

Telephone presentation on July 18, 2018, 12:00 CET

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and enter meeting code 917 840

Welcome to HEXPOL

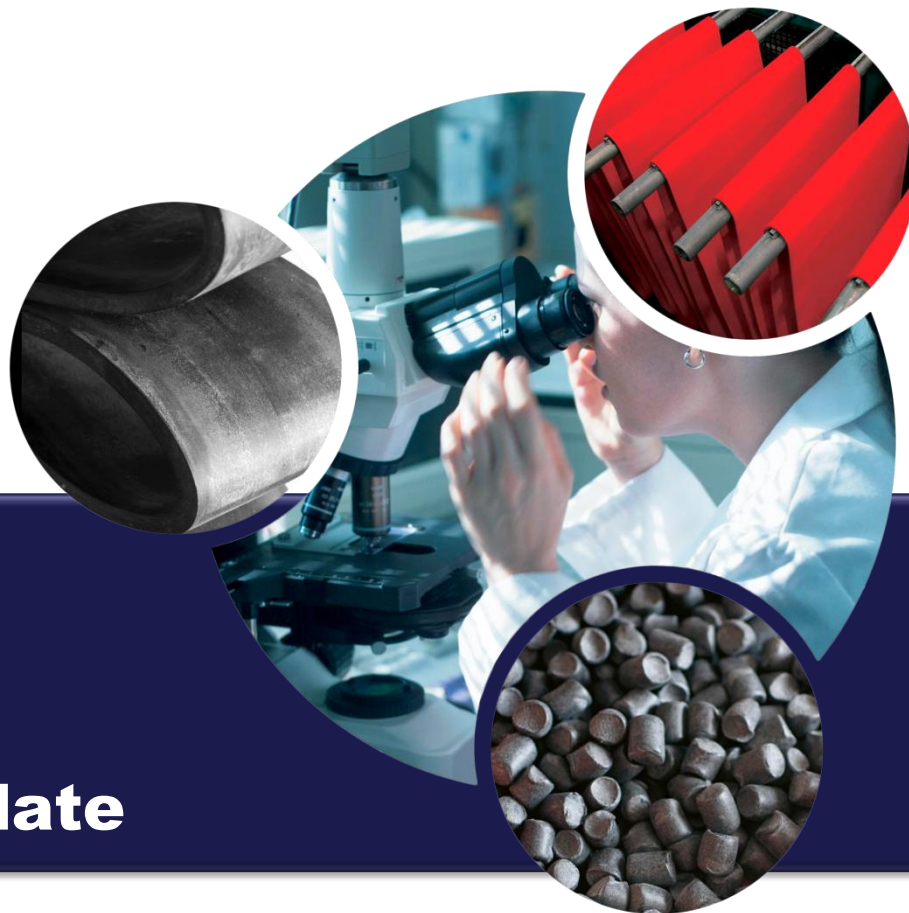
Q2, 2018 Report update

July 18, 2018

CEO Mikael Fryklund
CFO Karin Gunnarsson

July 18, 2018

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Agenda

- Introduction to HEXPOL
- Q2 2018 – HEXPOL Group
- Q2 2018 – Business areas
- January – June – Key figures
- Q2 2018 – 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.

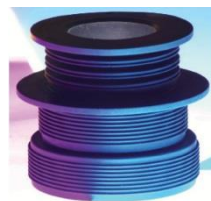


HEXPOL – A well positioned Group

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

- Global presence
- Operations in 10 countries
- Around 4,400 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 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

