

Year-end report 2018

Published on February 1, 2019

Fourth quarter 2018 – Increased sales and higher operating profit

- Sales increased 22 per cent to 3,557 MSEK (2,926).
- Operating profit increased 12 per cent to 522 MSEK (467).
- Operating margin amounted to 14.7 per cent (16.0).
- Profit after tax amounted to 405 MSEK (449 incl. non-recurring effects of 104 MSEK of the US tax reform).
- Earnings per share amounted to 1.18 SEK (1.31 incl. non-recurring effects of the US tax reform).
- Operating cash flow increased to 679 MSEK (609).
- In early October, 80 per cent of the shares in Mesgo Group, a leading Compounder in Europe within advanced compounds, was acquired.

Full year 2018 – Increased sales and higher result

- Sales increased 13 per cent to 13,770 MSEK (12,230).
- Operating profit increased 8 per cent to 2,150 MSEK (1,986).
- Operating margin amounted to 15.6 per cent (16.2).
- Profit after tax increased 8 per cent to 1,646 MSEK (1,527).
- Earnings per share increased 8 per cent to 4.78 SEK (4.44).
- Operating cash flow increased to 2,019 MSEK (2,001).
- Two strategic acquisitions, Kirkhill Rubber and Mesgo Group.
- The Board of Directors proposes a dividend of 2.25 SEK per share (1.95) an increase by 15 per cent.

President's comments

"The fourth quarter of 2018 was another strong quarter. The sales increased by 22 per cent, the volume development were positive and operating profit increased by 12 per cent. We are very pleased with our two latest strategic acquisitions, Kirkhill Rubber and Mesgo Group. These acquisitions have given us a better position within advanced elastomers and have broadened our geographical presence in three new countries and have strengthen our position in western US.

The full year 2018 was our best year so far with 13 per cent higher sales and improved result. Our financial position remains strong and we are well equipped for further expansion."

Mikael Fryklund, President and CEO

Group summary

Key figures MSEK	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Sales	3 557	2 926	13 770	12 230
Operating profit, EBIT	522	467	2 150	1 986
Operating margin, %	14,7	16,0	15,6	16,2
Profit before tax	528	463	2 161	1 968
Profit after tax	405	449	1 646	1 527
Earnings per share before dilution, SEK	1,18	1,31	4,78	4,44
Earnings per share after dilution, SEK	1,18	1,31	4,78	4,44
Earnings per share excl. non-recurring effects of the US tax reform, SEK	1,18	1,00	4,78	4,13
Equity/assets ratio, %			59	68
Return on capital employed, % R12			22,5	25,1
Operating cash flow	679	609	2 019	2 001

Fourth quarter of 2018

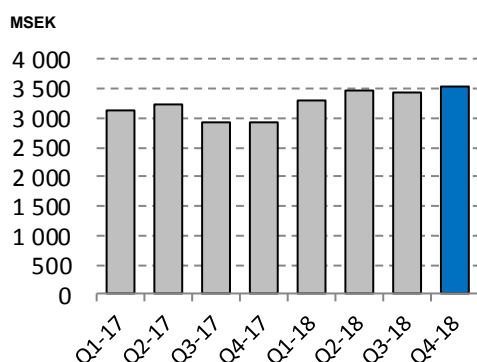
The HEXPOL Group’s sales (incl. the acquired operations of Kirkhill Rubber and Mesgo Group) increased 22 per cent to 3,557 MSEK (2,926) during the quarter. Exchange rate fluctuations affected the overall sales positively by 230 MSEK, mainly due to a strengthening of both the USD and of the EUR.

The volume development was positive and the sales growth (adjusted for currency effects), amounted to 14 per cent. Sales growth (adjusted for currency effects and acquisitions) amounted to 2 per cent. The sales have been affected positively by the fact that the sales prices have been higher, since the prices on our main raw materials were higher.

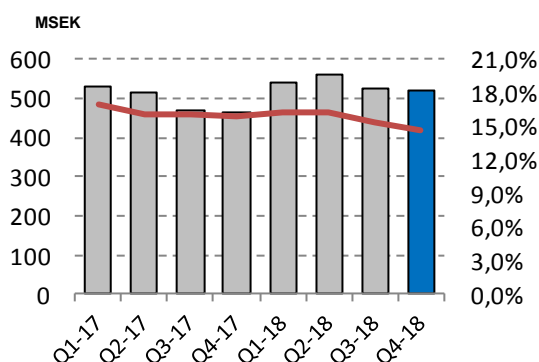
Operating profit increased by 12 per cent to 522 MSEK (467) and the operating margin amounted to 14.7 per cent (16.0). The operating margin was affected by lower organic volume due to inventory adjustments and extended Christmas holiday shutdowns at our customers, mix changes, and the acquisition of Kirkhill Rubber. Exchange rate fluctuations affected the operating profit positively by 35 MSEK in the quarter.

