

Telephone presentation February 3, 2016, 14:00 CET

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Welcome to HEXPOL

Year-end 2015 and Q4 2015 report update

CEO Georg Brunstam
CFO Karin Gunnarsson

February 3, 2016, 10:00 CET



February 3, 2016

Agenda

- Introduction to HEXPOL
- Q4 2015 – HEXPOL Group
- Q4 2015 – Business areas
- Full year 2015 – Key figures
- Q4 2015 – 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.



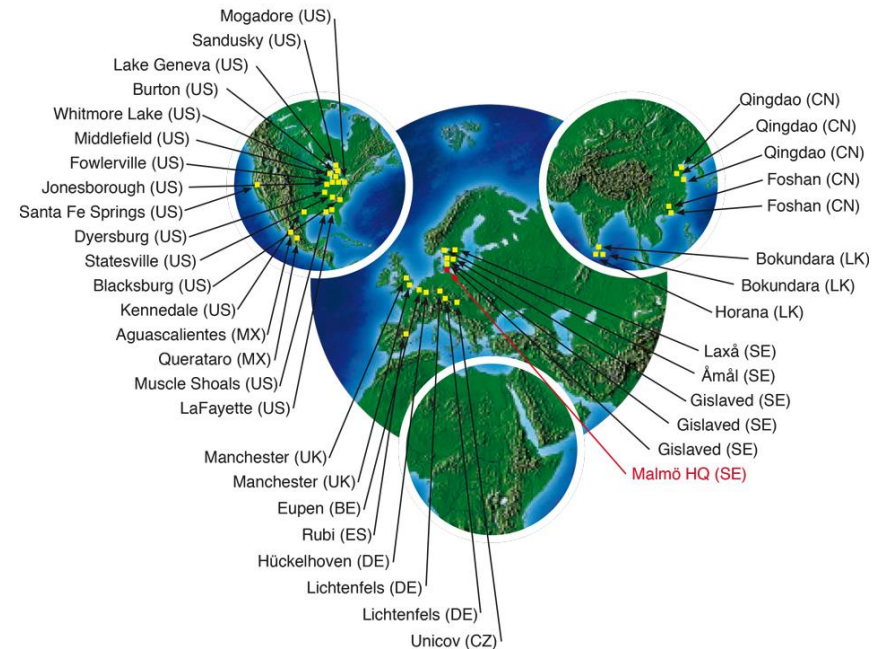
HEXPOL – A well positioned Group

- 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

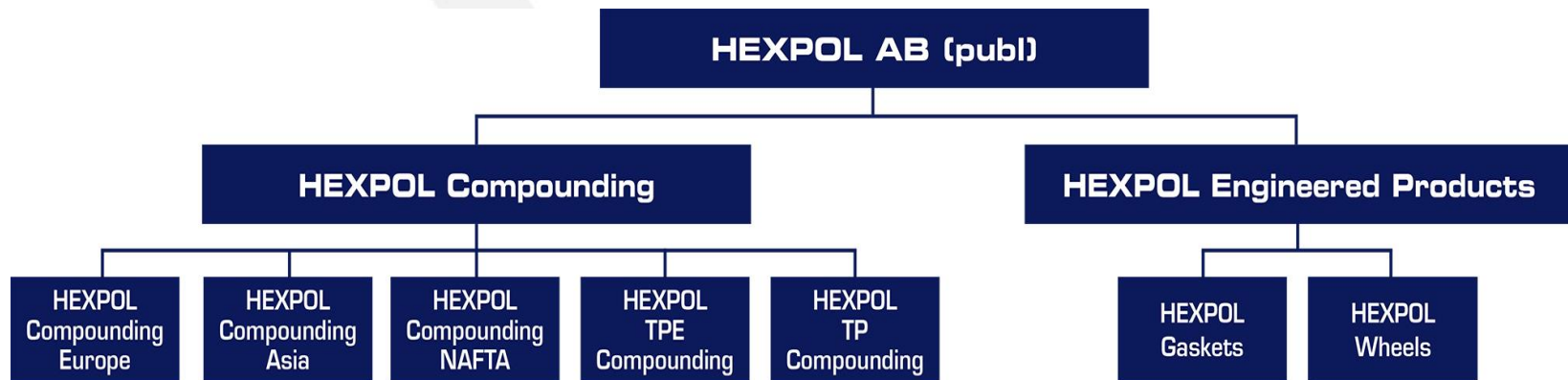
- True global footprint – 11 of 38 production units in growth markets
- Historical strong sales growth and good profitability
- Well invested and strong cash flow
- Long industrial history with highly experienced and dedicated management and board
- Acquisition oriented – major acquisition within Polymer 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 and production since 2010



