

Telephone presentation April 29, 2016, 13:00 CET

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Welcome to HEXPOL

Q1 2016 report update

CEO Georg Brunstam
CFO Karin Gunnarsson
April 29, 2016, 13:00 CET



April 29, 2016

Agenda

- Introduction to HEXPOL
- Q1 2016 – HEXPOL Group
- Q1 2016 – Business areas
- Q1 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 38 units in 10 countries (≈3,900 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 38 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

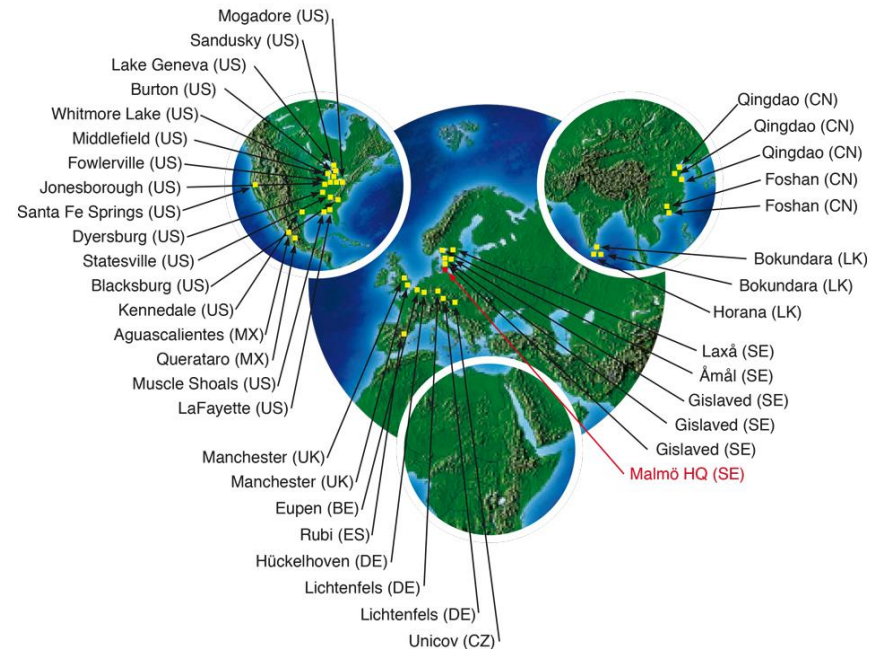
2014:

Kardoes, Vigar Rubber Compounding,
Portage Precision Polymers

2015:

RheTech Thermoplastic Compounding

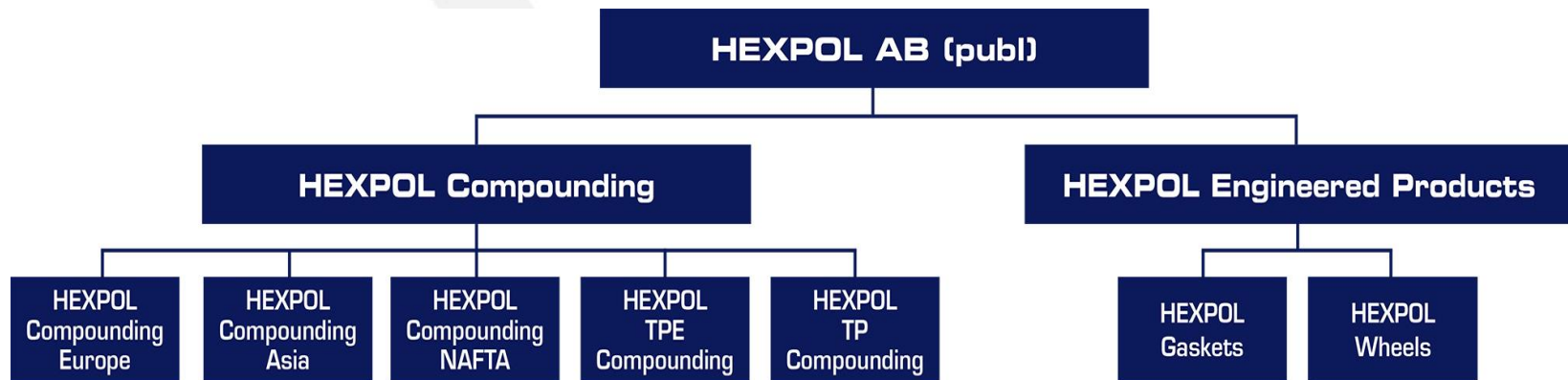
- Acquired 23 units with sales, development