In early October, 80 per cent of the shares in Mesgo Group, an industry leader in high performance elastomers such as fluorocarbons and silicones, was acquired. Mesgo Group also specializes in conventional rubber compounds and thermoplastics. Mesgo Group has an annual sale of about 100 MEUR and has around 190 employees in six facilities. Mesgo has state of the art facilities in Carobbio and Gorlago in Italy and in Poland respectively in Turkey. Mesgo has also facilities specializing in thermoplastics and masterbatches in Garlasco and Grigno in Italy.

Sales



Operating profit & operating margin



The HEXPOL Compounding business area’s sales (incl. the acquired operations of Kirkhill Rubber and Mesgo Group) increased 22 per cent to 3,301 MSEK (2,704) during the quarter. Operating profit increased by 10 per cent to 486 MSEK (440) and the operating margin amounted to 14.7 per cent (16.3).

The HEXPOL Engineered Products business area’s sales increased 15 per cent to 256 MSEK (222) during the quarter. Operating profit increased 33 per cent to 36 MSEK (27), and the operating margin improved to 14.1 per cent (12.2).

Sales in Europe increased by 31 per cent, in NAFTA by 18 per cent and in Asia by 1 per cent compared to the corresponding year earlier period.

The Group’s operating cash flow increased to 679 MSEK (609). The Group’s net financial items amounted to 6 MSEK (expense: 4), which includes exchange rate gains.

Profit before tax increased by 14 per cent to 528 MSEK (463). Profit after tax amounted to 405 MSEK (449) and earnings per share amounted to 1.18 SEK (1.31). Positive non-recurring effects of 104 MSEK was reported during the fourth quarter 2017, due to the US tax reform. Adjusted for these non-recurring effects profit after tax amounted to 345 MSEK and earnings per share to 1.00 SEK in the fourth quarter 2017.

Full year 2018

The HEXPOL Group's sales increased 13 per cent to 13,770 MSEK (12,230) during the year. Exchange rate fluctuations affected the overall sales positively by 426 MSEK, mainly due to a strengthening of both the USD and of the EUR.

The volume development was positive and the sales growth (adjusted for currency effects), amounted to 9 per cent. Sales growth (adjusted for currency effects and acquisitions) amounted to 4 per cent. The sales have been affected positively by the fact that the sales prices have been higher, since the prices on our main raw materials have increased.

Sales in Europe increased by 18 per cent, in NAFTA by 9 per cent and in Asia by 19 per cent compared to the corresponding year earlier period.

Operating profit increased by 8 per cent to 2,150 MSEK (1,986) and the operating margin amounted to 15.6 per cent (16.2). Exchange rate fluctuations had a positive impact of 54 MSEK on operating profit during the year.

In September, the business of Kirkhill Rubber, a well-known US Rubber Compounder, was acquired. Kirkhill brings extensive knowledge in advanced elastomers and have a state of the art facility in Long Beach, California, US. Kirkhill Rubber is a very good complement to HEXPOL Compounding in the US and strengthens our market position in western US. Kirkhill Rubber has an annual sale of around 46 MUSD.

In early October, 80 per cent of the shares in Mesgo Group, an industry leader in high performance elastomers such as fluorocarbons and silicones were acquired. Mesgo also specializes in conventional rubber compounds and thermoplastics. Mesgo Group has an annual sale of around 100 MEUR and has around 190 employees in six facilities. Mesgo has state of the art facilities in Carobbio and Gorlago in Italy and in Poland respectively in Turkey. Mesgo has also facilities specializing in thermoplastics and master batches in Garlasco and Grigno in Italy. The acquisition of Mesgo Group has added new capabilities, new application knowhow and a new customer base to HEXPOL Compounding Europe at the same time broadened and strengthened the presence in the European market.

The HEXPOL Compounding business area's sales increased 13 per cent to 12,745 MSEK (11,326) during the year. Operating profit increased by 7 per cent to 2,006 MSEK (1,873) and the operating margin amounted to 15.7 per cent (16.5).

The HEXPOL Engineered Products business area's sales increased 13 per cent to 1,025 MSEK (904) during the year. Operating profit increased 27 per cent to 144 MSEK (113), and the operating margin improved to 14.0 per cent (12.5).