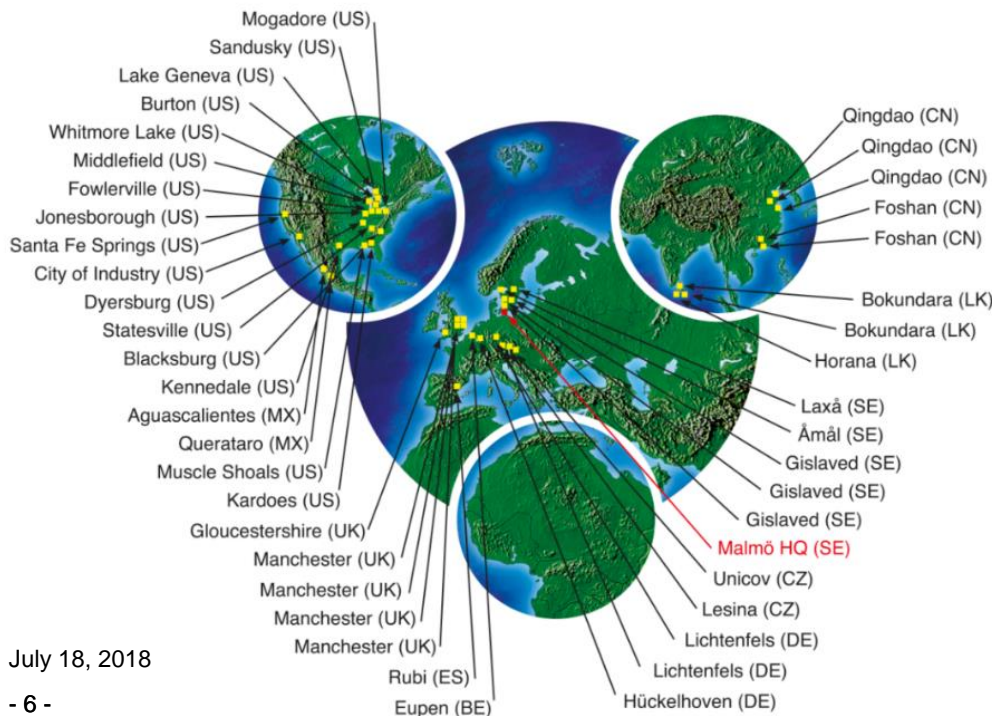
2014: Kardoes, Vigar Rubber Compounding
Portage Precision Polymers

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)

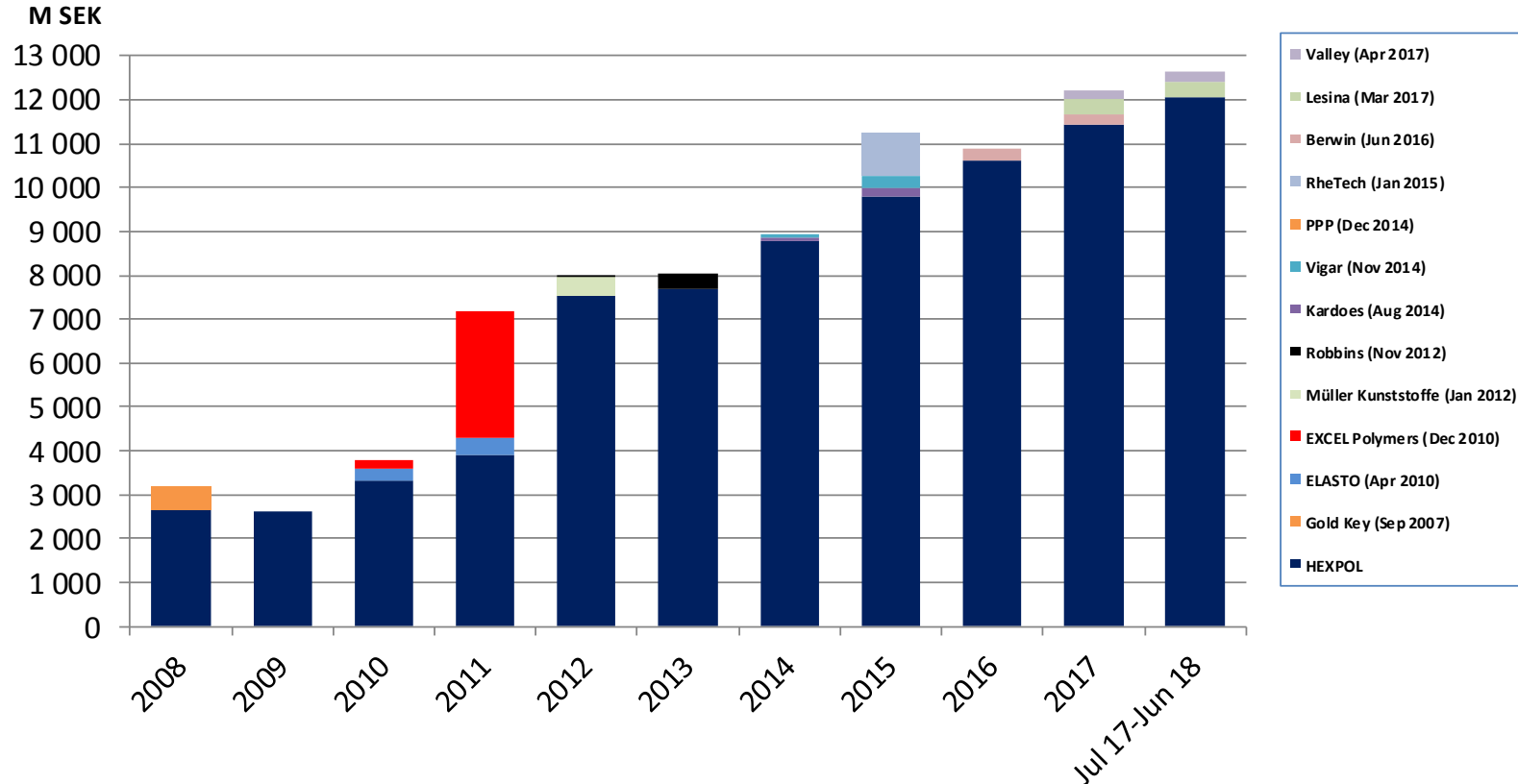
2017: Trelleborg Material & Mixing Lesina s.r.o,
Valley Processing

