

Published on January 29, 2021

Year-end report 2020



OCTOBER - DECEMBER 2020

- Sales amounted to 3,402 MSEK (3,774).
- Operating profit increased by 47 percent to 622 MSEK (423).
- Operating margin increased by 63 percent to 18.3 percent (11.2).
- Operating profit, excl. non-recurring items, increased by 19 percent to 622 MSEK (522).
- Operating margin, excl. non-recurring items, increased by 33 percent to 18.3 percent (13.8).
- Profit after tax increased to 456 MSEK (336).
- Earnings per share increased by 35 percent to 1.32 SEK (0.98). Earnings per share, excl. non-recurring items, increased by 10 percent to 1.32 SEK (1.20).
- Operating cash flow amounted to 1,023 MSEK (732), an increase of 40 percent.
- Non-recurring items, before tax, amounted to 0 MSEK (99).

JANUARY - DECEMBER 2020

- Sales amounted to 13,424 MSEK (15,508).
- Operating profit amounted to 1,935 MSEK (2,043).
- Operating margin amounted to 14.4 percent (13.2).
- Operating profit, excl. non-recurring items, amounted to 2,011 MSEK (2,242).
- Operating margin, excl. non-recurring items, increased to 15.0 percent (14.5).
- Profit after tax amounted to 1,409 MSEK (1,542).
- Earnings per share amounted to 4.09 SEK (4.48). Earnings per share, excl. non-recurring items, decreased by 14 percent to 4.26 SEK (4.93).
- Operating cash flow amounted to 2,548 MSEK (2,607).
- Non-recurring items, before tax, amounted to 76 MSEK (199).
- The Board of Directors proposes a dividend of 2.30 SEK per share (2.30).

”Increased sales volumes and further reduced cost base gave our best quarterly result ever”

Georg Brunstam, President and CEO

ABOUT HEXPOL

HEXPOL is a world-leading polymers group with strong global positions in advanced polymer compounds (Compounding), gaskets for plate heat exchangers (Gaskets and Seals), and wheels made of polymer materials for truck and castor wheel applications (Wheels). Customers are primarily system suppliers to the global automotive and engineering industry, building and construction industry and within sectors as transportation, energy, oil/gas, consumer and cable industry and manufacturers of medical equipment, plate heat exchangers and forklifts. The Group is organized in two business areas, HEXPOL Compounding and HEXPOL Engineered Products. The HEXPOL Group's sales in 2020 amounted to 13,424 MSEK and the Group has approximately 4,600 employees in fourteen countries.

Increased sales volumes and further reduced cost base gave our best quarterly result ever

We continued to increase our sales volumes during the fourth quarter, both compared to previous quarters 2020 and compared to the corresponding quarter previous year. The combination of increased volumes and lower cost base gave our best quarterly result ever. The fourth quarter 2020 showed sales of 3,402 MSEK, which is approx. 10 percent lower than the corresponding quarter 2019, explained by negative currency effects and slightly lower sales prices. Operating profit increased at the same time by 19 percent for the quarter from previous year's results excluding non-recurring items of 522 MSEK to 622 MSEK, which corresponds to a margin of 18.3 percent (13.8). At the same time we generated a very strong cash flow of 1,023 MSEK (732), an increase by 40 percent compared to the corresponding quarter 2019.

The Covid -19 pandemic continues to affect us in many dimensions but our highest priority remains the health and safety of our employees. The restrictions imposed due to the pandemic means challenges and impact for us, our employees, customers and suppliers. We have however so far handled this in a very good way, even if it involves great strain. We saw clearly increased volumes to automotive customers but also to building and construction industry, during the quarter. We experience that our strong customer focus combined with our ability to offer fast and stable deliveries to our customers are appreciated when the uncertainty is substantial around the world. Our large geographical coverage with plants close to our customers is a clear competitive advantage.

We have continued the work to reduce the costs during the quarter, both direct and indirect costs. This results in a very clear strengthening of our operating margin compared to the corresponding quarter previous year, but also compared to previous quarter 2020. A large part of the savings are structural.

