

## Interim report January-September 2016

Published on October 27, 2016

### Third quarter 2016 – Positive volume development and continued strong result

- Sales amounted to 2,742 MSEK (2,772).
- Operating profit amounted to 475 MSEK (505).
- Operating margin amounted to 17.3 per cent (18.2).
- Profit after tax amounted to 339 MSEK (358).
- Earnings per share amounted to 0.98 SEK (1.04).
- Operating cash flow rose to 585 MSEK (503).

### Jan-Sep 2016 – Positive volume development and continued strong result

- Sales amounted to 8,126 MSEK (8,633).
- Operating profit amounted to 1,437 MSEK (1,508).
- Operating margin increased to 17.7 per cent (17.5).
- Profit after tax amounted to 1,023 MSEK (1,067).
- Earnings per share amounted to 2.97 SEK (3.10).
- Operating cash flow amounted to 1,490 MSEK (1,623).
- In the beginning of June, Berwin Group, a leading Rubber Compounder in the UK market, was acquired.

### President's comments

“The third quarter of 2016 was a quarter with higher volumes and continued strong result. The Group sales amounted to 2,742 MSEK and the operating margin amounted to 17.3 per cent. The operating margin was negatively affected by the lower operating margin in the acquired Berwin Group, adjusted for the acquisition the operating margin was in line with the second quarter. The operating cash flow was once again strong, 585 MSEK. The volumes were higher compared with the corresponding year-earlier period, with continued strong volumes to automotive related customers. Sales have once again been negatively affected by considerably lower sales prices due to considerably lower raw material prices than the corresponding year-earlier period. Price pressure was continued strong on all markets.

During January-September, the volume development was positive with continued strong result. In the beginning of June, Berwin Group, a leading UK Rubber Compounder, was acquired. Our financial position remains very strong and with a net cash of 759 MSEK, we are well equipped for further expansion.”

*Georg Brunstam, President and CEO*

### Group summary

Key Figures MSEK	Jul-Sep		Jan-Sep		Full Year	Oct 15- Sep 16
	2016	2015	2016	2015	2015	
Sales	2 742	2 772	8 126	8 633	11 229	10 722
Operating profit, EBIT	475	505	1 437	1 508	1 964	1 893
Operating margin, %	17,3	18,2	17,7	17,5	17,5	17,7
Profit before tax	473	501	1 430	1 493	1 943	1 880
Profit after tax	339	358	1 023	1 067	1 393	1 349
Earnings per share before dilution, SEK	0,98	1,04	2,97	3,10	4,05	3,92
Earnings per share after dilution, SEK	0,98	1,04	2,97	3,10	4,05	3,92
Equity/assets ratio, %			73	67	72	
Return on capital employed, % R12			27,1	28,2	28,6	
Operating cash flow	585	503	1 490	1 623	2 185	2 052

*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 2015 amounted to 11,229 MSEK. The HEXPOL Group has approximately 4,100 employees in eleven countries. Further information is available at [www.hexpol.com](http://www.hexpol.com).*

### Third quarter of 2016

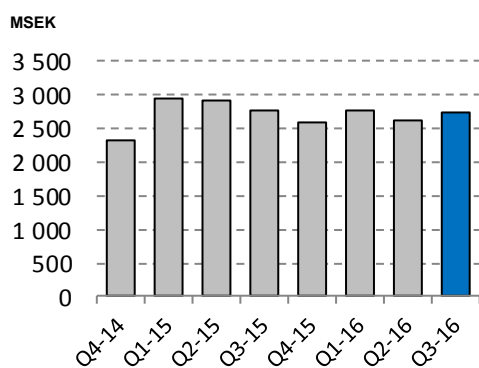
The HEXPOL Group's sales amounted to 2,742 MSEK (2,772) during the third quarter. Currency effects had a positive impact of 6 MSEK on sales.

The volume development was positive and sales growth (adjusted for currency effects), which was negatively affected by lower sales prices, amounted to negative 1 per cent. Sales growth (adjusted for currency effects and acquisitions) amounted to negative 5 per cent. Sales were negatively affected by considerably lower sales prices due to considerably lower prices on our principal raw materials, than the corresponding year-earlier period.

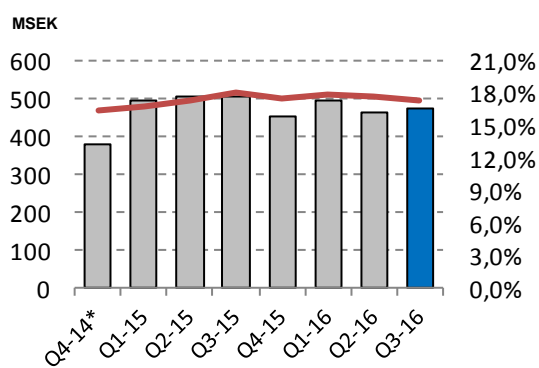
Overall the volume development was positive, with higher volumes in Europe (including the acquired Berwin Group) and Asia while the volumes in NAFTA were slightly lower. Adjusted for the acquired Berwin Group, the volumes were stable for the Group.

