

*This is a non-official translation of the Swedish original wording. In case of discrepancies between the English translation and the Swedish original, the Swedish text shall prevail.*



## **NOTICE TO THE ANNUAL GENERAL MEETING OF HEXPOL AB (publ)**

**Shareholders of HEXPOL AB are hereby summoned to the Annual General Meeting (AGM) to be held at 3 p.m. CET on Friday, 29 April 2016 at Malmö Börshus at the address Skeppsbron 2, Malmö, Sweden.**

### **A. RIGHT TO PARTICIPATE IN THE ANNUAL GENERAL MEETING**

Shareholders who wish to participate in the AGM must:

firstly, be registered in the share register maintained by Euroclear Sweden AB no later than 23 April 2016, and

secondly, notify the company of their intention to attend the AGM under the address HEXPOL AB, "Annual General Meeting", Skeppsbron 3, SE-211 20 Malmö, by e-mail to [info@hexpol.com](mailto:info@hexpol.com) or at the website [www.hexpol.com](http://www.hexpol.com) no later than 25 April 2016.

In connection with notification, shareholders must state their name, address, telephone number (daytime), personal or corporate identity number and information concerning their shareholding. For shareholders who will be represented by proxy at the Annual General Meeting, the original version of a signed and dated power of attorney must be enclosed with the notification. A form for the power of attorney is available on the company's website, [www.hexpol.com](http://www.hexpol.com) and will be sent by mail on request to shareholders who state their address. For those representing a legal entity, a verified copy of the registration certificate or corresponding document showing the company's signatories must also be submitted.

In order to be entitled to participate in the AGM, shareholders whose shareholding is registered in the name of a trustee must, before 23 April 2016, re-register their shares in their own name at Euroclear Sweden AB. Since Saturday 23 April 2016 is not a banking day, Euroclear Sweden AB will issue the share register for the AGM on first preceding banking day i.e. Friday 22 April 2016. Therefore, shareholders who wish to participate in the AGM must already have completed such re-registration on Friday 22 April 2016. Thus, the trustee should be notified well in advance of the aforementioned date.

### **B. AGENDA OF THE ANNUAL GENERAL MEETING**

#### **Proposal for agenda**

1. Opening of the Meeting.
2. Election of Chairman of the Meeting.
3. Preparation and approval of the list of shareholders entitled to vote at the Meeting.
4. Approval of the agenda.
5. Election of one or two officers to verify the minutes.
6. Determination of whether the Meeting has been duly convened.

7. Address by the President.
8. Presentation of
  - a) the annual report and the auditors' report, as well as the consolidated financial report and auditors' report on the consolidated financial report for the financial year 2015, and
  - b) statement from the company's auditor confirming compliance with the guidelines for the remuneration of senior executives that have applied since the preceding AGM.
9. Resolutions concerning
  - a) adoption of the income statement and balance sheet, and of the consolidated income statement and consolidated balance sheet, all as per 31 December 2015,
  - b) disposition of the Company's profit as set forth in the balance sheet adopted by the Meeting and the record date for dividend distribution, and
  - c) discharge of the Board of Directors and the President from personal liability.
10. Determination of the number of members and deputy members of the Board.
11. Determination of the fees to be paid to the Board members and auditors.
12. Election of members of the Board.
13. Election of auditor.
14. Election of members of the Nomination Committee.
15. Proposal regarding a directed issue of subscription warrants and approval of transfer of subscription warrants and shares (Incentive Program 2016/2020).
16. Determination of guidelines for the remuneration of senior executives.
17. Closing of the Meeting.

## **Proposals**

### **Election of Chairman of the Meeting (Item 2)**

The Nomination Committee elected in anticipation of the 2016 AGM, comprising Mikael Ekdahl (Melker Schörling AB), Åsa Nisell (Swedbank Robur fonder), Henrik Didner (Didner & Gerge Fonder) and Elisabeth Jamal Bergström (Handelsbanken Fonder), has proposed that Chairman of the Board Melker Schörling be elected Chairman of the 2016 AGM.

### **Proposed disposition of the Company's profit (Item 9 b)**

The Board proposes that a dividend of SEK 1.70 per share be declared and that the record date for the dividend shall be Tuesday 3 May 2016. If the AGM so resolves, the dividend is expected to be distributed by Euroclear Sweden AB on Monday 9 May 2016.