The Group's operating cash flow increased to 2,019 MSEK (2,001) during the year. The Group's net financial items amounted to 11 MSEK (expense: 18), which includes exchange rate gains.

Profit before tax increased to 2,161 MSEK (1,968) during the year. Profit after tax increased by 8 per cent to 1,646 MSEK (1,527) and earnings per share increased to 4.78 SEK (4.44).

Profitability

The return on average capital employed, R12, amounted to 22.5 per cent (25.1). The return on shareholders' equity, R12, amounted to 20.4 per cent (22.2).

Financial position and liquidity

The equity/assets ratio was still strong and amounted to 59 per cent (68). The Group's total assets amounted to 14,456 MSEK (10,350). Net debt amounted to 1,143 MSEK (net debt 27). The dividend of 671 MSEK (1,635) 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 2020.
- A credit agreement with a limit of 1,500 MSEK that will fall due in September 2021.

Cash flow

The operating cash flow increased to 2,019 MSEK (2,001). Cash flow from operating activities increased to 1,806 MSEK (1,699).

Investments, depreciation and amortisation

The Group's investments amounted to 207 MSEK (199) and are attributable to capacity investments within HEXPOL TPE Compounding and also regular maintenance investments. Depreciation, amortisation and impairment amounted to 259 MSEK (243).

Tax expenses

The Group's tax expenses were affected by lower tax rate in the US and amounted to 515 MSEK (441), which corresponds to a tax rate of 23.8 per cent (22.4). Positive non-recurring effects of 104 MSEK were reported during the fourth quarter 2017, due to the US tax reform. Adjusted for these non-recurring effects the tax expenses 2017 amounted to 545 MSEK, which corresponds to a tax rate of 27.7 per cent. In the US tax reform, the state corporate taxation changed among other things from 35% to 21%.

Personnel

The number of employees at the end of the year was 4,640 (4,389). The increase relates mainly to the operations in Kirkhill Rubber and Mesgo Group that was acquired during the year.

Acquisition

In September, the business of Kirkhill Rubber, a well-known US Rubber Compounder, was acquired. Kirkhill Rubber has annual sales of about 46 MUSD. That of Kirkhill Rubber recently acquired state of the art facility in Long Beach, California, US is included in the acquisition and is the sole manufacturing plant of Kirkhill. The production in Downey, California, US is about to be transferred to Long Beach and the production in Athens, Georgia, US has been transferred to other HEXPOL sites in the US. Thereby the facilities in Downey and Athens are not included in the transaction. The acquisition price amounts to approximately 49 MUSD on a cash and debt free basis. A smaller performance based consideration (approximately 3 MUSD) will be paid later if certain criteria are met. Acquired excess values amounts preliminary to approximately 36 MUSD and are mainly attributable to intangible assets. The Group's ownership is 100 per cent and the operations were consolidated from the acquisition day. The sales amounted to 14 MUSD during the period September-December 2018.

In early October, 80 per cent of the shares in Mesgo Group, an industry leader in high performance elastomers such as fluorocarbons and silicones, were acquired. Mesgo also specializes in conventional rubber compounds and thermoplastics. Mesgo Group has an annual sale of around 100 MEUR and has around 190 employees in six facilities. The acquisition price for 80 per cent of the shares is estimated to amount approximately 168 MEUR on a cash and debt free basis and has been funded by a combination of existing bank facilities and cash. According to the agreement HEXPOL has an option to acquire the remaining shares and the Caldara family has an option to sell their remaining shares to HEXPOL, which is recorded as a liability in the balance sheet. Acquired excess values amounts preliminary to 158 MEUR and are mainly attributable to intangible assets, such as trademarks, technology, customer relations and goodwill. The operations were consolidated from October 1. The sales amounted to 23 MEUR during the period October - December 2018.

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 transportation, energy, oil and gas industry, consumer industries, cable and wire industries and medical equipment industries.

MSEK	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Sales	3 301	2 704	12 745	11 326
Operating profit	486	440	2 006	1 873
Operating margin, %	14,7	16,3	15,7	16,5

HEXPOL Compounding's sales (including the acquired operations of Kirkhill Rubber and Mesgo Group) increased by 22 per cent to 3,301 MSEK (2,704), during the fourth quarter. The sales have been affected positively by the fact that the sales prices have been higher, since the prices on our main raw materials were higher.

Operating profit increased by 10 per cent to 486 MSEK (440) and the operating margin amounted to 14.7 per cent (16.3). The operating margin was affected by lower organic volume due to inventory adjustments and extended Christmas holiday shutdowns at our customers, mix changes, and the acquisition of Kirkhill Rubber.

