

Telephone presentation 16:00 CET

Please call +46 8213 091 (international call)

020-213 091 (national call, Sweden)

08-213 091 (mobile call, Sweden)

and enter meeting code 917 840

Welcome to HEXPOL

Year-end 2014 and Q4 2014 report update

CEO Georg Brunstam
CFO Karin Gunnarsson

February 6 2015, 13:00 CET



February 6, 2015

Agenda

- Introduction to HEXPOL
- Q4 2014 – HEXPOL Group
- Q4 2014 – Business areas
- Jan – Dec 2014 – Key figures
- Q4 2014 – 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

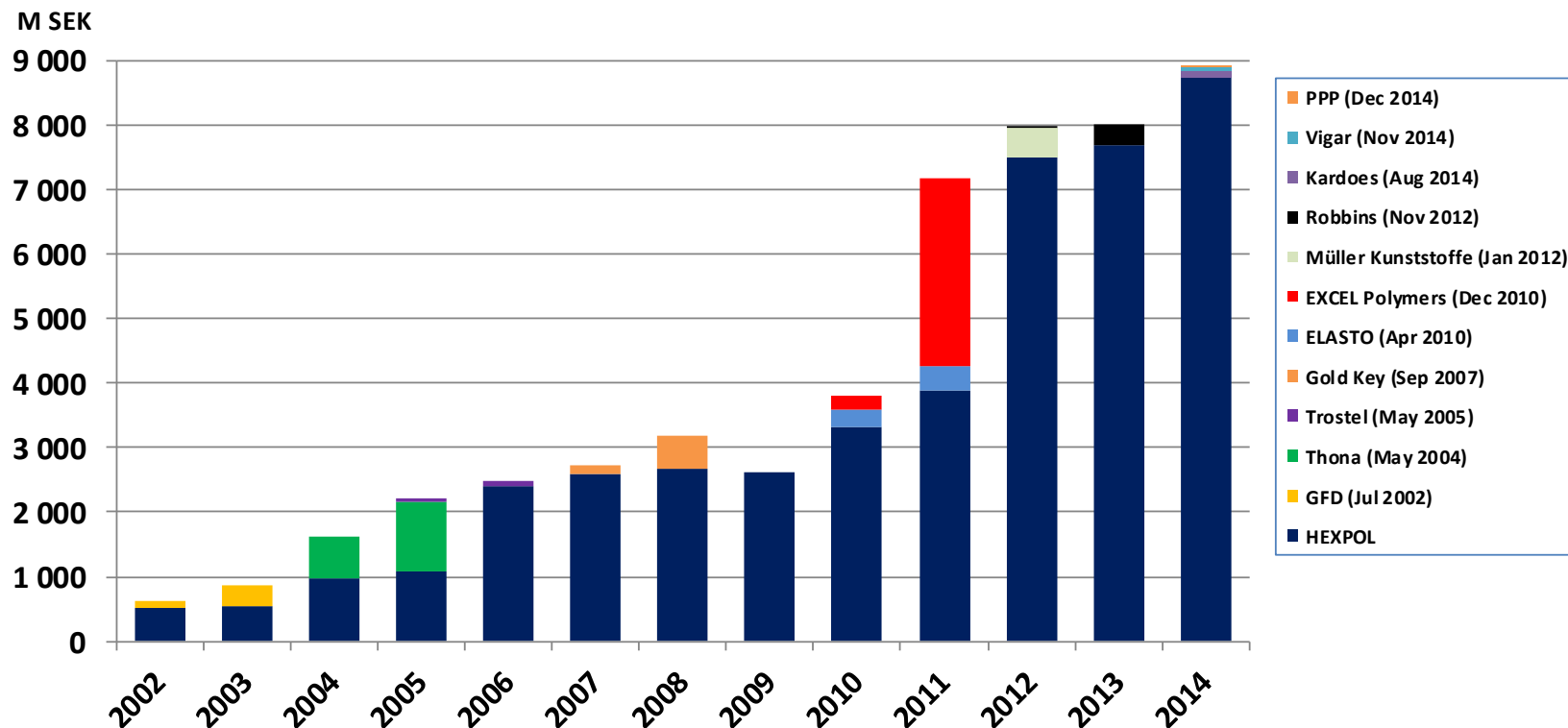
HEXPOL's vision is to be market leader, number one or two, in selected technological or geographical segments, to generate profit, growth and shareholder value.



