

Telephone presentation July 20, 2016, 12:00 CET

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Welcome to HEXPOL

Q2 2016 report update

CEO Georg Brunstam
CFO Karin Gunnarsson
July 20, 2016, 12:00 CET



July 20, 2016

Agenda

- Introduction to HEXPOL
- Q2 2016 – HEXPOL Group
- Q2 2016 – Business areas
- January – June 2016 – Key figures
- Q2 2016 – Summary
- Q & A



HEXPOL – Fast growing with strong margins

HEXPOL is a world-leading polymers group with strong global positions in advanced Polymer Compounds (Compounding), Gaskets for plate heat exchangers (Gaskets) and Wheels made of plastic and rubber materials for forklift and castor wheel application (Wheels).



Our vision guides us

HEXPOL's vision is to be market leader, number one or two, in selected technological or geographical segments, to generate profit, growth and shareholder value.



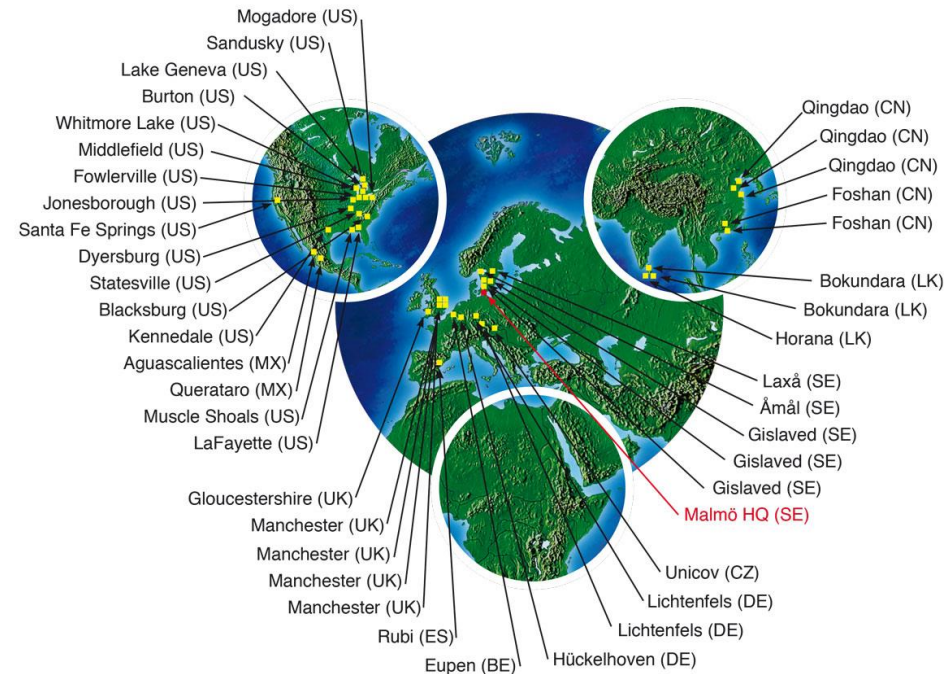
HEXPOL – A well positioned Group

- Two business areas
 - HEXPOL Compounding
 - HEXPOL Engineered Products
- Strong global market positions
 - Global leader for Rubber Compounding
 - Strong European position in Thermoplastic Elastomer Compounding (TPE)
 - Strong US position for reinforced Polypropylene Compounding
 - Global leader in Gaskets for plate heat exchangers (PHEs)
 - Global market coverage in Wheels for fork lift trucks and castor wheels
- Global presence with production at 41 units in 10 countries (≈4,200 employees)
- 97% of sales outside Sweden
- Head office in Malmö, Sweden
- Shares listed on Large Cap segment of the NASDAQ OMX Nordic Exchange