The volume development was positive, with higher volumes in NAFTA and Europe, while the volumes in Asia were lower. Adjusted for the acquired operations Kirkhill Rubber and Mesgo Group the volumes were however slightly lower in both NAFTA and Europe.

HEXPOL Compounding NAFTA's sales increased, even excluding the acquired Kirkhill, during the quarter. The sales, even excluding the acquired Kirkhill, increased to automotive related customers and to customers within cable industry and were stable to energy, oil and gas sector. However the sales to customers within building and construction and within engineering and general industry were slightly lower.

Sales in HEXPOL Compounding Europe increased during the quarter, even excluding the acquired Mesgo Group. Sales increased to automotive related customers and to customers within engineering and general industry and cable industry. Sales to building and construction were slightly lower. Excluding the acquired Mesgo Group, sales to automotive related customers were lower mainly due to inventory adjustments and the new emission standard WLTP.

HEXPOL Compounding Asia's sales were lower during the quarter, mainly due to lower demand from automotive related customers in China.

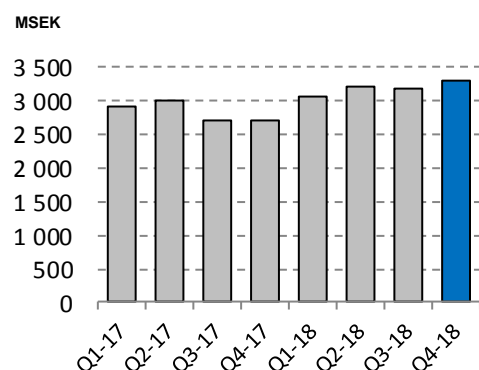
HEXPOL TPE Compounding developed positively during the quarter with higher sales.

HEXPOL TP Compounding's sales also developed positively during the quarter with increased sales, mainly to automotive related customers.

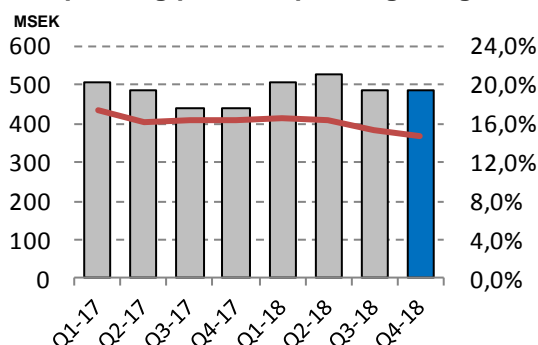
In early October, the business of Mesgo Group, an industry leader in high performance elastomers such as fluorocarbons and silicones was acquired. Mesgo also specializes in conventional rubber compounds and thermoplastics. Mesgo Group has an annual sale of around 100 MEUR and has around 190 employees in six facilities. Mesgo has state of the art facilities in Carobbio and Gorlago in Italy and in Poland respectively in Turkey. Mesgo has also facilities specializing in thermoplastics and master batches in Garlasco and Grigno in Italy. The acquisition of Mesgo Group has added new capabilities, new application knowhow and a new customer base to HEXPOL Compounding Europe at the same time broadened and strengthened the presence in the European market.

Kirkhill Rubber that was acquired in September, has been integrated in HEXPOL Compounding NAFTA's organisation and developed according to plan. The production in Athens, Georgia, US have been transferred to other HEXPOL units as planned and the production in Downey, California, US is about to be transferred to Long Beach, California, US.

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.

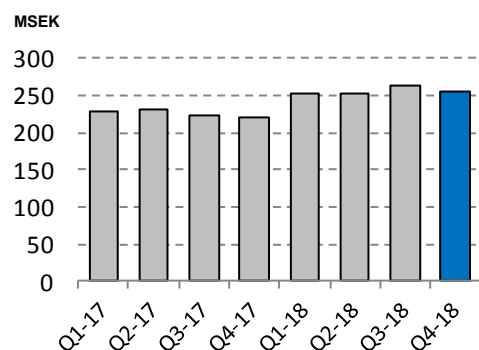
MSEK	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Sales	256	222	1 025	904
Operating profit	36	27	144	113
Operating margin, %	14,1	12,2	14,0	12,5

The HEXPOL Engineered Products business area's sales increased 15 per cent to 256 MSEK (222) during the fourth quarter. Operating profit increased by 33 per cent to 36 MSEK (27), and the operating margin improved to 14.1 per cent (12.2).

