

## Half year report January-June 2017

Published on July 19, 2017

### Second quarter 2017 – Increased sales and higher profit

- Sales increased 23 per cent to 3,230 MSEK (2,627).
- Operating profit increased 11 per cent to 517 MSEK (465).
- Operating margin amounted to 16.0 per cent (17.7).
- Profit after tax rose to 366 MSEK (329).
- Earnings per share increased 10 per cent to 1.06 SEK (0.96).
- Operating cash flow amounted to 423 MSEK (580).
- In early April, Valley Processing, a well-known US Rubber Compounder, was acquired.

### First half of 2017 – Increased sales and higher profit

- Sales increased 18 per cent to 6,368 MSEK (5,384).
- Operating profit increased 9 per cent to 1,049 MSEK (962).
- Operating margin amounted to 16.5 per cent (17.9).
- Profit after tax rose to 745 MSEK (684).
- Earnings per share increased 9 per cent to 2.16 SEK (1.99).
- Operating cash flow amounted to 858 MSEK (905).
- Mikael Fryklund appointed president and CEO, started July 1.
- March 31, Trelleborg's Rubber Compounding unit in Czech Republic, a well-known Rubber Compounder in Central Europe, was acquired.

### President's comments

"I am happy to present my first interim report as president and CEO for HEXPOL. The second quarter of 2017 was another strong quarter. The Sales increased 23 per cent and the volume development was positive. During the quarter, the prices on our main raw materials have been stable and the price pressure continued strong on all markets. Earnings per share increased 10 per cent.

At the end of March, Trelleborg's Rubber Compounding unit in Czech Republic, a well-known Rubber Compounder in Central Europe, was acquired. In early April, Valley Processing, a well-known US Rubber Compounder, was acquired.

The first half-year was strong. The Sales increased 18 per cent and earnings per share increased 9 per cent. Our financial position remains strong and we are well equipped for further expansion."

*Mikael Fryklund, President and CEO*

### Group summary

Key figures MSEK	Apr-Jun		Jan-Jun		Full Year	Jul 16-
	2017	2016	2017	2016	2016	Jun 17
Sales	3 230	2 627	6 368	5 384	10 879	11 863
Operating profit, EBIT	517	465	1 049	962	1 921	2 008
Operating margin, %	16,0	17,7	16,5	17,9	17,7	16,9
Profit before tax	511	463	1 040	957	1 913	1 996
Profit after tax	366	329	745	684	1 397	1 458
Earnings per share before dilution, SEK	1,06	0,96	2,16	1,99	4,06	4,23
Earnings per share after dilution, SEK	1,06	0,96	2,16	1,99	4,06	4,23
Equity/assets ratio, %			59	69	77	
Return on capital employed, % R12			26,3	27,9	26,8	
Operating cash flow	423	580	858	905	2 057	2 010

*HEXPOL is a world-leading polymers group with strong global market positions in advanced polymer compounds (Compounding), gaskets for plate heat exchangers (Gaskets), and wheels made of plastic and rubber materials for truck and castor wheel applications (Wheels). Customers are primarily system suppliers to the global automotive and engineering industry, the construction sector, the energy, oil, and gas sector, medical equipment manufacturers and OEM manufacturers of plate heat exchangers and forklifts. The Group is organised in two business areas, HEXPOL Compounding and HEXPOL Engineered Products. The HEXPOL Group's sales in 2016 amounted to 10,879 MSEK. The HEXPOL Group has approximately 4,400 employees in eleven countries. Further information is available at [www.hexpol.com](http://www.hexpol.com).*

## Second quarter of 2017

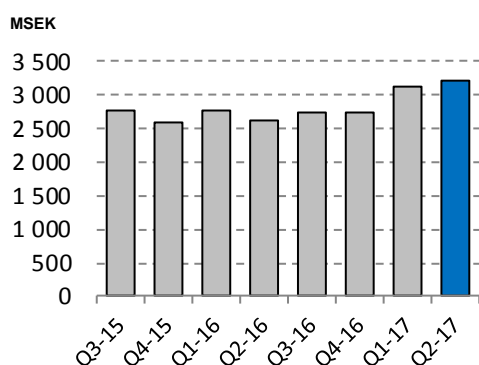
The HEXPOL Group's sales increased 23 per cent to 3,230 MSEK (2,627) during the second quarter. Currency effects had a positive impact of 162 MSEK on sales, mainly due to a strengthening of the USD.

The volume development was positive and the sales growth (adjusted for currency effects), amounted to 17 per cent. Sales growth (adjusted for currency effects and acquisitions) amounted to 6 per cent. During the quarter, the prices on our main raw materials have been stable, however slightly higher than the corresponding year earlier period, and the price pressure continued strong on all markets.

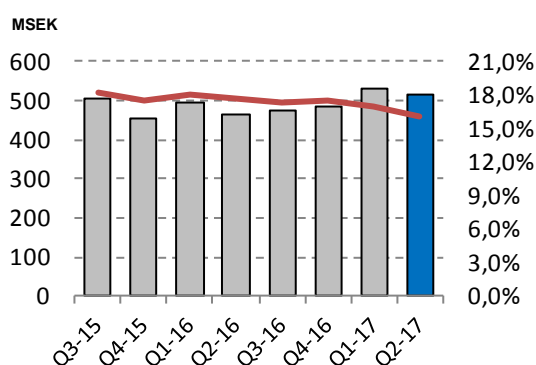
Operating profit increased 11 per cent to 517 MSEK (465) and the operating margin amounted to 16.0 per cent (17.7). Exchange rate fluctuations had a positive impact of 29 MSEK on operating profit for the quarter.