HEXPOL's experienced and decentralized organization continues to show its strength in situations like this with major and varied challenges. Every unit acts fast and adapts to the conditions that apply locally, both to be able to support our customers but also to secure our financial position. At the same time, all necessary processes and resources are coordinated regionally and centrally to benefit in the best possible way of our global position.

The uncertainty going forward remains high, with restrictions and shutdowns, due to the Covid-19 pandemic. However, we believe that our strong customer focus in combination with our geographical closeness to our customer gives us opportunities to further build our market position. We also generate a very good cash flow, which strengthens our already strong financial position and give us good conditions for continued growth and intensified acquisition agenda.

Personally, I am very happy and motivated to be back as CEO for HEXPOL after a few years as Chairman of the Board. I will together with Peter Rosén, former Acting CEO and CFO, now Vice President and CFO, together with the rest of the group work hard to further accelerate the development of the HEXPOL Group.



Georg Brunstam
President and CEO

EBIT
622 MSEK

EBIT margin
18.3%

Cash flow
1,023 MSEK

Group Summary

Key figures MSEK	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Sales	3 402	3 774	13 424	15 508
EBITA, excl. non-recurring items	641	543	2 088	2 320
EBITA margin, excl. non-recurring items, %	18,8	14,4	15,6	15,0
EBITA	641	444	2 012	2 121
EBITA margin, %	18,8	11,8	15,0	13,7
Operating profit, EBIT, excl. non-recurring items	622	522	2 011	2 242
Operating margin, EBIT, excl. non-recurring items, %	18,3	13,8	15,0	14,5
Operating profit, EBIT	622	423	1 935	2 043
Operating margin, EBIT %	18,3	11,2	14,4	13,2
Profit before tax	592	404	1 855	2 008
Profit after tax	456	336	1 409	1 542
Earnings per share, excl. non-recurring items, SEK	1,32	1,20	4,26	4,93
Earnings per share after dilution, SEK	1,32	0,98	4,09	4,48
Equity/assets ratio, %			61	56
Return on capital employed, % R12			14,3	15,2
Operating cash flow	1 023	732	2 548	2 607



Group development

October - December 2020

Sales

We continued to increase our sales volumes during the fourth quarter, both compared to previous quarters 2020 and compared to the corresponding quarter previous year. The HEXPOL Group's sales amounted to 3,402 MSEK (3,774) during the quarter, a decrease by approx. 10 percent compared with the corresponding quarter previous year. The lower sales were affected by negative currency effects of 276 MSEK or 7 percent. The organic sales decreased by 3 percent where increased sales volumes were offset by lower sales prices.

The HEXPOL Compounding business area's sales volumes increased during the quarter, both compared to previous quarters 2020 and compared to the corresponding quarter previous year. The sales amounted to 3,159 MSEK (3,524), a decrease by 10 percent. The lower sales were affected by negative currency effects of 263 MSEK or 7 percent and lower organic sales of 3 percent where increased sales volumes were offset by lower sales prices. We saw a continued clear improvement in demand during the quarter compared to previous quarter. Particularly, we saw clearly increased volumes to automotive industry but also to building and construction industry.

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

The HEXPOL Engineered Products sales, during the quarter, were in line with the corresponding quarter 2019 and amounted to 243 MSEK (250).

From a geographical perspective the sales increased in Asia by 17 percent compared to the corresponding quarter previous year. The sales in America decreased at the same time by 15 percent and in Europe by 5 percent.

Earnings

Operating profit before amortization of intangible assets and excluding non-recurring items, increased to 641 MSEK (543), which meant a corresponding EBITA margin of 18.8 percent (14.4). Exchange rate fluctuations affected the operating profit negatively in the quarter by 35 MSEK.

Operating profit, excluding non-recurring items, increased by 19 percent to 622 MSEK (522) while the corresponding operating margin increased to 18.3 percent (13.8). The higher margin is an effect of our work to reduce both direct and indirect costs during the quarter. Operating profit amounted to 622 MSEK (423), an increase by 47 percent.

Non-recurring items, regarding restructuring costs, amounted to 0 MSEK (99). Specification can be found in note 2.

