

Mr Chairman, shareholders and meeting participants,

HEXPOL is a relatively new company on the OMX Nordic Exchange's Mid Cap list, and this is the second Annual General Meeting in our stock market history.

The first Annual Meeting was also held here on Skeppsbron, and our head office is situated only a block away. When I stood here one year ago, I said that we were not a new company, but rather one with a long industrial history dating way back to 1895. One year ago, I also said that 2008 had been a strong, even very strong, year for the HEXPOL Group, but with a sharp downturn toward year-end and a tough start in 2009, as shown in the first-quarter report for 2009. That was followed, as you know, by the financial and automotive crises that developed into a generally dramatic situation.

Today, as I stand here again, I want to describe how we handled the drama and challenges during 2009, but also how we positioned ourselves for the future during this, probably the most turbulent year we will ever have to endure.

I can say right now that we, naturally, were also impacted by the crisis and our sales declined due to our customers' lower volumes, but we adapted very quickly to this lower demand and reported earnings in 2009 that were almost on par with the record-year we noted in 2008 (excluding items affecting comparability). We improved our profit margin, reduced our financial expenses and sharply cut our net debt. Our net debt/equity ratio now amounts to 60 per cent.

I shall now continue by talking a little more about 2009 and our strategies for the future, and then conclude by commenting on the first-quarter report for 2010, which we released at 12:00 noon today. I will also talk about the acquisition of the VTC TPE Group, which we finalized on April 1 this year. Overall, I am extremely pleased that we identified and completed acquisitions of compounding operations – our core area of business activity.

I mentioned in the beginning of this presentation that we are a relatively new company on the Stockholm Exchange, but not a new company overall – our history dates back to 1895, when the Gislöw brothers started a rubber plant in Gislaved, in the Province of Småland. Part of this large "rubber conglomerate" later became the Technical Rubber Division, which built a new production plant in 1996 and eventually became Gislaved Gummi AB, which was acquired by Hexagon AB in 1994.

From Gislaved Gummi's three product areas, wheels for trucks, gaskets for plate heat exchangers and rubber composites (which you see here), Gislaved Gummi has since expanded and, through organic growth and acquisitions, a global polymer group has been created. In principle, our operations today are also based completely on these product areas, but the operations are much larger and, on the whole, completely global in nature. Historically, our figures do not represent anything new, since our results were reported separately for many years as a business area of Hexagon AB, when we were known as Hexagon Polymers AB. In other words, we are not a new company, but rather a company with a long industrial history and a Group whose financial results have been reported throughout the years. We have grown quite rapidly, from slightly more than 300 MSEK in 1998 to 2,600 MSEK in 2009, and we recently completed an acquisition that will add annual sales of approximately 33 MEUR. Over the past 10-12 years, our annual sales have essentially increased tenfold.

Thus, 2008 was our first year as a publicly listed company and, prior to the listing, we also changed our name to HEXPOL and created a new graphic image. The name relates to our polymer connection and our historical link with Hexagon. I will discuss our results during 2009 in just a few minutes, but I first want to present a brief description of our Group.

The HEXPOL Group consists of 20 separate companies (most of which are production companies), plus three sales offices in other markets. The Group is one of the world's leading polymer groups and, with strong global market positions, we offer innovative solutions and products in advanced polymer compounds (Compounding), gaskets for plate heat exchangers (PHE Gaskets) and wheels made of polyurethane, plastic and rubber materials for truck and castor wheel applications (Wheels). The head office is situated here in Malmö.

The Group is organized in two business areas, HEXPOL Compounding and HEXPOL Engineered Products, and has production plants in nine countries. Customers outside Sweden account for more than 90 percent of sales, and seven of the Group's 16 production units are situated in the expansive regions comprising Asia, Mexico and Eastern Europe. We are a qualified supplier of technological products and components with comprehensive proprietary technology in materials, processing and applications.

In order to develop long-term profitability and sustained competitiveness, HEXPOL has focused its operations on markets and segments that offer opportunities to capture market-leading positions.

Customers in the HEXPOL Compounding business area consist mainly of system suppliers to the global automotive industry and other industrial companies. The customers comprise international companies that place high demands on their suppliers with respect to quality and delivery reliability. Examples of key customers are seen here.

The largest customer groups in the HEXPOL Engineered Products business area are OEM manufacturers of plate heat exchangers and truck manufacturers. Growing interest in energy efficiency is driving market growth and, in turn, demand for products from HEXPOL Gaskets. The largest customers for HEXPOL Wheels are producers of materials handling equipment. The increase in cargo handling throughout the world has generated strong growth for these customers. HEXPOL Profiles is one of the leading manufacturers of extruded profiles in the Scandinavian market. A common denominator for all areas of operation lies in the importance of cutting-edge skills and expertise in polymer materials and applications know-how, as well as cost-effective production. Here we see some examples of key customers.

As I said earlier, 2009 was a dramatic and turbulent year. The low demand forced us to adapt capacities and staffing, and I am very sorry that a large number of employees had to leave us. Unfortunately, alignment to the lower volumes was necessary, which I regret.