In early April, Valley Processing, a well-known US Rubber Compounder in western US, was acquired. Valley Processing, with a manufacturing facility in California, US, had a turnover of 34 MUSD in 2016 and have around 90 employees. Transaction costs of 6 MSEK have been reported during the second quarter.

### Sales



### Operating profit & operating margin



The HEXPOL Compounding business area's sales increased 24 per cent to 2,999 MSEK (2,414) during the quarter. Operating profit increased 12 per cent to 487 MSEK (435). The operating margin amounted to 16.2 per cent (18.0) affected by price pressure and lower margins in acquired units.

The HEXPOL Engineered Products business area's sales during the quarter increased 8 per cent to 231 MSEK (213). Operating profit amounted to 30 MSEK (30), and the operating margin amounted to 13.0 per cent (14.1).

Sales in Europe (including Berwin Group, acquired in June 2016, and Trelleborg Material & Mixing Lesina, acquired in March 2017), increased 29 per cent compared to the corresponding year earlier period. Sales in NAFTA (including Valley Processing, acquired in April 2017) increased 20 per cent and in Asia 20 per cent compared to the corresponding year earlier period. Also adjusted for acquired units the sales was higher in both Europe and NAFTA compared to the corresponding year earlier period.

The Group's operating cash flow amounted to 423 MSEK (580). The Group's net financial items amounted to an expense of 6 MSEK (expense: 2), which includes exchange rate losses.

Profit before tax increased to 511 MSEK (463) and profit after tax increased to 366 MSEK (329). Earnings per share rose 10 per cent to 1.06 SEK (0.96).

## **January-June 2017**

The HEXPOL Group's sales increased 18 per cent to 6,368 MSEK (5,384) during the first half-year. Currency effects had a positive impact of 280 MSEK on sales, mainly due to a strengthening of the USD.

The volume development was positive and the sales growth (adjusted for currency effects), amounted to 13 per cent. Sales growth (adjusted for currency effects and acquisitions) amounted to 5 per cent. During the first half-year, the prices on our main raw materials have increased and the price pressure continued strong on all markets.

Operating profit increased 9 per cent to 1,049 MSEK (962) and the operating margin amounted to 16.5 per cent (17.9). Exchange rate fluctuations had a positive impact of 50 MSEK on operating profit for the first half-year.

March 31, Trelleborg's Rubber Compounding unit in Czech Republic, a well-known Rubber Compounder in Central Europe, was acquired. Trelleborg Material and Mixing Lesina s.r.o, with a manufacturing facility in Lesina, Czech Republic had a turnover of 40 MEUR in 2016 and has around 125 employees.

In early April, Valley Processing, a well-known US Rubber Compounder in western US, was acquired. Valley Processing, with a manufacturing facility in California, US, had a turnover of 34 MUSD in 2016 and has around 90 employees. Valley Processing's manufacturing facility in Virginia is not included in the transaction.

The HEXPOL Compounding business area's sales increased 19 per cent to 5,909 MSEK (4,964) during the first half-year. Operating profit increased 9 per cent to 992 MSEK (908). The operating margin amounted to 16.8 per cent (18.3).

The HEXPOL Engineered Products business area's sales during the first half-year increased 9 per cent to 459 MSEK (420). Operating profit increased 6 per cent to 57 MSEK (54), and the operating margin amounted to 12.4 per cent (12.9).

The Group's operating cash flow amounted to 858 MSEK (905) during the first half-year. The Group's net financial items amounted to an expense of 9 MSEK (expense: 5), of which interest expense amounted to 6 MSEK (expense: 5).

Profit before tax during the first half-year increased to 1,040 MSEK (957) and profit after tax increased to 745 MSEK (684). Earnings per share rose 9 per cent to 2.16 SEK (1.99).

## **Profitability**

The return on average capital employed, R12, amounted to 26.3 per cent (27.9). The return on shareholders' equity, R12, amounted to 20.4 per cent (21.8).

## **Financial position and liquidity**

The equity/assets ratio amounted to 59 per cent (69). The Group's total assets amounted to 10,594 MSEK (9,355). Net debt amounted to 948 MSEK (net cash 234). The dividend of 1,635 (585) resolved at the Annual General Meeting was paid by HEXPOL 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.

The Group has the following major credit agreements with Nordic banks:

- A credit agreement with a limit of 125 MUSD that will fall due in February 2020.
- A credit agreement with a limit of 1,500 MSEK that will fall due in August 2020.

## **Cash flow**

The operating cash flow amounted to 858 MSEK (905). Cash flow from operating activities amounted to 648 MSEK (702).

## **Investments, depreciation and amortisation**

The Group's investments amounted to 80 MSEK (64) and are mainly attributable to maintenance investments. Depreciation, amortisation and impairment amounted to 118 MSEK (114).

## **Tax expenses**

The Group's tax expenses amounted to 295 MSEK (273), corresponding to a tax rate of 28.4 per cent (28.5).

## **Personnel**

The number of employees at the end of the period was 4,428 (4,151). The increase in number of employees relates mainly to the units in Mexico and the acquired operations Valley Processing and Trelleborg Material & Mixing Lesina.

## **Acquisition**

March 31, Trelleborg's Rubber Compounding unit in Czech Republic, a well-known Rubber Compounder in Central Europe, was acquired. Trelleborg Material and Mixing Lesina s.r.o, with a manufacturing facility in Lesina, Czech Republic had a turnover of 40 MEUR in 2016 and has around 125 employees. The acquisition price amounts to approximately 68 MEUR on a cash and debt free basis. Acquired excess values amounts preliminary to 50 MEUR and are mainly attributable to intangible assets. The Group's ownership is 100 per cent and the operations are consolidated from the acquisition day.

