

## Year-end report 2017

Published on February 2, 2018

### Fourth quarter 2017 – Increased sales and strong result

- Sales increased 6 per cent to 2,926 MSEK (2,753).
- Operating profit amounted to 467 MSEK (484).
- Operating margin amounted to 16.0 per cent (17.6).
- Profit after tax amounted to 449 MSEK (374) and excl. non-recurring effects to 345 MSEK.
- Non-recurring effects of the US tax reform amounted to 104 MSEK.
- Earnings per share amounted to 1.31 SEK (1.09) and excl. non-recurring effects to 1.00 SEK.
- Operating cash flow increased to 609 MSEK (567).

### Full year 2017 – Increased sales and improved result

- Sales increased 12 per cent to 12,230 MSEK (10,879).
- Operating profit increased 3 per cent to 1,986 MSEK (1,921).
- Operating margin amounted to 16.2 per cent (17.7).
- Profit after tax rose to 1,527 MSEK (1,397) and excl. non-recurring effects to 1,423 MSEK.
- Non-recurring effects of the US tax reform amounted to 104 MSEK.
- Earnings per share increased to 4.44 SEK (4.06) and excl. non-recurring effects to 4.13 SEK.
- Operating cash flow amounted to 2,001 MSEK (2,057).
- Mikael Fryklund appointed President and CEO, started July 1.
- In early April, Valley Processing, a well-known US Rubber Compounder, was acquired.
- March 31, Trelleborg's Rubber Compounding unit in Czech Republic, a well-known Rubber Compounder in Central Europe, was acquired.
- The Board of Directors proposes a dividend of 1.95 SEK per share (4.75 SEK incl. a special dividend of 3.00 SEK).

### President's comments

*"The fourth quarter of 2017 was another strong quarter. The sales increased 6 per cent to 2,926 MSEK 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. The sales to automotive related customers were still good and improved to customers within engineering and general industry as well as the construction industry. Currency effects had a negative impact on both sales and operating profit. Earnings per share amounted to 1.31 SEK (1.09). The operating cash flow was strong and amounted to 609 MSEK.*

*The full year 2017 was the best year so far with increased sales of 12 per cent and improved result. During the year two well-known Rubber Compounders were acquired, Trelleborg's Rubber Compounding unit in Czech Republic, and Valley Processing in the US. Our financial position remains strong and we are well equipped for further expansion."*

Mikael Fryklund, President and CEO

### Group summary

Key figures	Oct-Dec		Jan-Dec	
MSEK	2017	2016	2017	2016
Sales	2 926	2 753	12 230	10 879
Operating profit, EBIT	467	484	1 986	1 921
Operating margin, %	16,0	17,6	16,2	17,7
Profit before tax	463	483	1 968	1 913
Profit after tax	449	374	1 527	1 397
Earnings per share before dilution, SEK	1,31	1,09	4,44	4,06
Earnings per share after dilution, SEK	1,31	1,09	4,44	4,06
Earnings per share excl. non-recurring effects of the US tax reform, SEK	1,00	1,09	4,13	4,06
Equity/assets ratio, %			68	77
Return on capital employed, % R12			25,1	26,8
Operating cash flow	609	567	2 001	2 057

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 2017 amounted to 12,230 MSEK. The HEXPOL Group has approximately 4,400 employees in eleven countries. Further information is available at [www.hexpol.com](http://www.hexpol.com).

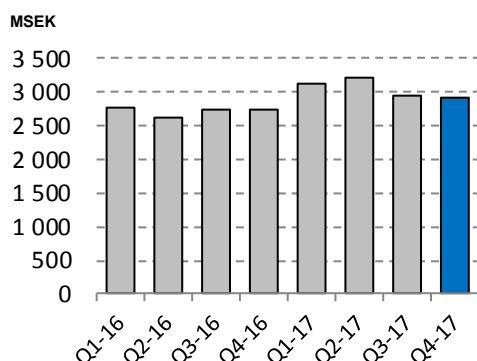
## Fourth quarter of 2017

The HEXPOL Group's sales increased 6 per cent to 2,926 MSEK (2,753) during the quarter. Currency effects had a negative impact of 169 MSEK on sales, mainly due to a weakening of the USD.