Operating profit amounted to 475 MSEK (505) and the operating margin amounted to 17.3 per cent (18.2). The operating margin was negatively affected by the lower operating margin in the acquired Berwin Group, adjusted for the acquisition the operating margin was in line with the second quarter. Exchange rate fluctuations had a positive impact of 6 MSEK on operating profit for the quarter.

#### Sales



#### Operating profit & operating margin



\*Excluding acquisition, integration and restructuring costs (Vigar)

The HEXPOL Compounding business area's sales amounted to 2,531 MSEK (2,566) during the quarter. Sales were negatively affected by considerable lower sales prices due to considerable lower prices on our principal raw materials, than the corresponding year-earlier period. Operating profit amounted to 444 MSEK (476). The operating margin remained strong and amounted to 17.5 per cent (18.6). The operating margin was negatively affected by the lower operating margin in the acquired Berwin Group, adjusted for the acquisition the operating margin was in line with the second quarter.

The HEXPOL Engineered Products business area's sales during the quarter increased to 211 MSEK (206). Operating profit rose to 31 MSEK (29), which improved the operating margin to 14.7 per cent (14.1).

Sales in Europe (including the acquired Berwin Group) and Asia increased, while sales were lower in NAFTA, compared to the corresponding year earlier period. Adjusted for the acquired Berwin Group the sales were lower in Europe compared to the corresponding year-earlier period. Sales to automotive-related customers remained strong, while sales to segments as mining, agricultural and oil and gas sector remained weak.

The Group's operating cash flow increased to 585 MSEK (503). The Group's net financial items amounted to an expense of 2 MSEK (expense: 4).

Profit before tax amounted to 473 MSEK (501) and profit after tax amounted to 339 MSEK (358). Earnings per share amounted to 0.98 SEK (1.04).

## January-September 2016

The HEXPOL Group's sales for the period amounted to 8,126 MSEK (8,633). Currency effects had a negative impact of 32 MSEK on sales.

Sales growth (adjusted for currency effects) amounted to negative 6 per cent. Sales growth (adjusted for currency effects and acquisitions) amounted to negative 7 per cent. Sales were affected by considerably lower prices on our principal raw materials, than the corresponding year-earlier period.

The volume development were positive with higher volumes in Europe and NAFTA, however the volumes were lower in Asia compared to the corresponding year-earlier period. Adjusted for the acquired Berwin Group the volumes were stable compared to the corresponding year-earlier period. The volumes in Europe and NAFTA were strong to automotive-related customers, while segments as mining, agricultural and oil and gas sector were weak.

Operating profit amounted to 1,437 MSEK (1,508) and the operating margin improved to 17.7 per cent (17.5). Exchange rate fluctuations had a positive impact of 10 MSEK on operating profit during the period.

In the beginning of June, Berwin Group, a well-known leading Rubber Compounder in the UK market, with manufacturing facilities in Manchester, UK and in Gloucestershire, UK, was acquired. Berwin Group has an estimated annual turnover of around 40 MGBP and has around 200 employees. Transaction costs of 3 MSEK have been reported during the second quarter.

The HEXPOL Compounding business area's sales amounted to 7,495 MSEK (8,009) during the period. Sales were affected by considerably lower prices on our principal raw materials, than the corresponding year-earlier period. Operating profit amounted to 1,352 MSEK (1,431). The operating margin improved to 18.0 per cent (17.9).

The HEXPOL Engineered Products business area's sales rose to 631 MSEK (624) during the period. Operating profit rose to 85 MSEK (77), which improved the operating margin to 13.5 per cent (12.3).

The Group's operating cash flow amounted to 1,490 MSEK (1,623) during the period. The Group's net financial items amounted to an expense of 7 MSEK (expense: 15), of which interest expense amounted to 8 MSEK (expense: 15).

Profit before tax during the period amounted to 1,430 MSEK (1,493) and profit after tax amounted to 1,023 MSEK (1,067). Earnings per share amounted to 2.97 SEK (3.10).

## Profitability

The return on average capital employed, R12, amounted to 27.1 per cent (28.2). The return on shareholders' equity, R12, amounted to 20.8 per cent (23.5).

## Financial position and liquidity

The equity/assets ratio increased to 73 per cent (67). The Group's total assets amounted to 9,451 MSEK (8,944). Net cash increased to 759 MSEK (39). The dividend of 585 MSEK (413) resolved at the Annual General Meeting was paid by HEXPOL in May.

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 2019.