In early April, Valley Processing, a well-known US Rubber Compounder in western US, was acquired. Valley Processing, with a manufacturing facility in California, US, had a turnover of 34 MUSD in 2016 and has around 90 employees. Valley Processing's manufacturing facility in Virginia is not included in the transaction. The acquisition price amounts to approximately 46 MUSD on a cash and debt free basis. Acquired excess values amounts preliminary to 42 MUSD and are mainly attributable to intangible assets. A supplementary purchase price will be added later based on product transfers. The Group's ownership is 100 per cent and the operations are consolidated from April 2017. Transaction costs of 6 MSEK have been reported in the second quarter 2017.

## Business area HEXPOL Compounding

The HEXPOL Compounding business area is one of the world's leading suppliers in the development and manufacturing of advanced, high-quality polymer compounds for demanding applications and demanding end users. Customers are manufacturers of polymer products and components who impose rigorous demands on performance and global delivery capacity. The market is global and the largest end-customer segments are the automotive and engineering industries, followed by the construction sector. Other key segments are medical technology, cable and water treatment, energy, oil and gas industry, general industry and consumer.

MSEK	Apr-Jun		Jan-Jun		Full Year	Jul 16-
	2017	2016	2017	2016	2016	Jun 17
Sales	2 999	2 414	5 909	4 964	10 028	10 973
Operating profit	487	435	992	908	1 806	1 890
Operating margin, %	16,2	18,0	16,8	18,3	18,0	17,2

HEXPOL Compounding's sales (including the acquired Berwin Group, Trelleborg Material & Mixing Lesina and Valley Processing) increased 24 per cent to 2,999 MSEK (2,414), during the second quarter. During the quarter, the prices on our main raw materials have been stable, however slightly higher than the corresponding year earlier period, and the price pressure continued strong on all markets.

Operating profit increased 12 per cent to 487 MSEK (435), and the operating margin amounted to 16.2 per cent (18.0) affected by price pressure and lower margins in acquired units.

The volume development was positive, with higher volumes in Europe, Asia as well as in NAFTA.

HEXPOL Compounding NAFTA's sales increased, also excluding the acquired Valley Processing, during the quarter with continued good sales to automotive related customers and improved sales to customers within building and construction and engineering and general industry. Sales to oil and gas sector have improved slightly, however from a low level. At the end of the quarter the demand from customers within the American automotive industry was slightly lower mainly due to inventory adjustments at some end customers.

Sales in HEXPOL Compounding Europe increased, also excluding the acquired Berwin Group and Trelleborg Material & Mixing Lesina, with continued good sales to automotive related customers and improved sales to customers within building and construction and engineering and general industry.

HEXPOL Compounding Asia developed positively during the second quarter with increased sales, mainly to automotive-related customers in China.

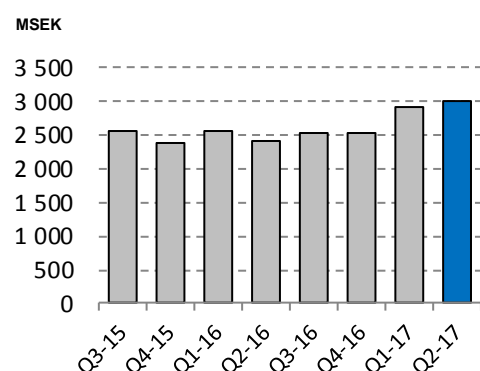
Sales in HEXPOL TPE Compounding increased during the quarter.

RheTech Thermoplastic Compounding, which was acquired in January 2015, has had a continued positive development during the quarter.

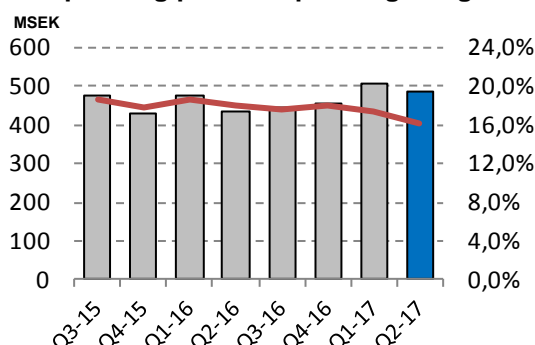
Trelleborg Material and Mixing Lesina, acquired March 31, have been integrated in HEXPOL Compounding's European organization and the unit is developing according to plan.

In early April, Valley Processing, a well-known US Rubber Compounder in western US, was acquired. Valley Processing, with a manufacturing facility in California, US, had a turnover of 34 MUSD in 2016 and has around 90 employees. Valley Processing's manufacturing facility in Virginia is not included in the transaction. The acquisition is a very good complement to HEXPOL Compounding and broadens and strengthens our presence within Rubber Compounds especially in the west and southeast US. The unit has been integrated in HEXPOL Compounding's NAFTA organisation in line with HEXPOL Group's strategy and the business is developing according to plan.

### Sales



### Operating profit & operating margin



## Business area HEXPOL Engineered Products

The HEXPOL Engineered Products has operations in a number of niche areas with strong global positions in gaskets for plate heat exchangers (Gaskets) as well as polyurethane, rubber and plastic wheels for forklifts and material handling (Wheels). The market for gaskets and wheels is global. Gasket customers include manufacturers of plate heat exchangers and wheel customers are manufacturers of forklifts and castor wheels.