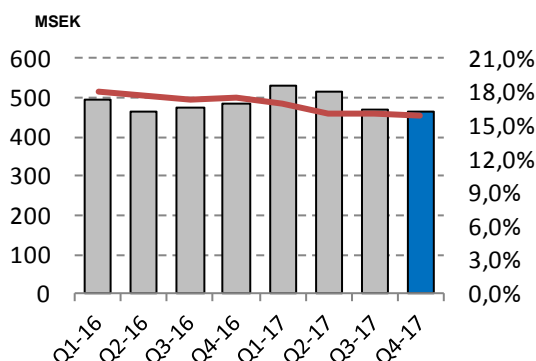
The volume development was positive and the sales growth (adjusted for currency effects), amounted to 12 per cent. Sales growth (adjusted for currency effects and acquisitions) amounted to 6 per cent. During the quarter, the prices on our main raw materials have been stable, however slightly higher than the corresponding year earlier period, and the price pressure continued strong.

Operating profit amounted to 467 MSEK (484) and the operating margin amounted to 16.0 per cent (17.6). Exchange rate fluctuations had a negative impact of 29 MSEK on operating profit for the quarter.

### Sales



### Operating profit & operating margin



The HEXPOL Compounding business area's sales increased 7 per cent to 2,704 MSEK (2,533) during the quarter. Operating profit amounted to 440 MSEK (454). The operating margin amounted to 16.3 per cent (17.9) affected by price pressure, changes in mix and lower margins in acquired units.

The HEXPOL Engineered Products business area's sales increased to 222 MSEK (220) during the quarter. Operating profit amounted to 27 MSEK (30), and the operating margin amounted to 12.2 per cent (13.6).

Sales in Europe (including Trelleborg Material & Mixing Lesina, acquired in March 2017), increased 23 per cent compared to the corresponding year earlier period. Also adjusted for acquired units the sales was higher in Europe compared to the corresponding year earlier period.

Sales in NAFTA (including Valley Processing, acquired in April 2017) decreased 2 per cent and sales in Asia increased 10 per cent compared to the corresponding year earlier period. Sales in NAFTA were affected by currency effects due to a weakening of the USD and sales in NAFTA in local currency increased by 8 per cent compared to the corresponding year earlier period. Adjusted for both currency effects and acquisitions the sales in NAFTA increased.

The Group's operating cash flow increased to 609 MSEK (567). The Group's net financial items amounted to an expense of 4 MSEK (expense: 1), which includes exchange rate losses.

Profit before tax amounted to 463 MSEK (483). Profit after tax increased to 449 MSEK (374) and earnings per share increased to 1.31 SEK (1.09). Non-recurring effects of the tax reform in the US were positive and amounted to 104 MSEK, adjusted for these the profit after tax amounted to 345 MSEK and earnings per share to 1.00 SEK.

## Full year 2017

The HEXPOL Group's sales increased 12 per cent to 12,230 MSEK (10,879) during the year. Currency effects had a positive impact of 5 MSEK on sales. Currency effects had a positive impact on sales in the first and second quarter by 118 and 162 MSEK respectively while sales were negatively affected in the third and fourth quarter by 106 and 169 MSEK respectively.

The volume development was positive and the sales growth (adjusted for currency effects), amounted to 12 per cent. Sales growth (adjusted for currency effects and acquisitions) amounted to 5 per cent. During the year, the prices on our main raw materials have increased and the price pressure continued strong.

Sales in Europe (including Berwin Group, acquired in June 2016 and Trelleborg Material & Mixing Lesina, acquired in March 2017) increased 24 per cent compared to the previous year. Sales in NAFTA (including Valley Processing, acquired in April 2017) increased 7 per cent and in Asia 16 per cent compared with the previous year. Adjusted for the acquired units, sales were higher in both Europe and in NAFTA compared with the previous year.

Operating profit increased 3 per cent to 1,986 MSEK (1,921) and the operating margin amounted to 16.2 per cent (17.7). Exchange rate fluctuations had a negative impact of 2 MSEK on operating profit for the year. Exchange rate fluctuations had a positive impact on the operating profit in the first and second quarter by 21 and 29 MSEK respectively while the operating profit was negatively affected in the third and fourth quarter by 23 and 29 MSEK respectively.

On 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 130 employees.

In early April, Valley Processing, a well-known 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. Transaction costs of 6 MSEK have been reported during the second quarter.

The HEXPOL Compounding business area's sales increased 13 per cent to 11,326 MSEK (10,028) during the year. Operating profit increased 4 per cent to 1,873 MSEK (1,806). The operating margin amounted to 16.5 per cent (18.0).