HEXPOL – A well positioned Group with a stable organisation

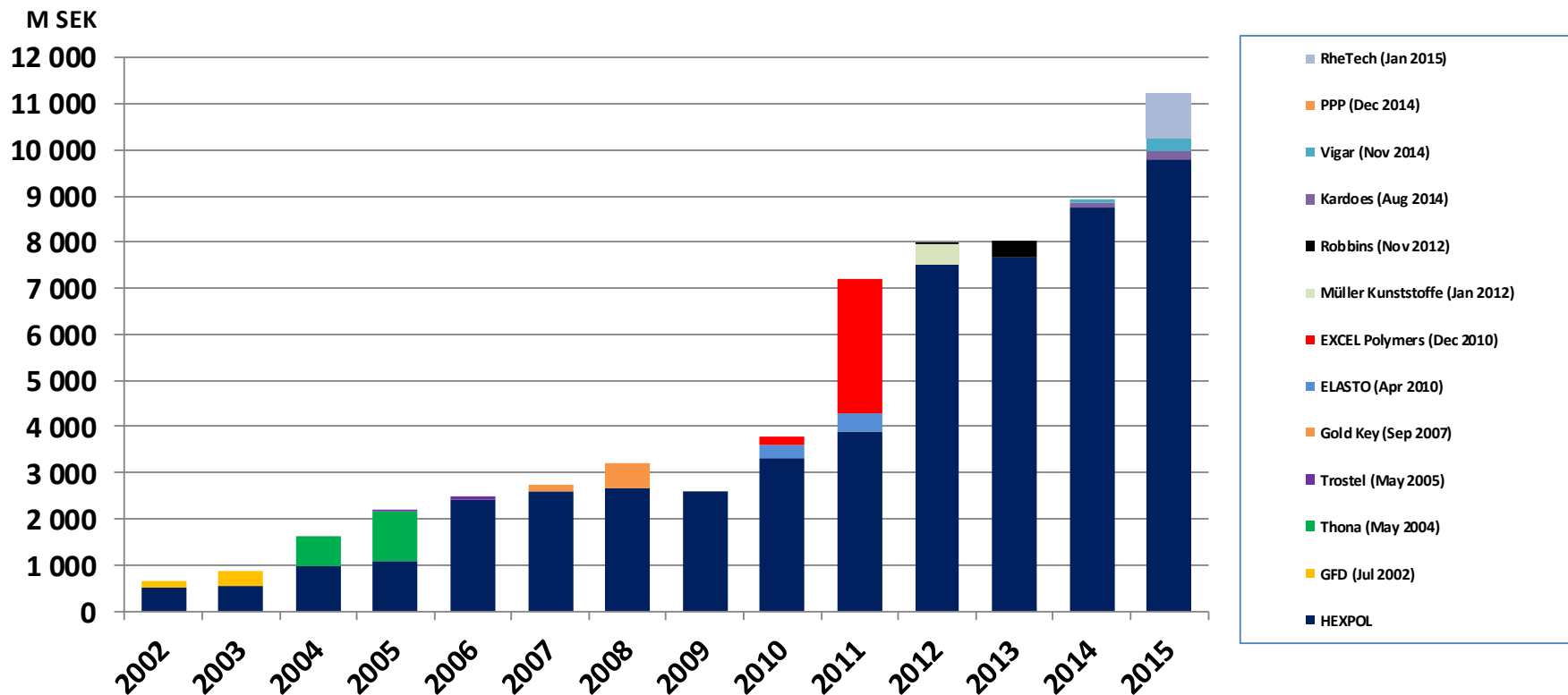
Two business areas

- 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)
 - 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)
- Müller Kunststoffe
(acquired in 2012)