HEXPOL – A well positioned Group with a stable organisation

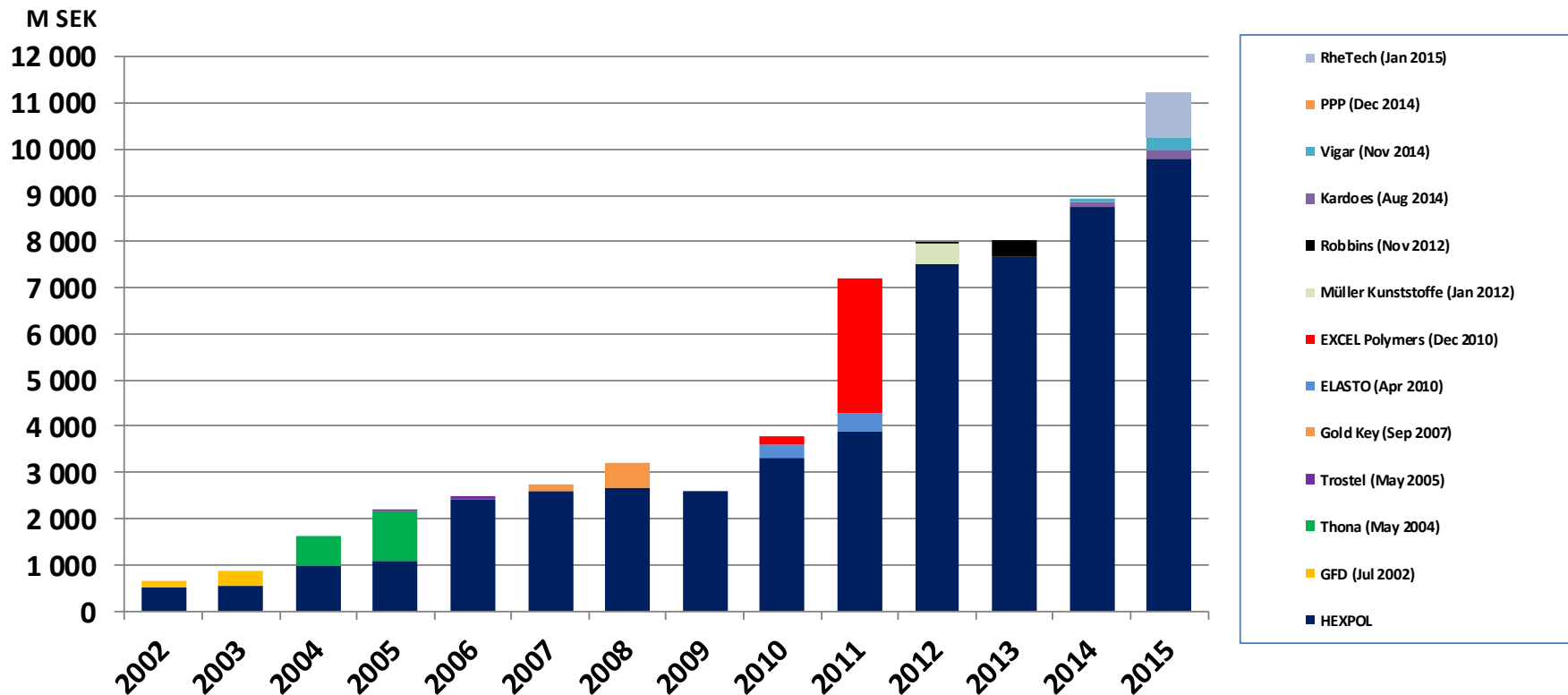
Two business areas

- 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 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 China and 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