- Acquired 28 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)

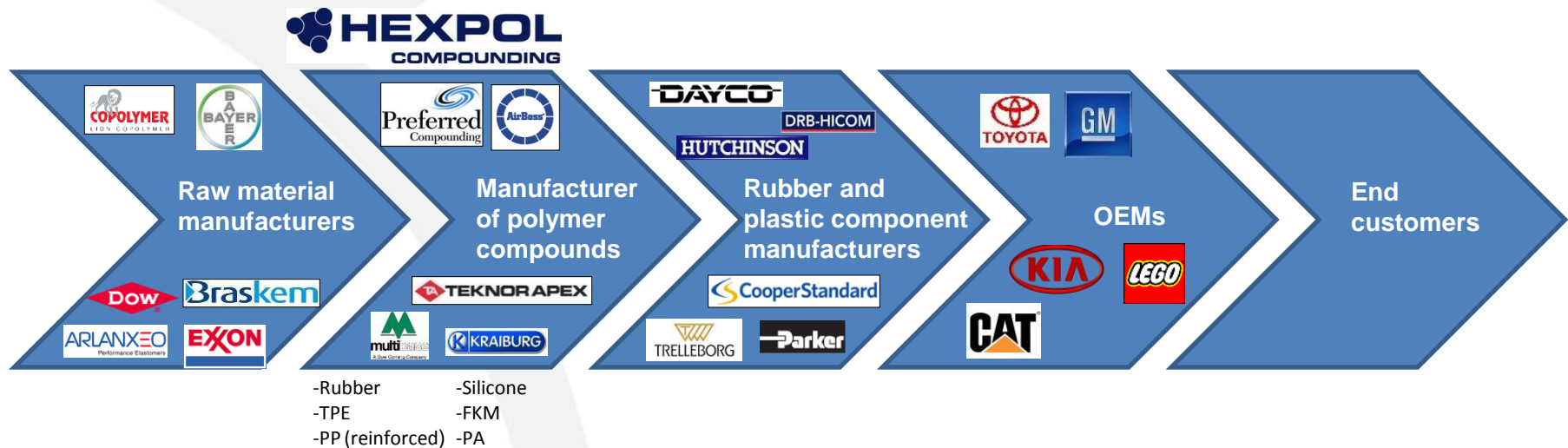


HEXPOL – A fast growing Group

- **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)
 - 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:

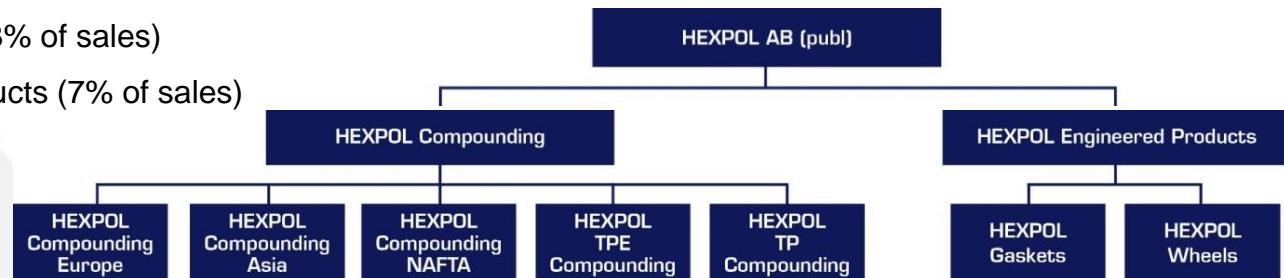
- Fragmented market – few global players – many local players
- Few industrial consolidators
- Few vertically integrated companies