HEXPOL – A well positioned Group

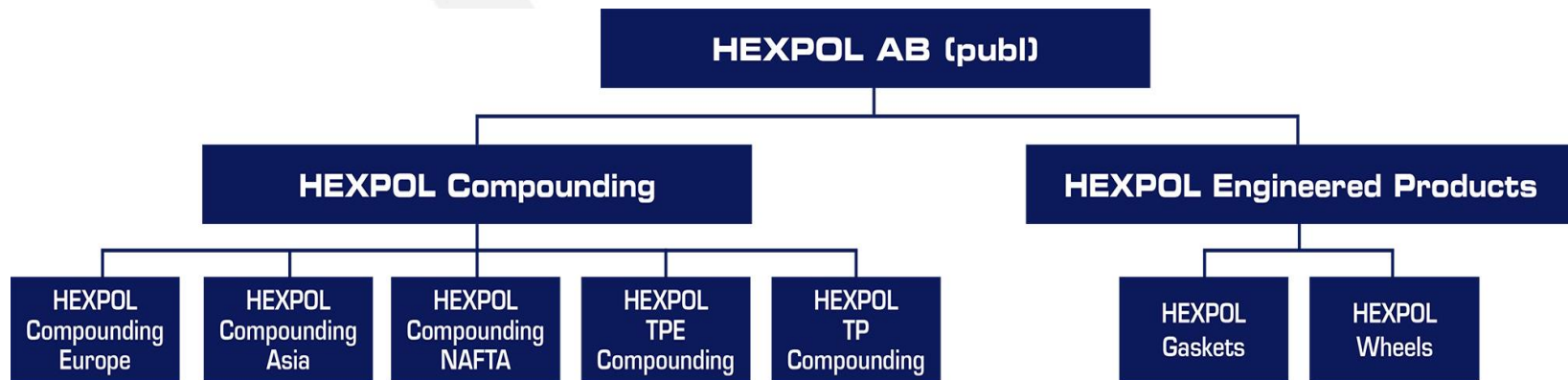
- True global footprint – 11 of 41 production units in growth markets
- Historical strong sales growth and good profitability
- Well invested and strong cash flow
- Long industrial history with highly experienced and dedicated management and board
- Acquisition oriented – major acquisition within Polymer Compounding:
 - 2010:
Elasto, Excel Polymers
 - 2012:
Müller Kunststoffe, Robbins
 - 2014:
Kardoes, Vigar Rubber Compounding, Portage Precision Polymers
 - 2015:
RheTech Thermoplastic Compounding
 - 2016:
Berwin Group
- Acquired 26 units with sales, development and production since 2010



HEXPOL – A well positioned Group with a stable organisation

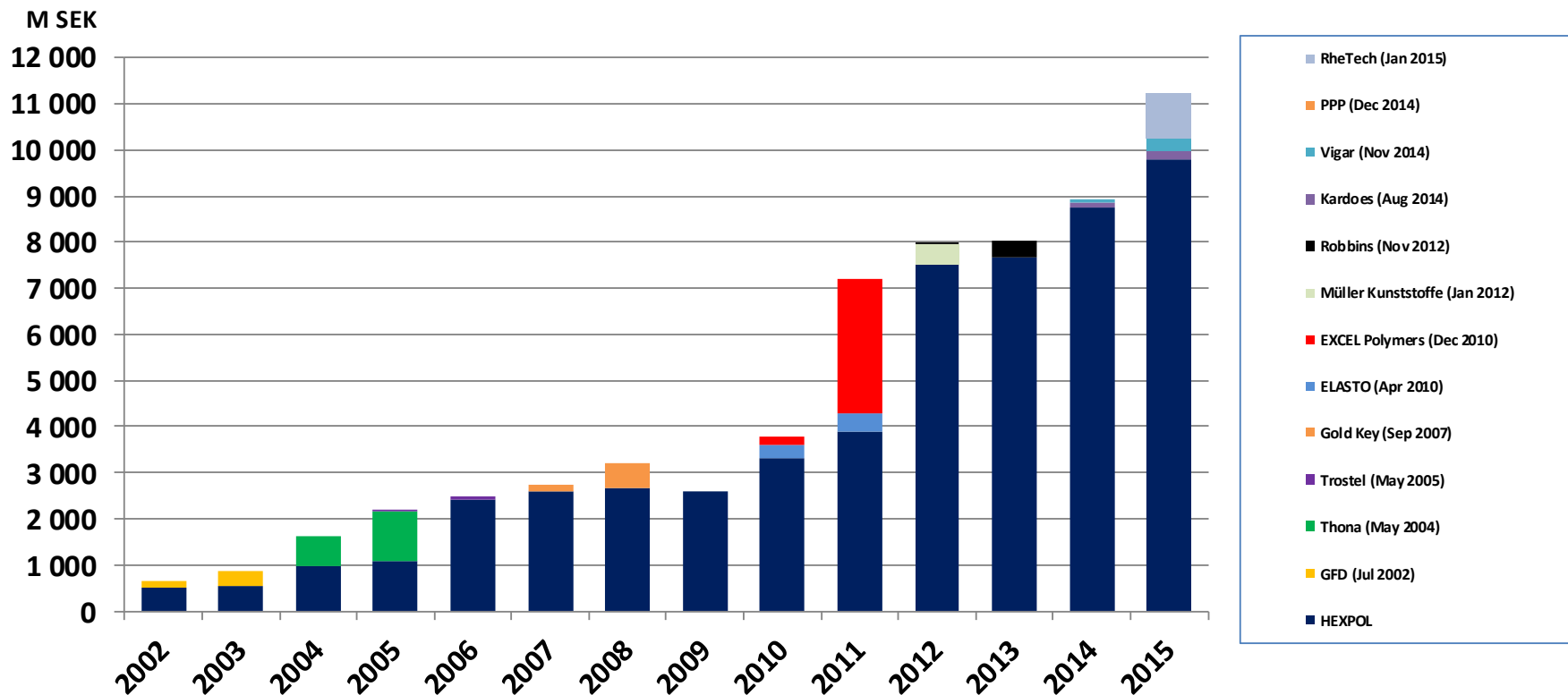
Two business areas

- HEXPOL Compounding (92 % of sales)
- HEXPOL Engineered Products (8 % of sales)