The HEXPOL Engineered Products business area's sales increased 6 per cent to 904 MSEK (851) during the year. Operating profit amounted to 113 MSEK (115), and the operating margin amounted to 12.5 per cent (13.5).

The Group's operating cash flow amounted to 2,001 MSEK (2,057) during the year. The Group's net financial items amounted to an expense of 18 MSEK (expense: 8), of which interest expense amounted to 13 MSEK (expense: 10).

Profit before tax during the year increased to 1,968 MSEK (1,913). Operating profit after tax increased to 1,527 MSEK (1,397) and earnings per share rose 9 per cent to 4.44 SEK (4.06). Non-recurring effects of the tax reform in the US were positive and amounted to 104 MSEK and adjusted for these the profit after tax amounted to 1,423 MSEK and earnings per share to 4.13 SEK, an increase of 2 per cent.

## Profitability

The return on average capital employed, R12, amounted to 25.1 per cent (26.8). The return on shareholders' equity, R12, amounted to 22.2 per cent (20.5).

## Financial position and liquidity

The equity/assets ratio amounted to 68 per cent (77). The Group's total assets amounted to 10,350 MSEK (9,848). Net debt amounted to 27 MSEK (net cash 1,268). 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 2,001 MSEK (2,057). Cash flow from operating activities amounted to 1,699 MSEK (1,710).

## Investments, depreciation and amortisation

The Group's investments amounted to 199 MSEK (166) and are mainly attributable to maintenance investments and capacity investments within HEXPOL TPE Compounding. Depreciation, amortisation and impairment amounted to 243 MSEK (216).

## Tax expenses

The Group's tax expenses amounted to 441 MSEK (516). Non-recurring effects of the tax reform, which was decided in the US in December 2017, were positive and amounted to 104 MSEK. The largest part of non-recurring effects consists of recalculation of deferred tax assets and liabilities, which do not affect the cash flow. The non-recurring effects also include non-recurring taxation of profits in subsidiaries with parent company in the US, which will be paid in coming years. Adjusted for these non-recurring effects the tax expenses amounted to 545 MSEK, which corresponds to a tax rate of 27.7 per cent (27.0). In the US tax reform, the state corporate taxation changed among other things from 35% to 21% and if it had been in force in 2017 the tax rate for the Group is estimated to have been approximately 4 percentages lower.

## Personnel

The number of employees at the end of the period was 4,389 (4,140). 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

On 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 130 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. The sales amounted to 35 MEUR during the period April to December 2017.

In early April, Valley Processing, a well-known 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. Excluding supplementary purchase price the acquisition price amounts preliminary to approximately 48 MUSD on a cash and debt free basis. Acquired excess values amounts preliminary to 43 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. The sales for Valley Processing amounted to 27 MUSD during the period April to December 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	Oct-Dec		Jan-Dec	
	2017	2016	2017	2016
Sales	2 704	2 533	11 326	10 028
Operating profit	440	454	1 873	1 806
Operating margin, %	16,3	17,9	16,5	18,0

HEXPOL Compounding's sales (including the acquired Trelleborg Material & Mixing Lesina and Valley Processing) increased 7 per cent to 2,704 MSEK (2,533), during the fourth 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.

Operating profit amounted to 440 MSEK (454), and the operating margin amounted to 16.3 per cent (17.9) affected by price pressure, changes in mix and lower margins in acquired units.

The volume development was positive, with higher volumes in Europe, Asia as well as in NAFTA. Overall the volume was slightly higher adjusted for the acquired units Trelleborg Material & Mixing Lesina and Valley Processing.

HEXPOL Compounding NAFTA's sales increased, also excluding the acquired Valley Processing, during the quarter in local currency. However, affected by the weakened USD the sales were lower in SEK. The sales continued stable to automotive related customers, however slightly affected by inventory adjustments at some end customers within the American automotive industry. Sales improved to customers within engineering and general industry and within building and constructions. Sales to customers within oil and gas and mining sector have also improved, however from a low level.

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

HEXPOL Compounding Asia sales increased significantly during the quarter with increased sales to automotive-related customers in China.

