

Telephone presentation October 27, 2016, 15:00 CET

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Welcome to HEXPOL

Q3 2016 report update

CEO Georg Brunstam
CFO Karin Gunnarsson

October 27, 2016



Agenda

- Introduction to HEXPOL
- Q3 2016 – HEXPOL Group
- Q3 2016 – Business areas
- January – September 2016 – Key figures
- Q3 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.



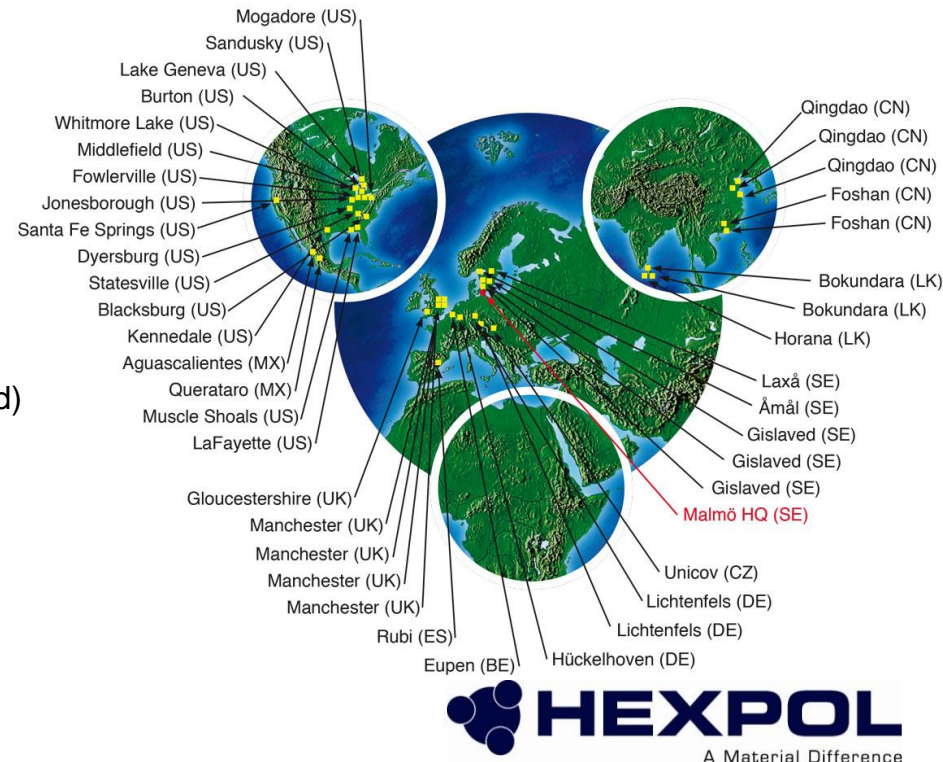
HEXPOL – A well positioned Group

- Two business areas
 - HEXPOL Compounding
 - HEXPOL Engineered Products
- Strong global market positions
 - Global leading position for Rubber Compounding
 - Strong European position in Thermoplastic Elastomer Compounding (TPE)
 - Strong US position for reinforced Polypropylene Compounding
 - Global leading position 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 (≈4,100 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

