

Year-end report 2019

Published on January 30, 2020

Fourth quarter 2019 – Increased sales driven by acquisitions

- Sales increased 6 per cent to 3,774 MSEK (3,557).
- Operating profit, excl. non-recurring items, amounted to 522 MSEK (522).
- Operating margin, excl. non-recurring items, amounted to 13.8 per cent (14.7).
- Profit after tax amounted to 336 MSEK (405).
- Earnings per share, excl. non-recurring items, increased to 1.20 SEK (1.18). Earnings per share including these items amounted to 0.98 SEK (1.18).
- Operating cash flow increased to 732 MSEK (679).
- Non-recurring items, before tax, amounted to 99 MSEK.

Jan- Dec 2019 – Increased sales and significant strategic acquisitions

- Sales increased 13 per cent to 15,508 MSEK (13,770).
- Operating profit, excl. non-recurring items, increased 4 per cent to 2,242 MSEK (2,150).
- Operating margin, excl. non-recurring items, amounted to 14.5 per cent (15.6).
- Profit after tax amounted to 1,542 MSEK (1,646).
- Earnings per share, excl. non-recurring items, increased 3 per cent to 4.93 SEK (4.78). Earnings per share including these items amounted to 4.48 SEK (4.78).
- Operating cash flow increased to 2,607 MSEK (2,019).
- July 1st Preferred Compounding, a notable Rubber Compounder in North America, was acquired.
- Non-recurring items, before tax, amounted to 199 MSEK.
- The Board of Directors proposes a dividend of 2.30 SEK per share (2.25), an increase by 2 per cent.

President's comments

"The sales increased 6 per cent during the fourth quarter, while operating profit, excl. non-recurring items, was at the same level as previous year. The sales increased, thanks to the acquisitions, during the year. However, we saw organically a negative sales development in the quarter driven by a continued softening in demand. We are very pleased with the acquisition of Preferred Compounding and together we will be able to continue to develop our compounding business in America. Following the integration at Preferred Compounding has a restructuring project been initiated in order to optimize the operations and extract cost synergies, among other things two production units in US were closed during the quarter. During the full year 2019, the sales increased 13 per cent while earnings per share, excl. non-recurring items increased slightly compared to the previous year. Operating cash flow was strong and increased by 29 per cent. Our financial position remains strong and we are well equipped for further expansion."

Mikael Fryklund, President and CEO

Group summary

Key figures MSEK	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Sales	3 774	3 557	15 508	13 770
EBITA, excl. non-recurring items	543	533	2 320	2 183
EBITA margin, excl. non-recurring items, %	14,4	15,0	15,0	15,9
EBITA	444	533	2 121	2 183
EBITA margin, %	11,8	15,0	13,7	15,9
Operating profit, excl. non-recurring items	522	522	2 242	2 150
Operating margin, excl. non-recurring items, %	13,8	14,7	14,5	15,6
Operating profit, EBIT	423	522	2 043	2 150
Operating margin, EBIT %	11,2	14,7	13,2	15,6
Profit before tax	404	528	2 008	2 161
Profit after tax	336	405	1 542	1 646
Earnings per share, excl. non-recurring items, SEK	1,20	1,18	4,93	4,78
Earnings per share after dilution, SEK	0,98	1,18	4,48	4,78
Equity/assets ratio, %			56	59
Return on capital employed, % R12			15,2	22,5
Operating cash flow	732	679	2 607	2 019

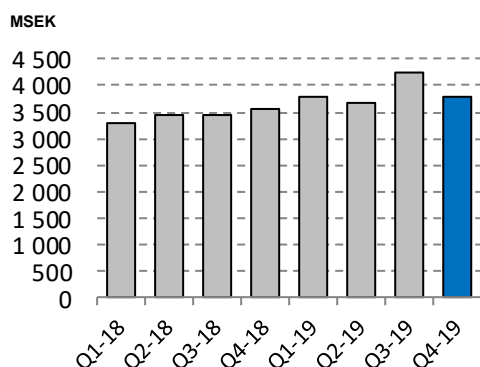
Fourth quarter of 2019

The HEXPOL Group's sales (including the acquired Preferred Compounding) increased by 6 per cent to 3,774 MSEK (3,557) during the quarter. Acquisitions increased the sales by 15 per cent, exchange rate fluctuations by 4 per cent, while the organic sales decreased by 13 per cent.

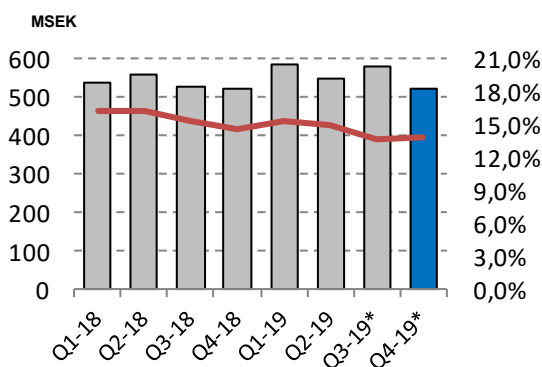
Operating profit, excluding non-recurring items, amounted to 522 MSEK (522) which means that the corresponding operating margin amounted to 13.8 per cent (14.7). The operating margin was affected by lower organic volume, acquisitions and amortisations of acquired intangible assets. The lower organic volume was affected by generally softer market demand, which was further strengthened by increased insourcing in terms of basic compounds at some Rubber Compounding customers. When sales at customers with own mixing capacity drop, they tend to insource some more. We also saw a sharp decline in so-called Tire & Toll volumes compared to the previous year, volumes that we temporarily produce as support when the customers have the needs. Further, our customers closed down longer than usual during the Christmas holidays, following by how the holidays occurred this year, which also affected the demand negatively at year-end. Operating profit amounted to 423 MSEK (522). Operating profit before amortisation of intangible assets and excluding non-recurring items, EBITA, increased slightly to 543 MSEK (533), which means that the corresponding EBITA margin amounted to 14.4 per cent (15.0). Exchange rate fluctuations affected the operating profit positively by 18 MSEK in the quarter.