HEXPOL – Organisation and sales distribution

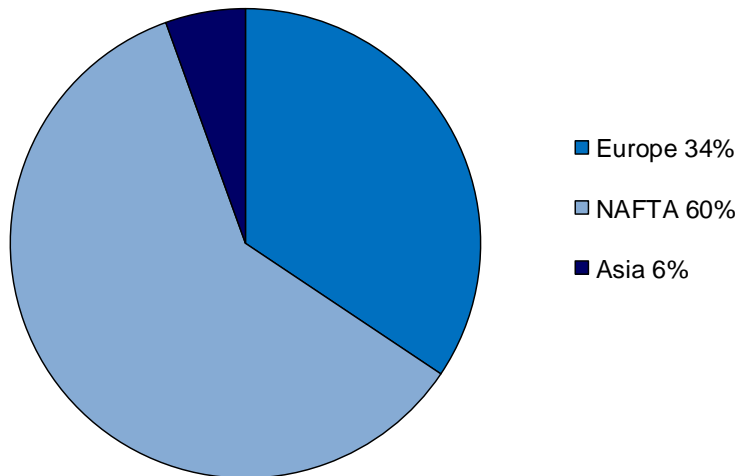
HEXPOL – With a stable organisation

Two business areas:

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



HEXPOL – Sales per geographic area Jul 17- Jun 18



HEXPOL – A fast growing Group

Main customer segments:

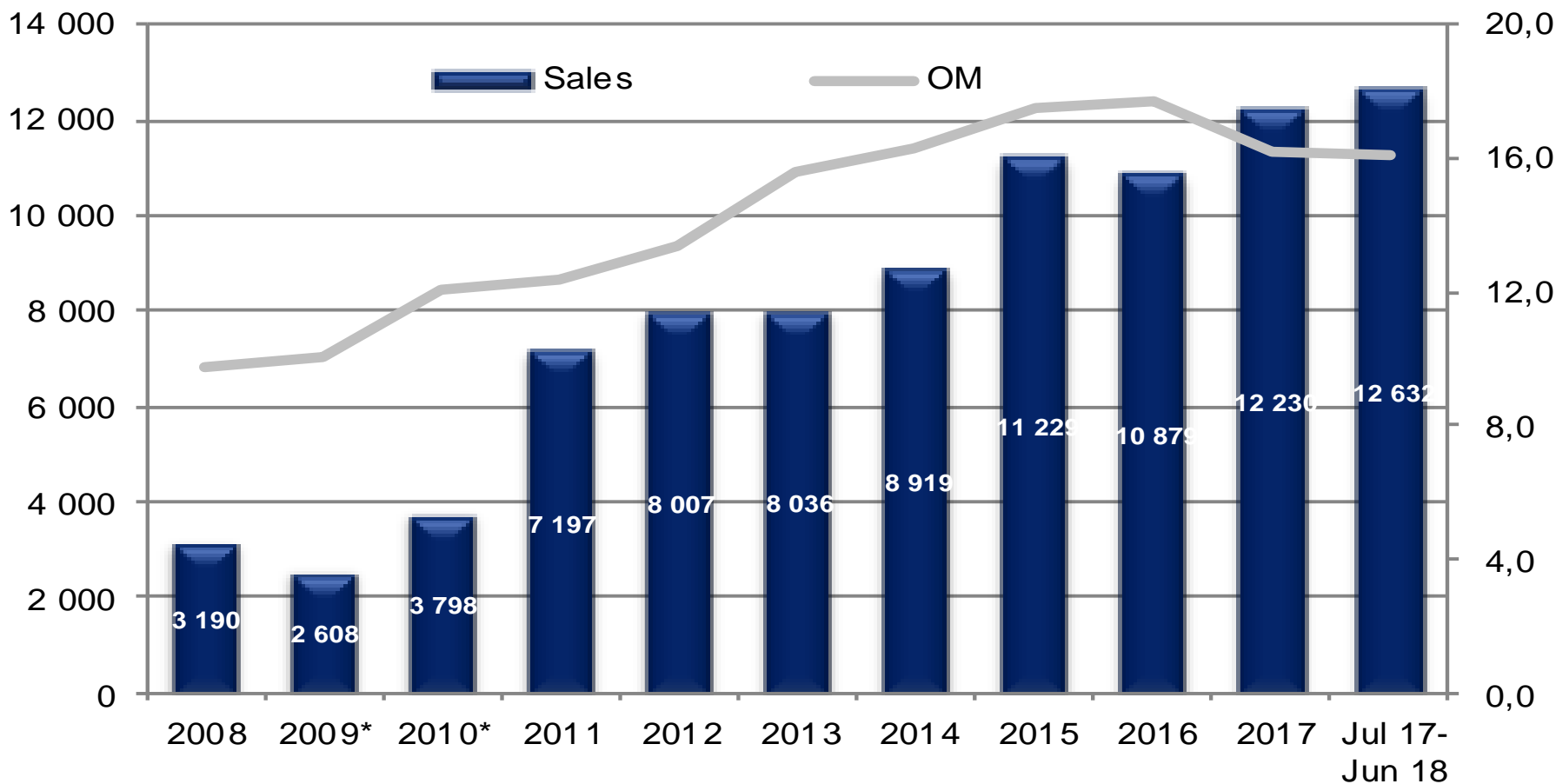
- Automotive industry
 - Sales around 38% 2017
- Engineering and general industry
- Building and construction
- Transportation
- Energy, oil and gas sector
- Cable and water treatment industries
- Consumer industries
- Medical equipment industries
- Manufacturers of plate heat exchangers
- Manufacturers of forklifts and castor wheels



