

Telephone presentation on February 1, 2019, 3 pm CET

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Welcome to HEXPOL

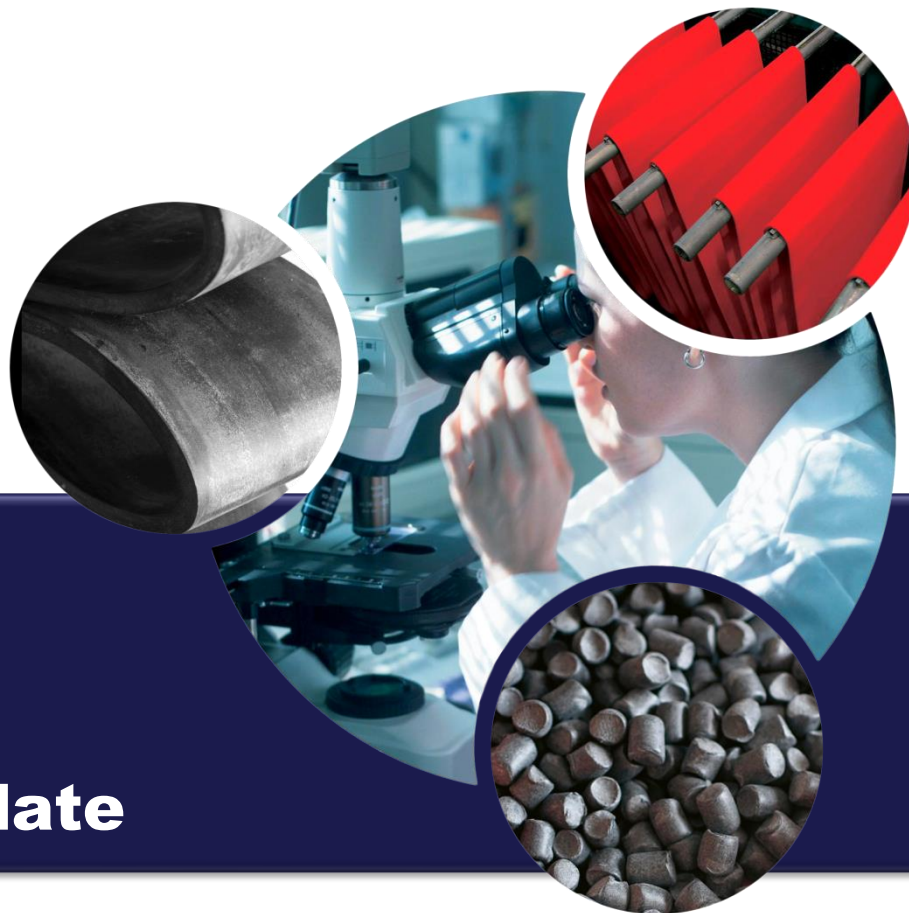
Q4, 2018 Report update

February 1, 2019

CEO Mikael Fryklund
CFO Karin Gunnarsson

February 1, 2019

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Agenda

- Introduction to HEXPOL
- Q4 2018 – HEXPOL Group
- Q4 2018 – Business areas
- January – December – Key figures
- Q4 2018 – Summary
- January – December – 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 forklifts and castor wheel applications (Wheels).



HEXPOL - 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.

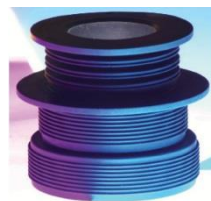


HEXPOL – A well positioned Group

- Two business areas:
 - HEXPOL Compounding
 - HEXPOL Engineered Products

- Global presence
- Operations in 14 countries
- Around 4,600 employees
- Headquarters in Malmö, Sweden