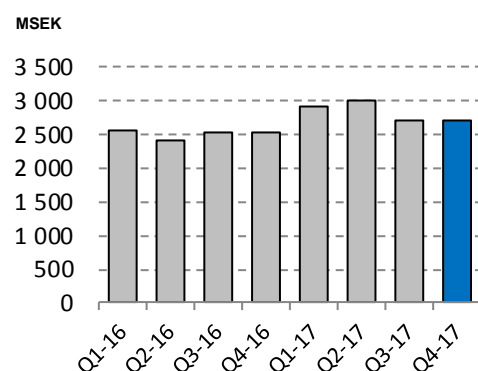
HEXPOL TPE Compounding developed positively during the quarter with significantly higher sales.

HEXPOL TP Compounding sales developed also positively during the quarter with increased sales in local currency. However, affected by the weakened USD the sales were lower in SEK.

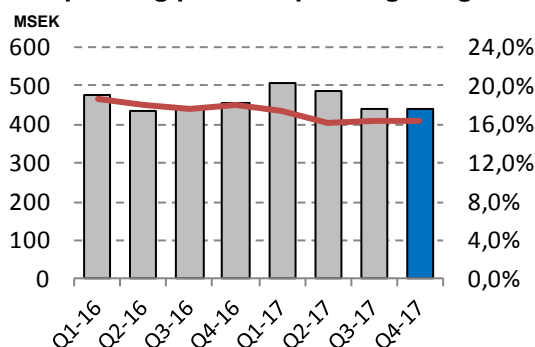
Trelleborg Material and Mixing Lesina, was acquired on March 31, and has been integrated in HEXPOL Compounding's European organisation and the unit is developing according to plan.

Valley Processing, was acquired in April, and has been integrated in HEXPOL Compounding's NAFTA organisation 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.

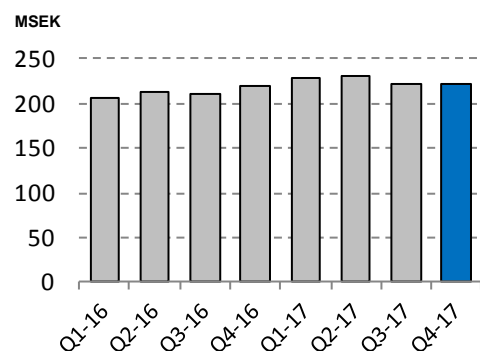
MSEK	Oct-Dec		Jan-Dec	
	2017	2016	2017	2016
Sales	222	220	904	851
Operating profit	27	30	113	115
Operating margin, %	12,2	13,6	12,5	13,5

The HEXPOL Engineered Products business area's sales increased to 222 MSEK (220) during the fourth quarter. Operating profit amounted to 27 MSEK (30), and the operating margin amounted to 12.2 per cent (13.6).

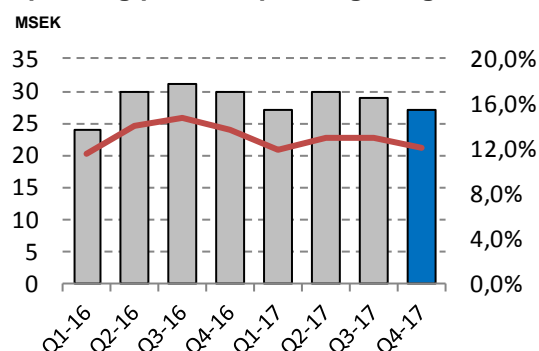
The sales for the HEXPOL Gaskets product area was slightly lower compared to the corresponding year-earlier period, and the sales remained weak to project-related business. As previous, the market was characterised by general price pressure.

The sales for HEXPOL Wheels product area increased compared to the corresponding year-earlier period. HEXPOL Wheels had a positive sales development in all units.

### Sales



### Operating profit & operating margin



## Parent Company

The Parent Company's profit after tax amounted to 975 MSEK (1,143), which includes dividends from subsidiaries. Shareholders' equity amounted to 3,075 MSEK (3,735).

## 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

This year-end report has been prepared in accordance with IAS 34 Interim Financial Reporting. 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. The accounting and measurement policies, as well as the assessment bases, applied in the 2016 Annual Report have also been applied in this year-end report. No new or revised IFRSs that entered into force in 2017 have had any significant impact on the Group's financial reports.

### IFRS 9 - Financial instruments

IFRS 9 includes accounting for financial assets and liabilities and replaces IAS 39 Financial Instruments. IFRS 9 have other measurement categories for financial assets and a new model for impairment testing. The classification and measurement of financial liabilities is essentially unchanged. IFRS 9 comes into force for fiscal years beginning January 1, 2018 or later. The new model for calculating credit loss reserves is based on expected credit losses. The introduction of the standard will not have a significant effect on the company's financial statements as the Group has historically had few credit losses.