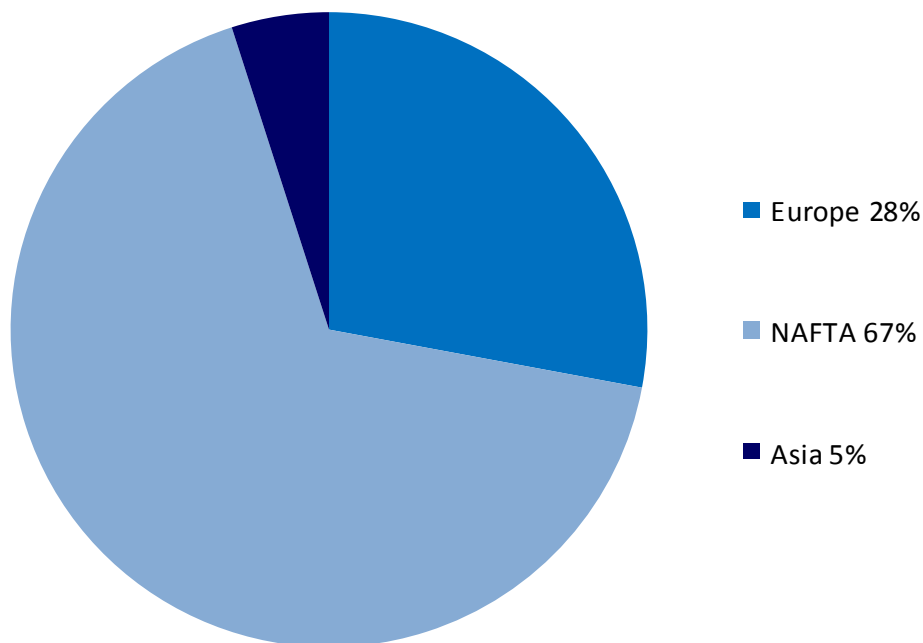
Main customer segments:

- 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 (2008 60%).
- 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