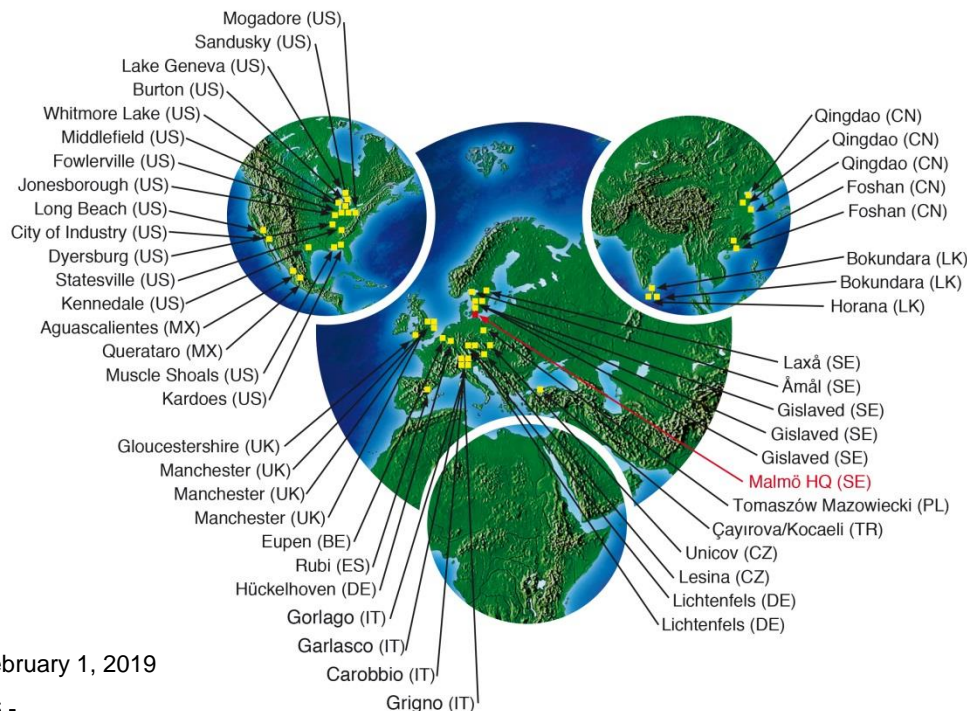
- 97 percent of sales outside Sweden
- Shares listed on Nasdaq Stockholm, Large Cap



- Strong global market positions:
 - Global leading position for Rubber Compounding
 - Strong European position in Thermoplastic Elastomer Compounding (TPE)
 - Strong position in High Performance Elastomers
 - Strong US position for reinforced Polypropylene Compounding (TP)
 - Global leading position in Gaskets for plate heat exchangers (PHEs)
 - Global market coverage in Wheels for fork lift trucks and castor wheels

HEXPOL – A well positioned Group

- True global footprint
- Historical strong sales growth and good profitability
- Well invested and strong cash flow
- Long industrial history with highly experienced and dedicated management and board