The Group's net financial items amounted to an expense of 30 MSEK (expense 19) mainly affected by negative currency effects in subsidiaries. Profit before tax increased to 592 MSEK (404) while profit after tax increased to 456 MSEK (336) and earnings per share 1.32 SEK (0.98). Earnings per share, adjusted for non-recurring items, amounted to 1.32 SEK (1.20).

Sales
3,402 MSEK

EBIT
622 MSEK

January - December 2020

Sales

The HEXPOL Group's sales decreased by just over 13 percent during the period to 13,424 MSEK (15,508). Acquisition (Preferred Compounding) increased the sales by 6 percent, while exchange rate fluctuations decreased the sales by 2 percent and the organic sales decreased by 17 percent, partly affected by lower sales prices.

The HEXPOL Compounding business area's sales decreased during the period by 14 percent to 12,446 MSEK (14,465). After a first quarter with increased sales, the sales fell considerably during the second quarter affected by Covid-19, to recover again during the third and fourth quarter. The acquisition of Preferred Compounding contributed with 6 percent, negative currency effects affected by 2 percent while the organic sales decreased by 18 percent, partly affected by lower sales prices. Even if demand continued to be affected negatively due to the Covid-19 pandemic we saw a continued clear improvement in volumes, during the last quarter, especially to the automotive industry and to building and construction industry. Other customer segments showed a slower recovery.

The HEXPOL Engineered Products sales decreased slightly during the period and amounted to 978 MSEK (1,043).

From a geographical perspective the sales in Asia increased by 2 percent compared to the corresponding period previous year. The sales in America decreased at the same time by 15 percent and in Europe by 14 percent.

Earnings

Operating profit before amortization of intangible assets and excluding non-recurring items, amounted to 2,088 MSEK (2,320), which meant a corresponding EBITA margin of 15.6 percent (15.0). Exchange rate fluctuations affected the operating profit negatively during the period by 31 MSEK.

Operating profit, excluding non-recurring items, amounted to 2,011 MSEK (2,242) while the corresponding operating margin amounted to 15.0 percent (14.5). The higher margin was mainly affected by reduced cost base combined with successively increased volumes after the second quarter. During the fourth quarter we saw a further strengthening of the margin. Operating profit amounted to 1,935 MSEK (2,043).

Non-recurring items, regarding restructuring costs, amounted to 76 MSEK (199). Specification can be found in note 2.

The Group's net financial items amounted to an expense of 80 MSEK (expense 35) and includes 16 MSEK in negative revaluation effect related to the acquisition, which was executed during the period, of the minority share in Mesgo. See note 3 for more information. Profit before tax amounted to 1,855 MSEK (2,008) while profit after tax amounted to 1,409 MSEK (1,542) and earnings per share 4.09 SEK (4.48). Earnings per share, adjusted for non-recurring items, amounted to 4.26 SEK (4.93).

Sales

13,424 MSEK

EBIT *

2,011 MSEK

* Excl. non-recurring items

Financial overview

Equity/assets ratio

The equity/assets ratio continued strong and increased to 61 percent (56). The Group's total assets amounted to 15,073 MSEK (17,425). Net debt amounted to 1,593 MSEK (2,376) whereof 359 MSEK (441) relates to financial leasing liabilities according to IFRS 16, which gives a net debt/EBITDA of 0.67 (0.95).

The Group had the following major credit agreements with Nordic banks as per December 31:

- A credit agreement with a limit of 1,500 MSEK due in August 2021
- A credit agreement with a limit of 125 MUSD due in February 2022
- A credit agreement with a limit of 2,000 MSEK due in July 2022
- A credit agreement with a limit of 1,500 MSEK due in September 2023

Cash flow

The operating cash flow for the Group amounted to 1,023 MSEK (732) in the fourth quarter. Cash flow from operating activities amounted to 895 MSEK (780). Operating cash flow for the period January - December was 2,548 MSEK (2,607) while cash flow from operating activities was 2,376 MSEK (2,361).