### **Proposals regarding election of Board members and fees (Items 10-12)**

The Nomination Committee proposes the following:

- The number of Board Members shall be eight, without deputies.
- Directors' fees shall be paid as follows: SEK 650,000 to the Chairman of the Board and SEK 320,000 to each of the other Board Members elected by the AGM who are not employed by the company. As remuneration for committee work, the chairman of the Audit Committee shall receive SEK 200,000 and each member of the Audit Committee SEK 100,000 and the chairman of the Remuneration Committee shall receive SEK 75,000 and member of the Remuneration Committee SEK 50,000.
- Re-election of Board Members Melker Schörling, Georg Brunstam, Alf Göransson, Jan-Anders Månson, Malin Persson and Ulrik Svensson and Märta Schörling as ordinary Board Members.
- Election of Kerstin Lindell as new ordinary Board Member.
- Re-election of Melker Schörling as the Chairman of the Board.

*Kerstin Lindell* (born 1967) is Managing Director and CEO of Bona AB. Kerstin Lindell has previously inter alia worked as research and development manager at Akzo Nobel and is also vice president of The Chamber of Commerce and Industry of Southern Sweden (Sw: *Sydsvenska Industri- och Handelskammaren*). In addition, she is a member of the board of directors of Peab AB (publ) and HMS Networks AB (publ).

#### **Proposal regarding election of auditor (Item 13)**

The Nomination Committee proposes that the registered auditing firm Ernst & Young AB is re-elected as the company's auditor for a period of one year, whereby it is noted that the auditing firm has notified that, if the auditing firm is re-elected, the authorised public accountant Johan Thuresson will be appointed principally responsible auditor. Fees to auditors shall be payable according to contract.

#### **Proposal regarding election of members of the Nomination Committee (Item 14)**

Shareholders jointly representing approximately 57 per cent of the voting rights in the company propose that the AGM resolve as follows pertaining to Nomination Committee in anticipation of the AGM 2017.

- The Nomination Committee shall have four members.
- Re-election of Mikael Ekdahl (Melker Schörling AB), Åsa Nisell (Swedbank Robur fonder), Henrik Didner (Didner & Gerge Fonder) and Elisabet Jamal Bergström (Handelsbanken Fonder).
- Re-election of Mikael Ekdahl as Chairman of the Nomination Committee.
- Should a shareholder who is represented by one of the Nomination Committee's members cease to belong to the largest shareholders in HEXPOL in terms of voting rights, or should a member of the Nomination Committee no longer be employed by such a shareholder or for some other reason decide to step down from the Nomination Committee prior to the AGM 2017, the Nomination Committee shall be entitled to appoint another representative of the largest shareholders in terms of voting rights to replace such a member.

#### **Proposal regarding a directed issue of subscription warrants and approval of transfer of subscription warrants and shares (Incentive Program 2016/2020) (Item 15)**

##### Incentive program 2016/2020

The Board of Directors proposes that the Meeting resolves to implement a incentive program for the Managing Director and Group CEO, group management, senior executives and key employees in the HEXPOL Group (the "Incentive Program 2016/2020") through the issue of subscription warrants entitling to subscription for new series B shares in HEXPOL AB or, as the case may be, with a right for the company to transfer repurchased series B shares to the participants in the program as further set out below.

##### Directed issue of subscription warrants

The proposal of the Board of Directors means in brief that the Meeting shall resolve on a directed issue of 2,100,000 subscription warrants entitling to subscription for new shares in HEXPOL AB on the following main terms and conditions. With a deviation from the shareholders' preferential right, the right to subscribe for the subscription warrants shall be granted to Gislaved Gummi AB, a wholly-owned subsidiary of HEXPOL AB. Each subscription warrant shall entitle the holder to subscribe for one (1) new share of series B in HEXPOL AB. Subscription and payment of the subscription warrants shall be made on 31 August 2016 at the latest, with a right for the Board of Directors to prolong these time limits. The issue rate shall be set to SEK 9 for each subscription

warrant (the issue rate may be adjusted in case of material changes in the price of HEXPOL AB's share from the time of this notice until subscription is made by Gislaved Gummi AB). Subscription for shares in HEXPOL AB by exercising the subscription warrants shall take place during the period commencing on 1 July 2019 up to and including 31 December 2020. The subscription rate for one new share shall be based on a market valuation of the subscription warrants including the issue rate per subscription warrant, which shall be established by an independent valuation institute in accordance with an established valuation method (Black & Scholes) in connection with the allotment of the warrants to Gislaved Gummi AB. Customary terms and conditions for recalculation will be applicable for the subscription warrants. Upon transfer, the warrants will be subject to pre-emption to HEXPOL AB at their established market value.