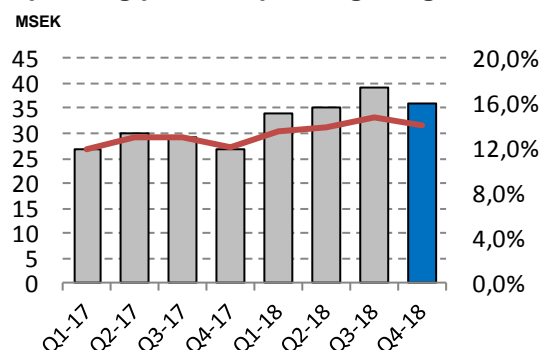
The sales for the HEXPOL Gaskets product area were significantly higher compared to the corresponding year-earlier period, and the sales improved to project-related business.

Also the sales for HEXPOL Wheels product area were significantly higher, mainly to customers within material handling, 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 increased to 2,017 MSEK (975), which includes dividends from subsidiaries. Shareholders' equity increased to 4,421 MSEK (3,075).

Risk factors

The Group's and Parent Company's business risks, risk management and management of financial risks are described in detail in the 2017 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 2017 Annual Report have also been applied in this year-end report. No new or revised IFRSs that came into force in 2018 have had any significant impact on the Group's financial reports.

IFRS 9 – Financial instruments

The introduction of the standard with a new model for calculating credit loss reserves has not had any significant impact on the company's financial statements as the Group has historically had few credit losses.

IFRS 15 – Revenue from Contracts with Customers

The Group's revenues consist mainly of one stream of revenues, sales of goods. The Group has one performance obligation for which revenues is reported at a time of delivery. The introduction of the standard has not had any significant impact on the company's financial statements. New information has been added where the company's revenues also are distributed geographically by segment.

IFRS 16 – Leases

Assessed effects of the transition to IFRS 16

This standard came into force January 1, 2019 and implicate that assets and liabilities attributable to leasing agreements are recognised in the balance sheet. The leasing agreements mainly cover operational leasing agreements for buildings, production- and office equipment and vehicles. The Group has chosen to perform the transition in line with the Cumulative catch-up approach and has applied the expedient to not restate any comparative information. A single discount rate per currency has been established. Right-of-use periods have been determined based on the term of the agreement. Right-of-use agreement shorter than 12 months or with a value as new below 5 KUSD is not reported as liabilities. The Group assesses the impact of the transition to a new standard implicate the following effects on the balance sheet. The assets estimates to increase net with 311 MSEK, the liabilities with 319 MSEK and the equity decrease with 8 MSEK. The assessment is that the reporting according to IFRS 16 will have a small positive impact on operating profit and a smaller impact on profit before tax.

Alternative Performance Measures (APMs)

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 12,212 shareholders on December 31, 2018. The largest shareholder is Melker Schörling AB with 25 per cent of the capital and 46 per cent of the voting rights. The twenty largest shareholders own 69 per cent of the capital and 78 per cent of the voting rights.

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 Danske Bank, Norrmalmstorg 1, Stockholm, Sweden on February 1 at 10:00 a.m. CET. A presentation will also be held through a telephone conference on February 1 at 3:00 p.m. CET. The presentation, as well as information concerning participation, is available at www.hexpol.com.

Annual General Meeting, April 26 2019

The Annual General Meeting will be held on April 26, 2019 at 3:00 p.m. CET in Malmö (Börshuset, Skeppsbron 2), Sweden. The Annual Report for 2018 will be available on HEXPOL's website and at the head office no later than April 5, 2019. 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, 2019 and notify their intention to participate no later than April 18. Shareholders whose shares are registered with a trustee must temporarily re-register the shares in their own name no later than April 18, 2019 to be entitled to participate in the AGM.

Calendar for financial information

HEXPOL AB will publish financial information on the following dates:

- | | |
|---|------------------|
| ▪ Interim report January-March 2019 | April 26, 2019 |
| ▪ Annual General Meeting 2019 | April 26, 2019 |
| ▪ Half-year report January-June 2019 | July 18, 2019 |
| ▪ Interim report January-September 2019 | October 24, 2019 |

Financial information is also available in Swedish and English on HEXPOL AB's website – www.hexpol.com.

This year-end report for 2018 has not been audited by HEPOL AB's auditors.

Malmö, Sweden February 1, 2019
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 1, 2019. This report has been prepared both in Swedish and English. In case of any divergence in the content of the two versions, the Swedish version shall have precedence.