Non-recurring items, referring mainly to integration- and restructuring costs, amounted to 99 MSEK.

Sales



Operating profit & operating margin



*Excl. non-recurring items

The HEXPOL Compounding business area's sales (incl. the acquired operations of Preferred Compounding) increased 7 per cent to 3,524 MSEK (3,301) during the quarter. Operating profit, excl. non-recurring items, increased to 493 MSEK (486) and the corresponding operating margin amounted to 14.0 per cent (14.7). Operating profit amounted to 394 MSEK (486).

The HEXPOL Engineered Products business area's sales were stable and amounted to 250 MSEK (256) during the quarter. Operating profit amounted to 29 MSEK (36), and the operating margin amounted to 11.6 per cent (14.1).

Sales in Europe were at the same level as previous year while sales in Americas increased by 12 per cent. Sales in Asia decreased at the same time by 2 per cent compared to the corresponding quarter previous year.

The Group's operating cash flow increased to 732 MSEK (679). The Group's net financial items amounted to an expense of 19 MSEK (6).

Profit before tax amounted to 404 MSEK (528). Profit after tax amounted to 336 MSEK (405) and earnings per share amounted to 0.98 SEK (1.18). Earnings per share, excl. non-recurring items, increased by 2 per cent to 1.20 SEK (1.18).

January - December 2019

The HEXPOL Group's sales (incl. the acquired operations of Kirkhill Rubber, Mesgo Group and Preferred Compounding) increased by 13 per cent to 15,508 MSEK (13,770) during the period. Acquisitions increased the sales by 16 per cent and exchange rate fluctuations by 6 per cent, while the organic sales decreased by 9 per cent.

The volume was higher overall, including the acquired operations of Kirkhill Rubber, Mesgo Group and Preferred Compounding.

Operating profit, excl. non-recurring items, increased 4 per cent to 2,242 MSEK (2,150), which means the corresponding operating margin amounted to 14.5 per cent (15.6). The operating margin was affected by lower organic volume, acquisitions, mix changes and amortisation of acquired intangible assets. The lower organic volume was affected by generally softer market demand, which was further strengthened by increased insourcing in terms of basic compounds at some Rubber Compounding customers. When sales at customers with own mixing capacity drop, they tend to insource some more. We also saw a sharp decline in so-called Tire & Toll volumes compared to the previous year, volumes that we temporarily produce as support when the customers have the needs. Further, our customers closed down longer than usual during the Christmas holidays, following by how the holidays occurred this year, which also affected the demand negatively at year-end. Operating profit amounted to 2,043 SEK (2,150). Operating profit before amortisation of intangible assets and excl. non-recurring items, EBITA, increased by 6 per cent to 2,320 MSEK (2,183), which means that the corresponding EBITA margin amounted to 15.0 per cent (15.9). Exchange rate fluctuations affected the operating profit positively by 121 MSEK during the period.

July 1st, Preferred Compounding, a notable Rubber Compounder in North America, was acquired. Preferred Compounding had sales in 2018 of approximately 240 MUSD and around 540 employees in six facilities, five in the US and one in Mexico. The acquisition strengthens our global positions within advanced polymer compounds with improved supply chain, cutting-edge expertise in polymer materials and solid knowledge of applications.

Non-recurring items, acquisition-, integration-, restructuring- and legal costs, amounted to 199 MSEK and were reported during the second half of the year and refers to HEXPOL Compounding.

The HEXPOL Compounding business area's sales (incl. the acquired operations of Kirkhill Rubber, Mesgo Group, and Preferred Compounding) increased 13 per cent to 14,465 MSEK (12,745) during the period. Operating profit, excl. non-recurring items, increased 5 per cent to 2,109 MSEK (2,006), which means that the corresponding operating margin amounted to 14.6 per cent (15.7). Operating profit amounted to 1,910 MSEK (2,006).

The HEXPOL Engineered Products business area's sales increased 2 per cent to 1,043 MSEK (1,025) during the period. Operating profit amounted to 133 MSEK (144), and the operating margin amounted to 12.8 per cent (14.0).

Sales in Europe increased by 18 per cent and in Americas by 11 per cent, while the sales decreased by 5 per cent in Asia compared to the corresponding year earlier period.

The Group's operating cash flow increased to 2,607 MSEK (2,019) during the period. The Group's net financial items amounted to an expense of 35 MSEK (11).

Profit before tax amounted to 2,008 MSEK (2,161) during the period. Profit after tax amounted to 1,542 MSEK (1,646) and earnings per share amounted to 4.48 SEK (4.78). Earnings per share, excl. non-recurring items, increased 3 per cent to 4.93 SEK (4.78).

