

Telephone presentation October 26, 2017, 14:00 CET

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Welcome to HEXPOL

Q3 2017 report update

CEO Mikael Fryklund
CFO Karin Gunnarsson

October 26, 2017



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Agenda

- Introduction to HEXPOL
- Q3 2017 – HEXPOL Group
- Q3 2017 – Business areas
- January – September 2017 – Key figures
- Q3 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.



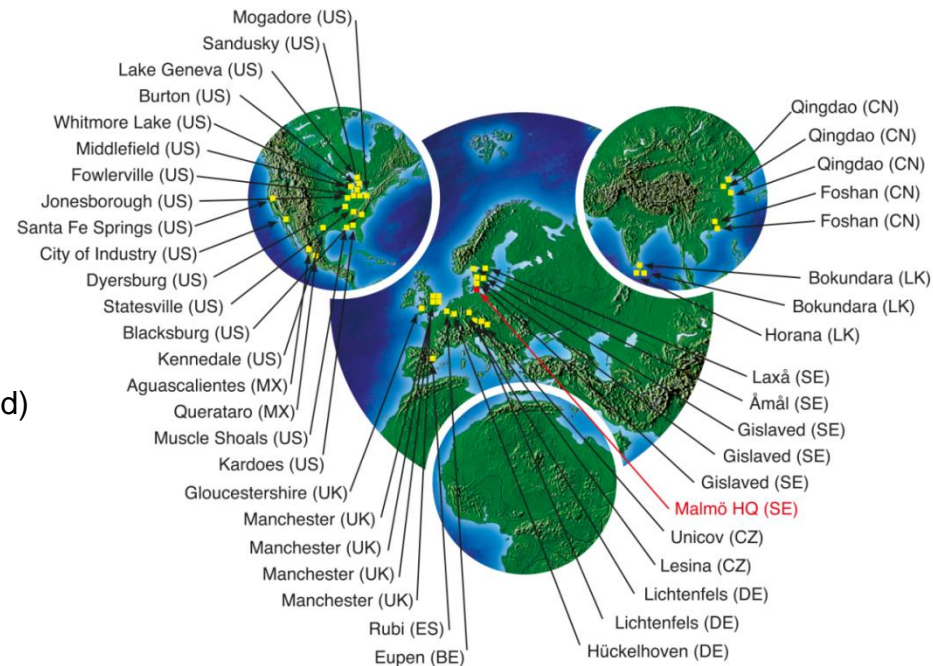
HEXPOL – A well positioned Group

- 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)
- 98% of sales outside Sweden
- Head office in Malmö, Sweden
- Shares listed on NASDAQ Stockholm, Large Cap



HEXPOL – A well positioned Group

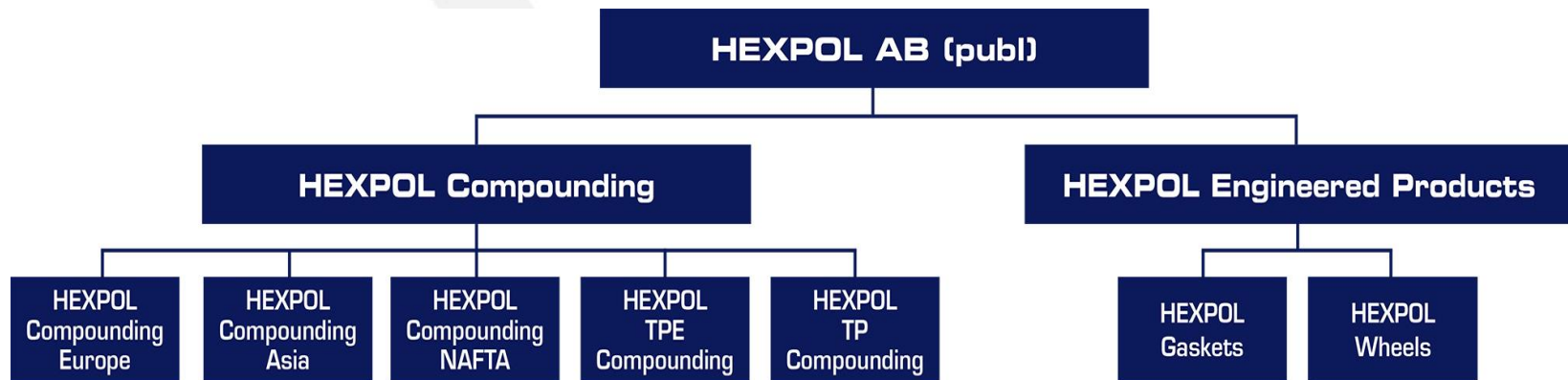
- True global footprint
- Historical strong sales growth and good profitability
- Well invested and strong cash flow
- Long industrial history with highly experienced and dedicated management and board
- Acquisition oriented – major acquisition within Polymer Compounding:
 - 2010: Elasto, Excel Polymers
 - 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