Condensed consolidated income statement

MSEK	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Sales	3 557	2 926	13 770	12 230
Cost of goods sold	-2 829	-2 300	-10 846	-9 572
Gross profit	728	626	2 924	2 658
Selling and administrative cost, etc.	-206	-159	-774	-672
Operating profit	522	467	2 150	1 986
Financial income and expenses	6	-4	11	-18
Profit before tax	528	463	2 161	1 968
Tax	-123	-14	-515	-441
Profit after tax	405	449	1 646	1 527
- of which, attributable to Parent Company shareholders	405	449	1 646	1 527
Earnings per share before dilution, SEK	1,18	1,31	4,78	4,44
Earnings per share after dilution, SEK	1,18	1,31	4,78	4,44
Earnings per share excl. non-recurring effects of the US tax reform, SEK	1,18	1,00	4,78	4,13
Shareholders' equity per share, SEK			24,96	20,37
Average number of shares, 000s	344 201	344 201	344 201	344 201
Depreciation, amortisation and impairment	-71	-66	-259	-243

Condensed statement of comprehensive income

MSEK	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Profit after tax	405	449	1 646	1 527
Items that will not be reclassified to the income statement				
Remeasurements of defined benefit pension plans	-2	-1	-2	-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	173	-10	122	72
Income tax relating to items that may be reclassified to the income statement	-38	2	-27	-16
Translation differences	-97	217	514	-498
Comprehensive income	441	657	2 253	1 084
- of which, attributable to Parent Company's shareholders	441	657	2 253	1 084

Condensed consolidated balance sheet

MSEK	Dec 31	
	2018	2017
Intangible fixed assets	7 637	5 227
Tangible fixed assets	1 999	1 751
Financial fixed assets	25	1
Deferred tax asset	37	69
Total fixed assets	9 698	7 048
Inventories	1 405	887
Accounts receivable	1 925	1 414
Other receivables	210	146
Prepaid expenses and accrued income	54	42
Cash and cash equivalents	1 164	813
Total current assets	4 758	3 302
Total assets	14 456	10 350
Equity attributable to Parent Company's shareholders	8 592	7 010
Total shareholders' equity	8 592	7 010
Interest-bearing liabilities	2 308	825
Other liabilities	476	-
Provision for deferred tax	539	331
Provision for pensions	42	21
Total non-current liabilities	3 365	1 177
Interest-bearing liabilities	24	15
Accounts payable	1 913	1 626
Other liabilities	216	197
Accrued expenses, prepaid income, provisions	346	325
Total current liabilities	2 499	2 163
Total shareholders' equity and liabilities	14 456	10 350

Consolidated changes in shareholders' equity

MSEK	Dec 31, 2018		Dec 31, 2017	
	Attributable to Parent Company shareholders	Total equity	Attributable to Parent Company shareholders	Total equity
Opening equity	7 010	7 010	7 559	7 559
Comprehensive income	2 253	2 253	1 084	1 084
Issue of subscription warrants	-	-	2	2
Dividend	-671	-671	-1 635	-1 635
Closing Equity	8 592	8 592	7 010	7 010

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 2016, 1,408,000 subscription warrants were 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 was 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

MSEK	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Cash flow from operating activities before changes in working capital	508	426	1 989	1 732
Changes in working capital	149	146	-183	-33
Cash flow from operating activities	657	572	1 806	1 699
Acquisitions	-1 700	-17	-2 190	-1 081
Cash flow from other investing activities	-63	-70	-207	-195
Cash flow from investing activities	-1 763	-87	-2 397	-1 276
Dividend	-	-	-671	-1 635
Issue of subscription warrants	-	-	-	2
Cash flow from other financing activities	601	-713	1 446	810
Cash flow from financing activities	601	-713	775	-823
Change in cash and cash equivalents	-505	-228	184	-400
Cash and cash equivalents at January 1	1 656	967	813	1 297
Exchange-rate differences in cash and cash equivalents	13	74	167	-84
Cash and cash equivalents at the end of the period	1 164	813	1 164	813

Operating cash flow, Group

MSEK	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Operating profit	522	467	2 150	1 986
Depreciation/amortisation/impairment	71	66	259	243
Change in working capital	149	146	-183	-33
Sales of fixed assets	0	0	0	4
Investments	-63	-70	-207	-199
Operating Cash flow	679	609	2 019	2 001

Other key figures, Group

	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Profit margin before tax, %	14,8	15,8	15,7	16,1
Return on shareholders' equity, % R12			20,4	22,2
Interest-coverage ratio, multiple			121	152
Net debt, MSEK			-1 143	-27
Sales growth adjusted for currency effects, %	14	12	9	12
Sales growth adjusted for currency effects and acquisitions, %	2	6	4	5
Cash flow per share, SEK	1,91	1,67	5,25	4,94
Cash flow per share before change in working capital, SEK	1,48	1,24	5,78	5,03