Profitability

The return on average capital employed, R12, amounted to 15.1 per cent (22.5), negatively affected by restructuring expenses. The return on shareholders' equity, R12, amounted to 16.2 per cent (20.4).

Financial position and liquidity

The equity/assets ratio was still strong and amounted to 56 per cent (59). The Group's total assets increased to 17,425 MSEK (14,456). Net debt increased to 2,376 MSEK (1,143), of which 441 MSEK relates to financial leasing liabilities according to IFRS 16. The Group's total assets and net debt increased mainly due to the acquisition of Mesgo Group and Preferred Compounding.

The Group had 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 2022.
- A credit agreement with a limit of 2,000 MSEK that will fall due in July 2022.

Cash flow

The operating cash flow increased to 2,607 MSEK (2,019). Cash flow from operating activities increased to 2,412 MSEK (1,806).

Investments, depreciation and amortisation

The Group's investments amounted to 286 MSEK (207) and refers mainly to regular maintenance investments. Depreciation, amortisation and impairment amounted to 447 MSEK (259), of which 84 MSEK relates to leased assets according to IFRS 16.

Tax expenses

The Group's tax expenses amounted to 466 MSEK (515), which corresponds to a tax rate of 23.2 per cent (23.8).

Personnel

The number of employees at the end of the period was 5,061 (4,640). The increase relates mainly to Preferred Compounding, acquired in July 2019.

Acquisitions

July 1st, Preferred Compounding, a notable Rubber Compounder in North America, was acquired. Preferred Compounding had sales in 2018 of approximately 240 MUSD and around 540 employees in six facilities, five in the US and one in Mexico. The acquisition price amounts to approximately 232 MUSD (2,213 MSEK) on a cash and debt free basis. The Group's ownership is 100 per cent and the business is consolidated from July 2019. Acquisition related costs are estimated to approximately 2 MUSD (19 MSEK) and has been expensed in the third quarter. See more information, Note 3.

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, wire and cable industries and medical equipment industries.

MSEK	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Sales	3 524	3 301	14 465	12 745
Operating profit, excl. non-recurring items	493	486	2 109	2 006
Operating margin, excl. non-recurring items, %	14,0	14,7	14,6	15,7
Operating profit, EBIT	394	486	1 910	2 006

HEXPOL Compounding's sales (including the acquired Preferred Compounding) increased by 7 per cent to 3,524 MSEK (3,301), during the fourth quarter. Operating profit, excl. non-recurring items, increased to 493 MSEK (486) and the corresponding operating margin amounted to 14.0 per cent (14.7). The operating margin was affected by lower organic volume, acquisitions and amortisation of acquired intangible assets. Operating profit amounted to 394 MSEK (486).

The raw material prices on our main raw materials were slightly lower than the corresponding quarter last year.

The volume was higher in Americas but lower in Europe, while the volumes in Asia were stable. Adjusted for the acquired operations in Preferred Compounding the volumes were lower in Americas. The lower organic volume was affected by generally softer market demand, which was further strengthened by increased insourcing in terms of basic compounds at some Rubber Compounding customers. When sales at customers with own mixing capacity drop, they tend to insource some more. We also saw a sharp decline in so-called Tire & Toll volumes compared to the previous year, volumes that we temporarily produce as support when the customers have the needs. Further, our customers closed down longer than usual during the Christmas holidays, following by how the holidays occurred this year, which also affected the demand negatively at year-end.

HEXPOL Compounding Americas sales were higher during the quarter. However, the sales were lower excluding the acquired Preferred Compounding. The sales increased to automotive related customers and to customers within building & construction, engineering & general industry. Adjusted for the acquired operations in Preferred Compounding the sales were however significantly lower to automotive related customers but increased to customers within building & construction and were lower to customers within engineering & general industry.

Sales in HEXPOL Compounding Europe decreased slightly during the quarter. Sales were stable to automotive related customers and to building & construction but decreased to customers within engineering & general industry.

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

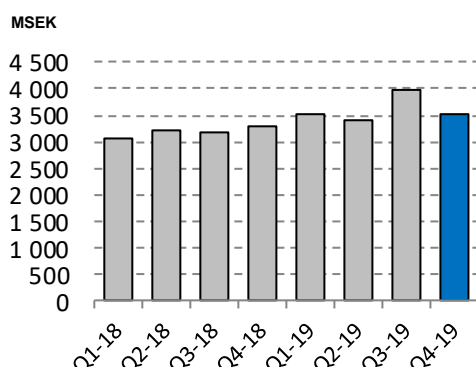
HEXPOL TPE Compounding's sales were slightly lower during the quarter.

HEXPOL TP Compounding's sales were lower during the quarter, mainly affected by lower sales to automotive related customers.

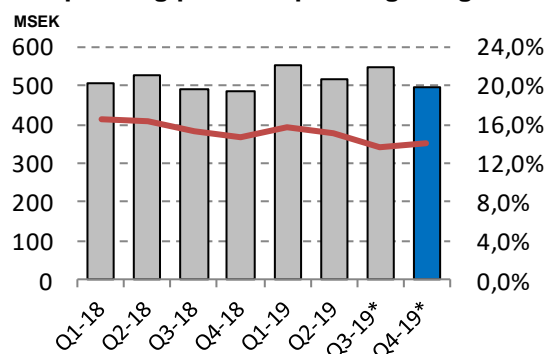
Non-recurring items, referring mainly to integration- and restructuring costs, but also acquisition- and legal expenses, amounted to 99 MSEK.