HEXPOL – A fast growing Group

Contribution to sales made by acquisitions in the past years (acquisition month in parenthesis)



HEXPOL – A fast growing Group

- Product Development
 - New segments (for example: flame retardant)
 - New products in existing segments (for example: weight saving)
 - Application oriented
- Increased market share
- Acquisitions mainly within Polymer Compounding
 - Existing geographical markets (Kardoes and Portage Precision in US, Vigar Rubber Compounding in Germany and Berwin in UK)
 - New geographical markets (Vigar Rubber Compounding in Spain)
 - New chemistry (Portage Precision/silicon compounding, RheTech Thermoplastic Compounding/specialized TP compounding)
 - New end user segments
 - Existing end user segments
- Capacity investments in Mexico
- Capacity investments in TPE Compounding

HEXPOL – A fast growing Group

HEXPOL Compounding, value chain* (example):



Business model:

- “Glocal” (local production/JIT)
- Application focused (often end user specified)
- Customized made to order

The market:

- Fragmented market – few global players – many local players
- Few industrial consolidators
- Few vertically integrated companies

HEXPOL – A well positioned Group

Fragmented market in polymer compounding with few global competitors

Examples of polymer compounders:

- AirBoss
- Kraiburg
- Dynamix
- Preferred Rubber
- PTE
- Unica
- SPC
- Kardoes
(acquired in 2014)
- Portage Precision Polymers
(acquired in 2014)
- Vigar Rubber Compounding
(acquired in 2014)
- Berwin Group
(acquired in 2016)
- Customers own rubber compounding facilities
- Many local national compounders
- Teknor Apex
- Multibase
- GLS
- SOFTER
- Alpha Gary
- PolyOne
- Washington Penn
- A.Schulman
- Müller Kunststoffe
(acquired in 2012)



HEXPOL – A well positioned Group

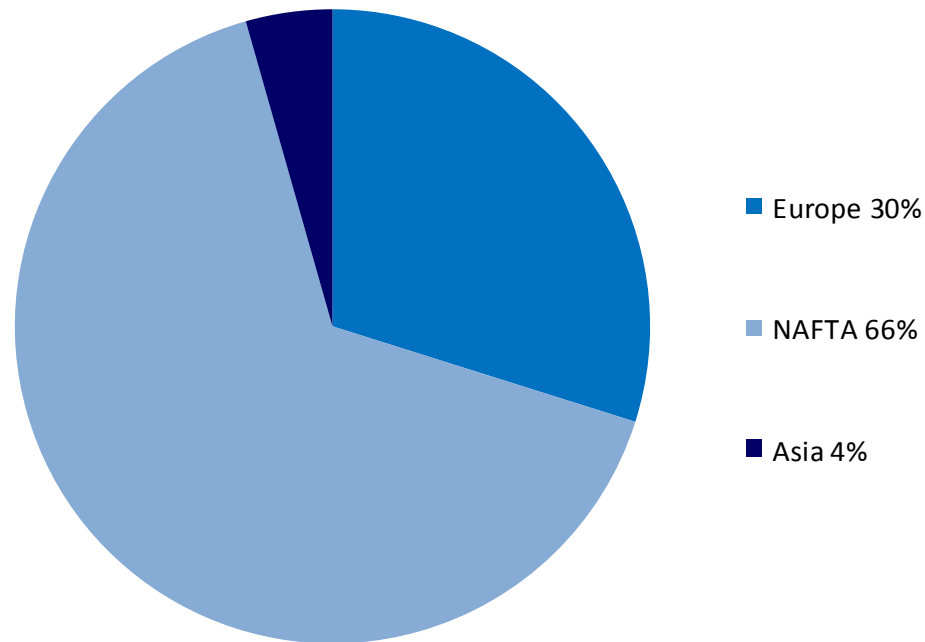
Main customer segments:

