

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.

Mr. Chairman, esteemed shareholders and AGM participants,

2016 was another good year for the HEXPOL Group – our best profit to date.

I will now present a relatively brief description of what we achieved during 2016, our acquisitions, and the integration of our acquired units, our growth strategies coupled with favourable margins and strong operating cash flows, as well as our future priorities. Finally, I will also present our report for the first quarter of 2017, which we published today at noon.

As noted, 2016 was our best year to date and a year with stable development within the automotive industry, but with some challenging customer segments in general. During 2016, we have had a positive development in Europe and in NAFTA, and improved our market positions on our principal markets.

We also had a very strong balance sheet, with an equity/assets ratio of a full 77 per cent at year-end 2016, which is satisfactory considering the turbulent situation worldwide and our acquisition agenda. Throughout 2016, we had continued strong operating cash flows, thanks to favourable earnings and continued good management of our working capital. At year-end 2016 we had a net cash of 1,268 MSEK.

Our earnings per share rose to 4.06 SEK per share (4.05) during 2016.

I am relatively satisfied and proud of our earnings but most importantly that we further improved our market positions during 2016. We are world leading in external Rubber Compounds and are also a strong European player in TPE (Thermoplastic Elastomer) compounds, where we now also have started our own production in NAFTA. We have further developed our compounding operations with new, exciting materials and end users through the acquisition of RheTech, who had a good development during 2016.

We have also consolidated our position as a global leader in gaskets for plate heat exchangers. In addition, we are one of a few globally active wheel manufacturers for truck producers. And all of this within our core operations!

Our strategy is to expand in growth markets – and we have achieved this. We also continue our focus on capacity expansion within TPE Compounding and in Mexico.

During 2016, we wisely and responsibly integrated three additional major acquired units in our focus area, Polymer Compounding. With the acquisition of Berwin, we have strengthened our position in the UK market.

HEXPOL is expanding – as noted, we had a positive development in all principal markets during 2016. Our strategy is to grow organically and through acquisitions in known areas, but always with healthy margins and a strong operating cash flow. In 2001, our sales totalled almost 500 MSEK and now in 2016 it reached 10.9 billion SEK. This represents substantial growth, both organically and with acquisitions in known areas. We also raised our margins considerably during this growth.

We have a solid business concept and business model, and a vision that supports them. For example, we coped with the automotive and financial crises in 2009 in a good way.

We also have a vision that guides us. This remains unchanged and being market leader is a central concept for us. Our markets are highly fragmented and include many local competitors, offering us considerable potential.

As I have already said, we have strong global positions and a favourable and advantageous distribution in terms of sales and production. Our strategy, which is based on in-depth and broad-based polymer and application expertise, is successful and well anchored. We combine our solid business model, which results in strong operating cash flows, with organic and acquired growth. Our growth strategy is based on product development, new customers, markets and applications.

We are also active in expanding customer segments. The automotive industry is growing globally and the situation was stable during 2016, while other segments were more challenging. We see favourable potential for products targeted at the materials handling industry which favour demand for our wheels. Our HEXPOL Wheels product area is also one of few global players in its market. In TPE compounds, we are also noting attractive and expanding applications, such as within caps and closures and in the medical technology area.

HEXPOL is an international group with approximately 97 per cent of its sales outside Sweden, along with production in 43 locations in ten countries.

Our industrial history can be traced back to Gislaved AB in the province of Småland, Sweden, where we acquired Gislaved Gummi AB in 1994. Gislaved Gummi AB pursued operations in three product areas – rubber compounds, gaskets and wheels. We have globalised these three product areas through acquisitions and organic growth (including Greenfield) and created the current HEXPOL Group.

As stated, 2016 was a good year for us. We improved our earnings per share to 4.06 SEK (4.05). We have, since 2009, experienced strong growth, which has consistently been accompanied by healthy margins and solid operating cash flows, and we acquire companies that we are familiar with and in areas that are well-known. Sales during 2016 decreased due to lower raw material prices and thereby decreased sales prices.

Our growth, with favourable margins and strong cash flows, provides the background to the Board's proposal of a dividend of 4.75 SEK per share (1.70), including a special dividend of 3.00 SEK per share.

The HEXPOL Group currently has some 4,400 competent employees in eleven countries and we are organised on the basis of two business areas and a number of products and market areas. The head office is located in Malmö. We are a qualified supplier/development partner of technological input goods and components featuring in-depth proprietary technology in respect of materials, processes and applications.

Sustainable development is part of HEXPOL's strategic approach (and budget work) and is a priority area. HEXPOL has a strategy that involves proactive environmental programs, as well as social responsibility, to ensure that we make a contribution to the sustainable development of our society. We have collated our strategies, and report the results and action programs in a detailed and transparent manner in our Sustainability Report, which is available on our website. Among other measures, we continued to focus on energy savings during the year and continued the introduction of certified environmental management systems. As in previous years, we are reporting our performance in sustainable development in line with the globally accepted reporting norm at the GRI-B level. Additionally we also report in line with the updated GRI-G4 level.

Allow me also to comment on the priorities I outlined a year ago. I promised that we should continue to invest in market and development initiatives, should continue to be oriented towards acquisitions, continue our sustainable and social development efforts and continue our skills enhancement. In my opinion, we achieved all of this during 2016.

Looking to 2017, we shall continue our skills and management development, focusing on growth through increased and targeted market and development initiatives, as well as continued proactivity on sustainable development efforts and the work within social responsibility. We will also continue to be acquisition oriented.

I would like to conclude with a comment on our results for the first quarter of 2017, which we published at noon today. Another strong quarter with increased sales and profit. During 2017 we have acquired two additional units within Rubber compounding, one unit in Czech Republic and one in the US.

Finally, I would once again like to thank all colleagues for their extraordinary input during 2016, and also thank our customers, suppliers and, not least, our shareholders for your confidence and favourable cooperation during 2016. We are determined and promise to work hard – both strategically and operationally – to develop the HEXPOL Group in a positive direction and continue our value-creating work. We have a solid platform for meeting the future.

THANK YOU!