- Customers own rubber compounding facilities
- Many local national compounders
- Teknor Apex
- Multibase
- GLS
- SOFTER
- Alpha Gary
- PolyOne
- Washington Penn
- A.Schulman



HEXPOL – A well positioned Group

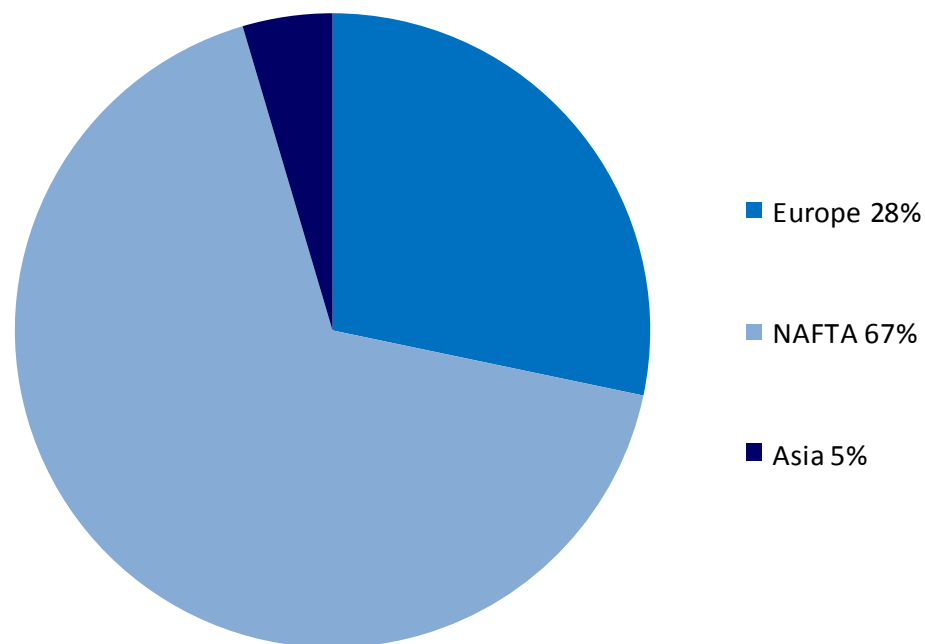
Main customer segments:

- 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

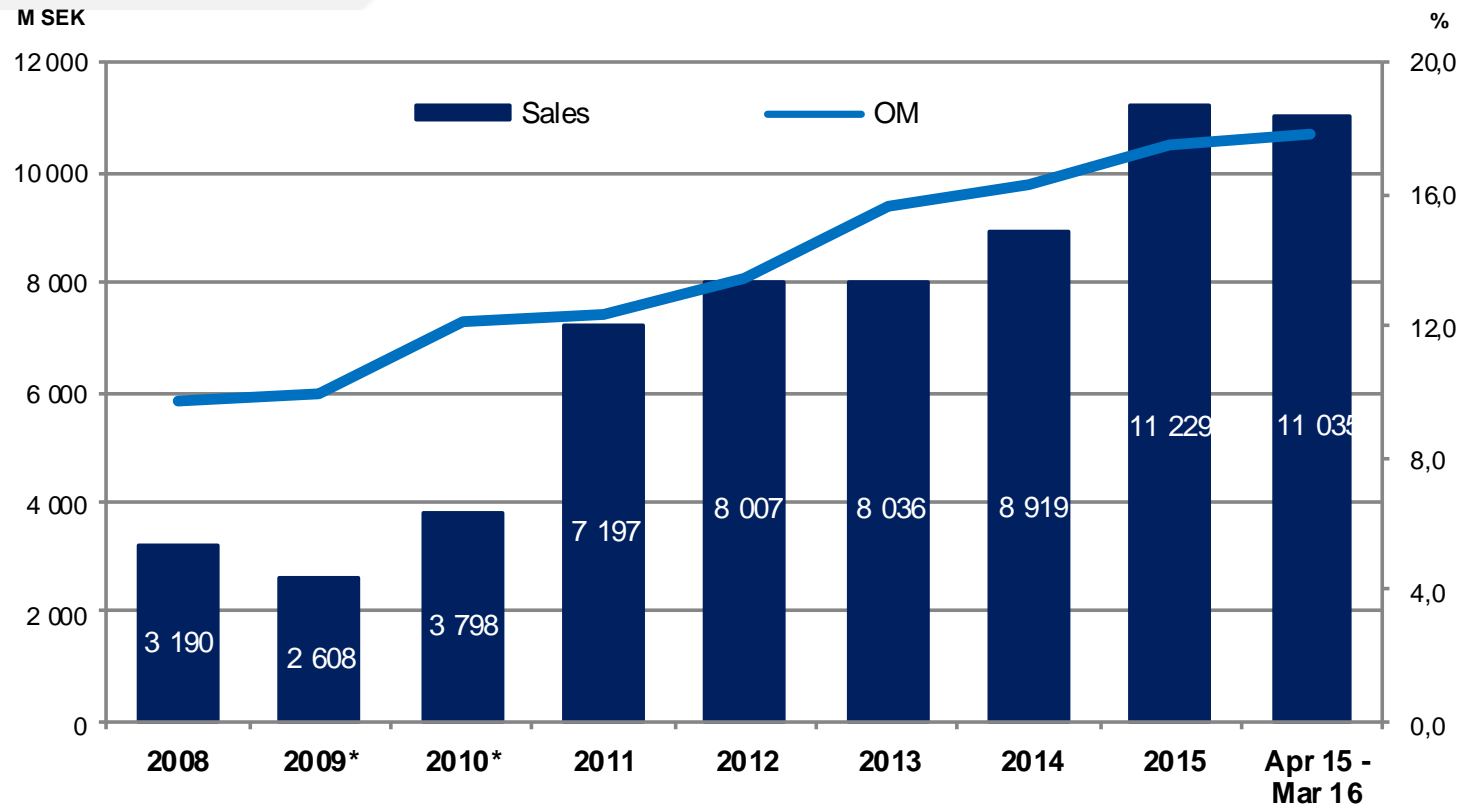


HEXPOL — A well positioned Group with favorable sales distribution

Sales per geographic area Jan-Mar 2016



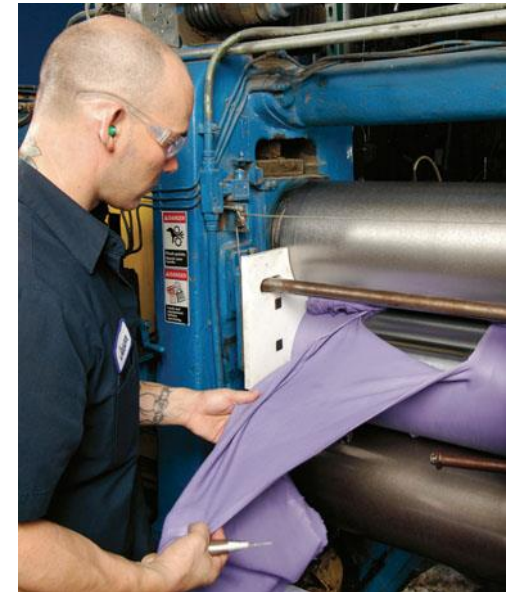
HEXPOL — Fast growing Group with strong margin development



*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.