### IFRS 15 – Revenue from Contracts with Customers

IFRS 15 replaces all previously published standards and interpretations that handle revenue with a single revenue recognition model. IFRS 15 comes into force for fiscal years commencing January 1, 2018 or later. A company can choose between "full retrospective" or a forward-looking application with additional information "modified retrospective". The Group will choose modified retrospective application. The Group has evaluated the effects of IFRS 15 and the conclusion is that this will not have any material impact on the consolidated income statement.

### IFRS 16 - Leases

Implementation of the standard will mean that almost all leases will be recognised in the balance sheet, as a distinction between operating and finance leases no longer exist. According to the new standard, an asset (the right to use a leased asset) and a financial commitment to pay leasing fees shall be recognised. Contracts of short duration and contracts of less value are excluded. The standard is to apply for fiscal years beginning January 1, 2019 or later. The standard will affect the Group's financial reporting.

## 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 14,716 shareholders on December 31, 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 63 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. During the third quarter, Mikael Fryklund subscribed for 225,000 subscription warrants in the incentive program (2016/2020). The issue rate was SEK 9 per subscription warrant and every warrant gives the right to subscribe for one share at the subscription rate SEK 88.70. At the Annual General Meeting on 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 at SEB, Kungsträdgårdsgatan 8, Stockholm on February 2 at 10:00 a.m. CET. A presentation will also be held through a telephone conference on February 2 at 3:00 p.m. CET. The presentation, as well as information concerning participation, is available at [www.hexpol.com](http://www.hexpol.com).

## Annual General Meeting, April 24 2018

The Annual General Meeting will be held on April 24, 2018 at 3,00 p.m. CET in Malmö (Börshuset, Skeppsbron 2), Sweden. The Annual Report for 2017 will be available on HEXPOL's website and at the head office no later than April 3, 2018. 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 18, 2018 and notify their intention to participate no later than April 18, 2018. Shareholders whose shares are registered with a trustee must temporarily re-register the shares in their own name no later than April 18, 2018 to be entitled to participate in the AGM. The trustee should therefore be notified in due time before said date.

## Calendar for financial information

HEXPOL AB will publish financial information on the following dates:

▪ Interim report January-March 2018	April 24, 2018
▪ Annual General Meeting 2018	April 24, 2018
▪ Half-year report January-June 2018	July 18, 2018
▪ Interim report January-September 2018	October 25, 2018

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

The year-end report for 2017 has not been audited by HEXPOL AB's auditors.

Malmö, Sweden February 2, 2018  
HEXPOL AB (publ.)

Mikael Fryklund  
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 February 2, 2018. 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	
<b>MSEK</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Sales	2 926	2 753	12 230	10 879
Cost of goods sold	-2 300	-2 117	-9 572	-8 315
<b>Gross profit</b>	<b>626</b>	<b>636</b>	<b>2 658</b>	<b>2 564</b>
Selling and administrative cost, etc.	-159	-152	-672	-643
<b>Operating profit</b>	<b>467</b>	<b>484</b>	<b>1 986</b>	<b>1 921</b>
Financial income and expenses	-4	-1	-18	-8
<b>Profit before tax</b>	<b>463</b>	<b>483</b>	<b>1 968</b>	<b>1 913</b>
Tax	-14	-109	-441	-516
<b>Profit after tax</b>	<b>449</b>	<b>374</b>	<b>1 527</b>	<b>1 397</b>
- of which, attributable to Parent Company shareholders	449	374	1 527	1 397
Earnings per share before dilution, SEK	1,31	1,09	4,44	4,06
Earnings per share after dilution, SEK	1,31	1,09	4,44	4,06
Earnings per share excl. non-recurring effects of the US tax reform, SEK	1,00	1,09	4,13	4,06
Shareholders' equity per share, SEK			20,37	21,96
Average number of shares, 000s	344 201	344 201	344 201	344 201
Depreciation, amortisation and impairment	-66	-52	-243	-216

**Condensed statement of comprehensive income**

	Oct-Dec		Jan-Dec	
<b>MSEK</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Profit after tax	449	374	1 527	1 397
<b>Items that will not be reclassified to the income statement</b>				
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
<b>Items that may be reclassified to the income statement</b>				
Cash-flow hedges	0	0	0	0
Hedge of net investment	-10	-40	72	-62
Income tax relating to items that may be reclassified to the income statement	2	9	-16	14
Translation differences	217	338	-498	550
<b>Comprehensive income</b>	<b>657</b>	<b>680</b>	<b>1 084</b>	<b>1 898</b>
- of which, attributable to Parent Company's shareholders	657	680	1 084	1 898