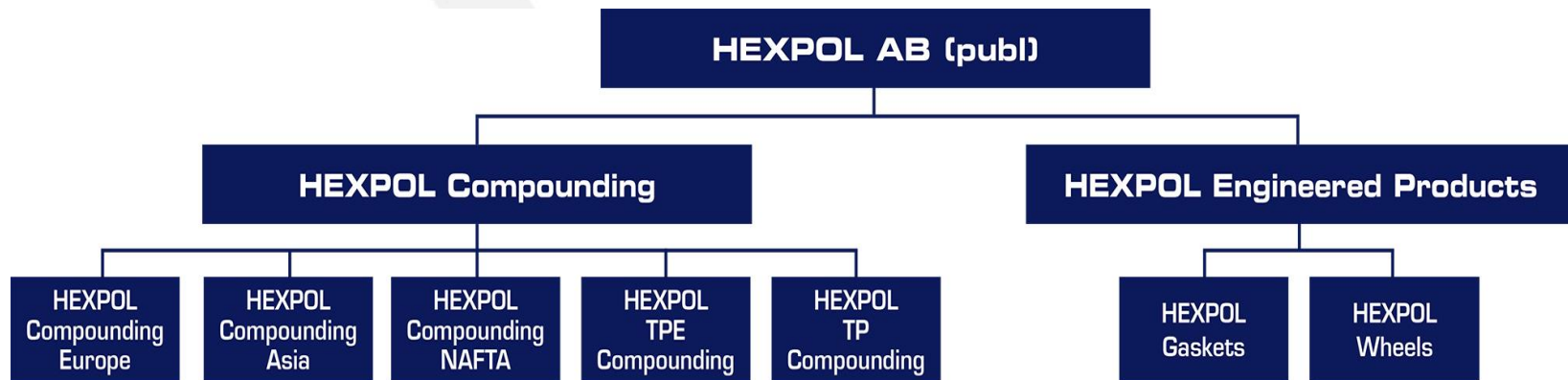
- True global footprint – 11 of 41 production units in growth markets
- Historical strong sales growth and good profitability
- Well invested and strong cash flow
- Long industrial history with highly experienced and dedicated management and board
- Acquisition oriented – major acquisition within Polymer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



