

Telephone presentation February 2, 2018, 15:00 CET

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and enter meeting code 917 840

Welcome to HEXPOL

Q4 2017 report update

CEO Mikael Fryklund
CFO Karin Gunnarsson

February 2, 2018



February 2, 2018

Agenda

- Introduction to HEXPOL
- Q4 2017 – HEXPOL Group
- Q4 2017 – Business areas
- January – December 2017 – Key figures
- Q4 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 (TP)
 - 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 (April 2010) – TPE Compounding

- units in UK and Sweden

2010: Excel Polymers (Nov 2010) – Rubber Compounding

- units in US, Mexico, UK and China

2012: Müller Kunststoffe (Jan 2012) – TPE Compounding

- units in Germany

2012: Robbins (Nov 2012) – Rubber Compounding

- units in US

2014: Kardoes (Aug 2014) – Rubber Compounding

- unit in US

2014: Vigar Rubber Compounding (Nov 2014) – Rubber Compounding

- units in Spain and Germany

2014: Portage Precision Polymers (Dec 2014) – Rubber/Silicon Compounding

- unit in US

2015: RheTech Thermoplastic Compounding (Jan 2015) – TP Compounding

- units in US

2016: Berwin Group (Jun 2016) – Rubber Compounding

- units in UK

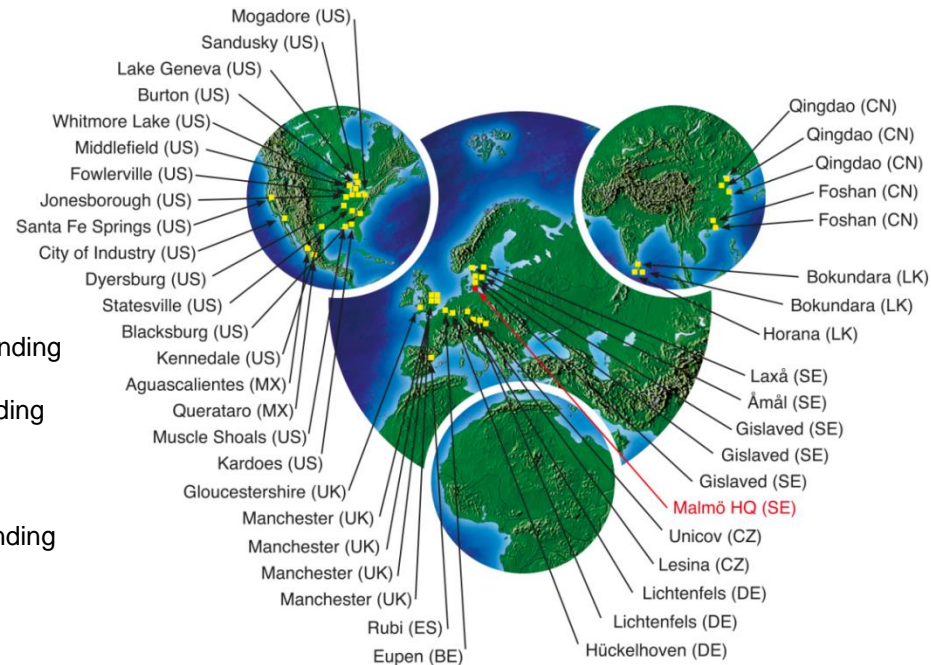
2017: Trelleborg Material & Mixing Lesina (Mar 2017) – Rubber Compounding

