

Year-end report 2016

Published on February 3, 2017

Fourth quarter 2016 – Increased sales and improved result

- Sales increased 6 per cent to 2,753 MSEK (2,596).
- Operating profit increased 6 per cent to 484 MSEK (456).
- Operating margin amounted to 17.6 per cent (17.6).
- Profit after tax rose to 374 MSEK (326).
- Earnings per share increased 15 per cent to 1.09 SEK (0.95).
- Operating cash flow rose to 567 MSEK (562).

Full year 2016 – Positive volume development and strong result

- Sales amounted to 10,879 MSEK (11,229).
- Operating profit amounted to 1,921 MSEK (1,964).
- Operating margin increased to 17.7 per cent (17.5).
- Profit after tax increased to 1,397 MSEK (1,393).
- Earnings per share rose to 4.06 SEK (4.05).
- Operating cash flow amounted to 2,057 MSEK (2,185).
- In the beginning of June, Berwin Group, a leading Rubber Compounder in the UK market, was acquired and the units have been integrated according to plan.
- The Board of Directors proposes a dividend of 4.75 SEK per share, consisting of an ordinary dividend of 1.75 SEK per share (1.70) and a special dividend of 3.00 SEK per share.

President's comments

"The fourth quarter of 2016 was again a strong quarter – our best fourth quarter to date. The Sales increased 6 per cent and the volume development was positive. The operating margin improved from the third quarter to strong 17.6 per cent. Earnings per share increased 15 per cent. The operating cash flow was once again strong, 567 MSEK. Sales have once again been negatively affected by considerably lower sales prices due to lower raw material prices than the corresponding year-earlier period. Price pressure was continued strong on all markets.

In terms of earnings, 2016 was the best year so far in the HEXPOL Group and earnings per share improved to 4.06 SEK. In the beginning of June, Berwin Group, a leading UK Rubber Compounder, was acquired, and have been integrated well in HEXPOL Compounding. Our strong operating cash flow and our net cash of 1,268 MSEK provides scope for continued acquisition-driven expansion and a dividend of 4.75 SEK per share including a special dividend of 3.00 SEK per share."

Georg Brunstam, President and CEO

Group summary

| Key figures MSEK | Oct-Dec | | Jan-Dec | |
|---|---------|-------|---------|--------|
| | 2016 | 2015 | 2016 | 2015 |
| Sales | 2 753 | 2 596 | 10 879 | 11 229 |
| Operating profit, EBIT | 484 | 456 | 1 921 | 1 964 |
| Operating margin, % | 17,6 | 17,6 | 17,7 | 17,5 |
| Profit before tax | 483 | 450 | 1 913 | 1 943 |
| Profit after tax | 374 | 326 | 1 397 | 1 393 |
| Earnings per share before dilution, SEK | 1,09 | 0,95 | 4,06 | 4,05 |
| Earnings per share after dilution, SEK | 1,09 | 0,95 | 4,06 | 4,05 |
| Equity/assets ratio, % | | | 77 | 72 |
| Return on capital employed, % R12 | | | 26,8 | 28,6 |
| Operating cash flow | 567 | 562 | 2 057 | 2 185 |

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 4,100 employees in eleven countries. Further information is available at www.hexpol.com.

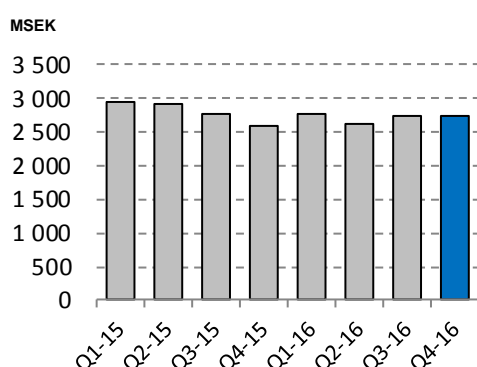
Fourth quarter of 2016

The HEXPOL Group's sales increased 6 per cent to 2,753 MSEK (2,596) during the fourth quarter. Currency effects had a positive impact of 142 MSEK on sales.