**Condensed consolidated balance sheet**

<b>MSEK</b>	<b>Dec 31</b>	
	<b>2017</b>	<b>2016</b>
Intangible fixed assets	5 227	4 577
Tangible fixed assets	1 751	1 745
Financial fixed assets	1	0
Deferred tax asset	69	101
<b>Total fixed assets</b>	<b>7 048</b>	<b>6 423</b>
Inventories	887	786
Accounts receivable	1 414	1 181
Other receivables	146	123
Prepaid expenses and accrued income	42	38
Cash and cash equivalents	813	1 297
<b>Total current assets</b>	<b>3 302</b>	<b>3 425</b>
<b>Total assets</b>	<b>10 350</b>	<b>9 848</b>
Equity attributable to Parent Company's shareholders	7 010	7 559
<b>Total shareholders' equity</b>	<b>7 010</b>	<b>7 559</b>
Interest-bearing liabilities	825	-
Provision for deferred tax	331	407
Provision for pensions	21	21
<b>Total non-current liabilities</b>	<b>1 177</b>	<b>428</b>
Interest-bearing liabilities	15	29
Accounts payable	1 626	1 405
Other liabilities	197	101
Accrued expenses, prepaid income, provisions	325	326
<b>Total current liabilities</b>	<b>2 163</b>	<b>1 861</b>
<b>Total shareholders' equity and liabilities</b>	<b>10 350</b>	<b>9 848</b>

**Consolidated changes in shareholders' equity**

<b>MSEK</b>	<b>Dec 31, 2017</b>		<b>Dec 31, 2016</b>	
	<b>Attributable to Parent Company shareholders</b>	<b>Total equity</b>	<b>Attributable to Parent Company shareholders</b>	<b>Total equity</b>
<b>Opening equity</b>	<b>7 559</b>	<b>7 559</b>	<b>6 233</b>	<b>6 233</b>
Comprehensive income	1 084	1 084	1 898	1 898
Issue of subscription warrants	2	2	13	13
Dividend	-1 635	-1 635	-585	-585
<b>Closing Equity</b>	<b>7 010</b>	<b>7 010</b>	<b>7 559</b>	<b>7 559</b>

**Changes in number of shares**

	<b>Total number of Class A shares</b>	<b>Total number of Class B shares</b>	<b>Total number of shares</b>
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 gives the right to subscribe for 1.01 new shares at subscription rate SEK 88.70, adjusted for special dividend in May 2017 according to the warrant terms. During 2017, 225,000 subscription warrants has been subscribed for by 1 senior executive, where the issue rate was SEK 9 per subscription warrant and every warrant gives the right to subscribe for 1.00 new share at subscription rate SEK 88.70.

**Condensed consolidated cash-flow statement**

<b>MSEK</b>	<b>Oct-Dec</b>		<b>Jan-Dec</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Cash flow from operating activities before changes in working capital	426	391	1 732	1 640
Changes in working capital	146	97	-33	70
<b>Cash flow from operating activities</b>	<b>572</b>	<b>488</b>	<b>1 699</b>	<b>1 710</b>
Acquisitions	-17	-	-1 081	-295
Cash flow from other investing activities	-70	-66	-195	-150
<b>Cash flow from investing activities</b>	<b>-87</b>	<b>-66</b>	<b>-1 276</b>	<b>-445</b>
Dividend	-	-	-1 635	-585
Issue of subscription warrants	-	-	2	13
Cash flow from other financing activities	-713	-255	810	-503
<b>Cash flow from financing activities</b>	<b>-713</b>	<b>-255</b>	<b>-823</b>	<b>-1 075</b>
<b>Change in cash and cash equivalents</b>	<b>-228</b>	<b>167</b>	<b>-400</b>	<b>190</b>
Cash and cash equivalents at January 1	967	1 037	1 297	978
Exchange-rate differences in cash and cash equivalents	74	93	-84	129
<b>Cash and cash equivalents at the end of the period</b>	<b>813</b>	<b>1 297</b>	<b>813</b>	<b>1 297</b>