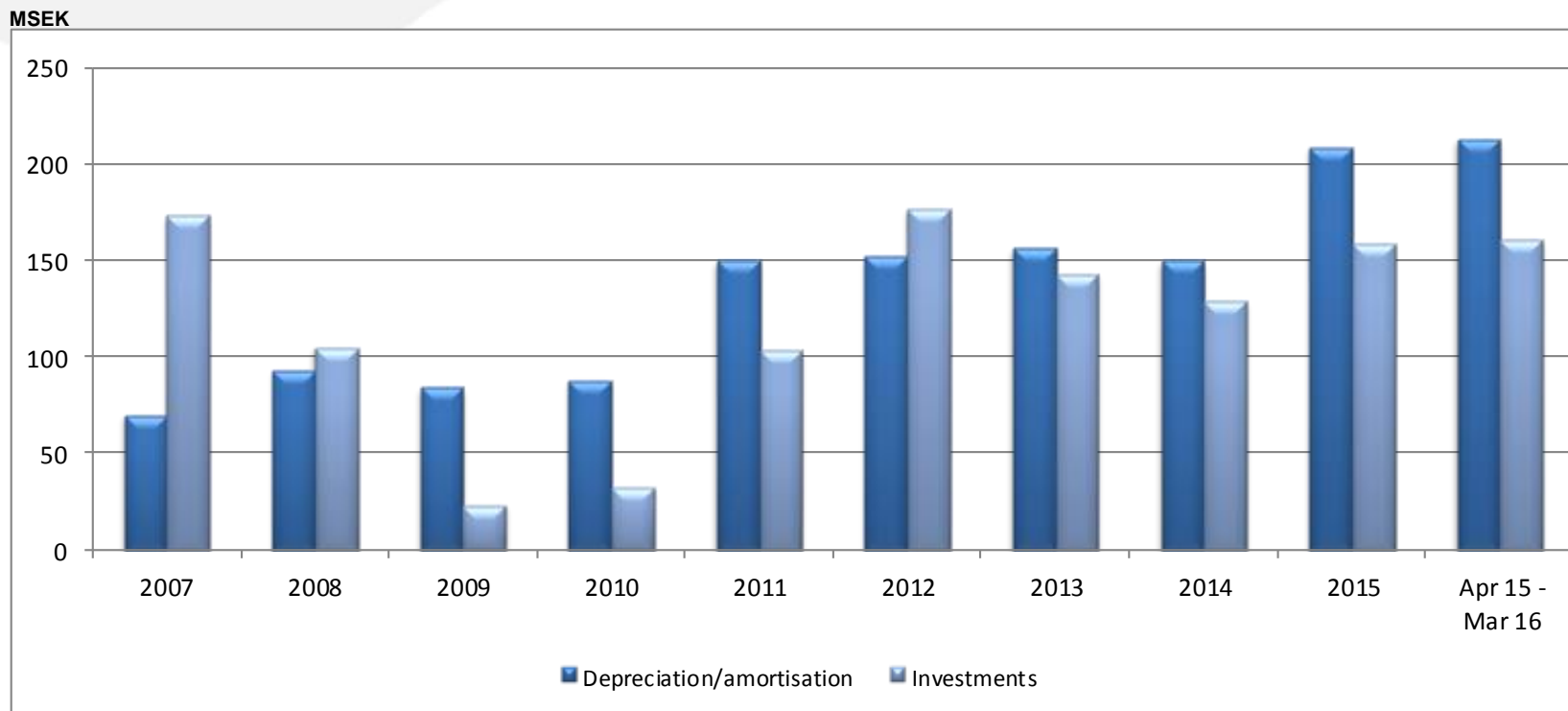
HEXPOL acquired RheTech in 2015



- 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)
- Turnover of 114 MUSD in 2015
- 210 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.