Costs during 2019 includes mainly the closing of two production units and Preferreds head office as well as adjustment of overhead organisation. Depending of the development of the general market in America during 2020, further adjustment of capacity might be needed, which at present is calculated to an expense of approximately 10 MUSD. Cost synergies are estimated to amount to approximately 5 MUSD during 2020 and to approximately 9 MUSD on an annual basis after the integration- and restructuring projects are completed, which is expected to be completed in the end of 2020.

Sales



Operating profit & operating margin



*Excl. non-recurring items

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.

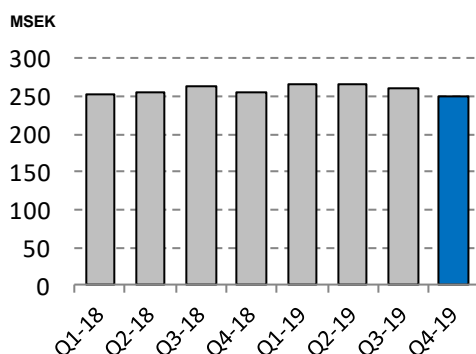
MSEK	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Sales	250	256	1 043	1 025
Operating profit, EBIT	29	36	133	144
Operating margin, EBIT %	11,6	14,1	12,8	14,0

The HEXPOL Engineered Products business area's sales were stable and amounted to 250 MSEK (256) during the fourth quarter. Operating profit amounted to 29 MSEK (36), and the operating margin amounted to 11.6 per cent (14.1). Operating profit was affected by continued delivery problems of an important raw material to one of HEXPOL Wheels plants.

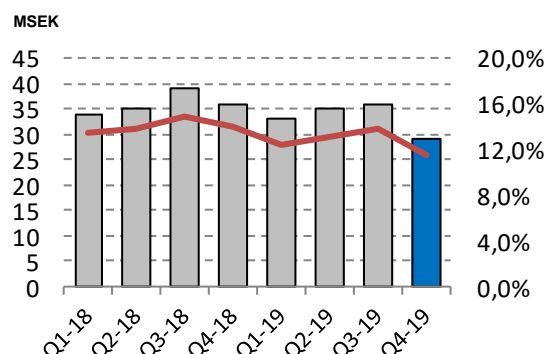
The sales for the HEXPOL Gaskets product area were stable, compared to the corresponding quarter last year.

The sales for HEXPOL Wheels product area decreased slightly, compared to the corresponding quarter last year.

Sales



Operating profit & operating margin



Parent Company

The Parent Company's profit after tax amounted to 1,261 MSEK (2,017). Shareholders' equity increased to 4,908 MSEK (4,421).

Risk factors

The Group's and Parent Company's business risks, risk management and management of financial risks are described in detail in the 2018 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 2018 Annual Report have also been applied in this year-end report. No new or revised IFRS that came into force in 2019 have had any significant impact on the Group's financial reports, except IFRS 16.

IFRS 16 – Leases

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 apply a simplified transition method 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. See further Note 2 and the Annual Report 2018.

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 12,000 shareholders on December 31, 2019. 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 72 per cent of the capital and 80 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

A presentation will be held through a webcasted conference call on January 30 at 3:00 p.m. CET. The presentation, as well as information concerning participation, is available at www.hexpol.com.

Annual General Meeting, April 28 2020

The Annual General Meeting will be held on April 28, 2020 at 3:00 p.m. CET in Malmö (Börshuset, Skeppsbron 2), Sweden. The Annual Report for 2019 will be available on HEXPOL's website and at the head office no later than April 7, 2020. 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, 2020 and notify their intention to participate no later than April 22, 2020. Shareholders whose shares are registered with a trustee must temporarily re-register the shares in their own name no later than April 22, 2020 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 2020 | April 28, 2020 |
| ▪ Annual General Meeting 2020 | April 28, 2020 |
| ▪ Half-year report January-June 2020 | July 17, 2020 |
| ▪ Interim report January-September 2020 | October 23, 2020 |

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

This year-end report for 2019 has not been audited by HEXPOL AB's auditors.

Malmö, Sweden January 30, 2020
HEXPOL AB (publ.)

Mikael Fryklund
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 1:00 p.m. CET on January 30, 2020. 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	
	2019	2018	2019	2018
Sales	3 774	3 557	15 508	13 770
Cost of goods sold	-3 106	-2 829	-12 430	-10 846
Gross profit	668	728	3 078	2 924
Selling and administrative cost, etc.	-245	-206	-1 035	-774
Operating profit	423	522	2 043	2 150
Financial income and expenses	-19	6	-35	11
Profit before tax	404	528	2 008	2 161
Tax	-68	-123	-466	-515
Profit after tax	336	405	1 542	1 646
- of w hich, attributable to Parent Company shareholders	336	405	1 542	1 646
Earnings per share before dilution, SEK	0,98	1,18	4,48	4,78
Earnings per share after dilution, SEK	0,98	1,18	4,48	4,78
Earnings per share, excl non recurring items, SEK	1,20	1,18	4,93	4,78
Shareholders' equity per share, SEK			28,34	24,96
Average number of shares, 000s	344 201	344 201	344 201	344 201
Depreciation, amortisation and impairment	-115	-71	-447	-259