HEXPOL – A fast growing Group

- Strong Growth

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



HEXPOL – A fast growing Group

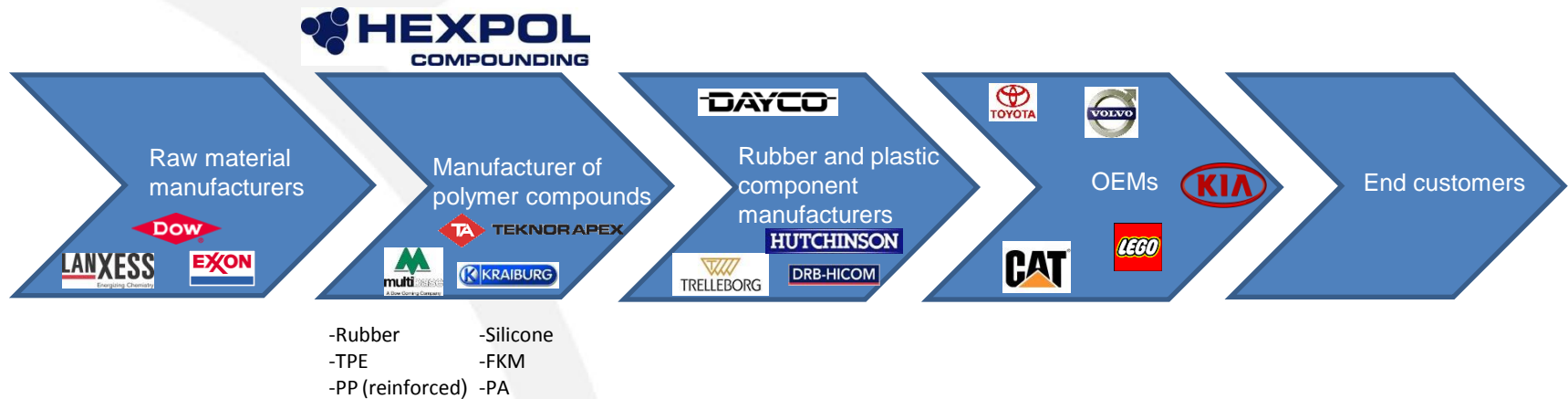
- Growth strategy

- 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 markets (Kardoes and Portage Precision in US, Vigar in Germany)
 - New markets (Vigar in Spain)
 - New chemistry (Portage Precision /silicon compounding, RheTech / specialized TP compounding)
- Capacity investments in China and Mexico
- Capacity investments in TPE Compounding

HEXPOL – A fast growing Group

- HEXPOL Compounding

Value chain:



Business model:

- “Glocal” (local supplies/JIT)
- Application focused (often End user specified)
- Customized made to order
- 97 % outside of Sweden

The market:

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

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 37% (2008 60%).
- 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