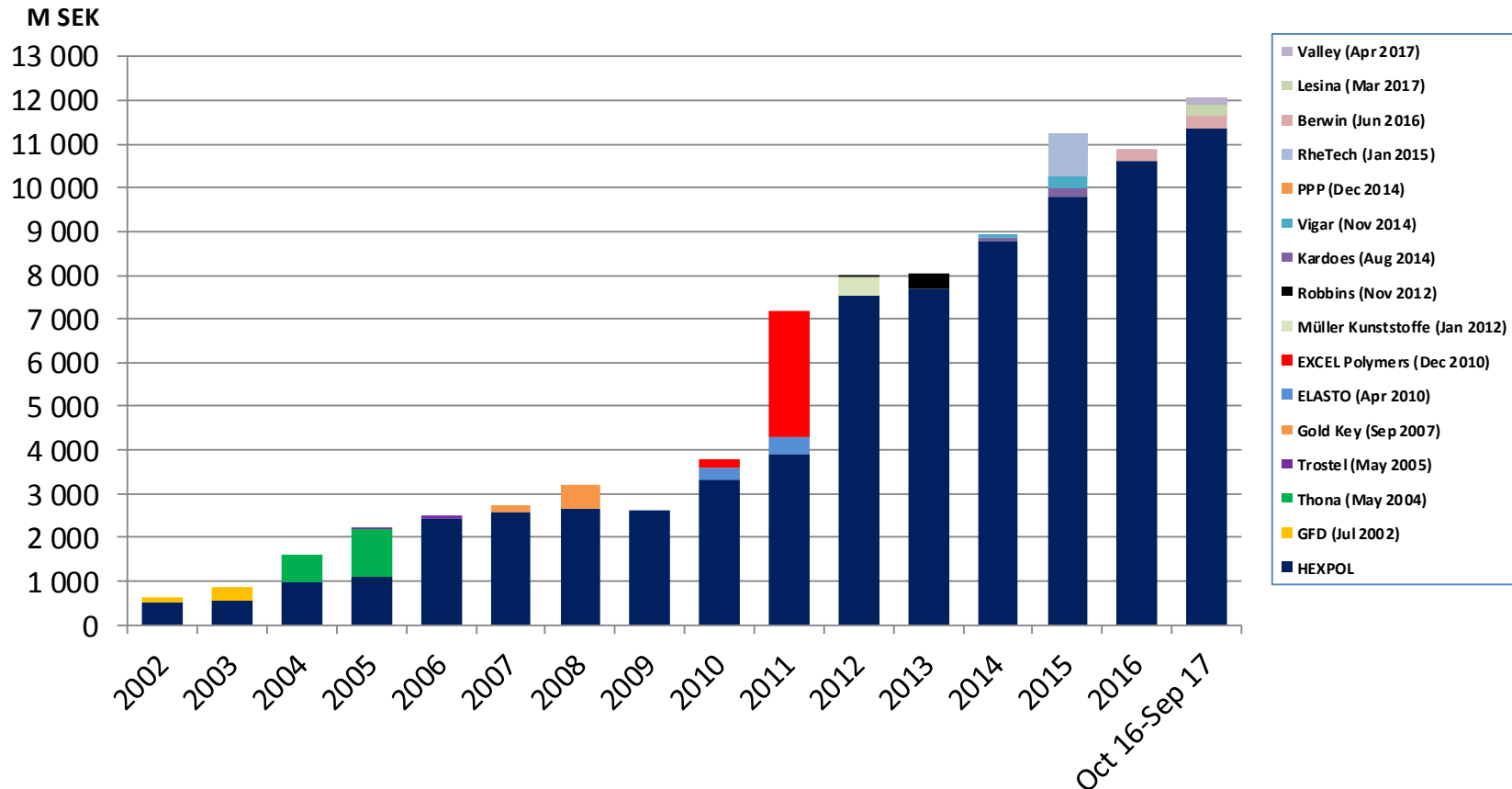
Two business areas

- 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:

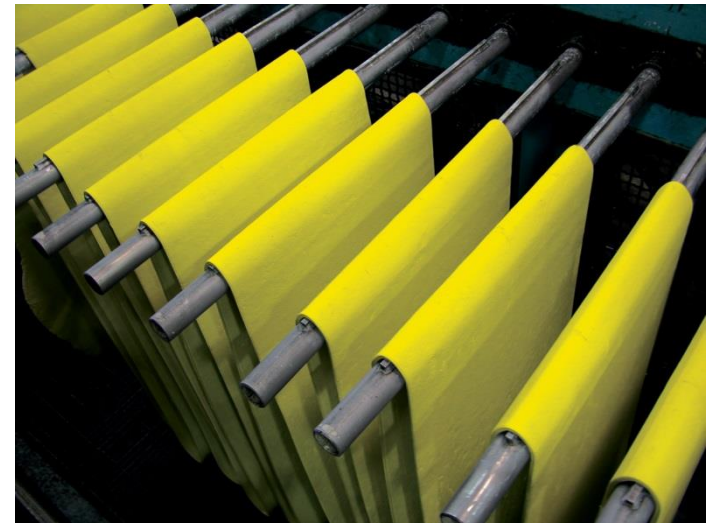
- Fragmented market – few global players – many local players
- Few industrial consolidators
- Few vertically integrated companies

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

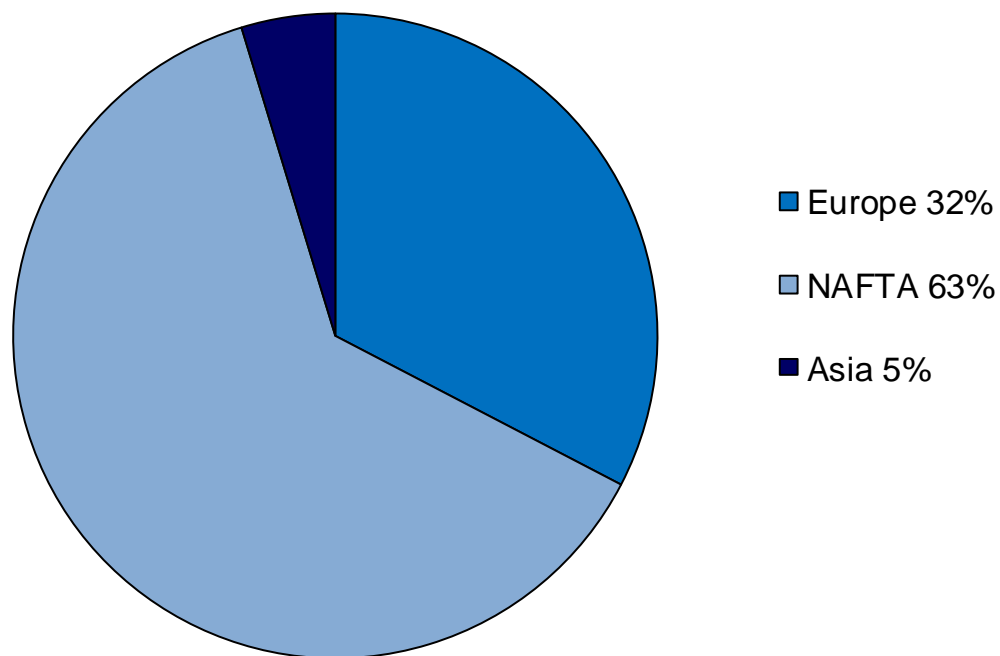
Main customer segments:

- 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
- Building and construction
- 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