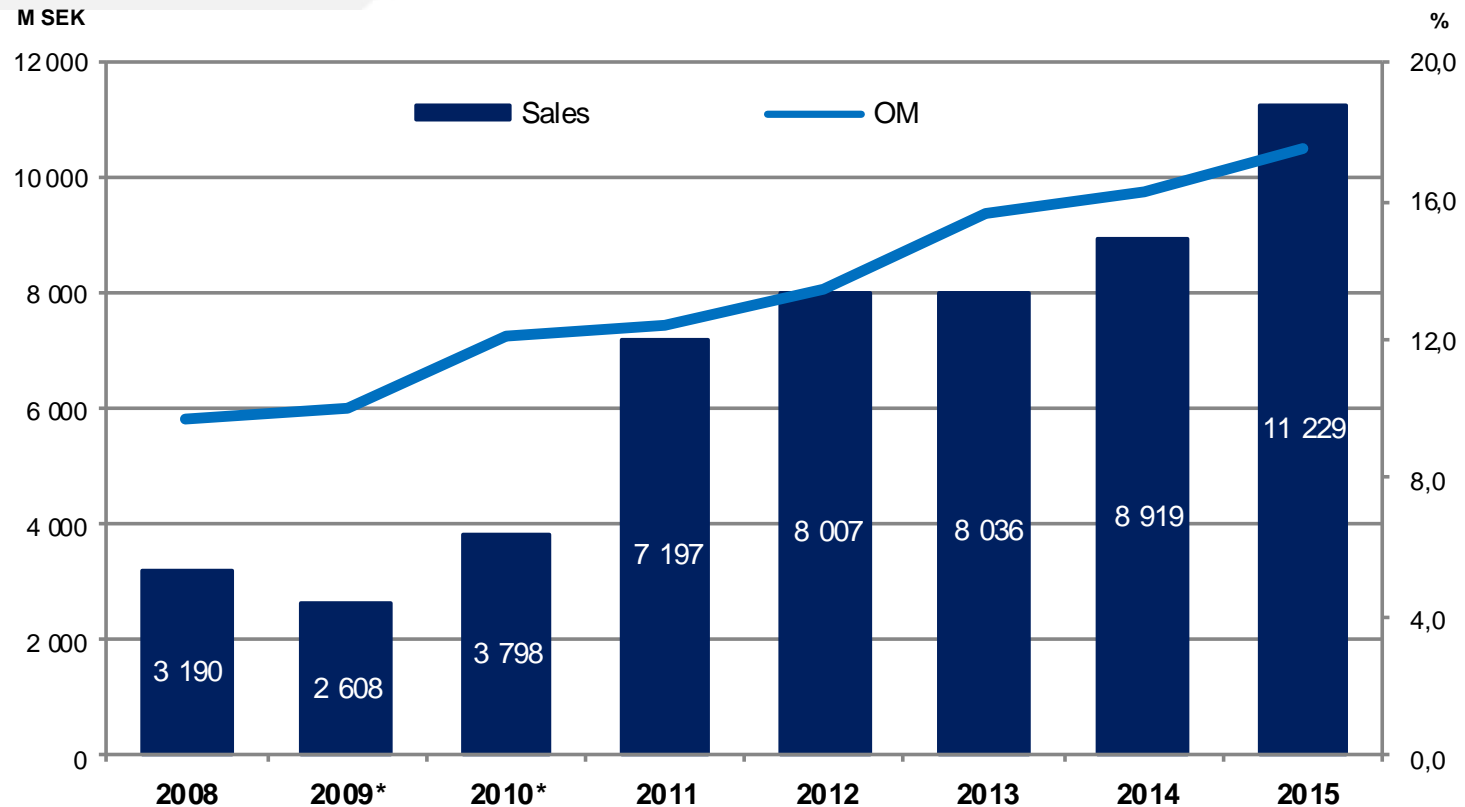


HEXPOL — A well positioned Group with favorable sales distribution

Sales per geographic area 2015



HEXPOL — Fast growing Group with strong margin development



*Adjusted for items affecting comparability

Q4 2015 – Continued growth and strong margins

- Strong growth mainly thanks to acquired units and positive currency effects
- Volume and sales increases in all geographical regions
 - Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices

MSEK	2015 Q4	2014 Q4	2015 Q3	
Net Sales	2,596	2,331	2,772	+ 11%
Operating Profit, EBIT	456	344*	505	+ 33%
Operating Margin, %	17.6	14.8*	18.2	
Profit after tax	326	248	358	
Earnings per share, SEK	0.95	0.72	1.04	+ 32%
Operating cash flow	562	517	503	

*Including acquisition, integration and restructuring costs (Vigar) of 38 MSEK

Q4 2015 – Continued growth and strong margins

- Volume and sales increases in all geographical regions

Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices

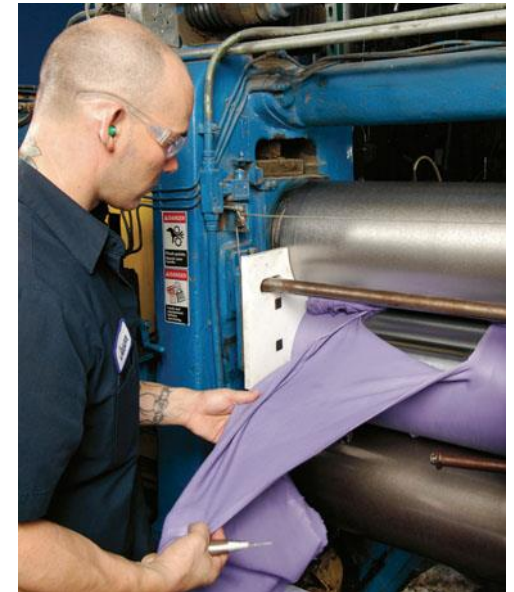
- Sales increased by 11% to 2,596 MSEK (2,331)
 - Strong growth mainly thanks to acquired units and positive currency effects
 - Sales growth (adjusted for currency effects) amounted to 3%
- Sales and volume in NAFTA well above last year
 - Sales increased by 14%
 - Continued positive development to automotive related customers
 - Major downturn in mining, export industry, agriculture and oil and gas segment
- Sales and volume in Europe well above last year
 - Sales increased by 7%
 - Continued positive development to automotive related customers
- Volume and sales in Asia well above last year
 - Sales increased by 11%
- Operating profit increased by 33% to 456 MSEK (344*)
- Integration of units acquired in 2014 and 2015 successfully completed, already in first half year of 2015