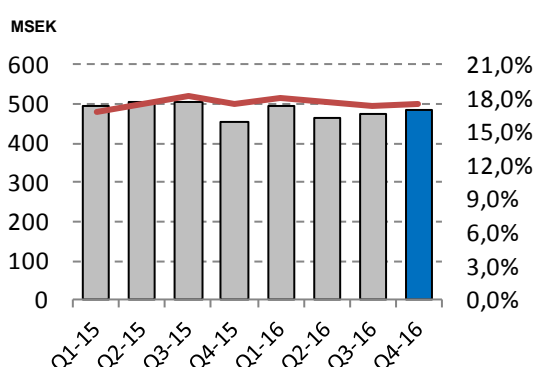
The volume development was positive and the sales growth (adjusted for currency effects), which was negatively affected by lower sales prices, amounted to 1 per cent. Sales growth (adjusted for currency effects and acquisitions) amounted to negative 4 per cent. Sales were negatively affected by considerably lower sales prices due to lower prices on our principal raw materials, than the corresponding year-earlier period. The prices of many of our raw materials have increased during the fourth quarter.

Operating profit increased 6 per cent to 484 MSEK (456) and the operating margin amounted to 17.6 per cent (17.6). Exchange rate fluctuations had a positive impact of 25 MSEK on operating profit for the quarter.

Sales



Operating profit & operating margin



The HEXPOL Compounding business area's sales increased 6 per cent to 2,533 MSEK (2,393) during the quarter. Sales were negatively affected by considerable lower sales prices due to lower prices on our principal raw materials, than the corresponding year-earlier period. Operating profit increased 6 per cent to 454 MSEK (428). The operating margin was strong and amounted to 17.9 per cent (17.9).

The HEXPOL Engineered Products business area's sales during the quarter increased 8 per cent to 220 MSEK (203). Operating profit rose 7 per cent to 30 MSEK (28), and the operating margin amounted to 13.6 per cent (13.8).

Sales in Europe (including the acquired Berwin Group), Asia and NAFTA increased compared to the corresponding year earlier period. Adjusted for the acquired Berwin Group the sales were slightly 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 567 MSEK (562). The Group's net financial items amounted to an expense of 1 MSEK (expense: 6).

Profit before tax increased to 483 MSEK (450) and profit after tax increased to 374 MSEK (326). Earnings per share rose 15 per cent to 1.09 SEK (0.95).

Full year 2016

The HEXPOL Group's sales for the year amounted to 10,879 MSEK (11,229). Currency effects had a positive impact of 110 MSEK on sales.

Sales growth (adjusted for currency effects) amounted to negative 4 per cent. Sales growth (adjusted for currency effects and acquisitions) amounted to negative 6 per cent. Sales were negatively affected by considerable lower sales prices due to considerably lower prices on our principal raw materials, than the corresponding year-earlier period.

The volume development was positive with higher volumes in Europe, stable volumes in NAFTA and lower volumes in Asia compared to the corresponding year-earlier period. Adjusted for the acquired Berwin Group the volumes were stable. 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 1,921 MSEK (1,964) and the operating margin improved to 17.7 per cent (17.5). Exchange rate fluctuations had a positive impact of 35 MSEK on operating profit during the year.

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 10,028 MSEK (10,402). Sales were negatively affected by considerable lower sales prices due to considerably lower prices on our principal raw materials, than the corresponding year-earlier period. Operating profit amounted to 1,806 MSEK (1,859). The operating margin improved to 18.0 per cent (17.9).

The HEXPOL Engineered Products business area's sales increased to 851 MSEK (827). Operating profit rose to 115 MSEK (105), which improved the operating margin to 13.5 per cent (12.7).

The Group's operating cash flow amounted to 2,057 MSEK (2,185). The Group's net financial items amounted to an expense of 8 MSEK (expense: 21), of which interest expense amounted to 10 MSEK (expense: 18).

Profit before tax amounted to 1,913 MSEK (1,943) and profit after tax increased to 1,397 MSEK (1,393). Earnings per share increased to 4.06 SEK (4.05).

Profitability

The return on average capital employed, R12, amounted to 26.8 per cent (28.6). The return on shareholders' equity, R12, amounted to 20.5 per cent (23.7).

Financial position and liquidity

The equity/assets ratio increased to 77 per cent (72). The Group's total assets amounted to 9,848 MSEK (8,723). Net cash increased to 1,268 MSEK (454). 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 2,057 MSEK (2,185). Cash flow from operating activities amounted to 1,710 MSEK (1,760).

Investments, depreciation and amortisation

The Group's investments amounted to 166 MSEK (159). Investments are mainly attributable to capacity investments in Mexico and maintenance investments. Depreciation, amortisation and impairment amounted to 216 MSEK (209).