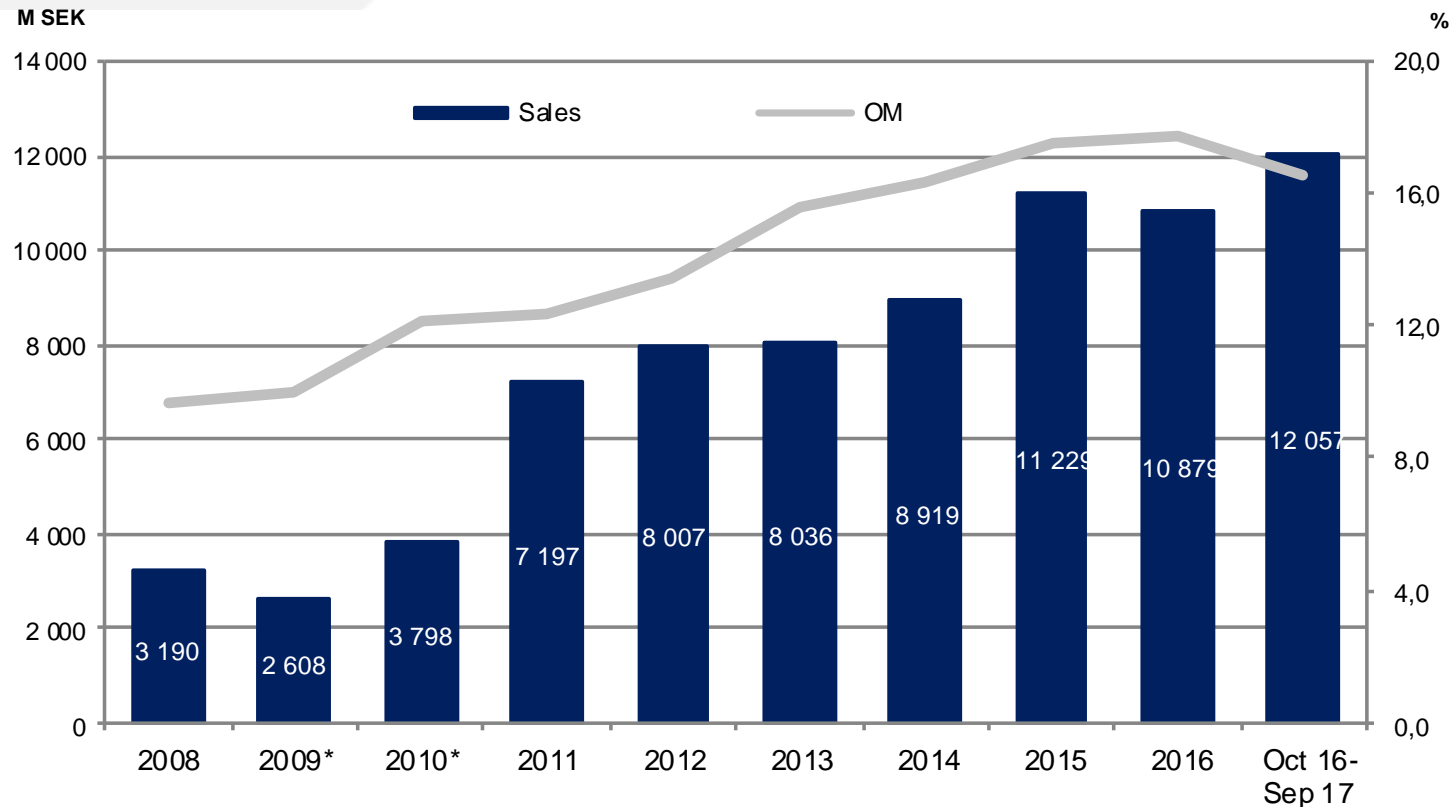


HEXPOL – sales distribution

Sales per geographic area Jan-Sep 2017

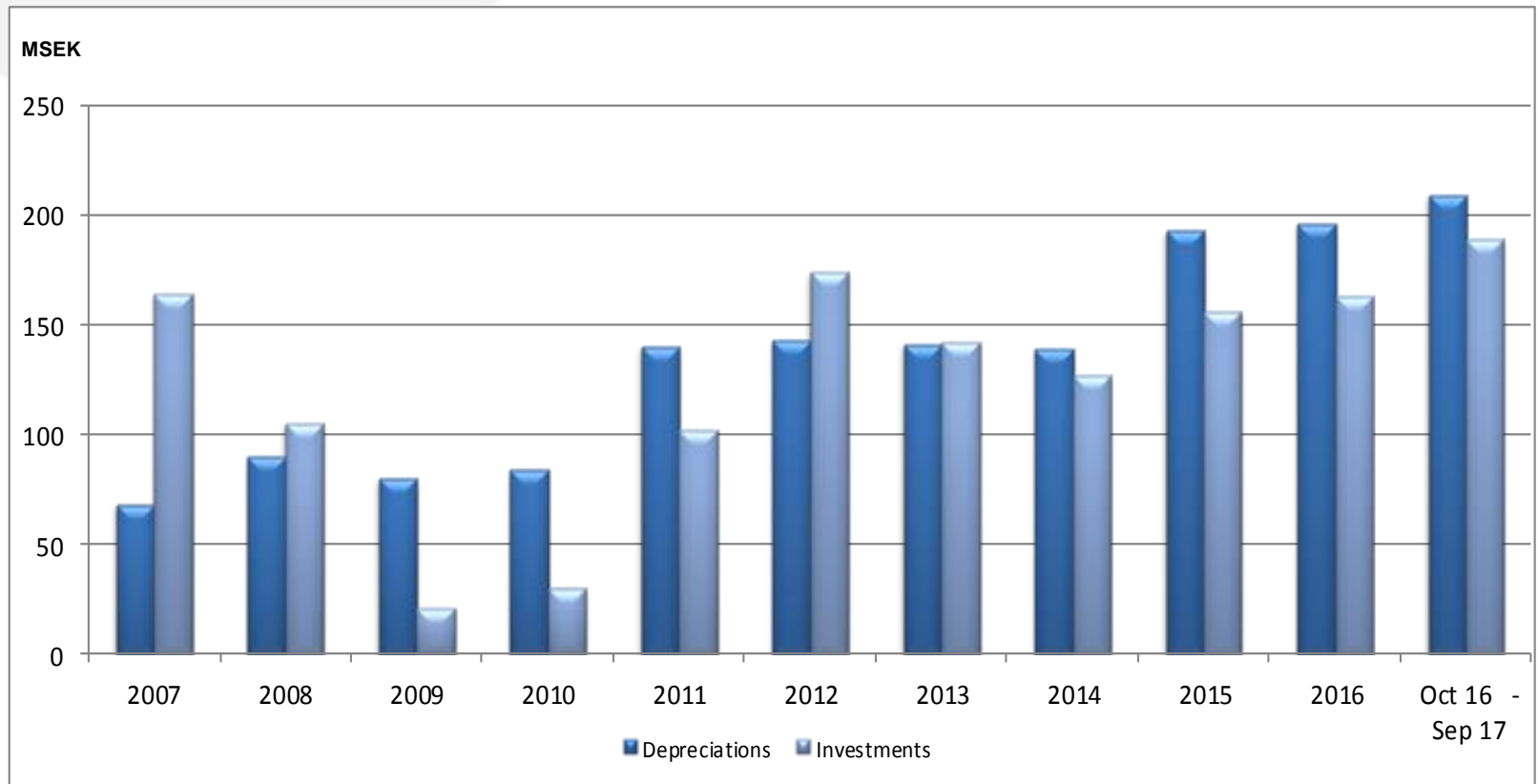


A fast growing Group with strong margin development



*Adjusted for items affecting comparability

Depreciations & investments*



- Investments in line with/ or below depreciations
- Oct 16 – Sep 17: Mainly capacity investments in Mexico and HEXPOL TPE Compounding and also regular 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