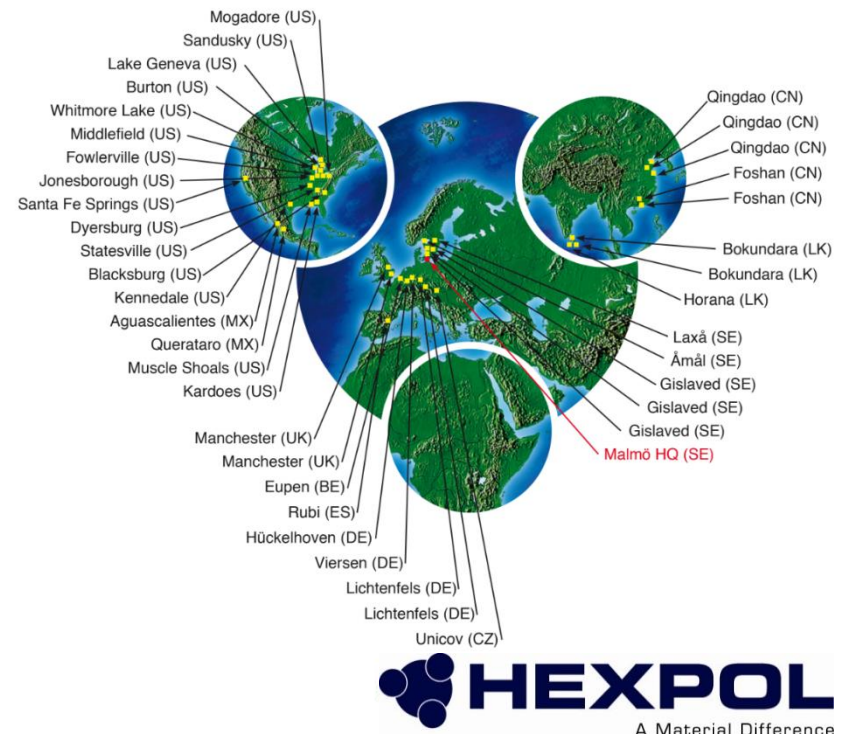
HEXPOL – A well positioned Group

- Two business areas
 - HEXPOL Compounding
 - HEXPOL Engineered Products
- Strong global market positions
 - Global number ONE for rubber compounding
 - Strong European position in Thermoplastic Elastomer Compounding (TPE)
 - Global number ONE in Gaskets for plate heat exchangers (PHEs)
 - Global market coverage in Wheels for fork lift trucks and castor wheels
- Global presence with production at 39 units in 10 countries (≈3,900 employees)
- 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 39 production units in emerging 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 – two major acquisitions in 2010 and two more in 2012 .
- Acquisitions during 2014/2015 within Polymer Compounding:
 - Kardoes August 2014
 - Vigar November 2014
 - Portage Precision December 2014
 - RheTech January 2015
- Acquired 23 units with development and production since 2010

