

Telephone presentation April 28, 2017, 13:00 CET

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and enter meeting code 917 840

Welcome to HEXPOL

Q1 2017 report update

CEO Georg Brunstam
CFO Karin Gunnarsson

April 28, 2017



April 28, 2017

Agenda

- Introduction to HEXPOL
- Q1 2017 – HEXPOL Group
- Q1 2017 – Business areas
- Q1 2017 – 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).



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.



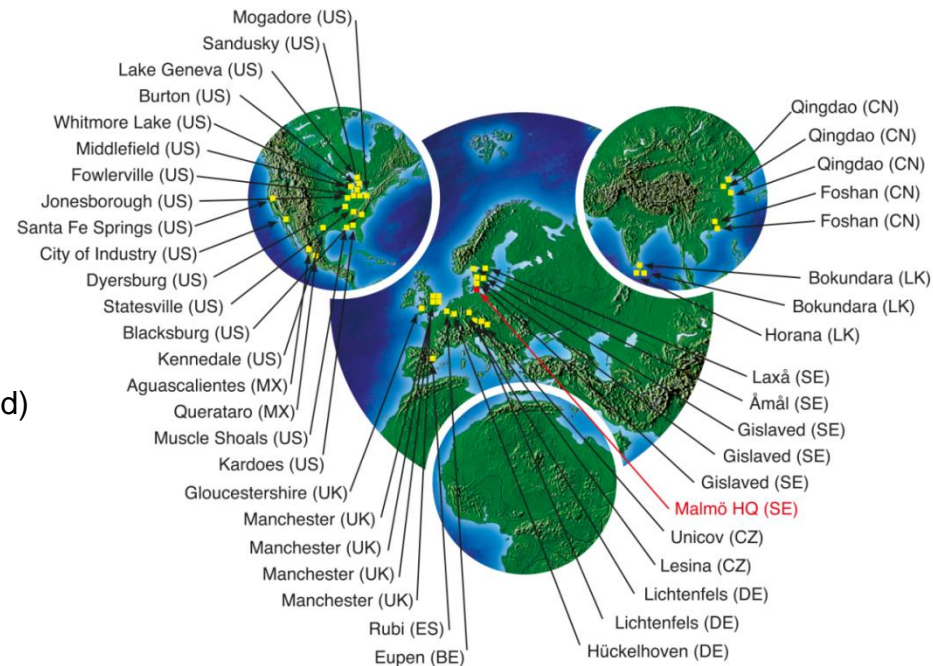
HEXPOL – A well positioned Group

- 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 43 units in 10 countries (≈4,400 employees)
- 97% of sales outside Sweden
- Head office in Malmö, Sweden
- Shares listed on NASDAQ Stockholm, Large Cap



HEXPOL – A well positioned Group

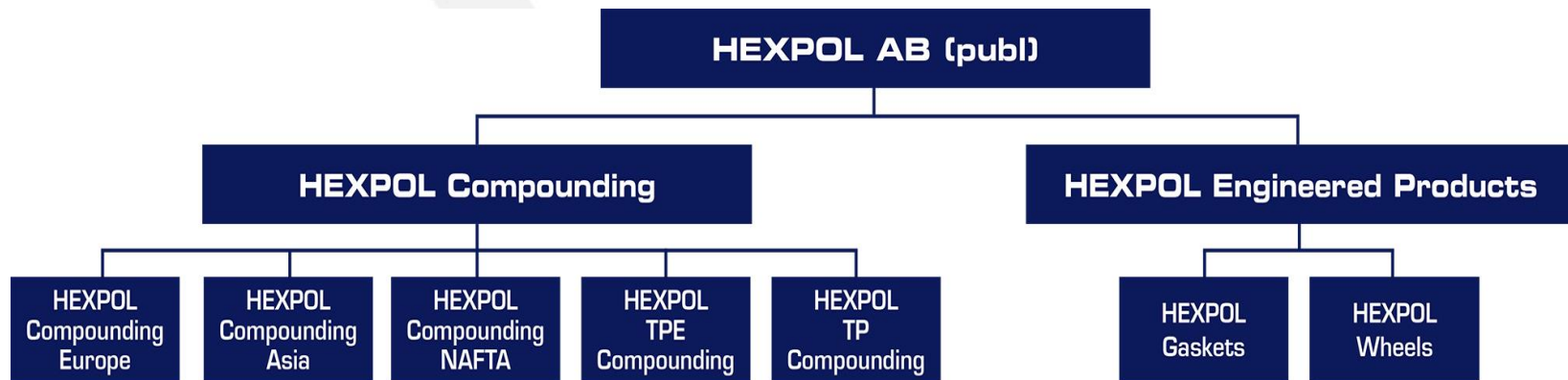
- True global footprint
- Historical strong sales growth and good profitability
- Well invested and strong cash flow
- Long industrial history with highly experienced and dedicated management and board
- Acquisition oriented – major acquisition within Polymer Compounding:
 - 2010: Elasto, Excel Polymers
 - 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)
 - 2017: Trelleborg Material & Mixing Lesina s.r.o, Valley Processing
- Acquired 28 units with sales, development and production since 2010