HEXPOL – With a stable organisation

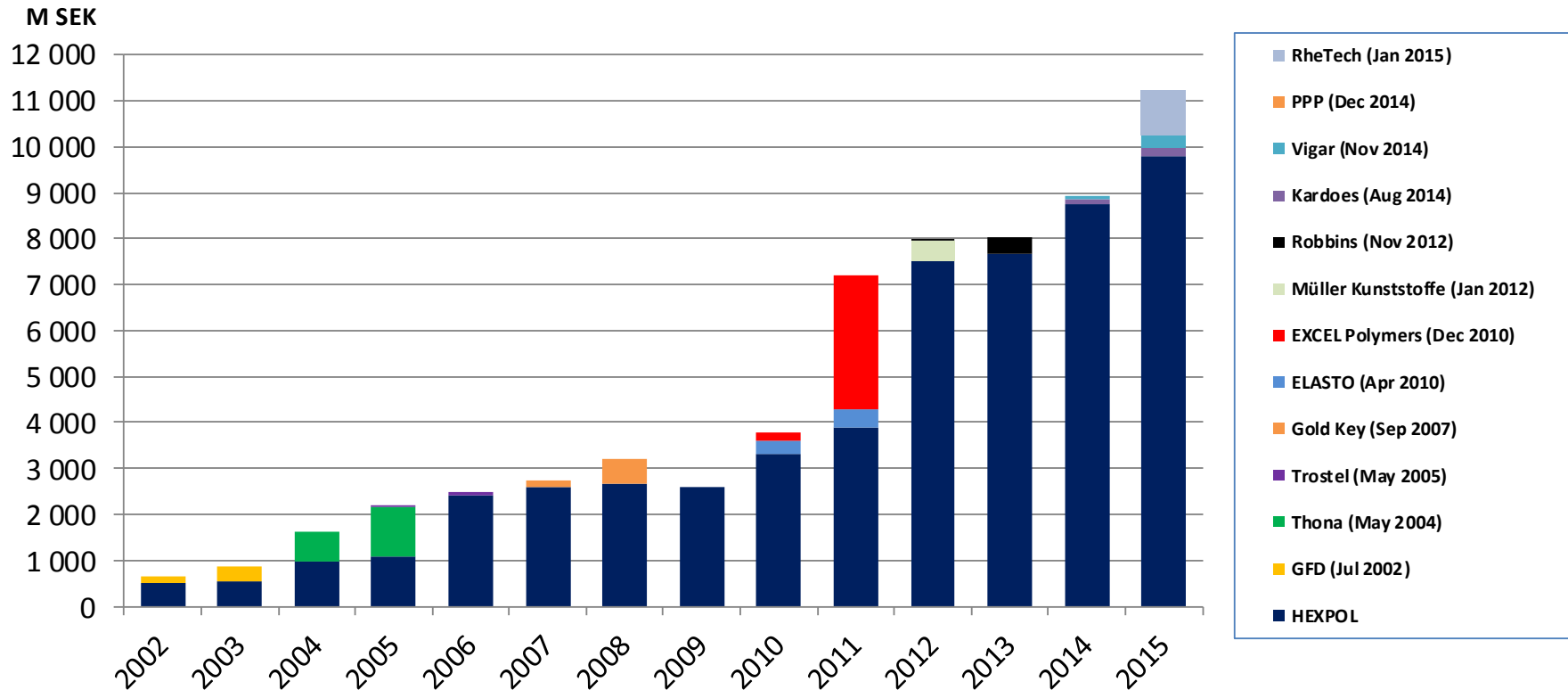
Two business areas

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



HEXPOL – A well positioned Group

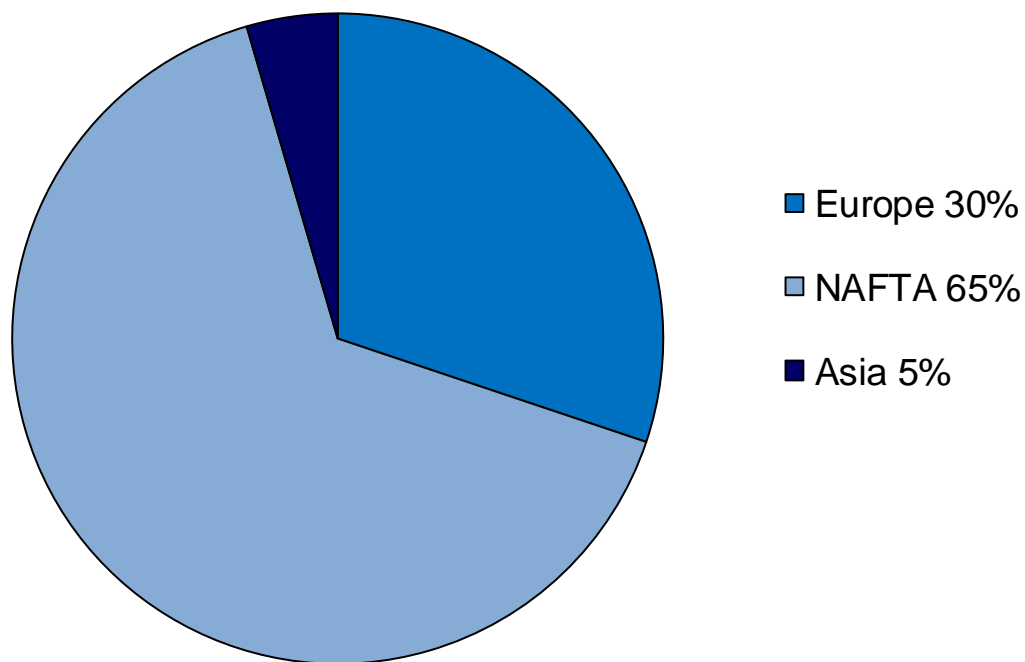
Main customer segments:

- 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

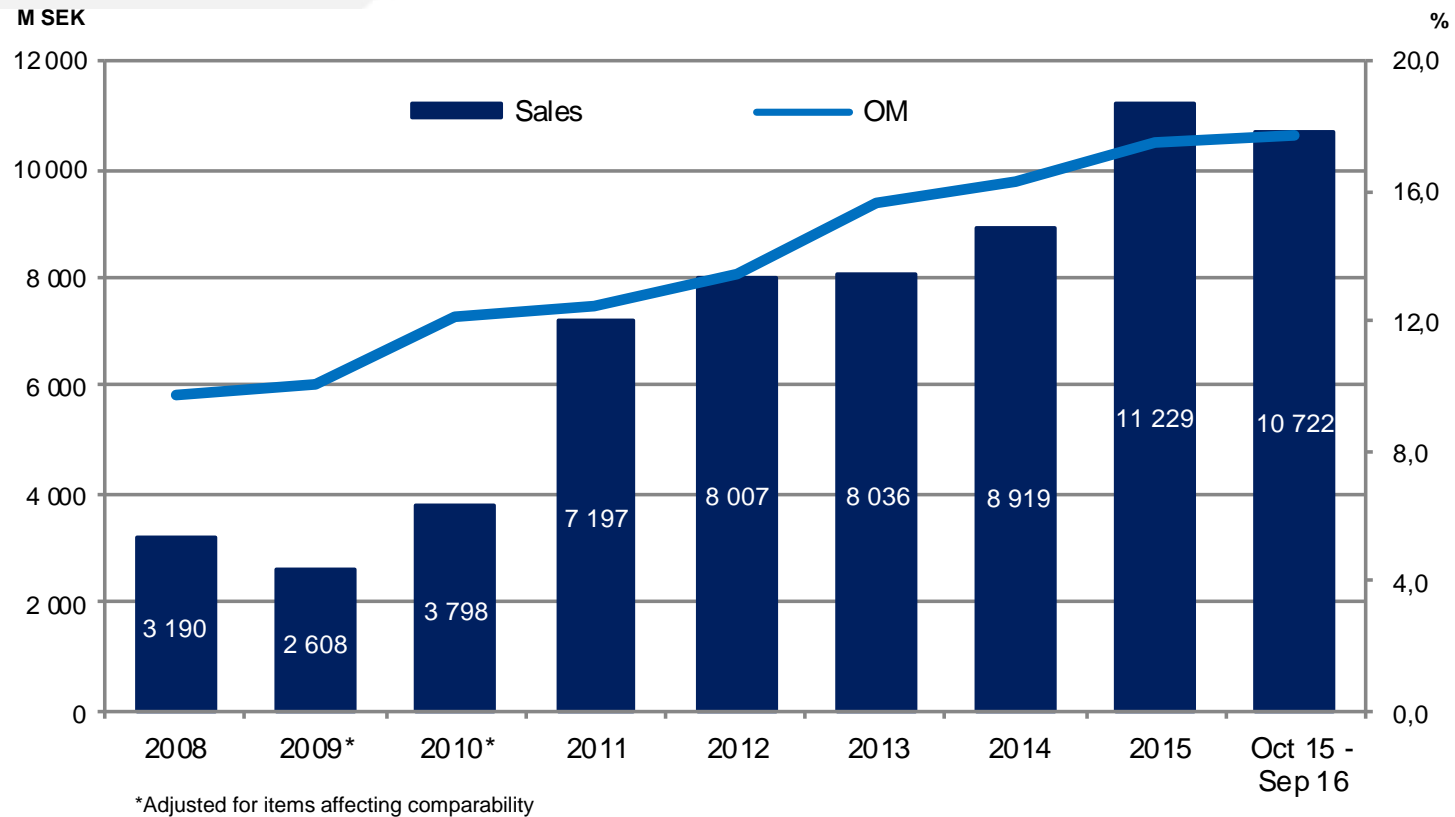


HEXPOL – favorable sales distribution

Sales per geographic area Jan-Sept 2016



A fast growing Group with strong margin development



Acquisition 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