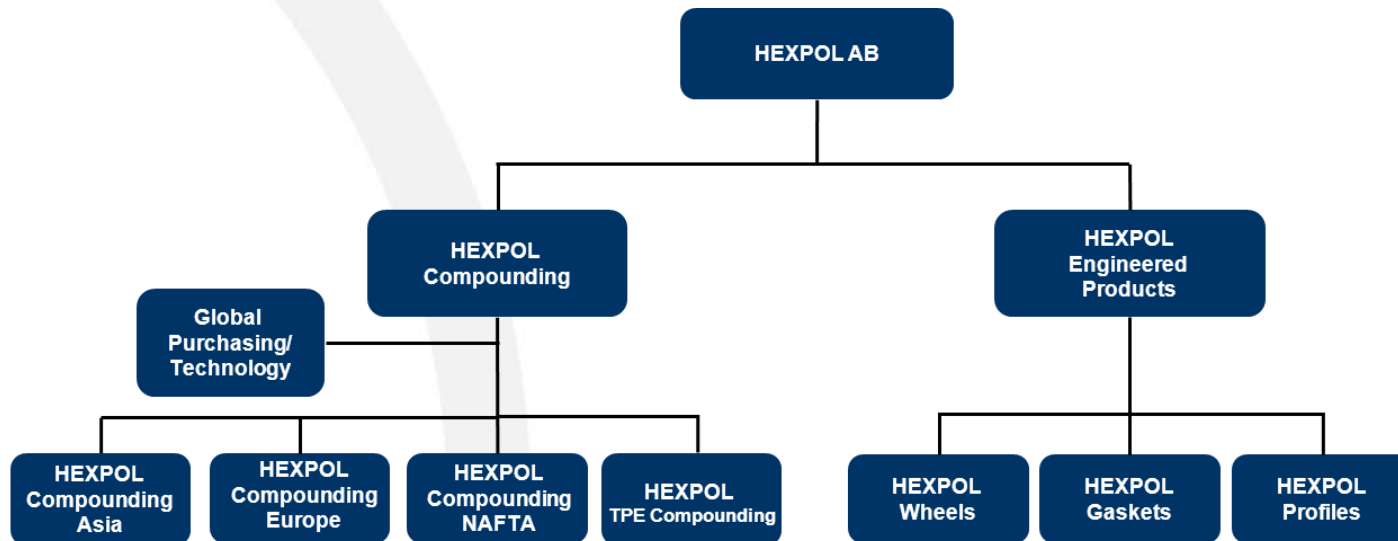


HEXPOL – A well positioned Group

- With a stable organisation

Two business areas

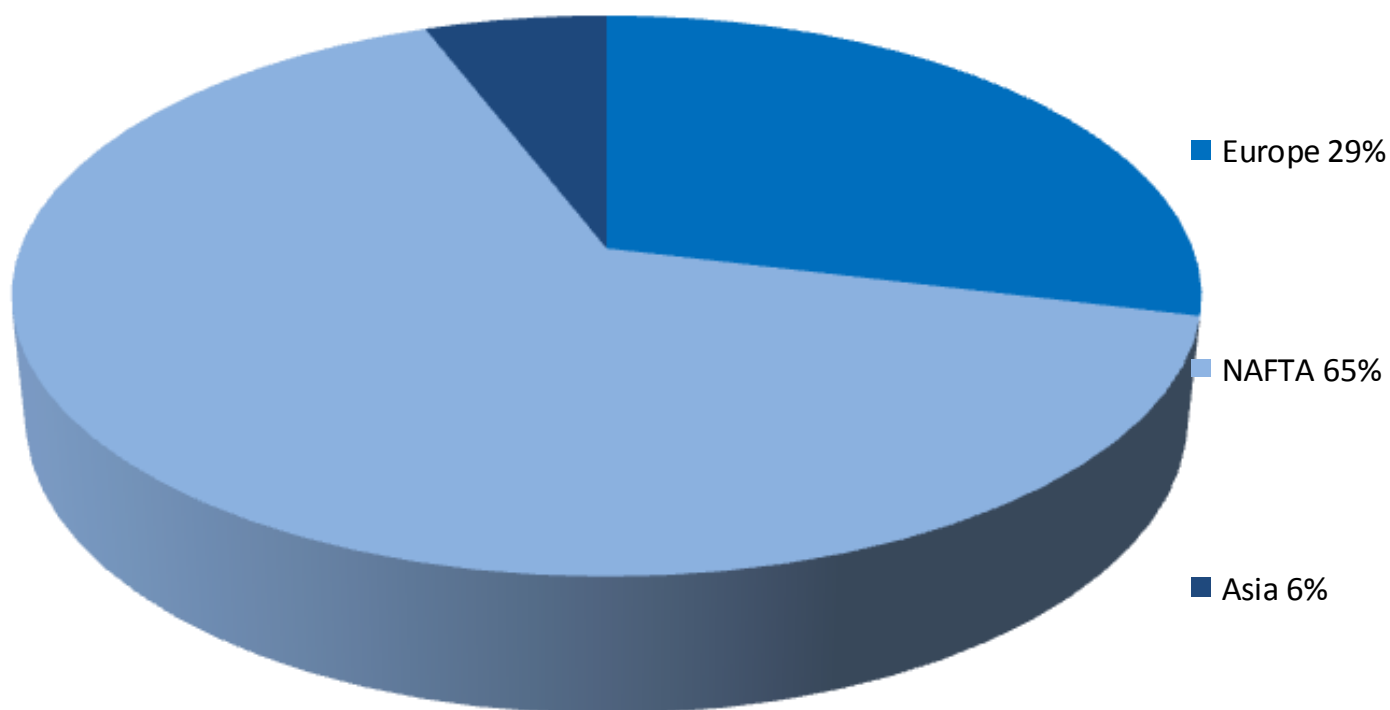
- HEXPOL Compounding (92 % of sales)
- HEXPOL Engineered Products (8 % of sales)