Tax expenses

The Group's tax expenses amounted to 516 MSEK (550), corresponding to a tax rate of 27.0 per cent (28.3).

Personnel

The number of employees at the end of the year was 4,140 (3,867). 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 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. Berwin Group's sales amounted to 22 MGBP during the period June to December 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 | Oct-Dec | | Jan-Dec | |
|---------------------|---------|-------|---------|--------|
| | 2016 | 2015 | 2016 | 2015 |
| Sales | 2 533 | 2 393 | 10 028 | 10 402 |
| Operating profit | 454 | 428 | 1 806 | 1 859 |
| Operating margin, % | 17,9 | 17,9 | 18,0 | 17,9 |

HEXPOL Compounding's sales (including Berwin Group) increased 6 per cent to 2,533 MSEK (2,393), during the fourth quarter. Sales were negatively affected by considerably lower sales prices due to 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 increased 6 per cent to 454 MSEK (428), and the operating margin was strong and amounted to 17.9 per cent (17.9).

The volume development was positive, excluding contract manufacturing to the tire industry, with higher volumes in Europe (including the acquired Berwin Group), Asia and NAFTA. The contract manufacturing within HEXPOL Compounding to the tire industry in NAFTA was unusually high during the fourth quarter 2015, while the sales during the fourth quarter 2016 were at a normal level. The volume development was stable including contract manufacturing to the tire industry.

The volumes in NAFTA were slightly higher, excluding contract manufacturing to the tire industry, 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.

The volumes in Europe were stable, excluding the acquired Berwin Group, with continued strong volumes to automotive related customers.

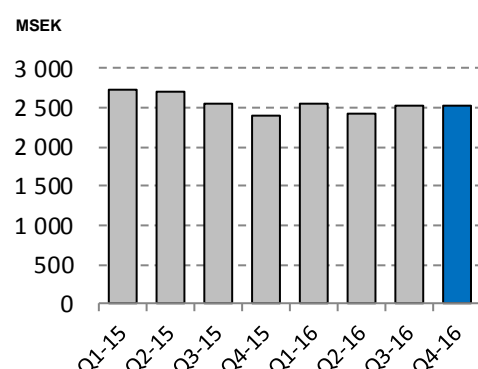
The volumes in Asia increased compared to the corresponding year-earlier period, mainly thanks to higher sales to automotive-related customers in China.

HEXPOL TPE Compounding developed positively also during the fourth quarter.

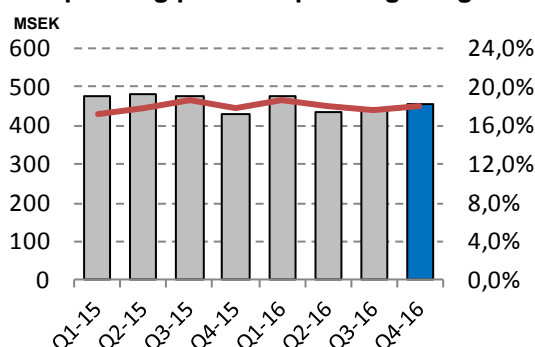
RheTech Thermoplastic Compounding, acquired in January 2015, has had a continued positive development during the quarter.

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.

Sales



Operating profit & operating margin



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.

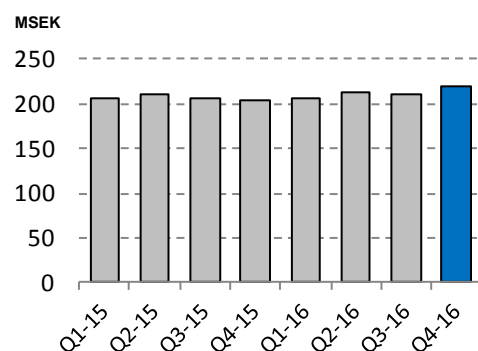
| MSEK | Oct-Dec | | Jan-Dec | |
|---------------------|---------|------|---------|------|
| | 2016 | 2015 | 2016 | 2015 |
| Sales | 220 | 203 | 851 | 827 |
| Operating profit | 30 | 28 | 115 | 105 |
| Operating margin, % | 13,6 | 13,8 | 13,5 | 12,7 |

The HEXPOL Engineered Products business area's sales increased 8 per cent to 220 MSEK (203) during the fourth quarter. Operating profit increased 7 per cent to 30 MSEK (28), and the operating margin amounted to 13.6 per cent (13.8). The operating profit improved mainly thanks to increased volumes and continued efficiency enhancements in the operations.