## **Cash flow**

The operating cash flow amounted to 1,490 MSEK (1,623). Cash flow from operating activities amounted to 1,222 MSEK (1,277).

## **Investments, depreciation and amortisation**

The Group's investments amounted to 100 MSEK (104). Investments are mainly attributable to capacity investments in Mexico and maintenance investments. Depreciation and amortisation amounted to 164 MSEK (161).

## **Tax expenses**

The Group's tax expenses amounted to 407 MSEK (426), corresponding to a tax rate of 28.5 per cent (28.5).

## **Personnel**

The number of employees at the end of the period was 4,119 (3,884). The increase in number of employees relates mainly to the units in Mexico and the acquired Berwin Group.

## **Acquisition**

In the beginning of June, Berwin Group, a well-known leading Rubber Compounder in the UK market, was acquired. Berwin Group (Berwin Rubber Co Ltd, Berwin Industrial Polymers Ltd and Flexi-Cell (UK) Ltd) with manufacturing facilities in Manchester, UK and in Gloucestershire, UK has an estimated annual turnover of around 40 MGBP and has around 200 employees. The acquisition price amounted to approximately 25 MGBP on a cash and debt free basis. Acquired excess values amounts preliminary to 15 MGBP and are mainly attributable to intangible assets. Transaction costs of 3 MSEK have been reported during the second quarter. The Group's ownership is 100 per cent and the operations are consolidated from June 2016.

## 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	Jul-Sep		Jan-Sep		Full Year	Oct 15-
	2016	2015	2016	2015	2015	Sep 16
Sales	2 531	2 566	7 495	8 009	10 402	9 888
Operating profit	444	476	1 352	1 431	1 859	1 780
Operating margin, %	17,5	18,6	18,0	17,9	17,9	18,0

HEXPOL Compounding's sales (including Berwin Group) amounted to 2,531 MSEK (2,566), during the third quarter. Sales were negatively affected by considerably lower sales prices due to considerably lower prices on our principal raw materials, than the corresponding year-earlier period. Price pressure has continued to be strong on all markets during the quarter.

Operating profit amounted to 444 MSEK (476), which meant the operating margin remained strong and amounted to 17.5 per cent (18.6). The operating margin was negatively affected by the lower operating margin in Berwin Group, adjusted for the acquisition the operating margin was in line with the second quarter.

Overall the volume development was positive, with higher volumes in Europe (including the acquired Berwin Group) and Asia, while the volumes in NAFTA were slightly lower. Adjusted for the acquired Berwin Group, the volumes were stable.

The volumes in NAFTA were slightly lower with continued strong volumes to automotive related customers while volumes to segments such as mining, exporting industry, agricultural and oil and gas sector remained considerably lower than the corresponding year-earlier period.

RheTech Thermoplastic Compounding, acquired in January 2015, has had a stable development.

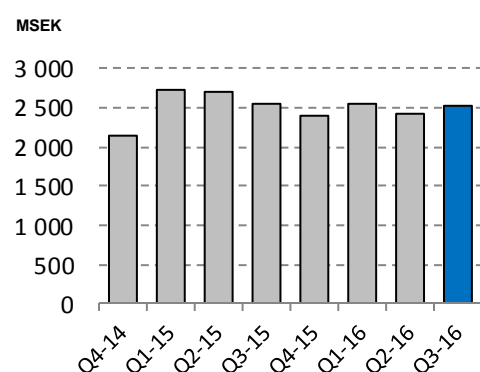
The volumes in Europe were strong, thanks to the acquired Berwin Group and continued strong volumes to automotive related customers.

The volumes in Asia increased compared to the corresponding year-earlier period, mainly thanks to higher sales to automotive-related customers in China.

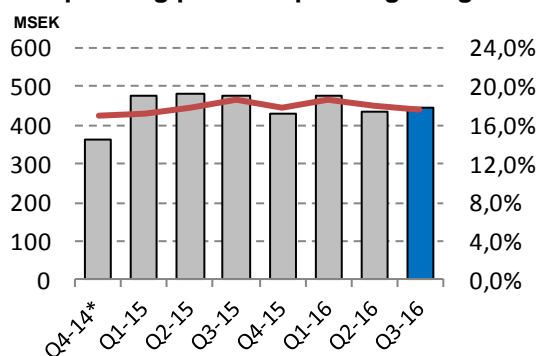
HEXPOL TPE Compounding developed positively during the quarter.

In the beginning of June, Berwin Group, a well-known leading Rubber Compounder in the UK market, was acquired. Berwin Group (Berwin Rubber Co Ltd, Berwin Industrial Polymers Ltd and Flexi-Cell (UK) Ltd) with manufacturing facilities in Manchester, UK and in Gloucestershire, UK has an estimated annual turnover of around 40 MGBP and has around 200 employees. The acquisition is a very good complement to HEXPOL Compounding in Europe and broadens and strengthens our presence with Rubber Compounds in the UK market. Berwin Group is integrated in HEXPOL Compounding's European organisation in line with HEXPOL Group's strategy. The integration is proceeding according to plan but the operation is affected by the uncertainty regarding the exchange rate development of the British Pound.