*Including acquisition, integration and restructuring costs (Vigar) of 38 MSEK



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.



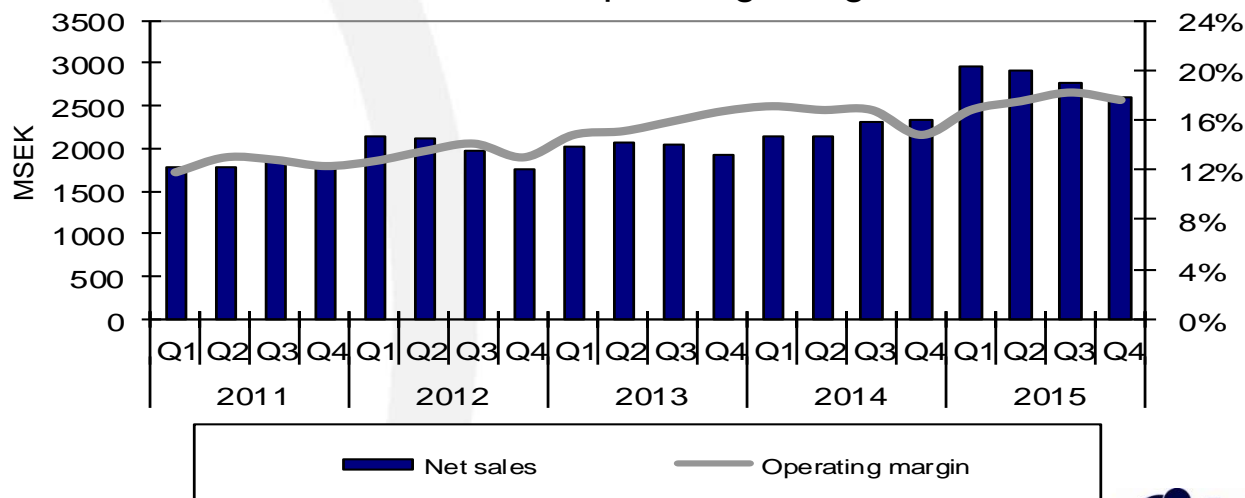
Q4 2015 – Continued growth and strong margins

Volume and sales increases in all geographical regions

- Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices

- Net sales increased to 2,596 MSEK (2,331)
 - Increase by 11 %
- Operating profit increased to 456 MSEK (344*)
 - Increase by 33 %
- Operating margin amounted to 17.6% (14.8*)
- Return on capital employed amounted to 28.6% (28.5)
- Earnings per share increased by 32% to 0.95 SEK (0.72)
- Very strong operating cash flow, increased to 562 MSEK (517)
- Strong Balance Sheet
 - Equity/assets ratio 72% (69)
 - Net cash 454 MSEK (259)

Net sales & operating margin



Q4 2015 – Continued growth and strong margins

- Strong balance sheet, well equipped for further expansion

MSEK	2015 Q4	2014 Q4	2015 Q3
Net Sales	2,596	2,331	2,772
Operating Profit, EBIT	456	344*	505
Operating Margin, %	17.6	14.8*	18.2
Profit after tax	326	248	358
Earnings per share, SEK	0.95	0.72	1.04
Operating cash flow	562	517	503
Net cash	454	259	39
Equity/assets ratio, %	72	69	67