HEXPOL – A well positioned Group

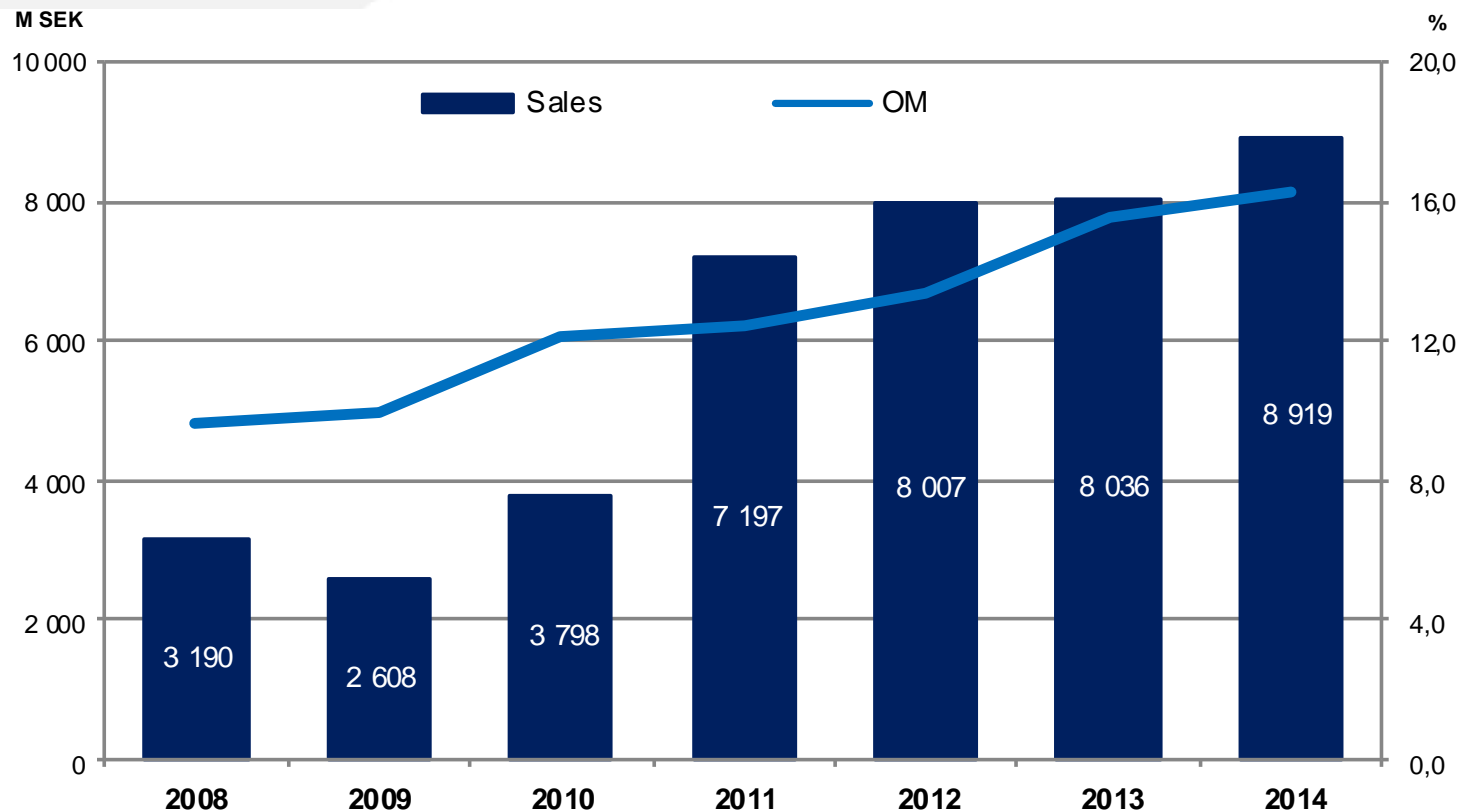
- A favourable sales distribution

Sales per geographic area Oct - Dec 2014



HEXPOL – A well positioned Group

- Strong margin development



Q4 2014 – Another strong quarter – high acquisition activity

- Volume and sales increases in all geographical regions

MSEK	2014 Q4	2013 Q4	2014 Q3	
Net Sales	2 331	1 923	2 312	+ 21%
Operating Profit, EBIT	382*	321	388	
Operating Margin, %	16,4*	16.7	16.8	+ 19%
Profit after tax	248	254	280	
Earnings per share, SEK	7.21	7.38	8.13	
Operating cash flow	517	398	460	

Q4 2014 – Another strong quarter – high acquisition activity

- Volume and sales increases in all geographical regions
- Sales increased by 21% to 2,331 MSEK (1,923)
 - Sales growth (adjusted for currency effects) amounted to 10 per cent
 - Organic growth (adjusted for currency effects and acquisitions) was 3 per cent
 - Prices for our principal raw materials for Rubber Compounding were relatively stable during the quarter, while prices on principal raw materials within TPE and Thermoplastic Compounding showed a downward trend in the end of the quarter, which is expected to continue during the first quarter in 2015.
- Operating profit improved to 382* MSEK (321)
- Sales and volume in NAFTA well above last year
 - Sales increased by 27%
 - Automotive continued strong
 - Mexico also continued strong in all segments
- Sales in Europe above last year
 - Stable quarter in Europe
 - Sales increased by 10%
 - Increased sales to automotive related customers
- Volume and sales in Asia well above last year
 - Sales increased by 23%



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 (Oct, 2014) – Rubber Compounding
 - Units in Spain and Germany
- Portage Precision Polymers (Dec, 2014) – Rubber/silicon Compounding
 - Units in U.S.
- RheTech (Jan, 2015) – Specialized Thermoplastic Compounding
 - Units in U.S.

HEXPOL acquisition of Kardoes Rubber in August 2014



- Kardoes Rubber with a manufacturing facility in La Fayette, Alabama, US
- Turnover of 43 MUSD in 2013, with an EBITDA margin below HEXPOL Group
- Around 90 employees

HEXPOL acquired VIGAR Rubber Compounding in November 2014



- Vigar Rubber compounding with manufacturing facilities in Rubi, Spain and Viersen, Germany
- Turnover of 57 MEUR in 2013, with a positive EBITDA margin well below the HEXPOL Group and is expected to have an insignificant impact on earnings per share*
- Around 130 employees
- Closing of German units announced

HEXPOL acquired Portage Precision Polymers in December 2014

- Portage Precision Polymers with two manufacturing facilities in Ohio (Ravenna and Mogadore) US
- Turnover of 29 MUSD in 2013 and an EBITDA margin below the HEXPOL Group
- The Ravenna facility is not included in the transaction and its business will be transferred to other HEXPOL facilities