- Strong automotive industry
 - Growth to automotive industries but today lower share of total Group sales thanks to strong growth in other segments
 - Automotive sales around 40% 2015
- Engineering and general industry
- Construction and infrastructure
- Energy, oil and gas sector
- Cable and water treatment industries
- Consumer industries
- Medical equipment industries
- Manufacturers of plate heat exchangers
- Manufacturers of forklifts and castor wheels

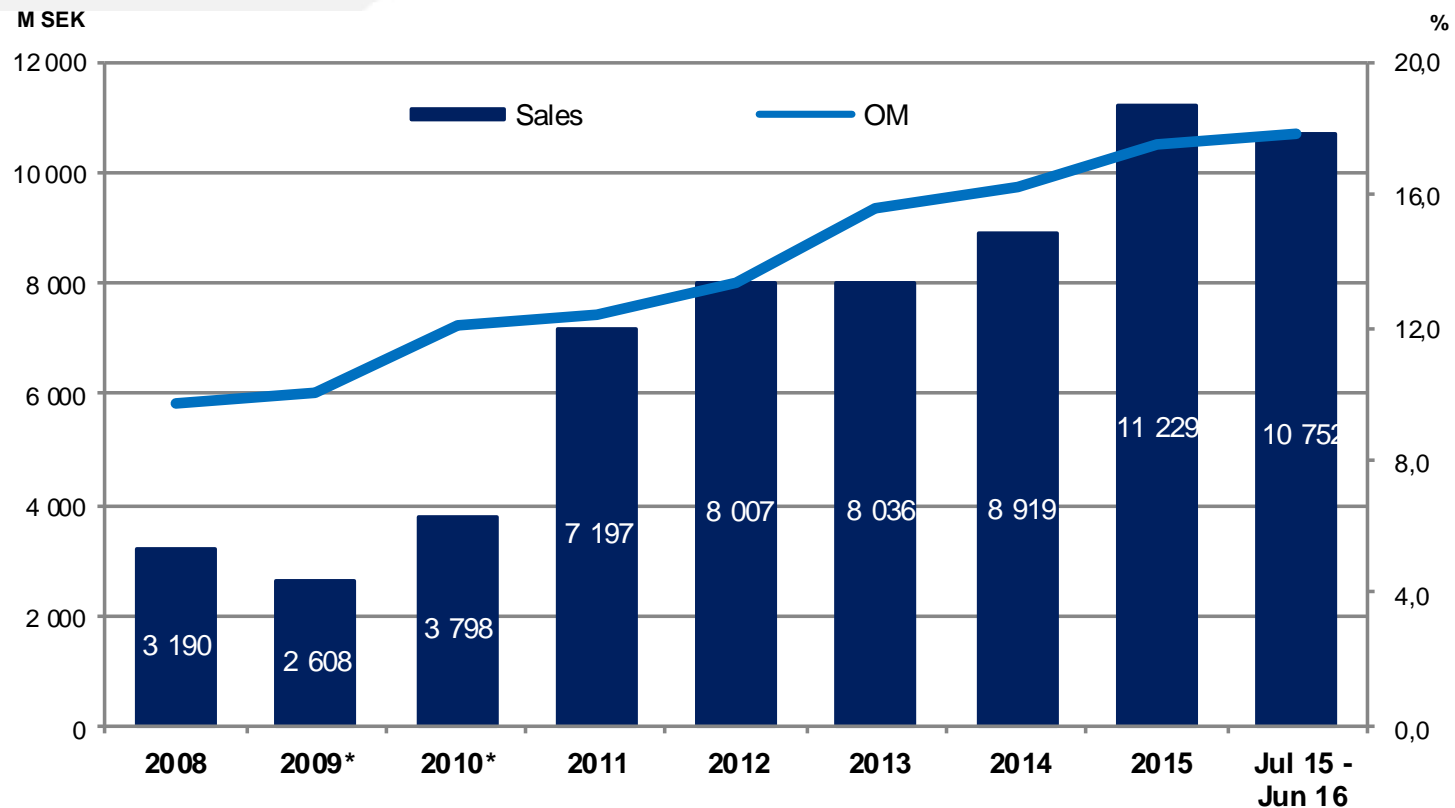


HEXPOL – A well positioned Group with favorable sales distribution

Sales per geographic area Jan-Jun 2016



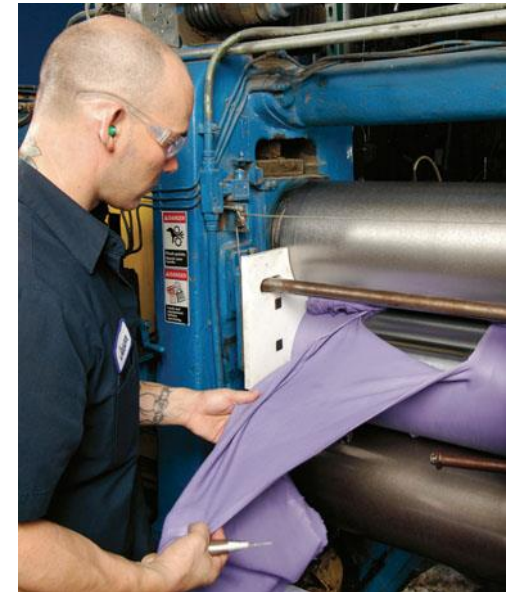
HEXPOL — Fast growing Group with strong margin development