**Operating cash flow, Group**

<b>MSEK</b>	<b>Oct-Dec</b>		<b>Jan-Dec</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Operating profit	467	484	1 986	1 921
Depreciation/amortisation/impairment	66	52	243	216
Change in working capital	146	97	-33	70
Sales of fixed assets	0	0	4	16
Investments	-70	-66	-199	-166
<b>Operating Cash flow</b>	<b>609</b>	<b>567</b>	<b>2 001</b>	<b>2 057</b>

**Other key figures, Group**

	<b>Oct-Dec</b>		<b>Jan-Dec</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Profit margin before tax, %	15,8	17,5	16,1	17,6
Return on shareholders' equity, % R12			22,2	20,5
Interest-coverage ratio, multiple			152	192
Net cash, MSEK			-27	1 268
Sales growth adjusted for currency effects, %	12	1	12	-4
Sales growth adjusted for currency effects and acquisitions, %	6	-4	5	-6
Cash flow per share, SEK	1,67	1,42	4,94	4,97
Cash flow per share before change in working capital, SEK	1,24	1,14	5,03	4,76

## Financial instruments per category and measurement level

		Financial assets measured at fair value through profit or loss		
Dec 31, 2017				
MSEK	Loans and accounts receivable	Carrying value	Measurement level	Total
Assets in the balance sheet				
Derivative instruments	-	-	2	-
Non-current financial assets	1	-		1
Accounts receivable	1 414	-		1 414
Cash and cash equivalents	813	-		813
Total	2 228	-		2 228

		Financial liabilities measured at fair value through profit or loss		
MSEK	Other financial liabilities	Carrying value	Measurement level	Total
Liabilities in the balance sheet				
Derivative instruments	-	2	2	2
Interest-bearing non-current liabilities	825	-		825
Interest-bearing current liabilities	15	-		15
Accounts payable	1 626	-		1 626
Total	2 466	2		2 468

		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		
MSEK	Other financial liabilities	Carrying value	Measurement level	Total
Liabilities in the balance sheet				
Derivative instruments	-	0	2	0
Interest-bearing non-current liabilities	-	-		-
Interest-bearing current liabilities	29	-		29
Accounts payable	1 405	-		1 405
Total	1 434	0		1 434

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				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
HEXPOL Compounding	2 910	2 999	2 713	2 704	11 326	2 550	2 414	2 531	2 533	10 028
HEXPOL Engineered Products	228	231	223	222	904	207	213	211	220	851
<b>Group total</b>	<b>3 138</b>	<b>3 230</b>	<b>2 936</b>	<b>2 926</b>	<b>12 230</b>	<b>2 757</b>	<b>2 627</b>	<b>2 742</b>	<b>2 753</b>	<b>10 879</b>

### Sales per geographic region

MSEK	2017					2016				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Europe	969	1 072	995	1 006	4 042	780	828	842	818	3 268
NAFTA	2 021	2 025	1 784	1 737	7 567	1 851	1 688	1 770	1 768	7 077
Asia	148	133	157	183	621	126	111	130	167	534
<b>Group total</b>	<b>3 138</b>	<b>3 230</b>	<b>2 936</b>	<b>2 926</b>	<b>12 230</b>	<b>2 757</b>	<b>2 627</b>	<b>2 742</b>	<b>2 753</b>	<b>10 879</b>

### Operating profit per business area

MSEK	2017					2016				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
HEXPOL Compounding	505	487	441	440	1 873	473	435	444	454	1 806
HEXPOL Engineered Products	27	30	29	27	113	24	30	31	30	115
<b>Group total</b>	<b>532</b>	<b>517</b>	<b>470</b>	<b>467</b>	<b>1 986</b>	<b>497</b>	<b>465</b>	<b>475</b>	<b>484</b>	<b>1 921</b>

### Operating margin per business area

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

## Condensed income statement, Parent Company

MSEK	Oct-Dec		Jan-Dec	
	2017	2016	2017	2016
Sales	12	11	42	42
Administrative costs, etc.	-19	-12	-57	-68
<b>Operating loss</b>	<b>-7</b>	<b>-1</b>	<b>-15</b>	<b>-26</b>
Financial income and expenses	758	1 072	1 039	1 222
Untaxed reserves	-29	-32	-29	-32
<b>Profit before tax</b>	<b>722</b>	<b>1 039</b>	<b>995</b>	<b>1 164</b>
Tax	-21	-23	-20	-21
<b>Profit after tax</b>	<b>701</b>	<b>1 016</b>	<b>975</b>	<b>1 143</b>