*Including acquisition, integration and restructuring costs (Vigar) of 38 M SEK

Q4 2015 – Business areas

Continued growth and strong margins

MSEK	Net Sales			Operating Profit			Operating Margin, %		
	2015 Q4	2014 Q4	2015 Q3	2015 Q4	2014 Q4	2015 Q3	2015 Q4	2014 Q4	2015 Q3
HEXPOL Compounding	2 393	2 148	2 566	428	325*	476	17.9	15.1*	18.6
HEXPOL Engineered Products	203	183	206	28	19	29	13.8	10.4	14.1

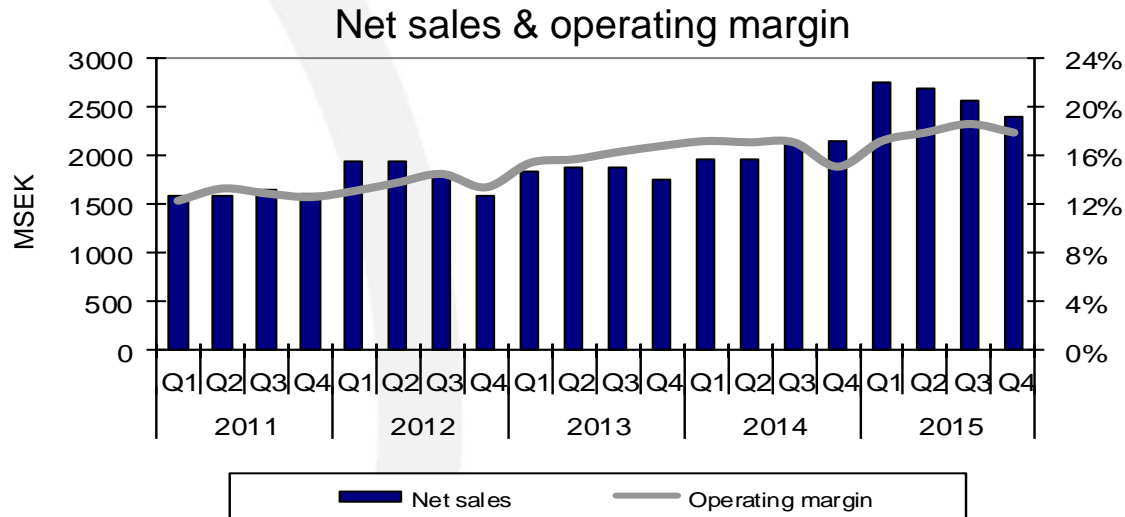
- Strong growth in HEXPOL Compounding
 - Strong growth mainly thanks to acquired units and positive currency effects
 - Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices
 - Integration of units acquired in 2014 and 2015 successfully completed, already in first half year
 - Continued price pressure
- Sales and profit increased in HEXPOL Engineered Products

*Including acquisition, integration and restructuring costs (Vigar) of 38 MSEK

Q4 2015 – HEXPOL Compounding

Continued growth and strong margins

- Sales increased 11% to 2,393 MSEK (2,148)
 - Strong growth mainly thanks to acquired units and positive currency effects
 - Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices
 - Volume increases in all geographical regions except Asia
 - Increased volumes, adjusted for acquired units
- Operating profit increased to 428 MSEK (325*)
 - Improved thanks to increased volumes, continued improvement of performance and efficiency in operations and positive currency effects



