

## **THE BOARD OF DIRECTORS' PROPOSAL REGARDING ACQUISITION OF CLASS B TREASURY SHARES AND TRANSFER OF CLASS B TREASURY SHARES DUE TO THE EMPLOYEE STOCK OPTION PLANS OF 2007 AND 2009**

### **Background**

The Annual General Meeting (AGM) 2007 resolved to approve a performance-related employee stock option plan to offer the key employees of the group the possibility of a future joint-ownership in the company and thereby among other things, an increased interest and commitment in the company's activities. The plan that was decided in 2007 was the first part in a three year plan intended to comprise the period 2007-2009. The allotment of the options is contingent upon how the group develops in relation target figures established by the Board of Directors. In 2007, the participants were allotted a total of 123,853 employee stock options (re-calculated after the redemption procedure of 2008). No allotment was made to the participants of the plan of 2008. For 2009, there will be an allotment of 250,000 employee stock options.

To hedge against possible cash flow effects of social security costs and cash redemption due to the employee stock option plans, the AGMs of 2007 and 2009 have authorised the Board of Directors to resolve on acquisition and transfer of treasury shares. Each authorisation has, due to legal reasons, only been valid up until the following AGM. Therefore, resolutions on acquisition and transfer of treasury shares have been repeated in each consecutive AGM. In the light hereof, the Board of Directors propose that the Board of Directors is authorised to resolve on acquisition and transfer of shares in the company in accordance with items a)-b) below.

### **A) Acquisition of class B treasury shares**

For the period up until the next AGM, the Board of Directors is authorised to resolve on acquisition of treasury shares as follows:

1. Acquisitions are permitted on Nasdaq OMX Stockholm;
2. Acquisitions may be made on one or more occasions before the next AGM;
3. Acquisitions are subject to a maximum number of class B shares, so that after each acquisition, the company will hold no more than 10 per cent of the total number of shares in the company;
4. Acquisitions on Nasdaq OMX Stockholm may be made at a price per share within the quoted price interval from time to time;
5. Payment for shares shall be made in cash;
6. The Board of Directors shall have the right to set other conditions for acquisitions.

The purpose of this authorisation is to give the Board of Directors, in the period until the next AGM, the possibility to satisfy the company's commitment pursuant to the terms of the company's performance-related employee stock option plan and enable hedging against the possible cash flow effect of social security costs resulting from performance-related employee stock option plans.

*CONVENIENCE TRANSLATION*

The Board of Directors' statement pursuant to Chap. 19 § 22 of the Swedish Companies Act (2005:551) is set out in Appendix 1.

**B) Transfer of class B treasury shares**

1. Due to the performance-related employee stock option plan 2007 and 2009, if participants demand cash redemption, the company shall have the right, before the AGM 2011, to transfer the requisite number of shares on Nasdaq OMX Stockholm at a price within the quoted price interval for the share from time to time;
2. Due to the performance-related employee stock option plan 2007 and 2009, the company shall also have the right, before the AGM 2011, to transfer a maximum of 120,000 class B shares, for the purpose to cover social security costs. The transfer of these shares shall be made on Nasdaq OMX Stockholm at a price within the quoted price interval for the share from time to time.

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Resolutions by the AGM pursuant to items a) and b) above require approval of shareholders with at least two-thirds of the votes cast and shares represented at the AGM.

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Höganäs in March 2010  
HÖGANÄS AB (publ)  
*The Board of Directors*

## **THE BOARD OF DIRECTORS' STATEMENT PURSUANT TO CHAPTER 19, SECTION 22 OF THE SWEDISH COMPANIES ACT**

Due to the Board of Directors' proposal for authorisation for the Board of Directors to acquire treasury shares, the Board of Directors hereby makes the following statement pursuant to Chapter 19, Section 22 of the Swedish Companies Act (2005:551).

The Board of Directors considers that the group's and the company's shareholders' equity after the proposed authorisation for the Board of Directors to acquire treasury shares 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 company's shareholders' equity would have been SEK 1,802,396 lower if the assets and liabilities valued at fair value pursuant to Chapter 4, Section 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 value principle (*Sw. lägsta värdets princip*).

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 authorisation for the Board of Directors to acquire treasury shares 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 authorisation for the Board of Directors to acquire treasury shares will not have 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 become known which would imply that the proposed authorisation for the Board of Directors to acquire treasury shares, would not appear justifiable.

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