Q3 2017 – Increased sales and strong result

- Sales increased 7%
- Positive volume development
- Stable raw material prices, but slightly higher compared to Q3 2016
- Continued price pressure on all markets

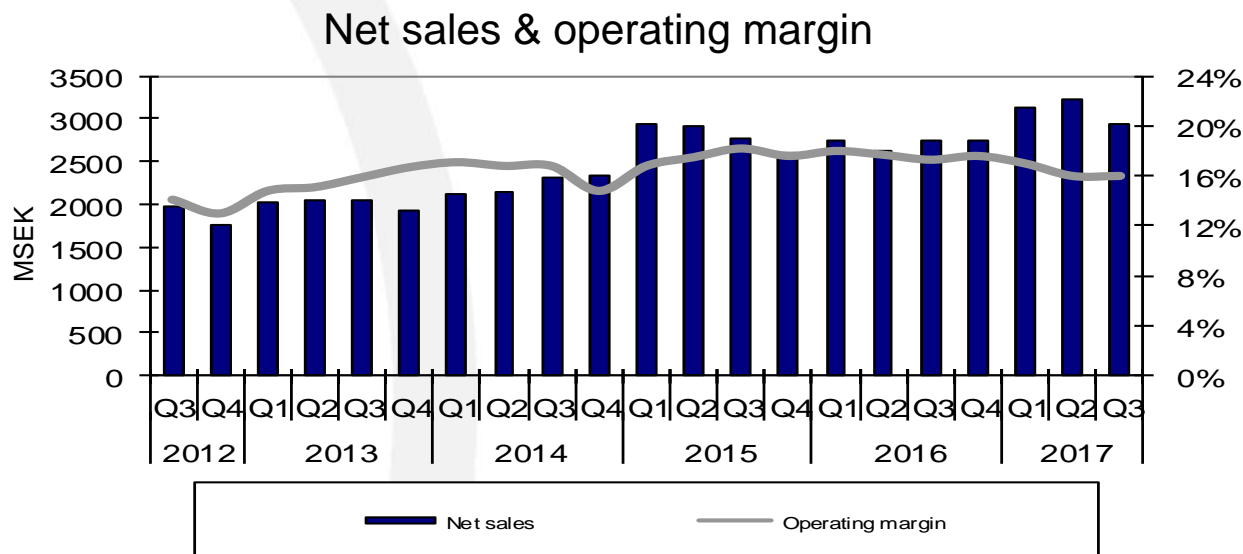
MSEK	2017 Q3	2016 Q3	2017 Q2	+ 7%
Sales	2,936	2,742	3,230	
Operating profit, EBIT	470	475	517	
Operating margin, %	16.0	17.3	16.0	
Profit after tax	333	339	366	
Earnings per share, SEK	0.97	0.98	1.06	
Operating cash flow	534	585	423	