HEXPOL acquired RheTech January 2015



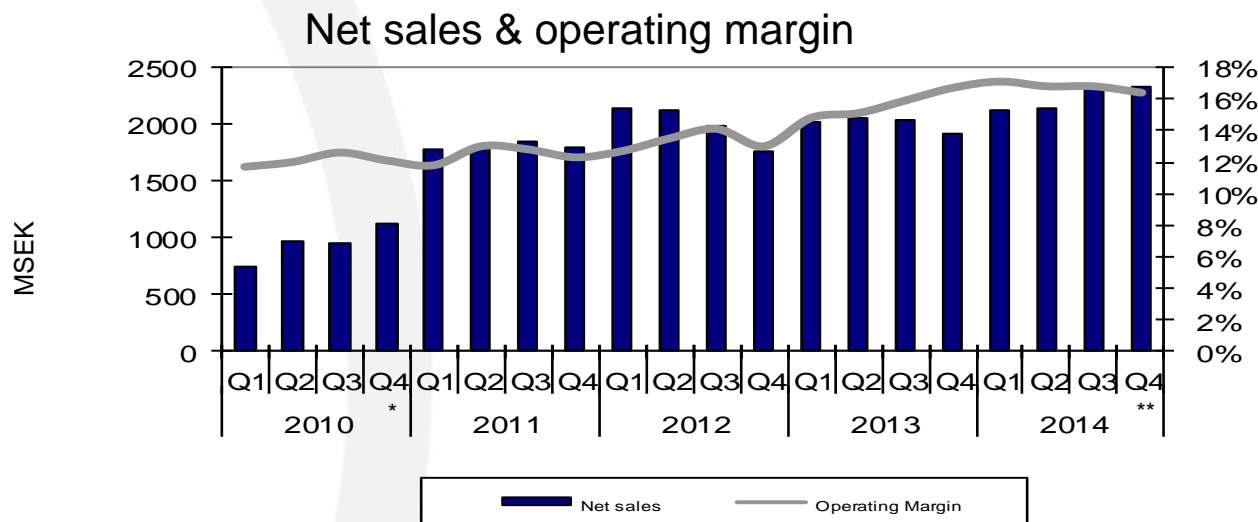
- RheTech Thermoplastic Compounding have four facilities (including manufacturing and laboratories) located in Whitmore Lake, MI (RheTech), Fowlerville, MI (RheTech), Sandusky, OH (RheTech Color) and in Blacksburg, SC (RheTech Engineered Plastics), US
- Turnover of 117 MUSD in 2013, with an EBITDA margin well below the HEXPOL Group
- Around 212 employees



Q4 2014 – Another strong quarter – high acquisition activity

- Volume and sales increases in all geographical regions

- Net sales increased to 2,331 MSEK (1,923)
 - Increase by 21 percent
- Operating profit amounted to 382** MSEK (321)
 - Increase by 19 percent
- Operating margin amounted to 16.4%** (16.7)
- Return on capital employed improved to 28.5% (27.0)
- Earnings per share amounted to 7.21 SEK (7.38)
- Strong operating cash flow, increased to 517 MSEK (398)
- Very strong Balance Sheet
 - Equity/assets ratio 69.3 % (61.5)
 - Net cash 259 MSEK (net debt 312)



* Excluding items affecting comparability

** Excluding acquisition, integration and restructuring costs (Vigar) of 38 MSEK

Q4 2014 – Another strong quarter – high acquisition activity

- Volume and sales increases in all geographical regions

MSEK	2014	2013	Growth
Sales	2 331	1 923	21%
Currency	-219		-11%
Ex. Currency	2 112	1 923	10%
Acquisition	-125		-7%
Organic Growth	1 987	1 923	3%

Q4 2014 – Another strong quarter – high acquisition activity

- Strong balance sheet

MSEK	2014 Q4	2013 Q4	2014 Q3
Net Sales	2 331	1 923	2 312
Operating Profit, EBIT	382*	321	388
Operating Margin, %	16,4*	16.7	16.8
Profit after tax	248	254	280
Earnings per share, SEK	7.21	7.38	8.13
Operating cash flow	517	398	460
Net cash	259	-312	-36
Net debt/equity, multiple	0,0	0,1	0,0
Equity/assets ratio, %	69.3	61.5	64.2