Q1 2016 – Positive volume development and continued strong result

- Another strong quarter with improved margins
- Again positive volume development
- Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices

MSEK	2016 Q1	2015 Q1	2015 Q4
Net Sales	2,757	2,951	2,596
Operating Profit, EBIT	497	495	456
Operating Margin, %	18.0	16.8	17.6
Profit after tax	355	352	326
Earnings per share, SEK	1.03	1.02	0.95
Operating cash flow	325	480	562

Q1 2016 – Positive volume development and continued strong result

- Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices. Prices on main raw materials were also below fourth quarter 2015.

- Sales amounted to 2,757 MSEK (2,951)
 - Again positive volume development, but sales negatively affected by lower sales prices due to considerably lower raw material prices
- NAFTA again positive volume development
 - 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 slightly lower volumes
 - Sales decreased by 8%
 - Continued strong volumes to automotive related customers
- Asia lower volumes
 - Sales decreased by 9%
 - Lower demand from automotive related customers
- Operating profit increased to 497 MSEK (495)

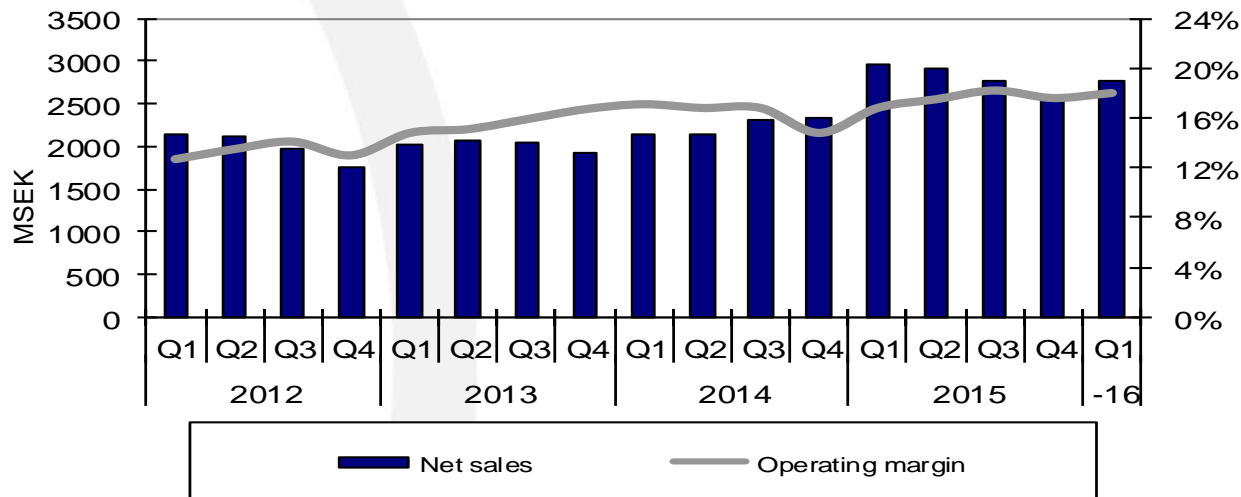


Q1 2016 – Positive volume development and continued strong result

- Strong result and improved margins
- Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices. Prices on main raw materials were also below fourth quarter 2015.

- Net sales amounted to 2,757 MSEK (2,951)
- Operating profit increased to 497 MSEK (495)
- Operating margin increased to 18.0% (16.8)
- Return on capital employed, R12 amounted to 28.9% (27.9)
- Earnings per share increased to 1.03 SEK (1.02)
- Operating cash flow amounted to 325 MSEK (480)
- Strong Balance Sheet
 - Equity/assets ratio 74% (63)
 - Net cash 714 MSEK (net debt 232)

Net sales & operating margin



Q1 2016 – Positive volume development and continued strong result

- Strong balance sheet, well equipped for further expansion

MSEK	2016 Q1	2015 Q1	2015 Q4
Net Sales	2,757	2,951	2,596
Operating Profit, EBIT	497	495	456
Operating Margin, %	18.0	16.8	17.6
Profit after tax	355	352	326
Earnings per share, SEK	1.03	1.02	0.95
Operating cash flow	325	480	562
Net cash	714	-232	454
Equity/assets ratio, %	74	63	72

Q1 2016 – Positive volume development and continued strong result

- Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices. Prices on main raw materials were also below fourth quarter 2015.