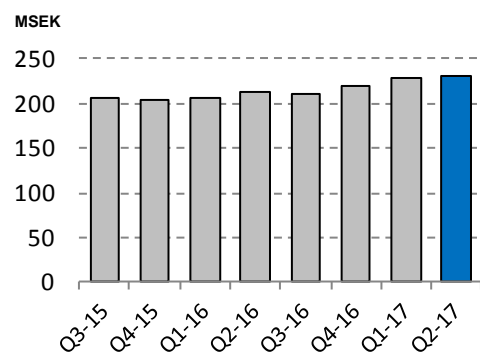
MSEK	Apr-Jun		Jan-Jun		Full Year	Jul 16-
	2017	2016	2017	2016	2016	Jun 17
Sales	231	213	459	420	851	890
Operating profit	30	30	57	54	115	118
Operating margin, %	13,0	14,1	12,4	12,9	13,5	13,3

The HEXPOL Engineered Products business area's sales increased 8 per cent to 231 MSEK (213) during the second quarter. Operating profit amounted to 30 MSEK (30), and the operating margin amounted to 13.0 per cent (14.1).

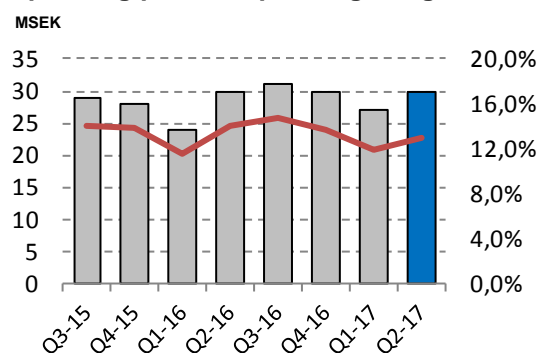
The sales for the HEXPOL Gaskets product area was in line with the corresponding year-earlier period, and the sales remained weak to project-related operations. The business in China continued to develop positively. As previous, the market was characterised by general price pressure.

The sales for HEXPOL Wheels product area increased compared to the corresponding year-earlier period. The HEXPOL Wheels business in China developed positively.

### Sales



### Operating profit & operating margin



## **Parent Company**

The Parent Company's profit after tax amounted to 144 MSEK (133), which includes dividends from subsidiaries. Shareholders' equity amounted to 2,244 MSEK (2,707).

## **Risk factors**

The Group's and Parent Company's business risks, risk management and management of financial risks are described in detail in the 2016 Annual Report. No significant events occurred during the year that affected or changed these descriptions of the Group's or the Parent Company's risks and their management.

## **Accounting policies**

The consolidated financial statements in this half-year report have been prepared in compliance with International Financial Reporting Standards (IFRS), as adopted by the EU. The Parent Company's financial statements have been prepared in compliance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Reporting for Legal Entities. This half-year report has been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting and measurement policies, as well as the assessment bases, applied in the 2016 Annual Report have also been applied in this half-year report. No new or revised IFRSs that entered into force in 2017 have had any significant impact on the Group.

## **Alternative Performance Measures (APMs)**

New ESMA (European Securities and Markets Authority) guidelines on alternative performance measures are effective from 2016. HEXPOL presents financial definitions and reconciliations of alternative performance measures in this report. HEXPOL presents alternative performance measures as these provide valuable additional information to investors and the company's management as they allow evaluation of the company's performance.

## **Ownership structure**

HEXPOL AB (publ.), with Corporate Registration Number 556108-9631, is the Parent Company of the HEXPOL Group. HEXPOL's Class B shares are listed on NASDAQ Stockholm, Large Cap. HEXPOL AB had 14,062 shareholders on June 30, 2017. The largest shareholder is Melker Schörling AB with 26 per cent of the capital and 47 per cent of the voting rights. The twenty largest shareholders own 64 per cent of the capital and 74 per cent of the voting rights.

## **New President and CEO**

The Board of Directors has appointed Mikael Fryklund, who assumed the position July 1, 2017, to new President and CEO. At the Annual General Meeting April 28, 2017, Georg Brunstam (previous President and CEO) was elected to Chairman of the Board of HEXPOL AB (publ.).

## **Significant subsequent events**

No significant events have occurred after the balance sheet date.

## **Invitation to the presentation of the report**

This report will be presented via a telephone conference on July 19 at 12:00 p.m. CET. The presentation, as well as information concerning participation, is available at [www.hexpol.com](http://www.hexpol.com).

## Calendar for financial information

HEXPOL AB will publish financial information on the following dates:

- |   |                  |
|---|------------------|
| ▪ Interim report January-September 2017 | October 26, 2017 |
| ▪ Year-end report 2017                  | February 2, 2018 |
| ▪ Interim report January-March 2018     | April 24, 2018   |
| ▪ Annual General Meeting 2018           | April 24, 2018   |

Financial information is also available in Swedish and English on HEXPOL AB's website – [www.hexpol.com](http://www.hexpol.com).

The Half-year report January – June 2017 has not been audited by HEXPOL AB's auditors.

## Board assurance

The half-year report provides a fair view of the Parent Company's and the Group's operations, financial position and results. It also describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Malmö, Sweden July 19, 2017

HEXPOL AB (publ.)

Georg Brunstam  
Chairman of the Board

Gun Nilsson

Alf Göransson

Malin Persson

Jan-Anders Månsson

Kerstin Lindell

Märta Schörling Andreen

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This report may contain forward-looking statements. When used in this report, words such as “anticipate”, “believe”, “estimate”, “expect”, “plan” and “project” are intended to identify forward-looking statements. Such statements could encompass risks and uncertainties pertaining to product demand, market acceptance, effects of economic conditions, impact of competitive products and pricing, foreign currency exchange rates and other risks. These forward-looking statements reflect the views of HEXPOL's management as of the date made with respect to future events but are subject to risks and uncertainties. While all of these forward-looking statements are based on estimates and assumptions made by HEXPOL's management and are believed to be reasonable, they are inherently uncertain and difficult to predict. Actual results and experience could differ materially from the forward-looking statements. HEXPOL disclaims any intention or obligation to update these forward-looking statements.