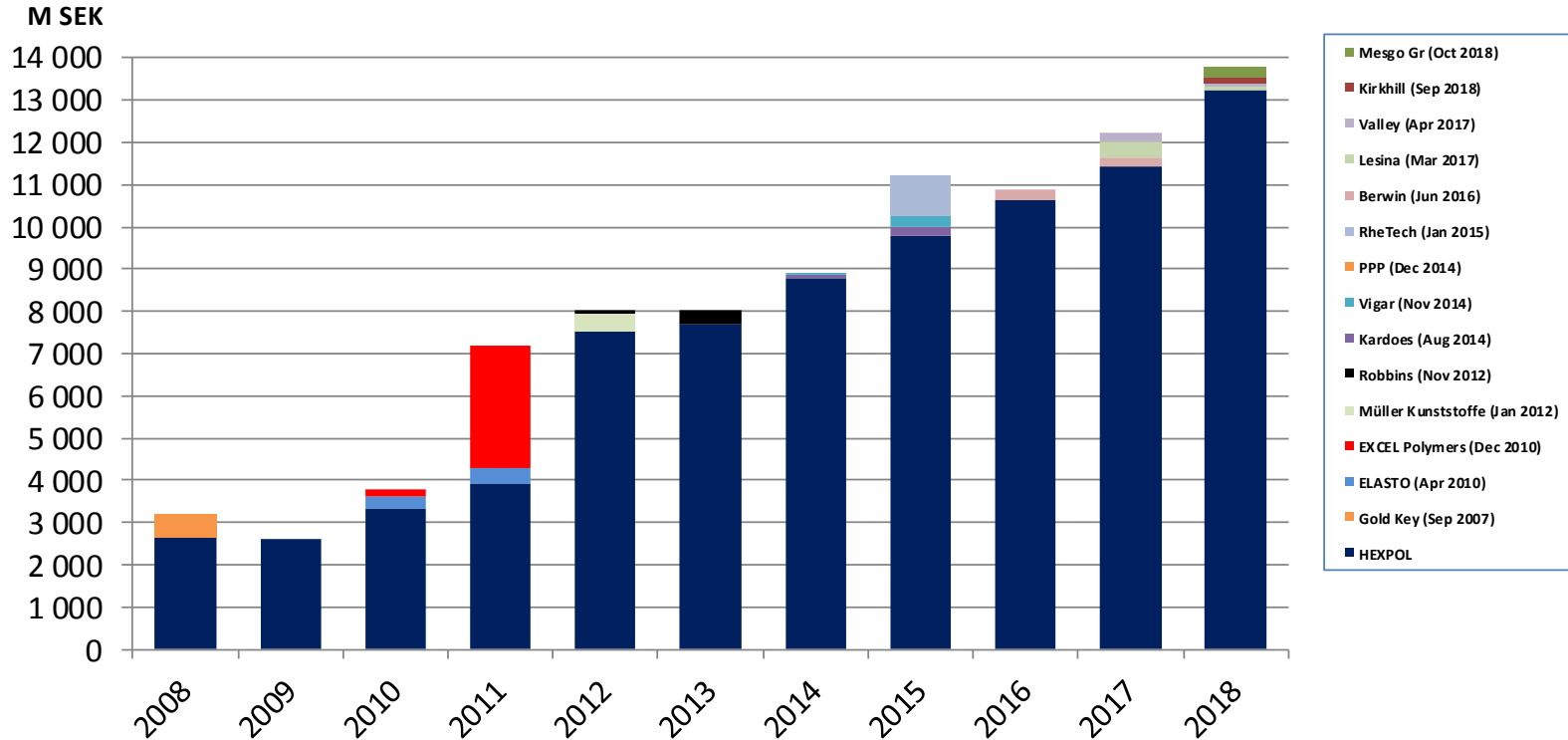


- Acquisition oriented – major acquisitions within Compounding:
 - 2010: Elasto, Excel Polymers
 - 2012: Müller Kunststoffe, Robbins
 - 2014: Kardoes, Vigar Rubber Compounding Portage Precision Polymers
 - 2015: RheTech Thermoplastic Compounding (RheTech, RheTech Colors and RheTech Engineered Plastics)
 - 2016: Berwin Group (Berwin Rubber Co Ltd Berwin Industrial Polymers Ltd and Flexi-Cell (UK) Ltd)
 - 2017: Trelleborg Material & Mixing Lesina s.r.o, Valley Processing
 - 2018: Kirkhill Rubber, Mesgo Group

- Acquired 35 units with sales, development and production since 2010

HEXPOL – A fast growing Group

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

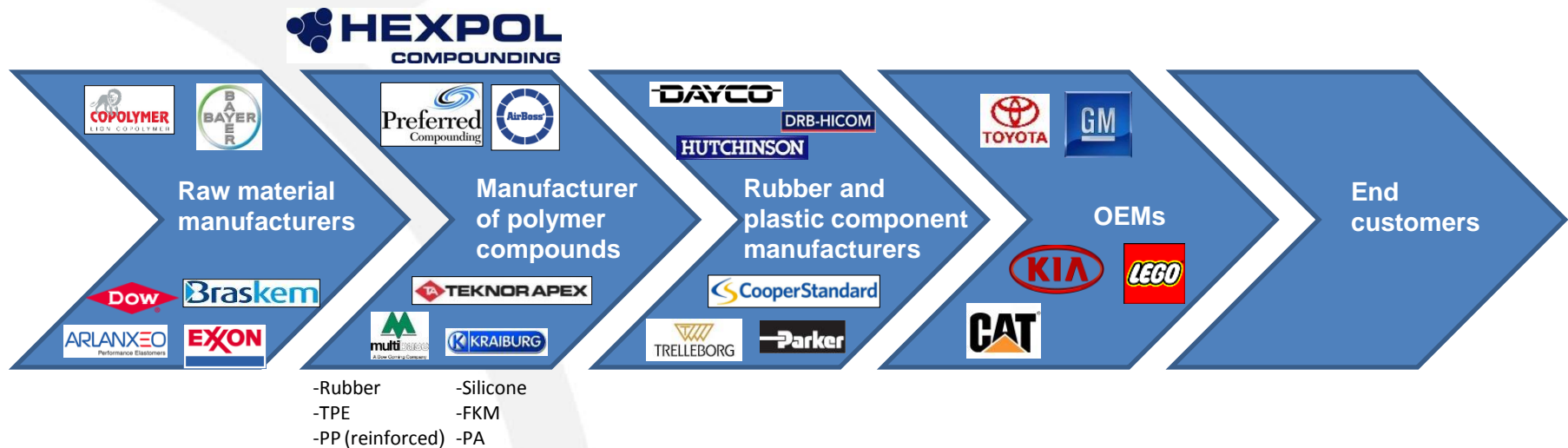


HEXPOL – A fast growing Group

- **Product Development**
 - New segments (for example: flame retardant)
 - New products in existing segments (for example: weight saving, environment friendly)
 - Application oriented
- **Increased market share**
- **Acquisitions mainly within Polymer Compounding**
 - Existing geographical markets (Kardoes, Portage Precision and Valley Processing in US, Vigar Rubber Compounding in Germany, Berwin Group in UK and Trelleborg Material & Mixing Lesina in Czech Republic, Kirkhill Rubber in US)
 - New geographical markets (Vigar Rubber Compounding in Spain, Mesgo Group in Italy, Poland and Turkey)
 - New chemistry (Portage Precision/silicone compounding, RheTech Thermoplastic Compounding/specialized TP compounding, Mesgo Group/silicone and fluorocarbons)
 - New end user segments
 - Existing end user segments
- **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:

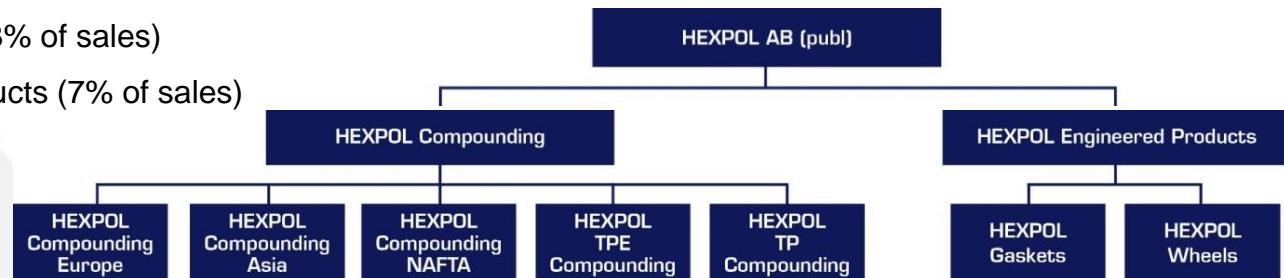
- Fragmented market – few global players – many local players
- Few industrial consolidators
- Few vertically integrated companies

HEXPOL – Organisation and sales distribution

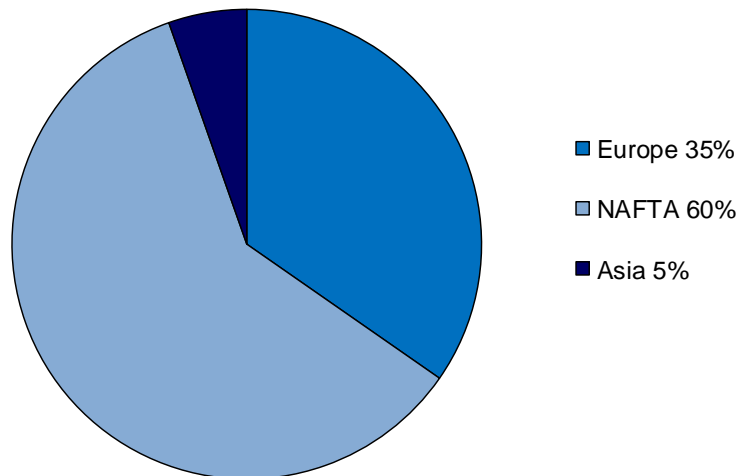
HEXPOL – With a stable organisation

Two business areas:

- HEXPOL Compounding (93% of sales)
- HEXPOL Engineered Products (7% of sales)



HEXPOL – Sales per geographic area Jan 18 - Dec 18



HEXPOL – A fast growing Group

Main customer segments:

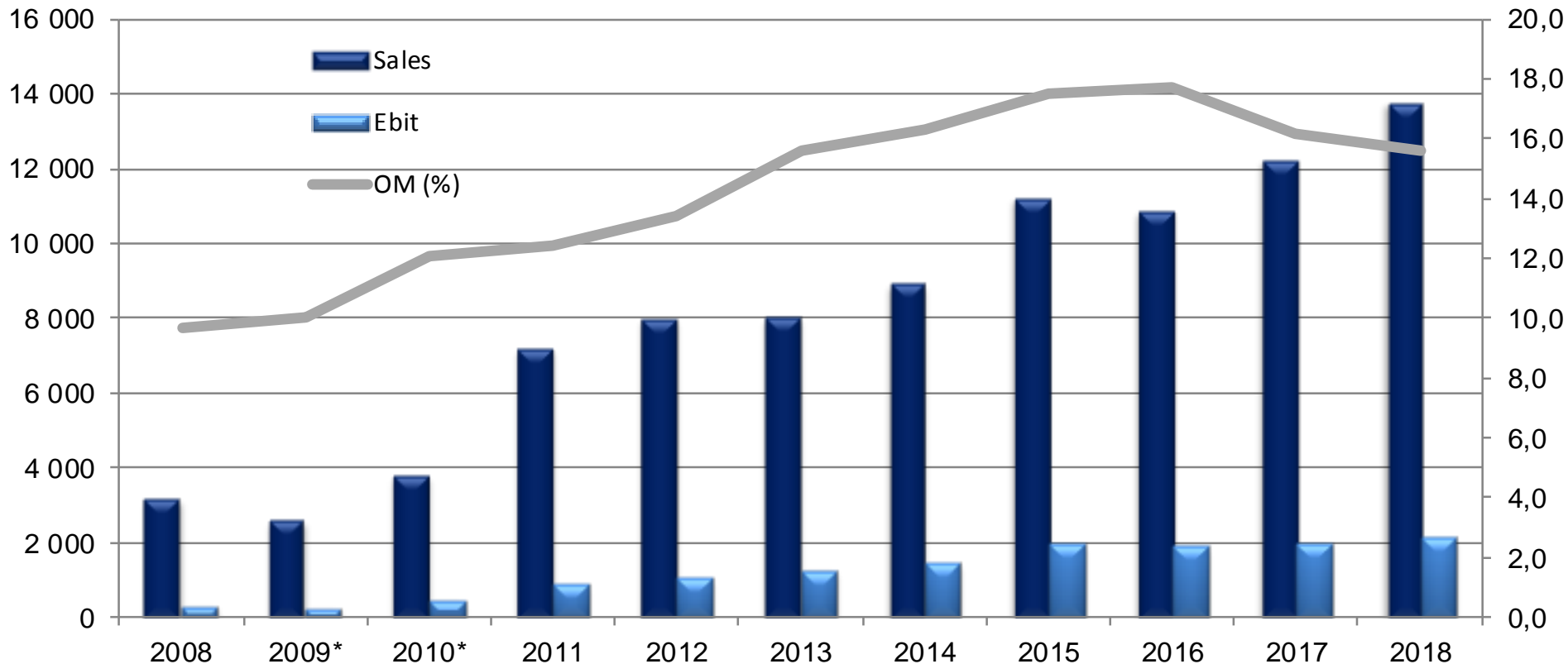
- Automotive industry
 - Sales around 36% 2018
- Engineering and general industry
- Building & construction
- Transportation
- Consumer industries
- Energy, oil & gas sector
- Wire & cable industries
- Medical equipment industries
- Manufacturers of plate heat exchangers
- Manufacturers of forklifts and castor wheels



