

**PROPOSAL OF THE BOARD OF DIRECTORS FOR A RESOLUTION ON
THE IMPLEMENTATION OF A INCENTIVE PROGRAM 2016/2020 AND A
DIRECTED ISSUE OF SUBSCRIPTION WARRANTS AND THE APPROVAL
OF TRANSFER OF SUBSCRIPTION WARRANTS AND SHARES
(INCENTIVE PROGRAM 2016/2020)**

It is the intention of the Board of Directors of HEXPOL AB that the company should offer senior managers and key employees the opportunity to take part in a value increase of the company's share. Hence, the Board of Directors of HEXPOL AB proposes that the Meeting resolves to implement a new warrants program for the CEO and group chief executive, group management and senior managers 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 own B shares to the participants in Incentive Program 2016/2020 as further set out below.

The Board of Directors proposes that the general meeting resolves

- that the company shall issue two million one hundred thousand (2,100,000) subscription warrants entitling to subscription for new shares in HEXPOL AB by which the share capital may be increased by a total of maximum SEK 420,000;
- that the issue is made with deviation from the shareholders' preferential rights and the right to subscribe for the subscription warrants shall be granted to Gislaved Gummi AB, a wholly-owned subsidiary of HEXPOL AB;
- that the issue rate shall be set to SEK nine (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 proposal until subscription is made by Gislaved Gummi AB);
- that the subscription and payment for 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;
- that each subscription warrant shall entitle the holder to subscribe for one (1) new share of series B in HEXPOL AB with a quota value of SEK 0.20;
- that subscription for shares in the company by exercising the subscription warrants shall take place during the period commencing 1 June 2019 up to and including 31 December 2020;

- that the exercise price per share shall be based on a market valuation of the subscription warrants including the issue rate per subscription warrant, which value shall be established by an independent valuation institute in accordance with established valuation methods (Black & Scholes) in connection with the allotment of the subscription warrants;
- that a share issued, by the exercise of a subscription warrant, before the record date for distribution of profits in connection with the annual general meeting held a certain financial year, shall entitle the warrant holder to participate in the distribution of profits for the previous financial year. A share which is issued, by the exercise of a subscription warrant, after the record date for distribution of profits in connection with the annual general meeting held a certain financial year, shall entitle the warrant holder to participate in the distribution of profits for that financial year;
- that applicable terms of recalculation and other terms and conditions for the subscription warrants are set out in the "*Terms and Conditions for Warrants 2016/2020 to Subscribe for New Shares of series B in HEXPOL AB (publ)*" according to Appendix A;
- that it is approved that Gislaved Gummi AB, on one or several occasions, may transfer the warrants to the group management, other senior managers and key employees in the HEXPOL Group in accordance with the terms and guidelines set forth below and otherwise dispose of the subscription warrants for the fulfilment of the obligations under the Incentive Program 2016/2020;
- that 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;
- that transfers of subscription warrants shall be made at market value;
- that transfers that takes place in connection with the allotment of subscription warrants to Gislaved Gummi AB, the market value shall correspond to the issue rate;
- that for subsequent transfers from Gislaved Gummi AB to participants in the program, the price per subscription warrant shall correspond to the market value of the subscription warrant at the time of transfer;
- that the Board of Directors of HEXPOL AB shall have the right to resolve on the allotment of subscription warrants to approximately 60 senior executives and key employees in the Group in accordance with the following guidelines:
- CEO and group chief executive not more than two hundred twenty-five thousand (225,000) subscription warrants

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| - Group management | not more than seventy-five thousand (75,000) subscription warrants per person |
| - Senior management and key employees | not more than thirty thousand (30,000) subscription warrants per person |

The participants can choose to apply for a lower number of subscription warrants than set out 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 under the Incentive Program 2016/2020, reduction shall be made proportionally to each person's quantity in relation to the guidelines set forth above. There will be no guaranteed allotment. A participant has the right to subscribe for a larger number of warrants than set out in the guidelines above and may be allotted additional warrants corresponding to a maximum of 50 % of what is set out in the guidelines above if full subscription in the program has not been made. If such oversubscription is made, allotment shall be made to the oversubscribing participants pro rata in relation to the number of subscription warrants that they have been allotted in the first allotment. Any remaining warrants, which have not been allotted in accordance with the above, shall be reserved for future recruitment of persons within the above eligible categories, whereby the above guidelines for allotment shall be applicable. Regarding participants in other countries than Sweden, it is implied that transfer legally can take place and that, in the opinion of the Board of Directors, the transfer can take place with reasonable administrative and financial efforts;

that in connection with any demand for exercise of the subscription warrants, the company may, with deviation from the shareholders' preferential rights, transfer a total of maximum two million one hundred thousand (2,100,000) repurchased own shares of series B in the company at a price corresponding to the exercise price for subscription for new shares established in connection with the allotment of the subscription warrants under the Incentive Program 2016/2020 or according to the applicable terms and conditions for recalculation;

that the Board of Directors or anyone appointed by the Board of Directors is authorised to make any minor adjustments that may be necessary in connection with the registration of the above resolution with the Swedish Companies Registration Office (*Sw. Bolagsverket*) and Euroclear Sweden AB; and

that the Board of Directors shall be entitled to adjust the terms of the Incentive Program 2016/2020 to the extent required in order to carry out the allotment of subscription warrants to persons in other countries on, as far

as practically possible, corresponding conditions as are applicable under the Incentive Program 2016/2020.

The reason for deviation from the shareholders' preferential rights is that HEXPOL AB wishes to introduce an incentive program intended for allotment to senior managers 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. The incentive program shall only comprise such participants who, within the scope of their role in the HEXPOL Group, have an explicit responsibility for the development of the company and a significant possibility to influence such development.

At full subscription of warrants in the warrants issue here proposed and full exercise of the warrants, the share capital may increase by a total of 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 the subscription warrants issued in accordance with the Incentive Program 2016/2020 may be carried out by using repurchased own shares. The Board therefore proposes that the Meeting resolves that the company, in connection with any request for exercise of the subscription warrants, with deviation from the shareholders' preferential rights, may transfer a total of maximum two million one hundred (2,100,000) repurchased own shares in the company to the equivalent of the rate for subscription 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 subscription warrants issued by the Company, be affected as follows (based on the corresponding key ratios in the year-end report for 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.

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

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

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.

Malmö in April 2016
The Board of Directors