Condensed statement of comprehensive income

MSEK	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Profit after tax	336	405	1 542	1 646
Items that will not be reclassified to the income statement				
Remeasurements of defined benefit pension plans	-2	-2	-2	-2
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	9	173	7	122
Income tax relating to items that may be reclassified to the income statement	-2	-38	-2	-27
Translation differences	-511	-97	399	514
Comprehensive income	-170	441	1 944	2 253
- of w hich, attributable to Parent Company's shareholders	-170	441	1 944	2 253

Condensed consolidated balance sheet

	Dec 31	
MSEK	2019	2018
Intangible fixed assets	9 429	7 637
Tangible fixed assets	2 632	1 999
Financial fixed assets	3	25
Deferred tax asset	52	37
Total fixed assets	12 116	9 698
Inventories	1 391	1 405
Accounts receivable	1 983	1 925
Other receivables	261	210
Prepaid expenses and accrued income	50	54
Cash and cash equivalents	1 624	1 164
Total current assets	5 309	4 758
Total assets	17 425	14 456
Equity attributable to Parent Company's shareholders	9 756	8 592
Total shareholders' equity	9 756	8 592
Interest-bearing liabilities	2 754	2 308
Other liabilities	41	476
Provision for deferred tax	580	539
Provision for pensions	55	42
Total non-current liabilities	3 430	3 365
Interest-bearing liabilities	1 249	24
Accounts payable	1 953	1 913
Other liabilities	598	216
Accrued expenses, prepaid income, provisions	439	346
Total current liabilities	4 239	2 499
Total shareholders' equity and liabilities	17 425	14 456

Consolidated changes in shareholders' equity

	Dec 31, 2019		Dec 31, 2018	
	Attributable to Parent Company shareholders	Total equity	Attributable to Parent Company shareholders	Total equity
MSEK				
Opening equity	8 592	8 592	7 010	7 010
Effects of transition to IFRS 16 Leases	-6	-6	-	-
Converted opening equity	8 586	8 586	7 010	7 010
Comprehensive income	1 944	1 944	2 253	2 253
Dividend	-774	-774	-671	-671
Closing Equity	9 756	9 756	8 592	8 592

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. The warrants gives the right to subscribe for shares during the period June 1, 2019 - December 31, 2020.

Condensed consolidated cash-flow statement

MSEK	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Cash flow from operating activities before changes in working capital	485	508	1 958	1 989
Changes in working capital	295	149	403	-183
Cash flow from operating activities	780	657	2 361	1 806
Acquisitions Note 3	-13	-1 700	-2 204	-2 190
Cash flow from other investing activities	-101	-63	-286	-207
Cash flow from investing activities	-114	-1 763	-2 490	-2 397
Dividend	-	-	-774	-671
Cash flow from other financing activities	-573	601	1 201	1 446
Cash flow from financing activities	-573	601	427	775
Change in cash and cash equivalents	93	-505	298	184
Cash and cash equivalents at January 1	1 526	1 656	1 164	813
Exchange-rate differences in cash and cash equivalents	5	13	162	167
Cash and cash equivalents at the end of the period	1 624	1 164	1 624	1 164

Operating cash flow, Group

MSEK	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Operating profit	423	522	2 043	2 150
Depreciation/amortisation/impairment	115	71	447	259
Change in working capital	295	149	403	-183
Sale of fixed assets	0	0	0	0
Investments	-101	-63	-286	-207
Operating Cash flow	732	679	2 607	2 019

Other key figures, Group

	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Profit margin before tax, %	10,7	14,8	12,9	15,7
Return on shareholders' equity, % R12			16,2	20,4
Interest-coverage ratio, multiple			43	121
Net debt, MSEK			-2 376	-1 143
Sales growth adjusted for currency effects, %	2	14	7	9
Sales growth adjusted for currency effects and acquisitions, %	-13	2	-9	4
Cash flow per share, SEK	2,27	1,91	6,86	5,25
Cash flow per share before change in working capital, SEK	1,41	1,48	5,69	5,78

Condensed income statement, Parent Company

MSEK	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Sales	13	12	54	47
Administrative costs, etc.	-12	-18	-62	-60
Operating loss	1	-6	-8	-13
Financial income and expenses	1 109	1 606	1 295	1 970
Untaxed reserves	0	61	0	61
Profit before tax	1 110	1 661	1 287	2 018
Tax	-29	-4	-26	-1
Profit after tax	1 081	1 657	1 261	2 017

Condensed balance sheet, Parent Company

MSEK	Dec 31	
	2019	2018
Fixed assets	8 970	8 956
Current assets	3 008	1 851
Total assets	11 978	10 807
Total shareholders' equity	4 908	4 421
Untaxed reserves	0	-
Non-current liabilities	2 391	2 290
Current liabilities	4 679	4 096
Total shareholders' equity and liabilities	11 978	10 807