Investments, depreciation and amortisation

The Group's investments amounted to 74 MSEK (101) for the quarter and refers mainly to regular maintenance investments. At the same time, depreciation, amortisation and impairment amounted to 106 MSEK (115) whereof 17 MSEK (23) relates to leased assets according to IFRS 16. The investments amounted to 253 MSEK (286) during the period January - December, while depreciation and amortisation amounted to 440 MSEK (447). Of these refers 81 MSEK (84) to leased assets, according to IFRS 16.

Tax expenses

The Group's tax expenses amounted to 136 MSEK (68) during the fourth quarter, which corresponds to a tax rate of 23.0 percent (16.8). Tax expenses for January - December amounted to 446 MSEK (466), which corresponds to a tax rate of 24.0 percent (23.2).

Profitability

The return on average capital employed, R12, amounted to 14.3 percent (15.2). The return on shareholders' equity, R12, amounted to 13.9 percent (16.2).

Parent Company

The Parent Company's profit after tax for the fourth quarter amounted to 1,397 MSEK (1,081). Profit after tax amounted to 1,535 MSEK (1,261) for January - December. Shareholders' equity increased to 5,672 MSEK (4,908).

Net debt/EBITDA
0.67

HEXPOL Compounding

October - December 2020

The sales volumes increased during the quarter, both compared to previous quarters this year and compared to the corresponding quarter previous year. The sales amounted to 3,159 MSEK (3,524), a decrease by 10 percent. The lower sales were affected by negative currency effects of 263 MSEK or 7 percent and lower organic sales of 3 percent where increased sales volumes were offset by lower sales prices. The pandemic affected most all customers negatively but during the fourth quarter we saw a clear improvement compared to previous quarter in demand and increased volumes from especially automotive industry but also from building and construction industry. Other customer segments showed a slower improvement.

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

Operating profit, excluding non-recurring items, increased to 580 MSEK (493) and the corresponding operating margin increased to 18.4 percent (14.0). The higher margin was mainly an effect of our work to reduce both direct and indirect costs during the quarter.

HEXPOL Compounding Americas sales decreased during the quarter and continued to be affected by the pandemic. The business area saw sales decreases to most of the customer segments where especially the automotive industry, but also general industry were negatively affected. However, the automotive industry in particular recovered during the quarter compared to previous quarter.

The sales for HEXPOL Compounding Europe decreased slightly during the quarter, compared to the corresponding quarter previous year, mainly to customers within automotive and general industry.

HEXPOL Compounding Asia's sales increased slightly compared to the corresponding quarter previous year, affected by, among other things, increased sales to automotive.

HEXPOL Thermoplastic Compounding showed slightly higher sales affected by higher volumes to automotive customers compared to the corresponding quarter previous year.

The sales for HEXPOL TPE Compounding showed a slightly lower sales compared to the same quarter previous year.

January - December 2020

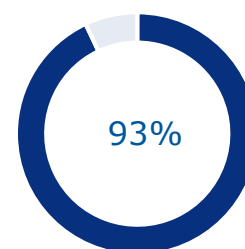
The sales for HEXPOL Compounding decreased by 14 percent to 12,446 MSEK (14,465) affected by Covid-19. At the same time, operating profit, excluding non-recurring items, amounted to 1,864 MSEK (2,109), which corresponds to an operating margin of 15.0 percent (14.6).

HEXPOL Compounding

MSEK	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
	2020	2019	2020	2019
Sales	3 159	3 524	12 446	14 465
Operating profit, excl. non-recurring items	580	493	1 864	2 109
Operating margin, excl. non-recurring items, %	18,4	14,0	15,0	14,6
Operating profit, EBIT	580	394	1 791	1 910

Share of the Group's sales

January - December 2020



About HEXPOL Compounding

The business area is one of the world's leading suppliers in 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 building and construction sector. Other key segments are transportation sector, energy, oil and gas sector, consumer sector, cable industries and manufacturers of medical equipment

HEXPOL Engineered Products October - December 2020

The sales were in line with the corresponding period previous year and amounted to 243 MSEK (250). Here too, the sales were negatively affected by the Covid-19, although to a lesser extent compared with HEXPOL Compounding. We saw continued strong sales in Asia during the quarter. Operating profit increased to 42 MSEK (29) and the corresponding operating margin increased to 17.3 percent (11.6).