- unit in Czech Republic

2017: Valley Processing (Apr 2017) – Rubber Compounding

- unit in US

- Acquired 28 units with sales, development and production since 2010

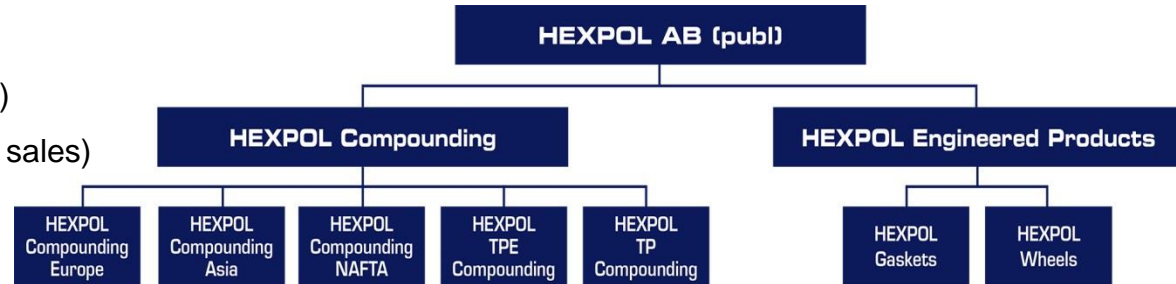


HEXPOL – Organisation and sales distribution

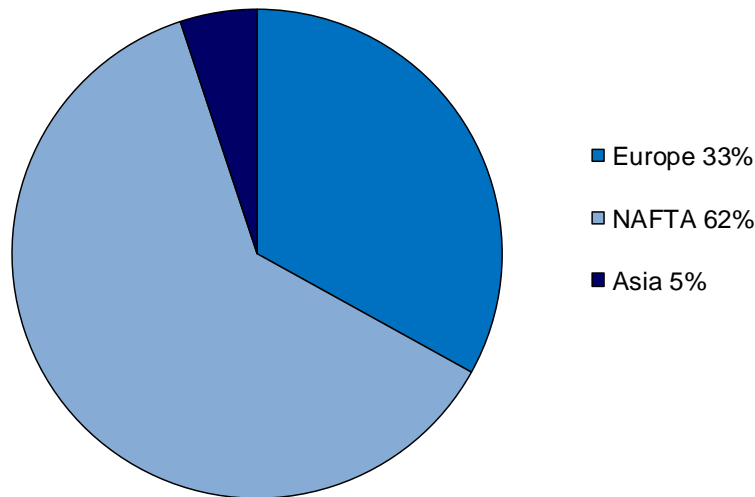
HEXPOL – With a stable organisation

Two business areas:

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

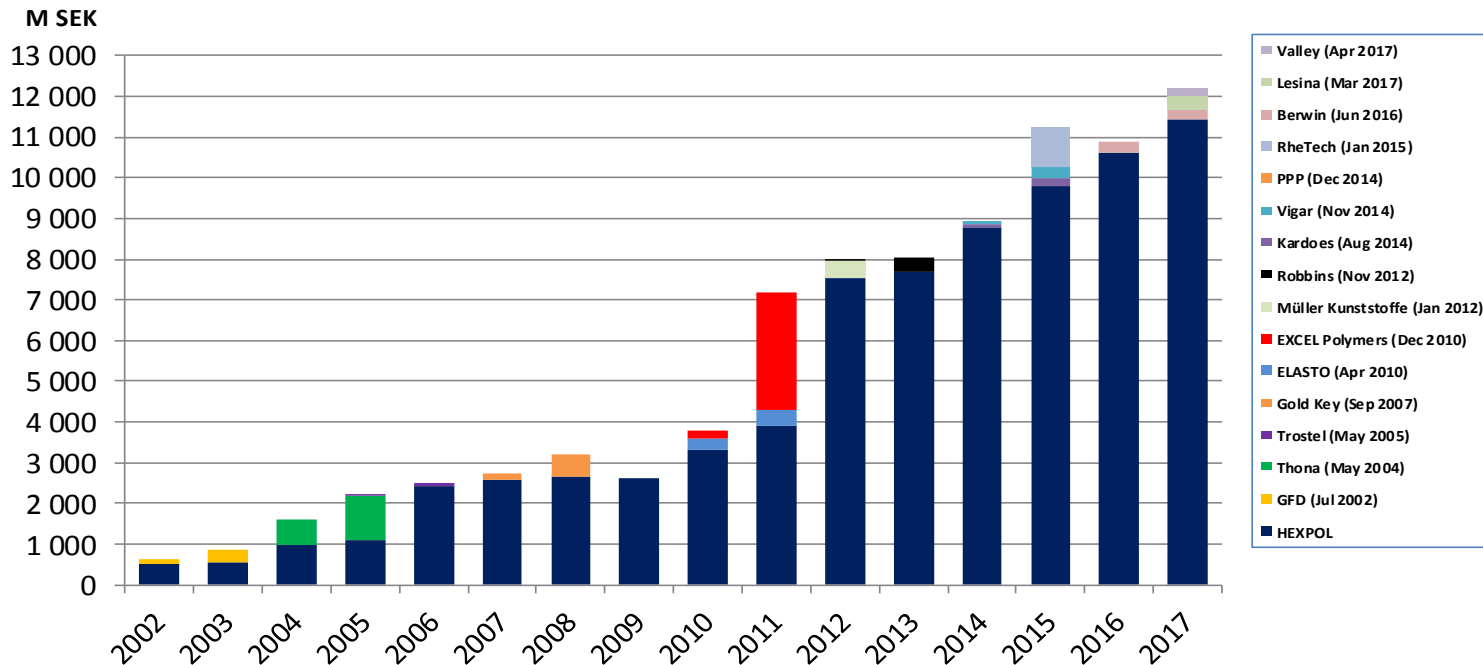


HEXPOL – Sales per geographic area Jan-Dec 2017



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