Despite volume declines during the year of 35-45 per cent for our main markets and customers, the HEXPOL Group showed strength, and we were able to achieve earnings per share, excluding items affecting comparability, of 6.48 SEK (6.89) – almost unchanged compared with the preceding year. Adjusted for items affecting comparability, operating profit amounted to 261 MSEK and the operating margin improved to 10.0 per cent (9.7). Sales were affected favourably by currency effects until the fourth quarter, but declined nevertheless by 18 per cent in a market that declined even more sharply. The operating cash flow was very strong, totalling 462 MSEK (411), as a result of favourable operating profit, excellent management of inventories and trade accounts receivable and payable and lower investments. Our equity/assets ratio was strengthened, amounting to 44 per cent, and we sharply reduced out net debt by 433 MSEK to 760 MSEK (1,193). Accordingly, 2009 was a year characterised by much weaker demand and lower volumes for the HEXPOL Group. We were very quick, however, to implement inventory and cost adjustments

and, as a result, we reported good operating margins during all four quarters of 2009. Unfortunately, after sharp market declines over a period of several years, we were forced to close our compounding operations in Canada.

How did the HEXPOL Group get through this dramatic situation in such a relatively favourable fashion? We have strong market positions, extremely competent and motivated employees and a sound corporate culture that enables speed and flexibility. We have increased our market shares during these difficult times, and we also showed during the fourth quarter, and particularly during the first quarter of 2010, that we have the flexibility to manage a better sales situation in a somewhat improved market.

Our business concept is to serve as a product and application specialist in a limited number of selected niche sectors for development and production of polymer products. HEXPOL should be the most attractive partner for customers in key industries, such as the automotive, medical technology and construction industries as well as the energy and materials handling sectors, by offering innovative and specialised polymer products and solutions.

Our vision is to be the market leader, Number 1 or Number 2, within selected technological or geographic segments. The goal is to generate growth and shareholder value.

We have strong global market positions. In the Compounding sector, for example, we are Number 1 or Number 3, depending how certain factors are computed. Including rubber composites for automotive tyre retreads, we are Number 3, otherwise Number 1. Within PHE Gaskets, we are Number 1, with a British company ranked Number 2. Within wheels, we are one of the three to four largest players. We are convinced that a strong market position is imperative. Within TPE, we are one of the largest players in Europe.

To achieve sustained profitability and competitiveness, five operating strategies are applied. I will now briefly describe each of these five strategies.

1. Development of new products is the key to our success,
2. Most cost-effective in the industry,

3. And with our size, we generate substantial volume and technology advantages through our purchases of raw materials.
4. Furthermore, our experience provides an enormous knowledge base in our skilled and experienced teams.
5. Our decision-making process is really very swift and non-bureaucratic. For example, we adapted very quickly and effectively to the extremely sharp decline in the automotive industry.

In addition to these operating strategies, the Group pursues a strategy for continued growth both organically and through acquisitions, which we have also achieved.

The Board of Directors has approved the following financial objectives over the course of a complete economic cycle. Organic sales growth should average 7-10 per cent annually, and the target for the operating margin is an average of 8-10 per cent annually. The objectives are firmly established and we were also able to achieve our operating margin objective during the most turbulent time we have ever experienced in our history, although we fell short of our sales growth objective during 2009.

Let me comment on the priorities for 2009 that I outlined in the Annual Report for 2008. We promised to increase our market shares, generate new customer projects, grow in emerging markets, focus on financial risks and prioritise our margins and cash flow. We achieved these objectives during 2009. We increased our market shares, generated 462 MSEK in operating cash flow with an improved operating margin (10.0 per cent (9.7)), generated new customer projects and achieved business growth in the world's emerging markets. We also managed financial risks, not least of all in relation to customers, in a favourable manner. I am not satisfied, however, with our growth rate in the world's emerging markets. We will continue to focus on this priority in 2010, with particular emphasis on China. I would also like to comment briefly on business area results during 2009.

Sales by HEXPOL Compounding declined but our market shares increased, the margins improved to 11.4* per cent (9.2) and we improved our operating profit in a difficult market.

2009 was a tough year for HEXPOL Engineered Products. Sales declined and the operating margin was reduced by more than half. We initiated a comprehensive programme of actions, however, and we have reported improved results for the past four consecutive quarters.

Other priorities for 2010 include continued focus on increasing market shares and an active role in the consolidation that, sooner or later, will take place in the compounding industry. Continued focus on margins in a continued relatively difficult market is another important priority. A continued improvement in the earnings of the HEXPOL Engineered Products is another priority in 2010.

Before I summarise and conclude this presentation, however, I would like to comment on our report for the first quarter of 2010, which we released at 12:00 noon today. The report is strong, and we have now established strong and good sales growth, but not at the expense of our strong margins; in fact, we have also improved our margins.

*– Presentation of 2010/Q1 report and presentation of the acquisition of
VTC TPE Group (ELASTO Group) –*

Overall, the HEXPOL Group managed the drama during 2009 both forcefully and rapidly.

On the stock market, our share performed in the following manner during 2009.

Our earnings per share, excluding items affecting comparability, amounted to 6.48 SEK (6.89), almost on par with 2008. We improved our margins, strengthened our market positions and sharply reduced our net debt.

We can now report a first quarter of 2010 with very good growth and continued strong margins and, completely in line our group strategy, we recently completed the highly interesting acquisition of ELASTO – which gels perfectly with our core business activities.

I believe the HEXPOL Group is well equipped for the future.

Thank you for your attention.

* Excluding items affecting comparability