HEXPOL – A fast growing Group with strong margins

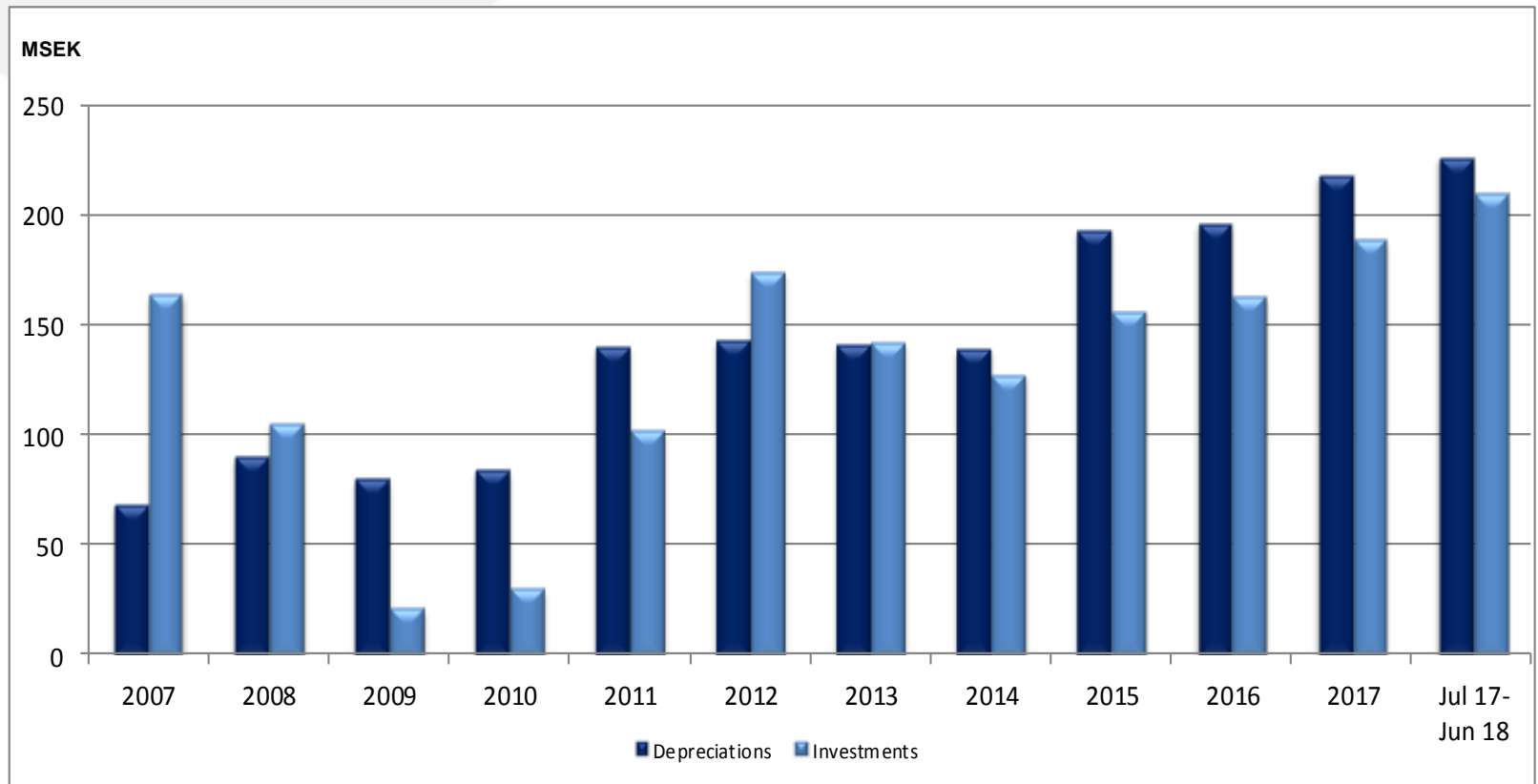
M SEK

%



*Adjusted for items affecting comparability

HEXPOL – Depreciations & investments*



- Investments in line with/ or below depreciations
- Jul 17 - Jun 18: Mainly capacity investments in HEXPOL TPE Compounding and also regular maintenance investments

* tangible fixed assets

Q2 2018 – Increased sales and higher result

- Sales increased 7%
- Positive volume development
- Highest quarterly sales and operating profit so far
- Improved operating margin

MSEK	2018 Q2	2017 Q2	2018 Q1	
Sales	3,461	3,230	3,309	
Operating profit, EBIT	561	517	540	+7%
Operating margin, %	16.2	16.0	16.3	+9%
Profit after tax	426	366	411	
Earnings per share, SEK	1.24	1.06	1.19	+17%

Q2 2018 – Increased sales and higher result

- **Sales increased 7% to 3,461 MSEK (3,230)**
 - Positive volume development
 - Sales positively affected by higher sales prices due to increased raw material prices
 - Positive currency effects of 36 MSEK
- **In NAFTA increased sales by 4%**
 - Continued stable sales to automotive related customers and to customers within building and construction
 - Improved sales to customers within engineering and general industry
 - Improved sales to customers within oil and gas and mining however from low levels