*Adjusted for items affecting comparability

Acquisitions oriented – Major acquisitions within Polymer Compounding

- Elasto (April, 2010) – TPE Compounding
 - Units in UK and Sweden
- Excel Polymers (Nov, 2010) – Rubber Compounding
 - Units in U.S., Mexico, UK and China
- Müller Kunststoffe (Jan, 2012) – TPE Compounding
 - Units in Germany
- Robbins (Nov, 2012) – Rubber Compounding
 - Units in U.S.
- Kardoes (Aug, 2014) – Rubber Compounding
 - Unit in U.S.
- Vigar Rubber Compounding (Nov, 2014) – Rubber Compounding
 - Units in Spain and Germany
- Portage Precision Polymers (Dec, 2014) – Rubber/silicon Compounding
 - Unit in U.S.
- RheTech Thermoplastic Compounding (Jan, 2015) – Specialized Thermoplastic Compounding
 - Units in U.S.
- Berwin Group (June, 2016) – Rubber Compounding
 - Units in UK



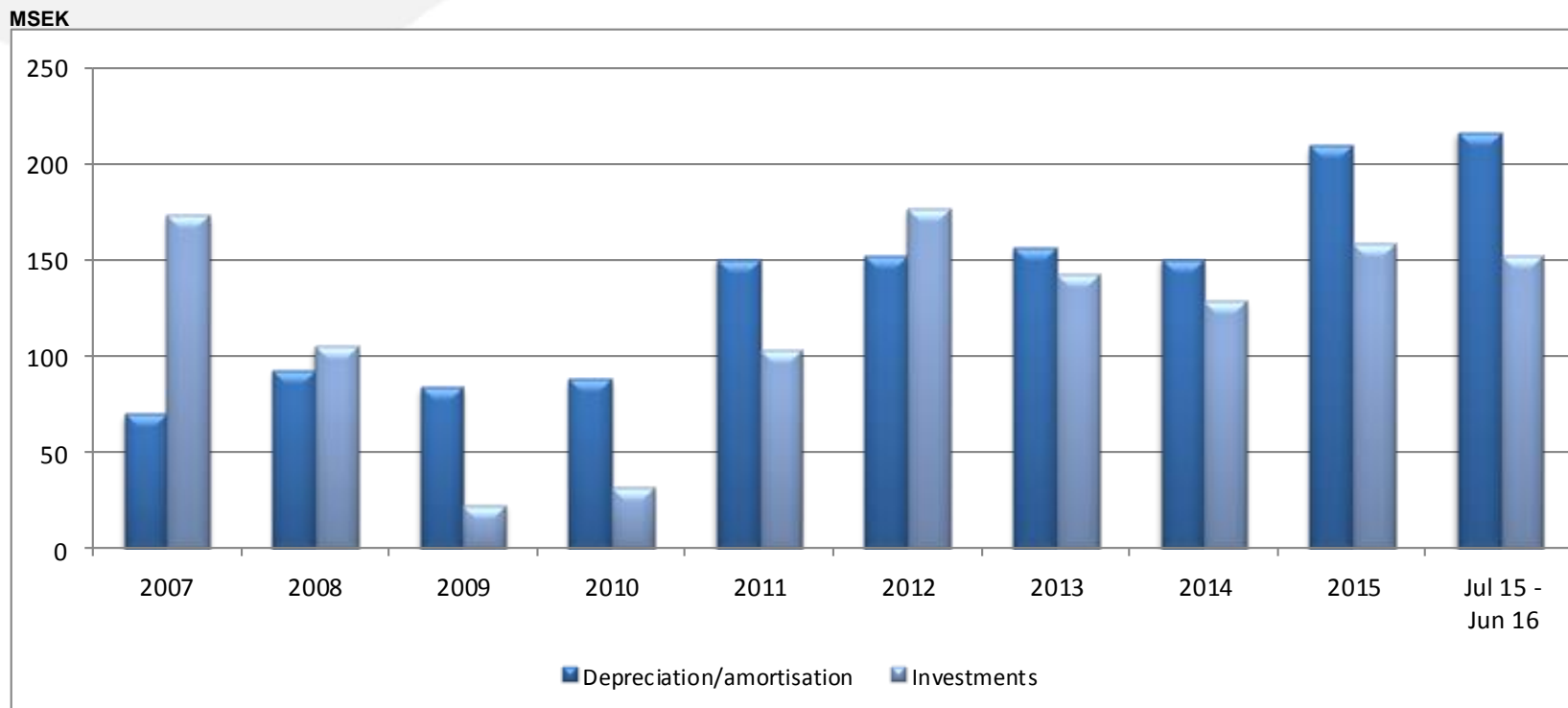
HEXPOL acquired Berwin Group in June 2016