Q3 2017 – Increased sales and strong result

- Sales (including acquisitions) increased 7% to 2,936 MSEK (2,742)
 - Positive volume development
 - Stable raw material prices, but slightly higher compared to Q3 2016
 - Price pressure continued strong on all markets
 - Negative currency effects 106 MSEK (compared to positive effects of 118 MSEK in Q1 and 162 MSEK in Q2)
- NAFTA increased sales (including Valley Processing) by 1%
 - Continued good sales to automotive related customers however slightly affected by inventory adjustments
 - Improved sales to building and construction, engineering and general industry
 - Improved sales to oil and gas and mining from low levels
- Europe increased sales (including Trelleborg Material & Mixing Lesina) by 18%
 - Continued good sales to automotive related customers
 - Improved sales to engineering and general industry
- Asia increased sales by 21%
 - Increased sales mainly to automotive related customers in China
- Operating profit amounted to 470 MSEK (475)
 - Negative currency effects 23 MSEK (compared to positive effects of 21 MSEK in Q1 and 29 MSEK in Q2)
- The acquired Trelleborg's Rubber Compounding unit in Czech Republic, a well-known Rubber Compounder in Central Europe, has been integrated and is developing according to plan
- In early April, Valley Processing, a well known US Rubber Compounder, was acquired. The unit has been integrated and is developing according to plan

Q3 2017 – Increased sales and strong result

- Net sales increased 7% to 2,936 MSEK (2,742)
- Operating profit amounted to 470 MSEK (475)
- Operating margin amounted to 16.0% (17.3)
- Return on capital employed, R12 amounted to 25.5% (27.1)
- Earnings per share amounted to 0.97 SEK (0.98)
- Operating cash flow amounted to 534 MSEK (585)
- Strong Balance Sheet
 - Equity/assets ratio 60% (73)
 - Net debt 587 MSEK (net cash 759)



Q3 2017 – Increased sales and strong result

- Strong balance sheet, well equipped for further expansion

MSEK	2017 Q3	2016 Q3	2017 Q2
Sales	2,936	2,742	3,230
Operating profit, EBIT	470	475	517
Operating margin, %	16.0	17.3	16.0
Profit after tax	333	339	366
Earnings per share, SEK	0.97	0.98	1.06
Operating cash flow	534	585	423
Net cash	-587	759	-948
Equity/assets ratio, %	60	73	59

Q3 2017 – Increased sales and strong result

MSEK	Quarter 3			Jan - Sep		
	2017	2016	Growth	2017	2016	Growth
Sales	2 936	2 742	7%	9 304	8 126	14%
Currency	106		4%	-174		-2%
Ex. Currency	3 042	2 742	11%	9 130	8 126	12%
Acquisition	-182		-7%	-596		-7%
Ex. Currency and acquisition	2 860	2 742	4%	8 534	8 126	5%