## Condensed balance sheet, Parent Company

MSEK	Dec 31	
	2017	2016
Fixed assets	6 314	5 676
Current assets	1 506	2 565
<b>Total assets</b>	<b>7 820</b>	<b>8 241</b>
<b>Total shareholders' equity</b>	<b>3 075</b>	<b>3 735</b>
Untaxed reserves	61	32
Non-current liabilities	825	-
Current liabilities	3 859	4 474
<b>Total shareholders' equity and liabilities</b>	<b>7 820</b>	<b>8 241</b>

## Reconciliation alternative performance measures

### Sales

MSEK	2017					2016					2015				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Sales	3 138	3 230	2 936	2 926	12 230	2 757	2 627	2 742	2 753	10 879	2 951	2 910	2 772	2 596	11 229
Currency effects	118	162	-106	-169	5	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>3 042</b>	<b>3 095</b>	<b>12 225</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	182	186	782	-	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>2 860</b>	<b>2 909</b>	<b>11 443</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

%	Oct-Dec		Jan-Dec	
	2017	2016	2017	2016
Sales growth excluding currency effects	12	1	12	-4
Sales growth excluding currency effects and acquisitions	6	-4	5	-6

### Capital employed

MSEK	2017				2016				2015			
	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	10 496	10 594	10 550	10 350	8 776	9 355	9 451	9 848	9 261	9 033	8 944	8 723
Provision for deferred tax	-406	-388	-396	-331	-340	-356	-338	-407	-277	-271	-274	-349
Accounts payable	-1 753	-1 694	-1 603	-1 626	-1 259	-1 358	-1 431	-1 405	-1 375	-1 378	-1 339	-1 210
Other liabilities	-141	-241	-252	-197	-141	-69	-119	-101	-203	-147	-107	-63
Accrued expenses, prepaid income, provisions	-329	-344	-371	-325	-296	-353	-386	-326	-384	-406	-409	-325
<b>Total Group</b>	<b>7 867</b>	<b>7 927</b>	<b>7 928</b>	<b>7 871</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	Jan-Dec	
	2017	2016
Average capital employed	7 898	7 186
Profit before tax	1 968	1 913
Interest expense	13	10
<b>Total</b>	<b>1 981</b>	<b>1 923</b>
<b>Return on capital employed, %</b>	<b>25,1</b>	<b>26,8</b>

### Shareholders' equity

MSEK	2017				2016				2015			
	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	7 824	6 295	6 353	7 010	6 452	6 414	6 879	7 559	5 805	5 532	5 976	6 233

## Return on equity, R12

MSEK	Jan-Dec	
	2017	2016
Average shareholders' equity	6 871	6 826
Profit after tax	1 527	1 397
<b>Return on equity, %</b>	<b>22,2</b>	<b>20,5</b>

## Net cash

MSEK	Dec 31	
	2017	2016
Cash and cash equivalents	813	1 297
Non-current interest-bearing liabilities	-825	-
Current interest-bearing liabilities	-15	-29
<b>Net cash</b>	<b>-27</b>	<b>1 268</b>

## Equity/assets ratio

MSEK	Dec 31	
	2017	2016
Shareholders' equity	7 010	7 559
Total assets	10 350	9 848
<b>Equity/assets ratio, %</b>	<b>68</b>	<b>77</b>

## Profit after tax excl. non-recurring effects

MSEK	Q4		Jan-Dec	
	2017	2016	2017	2016
Profit after tax	449	374	1 527	1 397
Non-recurring effects of US tax reform	104	-	104	-
<b>Profit after tax excl. non-recurring effects</b>	<b>345</b>	<b>374</b>	<b>1 423</b>	<b>1 397</b>

## Earnings per share excl. non-recurring effects

MSEK	Q4		Jan-Dec	
	2017	2016	2017	2016
Profit after tax excl. non recurring effects	345	374	1 423	1 397
Number of shares, end of period	344 201 280	344 201 280	344 201 280	344 201 280
<b>Earnings per share excl. non-recurring effects</b>	<b>1,00</b>	<b>1,09</b>	<b>4,13</b>	<b>4,06</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>Earnings per share after dilution</b>	Profit after tax, in relation to the average number of shares outstanding adjusted for the dilution effect of warrants.
<b>Earnings per share excl. non-recurring effects</b>	Profit after tax excluding non-recurring effects, 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 excl. non-recurring effects</b>	Profit after tax excluding non-recurring effects.
<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.