### Sales



### Operating profit & operating margin



\*Excluding acquisition, integration and restructuring costs (Vigar)

## Business area HEXPOL Engineered Products

The HEXPOL Engineered Products business area is one of the world's leading suppliers of advanced products, such as gaskets for plate heat exchangers (Gaskets) and wheels for the forklift industry (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.

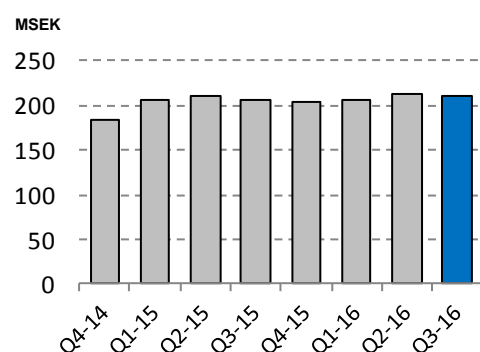
MSEK	Jul-Sep		Jan-Sep		Full Year	Oct 15- Sep 16
	2016	2015	2016	2015	2015	
Sales	211	206	631	624	827	834
Operating profit	31	29	85	77	105	113
Operating margin, %	14,7	14,1	13,5	12,3	12,7	13,5

The HEXPOL Engineered Products business area's sales rose to 211 MSEK (206) during the third quarter. Operating profit increased to 31 MSEK (29), which improved the operating margin to 14.7 per cent (14.1). The operating profit improved mainly thanks to increased volumes and continued efficiency enhancements in the operations.

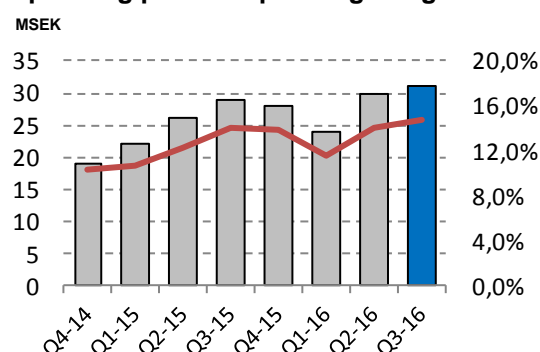
The sales for the HEXPOL Gaskets product area increased compared to the corresponding year-earlier period, but the sales remained weak to project-related operations. The business in China continued to develop positively. As previous, the market was characterised by general price pressure.

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

### Sales



### Operating profit & operating margin



## **Parent Company**

The Parent Company's profit after tax amounted to 127 MSEK (163), which includes dividends from subsidiaries. Shareholders' equity amounted to 2,720 MSEK (2,959).

## **Risk factors**

The Group's and Parent Company's business risks, risk management and management of financial risks are described in detail in the 2015 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 interim 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 interim 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 2015 Annual Report have also been applied in this interim report. No new or revised IFRSs that entered into force in 2016 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 interim 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 the Stockholm Large Cap segment of the Nasdaq OMX Nordic exchange. HEXPOL AB had 13,002 shareholders on September 30, 2016. 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.

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

This report will be presented at Carnegie, Regeringsgatan 56, Stockholm, Sweden, on October 27 at 9:00 a.m. CET. A presentation will also be held through a telephone conference on October 27 at 3:00 p.m. CET. The presentation, as well as information concerning participation, is available at [www.hexpol.com](http://www.hexpol.com).

## **Significant subsequent events**

On October 24, 2016 it was announced that Melker Schörling will resign from his position as chairman of the Board in HEXPOL AB (publ.) at the AGM in April 2017. The Nomination Committee will come back with proposal of new chairman in the next couple of months. Melker Schörling will continue to support and act as advisor to the company's management and board.

As earlier communicated, Ulrik Svensson will leave his position as CEO of Melker Schörling AB (publ.) at the end of the year. He will at the same time leave his position as Board member at HEXPOL AB (publ.).

## Calendar for financial information

HEXPOL AB will publish financial information on the following dates:

- |   |                  |
|---|------------------|
| ▪ Year-end report 2016                  | February 3, 2017 |
| ▪ Interim report January-March 2017     | April 28, 2017   |
| ▪ Annual General Meeting 2017           | April 28, 2017   |
| ▪ Half-year report January-June 2017    | July 19, 2017    |
| ▪ Interim report January-September 2017 | October 26, 2017 |

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

Malmö, Sweden, October 27, 2016  
HEXPOL AB (publ)

Georg Brunstam  
President and CEO

### For more information, please contact:

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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. The information was submitted for publication, through the agency of the contact person set out above, at 8:00 a.m. CET on October 27, 2016. 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.