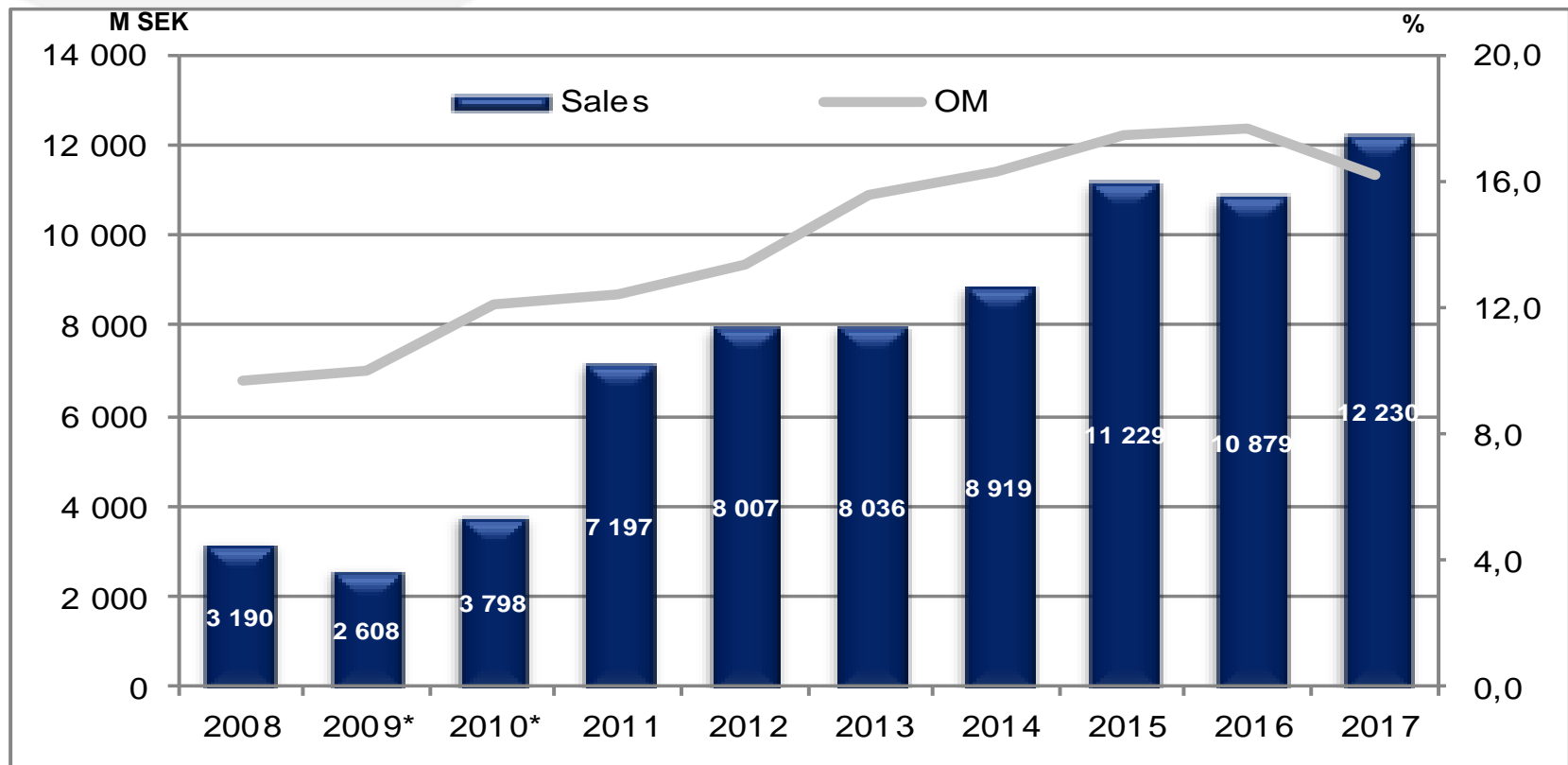
HEXPOL – A well positioned Group

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 38% 2017
- 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

