

Telephone presentation on October 25, 2018, 4 pm CET

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Welcome to HEXPOL

Q3, 2018 Report update

October 25, 2018

**CEO Mikael Fryklund
CFO Karin Gunnarsson**

October 25, 2018

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Agenda

- Introduction to HEXPOL
- Q3 2018 – HEXPOL Group
- Q3 2018 – Business areas
- January – September – Key figures
- Q3 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.

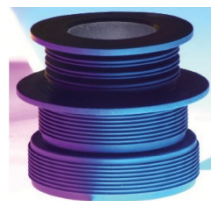


HEXPOL – A well positioned Group

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

- Global presence
- Operations in 13 countries
- Around 4,500 employees
- Headquarters in Malmö, Sweden

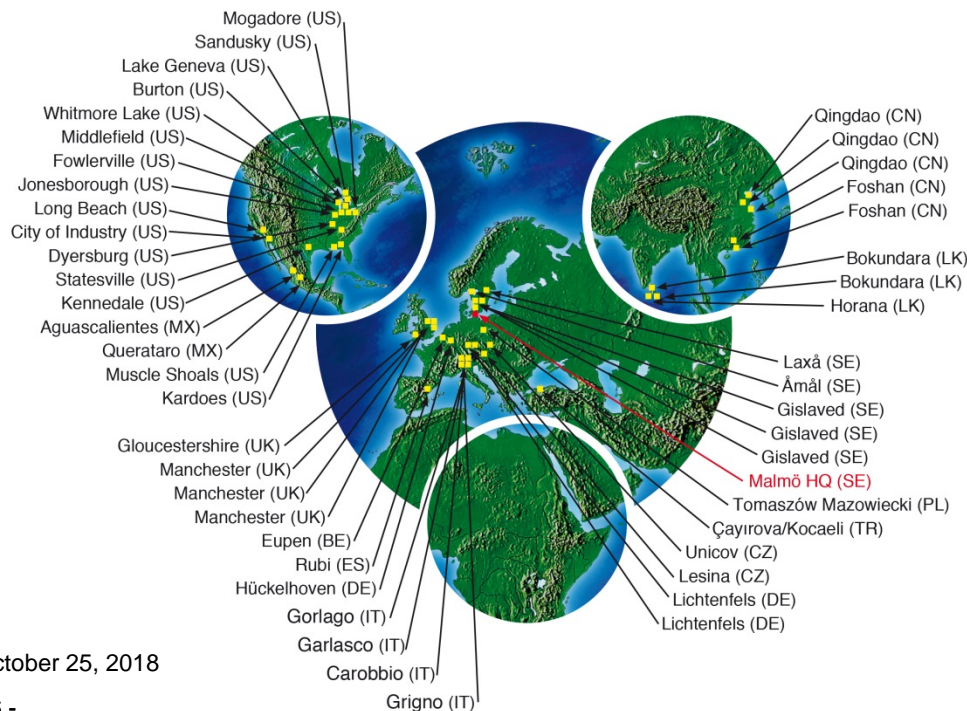
- 97 percent of sales outside Sweden
- Shares listed on Nasdaq Stockholm, Large Cap



- Strong global market positions:
 - Global leading position for Rubber Compounding
 - Strong European position in Thermoplastic Elastomer Compounding (TPE)
 - Strong position in High Performance Elastomers
 - 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