HEXPOL – With a stable organisation

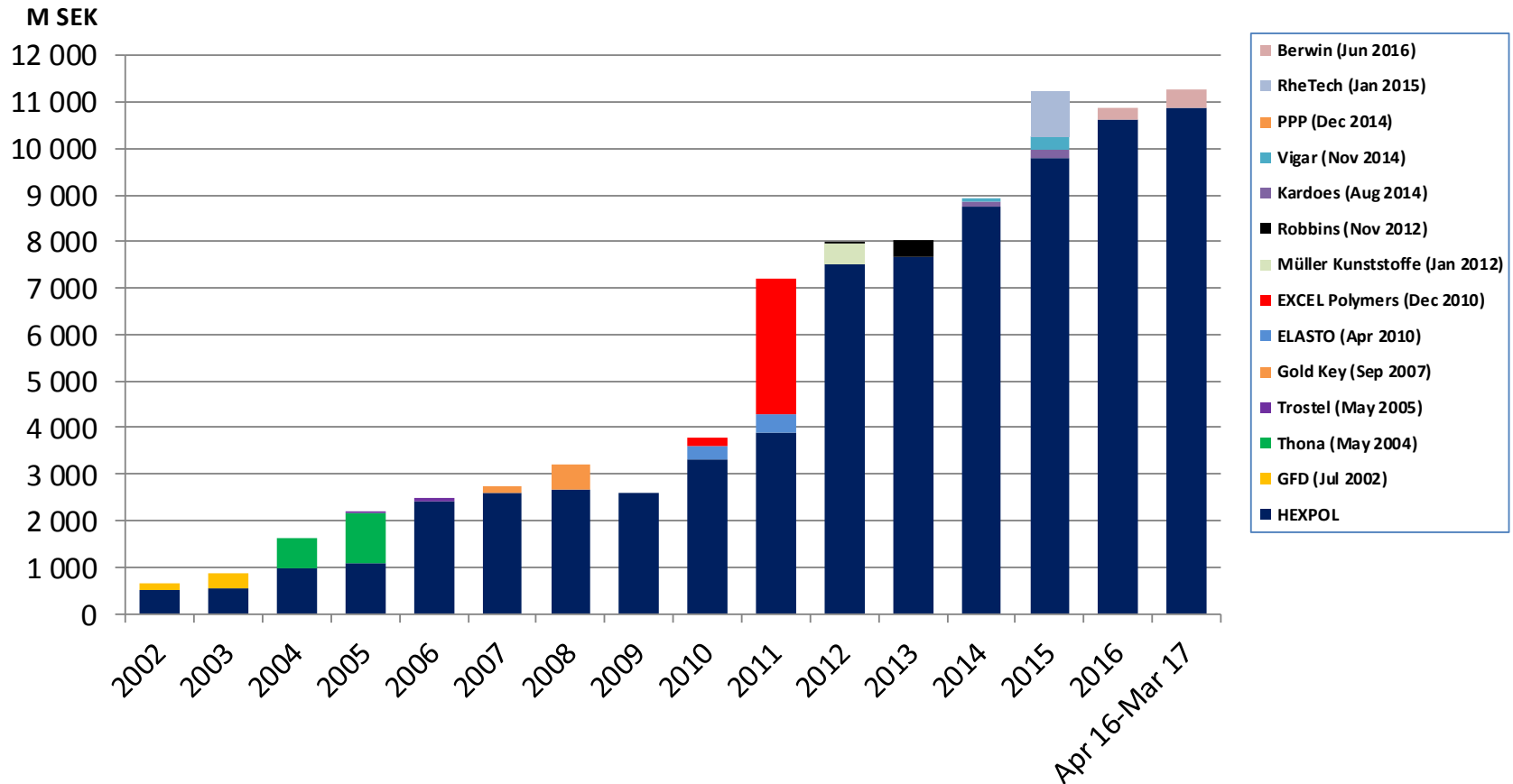
Two business areas

- HEXPOL Compounding (93% of sales)
- HEXPOL Engineered Products (7% 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, Portage Precision and Valley Processing in US, Vigar Rubber Compounding in Germany, Berwin Group in UK and Trelleborg Material & Mixing Lesina in Czech Republic)
 - 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 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:

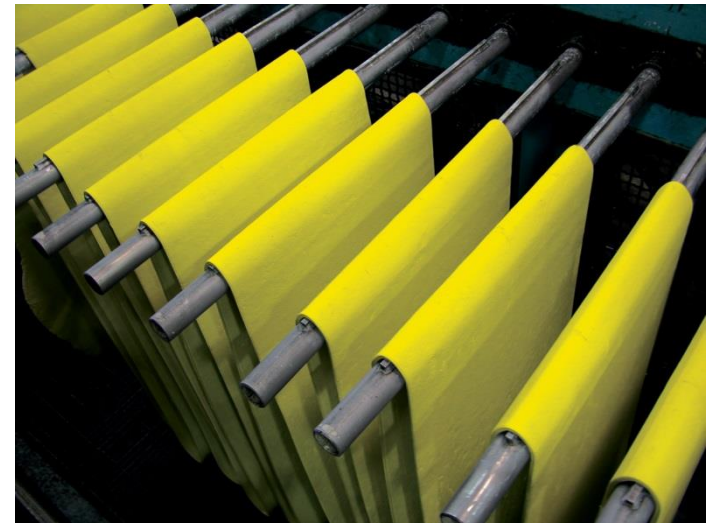
- Fragmented market – few global players – many local players
- Few industrial consolidators
- Few vertically integrated companies

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)*
- *Trelleborg Material & Mixing Lesina (acquired in 2017)*
- *Valley Processing (acquired in 2017)*
- 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

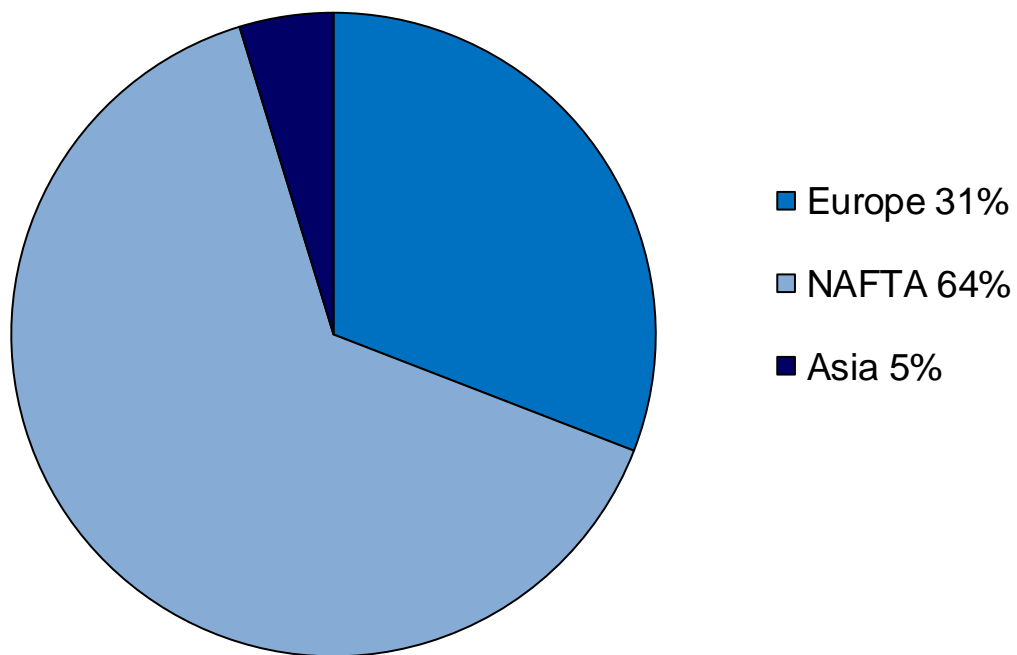
Main customer segments:

- 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% 2016
- 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