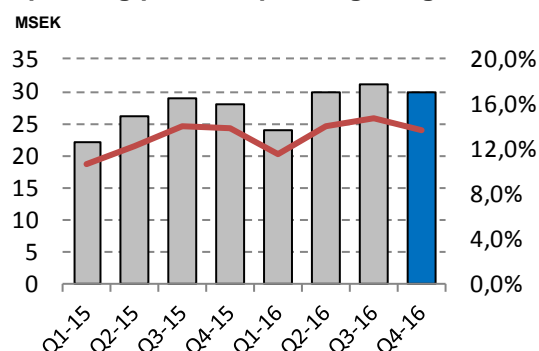
The sales for the HEXPOL Gaskets product area increased compared to the corresponding year-earlier period, but the sales remained weak to project-related operations. The business in China continued to develop positively. As previous, the market was characterised by general price pressure.

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

Sales



Operating profit & operating margin



Parent Company

The Parent Company's profit after tax amounted to 1,143 MSEK (363), which includes dividends from subsidiaries. Shareholders' equity amounted to 3,735 MSEK (3,159).

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 year-end 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 year-end 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 year-end 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 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 13,330 shareholders on December 31, 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 63 per cent of the capital and 73 per cent of the voting rights.

Invitation to the presentation of the report

This report will be presented at Swedbank Conference, Regeringsgatan 30-32, entrance A, 4th floor, Stockholm, Sweden, on February 3 at 10:00 a.m. CET. A presentation will also be held through a telephone conference on February 3 at 2:00 p.m. CET. The presentation, as well as information concerning participation, is available at www.hexpol.com.

Annual General Meeting, April 28 2017

The Annual General Meeting will be held on April 28, 2017 at 3 p.m. CET in Malmö (Börshuset, Skeppsbron 2), Sweden. The Annual Report for 2016 will be available on HEXPOL's website and at the head office no later than April 7, 2017. Shareholders who wish to participate in the AGM must be registered in the shareholder's register maintained by Euroclear Sweden AB no later than April 22, 2017 and notify their intention to participate to HEXPOL's head office no later than April 24, 2017. Shareholders whose shares are registered with a trustee must temporarily re-register the shares in their own name no later than April 22, 2017 to be entitled to participate in the AGM. Since Saturday April 22, 2017 is a bank holiday, Euroclear Sweden AB will issue the share register for the AGM the immediately preceding business day, Friday April 21, 2017. This means that shareholders who wish to participate in the AGM must be registered in the shareholders' register maintained by Euroclear Sweden AB no later than April 21, 2017. The trustee should therefore be notified in due time before said date.

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. Melker Schörling will continue to support and act as advisor to the company's management and board. On December 19, 2016 it was announced that the Nomination Committee in the company will propose Georg Brunstam to become new Chairman of the Board in HEXPOL AB (publ.) to the Annual General Meeting April 28, 2017. The recruitment of a new President and CEO has started and Georg Brunstam will continue as CEO until a new CEO is in place.

As earlier communicated, Ulrik Svensson left his position as President of Melker Schörling AB (publ.) at the end of the year. He left at the same time his position as Board member at HEXPOL AB (publ.). On December 19, 2016 it was announced that the company's Nomination Committee will propose that MSAB's incoming President Gun Nilsson is elected to HEXPOL's Board after resigning Ulrik Svensson.

Dividend proposal

The Board of Directors proposes that the Annual General Meeting on April 28, 2017 approve 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. This corresponds to a total of 1,635 MSEK.

Significant subsequent events

No significant events have occurred after the balance sheet date.

Calendar for financial information

HEXPOL AB will publish financial information on the following dates:

| | |
|---|------------------|
| ▪ 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.

The year-end report for 2016 has not been audited by HEXPOL AB's auditors.

Malmö, Sweden, February 3, 2017
HEXPOL AB (publ)