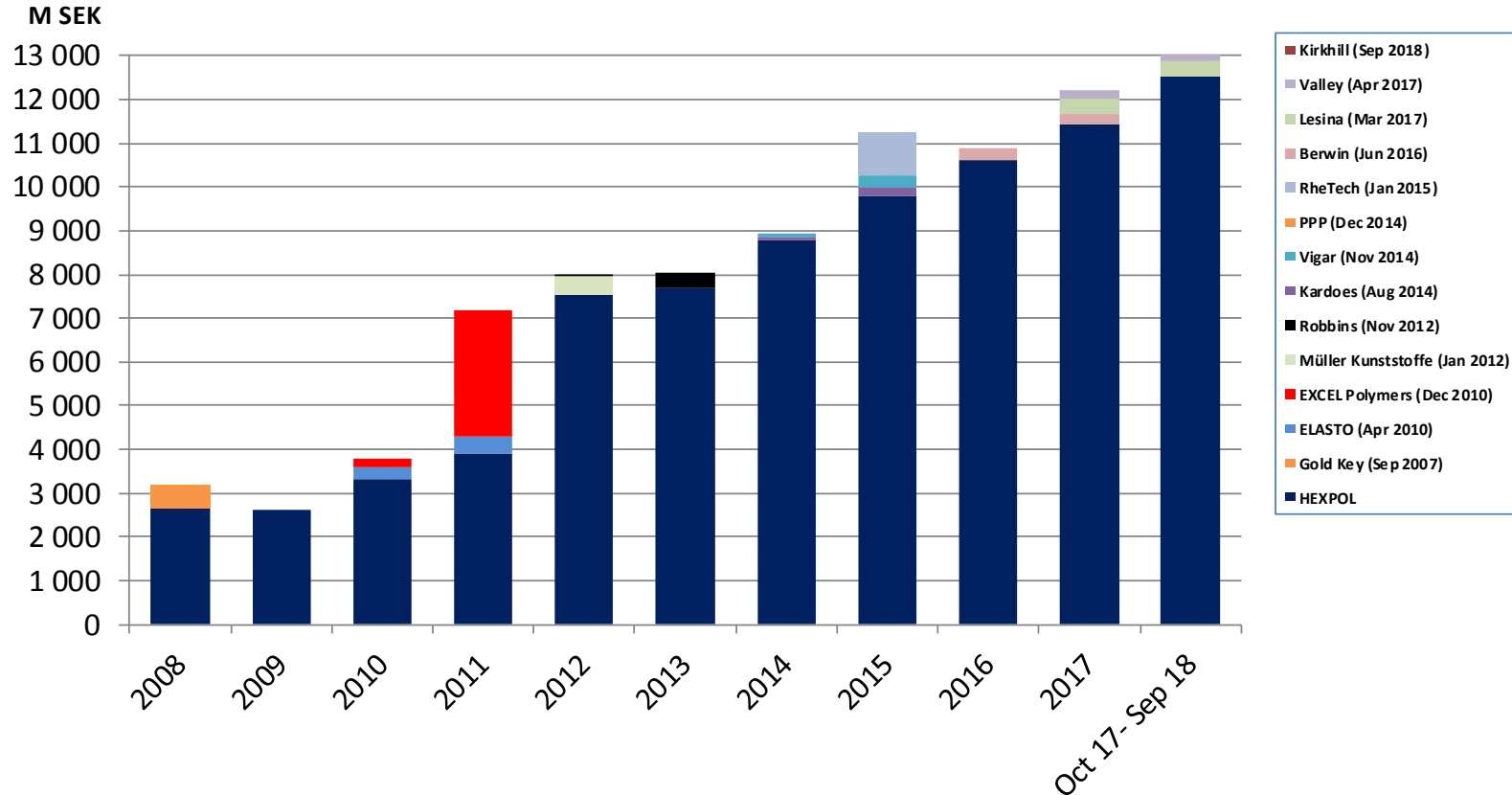


- Acquisition oriented – major acquisitions within Compounding:
 - 2010: Elasto, Excel Polymers
 - 2012: Müller Kunststoffe, Robbins
 - 2014: Kardoes, Vigar Rubber Compounding Portage Precision Polymers
 - 2015: RheTech Thermoplastic Compounding (RheTech, RheTech Colors and RheTech Engineered Plastics)
 - 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
 - 2018: Kirkhill Rubber, MESGO Group

- Acquired 35 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)