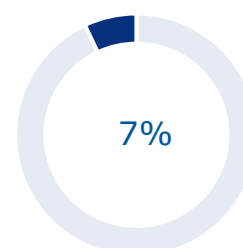
The product areas, Gaskets and Wheels showed a slightly lower sales compared to the same period previous year, while product area Seals increased the sales.

January - December 2020

The sales amounted to 978 MSEK (1,043) in the period, a decrease by 6 percent, affected by Covid-19. Operating profit, excluding non-recurring items, amounted to 147 MSEK (133) with an increased operating margin of 15.0 percent (12.8).

Share of the Group's sales

January - December 2020



About HEXPOL Engineered Products

The business area has operations in a number of niche areas with strong global positions in gaskets for plate heat exchangers (Gaskets and Seals) and wheels of polymer materials for forklifts and material handling (Wheels). The market for gaskets and wheels is global. Gaskets customers include manufacturers of plate heat exchangers and wheel customers are manufacturers of forklifts and castor wheels.

HEXPOL Engineered Products

MSEK	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
	2020	2019	2020	2019
Sales	243	250	978	1 043
Operating profit, excl. non-recurring items	42	29	147	133
Operating margin, excl. non-recurring items, %	17,3	11,6	15,0	12,8
Operating profit, EBIT	42	29	144	133

After the end of the period

Covid-19

The Covid-19 pandemic continue to create high uncertainty as regards demand on the company's products.

Fire

January 7, 2021 a fire broke out in our facility in Jonesborough, TN, USA. One employee was injured and is being treated in hospital for his injuries. The production plant itself sustained major damages and the planned production has been moved to other units nearby. As the facility is fully insured and we can move planned production to other units nearby we do not expect any material negative economic effects.

Other information

Risk factors

The Group's and Parent Company's business risks, risk management and management of financial risks are described in detail in the 2019 Annual Report. The Covid-19 pandemic outbreaks have a major impact on the world and HEXPOL. At present, it is very difficult to estimate or quantify the risks related to this, but it is likely that the negative effect will continue to affect, both sales and earnings. The Board and management follows the development closely.

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 2019 Annual Report have also been applied in this year-end report. No new or revised IFRS that came into force 2020 have had any significant impact on the Group's financial reports.

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.

Personnel

The number of employees at the end of the period was 4,550 (5,061). The decrease, compared to the corresponding period previous year, is explained by the adjustments of the organization related to lower volumes affected by Covid-19.

Number of
employees
4,550

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 nearly 13,000 shareholders on December 31, 2020. The largest shareholder is Melker Schörling AB with 25 percent of the capital and 46 percent of the voting rights. The twenty largest shareholders own 69 percent of the capital and 78 percent of the voting rights.

Invitation to presentation of the report

A presentation of this report will be held through a webcasted conference call on January 29 at 02:00 p.m. CET. The presentation, as well as information concerning participations, is available at www.hexpol.com.

Annual General Meeting, April 28 2021

The Annual General Meeting will be held on April 28, 2021 in Malmö, Sweden. We will come back in the notice or alternatively on the website about how the AGM will be accomplished with respect to Covid-19. The Annual Report for 2020 will be available on HEXPOL's website and at the head office no later than April 7, 2021. 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 20, 2021 and notify their intention to participate no later than April 22, 2021. Shareholders whose shares are registered with a trustee must temporarily register the shares in their own name no later than April 20, 2021 to be entitled to participate in the AGM.



Financial calendar

HEXPOL AB publish financial information on the following dates:

- Interim report January – March 2021 April 28, 2021
- Annual General Meeting 2021 April 28, 2021
- Half-year report January – June 2021 July 16, 2021
- Interim report January – September 2021 October 22, 2021

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

This year-end report for 2020 has not been audited by HEXPOL AB's auditors.

Malmö, Sweden January 29, 2021

HEXPOL AB (publ.)