Q3 2017 – Business areas

Increased sales and strong result

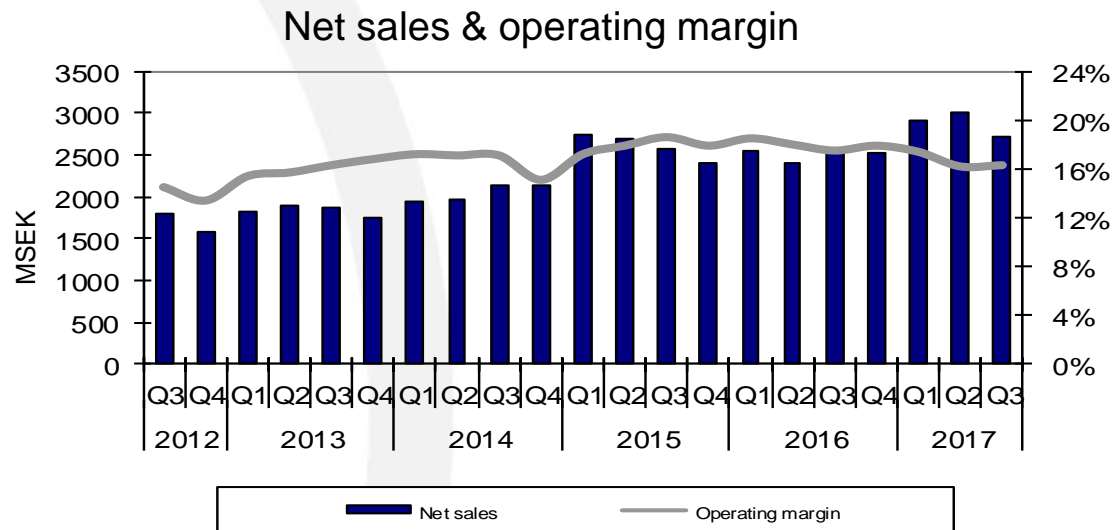
MSEK	Net Sales			Operating Profit			Operating Margin, %		
	2017 Q3	2016 Q3	2017 Q2	2017 Q3	2016 Q3	2017 Q2	2017 Q3	2016 Q3	2017 Q2
HEXPOL Compounding	2 713	2 531	2 999	441	444	487	16.3	17.5	16.2
HEXPOL Engineered Products	223	211	231	29	31	30	13.0	14.7	13.0

- HEXPOL Compounding
 - Increased sales
 - Positive volume development
 - Stable raw material prices, but slightly higher compared to Q3 2016
 - Price pressure continued strong on all markets
- HEXPOL Engineered Products
 - Increased sales

Q3 2017 – HEXPOL Compounding

Increased sales and strong result

- Sales increased 7% to 2,713 MSEK (2,531)
 - Positive volume development
 - Price pressure continued strong on all markets
- Operating profit amounted to 441 MSEK (444)
 - Operating margin amounted to 16.3% (17.5), affected by price pressure and lower margin in acquired units



Q3 2017 – HEXPOL Compounding

Increased sales and strong result

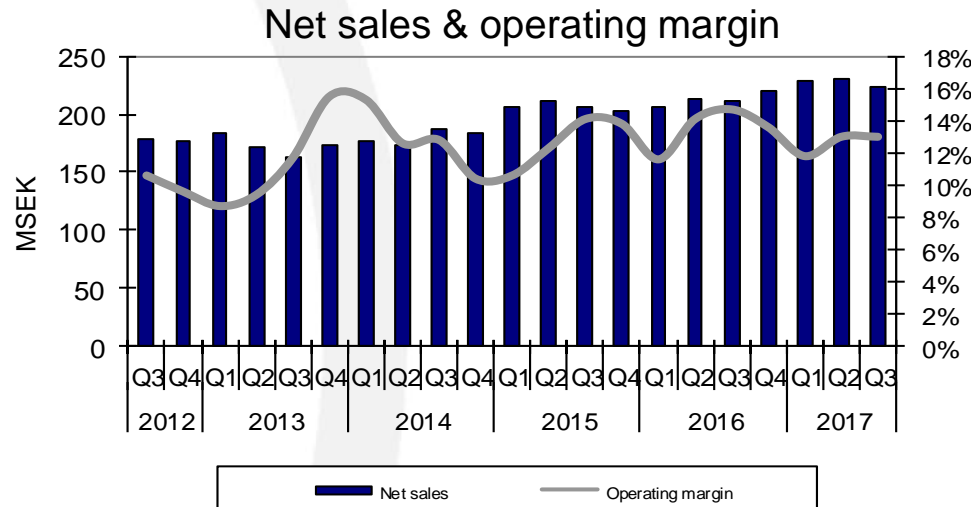
- HEXPOL Compounding NAFTA – increased sales
 - Continued good sales to automotive related customers however slightly affected by inventory adjustments
 - Improved sales to building and construction, engineering and general industry
 - Improved sales to oil and gas and mining from low levels
- HEXPOL Compounding Europe – increased sales
 - Continued good sales to automotive related customers
 - Improved sales to engineering and general industry
- HEXPOL Compounding Asia – increased sales
 - Increased sales mainly to automotive related customers in China
- HEXPOL TPE Compounding – increased sales
- RheTech Thermoplastic Compounding had a stable development
- Continued price pressure on all markets
- The acquired Trelleborg's Rubber Compounding unit in Czech Republic, a well-known Rubber Compounder in Central Europe, has been integrated and is developing according to plan
- The acquired, Valley Processing, a well-known Rubber Compounder in western US has been integrated and is developing according to plan