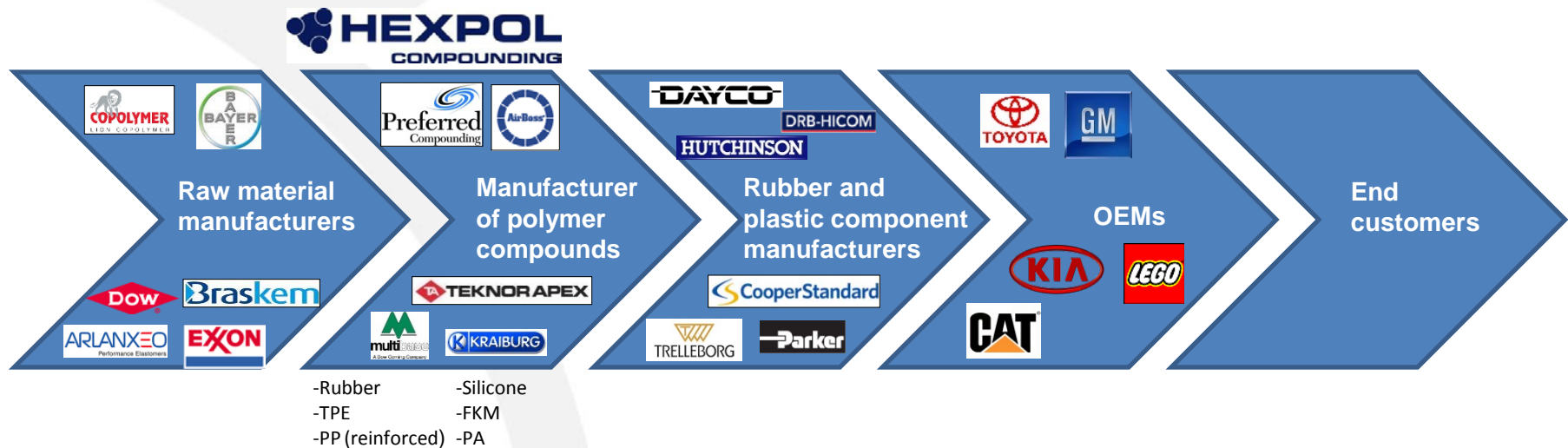


HEXPOL – A fast growing Group

- **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, Kirkhill Rubber in US)
 - New geographical markets (Vigar Rubber Compounding in Spain, MESGO Group in Italy, Poland and Turkey)
 - New chemistry (Portage Precision/silicone compounding, RheTech Thermoplastic Compounding/specialized TP compounding, MESGO Group/silicone and fluorocarbons)
 - 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:

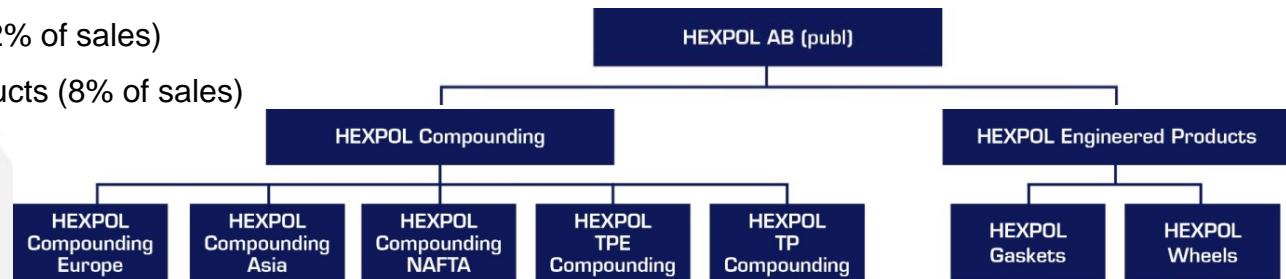
- Fragmented market – few global players – many local players
- Few industrial consolidators
- Few vertically integrated companies

HEXPOL – Organisation and sales distribution

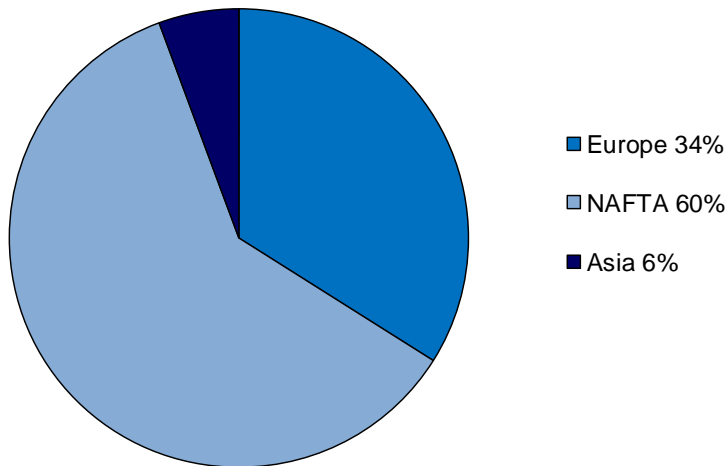
HEXPOL – With a stable organisation

Two business areas:

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



HEXPOL – Sales per geographic area Oct17- Sep18



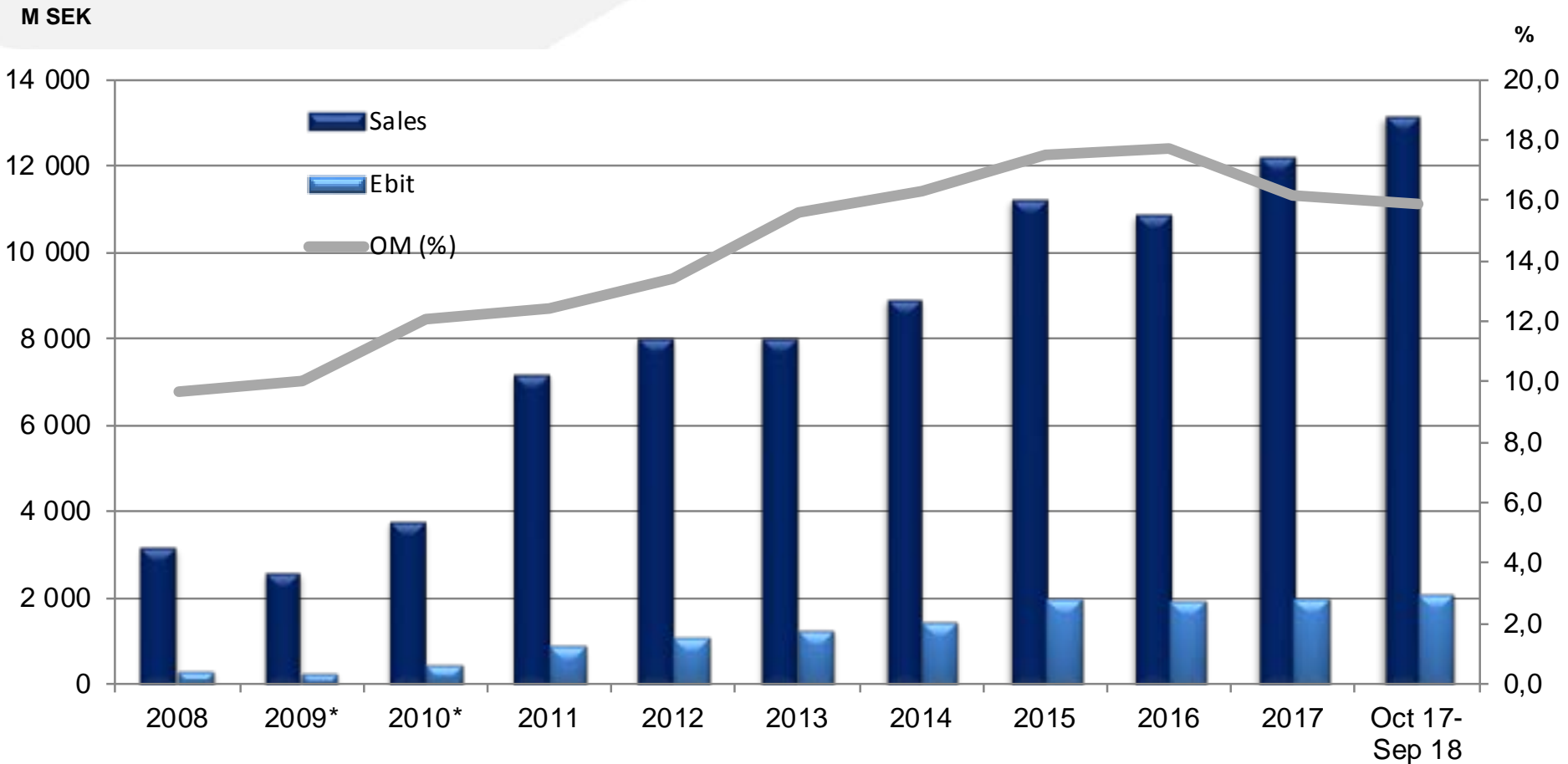
HEXPOL – A fast growing Group

Main customer segments:

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

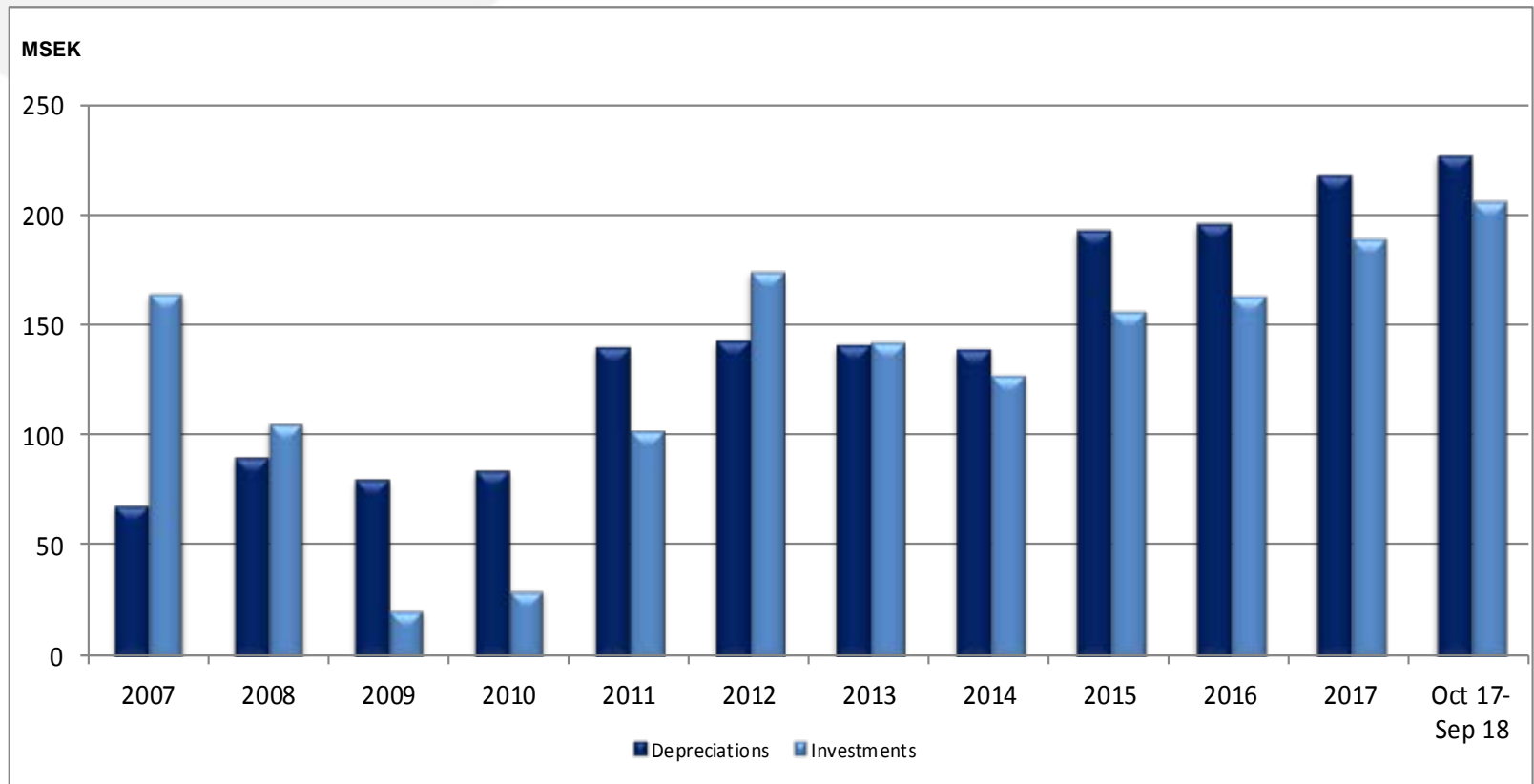


HEXPOL – A fast growing Group with strong margins



*Adjusted for items affecting comparability

HEXPOL – Depreciations & investments*



- Investments in line with/ or below depreciations
- Oct 17 - Sep 18: Investments are attributable to capacity investments within HEXPOL TPE Compounding and also regular maintenance investments