The reasons for deviation from the shareholders' preferential rights are that HEXPOL AB wishes to introduce an incentive program intended for allotment to senior executives and key employees within the HEXPOL Group, whereby they will be offered the opportunity to take part in a value increase of the company's share. This is expected to increase the interest in the company's development – as well as in the company's share price development – and to stimulate a continued company loyalty over the forthcoming years. However, the warrants program shall only comprise such executives, who, within the scope of their employment in HEXPOL Group, have an explicit responsibility for the development of the company and a significant possibility to influence such development.

#### Transfer of the subscription warrants

The Board of Directors proposes that the Meeting resolves to approve that Gislaved Gummi AB, on one or several occasions, against payment, transfer subscription warrants to the group management, senior executives and key employees in the HEXPOL Group in accordance with the guidelines stated below, and to otherwise dispose of the warrants in order to fulfill the obligations imposed by the Incentive Program 2016/2020. Transfers can be made directly to the participants in the program, or to a legal entity, pension insurance or other vehicle owned or controlled by the respective participant. Transfers in accordance with the above shall be made at market value. For transfers that take place in connection with the allotment of subscription warrants to Gislaved Gummi AB, the market value shall correspond to the issue rate. For subsequent transfers, the price per subscription warrant shall correspond to the market value of the subscription warrant at the time of transfer.

#### Guidelines for allotment

The Board of Directors of HEXPOL AB shall have the right to resolve on allotment of subscription warrants to approximately 60 senior executives and key employees in the HEXPOL Group in accordance with the following guidelines:

- |                                       |   |
|---------------------------------------|---|
| - Managing Director and CEO           | not more than 225,000 subscription warrants     |
| - Group management                    | not more than 75,000 subscription warrants each |
| - Senior executives and key employees | not more than 30,000 subscription warrants each |

The participants can choose to subscribe for a lower number of subscription warrants than stated above. If the total number of subscription warrants that the participants wish to acquire exceeds the maximum number of subscription warrants that can be issued according to the Incentive Program

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2016/2020, a reduction shall be made proportionally of each person's allotted subscription warrants in relation to the guidelines set forth above. There will be no guaranteed allotment. A participant is entitled to subscribe for a larger quantity of subscription warrants than stated in the guidelines above and may, if the program has not been fully subscribed for, be allotted additional subscription warrants corresponding to maximum 50% of what is stated in the guidelines above. If such oversubscription has occurred, allotment shall be made to participants, who wish to subscribe for additional subscription warrants pro rata in proportion to the number of subscription warrants that they have been allotted in the first allotment. Subscription warrants, which have not been allotted in accordance with the above, shall be reserved for future recruitment of people in the above categories and the guidelines above for allotment shall then be applicable.

### Dilution

At full exercise of the subscription warrants, the share capital may increase by a total of maximum SEK 420,000, which corresponds to a total dilution of maximum approximately 0.61% of the share capital and approximately 0.44% of the number of votes on a fully diluted basis, calculated as the number of new shares in proportion to the number of existing and new shares.

HEXPOL AB's supply of shares in exchange for subscription warrants issued in accordance with the Incentive Program 2016/2020 may be carried out by the utilization of repurchased own shares. The Board therefore proposes that the Meeting resolves that the company, in connection with any demand for exercise of the subscription warrants, with a deviation from the shareholders' preferential rights, may transfer a total of maximum 2,100,000 repurchased own shares in the company at a rate equivalent to the subscription rate for new shares established in connection with the allotment of the subscription warrants in accordance with the Incentive Program 2016/2020 or in accordance with applicable conditions for recalculation. In case repurchased shares are transferred to the participants in the program in accordance with the above, in whole or in part, the dilution as calculated above will be decreased.

Other important key ratios will, at full subscription of the proposed issue and full exercise of all issued subscription warrants in the program, be affected as follows (based on the key ratios in the year-end report for the financial year 2015 and a preliminary valuation of the future capital contribution within the scope of the Incentive Program 2016/2020):

- earnings per share: reduction by SEK 0.03 from SEK 4.05 to SEK 4.02;
- equity per share: increase by SEK 0.65 from SEK 18.11 to SEK 18.76; it being assumed that the warrant holders have exercised the warrants for subscription of new shares by the end of the first quarter 2016.