HEXPOL – A fast growing Group with strong margins

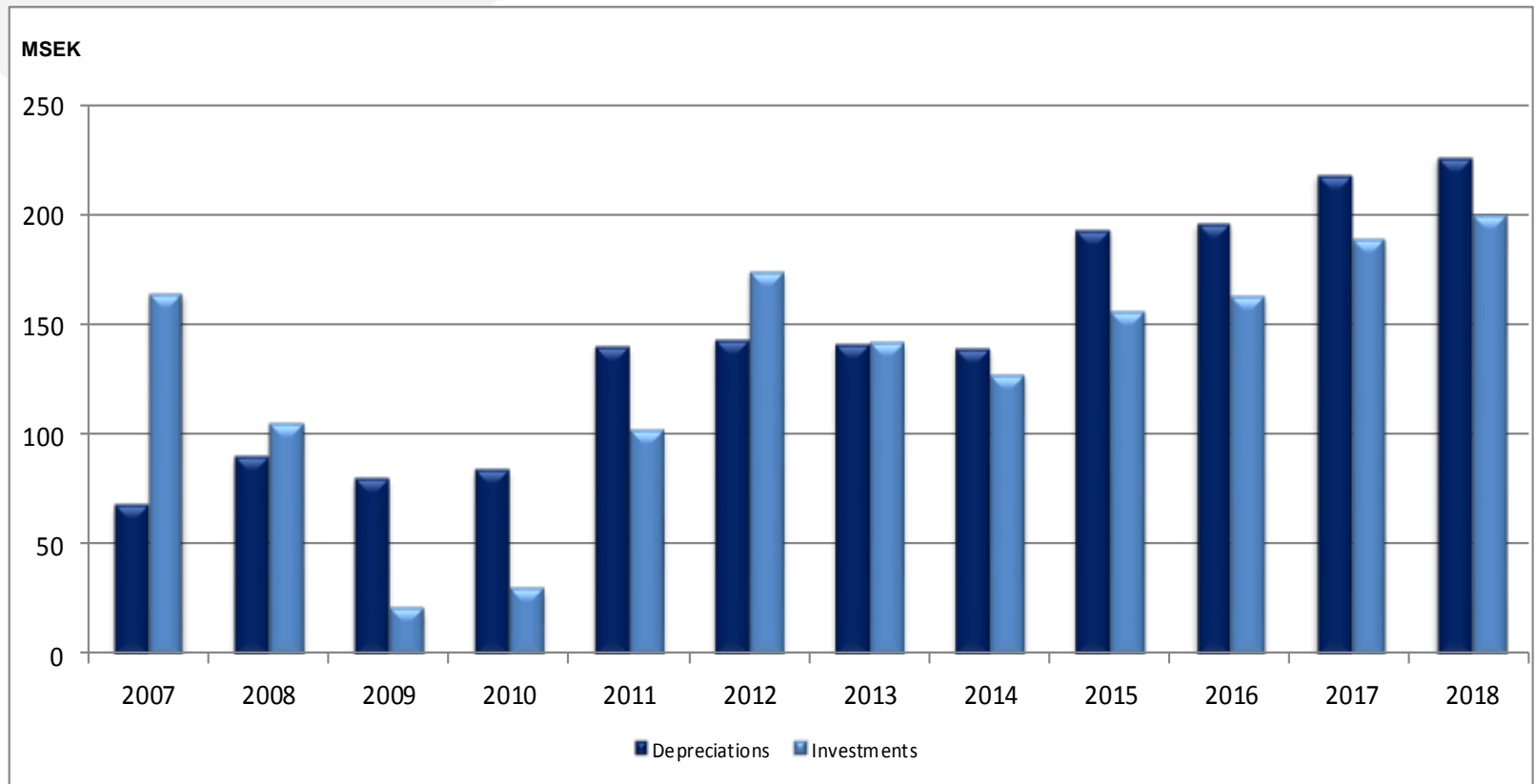
M SEK

%



*Adjusted for items affecting comparability

HEXPOL – Depreciations & investments*



- Investments in line with/or below depreciations
- Jan 18 - Dec 18: Investments are attributable to capacity investments within HEXPOL TPE Compounding and also regular maintenance investments

* tangible fixed assets

HEXPOL acquired Kirkhill Rubber September 2018



- Kirkhill Rubber has a state of the art facility in Long Beach, California, US
- A well-known US Rubber Compounder with presence in high performance elastomers
- Has an annual turnover of around 46 MUSD

HEXPOL acquired Mesgo Group in the beginning of October 2018



- Mesgo is an industry leader in high performance elastomers such as fluorocarbons and silicone
- Mesgo specialize also in conventional rubber compounds and thermoplastics
- State of the art facilities in Carobbio and Gorlago in Italy, and in Poland respectively in Turkey
- Facilities specializing in thermoplastics and master batches in Garlasco and Grigno in Italy
- Innovation Center in Gorlago, Italy
- Has an annual turnover of around 100 MEUR with an EBITDA margin in line with HEXPOL Group
- Around 190 employees

Q4 2018 – Increased sales and higher operating profit

- Sales increased 22%
- Positive volume development
- Operating profit increased 12%
- Profit after tax amounted to 405 MSEK (449 incl. non-recurring effects of 104 MSEK of the US tax reform)

MSEK	2018 Q4	2017 Q4	2018 Q3	
Sales	3,557	2,926	3,443	+22%
Operating profit, EBIT	522	467	527	
Operating margin, %	14.7	16.0	15.3	+12%
Profit after tax	405	449	404	
Earnings per share, SEK	1.18	1.31	1.17	
Earnings per share excl. non-recurring effects of the US tax reform, SEK	1.18	1.00	1.17	

Q4 2018 – Increased sales and higher operating profit

- **Sales increased 22% to 3,557 MSEK (2,926)**
 - Positive volume development driven by acquisition
 - Sales positively affected by higher sales prices due to higher raw material prices