Q3 2017 – HEXPOL Engineered Products

Increased sales

- Net sales increased 6% to 223 MSEK (211)
 - Positive sales development in all units for HEXPOL Wheels
 - Sales increased slightly in HEXPOL Gaskets
 - Continued price pressure for HEXPOL Gaskets
- Operating profit amounted to 29 MSEK (31)
- Operating margin amounted to 13.0% (14.7)



Jan-Sep 2017 – Increased sales and higher result

- Sales increased 14%
- Operating profit increased 6%
- Earnings per share increased 5%
- Strong balance sheet

MSEK	Jul-Sep 2017	2016	Jan-Sep 2017	2016	Full year 2016	Oct 16- Sep 17	
Net Sales	2,936	2,742	9 304	8 126	10 879	12 057	+14%
Operating Profit, EBIT	470	475	1 519	1 437	1 921	2 003	+6%
Operating Margin, %	16.0	17.3	16.3	17.7	17.7	16.6	
Profit after tax	333	339	1 078	1 023	1 397	1 452	
Earnings per share, SEK	0.97	0.98	3.13	2.97	4.06	4.22	+5%
Operating cash flow	534	585	1 392	1 490	2 057	1 959	
Net cash			-587	759	1 268		
Equity/assets ratio, %			60	73	77		
Return on capital employed, % R12			25.5	27.1	26.8		

Strong balance sheet provides scope for continued expansion.

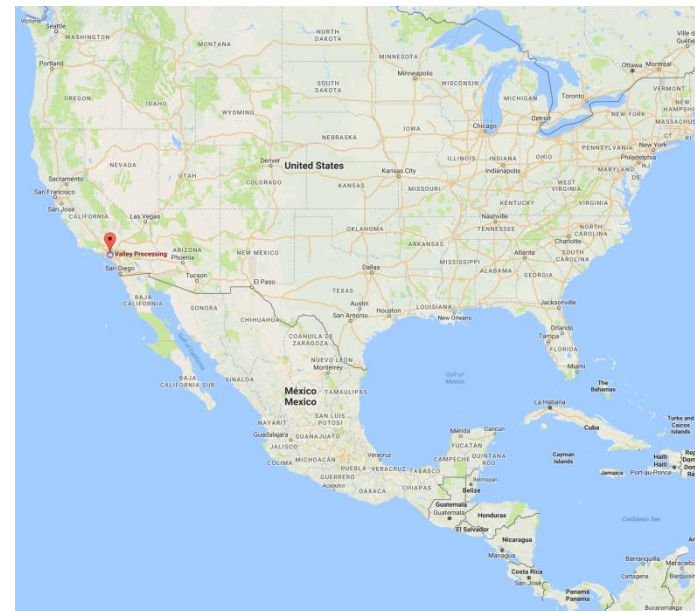
The dividend of 1,635 MSEK resolved at the Annual General Meeting was paid in May corresponding to a dividend of 4.75 SEK per share, consisting of an ordinary dividend of 1.75 SEK per share and a special dividend of 3.00 SEK per share.

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 130 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 MUSD in 2016
- Around 90 employees

Q3 2017 – Increased sales and strong result

- Sales increased by 7% to 2,936 MSEK (2,742).
- Positive volume development
- Operating profit amounted to 470 MSEK (475)
- Earnings per share amounted to 0.97 SEK (0.98)
- Continued price pressure
- The acquired, Trelleborg's Rubber Compounding unit in Czech Republic, a well-known Rubber Compounder in Central Europe, has been integrated in HEXPOL Compounding's European organisation and is developing according to plan
- The acquired, Valley Processing, a well known US Rubber Compounder, has been integrated in HEXPOL Compounding's NAFTA organisation and is developing according to plan
- Mikael Fryklund appointed president and CEO, started July 1



Q & A