Financial instruments per category and measurement level

Dec 31, 2018		Financial assets measured at fair value through profit or loss			Total
		Loan and account receivables	Carrying value	Measurement level	
MSEK					
Assets in the balance sheet					
Derivative instruments	-	0	2	0	
Non-current financial assets	25	-	-	25	
Accounts receivable	1 925	-	-	1 925	
Cash and cash equivalents	1 164	-	-	1 164	
Total	3 114	0		3 114	

MSEK		Financial liabilities measured at fair value through profit or loss			Total
		Other financial liabilities	Carrying value	Measurement level	
Liabilities in the balance sheet					
Interest-bearing non-current liabilities	2 308	-	-	2 308	
Liabilities to minority shareholders	-	476	3	479	
Interest-bearing current liabilities	24	-	-	24	
Accounts payable	1 913	-	-	1 913	
Other liabilities	189	-	-	189	
Supplementary purchase price	-	27	3	27	
Accrued expenses, prepaid income, provisions	346	-	-	346	
Total	4 780	503		5 286	

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

MSEK		Financial liabilities measured at fair value through profit or loss			Total
		Other financial liabilities	Carrying value	Measurement level	
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	
Other liabilities	34	-	-	34	
Supplementary purchase price	-	42	3	42	
Accrued expenses, prepaid income, provisions	318	-	-	318	
Total	2 818	44		2 862	

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	2018					Full Year	2017				Full Year
	Q1	Q2	Q3	Q4	Q1		Q2	Q3	Q4		
HEXPOL Compounding	3 057	3 207	3 180	3 301	12 745	2 910	2 999	2 713	2 704	11 326	
HEXPOL Engineered Products	252	254	263	256	1 025	228	231	223	222	904	
Group total	3 309	3 461	3 443	3 557	13 770	3 138	3 230	2 936	2 926	12 230	

Sales per geographic region

MSEK	2018					Full Year	2017				Full Year
	Q1	Q2	Q3	Q4	Q1		Q2	Q3	Q4		
Europe	1 162	1 181	1 114	1 317	4 774	969	1 072	995	1 006	4 042	
NAFTA	1 967	2 105	2 126	2 056	8 254	2 021	2 025	1 784	1 737	7 567	
Asia	180	175	203	184	742	148	133	157	183	621	
Group total	3 309	3 461	3 443	3 557	13 770	3 138	3 230	2 936	2 926	12 230	

Sales per geographic region HEXPOL Compounding

MSEK	2018					Full Year	2017				Full Year
	Q1	Q2	Q3	Q4	Q1		Q2	Q3	Q4		
Europe	1 031	1 042	985	1 184	4 242	852	954	883	886	3 575	
NAFTA	1 903	2 043	2 056	1 984	7 986	1 957	1 961	1 728	1 681	7 327	
Asia	123	122	139	133	517	101	84	102	137	424	
Group total	3 057	3 207	3 180	3 301	12 745	2 910	2 999	2 713	2 704	11 326	

Sales per geographic region HEXPOL Engineered Products

MSEK	2018					Full Year	2017				Full Year
	Q1	Q2	Q3	Q4	Q1		Q2	Q3	Q4		
Europe	131	139	129	133	532	117	118	112	120	467	
NAFTA	64	62	70	72	268	64	64	56	56	240	
Asia	57	53	64	51	225	47	49	55	46	197	
Group total	252	254	263	256	1 025	228	231	223	222	904	

Operating profit per business area

MSEK	2018					Full Year	2017				Full Year
	Q1	Q2	Q3	Q4	Q1		Q2	Q3	Q4		
HEXPOL Compounding	506	526	488	486	2 006	505	487	441	440	1 873	
HEXPOL Engineered Products	34	35	39	36	144	27	30	29	27	113	
Group total	540	561	527	522	2 150	532	517	470	467	1 986	

Operating margin per business area

%	2018					Full Year	2017				Full Year
	Q1	Q2	Q3	Q4	Q1		Q2	Q3	Q4		
HEXPOL Compounding	16,6	16,4	15,3	14,7	15,7	17,4	16,2	16,3	16,3	16,5	
HEXPOL Engineered Products	13,5	13,8	14,8	14,1	14,0	11,8	13,0	13,0	12,2	12,5	
Group total	16,3	16,2	15,3	14,7	15,6	17,0	16,0	16,0	16,0	16,2	