MSEK	2016	2015	Growth
Sales	2 757	2 951	-6,6%
Currency	-18		-0,6%
Ex. Currency	2 739	2 951	-7,2%

Q1 2016 – Business areas

Positive volume development and continued strong result

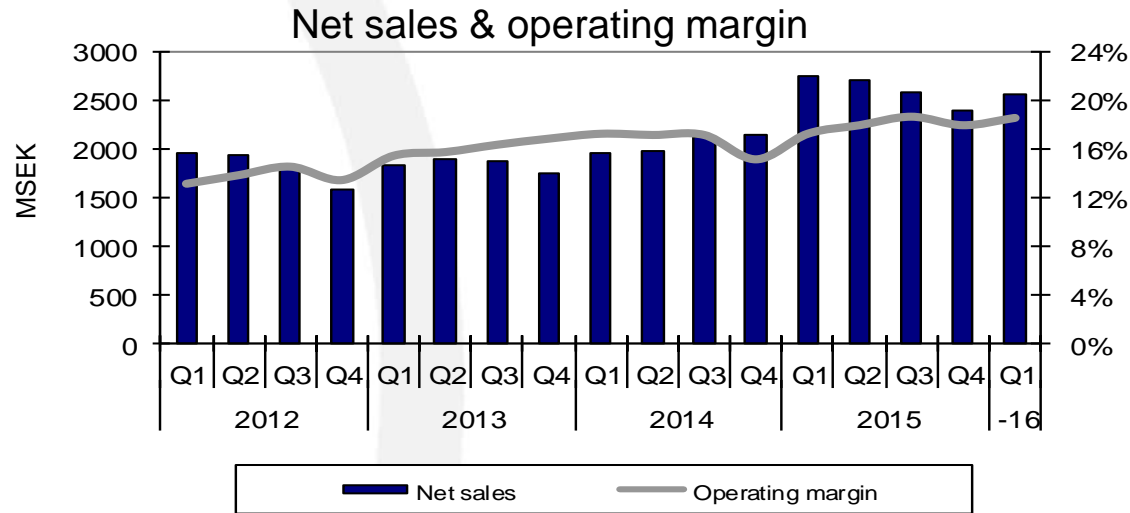
MSEK	Net Sales			Operating Profit			Operating Margin, %		
	2016 Q1	2015 Q1	2015 Q4	2016 Q1	2015 Q1	2015 Q4	2016 Q1	2015 Q1	2015 Q4
HEXPOL Compounding	2 550	2 744	2 393	473	473	428	18.5	17.2	17.9
HEXPOL Engineered Products	207	207	203	24	22	28	11.6	10.6	13.8

- Again positive volume development in HEXPOL Compounding
 - Strong and improved margins
 - Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices. Prices on main raw materials were also below fourth quarter 2015.
 - Continued price pressure
- Improved profit in HEXPOL Engineered Products

Q1 2016 – HEXPOL Compounding

Positive volume development and continued strong result

- Sales amounted to 2,550 MSEK (2,744)
 - Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices. Prices on main raw materials were also below fourth quarter 2015.
 - Volume increases in NAFTA, with continued strong volumes to automotive related customers
 - Volumes slightly lower in Europe, though volumes to automotive related customers developed positively
 - Volumes in Asia was lower, due to lower demand from automotive related customers in China
 - Continued price pressure on all markets
- Operating profit amounted to 473 MSEK (473)
 - Operating profit continued strong with improved operating margins of 18.5% (17.2)