This information is information that HEXPOL AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication, through the agency of the contact person set out above, at 11:00 a.m. CET on July 19, 2017. This report has been prepared both in Swedish and English. In case of any divergence in the content of the two versions, the Swedish version shall have precedence.



**Condensed consolidated income statement**

MSEK	Apr-Jun		Jan-Jun		Full Year	Jul 16-
	2017	2016	2017	2016	2016	Jun 17
Sales	3 230	2 627	6 368	5 384	10 879	11 863
Cost of goods sold	-2 530	-1 995	-4 966	-4 091	-8 315	-9 190
<b>Gross profit</b>	<b>700</b>	<b>632</b>	<b>1 402</b>	<b>1 293</b>	<b>2 564</b>	<b>2 673</b>
Selling and administrative cost, etc.	-183	-167	-353	-331	-643	-665
<b>Operating profit</b>	<b>517</b>	<b>465</b>	<b>1 049</b>	<b>962</b>	<b>1 921</b>	<b>2 008</b>
Financial income and expenses	-6	-2	-9	-5	-8	-12
<b>Profit before tax</b>	<b>511</b>	<b>463</b>	<b>1 040</b>	<b>957</b>	<b>1 913</b>	<b>1 996</b>
Tax	-145	-134	-295	-273	-516	-538
<b>Profit after tax</b>	<b>366</b>	<b>329</b>	<b>745</b>	<b>684</b>	<b>1 397</b>	<b>1 458</b>
- of which, attributable to Parent Company shareholders	366	329	745	684	1 397	1 458
Earnings per share before dilution, SEK	1,06	0,96	2,16	1,99	4,06	4,23
Earnings per share after dilution, SEK	1,06	0,96	2,16	1,99	4,06	4,23
Shareholders' equity per share, SEK			18,29	18,63	21,96	
Average number of shares, 000s	344 201	344 201	344 201	344 201	344 201	344 201
Depreciation, amortisation and impairment	-60	-57	-118	-114	-216	-220

**Condensed statement of comprehensive income**

MSEK	Apr-Jun		Jan-Jun		Full Year	Jul 16-
	2017	2016	2017	2016	2016	Jun 17
Profit after tax	366	329	745	684	1 397	1 458
<b>Items that will not be reclassified to the income statement</b>						
Remeasurements of defined benefit pension plans	0	0	0	0	-1	-1
Income tax relating to items that will not be reclassified to the income statement	0	0	0	0	0	0
<b>Items that may be reclassified to the income statement</b>						
Cash-flow hedges	0	0	0	0	0	0
Hedge of net investment	38	-27	52	-10	-62	0
Income tax relating to items that may be reclassified to the income statement	-8	6	-11	2	14	1
Translation differences	-290	239	-415	90	550	45
<b>Comprehensive income</b>	<b>106</b>	<b>547</b>	<b>371</b>	<b>766</b>	<b>1 898</b>	<b>1 503</b>
- of which, attributable to Parent Company's shareholders	106	547	371	766	1 898	1 503

**Condensed consolidated balance sheet**

MSEK	Jun 30		Dec 31
	2017	2016	2016
Intangible fixed assets	5 265	4 369	4 577
Tangible fixed assets	1 764	1 684	1 745
Financial fixed assets	1	1	-
Deferred tax asset	87	75	101
<b>Total fixed assets</b>	<b>7 117</b>	<b>6 129</b>	<b>6 423</b>
Inventories	903	727	786
Accounts receivable	1 698	1 379	1 181
Other receivables	160	52	123
Prepaid expenses and accrued income	53	49	38
Cash and cash equivalents	663	1 019	1 297
<b>Total current assets</b>	<b>3 477</b>	<b>3 226</b>	<b>3 425</b>
<b>Total assets</b>	<b>10 594</b>	<b>9 355</b>	<b>9 848</b>
Equity attributable to Parent Company's shareholders	6 295	6 414	7 559
<b>Total shareholders' equity</b>	<b>6 295</b>	<b>6 414</b>	<b>7 559</b>
Interest-bearing liabilities	1 590	757	-
Provision for deferred tax	388	356	407
Provision for pensions	21	20	21
<b>Total non-current liabilities</b>	<b>1 999</b>	<b>1 133</b>	<b>428</b>
Interest-bearing liabilities	21	28	29
Accounts payable	1 694	1 358	1 405
Other liabilities	241	69	101
Accrued expenses, prepaid income, provisions	344	353	326
<b>Total current liabilities</b>	<b>2 300</b>	<b>1 808</b>	<b>1 861</b>
<b>Total shareholders' equity and liabilities</b>	<b>10 594</b>	<b>9 355</b>	<b>9 848</b>

**Consolidated changes in shareholders' equity**

MSEK	Jun 30, 2017		Jun 30, 2016		Dec 31, 2016	
	Attributable to Parent Company shareholders	Total equity	Attributable to Parent Company shareholders	Total equity	Attributable to Parent Company shareholders	Total equity
<b>Opening equity</b>	<b>7 559</b>	<b>7 559</b>	<b>6 233</b>	<b>6 233</b>	<b>6 233</b>	<b>6 233</b>
Comprehensive income	371	371	766	766	1 898	1 898
Issue of subscription w warrants	-	-	-	-	13	13
Dividend	-1 635	-1 635	-585	-585	-585	-585
<b>Closing Equity</b>	<b>6 295</b>	<b>6 295</b>	<b>6 414</b>	<b>6 414</b>	<b>7 559</b>	<b>7 559</b>

**Changes in number of shares**

	Total number of Class A shares	Total number of Class B shares	Total number of shares
Number of shares at January 1	14 765 620	329 435 660	344 201 280
<b>Number of shares at the end of the period</b>	<b>14 765 620</b>	<b>329 435 660</b>	<b>344 201 280</b>

The Annual General Meeting in April 2016, resolved to implement an incentive program (2016/2020) for the senior executives and key employees through a directed issue of maximum 2,100,000 subscription warrants. During 2016, 1,408,000 subscription warrants has been subscribed for by 39 senior executives and key employees. The issue rate was SEK 9 per subscription warrant and every warrant give the right to subscribe for 1.01 new share at subscription rate SEK 88.70, adjusted for special dividend in May 2017 according to the warrant terms.