* tangible fixed assets

HEXPOL acquired Kirkhill Rubber September 2018



- Kirkhill Rubber has a state of the art facility in Long Beach, California, US
- A well-known US Rubber Compounder
- Has an annual turnover of around 46 MUSD

HEXPOL acquired 80% of the shares in MESGO Group in the beginning of October 2018



- MESGO is an industry leader in high performance elastomers as fluorocarbons and silicone
- MESGO specialize also in conventional rubber compounds and thermoplastics
- State of the art facilities in Carobbio and Gorlago in Italy, and in Poland respectively in Turkey
- Facilities specializing in thermoplastics and master batches in Garlasco and Grigno in Italy
- Has an annual turnover of around 100 MEUR with an EBITDA margin in line with HEXPOL Group
- Around 180 employees

Q3 2018 – Increased sales and higher result

- Sales increased 17%
- Positive volume development
- Operating profit increased 12%
- Earnings per share increased 21%

MSEK	2018 Q3	2017 Q3	2018 Q2	
Sales	3,443	2,936	3,461	+17%
Operating profit, EBIT	527	470	561	
Operating margin, %	15.3	16.0	16.2	+12%
Profit after tax	404	333	426	
Earnings per share, SEK	1.17	0.97	1.24	+21%

Q3 2018 – Increased sales and higher result

- **Sales increased 17% to 3,443 MSEK (2,936)**
 - Positive volume development
 - Sales positively affected by higher sales prices due to increased raw material prices
 - Positive currency effects of 313 MSEK
- **In NAFTA increased sales (including Kirkhill) by 19%**
 - Continued stable sales to automotive related customers
 - Increased sales to customers within engineering and general industry and within oil and gas
 - Sales to customers within building and construction was slightly lower
- **In Europe increased sales by 12%**
 - Increased sales to customers within engineering and general industry and within building and construction
 - Sales to automotive related customers was however slightly lower
 - Increased sales to PHE and forklifts manufacturers
- **In Asia significantly increased sales by 29%**
 - Sales increased to automotive related customers in China
 - Increased sales to PHE and forklifts manufacturers
- **Operating profit increased 12% to 527 MSEK (470)**
 - Positive currency effects of 49 MSEK
 - Transaction costs 9 MSEK
- **In September, Kirkhill Rubber, a well-known US Rubber Compounder, was acquired**
- **In the beginning of October, 80% of the shares in MESGO Group, a notable Italian high performance elastomers compounder, was acquired**

Q3 2018 – Increased sales and higher result

MSEK	Quarter 3			Jan - Sep		
	2018	2017	Growth	2018	2017	Growth
Sales	3 443	2 936	17%	10 213	9 304	10%
Currency	-313		-10%	-196		-2%
Ex. Currency	3 130	2 936	7%	10 017	9 304	8%
Acquisition	-31		-1%	-241		-3%
Ex. Currency and acquisition	3 099	2 936	6%	9 776	9 304	5%

Q3 2018 – Increased sales and higher result

- Strong balance sheet, well equipped for further expansion

MSEK	2018 Q3	2017 Q3	2018 Q2
Sales	3,443	2,936	3,461
Operating profit, EBIT	527	470	561
Operating margin, %	15.3	16.0	16.2
Profit after tax	404	333	426
Earnings per share, SEK	1.17	0.97	1.24
Operating cash flow	516	534	522
Net cash	-29	-587	56
Equity/assets ratio, %	64	60	67
Return on capital employed, % R12	24.0	25.5	24.6

Our financial position remain strong and provides scope for continued expansion.