Georg Brunstam
President and CEO

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This report may contain forward-looking statements. When used in this report, words such as "anticipate", "believe", "estimate", "expect", "plan" and "project" are intended to identify forward-looking statements. Such statements could encompass risks and uncertainties pertaining to product demand, market acceptance, effects of economic conditions, impact of competitive products and pricing, foreign currency exchange rates and other risks. These forward-looking statements reflect the views of HEXPOL's management as of the date made with respect to future events but are subject to risks and uncertainties. While all of these forward-looking statements are based on estimates and assumptions made by HEXPOL's management and are believed to be reasonable, they are inherently uncertain and difficult to predict. Actual results and experience could differ materially from the forward-looking statements. HEXPOL disclaims any intention or obligation to update these forward-looking statements.

This information is information that HEXPOL AB (publ.) 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 01:00 p.m. CET on January 29, 2021. 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.

Summary financial information

Condensed consolidated income statement

MSEK	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
	2020	2019	2020	2019
Sales	3 402	3 774	13 424	15 508
Cost of goods sold	-2 579	-3 106	-10 496	-12 430
Gross profit	823	668	2 928	3 078
Selling and administrative cost, etc.	-201	-245	-993	-1 035
Operating profit	622	423	1 935	2 043
Financial income and expenses	-30	-19	-80	-35
Profit before tax	592	404	1 855	2 008
Tax	-136	-68	-446	-466
Profit after tax	456	336	1 409	1 542
- of which, attributable to Parent Company shareholders	456	336	1 409	1 542
Earnings per share before dilution, SEK	1,32	0,98	4,09	4,48
Earnings per share after dilution, SEK	1,32	0,98	4,09	4,48
Earnings per share, excl non recurring items, SEK	1,32	1,20	4,26	4,93
Shareholders' equity per share, SEK			26,53	28,34
Average number of shares, 000s	344 201	344 201	344 201	344 201
Depreciation, amortisation and impairment	-106	-115	-440	-447

Condensed statement of comprehensive income

MSEK	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
	2020	2019	2020	2019
Profit after tax	456	336	1 409	1 542
Items that will not be reclassified to the income statement				
Remeasurements of defined benefit pension plans	0	-2	0	-2
Income tax relating to items that will not be reclassified to the income statement	-	0	-	0
Items that may be reclassified to the income statement				
Cash-flow hedges	-	0	-	0
Hedge of net investment	-	9	-	7
Income tax relating to items that may be reclassified to the income statement	-	-2	-	-2
Translation differences	-871	-511	-1 261	399
Comprehensive income	-415	-170	148	1 944
- of which, attributable to Parent Company's shareholders	-415	-170	148	1 944

Condensed consolidated balance sheet

MSEK	Dec 31	Dec 31
	2020	2019
Intangible fixed assets	8 502	9 429
Tangible fixed assets	2 261	2 632
Financial fixed assets	3	3
Deferred tax asset	51	52
Total fixed assets	10 817	12 116
Inventories	1 094	1 391
Accounts receivable	1 744	1 983
Other receivables	179	261
Prepaid expenses and accrued income	39	50
Cash and cash equivalents	1 200	1 624
Total current assets	4 256	5 309
Total assets	15 073	17 425
Equity attributable to Parent Company's shareholders	9 133	9 756
Total shareholders' equity	9 133	9 756
Interest-bearing liabilities	2 699	2 754
Other liabilities	38	41
Provision for deferred tax	521	580
Provision for pensions	64	55
Total non-current liabilities	3 322	3 430
Interest-bearing liabilities	97	1 249
Accounts payable	1 796	1 953
Other liabilities	221	598
Accrued expenses, prepaid income, provisions	504	439
Total current liabilities	2 618	4 239
Total shareholders' equity and liabilities	15 073	17 425

Condensed consolidated changes in shareholders' equity

MSEK	Dec 31, 2020		Dec 31, 2019	
	Attributable to Parent Company shareholders	Total equity	Attributable to Parent Company shareholders	Total equity
Opening equity	9 756	9 756	8 586	8 586
New share issue in progress	21	21	-	-
Comprehensive income	148	148	1 944	1 944
Dividend	-792	-792	-774	-774
Closing equity	9 133	9 133	9 756	9 756

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 gave the right to subscribe for shares during the period Jun 1, 2019 – December 31, 2020, the program is now completed. Subscription of 235 566 new shares was made in December 2020 within the framework of incentive program 2016/2020. These new shares are reported as new share issue in progress per December 31, 2020.