- Berwin Group (Berwin Rubber Co Ltd, Berwin Industrial Polymers Ltd and Flexi-Cell (UK) Ltd) have two manufacturing facilities in Manchester, UK and one in Gloucestershire, UK.
- Estimated annual turnover of around 40 MGBP
- Around 200 employees

HEXPOL Group

Depreciations/amortizations & Investments



- Investments in line with depreciations/amortizations
- Mainly capacity investments in Mexico and within TPE Compounding
- Maintenance investments primarily in the U.S.

Q2 2016 – Continued strong margins

- Another quarter with continued strong margins
- Volumes slightly lower
- Sales once again negatively affected by considerably lower sales prices due to considerably lower raw material prices
- During the quarter, Berwin Group, a leading UK Rubber Compounder was acquired

MSEK	2016 Q2	2015 Q2	2016 Q1
Sales	2,627	2,910	2,757
Operating profit, EBIT	465	508	497
Operating margin, %	17.7	17.5	18.0
Profit after tax	329	357	355
Earnings per share, SEK	0.96	1.04	1.03
Operating cash flow	580	640	325

Q2 2016 – Continued strong margins

- Sales once again negatively affected by considerably lower sales prices due to considerably lower raw material prices.
- Sales amounted to 2,627 MSEK (2,910)
 - Volumes slightly lower and sales growth negatively affected by lower sales prices due to considerably lower raw material prices
- NAFTA lower volumes
 - Sales decreased by 14%
 - Continued strong volumes to automotive related customers
 - Continued low demand from mining, export industry, agriculture and oil and gas segment
- Europe higher volumes
 - Sales increased (including Berwin Group) by 2%
 - Continued strong volumes to automotive related customers
- Asia lower volumes
 - Sales decreased by 20%
 - Lower demand from automotive related customers in China
- Operating profit amounted to 465 MSEK (508)
- In June, Berwin Group, a well-known leading Rubber Compounder in the UK market, was acquired

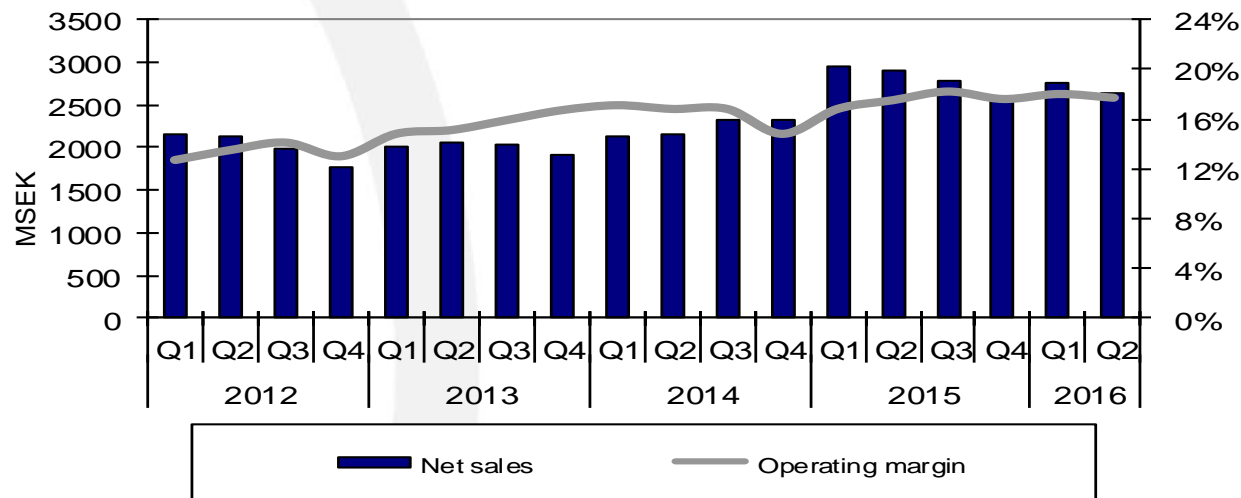


Q2 2016 – Continued strong margins

- Another quarter with continued strong margins
- Sales once again negatively affected by considerably lower sales prices due to considerably lower raw material prices.