* Including acquisition, integration and restructuring costs (Vigar) 38 MSEK

Q4 2015 – HEXPOL Compounding

Continued growth and strong margins

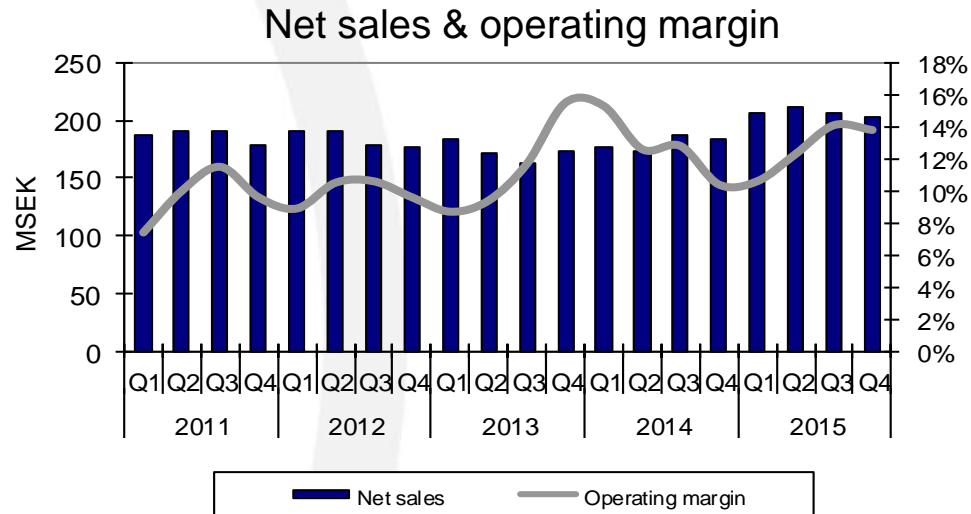
- Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices
- Europe – sales and volumes well above last year
 - Strong quarter in Europe
 - Sales increased to automotive related customers
 - Integration of Vigar Rubber Compounding successfully completed already in first half of 2015, incl. closure of German manufacturing unit
 - Positive volume development excl. acquired units
- NAFTA – sales and volumes well above last year
 - Sales increased to automotive related customers
 - Considerably weaker volumes to oil and gas, mining, agriculture and exporting industries
 - Acquired RheTech Thermoplastic Compounding has developed according to plan
 - Increased volumes excl. acquired units
- Asia – sales increased but volumes somewhat lower than last year
 - Somewhat lower volumes to automotive related customers in China
- Continued price pressure