**Condensed consolidated cash-flow statement**

MSEK	Apr-Jun		Jan-Jun		Full Year	Jul 16-
	2017	2016	2017	2016	2016	Jun 17
Cash flow from operating activities before changes in working capital	349	296	877	809	1 640	1 708
Changes in working capital	-108	95	-229	-107	70	-52
<b>Cash flow from operating activities</b>	<b>241</b>	<b>391</b>	<b>648</b>	<b>702</b>	<b>1 710</b>	<b>1 656</b>
Acquisitions	-428	-293	-1 064	-293	-295	-1 066
Cash flow from other investing activities	-46	-37	-80	-64	-150	-166
<b>Cash flow from investing activities</b>	<b>-474</b>	<b>-330</b>	<b>-1 144</b>	<b>-357</b>	<b>-445</b>	<b>-1 232</b>
Dividend	-1 635	-585	-1 635	-585	-585	-1 635
Issue of subscription warrants	-	-	-	-	13	13
Cash flow from other financing activities	1 588	513	1 581	260	-503	818
<b>Cash flow from financing activities</b>	<b>-47</b>	<b>-72</b>	<b>-54</b>	<b>-325</b>	<b>-1 075</b>	<b>-804</b>
<b>Change in cash and cash equivalents</b>	<b>-280</b>	<b>-11</b>	<b>-550</b>	<b>20</b>	<b>190</b>	<b>-380</b>
Cash and cash equivalents at January 1	1 003	983	1 297	978	978	1 019
Exchange-rate differences in cash and cash equivalents	-60	47	-84	21	129	24
<b>Cash and cash equivalents at the end of the period</b>	<b>663</b>	<b>1 019</b>	<b>663</b>	<b>1 019</b>	<b>1 297</b>	<b>663</b>

**Operating cash flow, Group**

MSEK	Apr-Jun		Jan-Jun		Full Year	Jul 16-
	2017	2016	2017	2016	2016	Jun 17
Operating profit	517	465	1 049	962	1 921	2 008
Depreciation/amortisation/impairment	60	57	118	114	216	220
Change in working capital	-108	95	-229	-107	70	-52
Sales of fixed assets	0	0	0	0	16	16
Investments	-46	-37	-80	-64	-166	-182
<b>Operating Cash flow</b>	<b>423</b>	<b>580</b>	<b>858</b>	<b>905</b>	<b>2 057</b>	<b>2 010</b>

**Other key figures, Group**

	Apr-Jun		Jan-Jun		Full Year	Jul 16-
	2017	2016	2017	2016	2016	Jun 17
Profit margin before tax, %	15,8	17,6	16,3	17,8	17,6	16,8
Return on shareholders' equity, % R12			20,4	21,8	20,5	
Interest-coverage ratio, multiple			174	192	192	183
Net cash, MSEK			-948	234	1 268	
Sales growth adjusted for currency effects, %	17	-8	13	-7	-4	
Sales growth adjusted for currency effects and acquisitions, %	6	-9	5	-8	-6	
Cash flow per share, SEK	0,70	1,14	1,88	2,04	4,97	4,81
Cash flow per share before change in working capital, SEK	1,01	0,86	2,55	2,35	4,76	4,96

## Financial instruments per category and measurement level

Jun 30, 2017		Financial assets measured at fair value through profit or loss			Total
		Loans and accounts receivable	Carrying value	Measurement level	
<b>MSEK</b>					
<b>Assets in the balance sheet</b>					
Derivative instruments	-	-	2	-	-
Non-current financial assets	1	-	-	-	1
Accounts receivable	1 698	-	-	-	1 698
Cash and cash equivalents	663	-	-	-	663
<b>Total</b>	<b>2 362</b>	<b>0</b>			<b>2 362</b>

MSEK		Financial liabilities measured at fair value through profit or loss			Total
		Other financial liabilities	Carrying value	Measurement level	
<b>Liabilities in the balance sheet</b>					
Derivative instruments	-	0	2	0	0
Interest-bearing non-current liabilities	1 590	-	-	-	1 590
Interest-bearing current liabilities	21	-	-	-	21
Accounts payable	1 694	-	-	-	1 694
<b>Total</b>	<b>3 305</b>	<b>0</b>			<b>3 305</b>

Jun 30, 2016		Financial assets measured at fair value through profit or loss			Total
		Loans and accounts receivable	Carrying value	Measurement level	
<b>MSEK</b>					
<b>Assets in the balance sheet</b>					
Derivative instruments	-	0	2	0	0
Non-current financial assets	1	-	-	-	1
Accounts receivable	1 379	-	-	-	1 379
Cash and cash equivalents	1 019	-	-	-	1 019
<b>Total</b>	<b>2 399</b>	<b>0</b>			<b>2 399</b>

MSEK		Financial liabilities measured at fair value through profit or loss			Total
		Other financial liabilities	Carrying value	Measurement level	
<b>Liabilities in the balance sheet</b>					
Derivative instruments	-	0	2	0	0
Interest-bearing non-current liabilities	757	-	-	-	757
Interest-bearing current liabilities	28	-	-	-	28
Accounts payable	1 358	-	-	-	1 358
<b>Total</b>	<b>2 143</b>	<b>0</b>			<b>2 143</b>

Derivatives consist of currency forward contracts and are used for hedging purposes and are measured at the level 2. Fair value for other financial assets and liabilities are consistent in all material respects with the accounting value in the balance sheet.