- **In Europe increased sales by 10%**
 - Stable sales to automotive related customers and to customers within building and construction
 - Improved sales to customers within engineering and general industry
 - Improved sales to PHE and forklifts manufacturers
- **In Asia significantly increased sales by 32%**
 - Sales increased to automotive related customers in China
- **Operating profit increased 9% to 561 MSEK (517)**
 - Positive currency effects of 2 MSEK
- **Operating margin increased to 16.2% (16.0)**

Q2 2018 – Increased sales and higher result

MSEK	Quarter 2			Jan - Jun		
	2018	2017	Growth	2018	2017	Growth
Sales	3 461	3 230	7%	6 770	6 368	6%
Currency	-36		-1%	117		2%
Ex. Currency	3 425	3 230	6%	6 887	6 368	8%
Acquisition	0		0%	-210		-3%
Ex. Currency and acquisition	3 425	3 230	6%	6 677	6 368	5%

Q2 2018 – Increased sales and higher result

- Strong balance sheet, well equipped for further expansion

MSEK	2018 Q2	2017 Q2	2018 Q1
Sales	3,461	3,230	3,309
Operating profit, EBIT	561	517	540
Operating margin, %	16.2	16.0	16.3
Profit after tax	426	366	411
Earnings per share, SEK	1.24	1.06	1.19
Operating cash flow	522	423	302
Net cash	56	-948	267
Equity/assets ratio, %	67	59	68
Return on capital employed, % R12	24.6	26.3	24.7

Strong balance sheet and net cash of 56 MSEK provides scope for continued expansion.