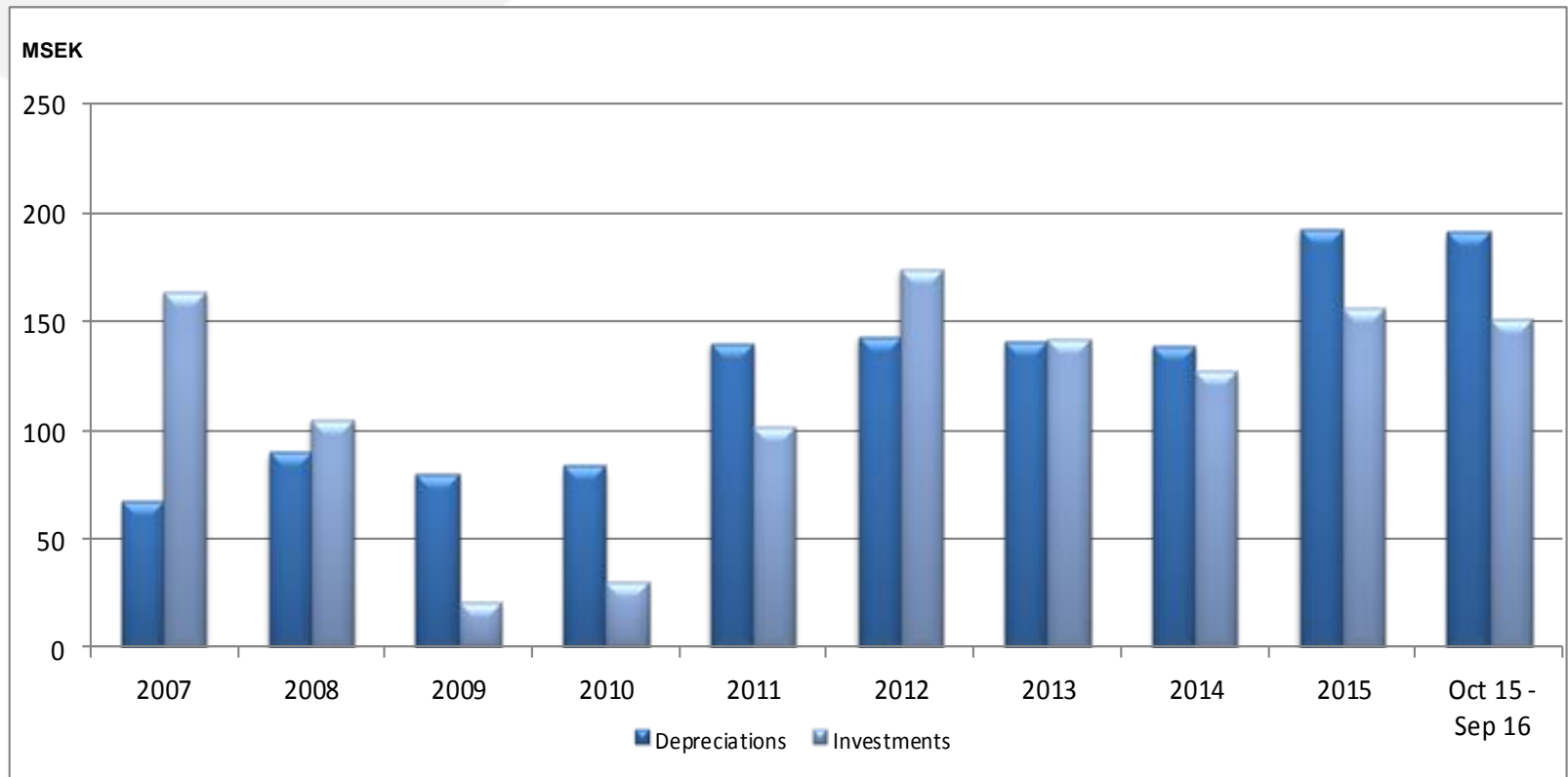


HEXPOL acquired Berwin Group in June 2016



- 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

Depreciations & investments*



- Investments in line with depreciations
- Mainly capacity investments in Mexico
- Maintenance investments primarily in the U.S.