+ 19%

Q4 2014 – Business areas

- High acquisition activity

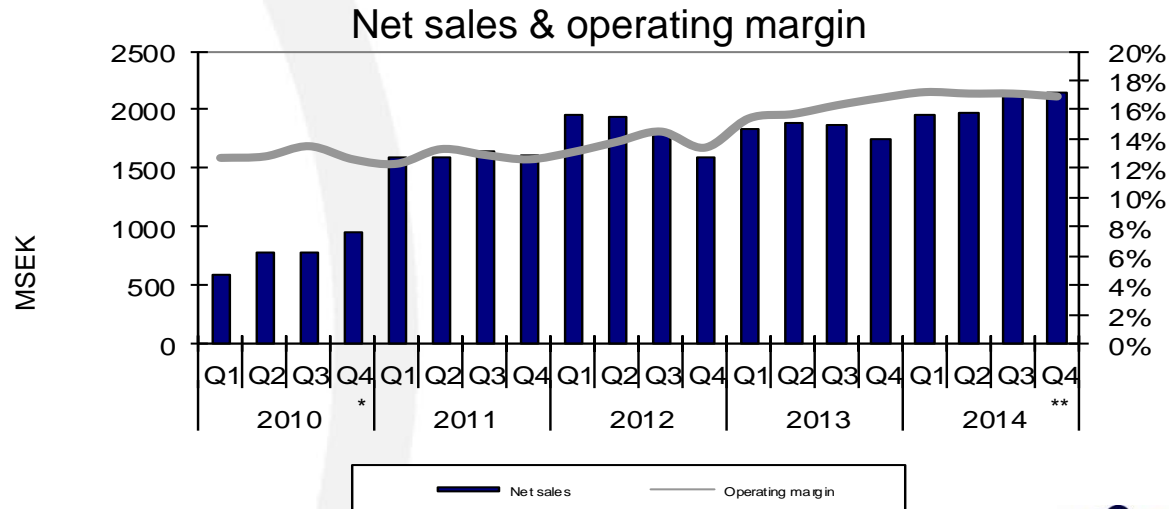
MSEK	Net Sales			Operating Profit			Operating Margin, %		
	2014 Q4	2013 Q4	2014 Q3	2014 Q4	2013 Q4	2014 Q3	2014 Q4	2013 Q4	2014 Q3
HEXPOL Compounding	2 148	1 749	2 125	363*	294	364	16,9*	16,8	17,1
HEXPOL Engineered Products	183	174	187	19	27**	24	10,4	15,5**	12,8

- Strong volume increase in HEXPOL Compounding
- Sales in NAFTA well above last year

Q4 2014 – HEXPOL Compounding

- Continued strong volume development – high acquisition activity

- Sales 23% above last year:
 - Volume increases in all geographical regions
- Operating profit amounted to 363** MSEK (294)
 - Continued improvement of performance and efficiency in operations
 - Increased volumes
- Europe – sales and volumes above last year
 - Stable quarter in Europe
 - Sales increased to automotive related customers
- NAFTA – sales well above last year
 - Strong volumes
 - Automotive continued strong
 - Mexico continued strong in all segments
- Asia – significant increase of sales vs. last year
 - Strong sales to automotive-related customers in China
- HEXPOL TPE Compounding – continued positive development