Georg Brunstam
President and CEO

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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 February 3, 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

| | Oct-Dec | | Jan-Dec | |
|---|------------|------------|--------------|--------------|
| MSEK | 2016 | 2015 | 2016 | 2015 |
| Sales | 2 753 | 2 596 | 10 879 | 11 229 |
| Cost of goods sold | -2 117 | -1 981 | -8 315 | -8 660 |
| Gross profit | 636 | 615 | 2 564 | 2 569 |
| Selling and administrative cost, etc. | -152 | -159 | -643 | -605 |
| Operating profit | 484 | 456 | 1 921 | 1 964 |
| Financial income and expenses | -1 | -6 | -8 | -21 |
| Profit before tax | 483 | 450 | 1 913 | 1 943 |
| Tax | -109 | -124 | -516 | -550 |
| Profit after tax | 374 | 326 | 1 397 | 1 393 |
| - of which, attributable to Parent Company shareholders | 374 | 326 | 1 397 | 1 393 |
| Earnings per share before dilution, SEK | 1,09 | 0,95 | 4,06 | 4,05 |
| Earnings per share after dilution, SEK | 1,09 | 0,95 | 4,06 | 4,05 |
| Shareholders' equity per share, SEK | | | 21,96 | 18,11 |
| Average number of shares, 000s | 344 201 | 344 201 | 344 201 | 344 201 |
| Depreciation, amortisation and impairment | -52 | -48 | -216 | -209 |

Condensed statement of comprehensive income

| | Oct-Dec | | Jan-Dec | |
|--|------------|------------|--------------|--------------|
| MSEK | 2016 | 2015 | 2016 | 2015 |
| Profit after tax | 374 | 326 | 1 397 | 1 393 |
| Items that will not be reclassified to the income statement | | | | |
| Remeasurements of defined benefit pension plans | -1 | 1 | -1 | 1 |
| Income tax relating to items that will not be reclassified to the income statement | 0 | 0 | 0 | 0 |
| Items that may be reclassified to the income statement | | | | |
| Cash-flow hedges | 0 | 0 | 0 | 0 |
| Hedge of net investment | -40 | 42 | -62 | -19 |
| Income tax relating to items that may be reclassified to the income statement | 9 | -9 | 14 | 4 |
| Translation differences | 338 | -103 | 550 | 218 |
| Comprehensive income | 680 | 257 | 1 898 | 1 597 |
| - of which, attributable to Parent Company's shareholders | 680 | 257 | 1 898 | 1 597 |

Condensed consolidated balance sheet

| MSEK | Dec 31 | |
|--|---------------|--------------|
| | 2016 | 2015 |
| Intangible fixed assets | 4 577 | 4 151 |
| Tangible fixed assets | 1 745 | 1 646 |
| Deferred tax asset | 101 | 71 |
| Total fixed assets | 6 423 | 5 868 |
| Inventories | 786 | 702 |
| Accounts receivable | 1 181 | 1 045 |
| Other receivables | 123 | 101 |
| Prepaid expenses and accrued income | 38 | 29 |
| Cash and cash equivalents | 1 297 | 978 |
| Total current assets | 3 425 | 2 855 |
| Total assets | 9 848 | 8 723 |
| Equity attributable to Parent Company's shareholders | 7 559 | 6 233 |
| Total shareholders' equity | 7 559 | 6 233 |
| Interest-bearing liabilities | - | 492 |
| Provision for deferred tax | 407 | 349 |
| Provision for pensions | 21 | 19 |
| Total non-current liabilities | 428 | 860 |
| Interest-bearing liabilities | 29 | 32 |
| Accounts payable | 1 405 | 1 210 |
| Other liabilities | 101 | 63 |
| Accrued expenses, prepaid income, provisions | 326 | 325 |
| Total current liabilities | 1 861 | 1 630 |
| Total shareholders' equity and liabilities | 9 848 | 8 723 |

Consolidated changes in shareholders' equity

| MSEK | Dec 31, 2016 | | Dec 31, 2015 | |
|--------------------------------|--|---------------------|--|---------------------|
| | Attributable to Parent Company shareholders | Total equity | Attributable to Parent Company shareholders | Total equity |
| Opening equity | 6 233 | 6 233 | 5 049 | 5 049 |
| Comprehensive income | 1 898 | 1 898 | 1 597 | 1 597 |
| Issue of subscription warrants | 13 | 13 | - | - |
| Dividend | -585 | -585 | -413 | -413 |
| Closing Equity | 7 559 | 7 559 | 6 233 | 6 233 |

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 |
| Number of shares at the end of the period | 14 765 620 | 329 435 660 | 344 201 280 |