### Safety measures

The warrants program is not expected to lead to any considerable costs. Therefore, no measures to secure the program are planned to take place.

### Preparation of the matter

The proposal of the Board of Directors has been prepared by the Board of Directors. Georg Brunstam, Managing Director and board member, who may be allotted subscription warrants in accordance with the proposed warrants program, has not taken part in the preparation of the matter.

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### Majority requirements

The Board of Directors' proposal requires a resolution by the Meeting supported by shareholders representing at least nine tenths of both the number of votes cast and the shares represented at the Meeting in order to be valid.

### **Proposal for guidelines for remuneration to senior executives (Item 16)**

The Board of Directors proposes that the AGM 2016 resolves on guidelines for remuneration of the CEO and other senior executives in accordance with the following.

The remuneration shall consist of basic remuneration, variable remuneration, other benefits and pension. The variable remuneration shall be based on earnings and the return on capital employed. Other senior executives are defined as members of the Group Management, currently the CFO and the company's business and product area managers. The total remuneration shall be in accordance with the market practice and be competitive to secure that the HEXPOL Group will be able to attract and retain competent senior executives.

The variable part of the salary shall be related to the earnings trend on which the individual may have an impact and be based on the outcome in relation to individually established goals. The variable part of the salary shall be maximized in relation to the fixed remuneration. The variable remuneration shall not qualify for pension. The variable remuneration is capped and shall constitute a maximum of 130 per cent of the basic remuneration.

Each year the Board of Directors shall consider to recommend the Annual General Meeting to resolve on a share or share rate related incentive program, whereby it is noted that issues and transfers of securities that are resolved upon by the General Meeting in accordance with the so called Leo law-principles in Chapter 16 of the Swedish Companies Act are not subject to these guidelines.

Pension benefits shall either be benefit or fee based, or a combination of both, with an individual pension age, however, never lower than 60 years.

The notice period shall normally be six months on the part of the employee. Between the company and the managing director, the managing director is entitled to a notice period of six months. At notice of termination by the company, a notice period of 24 months shall apply. For other senior executives the notice period shall be six months and on the part of the company normally 12 months.

Remuneration to the managing director and other senior executives shall be prepared by the Remuneration Committee of the Board of Directors and resolved by the Board of Directors based on the proposal of the Remuneration Committee.

These guidelines shall comprise officials who during the validity of these guidelines are part of the Group Management. The guidelines shall apply to employment contracts entered into after the resolution of the Annual General Meeting, and to any amendments of existing contracts. The Board shall be entitled to depart from the guidelines if there are exceptional reasons for doing so in individual cases.

**C. NUMBER OF SHARES AND VOTES IN THE COMPANY**

The total number of shares in the company is 344,201,280, of which 14,765,620 shares are of Series A and 329,435,660 shares of Series B. The total number of voting rights in the company is 477,091,860.

**D. AVAILABLE DOCUMENTATION**

The Annual Report and the auditor's statement, including the Board's proposal for guidelines for remuneration to senior executives, as well as the auditors' statement regarding whether the guidelines have been complied with and the Board's complete proposal concerning Item 15 and 16, as well as the Board's motivated statement to the proposal for dividend distribution according to Item 9 b) will be available for the shareholders at the company's office in Malmö no later than 8 April 2016. Copies of the documents will be sent to those shareholders who request to receive such information and who have provided their address. They will also be available on the company's website [www.hexpol.com](http://www.hexpol.com) and at the AGM.

**E. INFORMATION AT THE ANNUAL GENERAL MEETING**

At the AGM, the Board and the President shall, if requested by a shareholder and the Board considers that it can be done without material damage to the company, provide information regarding issues that may (i) affect the assessment of an item on the agenda, (ii) affect the assessment of the company's or a subsidiary's financial situation or (iii) concern the company's relation to another group company. A shareholder who so requests may send questions in advance by mail to HEXPOL AB, "Annual General Meeting", Skeppsbron 3, SE-211 20 Malmö, Sweden, or by email to [info@hexpol.com](mailto:info@hexpol.com).

Malmö in March 2016

**HEXPOL AB (publ)**

*Board of Directors*