Condensed consolidated cash-flow statement

MSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Cash flow from operating activities before changes in working capital	526	485	1 961	1 958
Changes in working capital	369	295	415	403
Cash flow from operating activities	895	780	2 376	2 361
Acquisitions Note 3	-	-13	- 412	-2 204
Cash flow from other investing activities	-74	-101	-253	-286
Cash flow from investing activities	-74	-114	-665	-2 490
Dividend	-792	-	-792	-774
Other contributed capital	21	-	21	-
Cash flow from other financing activities	117	-573	-1 207	1 201
Cash flow from financing activities	-654	-573	-1 978	427
Change in cash and cash equivalents	167	93	-267	298
Cash and cash equivalents at January 1	1 159	1 526	1 624	1 164
Exchange-rate differences in cash and cash equivalents	-126	5	-157	162
Cash and cash equivalents at the end of the period	1 200	1 624	1 200	1 624

Operating cash flow, Group

MSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Operating profit	622	423	1 935	2 043
Other non cash adjustment	-	-	11	-
Depreciation/amortisation/impairment	106	115	440	447
Change in working capital	369	295	415	403
Sale of fixed assets	0	0	0	0
Investments	-74	-101	-253	-286
Operating Cash flow	1 023	732	2 548	2 607

Other key figures, Group

	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Profit margin before tax, %	17,4	10,7	13,8	12,9
Return on shareholders' equity, % R12			13,9	16,2
Interest-coverage ratio, multiple			34	43
Net debt, MSEK			-1 593	-2 376
Sales growth adjusted for currency effects, %	-3	2	-11	7
Sales growth adjusted for currency effects and acquisitions, %	-3	-13	-17	-9
Cash flow per share, SEK	2,60	2,27	6,90	6,86
Cash flow per share before change in working capital, SEK	1,53	1,41	5,70	5,69

Condensed income statement, Parent Company

MSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Sales	14	13	57	54
Administrative costs, etc.	-34	-12	-97	-62
Operating loss	-20	1	-40	-8
Financial income and expenses	1 449	1 109	1 598	1 295
Profit after financial items	1 429	1 110	1 558	1 287
Untaxed reserves	0	0	0	0
Profit before tax	1 429	1 110	1 558	1 287
Tax	-32	-29	-23	-26
Profit after tax	1 397	1 081	1 535	1 261

Condensed balance sheet, Parent company

MSEK	Dec 31 2020	Dec 31 2019
Fixed assets	9 286	8 970
Current assets	2 744	3 008
Total assets	12 030	11 978
Restricted shareholders' equity		
Share capital	69	69
New share issue in progress	0	-
Total restricted shareholders' equity	69	69
Non-restricted shareholders' equity		
Share premium reserve	619	598
Accumulated earnings	3 449	2 980
Profit after tax	1 535	1 261
Total non-restricted shareholders' equity	5 603	4 839
Total shareholders' equity	5 672	4 908
Untaxed reserves	0	0
Non-current liabilities	2 410	2 391
Current liabilities	3 948	4 679
Total shareholders' equity and liabilities	12 030	11 978

Notes to the financial reports

Note 1 Financial instrument per category and measurement level

Dec 31, 2020	Financial assets/liabilities measured at:		
	amortized costs	fair value through profit or loss	Measurement level
MSEK			Total
Assets in the balance sheet			
Non-current financial assets	3	-	3
Accounts receivable	1 744	-	1 744
Cash and cash equivalents	1 200	-	1 200
Total	2 947	-	2 947
Liabilities in the balance sheet			
Interest-bearing non-current liabilities	2 428	-	2 428
Interest-bearing non-current lease liabilities	271	-	271
Interest-bearing current liabilities	9	-	9
Interest-bearing current lease liabilities	88	-	88
Accounts payable	1 796	-	1 796
Other liabilities	221	-	221
Accrued expenses, prepaid income, provisions	504	-	504
Total	5 317	-	5 317