- Net sales amounted to 2,627 MSEK (2,910)
- Operating profit amounted to 465 MSEK (508)
- Operating margin improved to 17.7% (17.5)
- Return on capital employed, R12 amounted to 27.9% (28.0)
- Earnings per share amounted to 0.96 SEK (1.04)
- Operating cash flow amounted to 580 MSEK (640)
- Strong Balance Sheet
 - Equity/assets ratio 69% (61)
 - Net cash 234 MSEK (net debt 313)

Net sales & operating margin



Q2 2016 – Continued strong margins

- Strong balance sheet, well equipped for further expansion

MSEK	2016 Q2	2015 Q2	2016 Q1
Sales	2,627	2,910	2,757
Operating profit, EBIT	465	508	497
Operating margin, %	17.7	17.5	18.0
Profit after tax	329	357	355
Earnings per share, SEK	0.96	1.04	1.03
Operating cash flow	580	640	325
Net cash	234	-313	714
Equity/assets ratio, %	69	61	74

Q2 2016 – Continued strong margins

- Sales once again negatively affected by considerably lower sales prices due to considerably lower raw material prices.

MSEK	Quarter 2			Jan - Jun		
	2016	2015	Growth	2016	2015	Growth
Sales	2 627	2 910	-10%	5 384	5 861	-8%
Currency	56		2%	38		1%
Ex. Currency	2 683	2 910	-8%	5 422	5 861	-7%
Acquisition	-38		-1%	-38		-1%
Ex. Currency and acquisition	2 645	2 910	-9%	5 384	5 861	-8%

Q2 2016 – Business areas

Continued strong margins

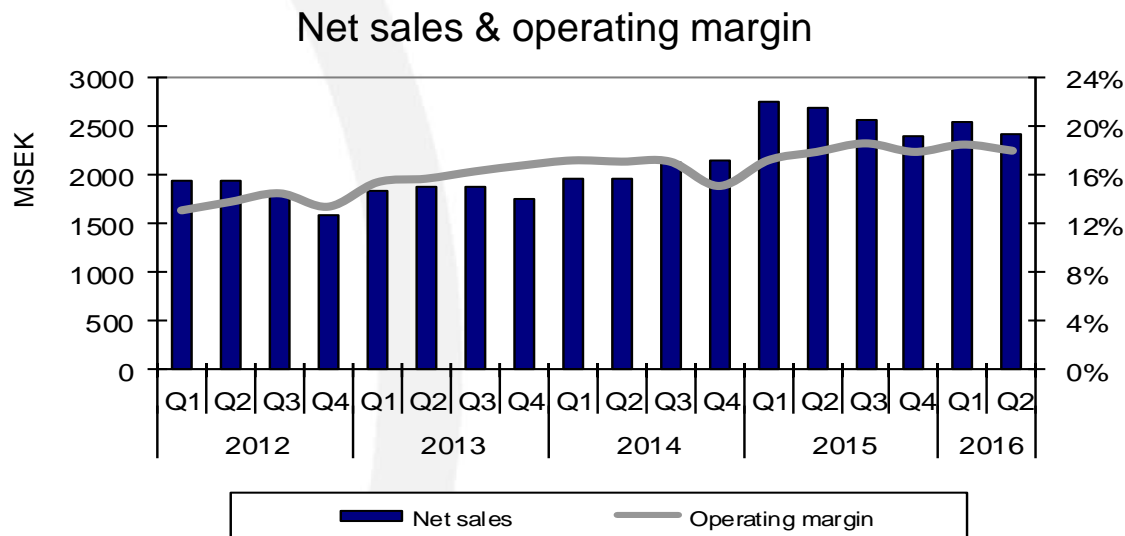
MSEK	Net Sales			Operating Profit			Operating Margin, %		
	2016 Q2	2015 Q2	2016 Q1	2016 Q2	2015 Q2	2016 Q1	2016 Q2	2015 Q2	2016 Q1
HEXPOL Compounding	2 414	2 699	2 550	435	482	473	18.0	17.9	18.5
HEXPOL Engineered Products	213	211	207	30	26	24	14.1	12.3	11.6

- Slightly lower volumes in HEXPOL Compounding
 - Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices
 - Continued price pressure
 - Strong and improved margins
 - In June, Berwin Group, a well-known leading Rubber Compounder in the UK market, was acquired
- Improved profit in HEXPOL Engineered Products