 - Positive currency effects
- **In NAFTA increased sales (including Kirkhill) by 18%**
 - Increased sales to automotive related customers and to customers within wire & cable industry
 - Stable sales to customers within energy, oil & gas sector
 - Sales to customers within building & construction, engineering and general industry were slightly lower
- **In Europe increased sales (including Mesgo Group) by 31%**
 - Increased sales to automotive related customers
 - Increased sales to customers within engineering and general industry and wire & cable industry
 - Sales to building & construction were slightly lower
 - Increased sales to PHE and forklift manufactures
- **In Asia increased sales by 1%**
 - Lower sales to automotive related customers in China
 - Increased sales to forklift manufactures
- **Operating profit increased 12% to 522 MSEK (467)**
 - Positive currency effects of 35 MSEK
- **In early October, Mesgo Group, a leading Compounder in Europe within high performance elastomers, was acquired**

Q4 2018 – Increased sales and higher operating profit

MSEK	Quarter 4			Jan - Dec		
	2018	2017	Growth	2018	2017	Growth
Sales	3 557	2 926	22%	13 770	12 230	13%
Currency	-230		-8%	-426		-4%
Ex. Currency	3 327	2 926	14%	13 344	12 230	9%
Acquisition	-330		-12%	-571		-5%
Ex. Currency and acquisition	2 997	2 926	2%	12 773	12 230	4%

Q4 2018 – Increased sales and higher operating profit

- Strong balance sheet, well equipped for further expansion

MSEK	2018 Q4	2017 Q4	2018 Q3
Sales	3,557	2,926	3,443
Operating profit, EBIT	522	467	527
Operating margin, %	14.7	16.0	15.3
Profit after tax	405	449	404
Earnings per share, SEK	1.18	1.31	1.17
Earnings per share excl. non-recurring effects of the US tax reform, SEK	1.18	1.00	1.17
Operating cash flow	679	609	516
Net debt	-1 143	-27	-29
Equity/assets ratio, %	59	68	64
Return on capital employed, % R12	22.5	25.1	24.0

Our financial position remain strong and provides scope for continued expansion.