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 | Oct-Dec | | Jan-Dec | |
|---|----------------|-------------|----------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| Cash flow from operating activities before changes in working capital | 391 | 395 | 1 640 | 1 630 |
| Changes in working capital | 97 | 88 | 70 | 130 |
| Cash flow from operating activities | 488 | 483 | 1 710 | 1 760 |
| Acquisitions | - | -47 | -295 | -1 043 |
| Cash flow from other investing activities | -66 | -30 | -150 | -118 |
| Cash flow from investing activities | -66 | -77 | -445 | -1 161 |
| Dividend | - | - | -585 | -413 |
| Issue of subscription warrants | - | - | 13 | - |
| Cash flow from other financing activities | -255 | -294 | -503 | -66 |
| Cash flow from financing activities | -255 | -294 | -1 075 | -479 |
| Change in cash and cash equivalents | 167 | 112 | 190 | 120 |
| Cash and cash equivalents at January 1 | 1 037 | 858 | 978 | 826 |
| Exchange-rate differences in cash and cash equivalents | 93 | 8 | 129 | 32 |
| Cash and cash equivalents at the end of the period | 1 297 | 978 | 1 297 | 978 |

Operating cash flow, Group

| MSEK | Oct-Dec | | Jan-Dec | |
|--------------------------------------|----------------|-------------|----------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| Operating profit | 484 | 456 | 1 921 | 1 964 |
| Depreciation/amortisation/impairment | 52 | 48 | 216 | 209 |
| Change in working capital | 97 | 88 | 70 | 130 |
| Sales of fixed assets | 0 | 25 | 16 | 41 |
| Investments | -66 | -55 | -166 | -159 |
| Operating Cash flow | 567 | 562 | 2 057 | 2 185 |

Other key figures, Group

| | Oct-Dec | | Jan-Dec | |
|--|----------------|-------------|----------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| Profit margin before tax, % | 17,5 | 17,3 | 17,6 | 17,3 |
| Return on shareholders' equity, % R12 | | | 20,5 | 23,7 |
| Interest-coverage ratio, multiple | | | 192 | 109 |
| Net cash, MSEK | | | 1 268 | 454 |
| Sales growth adjusted for currency effects, % | 1 | 3 | -4 | 11 |
| Sales growth adjusted for currency effects and acquisitions, % | -4 | -8 | -6 | -5 |
| Cash flow per share, SEK | 1,42 | 1,40 | 4,97 | 5,11 |
| Cash flow per share before change in working capital, SEK | 1,14 | 1,15 | 4,76 | 4,74 |

Financial instruments per category and measurement level

| | | Financial assets measured at fair value through profit or loss | | |
|------------------------------------|----------------------------------|--|----------------------|--------------|
| Dec 31, 2016 | | | | |
| MSEK | Loans and accounts receivable | Carrying value | Measurement level | Total |
| Assets in the balance sheet | | | | |
| Derivative instruments | - | 0 | 2 | 0 |
| Accounts receivable | 1 181 | - | | 1 181 |
| Cash and cash equivalents | 1 297 | - | | 1 297 |
| Total | 2 478 | 0 | | 2 478 |

| | | Financial liabilities measured at fair value through profit or loss | | |
|--|--------------------------------|---|----------------------|--------------|
| Dec 31, 2016 | | | | |
| MSEK | Other financial liabilities | Carrying value | Measurement level | Total |
| Liabilities in the balance sheet | | | | |
| Derivative instruments | - | 0 | 2 | 0 |
| Interest-bearing non-current liabilities | - | - | | 0 |
| Interest-bearing current liabilities | 29 | - | | 29 |
| Accounts payable | 1 405 | - | | 1 405 |
| Total | 1 434 | 0 | | 1 434 |

| | | Financial assets measured at fair value through profit or loss | | |
|------------------------------------|----------------------------------|--|----------------------|--------------|
| Dec 31, 2015 | | | | |
| MSEK | Loans and accounts receivable | Carrying value | Measurement level | Total |
| Assets in the balance sheet | | | | |
| Derivative instruments | - | 0 | 2 | 0 |
| Accounts receivable | 1 045 | - | | 1 045 |
| Cash and cash equivalents | 978 | - | | 978 |
| Total | 2 023 | 0 | | 2 023 |

| | | Financial liabilities measured at fair value through profit or loss | | |
|--|--------------------------------|---|----------------------|--------------|
| Dec 31, 2015 | | | | |
| MSEK | Other financial liabilities | Carrying value | Measurement level | Total |
| Liabilities in the balance sheet | | | | |
| Derivative instruments | - | 3 | 2 | 3 |
| Interest-bearing non-current liabilities | 492 | - | | 492 |
| Interest-bearing current liabilities | 32 | - | | 32 |
| Accounts payable | 1 210 | - | | 1 210 |
| Total | 1 734 | 3 | | 1 737 |