Q2 2016 – HEXPOL Compounding

Continued strong margins

- Sales amounted to 2,414 MSEK (2,699)
 - Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices
 - Volumes lower in NAFTA, with continued strong volumes to automotive related customers
 - Volumes in Europe were strong, continued strong volumes to automotive related customers
 - Volumes in Asia were lower, due to lower demand from automotive related customers in China
 - Continued price pressure on all markets
 - In June, Berwin Group, a well-known leading Rubber Compounder in the UK market, was acquired
- Operating profit amounted to 435 MSEK (482)
 - Operating margins remained strong at 18.0% (17.9)



Q2 2016 – HEXPOL Compounding

Continued strong margins

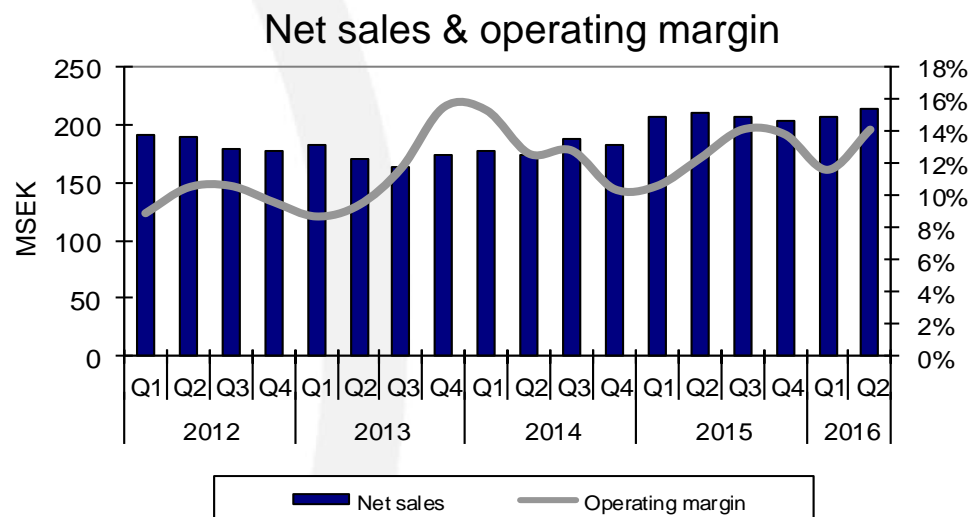
- Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices.
- NAFTA – lower volumes
 - Continued strong volumes to automotive related customers
 - Continued low demand from mining, export industry, agriculture and oil and gas sector
 - Acquired RheTech Thermoplastic Compounding has developed positively
- Europe – strong volumes
 - Continued strong volume development to automotive related customers
 - Positive development in HEXPOL TPE Compounding
 - In June, Berwin Group, a well-known leading Rubber Compounder in the UK market, was acquired.
- Asia – lower volumes
 - Lower demand from automotive related customers in China
- Continued price pressure on all markets



Q2 2016 – HEXPOL Engineered Products

Improved profit

- Net sales amounted to 213 MSEK (211)
 - Sales in line with the corresponding year-earlier period for HEXPOL Gaskets
 - Sales increased slightly for HEXPOL Wheel
 - Positive development in China for both HEXPOL Wheels and HEXPOL Gaskets
- Continued price pressure
- Operating profit increased to 30 MSEK (26), mainly thanks to increased volumes and continued efficiency improvements in operations
- Operating margin improved to 14.1% (12.3)



Jan - Jun 2016 – Stable volume development and continued strong result

- Sales once again negatively affected by considerably lower sales prices due to considerably lower raw material prices.
- Continued price pressure on all markets
- Strong balance sheet

MSEK	Apr-Jun 2016	2015	Jan-Jun 2016	2015	Full-year 2015	Jul 15- Jun 16
Sales	2 627	2 910	5 384	5 861	11 229	10 752
Operating profit, EBIT	465	508	962	1 003	1 964	1 923
Operating margin, %	17.7	17.5	17.9	17.1	17.5	17.9
Profit after tax	329	357	684	709	1 393	1 368
Earnings per share, SEK	0,96	1,04	1.99	2.06	4.05	3.98
Operating cash flow	580	640	905	1 120	2 185	1 970
Net cash			234	-313	454	
Equity/assets ratio, %			69	61	72	
Return on capital employed, % (R12)			27.9	28.0	28.6	

Q2 2016 – Continued strong margins

- Sales once again negatively affected by considerably lower sales prices due to considerably lower raw material prices.
- Slightly lower volumes but with continued strong margins
- Sales amounted to 2,627 MSEK (2,910)
- Operating profit amounted to 465 MSEK (508)
- Earnings per share amounted to 0.96 SEK (1.04)
- Continued price pressure
- Strong financial position, net cash 234 MSEK
 - Well equipped for continued expansion
- In June, Berwin Group, a well-known leading Rubber Compounder in the UK market, was acquired



Q & A