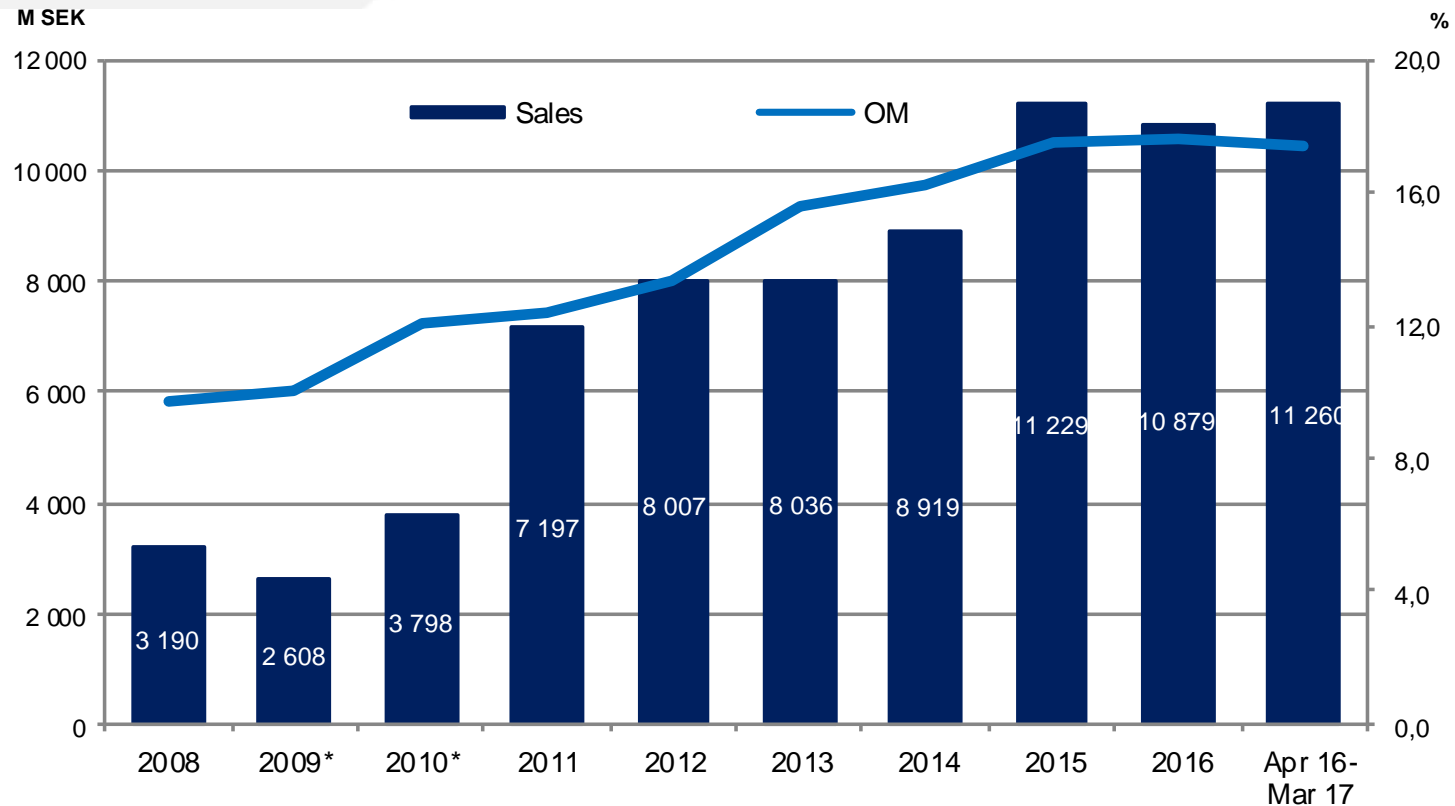


HEXPOL – sales distribution

Sales per geographic area Jan-Mar 2017

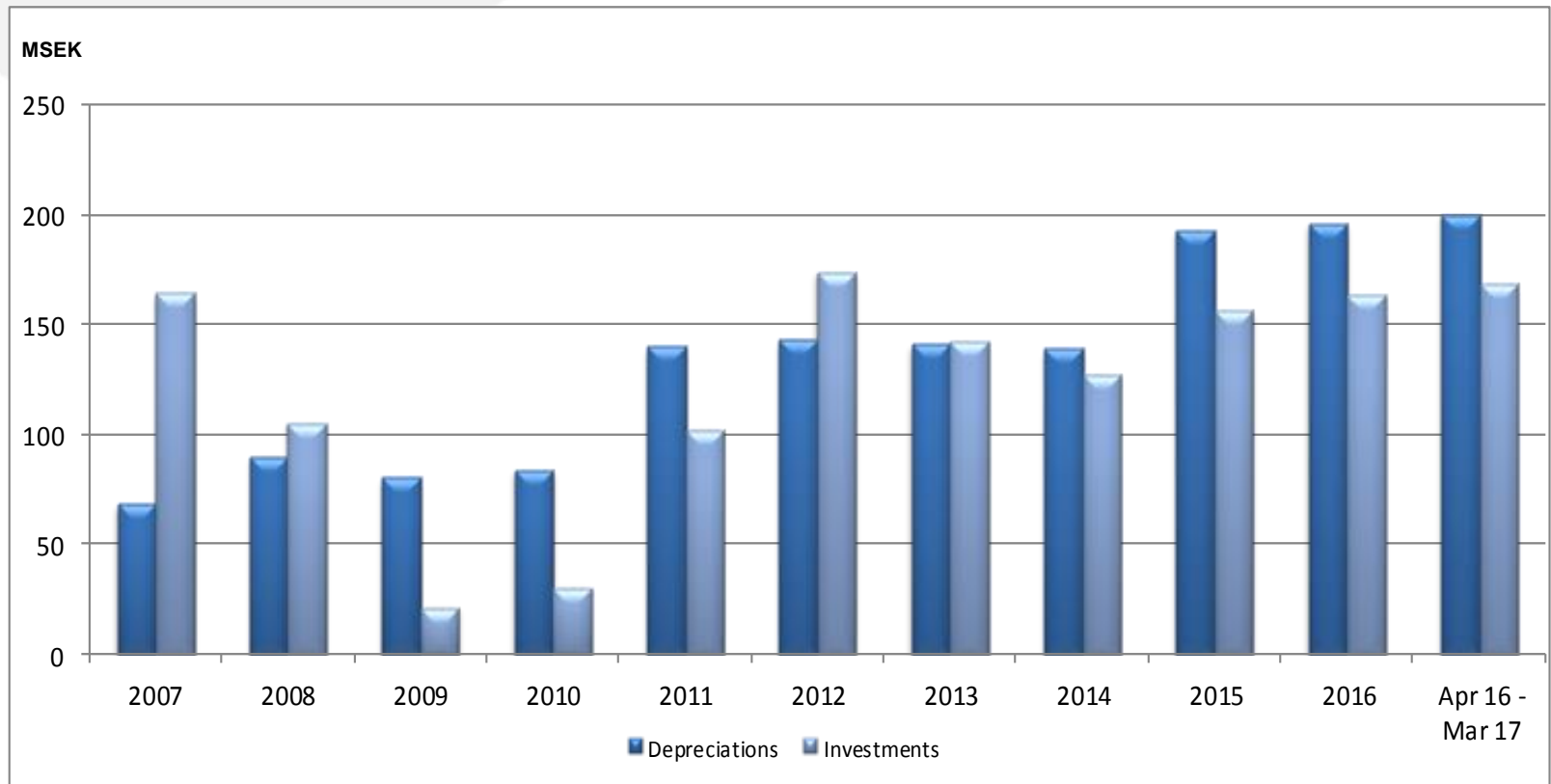


A fast growing Group with strong margin development



*Adjusted for items affecting comparability

Depreciations & investments*



- Investments in line with/ or below depreciations
- Apr 16 – Mar 17: Mainly capacity investments in Mexico and maintenance investments

* tangible fixed assets

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 US, Mexico, UK and China
- Müller Kunststoffe (Jan, 2012) – TPE Compounding
 - Units in Germany
- Robbins (Nov, 2012) – Rubber Compounding
 - Units in US
- Kardoes (Aug, 2014) – Rubber Compounding
 - Unit in US
- Vigar Rubber Compounding (Nov, 2014) – Rubber Compounding
 - Units in Spain and Germany
- Portage Precision Polymers (Dec, 2014) – Rubber/silicon Compounding
 - Unit in US
- RheTech Thermoplastic Compounding (Jan, 2015) – Specialized Thermoplastic Compounding
 - Units in US
- Berwin Group (June, 2016) – Rubber Compounding
 - Units in UK
- Trelleborg Material & Mixing Lesina (March 2017) – Rubber Compounding
 - Unit in Czech Republic
- Valley Processing (April, 2017) – Rubber Compounding
 - Unit in US