Q4 2018 – Business areas

Increased sales and higher operating profit

MSEK	Net Sales			Operating Profit			Operating Margin, %		
	2018 Q4	2017 Q4	2018 Q3	2018 Q4	2017 Q4	2018 Q3	2018 Q4	2017 Q4	2018 Q3
HEXPOL Compounding	3 301	2 704	3 180	486	440	488	14.7	16.3	15.3
HEXPOL Engineered Products	256	222	263	36	27	39	14.1	12.2	14.8

- **HEXPOL Compounding**

- Positive volume developments
- Increased sales incl. Kirkhill Rubber and Mesgo Group
- Increased operating profit

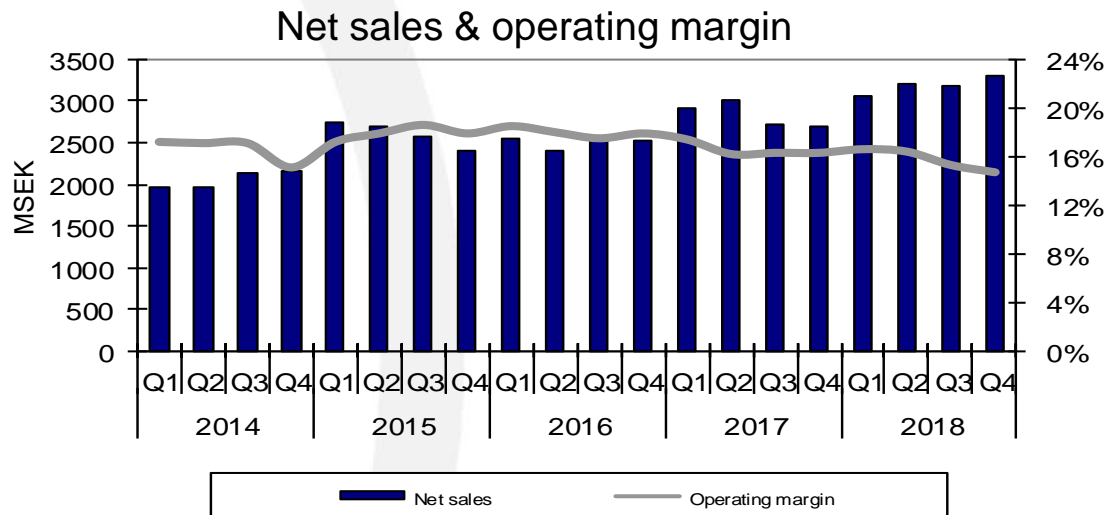
- **HEXPOL Engineered Products**

- Increased sales
- Increased operating profit and operating margin

Q4 2018 – HEXPOL Compounding

Increased sales and higher operating profit

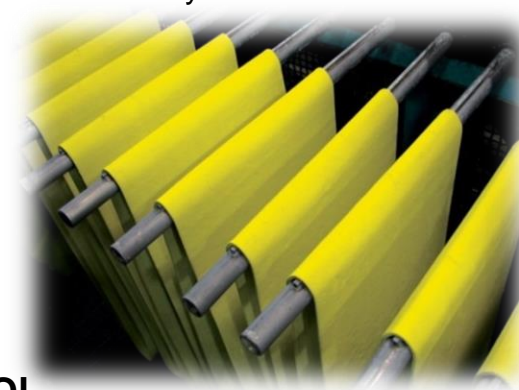
- **Sales increased (incl. Kirkhill Rubber and Mesgo Group) 22% to 3,301 MSEK (2,704)**
 - Sales positively affected by higher sales prices due to higher raw material prices
 - Positive volume development, with higher volumes in NAFTA and Europe, while the volumes in Asia were lower
 - Adjusted for the acquired Kirkhill Rubber and Mesgo Group the volumes were however slightly lower in both NAFTA and Europe
- **Operating profit increased 10% to 486 MSEK (440)**
 - Operating margin amounted to 14.7% (16.3), affected by lower organic volume due to inventory adjustments and extended Christmas holiday shutdowns at our customers, change in mix and the acquisition of Kirkhill Rubber