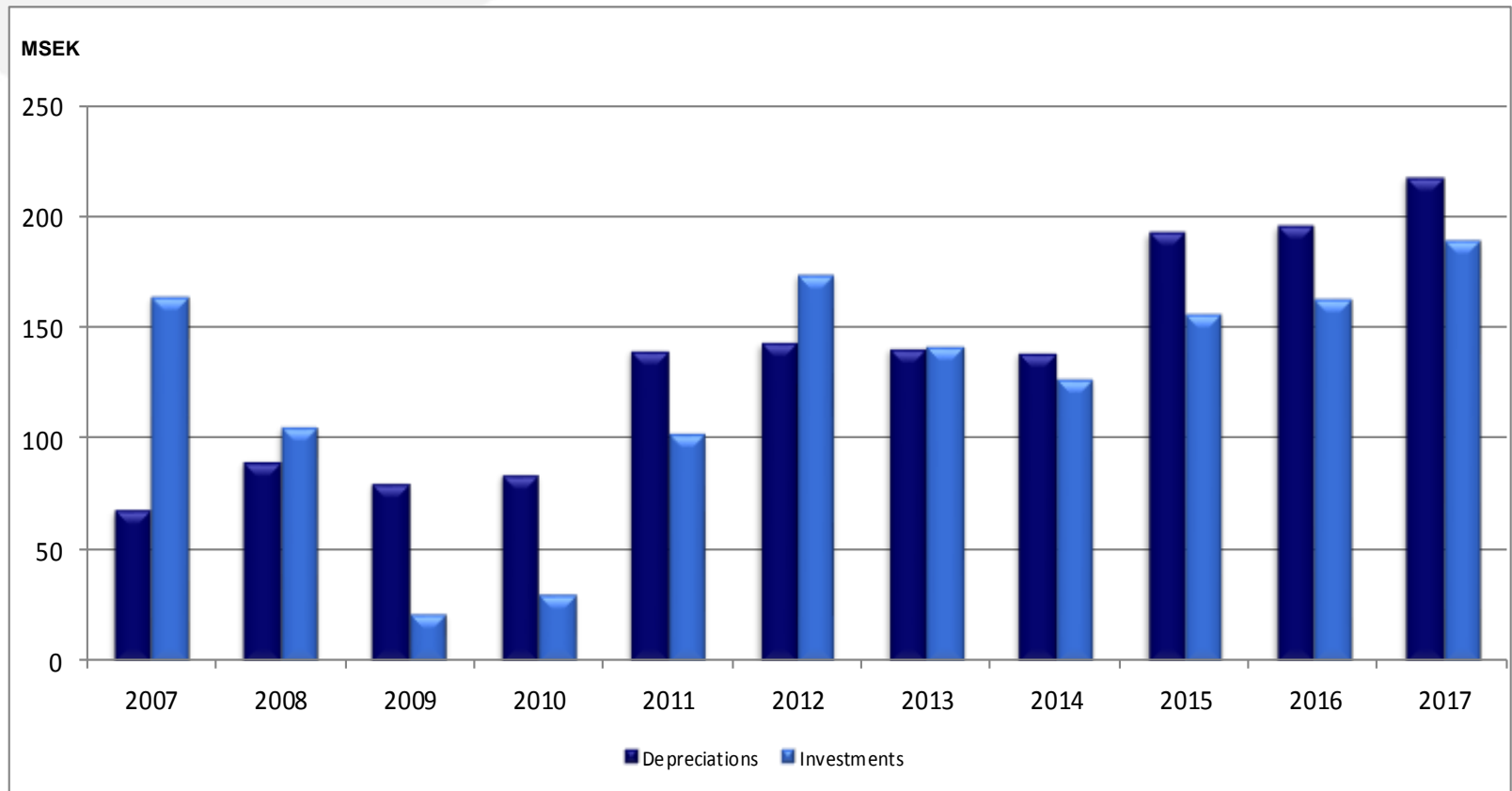


A fast growing Group with strong margin development



*Adjusted for items affecting comparability

Depreciations & investments*



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

* tangible fixed assets

Q4 2017 – Increased sales and strong result

- Sales increased 6%
- Positive volume development
- Stable raw material prices, but slightly higher compared to Q4 2016
- Price pressure continued
- Negative currency effects in operating profit 29 MSEK
- Non-recurring effects of the US tax reform amounted to 104 MSEK

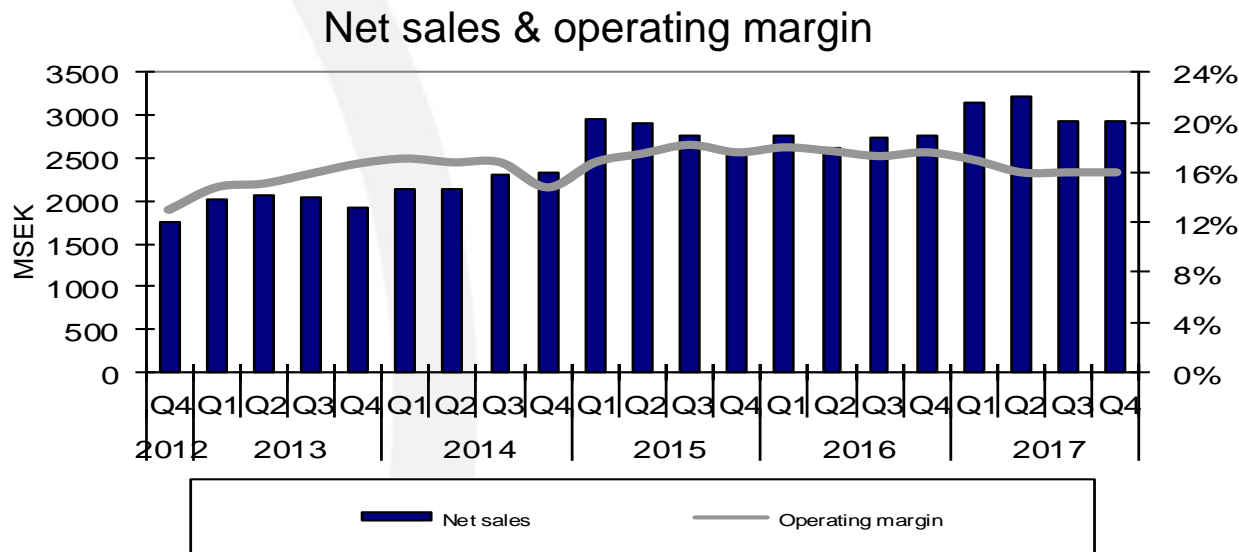
MSEK	2017 Q4	2016 Q4	2017 Q3	
Sales	2,926	2,753	2,936	+ 6%
Operating profit, EBIT	467	484	470	
Operating margin, %	16.0	17.6	16.0	
Profit after tax	449	374	333	
Earnings per share, SEK	1.31	1.09	0.97	
Earnings per share excl non-recurring effects of the US tax reform, SEK	1.00	1.09	0.97	+ 7%
Operating cash flow	609	567	534	