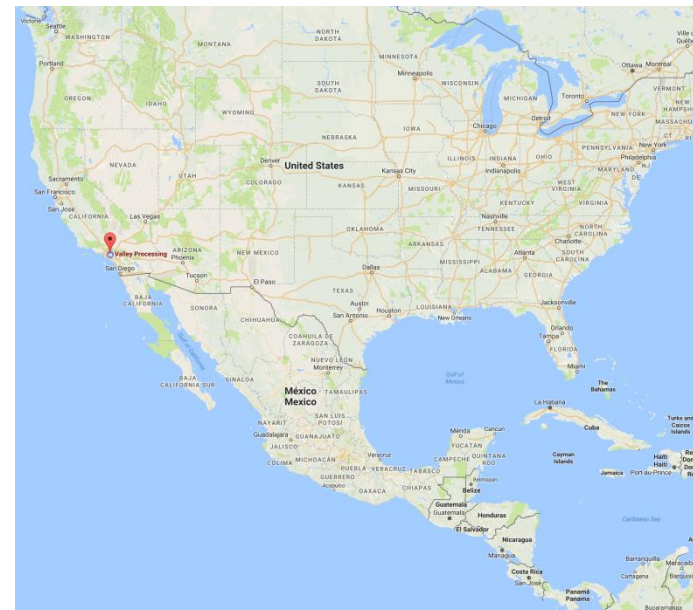


HEXPOL acquired Trelleborg's Rubber Compounding unit in Czech Republic end of March, 2017



- Trelleborg Material & Mixing Lesina s.r.o. with a manufacturing facility in Lesina, Czech Republic
- A well-known Rubber Compounder in Central Europe
- Had an annual turnover of around 40 MEUR in 2016
- Around 125 employees

HEXPOL acquired Valley Processing April 2017



- Valley Processing, with a manufacturing facility in California, US
- A well-known US Rubber Compounder
- Had an annual turnover of around 34 MEUR in 2016
- Around 90 employees

Q1 2017 – Increased sales and higher profit

Our best quarter to date

- Sales increased 14%
- Positive volume development
- Continued price pressure on all markets
- Continued strong operating cash flow

MSEK	2017 Q1	2016 Q1	2016 Q4	
Sales	3,138	2,757	2,753	+ 14%
Operating profit, EBIT	532	497	484	+ 7%
Operating margin, %	17.0	18.0	17.6	
Profit after tax	379	355	374	
Earnings per share, SEK	1.10	1.03	1.09	+ 7%
Operating cash flow	435	325	567	

Q1 2017 – Increased sales and higher profit

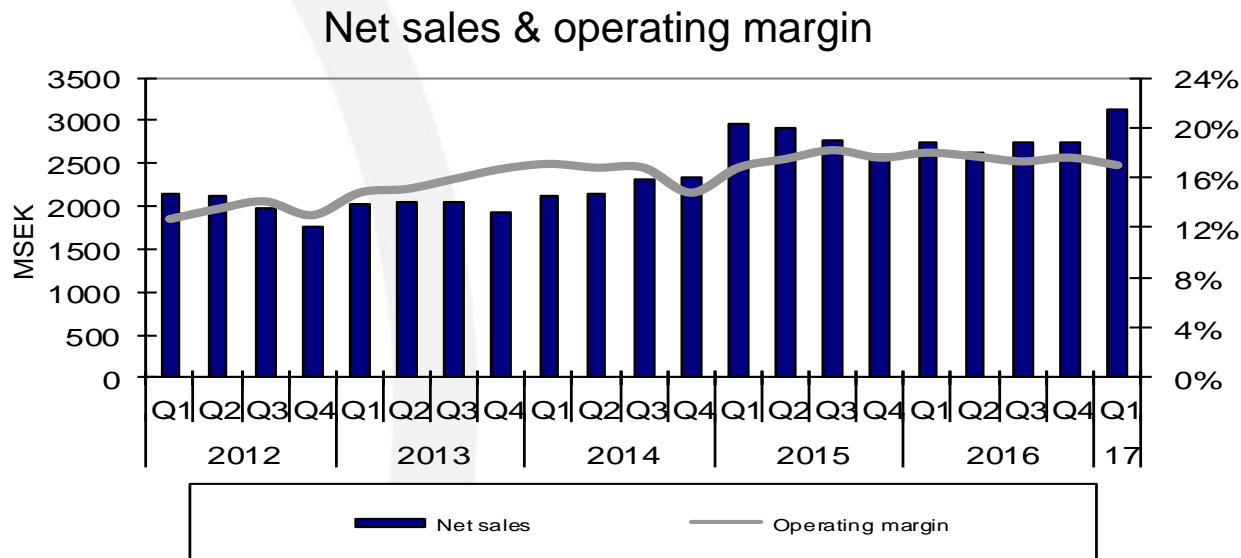
Our best quarter to date

- Sales increased 14% to 3,138 MSEK (2,757)
 - Price pressure continued strong on all markets
 - Positive volume development
 - Positive currency effects
- NAFTA increased sales by 9%
 - Continued strong volumes to automotive related customers
 - Continued low demand from mining, agriculture and oil and gas segment
- Europe increased sales (including Berwin Group) by 24%
 - Continued strong volumes to automotive related customers
- Asia increased sales by 17%
 - Increased volumes mainly to automotive related customers in China
- Operating profit increased 7% to 505 MSEK (473)
- March 31, Trelleborg's Rubber Compounding unit in Czech Republic, a well-known Rubber Compounder in Central Europe, was acquired
- In early April, Valley Processing, a well known US Rubber Compounder, was acquired