* tangible fixed assets

Q3 2016 – Positive volume development and continued strong result

- Positive volume development
- Sales once again negatively affected by considerably lower sales prices due to considerably lower raw material prices
- Continued strong result
- Adjusted for the Berwin acquisition the operating margin was in line with Q2 2016

MSEK	2016 Q3	2015 Q3	2016 Q2
Sales	2,742	2,772	2,627
Operating profit, EBIT	475	505	465
Operating margin, %	17.3	18.2	17.7
Profit after tax	339	358	329
Earnings per share, SEK	0.98	1.04	0.96
Operating cash flow	585	503	580

Q3 2016 – Positive volume development and continued strong result

- Sales once again negatively affected by considerably lower sales prices due to considerably lower raw material prices
- Sales amounted to 2,742 MSEK (2,772)
 - Positive volume development but sales growth negatively affected by lower sales prices due to considerably lower raw material prices
- NAFTA slightly lower volumes
 - Sales decreased by 6%
 - 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 10%
 - Continued strong volumes to automotive related customers
- Asia higher volumes
 - Sales increased by 2%
 - Higher sales to automotive related customers in China
- Operating profit amounted to 475 MSEK (505)
- The integration of the acquired Berwin Group, a well-known leading Rubber Compounder in the UK market, is proceeding according to plan

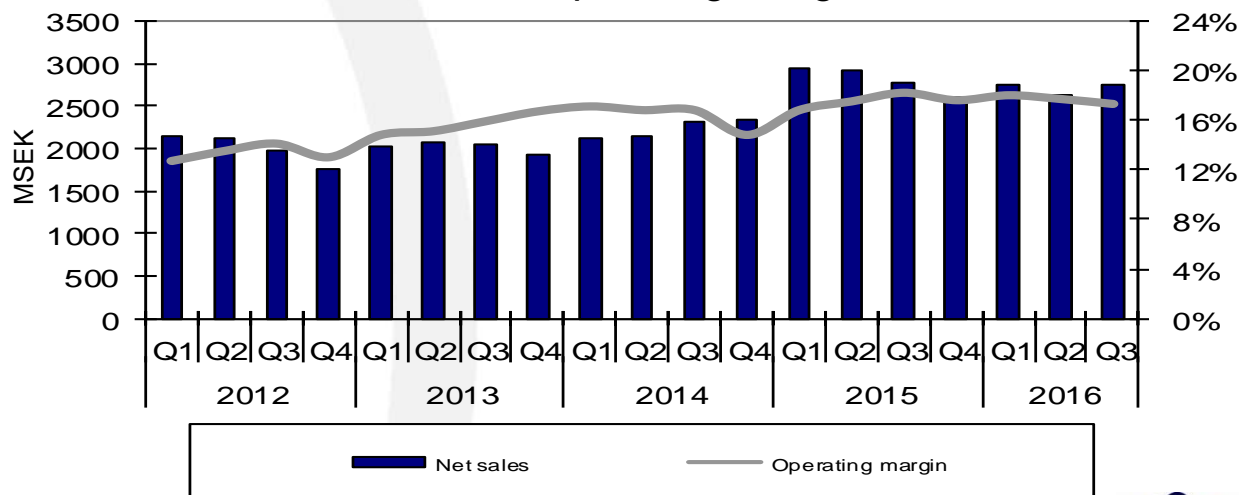


Q3 2016 – Positive volume development and continued strong result

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

- Net sales amounted to 2,742 MSEK (2,772)
- Operating profit amounted to 475 MSEK (505)
- Operating margin amounted to 17.3% (18.2)
Adjusted for the Berwin acquisition the operating margin was in line with Q2 2016
- Return on capital employed, R12 amounted to 27.1% (28.2)
- Earnings per share amounted to 0.98 SEK (1.04)
- Operating cash flow rose to 585 MSEK (503)
- Strong Balance Sheet
 - Equity/assets ratio 73% (67)
 - Net cash 759 MSEK (39)

Net sales & operating margin



Q3 2016 – Positive volume development and continued strong result

- Strong balance sheet, well equipped for further expansion

MSEK	2016 Q3	2015 Q3	2016 Q2
Sales	2,742	2,772	2,627
Operating profit, EBIT	475	505	465
Operating margin, %	17.3	18.2	17.7
Profit after tax	339	358	329
Earnings per share, SEK	0.98	1.04	0.96
Operating cash flow	585	503	580
Net cash	759	39	234
Equity/assets ratio, %	73	67	69