## Quarterly data, Group

### Sales per business area

MSEK	2017		2016				Full	Jul 16-	2015				Full
	Q1	Q2	Q1	Q2	Q3	Q4	Year	Jun 17	Q1	Q2	Q3	Q4	Year
HEXPOL Compounding	2 910	2 999	2 550	2 414	2 531	2 533	10 028	10 973	2 744	2 699	2 566	2 393	10 402
HEXPOL Engineered Products	228	231	207	213	211	220	851	890	207	211	206	203	827
<b>Group total</b>	<b>3 138</b>	<b>3 230</b>	<b>2 757</b>	<b>2 627</b>	<b>2 742</b>	<b>2 753</b>	<b>10 879</b>	<b>11 863</b>	<b>2 951</b>	<b>2 910</b>	<b>2 772</b>	<b>2 596</b>	<b>11 229</b>

### Sales per geographic region

MSEK	2017		2016				Full	Jul 16-	2015				Full
	Q1	Q2	Q1	Q2	Q3	Q4	Year	Jun 17	Q1	Q2	Q3	Q4	Year
Europe	969	1 072	780	828	842	818	3 268	3 701	850	808	763	715	3 136
NAFTA	2 021	2 025	1 851	1 688	1 770	1 768	7 077	7 584	1 963	1 964	1 881	1 730	7 538
Asia	148	133	126	111	130	167	534	578	138	138	128	151	555
<b>Group total</b>	<b>3 138</b>	<b>3 230</b>	<b>2 757</b>	<b>2 627</b>	<b>2 742</b>	<b>2 753</b>	<b>10 879</b>	<b>11 863</b>	<b>2 951</b>	<b>2 910</b>	<b>2 772</b>	<b>2 596</b>	<b>11 229</b>

### Operating profit per business area

MSEK	2017		2016				Full	Jul 16-	2015				Full
	Q1	Q2	Q1	Q2	Q3	Q4	Year	Jun 17	Q1	Q2	Q3	Q4	Year
HEXPOL Compounding	505	487	473	435	444	454	1 806	1 890	473	482	476	428	1 859
HEXPOL Engineered Products	27	30	24	30	31	30	115	118	22	26	29	28	105
<b>Group total</b>	<b>532</b>	<b>517</b>	<b>497</b>	<b>465</b>	<b>475</b>	<b>484</b>	<b>1 921</b>	<b>2 008</b>	<b>495</b>	<b>508</b>	<b>505</b>	<b>456</b>	<b>1 964</b>

### Operating margin per business area

%	2017		2016				Full	Jul 16-	2015				Full
	Q1	Q2	Q1	Q2	Q3	Q4	Year	Jun 17	Q1	Q2	Q3	Q4	Year
HEXPOL Compounding	17,4	16,2	18,5	18,0	17,5	17,9	18,0	17,2	17,2	17,9	18,6	17,9	17,9
HEXPOL Engineered Products	11,8	13,0	11,6	14,1	14,7	13,6	13,5	13,3	10,6	12,3	14,1	13,8	12,7
<b>Group total</b>	<b>17,0</b>	<b>16,0</b>	<b>18,0</b>	<b>17,7</b>	<b>17,3</b>	<b>17,6</b>	<b>17,7</b>	<b>16,9</b>	<b>16,8</b>	<b>17,5</b>	<b>18,2</b>	<b>17,6</b>	<b>17,5</b>

## Condensed income statement, Parent Company

MSEK	Apr-Jun		Jan-Jun		Full Year	Jul 16-
	2017	2016	2017	2016	2016	Jun 17
Sales	10	11	20	21	42	41
Administrative costs, etc.	-16	-19	-30	-36	-68	-62
<b>Operating loss</b>	<b>-6</b>	<b>-8</b>	<b>-10</b>	<b>-15</b>	<b>-26</b>	<b>-21</b>
Financial income and expenses	151	120	153	147	1 222	1 228
Untaxed reserves	-	-	-	-	-32	-32
<b>Profit before tax</b>	<b>145</b>	<b>112</b>	<b>143</b>	<b>132</b>	<b>1 164</b>	<b>1 175</b>
Tax	1	1	1	1	-21	-21
<b>Profit after tax</b>	<b>146</b>	<b>113</b>	<b>144</b>	<b>133</b>	<b>1 143</b>	<b>1 154</b>

## Condensed balance sheet, Parent Company

MSEK	Jun 30		Full Year
	2017	2016	2016
Fixed assets	6 336	5 407	5 676
Current assets	2 202	2 065	2 565
<b>Total assets</b>	<b>8 538</b>	<b>7 472</b>	<b>8 241</b>
<b>Total shareholders' equity</b>	<b>2 244</b>	<b>2 707</b>	<b>3 735</b>
Untaxed reserves	32	-	32
Non-current liabilities	1 590	730	-
Current liabilities	4 672	4 035	4 474
<b>Total shareholders' equity and liabilities</b>	<b>8 538</b>	<b>7 472</b>	<b>8 241</b>