Q4 2015 – HEXPOL Engineered Products

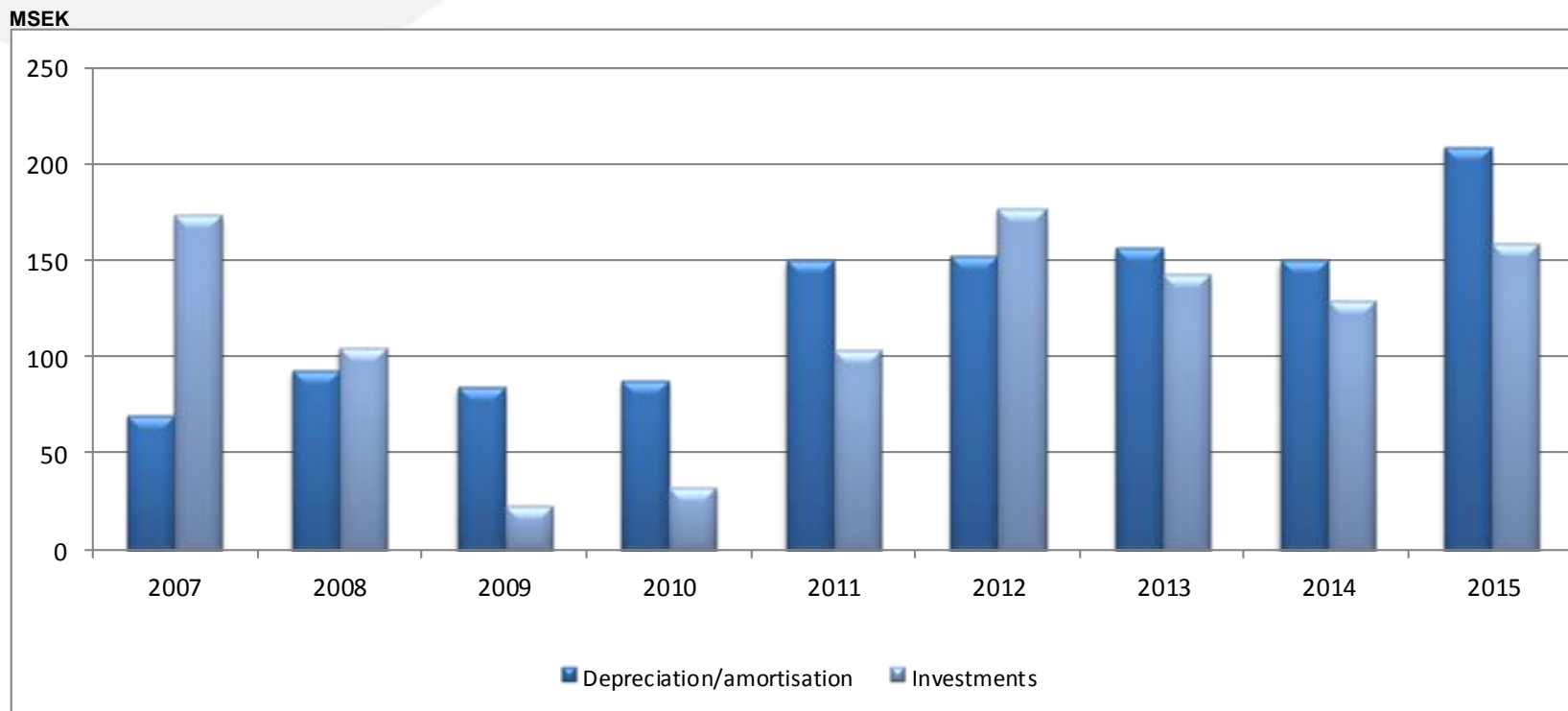
- Strong sales and profit improvement

- Net sales increased by 11% to 203 MSEK (183)
 - Positive sales development for HEXPOL Gaskets
 - Positive sales development for HEXPOL Wheels in all geographical regions
 - Positive development in China for both HEXPOL Wheels and HEXPOL Gaskets
- Continued price pressure
- Operating profit increased to 28 MSEK (19)
- Operating margin 13.8% (10.4)



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.

Jan - Dec 2015 Best year so far

- Very strong growth and strong margins

Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices

- Improved market positions
- Acquisition of RheTech Thermoplastic Compounding finalized in January 2015 has developed according to plan
- Integration of units acquired (2014-2015) successfully completed
- Positive volume development
- Strong balance sheet

	Jan - Dec	
MSEK	2015	2014
Net Sales	11 229	8 919
Operating Profit, EBIT	1 964	1 456
Operating Margin, %	17,5	16,3
Profit after tax	1 393	1 048
Earnings per share, SEK	4,05	3,05
Operating cash flow	2 185	1 676
Net cash	454	259
Equity/assets ratio, %	72	69
Return on capital employed, %	28,6	28,5

+ 26%

+ 35%

+ 30%

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

Jan – Dec 2015 – Best year so far

Volume and sales increases in all geographical regions

- Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices

MSEK	2015	2014	Growth
Sales	11 229	8 919	26%
Currency	-1 352		-15%
Ex. Currency	9 877	8 919	11%
Acquisition*	-1 431		-16%
Organic Growth	8 446	8 919	-5%

* Excl. effects from transferred volumes

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

Q4 2015 – Continued growth and strong margins

- Strong growth mainly thanks to acquired units and positive currency effects
- Sales increased by 11% to 2,596 MSEK (2,331)
 - Sales negatively affected by considerably lower sales prices due to considerably lower raw material prices
- Sales and volumes developed positively in all geographical regions in a challenging market
 - Sales in NAFTA increased 14%
 - Sales in Europe increased 7%
 - Sales in Asia increased 11%
- Operating profit increased by 33% to 456 MSEK (344*)
- Integration of units acquired in 2014 and 2015 successfully completed, already in first half of 2015
- Strong operating cash flow, 562 MSEK (517)
- Continued price pressure
- Strong financial position, net cash 454 MSEK
 - Well equipped for continued expansion



*Including acquisition, integration and restructuring costs (Vigar) of 38 MSEK

Q & A