Q4 2017 – Increased sales and strong result

- Sales (including acquisitions) increased 6% to 2,926 MSEK (2,753)
 - Positive volume development
 - Stable raw material prices, but slightly higher compared to Q4 2016
 - Negative currency effects 169 MSEK (compared to positive effects of 118 MSEK in Q1 and 162 MSEK in Q2 and negative effects of 106 MSEK in Q3)
- NAFTA increased sales (including Valley Processing) in local currency by 8%
 - Continued stable sales to automotive related customers however slightly affected by inventory adjustments
 - Improved sales to engineering and general industry and building and constructions
 - Improved sales to oil and gas and mining from low levels
- Europe increased sales (including Trelleborg Material & Mixing Lesina) by 23%
 - Improved sales to automotive related customers and building and constructions
 - Continued good sales to engineering and general industry
- Asia increased sales by 10%
 - Sales increased to automotive related customers in China
- Operating profit amounted to 467 MSEK (484)
 - Negative currency effects 29 MSEK (compared to positive effects of 21 MSEK in Q1 and 29 MSEK in Q2 and negative effects of 23 MSEK in Q3)

Q4 2017 – Increased sales and strong result

- Net sales increased 6% to 2,926 MSEK (2,753)
- Operating profit amounted to 467 MSEK (484)
- Operating margin amounted to 16.0% (17.6)
- Return on capital employed, R12 amounted to 25.1% (26.8)
- Non-recurring effects of the US tax reform amounted to 104 MSEK
- Earnings per share increased to 1.31 SEK (1.09)
- Earnings per share excl. non-recurring effects of the US tax reform, 1.00 SEK (1.09)
- Operating cash flow increased to 609 MSEK (567)
- Strong Balance Sheet
 - Equity/assets ratio 68% (77)
 - Net debt 27 MSEK (net cash 1,268)



Q4 2017 – Increased sales and strong result

- Strong balance sheet, well equipped for further expansion

MSEK	2017 Q4	2016 Q4	2017 Q3
Sales	2,926	2,753	2,936
Operating profit, EBIT	467	484	470
Operating margin, %	16.0	17.6	16.0
Profit after tax	449	374	333
Earnings per share, SEK	1.31	1.09	0.97
Earnings per share excl. non-recurring effects of the US tax reform, SEK	1.00	1.09	0.97
Operating cash flow	609	567	534
Net cash	-27	1 268	-587
Equity/assets ratio, %	68	77	60

Q4 2017 – Increased sales and strong result

MSEK	Quarter 4			Jan - Dec		
	2017	2016	Growth	2017	2016	Growth
Sales	2 926	2 753	6%	12 230	10 879	12%
Currency	169		6%	-5		0%
Ex. Currency	3 095	2 753	12%	12 225	10 879	12%
Acquisition	-186		-6%	-782		-7%
Ex. Currency and acquisition	2 909	2 753	6%	11 443	10 879	5%