Q4 2014 – HEXPOL Engineered Products

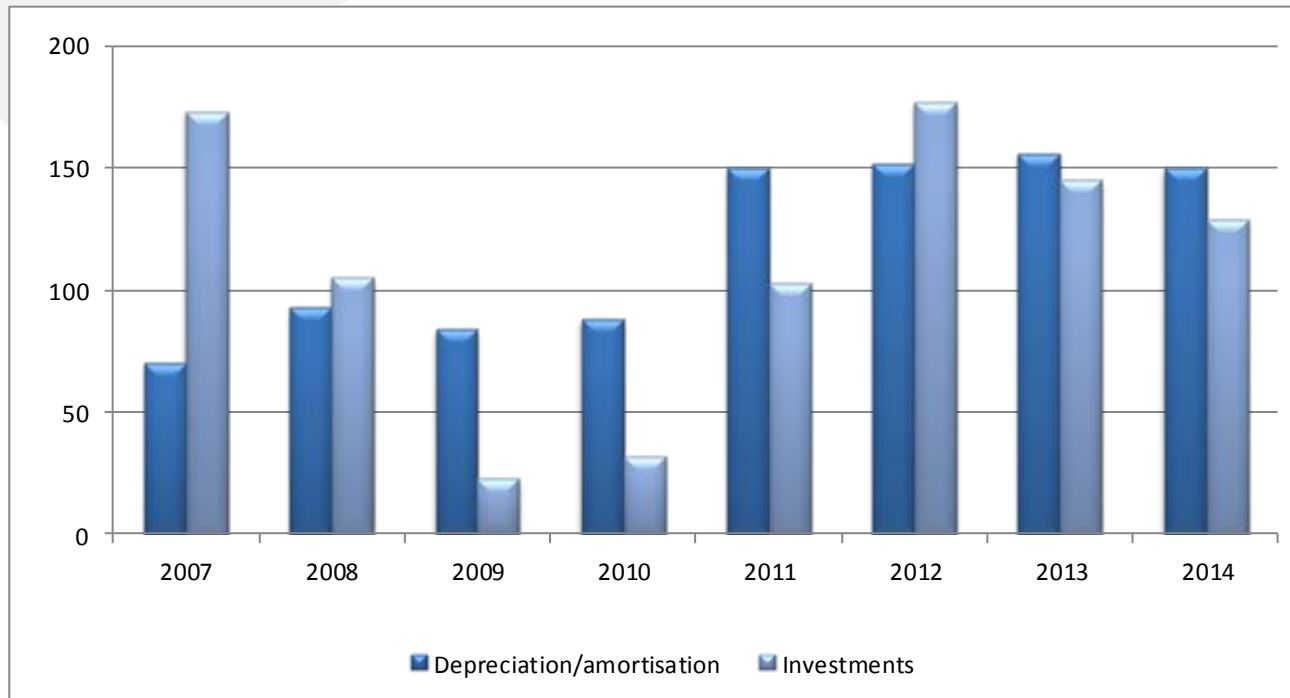
- Net sales increased by 5% to 183 MSEK (174)
 - Stable sales for HEXPOL Gaskets in all geographical regions
 - Sales improved for HEXPOL Wheels
- Positive development in HEXPOL Gasket business in China
- Operating profit amounted to 19 MSEK (27)
 - Insurance compensation 7 MSEK 2013
- Operating margin 10.4% (15.5)



HEXPOL Group

Depreciations/amortizations & Investments

MSEK



- Investments in line with depreciations/amortizations
- Mainly capacity investments in Mexico and within TPE Compounding
- Maintenance investments primarily in the U.S.
- Rebuilding of the fire damaged PU-line in HEXPOL Wheels

Jan - Dec 2014

Volume increases in all geographical regions and strong earnings development

	Jan - Dec	
MSEK	2014	2013
Net Sales	8 919	8 036
Operating Profit, EBIT	1 456	1 255
Operating Margin, %	16,3	15,6
Profit after tax	1 048	930
Earnings per share, SEK	30,45	27,02
Operating cash flow	1 676	1 418
Net cash	259	-312
Equity/assets ratio, %	69,3	61,5
Return on capital employed, %	28,5	27,0

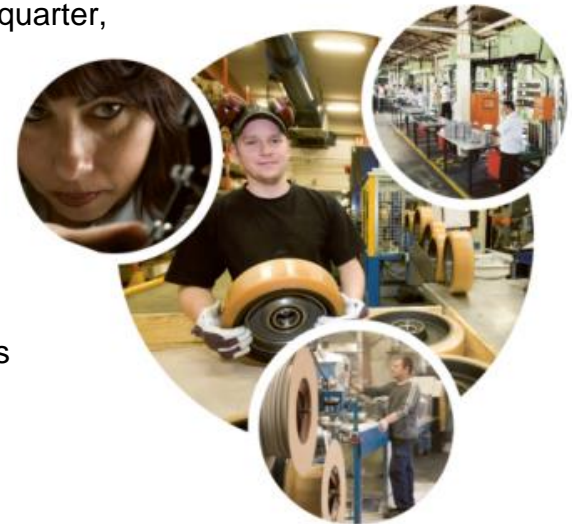
+ 11%

+ 16%
Excl. +19%*

Q4 2014 – Another strong quarter – high acquisition activity

- Volume and sales increase continue in all geographical regions

- Sales increased by 21 per cent to 2,331 MSEK (1,923)
 - Volumes increased in all geographical regions vs. last year
 - Sales in NAFTA well above last year
 - Stable in Europe
 - Asia significant sales increase
 - Prices for our principal raw materials for Rubber Compounding were relatively stable during the quarter, while prices on principal raw materials within TPE and Thermoplastic Compounding showed a downward trend in the end of the quarter, which is expected to continue during the first quarter in 2015.
- Operating profit* increased with 19 per cent
- Return on capital employed improved to 28.5 % (27.0)
- Very strong operating cash flow, 517 MSEK (398)
- High acquisition activity
 - Four acquisitions during second half year adding eight operating units



Q & A