Q3 2018 – Business areas

Increased sales and higher result

MSEK	Net Sales			Operating Profit			Operating Margin, %		
	2018 Q3	2017 Q3	2018 Q2	2018 Q3	2017 Q3	2018 Q2	2018 Q3	2017 Q3	2018 Q2
HEXPOL Compounding	3 180	2 713	3 207	488	441	526	15.3	16.3	16.4
HEXPOL Engineered Products	263	223	254	39	29	35	14.8	13.0	13.8

- **HEXPOL Compounding**

- Increased sales
- Increased operating profit
- Positive volume development

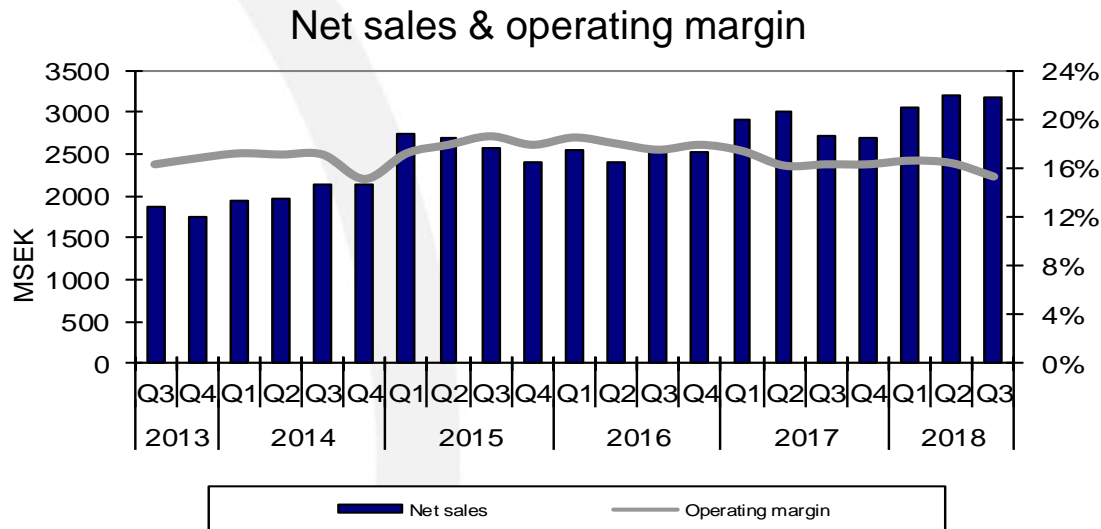
- **HEXPOL Engineered Products**

- Increased sales
- Increased operating profit and operating margin

Q3 2018 – HEXPOL Compounding

Increased sales and higher result

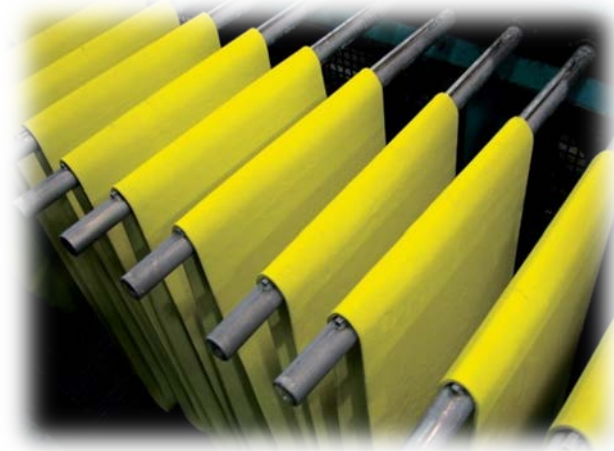
- **Sales increased 17% to 3,180 MSEK (2,713)**
 - Sales positively affected by higher sales prices due to increased raw material prices
 - Positive volume development, with slightly higher volumes in NAFTA, stable volumes in Europe and higher volumes in Asia
- **Operating profit increased 11% to 488 MSEK (441)**
 - Operating margin amounted to 15.3% (16.3), affected by change in mix and transaction costs