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 | | | | |
|----------------------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | Full-Year | Q1 | Q2 | Q3 | Q4 | Full-Year |
| HEXPOL Compounding | 2 550 | 2 414 | 2 531 | 2 533 | 10 028 | 2 744 | 2 699 | 2 566 | 2 393 | 10 402 |
| HEXPOL Engineered Products | 207 | 213 | 211 | 220 | 851 | 207 | 211 | 206 | 203 | 827 |
| Group total | 2 757 | 2 627 | 2 742 | 2 753 | 10 879 | 2 951 | 2 910 | 2 772 | 2 596 | 11 229 |

Sales per geographic region

| MSEK | 2016 | | | | | 2015 | | | | |
|--------------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | Full-Year | Q1 | Q2 | Q3 | Q4 | Full-Year |
| Europe | 780 | 828 | 842 | 818 | 3 268 | 850 | 808 | 763 | 715 | 3 136 |
| NAFTA | 1 851 | 1 688 | 1 770 | 1 768 | 7 077 | 1 963 | 1 964 | 1 881 | 1 730 | 7 538 |
| Asia | 126 | 111 | 130 | 167 | 534 | 138 | 138 | 128 | 151 | 555 |
| Group total | 2 757 | 2 627 | 2 742 | 2 753 | 10 879 | 2 951 | 2 910 | 2 772 | 2 596 | 11 229 |

Operating profit per business area

| MSEK | 2016 | | | | | 2015 | | | | |
|----------------------------|------------|------------|------------|------------|--------------|------------|------------|------------|------------|--------------|
| | Q1 | Q2 | Q3 | Q4 | Full-Year | Q1 | Q2 | Q3 | Q4 | Full-Year |
| HEXPOL Compounding | 473 | 435 | 444 | 454 | 1 806 | 473 | 482 | 476 | 428 | 1 859 |
| HEXPOL Engineered Products | 24 | 30 | 31 | 30 | 115 | 22 | 26 | 29 | 28 | 105 |
| Group total | 497 | 465 | 475 | 484 | 1 921 | 495 | 508 | 505 | 456 | 1 964 |

Operating margin per business area

| % | 2016 | | | | | 2015 | | | | |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Q1 | Q2 | Q3 | Q4 | Full-Year | Q1 | Q2 | Q3 | Q4 | Full-Year |
| HEXPOL Compounding | 18,5 | 18,0 | 17,5 | 17,9 | 18,0 | 17,2 | 17,9 | 18,6 | 17,9 | 17,9 |
| HEXPOL Engineered Products | 11,6 | 14,1 | 14,7 | 13,6 | 13,5 | 10,6 | 12,3 | 14,1 | 13,8 | 12,7 |
| Group total | 18,0 | 17,7 | 17,3 | 17,6 | 17,7 | 16,8 | 17,5 | 18,2 | 17,6 | 17,5 |

Condensed income statement, Parent Company

| MSEK | Oct-Dec | | Jan-Dec | |
|-------------------------------|--------------|------------|--------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| Sales | 11 | 13 | 42 | 46 |
| Administrative costs, etc. | -12 | -16 | -68 | -63 |
| Operating loss | -1 | -3 | -26 | -17 |
| Financial income and expenses | 1 072 | 206 | 1 222 | 383 |
| Untaxed reserves | -32 | - | -32 | - |
| Profit before tax | 1 039 | 203 | 1 164 | 366 |
| Tax | -23 | -3 | -21 | -3 |
| Profit after tax | 1 016 | 200 | 1 143 | 363 |

Condensed balance sheet, Parent Company

| MSEK | Dec 31 | |
|---|--------------|--------------|
| | 2016 | 2015 |
| Fixed assets | 5 676 | 4 994 |
| Current assets | 2 565 | 2 125 |
| Total assets | 8 241 | 7 119 |
| Total shareholders' equity | 3 735 | 3 159 |
| Untaxed reserves | 32 | - |
| Non-current liabilities | - | 434 |
| Current liabilities | 4 474 | 3 526 |
| Total shareholders' equity and liabilities | 8 241 | 7 119 |