Note 1 Financial instruments per category and measurement level

Dec 31, 2019		Financial assets/liabilities measured at:		
		fair value through		
MSEK	amortized costs	Carrying value	Measurem. level	Total
Assets in the balance sheet				
Non-current financial assets	3	-		3
Accounts receivable	1 983	-		1 983
Cash and cash equivalents	1 624	-		1 624
Total	3 610	-		3 610
Liabilities in the balance sheet				
Interest-bearing non-current liabilities	2 754	-		2 754
Other non-current liabilities	41	-		41
Interest-bearing current liabilities	1 249	-		1 249
Accounts payable	1 953	-		1 953
Other liabilities	209	-		209
Liabilities to minority shareholders	-	389	3	389
Accrued expenses, prepaid income, provisions	439	-		439
Total	6 645	389		7 034

Dec 31, 2018		Financial assets/liabilities measured at:		
		fair value through		
MSEK	amortized costs	Carrying value	Measurem. level	Total
Assets in the balance sheet				
Derivative financial 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
Liabilities in the balance sheet				
Interest-bearing non-current liabilities	2 308	-		2 308
Liabilities to minority shareholders	-	476	3	476
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		5 283

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

Note 2 Effects of the transition to IFRS 16 Leases

From January 1, 2019, the new accounting standard IFRS 16 Leases is applied, which mean the assets and liability attributable to leasing agreement are reported in the balance sheet. The effects of the transition to IFRS 16 Leases are presented below in the balance sheet and income statement.

Condensed consolidated income statement

	Jan-Dec 2019 excl IFRS 16	Jan-Dec 2019 IFRS 16 effect	Jan-Dec 2019 incl IFRS 16
MSEK			
Sales	15 508	-	15 508
Cost of goods sold	-12 436	6	-12 430
Gross profit	3 072	6	3 078
Selling and administrative cost, etc.	-1 036	1	-1 035
Operating profit	2 036	7	2 043
Financial income and expenses	-21	-14	-35
Profit before tax	2 015	-7	2 008
Tax	-468	2	-466
Profit after tax	1 547	-5	1 542
- of which, attributable to Parent Company shareholders	1 547	-5	1 542
Depreciation, amortisation and impairment	-363	-84	-447

Condensed consolidated balance sheet

MSEK	OB/CB - analysis			Dec 31, 2019		
	IFRS 16			excl	IFRS 16	incl
	CB 1812	effect	OB 1901	IFRS 16	effect	IFRS 16
Intangible fixed assets	7 637	-	7 637	9 429	-	9 429
Tangible fixed assets	1 999	357	2 356	2 205	427	2 632
Financial fixed assets	25	-	25	3	-	3
Deferred tax asset	37	2	39	49	3	52
Total fixed assets	9 698	359	10 057	11 686	430	12 116
Inventories	1 405	-	1 405	1 391	-	1 391
Accounts receivable	1 925	-	1 925	1 983	-	1 983
Other receivables	210	-	210	261	-	261
Prepaid expenses and accrued income	54	-	54	50	-	50
Cash and cash equivalents	1 164	-	1 164	1 624	-	1 624
Total current assets	4 758	-	4 758	5 309	-	5 309
Total assets	14 456	359	14 815	16 995	430	17 425
Equity attributable to Parent Company's shareholders	8 592	-6	8 586	9 767	-11	9 756
Total shareholders' equity	8 592	-6	8 586	9 767	-11	9 756
Interest-bearing liabilities	2 308	280	2 588	2 410	344	2 754
Other liabilities	476	-	476	41	-	41
Provision for deferred tax	539	-	539	580	-	580
Provision for pensions	42	-	42	55	-	55
Total non-current liabilities	3 365	280	3 645	3 086	344	3 430
Interest-bearing liabilities	24	85	109	1 152	97	1 249
Accounts payable	1 913	-	1 913	1 953	-	1 953
Other liabilities	216	-	216	598	-	598
Accrued expenses, prepaid income, provisions	346	-	346	439	-	439
Total current liabilities	2 499	85	2 584	4 142	97	4 239
Total shareholders' equity and liabilities	14 456	359	14 815	16 995	430	17 425

Note 3 Acquisitions

Acquisitions within HEXPOL Compounding 2019

July 1st, HEXPOL Group acquired 100% of Preferred Compounding, a notable Rubber Compounder in North America. The acquisition price amounts to approximately 232 MUSD on a cash and debt free basis. The purchase price allocation is preliminary since some information is outstanding. The business is consolidated as of July 2019. Acquisition related costs are estimated to approximately 2 MUSD. The sales amounted to 240 MUSD during 2018.

Below are details of net assets acquired and goodwill for the above acquisition:

MSEK

Purchase consideration	2 238
Fair value of acquired net assets	611
Goodwill	1 627

Goodwill is attributable to the strategic importance of the acquisition in terms of the increased breadth it adds to the HEXPOL Group's existing product offering. The acquisition strengthen our global positions in advanced polymer compounds with improved supply chain, cutting-edge expertise in polymer materials and solid knowledge of applications. The fair value of the acquired net assets includes 194 MSEK for the estimated value of acquired intangible assets.

MSEK

Cash and cash equivalents	25
Accounts receivable	368
Current assets	237
Tangible assets	232
Intangible assets	194
Deferred tax liabilities	-36
Pensions	-9
Non-current liabilities	-43
Accounts payables	-285
Current liabilities	-72
Acquired net assets	611

Goodwill	1 627
Purchase considerations	2 238
Cash and cash equivalents in acquired operations	25
Change in the Group's cash and cash equivalents	2 213

Acquisitions within HEXPOL Compounding 2018

In September 2018 the HEXPOL Group acquired 100% of Kirkhill Rubber. The acquisition price for Kirkhill Rubber amounted to approximately 49 MUSD on cash and debt free basis. A smaller performance based consideration, approximately 1 MUSD, will be paid during the fourth quarter 2019. The business is consolidated as of September 2018.

