee and SEK 50,000 each to the two external Board members of the Audit Committee, with no remuneration payable for work on the Remuneration Committee;
- Re-election of the following Board members Alrik Danielson, Per Molin, Bernt Magnusson, Jenny Lindén Urnes, Bengt Kjell, Oystein Krogen and Urban Jansson, and election of Peter Gossas;
- Re-election of Per Molin as Chairman of the Board;
- Fees payable to auditors according to account.

Hans-Olov Olsson and Agnete Raaschou-Nielsen have declined re-election.

Peter Gossas works for the Sandvik group as head of the Sandvik Materials Technology business area, is a member of Sandvik's group management, a Board member of a number of Sandvik group companies and is Chairman of the Swedish Employers' Association of the Steel and Metal Industry, Kanthal AB and Sandvik Process Systems AB.

### Dividends (item 7b)

The Board of Directors proposes a dividend of SEK 6.25 per share for the financial year 2007, with Thursday 24 April 2008 as the record date. If the AGM resolves pursuant to the proposal, dividends will be scheduled for disbursement from VPC on Tuesday 29 April 2008.

### Proposed Election Committee (item 12)

The Election Committee shall comprise representatives of the four largest shareholders in terms of the number of vote, pursuant to VPC's register as of 31 August 2008, and the Chairman of the Board, also convenor. The member representing the largest shareholder will be appointed Chairman of the Election Committee. If a member leaves the Election Committee before its activities are complete, if considered necessary, his/her replacement should be appointed from the same shareholder, or if the shareholder is no longer one of the largest shareholders, from the next-largest shareholder. If the ownership structure essentially changes in some other manner before the task of the Election Committee is complete, then if the Election Committee so decides, the composition of the Election Committee will be changed in the manner the Election Committee considers appropriate.

The composition of the Election Committee for the AGM 2009 will be published no later than six months before the AGM. There will be no remuneration to members of the Election Committee. The company will be liable for potential overheads for Election Committee activities. The Election Committee's mandate period will run until the composition of the next Election Committee is published.

**Proposal regarding guidelines for remunerating the corporate management (item 13)**

The Board of Directors proposes that the AGM approves guidelines for remuneration and other employment terms of the corporate management, with substantially the following terms, which are unchanged compared to 2007.

Remuneration to the corporate management shall comprise a fixed and a performance-related part. Performance-related pay shall be subject to a maximum. The fixed basic salary of the corporate management shall be on market terms and based on skills, responsibility and performance. Performance-related remuneration shall not exceed fixed salary, and in normal circumstances, not exceed six months' salary. It will relate to the satisfaction of pre-determined objectives. The corporate management and other key employees will be eligible for employee stock option plans. The Chief Executive Officer will be eligible for a special share-related incentive scheme.

The corporate management's non-monetary benefits and pensions will correspond to what can be considered reasonable in relation to local market practice where the respective management team member is active. Pension benefits will be based on defined-contribution pension schemes or national pension schemes such as Sweden's ITP scheme (Supplementary Pensions for Salaried Employees). Dismissal and severance pay for a member of the corporate management should not exceed a total of 24 months' salary. Normally, a six-month mutual notice period shall apply. The Board of Directors shall possess the right to deviate from the aforementioned guidelines for remunerating the corporate management in special circumstances in individual cases.

**Proposal regarding the transfer of class B treasury shares to the Chief Executive Officer, without payment (item 14)**

The Board of Directors proposes that the AGM approves the transfer of 4,500 class B treasury shares to the company's Chief Executive Officer Alrik Danielson free of payment as a share-related incentive for 2007.

This proposal comprises part of a long-term contracted equity-related incentive package agreed with Alrik Danielson, according to which Mr. Danielson will receive shares for the financial year 2006 pursuant to resolution by the AGM 2007, and assuming the AGM's resolution for the financial years 2007 and 2008, will also receive class B shares of the company free of payment for each of these financial years if the company achieves budgeted EBIT, as this target is adjusted and adopted pursuant to the agreement. Additionally, this requires Mr. Danielson to acquire and retain a specified number of shares in the company himself, and remain employed as Chief Executive Officer. After the end of each financial year, the Board of Directors shall determine whether the terms for apportioning the shares to Mr. Danielson have been satisfied, and in such case, propose to the AGM that apportionment is effected through the transfer of treasury shares, which providing there is no obstacle, will be conducted by no later than 30 May.

For validity, resolution on the above requires the support of shareholders with at least nine-tenths of the votes cast and the shares represented at the Meeting.

**Proposal regarding a performance-related employee stock option plan item (15)**

The AGM 2007 resolved on the introduction of a performance-related employee stock option package intended to offer key employees of the group the opportunity of future shareholding in the

company, and therefore to realise increased interest in, and commitment to, the company's operations. The package, approved in 2007, was the first part of a three-year package intended to cover the years 2007-2009. Accordingly, the Board is proposing a performance-related employee stock option plan also for 2008.