## Review report

HEXPOL AB (publ), corporate identity number 556108-9631

To the Board of Directors of HEXPOL AB (publ)

### Introduction

We have reviewed the condensed interim report for HEXPOL AB (publ) as at September 30, 2016 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material aspects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Malmö, October 27, 2016

Ernst & Young AB

Johan Thuresson  
Authorized Public Accountant

**Condensed consolidated income statement**

MSEK	Jul-Sep		Jan-Sep		Full Year	Oct 15-
	2016	2015	2016	2015	2015	Sep 16
Sales	2 742	2 772	8 126	8 633	11 229	10 722
Cost of goods sold	-2 107	-2 127	-6 198	-6 679	-8 660	-8 179
<b>Gross profit</b>	<b>635</b>	<b>645</b>	<b>1 928</b>	<b>1 954</b>	<b>2 569</b>	<b>2 543</b>
Selling and administrative cost, etc.	-160	-140	-491	-446	-605	-650
<b>Operating profit</b>	<b>475</b>	<b>505</b>	<b>1 437</b>	<b>1 508</b>	<b>1 964</b>	<b>1 893</b>
Financial income and expenses	-2	-4	-7	-15	-21	-13
<b>Profit before tax</b>	<b>473</b>	<b>501</b>	<b>1 430</b>	<b>1 493</b>	<b>1 943</b>	<b>1 880</b>
Tax	-134	-143	-407	-426	-550	-531
<b>Profit after tax</b>	<b>339</b>	<b>358</b>	<b>1 023</b>	<b>1 067</b>	<b>1 393</b>	<b>1 349</b>
- of which, attributable to Parent Company shareholders	339	358	1 023	1 067	1 393	1 349
Earnings per share before dilution, SEK	0,98	1,04	2,97	3,10	4,05	3,92
Earnings per share after dilution, SEK	0,98	1,04	2,97	3,10	4,05	3,92
Shareholders' equity per share, SEK			19,99	17,36	18,11	
Average number of shares, 000s	344 201	344 201	344 201	344 201	344 201	344 201
Depreciation, amortisation and impairment	-50	-54	-164	-161	-209	-212

**Condensed statement of comprehensive income**

MSEK	Jul-Sep		Jan-Sep		Full Year	Oct 15-
	2016	2015	2016	2015	2015	Sep 16
Profit after tax	339	358	1 023	1 067	1 393	1 349
<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	-12	-16	-22	-61	-19	20
Income tax relating to items that may be reclassified to the income statement	3	3	5	13	4	-4
Translation differences	122	99	212	321	218	109
<b>Comprehensive income</b>	<b>452</b>	<b>444</b>	<b>1 218</b>	<b>1 340</b>	<b>1 597</b>	<b>1 475</b>
- of which, attributable to Parent Company's shareholders	452	444	1 218	1 340	1 597	1 475

**Condensed consolidated balance sheet**

MSEK	Sep 30		Dec 31
	2016	2015	2015
Intangible fixed assets	4 417	4 133	4 151
Tangible fixed assets	1 679	1 676	1 646
Financial fixed assets	1	0	0
Deferred tax asset	78	62	71
<b>Total fixed assets</b>	<b>6 175</b>	<b>5 871</b>	<b>5 868</b>
Inventories	736	706	702
Accounts receivable	1 392	1 369	1 045
Other receivables	56	105	101
Prepaid expenses and accrued income	55	35	29
Cash and cash equivalents	1 037	858	978
<b>Total current assets</b>	<b>3 276</b>	<b>3 073</b>	<b>2 855</b>
<b>Total assets</b>	<b>9 451</b>	<b>8 944</b>	<b>8 723</b>
Equity attributable to Parent Company's shareholders	6 879	5 976	6 233
<b>Total shareholders' equity</b>	<b>6 879</b>	<b>5 976</b>	<b>6 233</b>
Interest-bearing liabilities	250	781	492
Provision for deferred tax	338	274	349
Provision for pensions	20	20	19
<b>Total non-current liabilities</b>	<b>608</b>	<b>1 075</b>	<b>860</b>
Interest-bearing liabilities	28	38	32
Accounts payable	1 431	1 339	1 210
Other liabilities	119	107	63
Accrued expenses, prepaid income, provisions	386	409	325
<b>Total current liabilities</b>	<b>1 964</b>	<b>1 893</b>	<b>1 630</b>
<b>Total shareholders' equity and liabilities</b>	<b>9 451</b>	<b>8 944</b>	<b>8 723</b>

**Consolidated changes in shareholders' equity**

MSEK	Sep 30, 2016		Sep 30, 2015		Dec 31, 2015	
	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>6 233</b>	<b>6 233</b>	<b>5 049</b>	<b>5 049</b>	<b>5 049</b>	<b>5 049</b>
Comprehensive income	1 218	1 218	1 340	1 340	1 597	1 597
Issue of subscription w warrants	13	13	-	-	-	-
Dividend	-585	-585	-413	-413	-413	-413
<b>Closing Equity</b>	<b>6 879</b>	<b>6 879</b>	<b>5 976</b>	<b>5 976</b>	<b>6 233</b>	<b>6 233</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 the third quarter 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 a new share at subscription rate SEK 89.20.