Q2 2018 – Business areas

Increased sales and higher result

	Net Sales			Operating Profit			Operating Margin, %		
	2018 Q2	2017 Q2	2018 Q1	2018 Q2	2017 Q2	2018 Q1	2018 Q2	2017 Q2	2018 Q1
MSEK									
HEXPOL Compounding	3 207	2 999	3 057	526	487	506	16.4	16.2	16.6
HEXPOL Engineered Products	254	231	252	35	30	34	13.8	13.0	13.5

- **HEXPOL Compounding**

- Increased sales
- Increased operating profit and operating margin
- Positive volume development

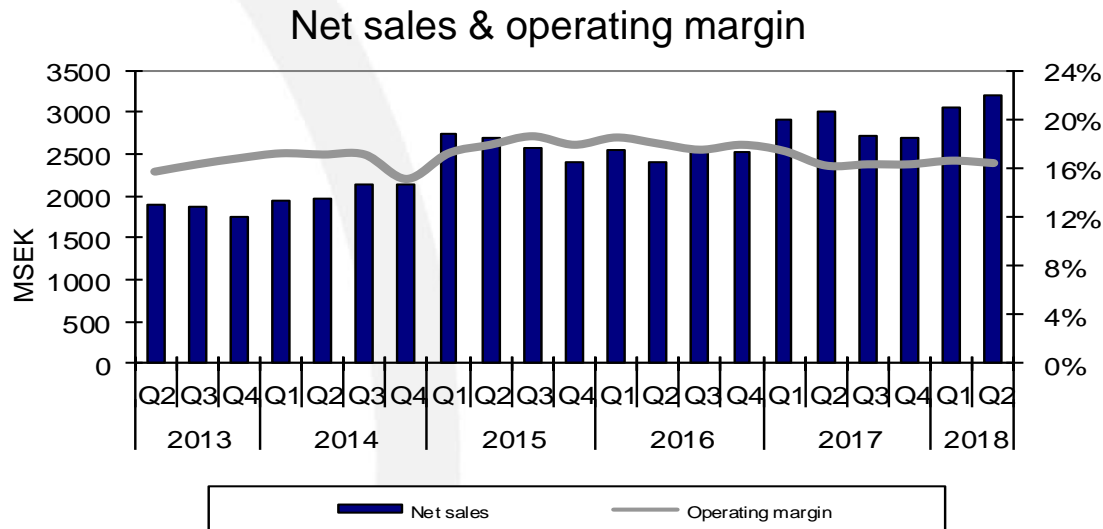
- **HEXPOL Engineered Products**

- Increased sales
- Increased operating profit and operating margin

Q2 2018 – HEXPOL Compounding

Increased sales and higher result

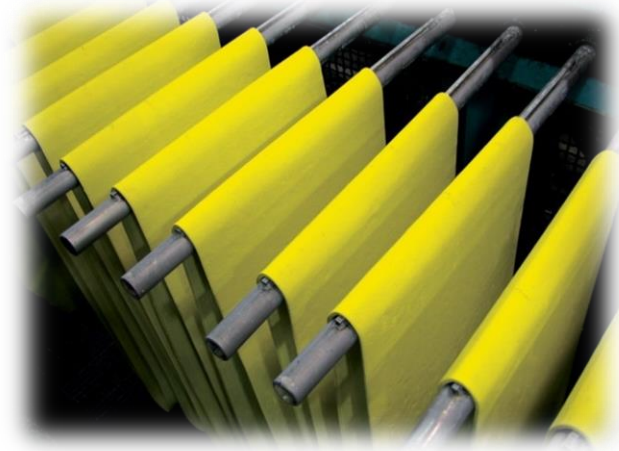
- **Sales increased 7% to 3,207 MSEK (2,999)**
 - Sales positively affected by higher sales prices due to increased raw material prices
 - Positive volume development
- **Operating profit increased 8% to 526 MSEK (487)**
 - Operating margin improved to 16.4% (16.2)