To be able to consummate the proposed scheme, the Board of Directors proposes that the AGM resolves as stated in items a)-d) below.

For validity, resolutions pursuant to item b) below require representation by shareholders with at least two-thirds, and resolutions pursuant to items c)-d) below require representation by shareholders with at least nine-tenths of the votes cast and shares represented at the Meeting.

**Item 15 a) Introduction of a performance-related employee stock option plan 2008**

The Board of Directors proposes that the AGM approves the scope and basic principles of the performance-related employee stock option plan for 2008 of class B shares of the company pursuant to the following:

*Allotment*

The Board of Directors shall have the right to decide on the allotment of employee stock options that may provide approximately 45 key employees of the group with the opportunity to acquire a maximum total of 250,000 class B shares in the company.

Allotment is dependent on the progress of the group in 2008 against the Board of Directors' determined and weighted target figures for the following value factors: return on capital employed, volume growth and earnings per share. If the target figure for a growth factor determined by the Board of Directors is exceeded by 5 per cent, the allotment will be 100 per cent of the maximum number of shares attributable to this growth factor, within the scope of the determined weighting, while no allotment of a value factor occurs if the determined target figure of the value factor is more than 5 per cent lower than determined, and in the intervening interval a *pro rata* allotment will be effected.

Allotment of employee stock options is subject to the following maximum numbers per person in the various key groups:

- category 1 - Chief Executive Officer — 25,000 employee stock options
- category 2 - other senior executives (approx. 15) — 9,000 employee stock options
- category 3 - key employees (approx. 30) — 3,000 employee stock options

The Board of Directors will decide on the individuals in the aforementioned groups based on authority, qualification and individual performance. The apportionment of employee stock options will be effected in March 2009 and thereafter. The Board of Directors shall have the right to introduce an alternative incentive scheme for key employees in those countries where apportionment of employee stock options is not appropriate. As far as practically possible, such alternative incentive scheme will be designed on the corresponding terms as the employee stock option plan. Employee stock options are not transferable and necessitate continued employment and also that the option-holder has not been made redundant, nor terminated his/her employment.

*The maturity and exercise periods of employee stock options*

The maximum maturity of employee stock options will be four years from the time of allotment.

Stock options will be exercisable to acquire shares as follows:

- 50% at the earliest two years after allotment
- all, at the earliest three years after allotment.

Alternatively, if the holder so requires, the stock options will be redeemable for cash, whereupon the holder receives an amount corresponding to the difference between the share price upon exercise and the exercise price.

Exercise price and restatement

The exercise price will be determined at an amount corresponding to 120% of the average volume-weighted price paid of class B shares on the Stockholm Stock Exchange during a period of 10 trading days immediately prior to 14 May 2008. If the AGM were to make resolutions including an increase or reduction of the number of outstanding shares, or dividends exceeding the company's dividend policy, restatement may be conducted during the term of the employee stock options to retain the value of employee stock options. Any decisions on restatement shall be taken by the company's Board of Directors.

Delivery of shares and costs

The employee stock options confer a right to acquire existing shares. To ensure the delivery of shares and as a hedge against potential cash flow effects of social security costs resulting from the employee stock option plan, the Board of Directors intends to undertake hedging through equity swaps with third parties and/or under the condition that pursuant to AGM resolution on items b)-c) below, acquisitions of treasury shares that can be transferred to employees under the auspices of the performance-related employee stock option plans.

Item 15 b) Acquisitions of class B treasury shares

The Board of Directors proposes that for the period until the next AGM, the Board of Directors is authorised to decide on the acquisition of class B treasury shares on the Stockholm Stock Exchange. The re-purchase may be conducted so that the holding of treasury shares amounts to a maximum of 1/10 of all shares of the company. The purpose of the proposed re-purchase option is to give the company the opportunity to transfer shares to employees, pursuant to the above, and hedge the aggregate costs of the performance-related employee stock option plan.

Item 15 c) Transfer of class B treasury shares due to the employee stock option plan 2008

The Board of Directors proposes the transfer of a maximum of 330,000 treasury shares to employees pursuant to the performance-related employee stock option plan stated in item 15 a). Additionally, in the period before the next AGM, the company shall have the right to transfer the requisite number of shares if participants demand cash redemption, and a maximum of 80,000 shares of the holding of 330,000 shares with the aim of covering specified expenditure, mainly social security costs.

Item 15 d) Transfer of treasury shares due to the employee stock option plan 2007

Due to the company's performance-related employee stock option plan 2007, the company shall have the right to transfer the requisite number of shares in the period before the next AGM if participants demand cash redemption, and a maximum of 80,000 shares of the holding of 330,000 shares with the aim of covering specified expenditure, mainly social security expenses.