## Condensed consolidated cash-flow statement

MSEK	Jul-Sep		Jan-Sep		Full Year	Oct 15-
	2016	2015	2016	2015	2015	Sep 16
Cash flow from operating activities before changes in working capital	440	439	1 249	1 235	1 630	1 644
Changes in working capital	80	-26	-27	42	130	61
<b>Cash flow from operating activities</b>	<b>520</b>	<b>413</b>	<b>1 222</b>	<b>1 277</b>	<b>1 760</b>	<b>1 705</b>
Acquisitions	-2	-13	-295	-996	-1 043	-342
Cash flow from other investing activities	-20	-30	-84	-88	-118	-114
<b>Cash flow from investing activities</b>	<b>-22</b>	<b>-43</b>	<b>-379</b>	<b>-1 084</b>	<b>-1 161</b>	<b>-456</b>
Dividend	-	-	-585	-413	-413	-585
Issue of subscription warrants	13	-	13	-	-	13
Cash flow from other financing activities	-508	-471	-248	228	-66	-542
<b>Cash flow from financing activities</b>	<b>-495</b>	<b>-471</b>	<b>-820</b>	<b>-185</b>	<b>-479</b>	<b>-1 114</b>
<b>Change in cash and cash equivalents</b>	<b>3</b>	<b>-101</b>	<b>23</b>	<b>8</b>	<b>120</b>	<b>135</b>
Cash and cash equivalents at January 1	1 019	966	978	826	826	858
Exchange-rate differences in cash and cash equivalents	15	-7	36	24	32	44
<b>Cash and cash equivalents at the end of the period</b>	<b>1 037</b>	<b>858</b>	<b>1 037</b>	<b>858</b>	<b>978</b>	<b>1 037</b>

## Operating cash flow, Group

MSEK	Jul-Sep		Jan-Sep		Full Year	Oct 15-
	2016	2015	2016	2015	2015	Sep 16
Operating profit	475	505	1 437	1 508	1 964	1 893
Depreciation/amortisation/impairment	50	54	164	161	209	212
Change in working capital	80	-26	-27	42	130	61
Sales of fixed assets	16	3	16	16	41	41
Investments	-36	-33	-100	-104	-159	-155
<b>Operating Cash flow</b>	<b>585</b>	<b>503</b>	<b>1 490</b>	<b>1 623</b>	<b>2 185</b>	<b>2 052</b>

## Other key figures, Group

	Jul-Sep		Jan-Sep		Full Year	Oct 15-
	2016	2015	2016	2015	2015	Sep 16
Profit margin before tax, %	17,3	18,1	17,6	17,3	17,3	17,5
Return on shareholders' equity, % R12			20,8	23,5	23,7	
Interest-coverage ratio, multiple			180	101	109	172
Net cash, MSEK			759	39	454	
Sales growth adjusted for currency effects, %	-1	6	-6	14	11	
Sales growth adjusted for currency effects and acquisitions, %	-5	-8	-7	-4	-5	
Cash flow per share, SEK	1,51	1,20	3,55	3,71	5,11	4,95
Cash flow per share before change in working capital, SEK	1,28	1,28	3,63	3,59	4,74	4,78

## Financial instruments per category and measurement level

Sep 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
Non-current financial assets	1	-	-	1
Accounts receivable	1 392	-	-	1 392
Cash and cash equivalents	1 037	-	-	1 037
<b>Total</b>	<b>2 430</b>	<b>0</b>		<b>2 430</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
Interest-bearing non-current liabilities	250	-	-	250
Interest-bearing current liabilities	28	-	-	28
Accounts payable	1 431	-	-	1 431
<b>Total</b>	<b>1 709</b>	<b>0</b>		<b>1 709</b>