## Reconciliation alternative performance measures

### Sales

MSEK	2017		2016					2015				
	Q1	Q2	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Sales	3 138	3 230	2 757	2 627	2 742	2 753	10 879	2 951	2 910	2 772	2 596	11 229
Currency effects	118	162	18	-56	6	142	110	436	401	317	198	1 352
<b>Sales excluding currency effects</b>	<b>3 020</b>	<b>3 068</b>	<b>2 739</b>	<b>2 683</b>	<b>2 736</b>	<b>2 611</b>	<b>10 769</b>	<b>2 515</b>	<b>2 509</b>	<b>2 455</b>	<b>2 398</b>	<b>9 877</b>
Acquisitions	128	286	-	38	111	110	259	427	405	334	265	1 431
<b>Sales excluding currency effects and acquisitions</b>	<b>2 892</b>	<b>2 782</b>	<b>2 739</b>	<b>2 645</b>	<b>2 625</b>	<b>2 501</b>	<b>10 510</b>	<b>2 088</b>	<b>2 104</b>	<b>2 121</b>	<b>2 133</b>	<b>8 446</b>

### Sales growth

%	Apr-Jun		Jan-Jun		Full Year
	2017	2016	2017	2016	2016
Sales growth excluding currency effects	17	-8	13	-7	-4
Sales growth excluding currency effects and acquisitions	6	-9	5	-8	-6

### Capital employed

MSEK	2017		2016				2015			
	Mar 31	Jun 30	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31
Total assets	10 496	10 594	8 776	9 355	9 451	9 848	9 261	9 033	8 944	8 723
Provision for deferred tax	-406	-388	-340	-356	-338	-407	-277	-271	-274	-349
Accounts payable	-1 753	-1 694	-1 259	-1 358	-1 431	-1 405	-1 375	-1 378	-1 339	-1 210
Other liabilities	-141	-241	-141	-69	-119	-101	-203	-147	-107	-63
Accrued expenses, prepaid income, provisions	-329	-344	-296	-353	-386	-326	-384	-406	-409	-325
<b>Total Group</b>	<b>7 867</b>	<b>7 927</b>	<b>6 740</b>	<b>7 219</b>	<b>7 177</b>	<b>7 609</b>	<b>7 022</b>	<b>6 831</b>	<b>6 815</b>	<b>6 776</b>

### Return on capital employed, R12

MSEK	Jun 30		Full Year
	2017	2016	2016
Average capital employed	7 645	6 888	7 186
Profit before tax	1 996	1 908	1 913
Interest expense	11	12	10
<b>Total</b>	<b>2 007</b>	<b>1 920</b>	<b>1 923</b>
<b>Return on capital employed, %</b>	<b>26,3</b>	<b>27,9</b>	<b>26,8</b>

### Shareholders' equity

MSEK	2017		2016				2015			
	Mar 31	Jun 30	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31
Shareholders' equity	7 824	6 295	6 452	6 414	6 879	7 559	5 805	5 532	5 976	6 233

## Return on equity, R12

MSEK	Jun 30		Full Year
	2017	2016	2016
Average shareholders' equity	7 139	6 269	6 826
Profit after tax	1 458	1 368	1 397
<b>Return on equity, %</b>	<b>20,4</b>	<b>21,8</b>	<b>20,5</b>

## Net cash

MSEK	Jun 30		Full Year
	2017	2016	2016
Cash and cash equivalents	663	1 019	1 297
Non-current interest-bearing liabilities	-1 590	-757	-
Current interest-bearing liabilities	-21	-28	-29
<b>Net cash</b>	<b>-948</b>	<b>234</b>	<b>1 268</b>

## Equity/assets ratio

MSEK	Jun 30		Full Year
	2017	2016	2016
Shareholders' equity	6 295	6 414	7 559
Total assets	10 594	9 355	9 848
<b>Equity/assets ratio, %</b>	<b>59</b>	<b>69</b>	<b>77</b>

## Financial definitions

<b>Average capital employed</b>	Average of the last four quarters capital employed.
<b>Average shareholders' equity</b>	Average of the last four quarters shareholders' equity.
<b>Capital employed</b>	Total assets less deferred tax liabilities, accounts payable, other liabilities and accrued expenses, prepaid income and provisions.
<b>Cash flow</b>	Cash flow from operating activities.
<b>Cash flow per share</b>	Cash flow from operating activities in relation to the average number of shares outstanding.
<b>Cash flow per share before changes in working capital</b>	Cash flow from operating activities before changes in working capital in relation to the average number of shares outstanding.
<b>Earnings per share</b>	Profit after tax, in relation to the average number of shares outstanding.
<b>EBIT</b>	Operating profit.
<b>EBITDA</b>	Operating profit excluding depreciation, amortisation and impairment of tangible and intangible assets.
<b>Equity/assets ratio</b>	Shareholders' equity in relation to total assets.
<b>Interest-coverage ratio</b>	Profit before tax plus interest expenses in relation to interest expenses.
<b>Net debt, net cash</b>	Non-current and current interest-bearing liabilities less cash and cash equivalents.
<b>Operating cash flow</b>	Operating profit excluding depreciation, amortisation and impairment of tangible and intangible assets, less investments and plus sales of tangible and intangible assets, and after changes in working capital.
<b>Operating margin</b>	Operating profit in relation to the sales.
<b>Other investing activities</b>	Investments and sales of intangible and tangible assets.
<b>Profit margin before tax</b>	Profit before tax in relation to the sales.
<b>Return on capital employed, R12</b>	Twelve months profit before tax plus twelve months interest expenses in relation to average capital employed.
<b>Return on equity, R12</b>	Twelve months profit after tax in relation to average shareholders' equity.
<b>R12</b>	Rolling twelve months average.
<b>Sales growth excluding currency effects</b>	Sales excluding currency effects compared to the sales for the corresponding year-earlier period.
<b>Sales growth excluding currency effects and acquisitions</b>	Sales excluding currency effects and acquisitions compared to the sales for the corresponding year-earlier period.
<b>Shareholders' equity per share</b>	Shareholders' equity in relation to the number of shares outstanding at the end of the period.