Reconciliation alternative performance measures

Sales

| MSEK | 2016 | | | | | 2015 | | | | | 2014 | | | | |
|--|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Q1 | Q2 | Q3 | Q4 | Full Year | Q1 | Q2 | Q3 | Q4 | Full Year | Q1 | Q2 | Q3 | Q4 | Full Year |
| Sales | 2 757 | 2 627 | 2 742 | 2 753 | 10 879 | 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 | 142 | 110 | 436 | 401 | 317 | 198 | 1 352 | 34 | 25 | 144 | 219 | 422 |
| Sales excluding currency effects | 2 739 | 2 683 | 2 736 | 2 611 | 10 769 | 2 515 | 2 509 | 2 455 | 2 398 | 9 877 | 2 097 | 2 120 | 2 168 | 2 112 | 8 497 |
| Acquisitions | - | 38 | 111 | 110 | 259 | 427 | 405 | 334 | 265 | 1 431 | - | - | 42 | 125 | 167 |
| Sales excluding currency effects and acquisitions | 2 739 | 2 645 | 2 625 | 2 501 | 10 510 | 2 088 | 2 104 | 2 121 | 2 133 | 8 446 | 2 097 | 2 120 | 2 126 | 1 987 | 8 330 |

Sales growth

| % | Oct-Dec | | Jan-Dec | |
|--|---------|------|---------|------|
| | 2016 | 2015 | 2016 | 2015 |
| Sales growth excluding currency effects | 1 | 3 | -4 | 11 |
| Sales growth excluding currency effects and acquisitions | -4 | -8 | -6 | -5 |

Capital employed

| MSEK | 2016 | | | | 2015 | | | | 2014 | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Mar 31 | Jun 30 | Sep 30 | Dec 31 | Mar 31 | Jun 30 | Sep 30 | Dec 31 | Mar 31 | Jun 30 | Sep 30 | Dec 31 |
| Total assets | 8 776 | 9 355 | 9 451 | 9 848 | 9 261 | 9 033 | 8 944 | 8 723 | 6 322 | 6 322 | 6 983 | 7 284 |
| Provision for deferred tax | -340 | -356 | -338 | -407 | -277 | -271 | -274 | -349 | -190 | -190 | -202 | -240 |
| Accounts payable | -1 259 | -1 358 | -1 431 | -1 405 | -1 375 | -1 378 | -1 339 | -1 210 | -928 | -923 | -984 | -1 017 |
| Other liabilities | -141 | -69 | -119 | -101 | -203 | -147 | -107 | -63 | -136 | -122 | -146 | -60 |
| Accrued expenses, prepaid income, provisions | -296 | -353 | -386 | -326 | -384 | -406 | -409 | -325 | -238 | -280 | -328 | -331 |
| Total Group | 6 740 | 7 219 | 7 177 | 7 609 | 7 022 | 6 831 | 6 815 | 6 776 | 4 830 | 4 807 | 5 323 | 5 636 |

Return on capital employed, R12

| MSEK | Dec 31 | |
|--------------------------------------|--------------|--------------|
| | 2016 | 2015 |
| Average capital employed | 7 186 | 6 861 |
| Profit before tax | 1 913 | 1 943 |
| Interest expense | 10 | 18 |
| Total | 1 923 | 1 961 |
| Return on capital employed, % | 26,8 | 28,6 |

Shareholders' equity

| MSEK | 2016 | | | | 2015 | | | | 2014 | | | |
|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Mar 31 | Jun 30 | Sep 30 | Dec 31 | Mar 31 | Jun 30 | Sep 30 | Dec 31 | Mar 31 | Jun 30 | Sep 30 | Dec 31 |
| Shareholders' equity | 6 452 | 6 414 | 6 879 | 7 559 | 5 805 | 5 532 | 5 976 | 6 233 | 3 877 | 3 963 | 4 480 | 5 049 |

Return on equity, R12

| | Dec 31 | |
|------------------------------|--------|-------|
| MSEK | 2016 | 2015 |
| Average shareholders' equity | 6 826 | 5 887 |
| Profit after tax | 1 397 | 1 393 |
| Return on equity, % | 20,5 | 23,7 |

Net cash

| | Dec 31 | |
|--|--------|------|
| MSEK | 2016 | 2015 |
| Cash and cash equivalents | 1 297 | 978 |
| Non-current interest-bearing liabilities | - | -492 |
| Current interest-bearing liabilities | -29 | -32 |
| Net cash | 1 268 | 454 |

Equity/assets ratio

| | Dec 31 | |
|------------------------|--------|-------|
| MSEK | 2016 | 2015 |
| Shareholders' equity | 7 559 | 6 233 |
| Total assets | 9 848 | 8 723 |
| Equity/assets ratio, % | 77 | 72 |

Financial definitions

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