Q1 2016 – HEXPOL Compounding

Positive volume development and continued strong result

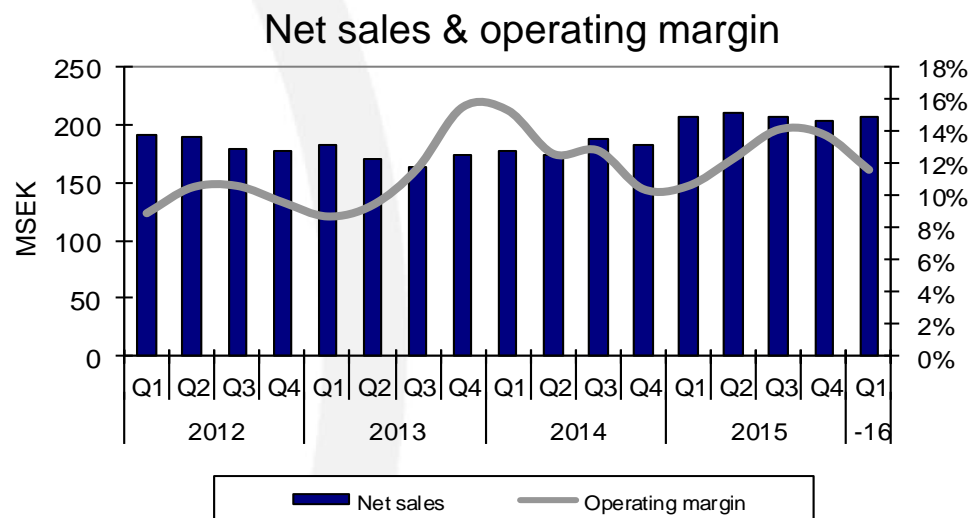
- Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices. Prices on main raw materials were also below fourth quarter 2015.
- NAFTA – again positive volume development
 - Continued strong volumes to automotive related customers including tire industry
 - Continued low demand from mining, export industry, agriculture and oil and gas sector
 - Acquired RheTech Thermoplastic Compounding has developed positively
- Europe – slightly lower volumes
 - Continued positive volume development to automotive related customers
 - Volumes were slightly negatively affected, by the closing of the acquired Vigars German manufacturing unit
- Asia – lower volumes
 - Lower demand from automotive related customers
- Continued price pressure



Q1 2016 – HEXPOL Engineered Products

- Improved profit and positive volume development

- Net sales amounted to 207 MSEK (207)
 - Sales somewhat lower for HEXPOL Gaskets
 - Sales increased for HEXPOL Wheels in all geographical regions, good development in US
 - Positive development in China for both HEXPOL Wheels and HEXPOL Gaskets
- Continued price pressure
- Operating profit increased to 24 MSEK (22), mainly thanks to increased volumes and efficiency improvements in operations
- Operating margin increased to 11.6% (10.6)



Q1 2016 – Positive volume development and continued strong result

- Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices. Prices on main raw materials were also below fourth quarter 2015.
- Continued price pressure on all markets
- Strong balance sheet

MSEK	2016 Q1	2015 Q1
Net Sales	2 757	2 951
Operating Profit, EBIT	497	495
Operating Margin, %	18.0	16.8
Profit after tax	355	352
Earnings per share, SEK	1.03	1.02
Operating cash flow	325	480
Net cash	714	-232
Equity/assets ratio, %	74	63
Return on capital employed, % (R12)	28.9	27.9

The Board of Directors proposes a dividend of 1.70 SEK (1.20) per share

Q1 2016 – Positive volume development and continued strong result

- Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices. Prices on main raw materials were also below fourth quarter 2015.
- Again positive volume development in a challenging market
 - NAFTA again positive volume development
 - Europe slightly lower volumes
 - Asia lower volumes
- Sales amounted to 2,757 MSEK (2,951)
- Operating profit increased to 497 MSEK (495)
- Earnings per share rose to 1.03 SEK (1.02)
- Continued price pressure
- Strong financial position, net cash 714 MSEK
 - Well equipped for continued expansion



Q & A