Condensed income statement, Parent Company

MSEK	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Sales	12	12	47	42
Administrative costs, etc.	-18	-19	-60	-57
Operating loss	-6	-7	-13	-15
Financial income and expenses	1 606	758	1 970	1 039
Untaxed reserves	61	-29	61	-29
Profit before tax	1 661	722	2 018	995
Tax	-4	-21	-1	-20
Profit after tax	1 657	701	2 017	975

Condensed balance sheet, Parent Company

MSEK	Dec 31	
	2018	2017
Fixed assets	8 956	6 314
Current assets	1 851	1 506
Total assets	10 807	7 820
Total shareholders' equity	4 421	3 075
Untaxed reserves	-	61
Non-current liabilities	2 290	825
Current liabilities	4 096	3 859
Total shareholders' equity and liabilities	10 807	7 820

Reconciliation alternative performance measures

Sales

MSEK	2018					2017					2016				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Sales	3 309	3 461	3 443	3 557	13 770	3 138	3 230	2 936	2 926	12 230	2 757	2 627	2 742	2 753	10 879
Currency effects	-153	36	313	230	426	118	162	-106	-169	5	18	-56	6	142	110
Sales excluding currency effects	3 462	3 425	3 130	3 327	13 344	3 020	3 068	3 042	3 095	12 225	2 739	2 683	2 736	2 611	10 769
Acquisitions	210	0	31	330	571	128	286	182	186	782	-	38	111	110	259
Sales excluding currency effects and acquisitions	3 252	3 425	3 099	2 997	12 773	2 892	2 782	2 860	2 909	11 443	2 739	2 645	2 625	2 501	10 510

Sales growth

%	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Sales growth excluding currency effects	14	12	9	12
Sales growth excluding currency effects and acquisitions	2	6	4	5

Capital employed

MSEK	2018				2017				2016			
	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	11 301	11 760	12 664	14 456	10 496	10 594	10 550	10 350	8 776	9 355	9 451	9 848
Provision for deferred tax	-336	-352	-356	-539	-406	-388	-396	-331	-340	-356	-338	-407
Accounts payable	-1 879	-1 977	-1 848	-1 913	-1 753	-1 694	-1 603	-1 626	-1 259	-1 358	-1 431	-1 405
Other liabilities	-236	-216	-210	-216	-141	-241	-252	-197	-141	-69	-119	-101
Accrued expenses, prepaid income, provisions	-307	-345	-393	-346	-329	-344	-371	-325	-296	-353	-386	-326
Total Group	8 543	8 870	9 857	11 442	7 867	7 927	7 928	7 871	6 740	7 219	7 177	7 609

Return on capital employed, R12

MSEK	Dec 31	
	2018	2017
Average capital employed	9 678	7 898
Profit before tax	2 161	1 968
Interest expense	18	13
Total	2 179	1 981
Return on capital employed, %	22,5	25,1

Shareholders' equity

MSEK	2018				2017				2016			
	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	7 682	7 882	8 151	8 592	7 824	6 295	6 353	7 010	6 452	6 414	6 879	7 559

Return on equity, R12

MSEK	Dec 31	
	2018	2017
Average shareholders' equity	8 077	6 871
Profit after tax	1 646	1 527
Return on equity, %	20,4	22,2

Net debt

MSEK	Dec 31	
	2018	2017
Financial assets	25	-
Cash and cash equivalents	1 164	813
Non-current interest-bearing liabilities	-2 308	-825
Current interest-bearing liabilities	-24	-15
Net debt	-1 143	-27

Equity/assets ratio

MSEK	Dec 31	
	2018	2017
Shareholders' equity	8 592	7 010
Total assets	14 456	10 350
Equity/assets ratio, %	59	68

Profit after tax excl. non-recurring effects

MSEK	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Profit after tax	405	449	1 646	1 527
Non-recurring effects of US tax reform	-	104	-	104
Profit after tax excl. non-recurring effects	405	345	1 646	1 423

Earnings per share excl. non-recurring effects

MSEK	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Profit after tax excl. non recurring effects	405	345	1 646	1 423
Number of shares, end of period	344 201 280	344 201 280	344 201 280	344 201 280
Earnings per share excl. non-recurring effects	1,18	1,00	4,78	4,13

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.
Earnings per share after dilution	Profit after tax, in relation to the average number of shares outstanding adjusted for the dilution effect of warrants.
Earnings per share excl. non-recurring effects	Profit after tax excluding non-recurring effects, 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 excl. non-recurring effects	Profit after tax excluding non-recurring effects.
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 excluding currency effects compared to the sales for the corresponding year-earlier period.
Sales growth excluding currency effects and acquisitions	Sales 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.