Q2 2018 – HEXPOL Compounding

Increased sales and higher result

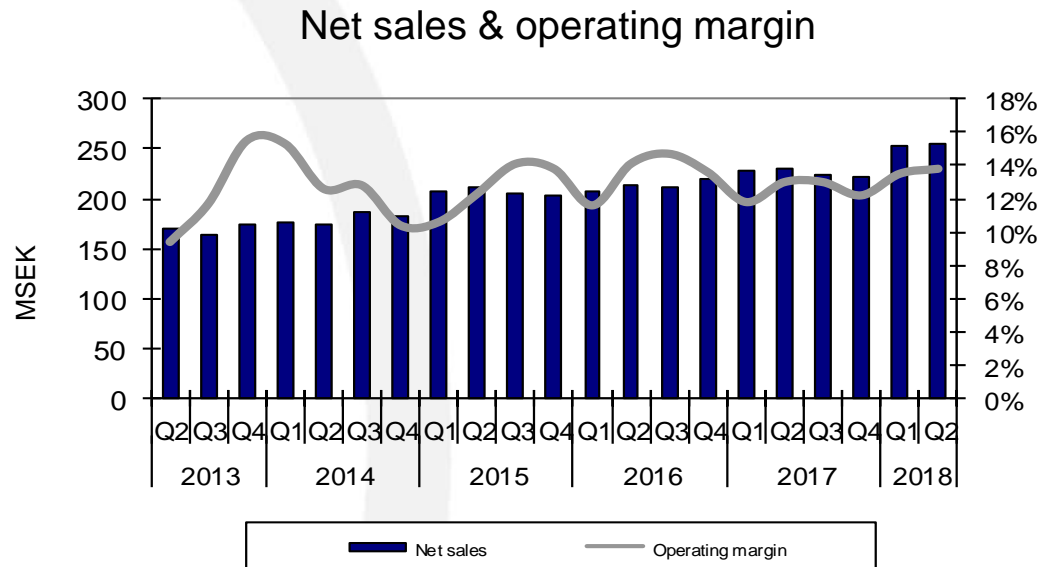
- **HEXPOL Compounding NAFTA – increased sales**
 - Continued stable sales to automotive related customers and building and construction
 - Improved sales to engineering and general industry
 - Improved sales to oil and gas and mining however from low levels
- **HEXPOL Compounding Europe – increased sales**
 - Stable sales to automotive related customers and to customers within building and construction
 - Improved sales to customers within engineering and general industry
- **HEXPOL Compounding Asia – significantly increased sales**
 - Increased sales to automotive related customers in China
- **HEXPOL TPE Compounding – significantly higher sales**
- **HEXPOL TP Compounding – significantly increased sales**
 - Increased sales mainly to automotive related customers



Q2 2018 – HEXPOL Engineered Products

Increased sales and higher result

- **Net sales increased 10% to 254 MSEK (231)**
 - Increased sales in both HEXPOL Wheels and HEXPOL Gaskets
- **Operating profit increased 17% to 35 MSEK (30)**
- **Operating margin improved to 13.8% (13.0)**



Jan – Jun 2018– Increased sales and higher result

- Sales increased by 6%
- Operating profit increased by 5%
- Earnings per share increased to 2.43 SEK (2.16)
- Strong balance sheet

	Apr -Jun		Jan-Jun		Full Year	Jul 17- Jun 18	
MSEK	2018	2017	2018	2017	2017		
Sales	3 461	3 230	6 770	6 368	12 230	12 632	+6%
Operating profit, EBIT	561	517	1 101	1 049	1 986	2 038	
Operating margin, %	16,2	16,0	16,3	16,5	16,2	16,1	+5%
Profit after tax	426	366	837	745	1 527	1 619	
Earnings per share, SEK	1,24	1,06	2,43	2,16	4,44	4,71	
Equity/assets ratio, %			67	59	68		
Net cash			56	-948	-27		
Return on capital employed, % R12			24,6	26,3	25,1		+13%
Operating cash flow	522	423	824	858	2 001	1 967	

Strong balance sheet provides scope for continued expansion.

The dividend of 671 MSEK resolved at the Annual General Meeting was paid in May corresponding to a dividend of 1.95 SEK per share.

Q2 2018 – Increased sales and higher result

- Sales increased by 7% to 3,461 MSEK (3,230)
- Positive volume development
- Operating profit increased by 9% to 561 MSEK (517)
- Operating margin improved to 16.2% (16.0)
- Operating cash flow improved to 522 MSEK (423)
- Earnings per share increased to 1.24 SEK (1.06)
- Strong balance sheet, net cash of 56 MSEK



Q & A

Thank You!