Sep 30, 2015	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
Non-current financial assets	0	-	-	0
Accounts receivable	1 369	-	-	1 369
Cash and cash equivalents	858	-	-	858
<b>Total</b>	<b>2 227</b>	<b>0</b>		<b>2 227</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
Interest-bearing non-current liabilities	781	-	-	781
Interest-bearing current liabilities	38	-	-	38
Accounts payable	1 339	-	-	1 339
<b>Total</b>	<b>2 158</b>	<b>0</b>		<b>2 158</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	2016			2015				Full-Year	Oct 15-Sep 16	2014				Full-Year
	Q1	Q2	Q3	Q1	Q2	Q3	Q4			Q1	Q2	Q3	Q4	
HEXPOL Compounding	2 550	2 414	2 531	2 744	2 699	2 566	2 393	10 402	9 888	1 954	1 971	2 125	2 148	8 198
HEXPOL Engineered Products	207	213	211	207	211	206	203	827	834	177	174	187	183	721
<b>Group total</b>	<b>2 757</b>	<b>2 627</b>	<b>2 742</b>	<b>2 951</b>	<b>2 910</b>	<b>2 772</b>	<b>2 596</b>	<b>11 229</b>	<b>10 722</b>	<b>2 131</b>	<b>2 145</b>	<b>2 312</b>	<b>2 331</b>	<b>8 919</b>

### Sales per geographic region

MSEK	2016			2015				Full-Year	Oct 15-Sep 16	2014				Full-Year
	Q1	Q2	Q3	Q1	Q2	Q3	Q4			Q1	Q2	Q3	Q4	
Europe	780	828	842	850	808	763	715	3 136	3 165	699	677	684	671	2 731
NAFTA	1 851	1 688	1 770	1 963	1 964	1 881	1 730	7 538	7 039	1 314	1 343	1 496	1 524	5 677
Asia	126	111	130	138	138	128	151	555	518	118	125	132	136	511
<b>Group total</b>	<b>2 757</b>	<b>2 627</b>	<b>2 742</b>	<b>2 951</b>	<b>2 910</b>	<b>2 772</b>	<b>2 596</b>	<b>11 229</b>	<b>10 722</b>	<b>2 131</b>	<b>2 145</b>	<b>2 312</b>	<b>2 331</b>	<b>8 919</b>

### Operating profit per business area

MSEK	2016			2015				Full-Year	Oct 15-Sep 16	2014				Full-Year
	Q1	Q2	Q3	Q1	Q2	Q3	Q4			Q1	Q2	Q3	Q4	
HEXPOL Compounding	473	435	444	473	482	476	428	1 859	1 780	337	338	364	325	1 364
HEXPOL Engineered Products	24	30	31	22	26	29	28	105	113	27	22	24	19	92
<b>Group total</b>	<b>497</b>	<b>465</b>	<b>475</b>	<b>495</b>	<b>508</b>	<b>505</b>	<b>456</b>	<b>1 964</b>	<b>1 893</b>	<b>364</b>	<b>360</b>	<b>388</b>	<b>344</b>	<b>1 456</b>

### Operating margin per business area

%	2016			2015				Full-Year	Oct 15-Sep 16	2014				Full-Year
	Q1	Q2	Q3	Q1	Q2	Q3	Q4			Q1	Q2	Q3	Q4	
HEXPOL Compounding	18,5	18,0	17,5	17,2	17,9	18,6	17,9	17,9	18,0	17,2	17,1	17,1	15,1	16,6
HEXPOL Engineered Products	11,6	14,1	14,7	10,6	12,3	14,1	13,8	12,7	13,5	15,3	12,6	12,8	10,4	12,8
<b>Group total</b>	<b>18,0</b>	<b>17,7</b>	<b>17,3</b>	<b>16,8</b>	<b>17,5</b>	<b>18,2</b>	<b>17,6</b>	<b>17,5</b>	<b>17,7</b>	<b>17,1</b>	<b>16,8</b>	<b>16,8</b>	<b>14,8</b>	<b>16,3</b>

## Condensed income statement, Parent Company

MSEK	Jul-Sep		Jan-Sep		Full Year	Oct 15-Sep 16
	2016	2015	2016	2015		
Sales	10	11	31	33	46	44
Administrative costs, etc.	-20	-16	-56	-47	-63	-72
<b>Operating loss</b>	<b>-10</b>	<b>-5</b>	<b>-25</b>	<b>-14</b>	<b>-17</b>	<b>-28</b>
Financial income and expenses	3	4	150	177	383	356
<b>Profit before tax</b>	<b>-7</b>	<b>-1</b>	<b>125</b>	<b>163</b>	<b>366</b>	<b>328</b>
Tax	1	0	2	0	-3	-1
<b>Profit after tax</b>	<b>-6</b>	<b>-1</b>	<b>127</b>	<b>163</b>	<b>363</b>	<b>327</b>