Below are details of net assets acquired and goodwill for the above acquisition:

MSEK

Purchase consideration	453
Fair value of acquired net assets	148
Goodwill	305

Goodwill is attributable to the strategic importance of the acquisition in terms of the increased breadth it adds to the HEXPOL Group's existing product offering. The acquisition extends our capacity and ability to serve our customers more efficiently. The fair value of the acquired net assets includes 30 MSEK for the estimated value of acquired intangible assets.

MSEK

Kundfordringar	78
Övriga omsättningstillgångar	61
Materiella tillgångar	18
Immateriella tillgångar	30
Uppskjutna skatteskulder	-10
Leverantörsskulder	-25
Kortfristiga skulder	-4
Förvärvade nettotillgångar	148
Goodw ill	305
Sammanlagd köpeskilling	453
Villkorad köpeskilling	-11
Förändring av koncernens likvida medel	442
-varav förändring av koncernens likvida medel under 2019	6

In early October 2018 the HEXPOL Group acquired 80% of Mesgo Group. The acquisition price for 80% of the shares amounted to approximately 168 MEUR on cash and debt free basis and was founded by a combination of existing bank facilities and cash. According to the agreement HEXPOL has an option to acquire the remaining shares (during the period March 2022-June 2023), and the Caldara family has an option to sell the remaining shares to HEXPOL (during the period March 2020-June 2023), the commitment is reported as a liability to minority shareholder. The business is consolidated as of October 2018.

Below are details of net assets acquired and goodw ill for the above acquisition:

MSEK

Purchase consideration	2 036
Fair value of acquired net assets	714
Goodw ill	1 322

Goodwill is attributable to the strategic importance of the acquisition in terms of the increased breadth it adds to the HEXPOL Group's existing product offering. The acquisition extends our capacity and ability to serve our customers more efficiently. The fair value of the acquired net assets includes 291 MSEK for the estimated value of acquired intangible assets.

MSEK

Cash and cash equivalents	53
Accounts receivable	339
Current assets	264
Tangible assets	176
Intangible assets	291
Deferred tax liabilities	-84
Pensions	-18
Accounts payables	-171
Current liabilities	-136
Acquired net assets	714
Goodw ill	1 322
Purchase considerations	2 036
Liability to minority shareholder	-386
Loan	88
Cash and cash equivalents in acquired operations	53
Change in the Group's cash and cash equivalents	1 685
-where off changes in the Group's cash and cash equivalents during 2019	-15

Note 4 Non-recurring items in the income statement

All items relates to HEXPOL Compounding

	Oct-Dec		Jan-Dec	
MSEK	2019	2018	2019	2018
Costs of goods sold	-80	-	-97	-
Selling and administrative costs, etc.	-19	-	-102	-
Profit before tax	-99	-	-199	-
Tax	23	-	43	-
Profit after tax	-76	-	-156	-

Quarterly data, Group

Sales per business area

MSEK	2019				Full	2018				Full
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
HEXPOL Compounding	3 539	3 418	3 984	3 524	14 465	3 057	3 207	3 180	3 301	12 745
HEXPOL Engineered Products	266	267	260	250	1 043	252	254	263	256	1 025
Group total	3 805	3 685	4 244	3 774	15 508	3 309	3 461	3 443	3 557	13 770

Sales per geographic region

MSEK	2019				Full	2018				Full
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Europe	1 519	1 439	1 360	1 301	5 619	1 162	1 181	1 114	1 317	4 774
Americas	2 127	2 066	2 697	2 293	9 183	1 967	2 105	2 126	2 056	8 254
Asia	159	180	187	180	706	180	175	203	184	742
Group total	3 805	3 685	4 244	3 774	15 508	3 309	3 461	3 443	3 557	13 770

Sales per geographic region HEXPOL Compounding

MSEK	2019				Full	2018				Full
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Europe	1 380	1 298	1 228	1 174	5 080	1 031	1 042	985	1 184	4 242
Americas	2 053	1 999	2 630	2 225	8 907	1 903	2 043	2 056	1 984	7 986
Asia	106	121	126	125	478	123	122	139	133	517
Group total	3 539	3 418	3 984	3 524	14 465	3 057	3 207	3 180	3 301	12 745

Sales per geographic region HEXPOL Engineered Products

MSEK	2019				Full	2018				Full
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Europe	139	141	132	127	539	131	139	129	133	532
Americas	74	67	67	68	276	64	62	70	72	268
Asia	53	59	61	55	228	57	53	64	51	225
Group total	266	267	260	250	1 043	252	254	263	256	1 025

Operating profit per business area

MSEK	2019				Full	2018				Full
	Q1	Q2	Q3*	Q4*	Year*	Q1	Q2	Q3	Q4	Year
HEXPOL Compounding	553	516	547	493	2 109	506	526	488	486	2 006
HEXPOL Engineered Products	33	35	36	29	133	34	35	39	36	144
Group total	586	551	583	522	2 242	540	561	527	522	2 150