Q3 2016 – Positive volume development and continued strong result

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

MSEK	Quarter 3			Jan - Sep		
	2016	2015	Growth	2016	2015	Growth
Sales	2 742	2 772	-1%	8 126	8 633	-6%
Currency	-6		0%	32		0%
Ex. Currency	2 736	2 772	-1%	8 158	8 633	-6%
Acquisition	-111		-4%	-149		-1%
Ex. Currency and acquisition	2 625	2 772	-5%	8 009	8 633	-7%

Q3 2016 – Business areas

Positive volume development and continued strong result

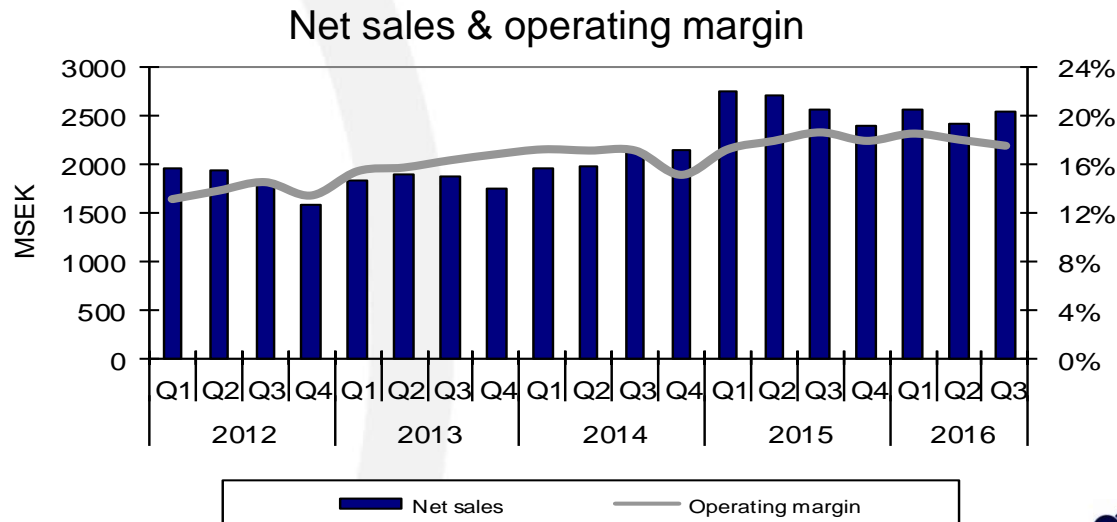
MSEK	Net Sales			Operating Profit			Operating Margin, %		
	2016 Q3	2015 Q3	2016 Q2	2016 Q3	2015 Q3	2016 Q2	2016 Q3	2015 Q3	2016 Q2
HEXPOL Compounding	2 531	2 566	2 414	444	476	435	17.5	18.6	18.0
HEXPOL Engineered Products	211	206	213	31	29	30	14.7	14.1	14.1

- Positive volumes in HEXPOL Compounding
 - Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices
 - Continued price pressure
 - The integration of the acquired Berwin Group, a well-known leading Rubber Compounder in the UK market, is proceeding according to plan
- Higher sales and profit in HEXPOL Engineered Products

Q3 2016 – HEXPOL Compounding

Positive volume development and continued strong result

- Sales amounted to 2,531 MSEK (2,566)
 - Positive volume development but sales negatively affected by considerably lower sales prices due to considerably lower raw material prices
 - Volumes in Europe were strong, continued strong volumes to automotive related customers
 - Volumes slightly lower in NAFTA, with continued strong volumes to automotive related customers
 - Volumes in Asia increased, mainly thanks to higher sales to automotive related customers in China
 - Continued price pressure on all markets
 - The integration of the acquired Berwin Group is proceeding according to plan but the operation is affected by the uncertainty regarding the exchange rate development of the British Pound.
- Operating profit amounted to 444 MSEK (476)
 - Operating margins remained strong at 17.5% (18.6). Adjusted for the Berwin acquisition the operating margin was in line with Q2 2016



