

Mr. Chairman, esteemed shareholders and Meeting participants,

2010 was a very successful year for the HEXPOL Group. Our sales increased in all of our principal markets and in all market segments. Overall, our sales rose a full 46 percent to nearly 3.8 billion SEK from slightly more than 2.6 billion SEK in 2009, despite the effect of exchange rates – the strong SEK – working against us. This resulted in 280 MSEK in adverse sales effects.

We bolstered our earnings per share, excluding items affecting comparability, to 11.98 SEK, compared with 6.48 SEK in 2009. Nearly a doubling!

I also feel that it is important to emphasise that the comparative year, 2009, was admittedly one of the worst years ever, with an automotive and financial crisis, but despite this the HEXPOL Group's earnings were strong in 2009, achieving an operating margin, excluding items affecting comparability, of 10 percent. Under this comparison, we were pleased that our operating profit increased a full 76 percent to 460 MSEK (261)¹.

I am satisfied with and proud of our earnings in 2010, although perhaps even more so that we further improved our already strong market positions. Through the acquisition of Excel – our largest global competitor in rubber compounds – there is now no doubt that we are the global number one in rubber compounds. The acquisition of ELASTO Group enabled us to expand our material base in polymer compounds to thermoplastic elastomer compounds (TPE), representing fascinating, advanced, rapidly growing and demanding “Medical” applications. Both of these acquisitions have already been integrated into the HEXPOL Compounding business area. As mentioned, both of the acquisitions are part of our core operations, in which we are highly proficient, and the two companies have performed very well with us to date. These were two major acquisitions that now belong to a core operation that we dominate – polymer material compounds (Compounding). ELASTO Group and Excel Polymers Group actually topped the list of companies that we wanted to acquire.

For many years, the HEXPOL Group has experienced robust growth – with the exception of 2009 – and always with favourable and strong margins. The lowest operating margin that we have had during a single quarter was during the most intense period of the crisis in 2009, namely the first quarter. At that time, we had an operating margin of 7.1 percent. In other words, I can state that our business concept and business model function and are sustainable. The acquisitions in 2010 further strengthen our market positions in the compounding area.

Markets outside Sweden currently account for about 95 percent of our sales and, as mentioned, we have strong global market positions. For example, we are without a doubt the number one company in rubber compounds and in gaskets for plate heat exchangers. Our HEXPOL Wheels product area is also one of very few global players in its market.

We are also active in growing customer segments. The automotive industry is expanding on a global basis and we also foresee favourable growth in the engineering industry. In addition, we can see robust and increasing demand for products for the energy and materials-handling sector,

¹ Excluding items affecting comparability



thus facilitating demand for our wheels and gaskets. We also see that TPE compounds are expanding rapidly in many exciting areas.

As already touched upon, 2010 was an extraordinary year for us. We exceeded our financial objectives in terms of margins and growth. We experienced strong organic growth and captured market shares, while expanding through major corporate acquisitions. All of this was achieved while maintaining a low cost base and continuously handling volume increases in a flexible manner.

The acquisition of Excel Polymers Group was the largest acquisition we have made to date. Excel Polymers generated sales of 377 MUSD in 2010 with an EBIT of 26 MUSD and has eight strategically located plants in the US, Mexico, the UK and China.

This acquisition provides us with additional opportunities to provide service to global and local customers and EXCEL Polymers' extremely strong positions in engineering and general industry are a great supplement to our solid positions in the automotive industry. The acquisition also provides a much stronger market position in the North American market. We are and have always been growth and acquisition-oriented in our familiar areas – but have also always focused on favourable margins and strong cash flow. As you can see from the graph, we have grown from sales of nearly 500 MSEK in 2001 to pro forma sales of 6.3 billion SEK in 2010. Sales in the first quarter of 2011 reached 1 786 MSEK!

As noted earlier, we have always grown with favourable margins and strong cash flows, based on which the Board proposes a dividend of 3.00 SEK per share (1.00), which is in the middle of the range of our dividend policy.

Our industrial history dates back to Gislaved Gummi in Småland and to the late 1800s – we were in fact a niche company from the very beginning. In 1994, we (Hexagon) purchased a niche-oriented part of the major rubber conglomerate Gislaved AB, namely Tekniskt Gummi, which subsequently became Gislaved Gummi AB. Based on Gislaveds Gummi's three product areas (rubber compounds, wheels and gaskets for plate heat exchangers), this company has subsequently expanded, and the combination of organic and acquisition-based growth has formed a global polymer group – HEXPOL AB!

Today, our operations are also essentially entirely based on these three product areas, although the operation is naturally much larger and essentially fully global. The HEXPOL Group conducts about 95 percent of its sales outside Sweden and comprises 26 manufacturing units in nine countries, in addition to which we have three sales offices in other markets. The head office is located here in Malmö – in fact, just one block away. We are organised in two business areas: HEXPOL Compounding (81%) and HEXPOL Engineered Products (19%). A significant number of manufacturing units are located in the expansive regions of Asia, Mexico and Eastern Europe. For example, we have four manufacturing companies in China and two major units in Mexico!

We are a professional supplier/development partner for technological intermediate goods and components characterised by advanced proprietary technology in materials, processes and applications.

Corporate responsibility

HEXPOL also pursues a strategy involving proactive environmental efforts and has a responsibility to contribute to the sustainable development of our society. Prioritised areas are environmental responsibility, social responsibility and the application of our code of conduct. During the year, work on certifying the environmental-management system progressed very favourably. We have also implemented a number of activities aimed at increasing the energy efficiency in our plants. The business community's interest in our performance in terms of sustainable development is rising and customers, in particular, are imposing demands on us. Accordingly, we report at the B level under GRI (Global Reporting Initiative) reporting standard.

Also allow me to comment on the priorities that I listed one year ago in 2010. I promised that we would increase our market shares and participate in the consolidation that will sooner or later impact the rubber-compound sector. These promises have also been met, particularly through the acquisition of EXCEL Polymers Group, which was one of our largest global competitors. I also pledged to focus on margins and earnings improvements in HEXPOL Engineered Products, which was also achieved! We have experienced seven quarters of earnings improvements in HEXPOL Engineered Products and, in 2010, we improved the Group's operating margin, excluding items affecting comparability, to 12.1 percent (10.0).

In 2011, we will remain acquisition oriented and focused on margins. The greatest and most important tasks facing us in 2011 are to continue developing and generating new customer projects and to intelligently integrate EXCEL Polymers Group into our organisation. The initial results of these efforts can be seen in our Q1 report, which features considerable improvement in margins, solid integration of Excel Polymers Group and increased market shares. We are sticking to our priorities!!!

We will also continue our initiatives concerning sustainable development, as described earlier.

This leads me to the presentation of our earnings from the first quarter of 2011, which were published at 12:00 p.m. today.

Q1 –exceptional presentation of the Q1 report – our best quarter to date

In the stock market, our share performed as follows in 2010 and early 2011

In conclusion, I would once again like to thank all of our employees for their fantastic efforts in 2010 and also thank our customers, suppliers and shareholders for your trust and strong cooperation in 2010. We remain dedicated to continuing to develop the HEXPOL Group in a



positive direction and we have excellent potential to succeed, not least based on the trust that we were given through the successful “proactive” rights issue that was recently completed.

Thank you for your attention.

QUESTIONS AND ANSWERS