Q3 2018 – HEXPOL Compounding

Increased sales and higher result

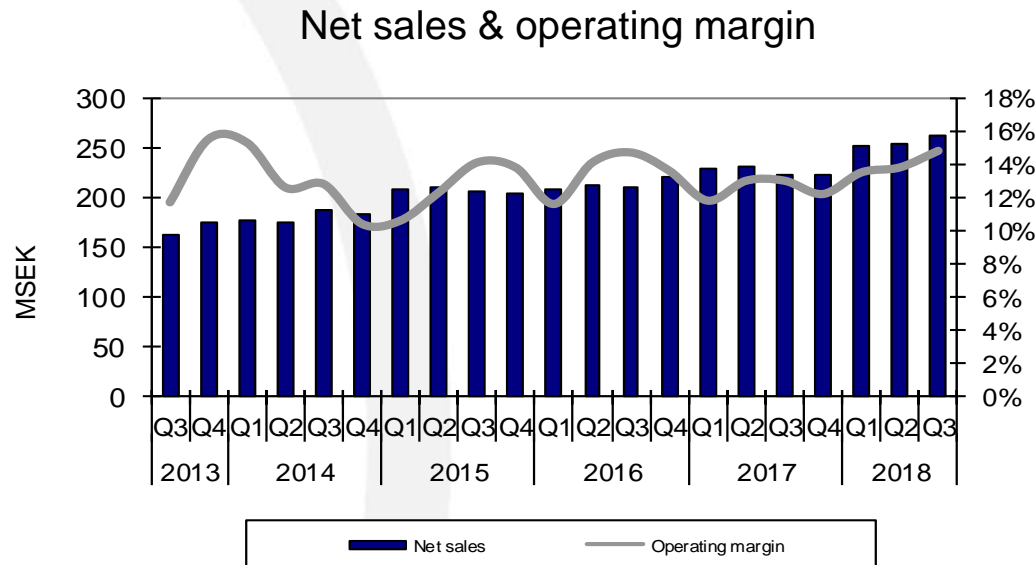
- **HEXPOL Compounding NAFTA (incl Kirkhill) – increased sales**
 - Continued stable sales to automotive related customers
 - Improved sales to customers within engineering and general industry and within oil and gas sector
 - Sales to customers within building and construction was however slightly lower
- **HEXPOL Compounding Europe – increased sales**
 - Increased sales to customers within engineering and general industry and to customers within building and construction
 - Sales to automotive related customers were however slightly lower
- **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
- **In September, Kirkhill Rubber, a well-known US Rubber Compounder, was acquired**
- **In the beginning of October, 80 % of the shares in MESGO Group, a notable Italian high performance elastomers compounder, was acquired**



Q3 2018 – HEXPOL Engineered Products

Increased sales and higher result

- **Net sales increased 18% to 263 MSEK (223)**
 - Increased sales in both HEXPOL Wheels and HEXPOL Gaskets
- **Operating profit increased 34% to 39 MSEK (29)**
- **Operating margin improved to 14.8% (13.0)**



Jan – Sep 2018– Increased sales and higher result

- Sales increased by 10%
- Operating profit increased by 7%
- Earnings per share increased by 15% to 3.61 SEK (3.13)
- Strong balance sheet

	Jul -Sep		Jan-Sep		Full Year	Oct 17- Sep 18	
MSEK	2018	2017	2018	2017	2017		
Sales	3 443	2 936	10 213	9 304	12 230	13 139	+10%
Operating profit, EBIT	527	470	1 628	1 519	1 986	2 095	
Operating margin, %	15,3	16,0	15,9	16,3	16,2	15,9	+7%
Profit after tax	404	333	1 241	1 078	1 527	1 690	
Earnings per share, SEK	1,17	0,97	3,61	3,13	4,44	4,92	+15%
Equity/assets ratio, %			64	60	68		
Net debt			29	587	27		
Return on capital employed, % R12			24,0	25,5	25,1		
Operating cash flow	516	534	1 340	1 392	2 001	1 949	

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.

Q3 2018 – Increased sales and higher result

- Sales increased by 17% to 3,443 MSEK (2,936)
- Positive volume development
- Operating profit increased by 12% to 527 MSEK (470)
- Operating margin amounted to 15.3% (16.0)
- Operating cash flow amounted to 516 MSEK (534)
- Earnings per share increased by 21% to 1.17 SEK (0.97)
- Strong financial position
- In September, Kirkhill Rubber, a well-known US Rubber Compounder, was acquired
- In the beginning of October, 80% of the shares in MESGO Group, a notable Italian high performance elastomers compounder, was acquired



Q & A

Thank You!