Q3 2016 – HEXPOL Compounding

Positive volume development and continued strong result

Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices

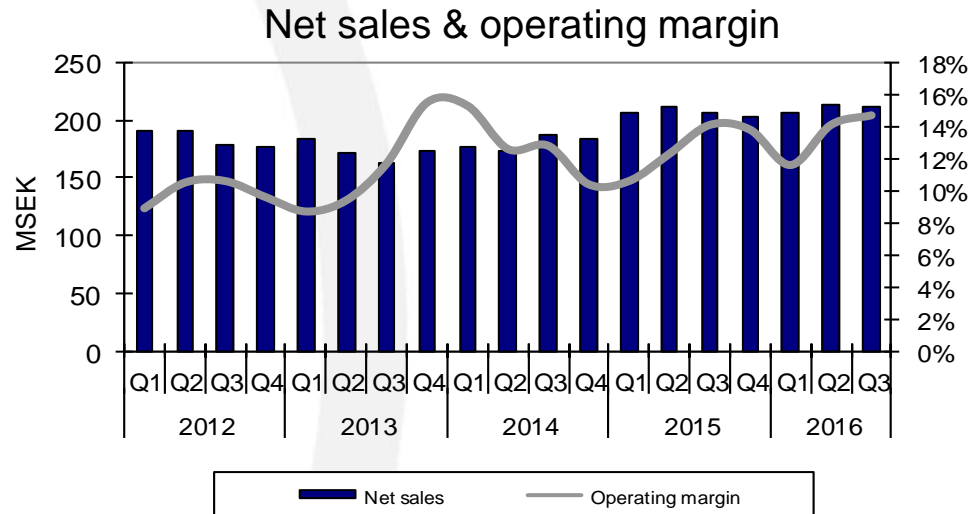
- Europe – strong volumes
 - Continued strong volume development to automotive related customers
 - Positive development in HEXPOL TPE Compounding
 - The integration of the acquired Berwin Group is proceeding according to plan but the operation is affected by the uncertainty regarding the exchange rate development of the British Pound.
- NAFTA – slightly 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 had a stable development
- Asia – increasing volumes
 - Higher sales to automotive related customers in China
- Continued price pressure on all markets



Q3 2016 – HEXPOL Engineered Products

Higher sales and improved operating profit

- Net sales increased to 211 MSEK (206)
 - Sales increased for both HEXPOL Gaskets and HEXPOL Wheels
 - Positive development in China for both HEXPOL Wheels and HEXPOL Gaskets
- Continued weak sales to project related operations and continued price pressure in HEXPOL Gaskets
- Operating profit increased to 31 MSEK (29), mainly thanks to increased volumes and continued efficiency improvements in operations
- Operating margin improved to 14.7% (14.1)



Jan-Sept 2016

Positive 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	Jul-Sep		Jan-Sep		Full-year	Oct 15-
	2016	2015	2016	2015	2015	Sep 16
Sales	2 742	2 772	8 126	8 633	11 229	10 722
Operating profit, EBIT	475	505	1 437	1 508	1 964	1 893
Operating margin, %	17.3	18.2	17.7	17.5	17.5	17.7
Profit after tax	339	358	1 023	1 067	1 393	1 349
Earnings per share, SEK	0.98	1.04	2.97	3.10	4.05	3.92
Operating cash flow	585	503	1 490	1 623	2 185	2 052
Net cash			759	39	454	
Equity/assets ratio, %			73	67	72	
Return on capital employed, % (R12)			27.1	28.2	28.6	

Q3 2016 – Positive volume development and continued strong result

Positive volume development but sales once again negatively affected by considerably lower sales prices due to considerably lower raw material prices

- Higher volume with continued strong result
- Sales improved from 2,627 MSEK in Q2 to 2,742 MSEK (2,772)
- Operating profit improved from 465 MSEK in Q2 to 475 MSEK (505)
- Earnings per share improved from 0.96 SEK in Q2 to 0.98 SEK (1.04)
- Continued price pressure
- Strong financial position, net cash 759 MSEK
 - Well equipped for continued expansion
- The integration of the acquired Berwin Group is proceeding according to plan.



Q & A