Q4 2017 – Business areas

Increased sales and strong result

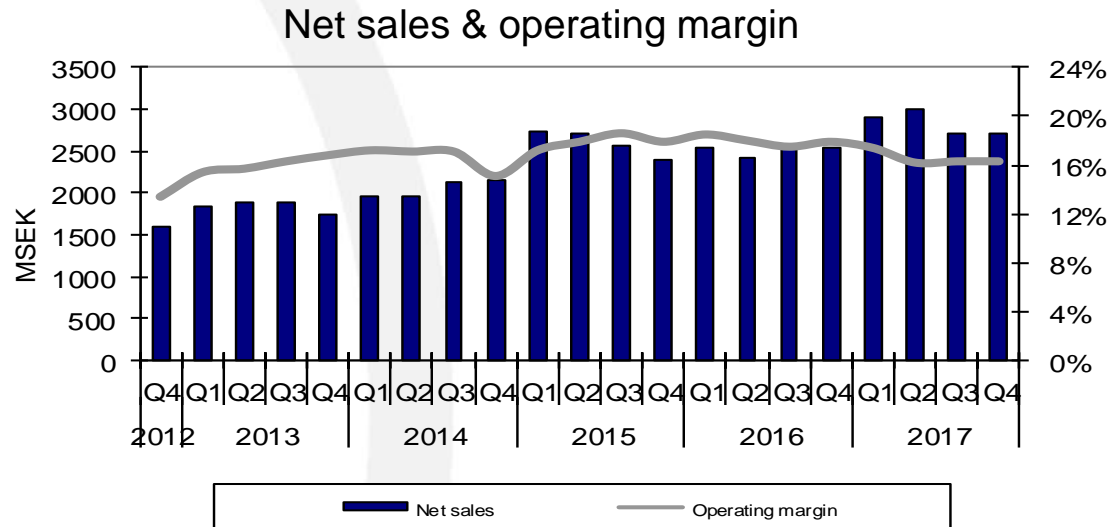
MSEK	Net Sales			Operating Profit			Operating Margin, %		
	2017 Q4	2016 Q4	2017 Q3	2017 Q4	2016 Q4	2017 Q3	2017 Q4	2016 Q4	2017 Q3
HEXPOL Compounding	2 704	2 533	2 713	440	454	441	16.3	17.9	16.3
HEXPOL Engineered Products	222	220	223	27	30	29	12.2	13.6	13.0

- HEXPOL Compounding
 - Increased sales
 - Positive volume development
 - Stable raw material prices, but slightly higher compared to Q4 2016
 - Price pressure continued
- HEXPOL Engineered Products
 - Slightly increased sales

Q4 2017 – HEXPOL Compounding

Increased sales

- Sales increased 7% to 2,704 MSEK (2,533)
 - Positive volume development
- Operating profit amounted to 440 MSEK (454)
 - Operating margin amounted to 16.3% (17.9), affected by price pressure, change in mix and lower margins in acquired units



Q4 2017 – HEXPOL Compounding

Increased sales

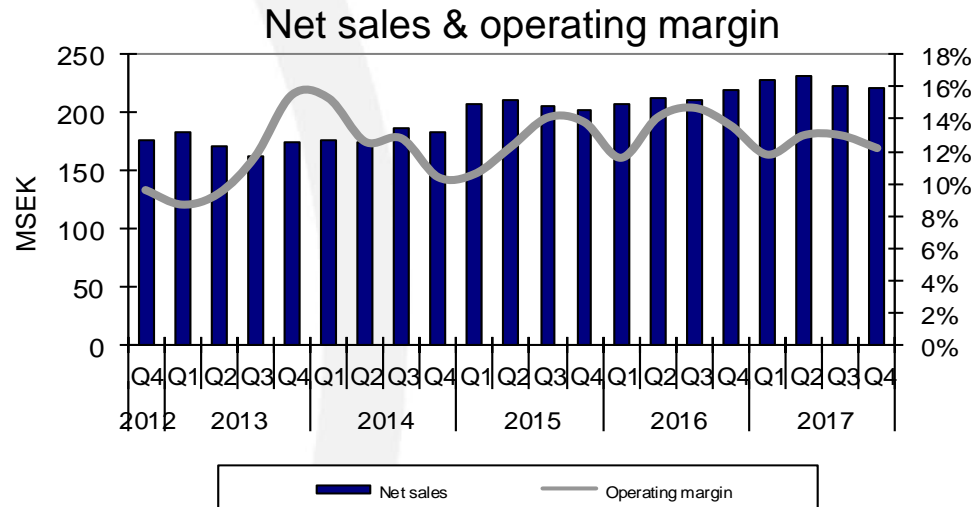
- HEXPOL Compounding NAFTA – increased sales in local currency
 - Continued stable sales to automotive related customers however slightly affected by inventory adjustments
 - Improved sales to engineering and general industry, building and constructions
 - Improved sales to oil and gas and mining from low levels
- HEXPOL Compounding Europe – increased sales
 - Improved sales to automotive related customers and within building and constructions
 - Continued good sales to engineering and general industry
- HEXPOL Compounding Asia – significantly increased sales
 - Increased sales mainly to automotive related customers in China
- HEXPOL TPE Compounding – significantly higher sales
- HEXPOL TP Compounding – increased sales in local currency