## Condensed balance sheet, Parent Company

MSEK	Sep 30		Dec 31
	2016	2015	2015
<b>Total fixed assets</b>	<b>5 414</b>	<b>5 030</b>	<b>4 994</b>
<b>Total current assets</b>	<b>2 259</b>	<b>2 431</b>	<b>2 125</b>
<b>Total assets</b>	<b>7 673</b>	<b>7 461</b>	<b>7 119</b>
<b>Total shareholders' equity</b>	<b>2 720</b>	<b>2 959</b>	<b>3 159</b>
<b>Total non-current liabilities</b>	<b>250</b>	<b>713</b>	<b>434</b>
<b>Total current liabilities</b>	<b>4 703</b>	<b>3 789</b>	<b>3 526</b>
<b>Total shareholders' equity and liabilities</b>	<b>7 673</b>	<b>7 461</b>	<b>7 119</b>

## Reconciliation alternative performance measures

### Sales

MSEK	2016			2015					2014				
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Sales	2 757	2 627	2 742	2 951	2 910	2 772	2 596	11 229	2 131	2 145	2 312	2 331	8 919
Currency effects	18	-56	6	436	401	317	198	1 352	34	25	144	219	422
<b>Sales excluding currency effects</b>	<b>2 739</b>	<b>2 683</b>	<b>2 736</b>	<b>2 515</b>	<b>2 509</b>	<b>2 455</b>	<b>2 398</b>	<b>9 877</b>	<b>2 097</b>	<b>2 120</b>	<b>2 168</b>	<b>2 112</b>	<b>8 497</b>
Acquisitions	-	38	111	427	405	334	265	1 431	-	-	42	125	167
<b>Sales excluding currency effects and acquisitions</b>	<b>2 739</b>	<b>2 645</b>	<b>2 625</b>	<b>2 088</b>	<b>2 104</b>	<b>2 121</b>	<b>2 133</b>	<b>8 446</b>	<b>2 097</b>	<b>2 120</b>	<b>2 126</b>	<b>1 987</b>	<b>8 330</b>

### Sales growth

%	Jul-Sep		Jan-Sep		Full Year
	2016	2015	2016	2015	2015
Sales growth excluding currency effects	-1	6	-6	14	11
Sales growth excluding currency effects and acquisitions	-5	-8	-7	-4	-5

### Capital employed

MSEK	2016			2015				2014			
	Mar 31	Jun 30	Sep 30	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31
Total assets	8 776	9 355	9 451	9 261	9 033	8 944	8 723	6 322	6 322	6 983	7 284
Provision for deferred tax	-340	-356	-338	-277	-271	-274	-349	-190	-190	-202	-240
Accounts payable	-1 259	-1 358	-1 431	-1 375	-1 378	-1 339	-1 210	-928	-923	-984	-1 017
Other liabilities	-141	-69	-119	-203	-147	-107	-63	-136	-122	-146	-60
Accrued expenses, prepaid income, provisions	-296	-353	-386	-384	-406	-409	-325	-238	-280	-328	-331
<b>Total Group</b>	<b>6 740</b>	<b>7 219</b>	<b>7 177</b>	<b>7 022</b>	<b>6 831</b>	<b>6 815</b>	<b>6 776</b>	<b>4 830</b>	<b>4 807</b>	<b>5 323</b>	<b>5 636</b>

### Return on capital employed, R12

MSEK	Sep 30, R12		Full Year
	2016	2015	2015
Average capital employed	6 978	6 576	6 861
Profit before tax	1 880	1 833	1 943
Interest expense	11	20	18
<b>Total</b>	<b>1 891</b>	<b>1 853</b>	<b>1 961</b>
<b>Return on capital employed, %</b>	<b>27,1</b>	<b>28,2</b>	<b>28,6</b>

### Shareholders' equity

MSEK	2016			2015				2014			
	Mar 31	Jun 30	Sep 30	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31
Shareholders' equity	6 452	6 414	6 879	5 805	5 532	5 976	6 233	3 877	3 963	4 480	5 049

## Return on equity, R12

MSEK	Sep 30, R12		Full Year
	2016	2015	2015
Average shareholders' equity	6 495	5 591	5 887
Profit after tax	1 349	1 315	1 393
<b>Return on equity, %</b>	<b>20,8</b>	<b>23,5</b>	<b>23,7</b>

## Net cash

MSEK	Sep 30		Dec 31
	2016	2015	2015
Cash and cash equivalents	1 037	858	978
Non-current interest-bearing liabilities	-250	-781	-492
Current interest-bearing liabilities	-28	-38	-32
<b>Net cash</b>	<b>759</b>	<b>39</b>	<b>454</b>

## Equity/assets ratio

MSEK	Sep 30		Dec 31
	2016	2015	2015
Shareholders' equity	6 879	5 976	6 233
Total assets	9 451	8 944	8 723
<b>Equity/assets ratio, %</b>	<b>73</b>	<b>67</b>	<b>72</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 growth excluding currency effects compared to the sales for the corresponding year-earlier period.
<b>Sales growth excluding currency effects and acquisitions</b>	Sales growth 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.