Q1 2017 – Increased sales and higher profit

Our best quarter to date

- Net sales increased 14% to 3,138 MSEK (2,757)
- Operating profit increased 7% to 532 MSEK (497)
- Operating margin amounted to 17.0% (18.0)
- Return on capital employed, R12 amounted to 26.2% (28.9)
- Earnings per share increased 7% to 1.10 SEK (1.03)
- Operating cash flow rose to 435 MSEK (325)
- Strong Balance Sheet
 - Equity/assets ratio 75% (74)
 - Net cash 981 MSEK (714)



Q1 2017 – Increased sales and higher profit

- Strong balance sheet, well equipped for further expansion
- Strong operating cash flow

MSEK	2017 Q1	2016 Q1	2016 Q4
Sales	3,138	2,757	2,753
Operating profit, EBIT	532	497	484
Operating margin, %	17.0	18.0	17.6
Profit after tax	379	355	374
Earnings per share, SEK	1.10	1.03	1.09
Operating cash flow	435	325	567
Net cash	981	714	1,268
Equity/assets ratio, %	75	74	77

Q1 2017 – Increased sales and higher profit

MSEK	Quarter 1		
	2017	2016	Growth
Sales	3 138	2 757	14%
Currency	-118		-4%
Ex. Currency	3 020	2 757	10%
Acquisition	-128		-5%
Ex. Currency and acquisition	2 892	2 757	5%

Q1 2017 – Business areas

Increased sales and higher profit

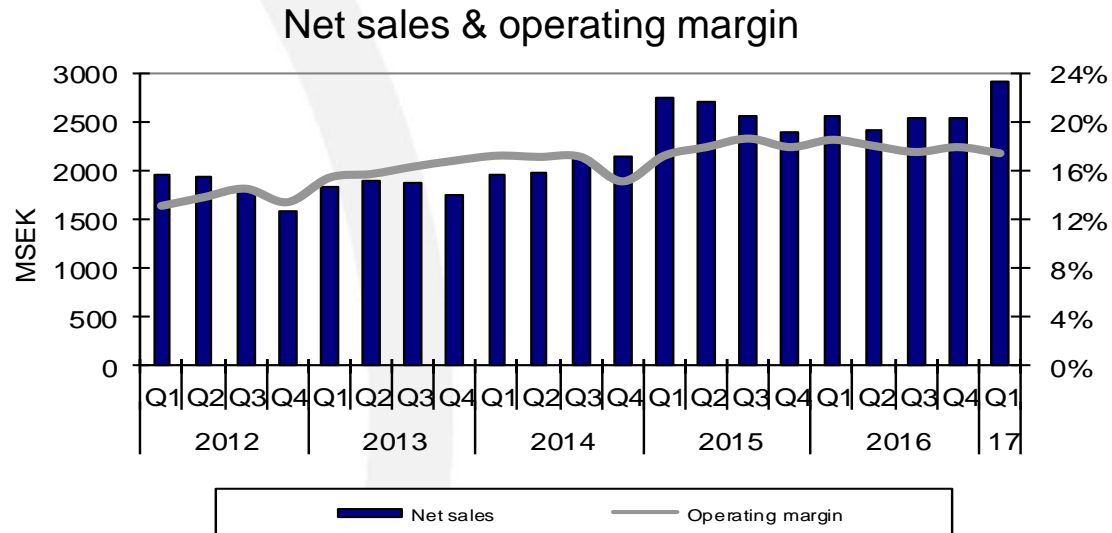
MSEK	Net Sales			Operating Profit			Operating Margin, %		
	2017 Q1	2016 Q1	2016 Q4	2017 Q1	2016 Q1	2016 Q4	2017 Q1	2016 Q1	2016 Q4
HEXPOL Compounding	2 910	2 550	2 533	505	473	454	17.4	18.5	17.9
HEXPOL Engineered Products	228	207	220	27	24	30	11.8	11.6	13.6

- HEXPOL Compounding
 - Increased sales
 - Positive volume development
 - During the quarter, the prices on our main raw materials have increased
 - Continued price pressure
- HEXPOL Engineered Products
 - Higher sales and profit

Q1 2017 – HEXPOL Compounding

Increased sales and higher profit

- Sales increased 14% to 2,910 MSEK (2,550)
 - Positive volume development
 - Continued price pressure on all markets
- Operating profit increased 7% to 505 MSEK (473)
 - Operating margins remained strong at 17.4% (18.5)