Q4 2018 – HEXPOL Compounding

Increased sales and higher operating profit

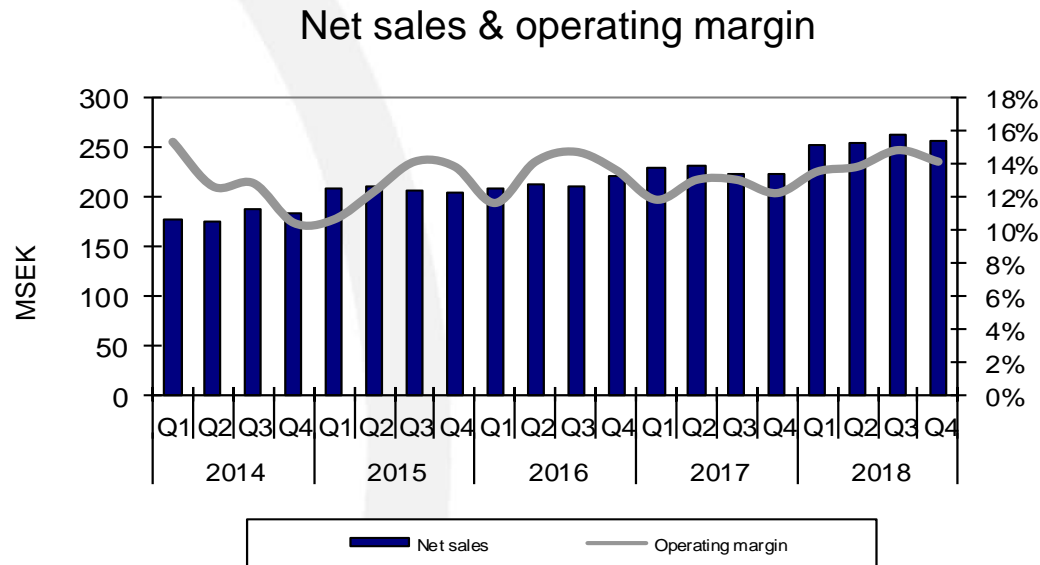
- **HEXPOL Compounding NAFTA (incl. Kirkhill) – increased sales**
 - Increased sales to automotive related customers and to wire & cable industry
 - Stable sales to energy, oil & gas sector
 - Sales to customers within building & construction and engineering and general industry were however slightly lower
- **HEXPOL Compounding Europe (incl. Mesgo Group) – increased sales**
 - Increased sales to automotive related customers
Excl. Mesgo Group, sales to automotive related customers were lower mainly due to inventory adjustments and the new emission standard WLTP
 - Increased sales to customers within engineering and general industry and wire & cable industry
 - Sales to building & construction were slightly lower
- **HEXPOL Compounding Asia – lower sales**
 - Lower sales to automotive related customers in China
- **HEXPOL TPE Compounding – higher sales**
- **HEXPOL TP Compounding – increased sales**
 - Increased sales mainly to automotive related customers
- **Kirkhill Rubber, acquired in September, has been integrated in HEXPOL Compounding NAFTA's organisation and developed according to plan**
- **In early October, Mesgo Group, an industry leader in high performance elastomers such as fluorocarbons and silicones, was acquired**



Q4 2018 – HEXPOL Engineered Products

Increased sales and higher operating profit

- **Net sales increased 15% to 256 MSEK (222)**
 - Sales increased significantly in both HEXPOL Wheels and HEXPOL Gaskets
- **Operating profit increased 33% to 36 MSEK (27)**
- **Operating margin improved to 14.1% (12.2)**



Jan – Dec 2018 – Increased sales and higher result

- Sales increased by 13%
- Operating profit increased by 8%
- Earnings per share increased by 8% to 4.78 SEK (4.44)
- Strong balance sheet

	Oct-Dec		Jan-Dec	
MSEK	2018	2017	2018	2017
Net Sales	3,557	2,926	13 770	12 230
Operating Profit, EBIT	522	467	2 150	1 986
Operating Margin, %	14.7	16.0	15.6	16.2
Profit after tax	405	449	1 646	1 527
Earnings per share, SEK	1.18	1.31	4.78	4.44
Earnings per share excl. non-recurring effects of tax reform in the US, SEK	1.18	1.00	4.78	4.13
Operating cash flow	679	609	2 019	2 001
Net debt			-1 143	-27
Equity/assets ratio, %			59	68
Return on capital employed, % R12			22.5	25.1

+13%

+8%

+8%

Strong balance sheet provides scope for continued expansion.

The Board of Directors proposes a dividend of 2.25 SEK per share (1.95) an increase by 15%

Q4 2018 – Increased sales and higher operating profit

- Sales increased by 22% to 3,557 MSEK (2,926)
- Positive volume development
- Operating profit increased by 12% to 522 MSEK (467)
- Operating margin amounted to 14.7% (16.0)
- Operating cash flow increased to 679 MSEK (609)
- Earnings per share amounted to 1.18 SEK (1.00 excl. non-recurring effects of the US tax reform)
- Strong financial position
- Mesgo Group, a leading Compounder in Europe within high performance elastomers, was acquired



Jan – Dec 2018 – Record sales and profit

- Sales increased by 13% to 13,770 MSEK (12,230)
- Operating profit increased by 8% to 2,150 MSEK (1,986)
- Operating margin amounted to 15.6% (16.2)
- Operating cash flow increased to 2,019 MSEK (2,001)
- Two strategic acquisitions in the field of high performance elastomers
- Proposed dividend of SEK 2.25 per share (1.95)



Q & A

Thank You!