Q4 2017 – HEXPOL Engineered Products

Increased sales

- Net sales increased to 222 MSEK (220)
 - Positive sales development in all units for HEXPOL Wheels
 - Sales in HEXPOL Gaskets was slightly lower
 - Continued price pressure for HEXPOL Gaskets
- Operating profit amounted to 27 MSEK (30)
- Operating margin amounted to 12.2% (13.6%)



Jan-Dec 2017 – Increased sales and improved result

- Best year so far
- Sales increased 12%
- Operating profit increased 3%
- Non-recurring effects of the US tax reform amounted to 104 MSEK
- If the lower taxation in the US tax reform had been valid during 2017 the tax rate would have been approximately 4 percentages lower
- Earnings per share increased 9%
- Strong balance sheet

MSEK	Jan-Dec	
	2017	2016
Net Sales	12 230	10 879
Operating Profit, EBIT	1 986	1 921
Operating Margin, %	16.2	17.7
Profit after tax	1 527	1 397
Earnings per share, SEK	4.44	4.06
Earnings per share excl. non-recurring effects of tax reform in the US, SEK	4.13	4.06
Operating cash flow	2 001	2 057
Net cash	-27	1 268
Equity/assets ratio, %	68	77
Return on capital employed, % R12	25.1	26.8

+12%

+3%

+9%

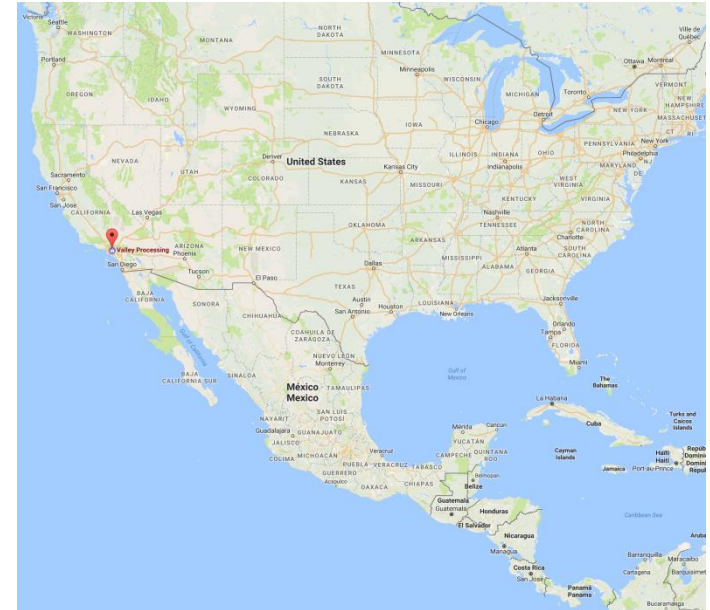
The Board of Directors proposes a dividend of 1.95 SEK per share (4.75 SEK, incl. a special dividend of 3.00 SEK).

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
- Integrated in HEXPOL Compounding's European organisation and is developing according to plan

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
- Integrated in HEXPOL Compounding's NAFTA organisation and is developing according to plan

Q4 2017 – Increased sales and strong result

- Sales increased by 6% to 2,926 MSEK (2,753)
- Positive volume development
- Operating profit amounted to 467 MSEK (484)
- Strong cash flow, increased to 609 MSEK (567)
- Non-recurring effects of the US tax reform amounted to 104 MSEK
- Earnings per share increased to 1.31 SEK (1.09)
- Earnings per share, excl. non-recurring effects of the US tax reform, 1.00 SEK (1.09)



Q & A

February 2, 2018

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