Q1 2017 – HEXPOL Compounding

Increased sales and higher profit

During the quarter, the prices on our main raw materials have increased

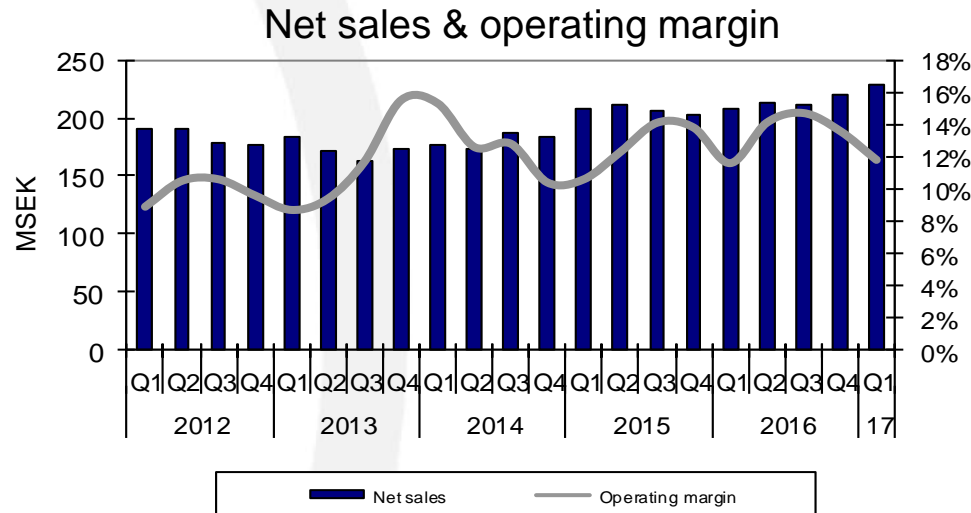
- HEXPOL Compounding NAFTA – increased sales
 - Continued strong volumes to automotive related customers
 - Improved volumes to customers within building and construction
 - Continued low demand from mining, export industry, agriculture and oil and gas sector
- HEXPOL Compounding Europe – increased sales
 - Continued strong volume development to automotive related customers
 - Improved volumes to customers within building and construction
- HEXPOL Compounding Asia – increased sales
 - Higher sales to automotive related customers in China
- HEXPOL TPE Compounding – developed positively
- Acquired RheTech Thermoplastic Compounding had a continued positive development
- Continued price pressure on all markets
- March 31, Trelleborg's Rubber Compounding unit in Czech Republic, a well-known Rubber Compounder in Central Europe, was acquired



Q1 2017 – HEXPOL Engineered Products

Increased sales and higher profit

- Net sales increased 10% to 228 MSEK (207)
 - 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 by 12% to 27 MSEK (24), mainly thanks to increased volumes and continued efficiency improvements in operations
- Operating margin increased to 11.8% (11.6)



Q1 2017 – Increased sales and higher profit

Our best quarter to date

- Sales increased 14%
- Strong balance sheet

MSEK	2017 Q1	2016 Q1
Sales	3 138	2 757
Operating profit, EBIT	532	497
Operating margin, %	17.0	18.0
Profit after tax	379	355
Earnings per share, SEK	1.10	1.03
Operating cash flow	435	325
Net cash	981	714
Equity/assets ratio, %	75	74
Return on capital employed, % (R12)	26.2	28.9

Strong operating cash flow and net cash of 981 MSEK provides scope for continued acquisition driven expansion and an increased dividend.

The Board of Directors proposes a dividend of 4.75 SEK per share, consisting of an ordinary dividend of 1.75 SEK per share (1.70) and a special dividend of 3.00 SEK per share. This corresponds to a total of 1,635 MSEK.

Q1 2017 – Increased sales and higher profit

Our best quarter to date

- Sales increased by 14% to 3,138 MSEK (2,757).
- Positive volume development
- Operating profit increased by 7% to 532 MSEK (497)
- Earnings per share rose by 7% to 1.10 SEK (1.03)
- Continued price pressure
- Strong financial position, net cash 981 MSEK
 - Well equipped for continued expansion
 - Proposed dividend, total 4.75 SEK/share
- March 31, Trelleborg's Rubber Compounding unit in Czech Republic, a well-known Rubber Compounder in Central Europe, was acquired
- In early April, Valley Processing, a well known US Rubber Compounder, was acquired
- Mikael Fryklund appointed new president and CEO, Georg Brunstam proposed new Chairman of the Board



Q & A