Operating margin per business area

%	2019				Full	2018				Full
	Q1	Q2	Q3*	Q4*	Year*	Q1	Q2	Q3	Q4	Year
HEXPOL Compounding	15,6	15,1	13,7	14,0	14,6	16,6	16,4	15,3	14,7	15,7
HEXPOL Engineered Products	12,4	13,1	13,8	11,6	12,8	13,5	13,8	14,8	14,1	14,0
Group total	15,4	15,0	13,7	13,8	14,5	16,3	16,2	15,3	14,7	15,6

*Excl. Non-recurring items for HEXPOL Compounding

Reconciliation alternative performance measures

Sales

MSEK	2019					2018					2017				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Sales	3 805	3 685	4 244	3 774	15 508	3 309	3 461	3 443	3 557	13 770	3 138	3 230	2 936	2 926	12 230
Currency effects	298	198	163	152	811	-153	36	313	230	426	118	162	-106	-169	5
Sales excluding currency effects	3 507	3 487	4 081	3 622	14 697	3 462	3 425	3 130	3 327	13 344	3 020	3 068	3 042	3 095	12 225
Acquisitions	380	356	911	530	2 177	210	0	31	330	571	128	286	182	186	782
Sales excluding currency effects and acquisitions	3 127	3 131	3 170	3 092	12 520	3 252	3 425	3 099	2 997	12 773	2 892	2 782	2 860	2 909	11 443

Sales growth

%	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Sales growth excluding currency effects	2	14	7	9
Sales growth excluding currency effects and acquisitions	-13	2	-9	4

EBITA, %

MSEK	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Sales	3 774	3 557	15 508	13 770
Operating profit	423	522	2 043	2 150
Amortisation and impairment of intangible assets	21	11	78	33
Total EBITA	444	533	2 121	2 183
EBITA%	11,8	15,0	13,7	15,9

EBITA, excl. non-recurring items, %

MSEK	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Sales	3 774	3 557	15 508	13 770
Operating profit	423	522	2 043	2 150
Non-recurring items	99	-	199	-
Amortisation and impairment of intangible assets	21	11	78	33
Total EBITA	543	533	2 320	2 183
EBITA%	14,4	15,0	15,0	15,9

Capital employed

MSEK	2019				2018				2017			
	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	15 422	15 720	18 579	17 425	11 301	11 760	12 664	14 456	10 496	10 594	10 550	10 350
Provision for deferred tax	-549	-499	-539	-580	-336	-352	-356	-539	-406	-388	-396	-331
Accounts payable	-1 990	-1 908	-2 238	-1 953	-1 879	-1 977	-1 848	-1 913	-1 753	-1 694	-1 603	-1 626
Other liabilities	-253	-254	-279	-598	-236	-216	-210	-216	-141	-241	-252	-197
Accrued expenses, prepaid income, provisions	-327	-339	-464	-439	-307	-345	-393	-346	-329	-344	-371	-325
Total Group	12 303	12 720	15 059	13 855	8 543	8 870	9 857	11 442	7 867	7 927	7 928	7 871

Return on capital employed, R12

MSEK	Dec 31	
	2019	2018
Average capital employed	13 484	9 678
Profit before tax	2 008	2 161
Interest expense	48	18
Total	2 056	2 179
Return on capital employed, %	15,2	22,5

Interest-coverage ratio, multiple

MSEK	Jan-Dec	
	2019	2018
Profit before tax	2 008	2 161
Interest expense	48	18
Total	2 056	2 179
Interest-coverage ratio, multiple	43	121

Shareholders' equity

MSEK	2019				2018				2017			
	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	9 387	9 068	9 926	9 756	7 682	7 882	8 151	8 592	7 824	6 295	6 353	7 010

Return on equity, R12

MSEK	Dec 31	
	2019	2018
Average shareholders' equity	9 534	8 077
Profit after tax	1 542	1 646
Return on equity, %	16,2	20,4

Net debt

MSEK	Dec 31	
	2019	2018
Financial assets	3	25
Cash and cash equivalents	1 624	1 164
Non-current interest-bearing liabilities	-2 754	-2 308
Current interest-bearing liabilities	-1 249	-24
Net debt	-2 376	-1 143

Equity/assets ratio

MSEK	Dec 31	
	2019	2018
Shareholders' equity	9 756	8 592
Total assets	17 425	14 456
Equity/assets ratio, %	56	59

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 items	Profit after tax excluding non-recurring items, in relation to the average number of shares outstanding.
EBIT	Operating profit.
EBITA	Operating profit, excluding amortisation and impairment of intangible assets.
EBITA margin, %	Operating profit, excluding amortisation and impairment of intangible assets in relation to sales.
EBITA excl. non-recurring items	Operating profit excluding non-recurring items and amortisation and impairment of intangible assets.
EBITA margin excl. non-recurring items, %	Operating profit excluding non-recurring items and amortisation and impairment of intangible assets in relation to sales.
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.
Non-recurring items	Items affecting comparability.
Operating cash flow	Operating profit excluding depreciation, amortisation and impairment of tangible and intangible assets, less investments incl. new leasing agreements and plus sales of tangible and intangible assets, and after changes in working capital.
Operating margin, %	Operating profit in relation to the sales.
Operating margin, excl. non-recurring items, %	Operating profit excluding non-recurring items, in relation to the sales.
Other investing activities	Investments and sales of intangible and tangible assets.
Operating profit excl. non-recurring items	Operating profit excluding non-recurring items.
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.