**Proposal regarding automatic redemption procedure (item 16)**

With the aim of rationalising the company's capital structure, the Board of Directors proposes that the AGM 2008 approves an automatic redemption procedure, pursuant to which each share will be divided into two (2:1 share split), whereupon one share will be redeemed against SEK 15, whereupon a total of SEK 522,009,480 will be transferred to shareholders in addition to the proposed cash dividend of SEK 6.25 per original share. Additionally, to be able to transfer these funds in a simple and time-efficient manner, the Board of Directors proposes that a bonus issue is conducted by transferring SEK 87,747,330 from non-restricted equity to share capital. For this reason, the Board of Directors proposes that the AGM approves the following proposals.

Resolutions on items 16 a)-d) should be taken as a single resolution. For validity, resolution on the above requires the support of

shareholders with at least two-thirds of the votes cast and the shares represented at the Meeting.

Item 16 a) Amendment of Articles of Association

The Board of Directors proposes that the formulation of the Articles of Association is amended so that share capital limits are 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 (§ 4).

Item 16 b) Division of shares

The Board of Directors proposes that the quotient value of the share (share capital divided by the number of shares) is changed through a share split implying that each share is divided into two shares (of the same class), one of which will be designated as a redemption share in the VPC system and redeemed in the manner stated in item c) below. The record date at VPC for conducting the division of shares will be 16 May 2008. After the division of shares is completed, the number of shares in the company would increase from 35,098,932 to 70,197,864, each share with a quotient value of SEK 2.50.

Item 16 c) Reduction of share capital for re-payment to shareholders

The Board of Directors proposes that the AGM resolves to reduce the company's share capital for a re-payment of SEK 87,747,330 (reduction amount) to shareholders by redeeming 35,098,932 shares, each share with a quotient value of SEK 2.50, whereupon withdrawal of class A and class B redemption shares will be *pro rata* with the number of shares issued in each share class at the time of the record date for redemption shares. The shares to be withdrawn will be those shares designated redemption shares in the VPC system, after the division of shares conducted pursuant to item b) above, whereupon the record date for rights to receive redemption shares pursuant to item b) above will be 16 May 2008.

A redemption amount of SEK 15 cash will be paid for every redeemed share (regardless of share class), of which SEK 12.50 will exceed the share's quotient value. However, the company's treasury shares will be redeemed without payment. The total redemption amount is calculated at SEK 522,009,480 (calculated on the number of outstanding shares as of 1 February 2008, at which time the company held 298,300 treasury shares). In addition to the reduction amount of SEK 87,747,330 an amount totalling SEK 435,007,900 will be transferred to shareholders, which will consume non-restricted equity. Payment for these redeemed shares will be made as soon as possible, although at the latest ten banking days after the Swedish Companies Registration Office registers all resolutions pursuant to items a)-d).

After the completed reduction of share capital, the company's share capital will be SEK 87,747,330, divided between a total of 35,098,932 shares, each share with a quotient value of SEK 2.50. In addition to the reduction of share capital, the company's non-restricted equity will not be affected.

Item 16 d) increase of share capital through bonus issue

Additionally, the Board of Directors proposes that the AGM resolves to increase the company's share capital by SEK 87,747,330 to SEK 175,494,660 through a bonus issue by transferring SEK 87,747,330 from non-restricted equity. No new shares are to be issued coincident with the increase of share capital.

After the completed increase of share capital, the number of shares in the company will amount to a maximum of 35,098,932, each share with a quotient value of SEK 5. The company's Articles of Association include a reservation on conversion, pursuant to chapter 4 § 6 of the Swedish Companies Act.

Finally, the Board of Directors proposes that the AGM approves the company's Chief Executive Officer being authorised to make minor amendments to resolutions on items 16 a)-d) above that may prove necessary coincident with registration of the resolutions at the Swedish Companies Registration Office or VPC AB.

**Documentation, etc.**

The Annual Report and Audit Report and the Board of Directors' complete proposals for resolution according to items 13-16, and the Board's justified statement for resolution for item 7 b) and statements pursuant to chapter 19 § 22 and chapter 20 § 8 and the auditor's statement pursuant to chapter 8 § 54, chapter 20 § 8 and chapter 20 § 14 of the Swedish Companies Act as well as the Election Committee's statement will be available at the company and from its Website [www.hoganas.com](http://www.hoganas.com) by no later than from 7 April 2008 onwards. These documents will be provided for those shareholders that specifically request them, and will be distributed at the AGM. An information memorandum on the proposed automatic redemption procedure will be distributed to shareholders in March-April 2008 and will be available at the company's Website.

**Number of shares and votes**

The total number of shares in the company is 35,098,932, of which 981,000 are class A shares and 34,117,932 are class B shares. The total number of votes of the company is 43,927,932.

*The Board*

Höganäs, Sweden, March 2008