Dec 31, 2019	Financial assets/liabilities measured at:		
	amortized costs	fair value through profit or loss	Measurement level
MSEK			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	2 410	-	2 410
Interest-bearing non-current lease liabilities	344	-	344
Other non-current liabilities	41	-	41
Liabilities to minority shareholders	-	389	389
Interest-bearing current liabilities	1 152	-	1 152
Interest-bearing current lease liabilities	97	-	97
Accounts payable	1 953	-	1 953
Other liabilities	209	-	209
Accrued expenses, prepaid income, provisions	439	-	439
Total	6 645	389	7 034

Note 2 Non-recurring items in the income statement

Refers to restructuring costs

MSEK	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
	2020	2019	2020	2019
Costs of goods sold	-	-80	-20	-97
Selling and administrative costs, etc.	-	-19	-56	-102
Profit before tax	-	-99	-76	-199
Tax	-	23	17	43
Profit after tax	-	-76	-59	-156

Note 3 Acquisitions

Acquisition within Compounding 2020

In early October 2018 the HEXPOL Group acquired 80 percent of MESGO Group. According to the agreement HEXPOL had an option to acquire the remaining shares (during the period March 2022 - June 2023) and the Caldara family had an option to sell the remaining shares to HEXPOL (during the period March 2020 – June 2023), the commitment was reported as a liability to minority shareholder. The option has now been utilized by the minority owner and HEXPOL has acquired the remaining 20 percent of MESGO Group. Operating profit have been affected negatively by 11 MSEK and the financial net by 16 MSEK in revaluation effect. The transaction took place on August 6 and the purchase price amounted to 39,8 MEUR.

Acquisition within Compounding 2019

July 1st 2019 the HEXPOL Group acquired 100 percent of Preferred Compounding. The acquisition price amounted to approximately 232 MUSD on a cash and debt free basis. The business is consolidated from July 2019.

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 within advanced 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.

The following assets and liabilities were included in the acquisition:

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 Group's cash and cash equivalents	2 213

Segment reporting and distribution of revenues

Sales per business area

MSEK	2020					Full Year	2019				Full Year
	Q1	Q2	Q3	Q4	Q1		Q2	Q3	Q4		
HEXPOL Compounding	3 906	2 290	3 091	3 159	12 446	3 539	3 418	3 984	3 524	14 465	
HEXPOL Engineered Products	262	236	237	243	978	266	267	260	250	1 043	
Group total	4 168	2 526	3 328	3 402	13 424	3 805	3 685	4 244	3 774	15 508	

Sales per geographic region

MSEK	2020					Full Year	2019				Full Year
	Q1	Q2	Q3	Q4	Q1		Q2	Q3	Q4		
Europe	1 464	983	1 178	1 233	4 858	1 519	1 439	1 360	1 301	5 619	
Americas	2 548	1 382	1 958	1 958	7 846	2 127	2 066	2 697	2 293	9 183	
Asia	156	161	192	211	720	159	180	187	180	706	
Group total	4 168	2 526	3 328	3 402	13 424	3 805	3 685	4 244	3 774	15 508	

Sales per geographic region HEXPOL Compounding

MSEK	2020					Full Year	2019				Full Year
	Q1	Q2	Q3	Q4	Q1		Q2	Q3	Q4		
Europe	1 334	866	1 068	1 115	4 383	1 380	1 298	1 228	1 174	5 080	
Americas	2 466	1 321	1 893	1 892	7 572	2 053	1 999	2 630	2 225	8 907	
Asia	106	103	130	152	491	106	121	126	125	478	
Group total	3 906	2 290	3 091	3 159	12 446	3 539	3 418	3 984	3 524	14 465	

Sales per geographic region HEXPOL Engineered Products

MSEK	2020					Full Year	2019				Full Year
	Q1	Q2	Q3	Q4	Q1		Q2	Q3	Q4		
Europe	130	117	110	118	475	139	141	132	127	539	
Americas	82	61	65	66	274	74	67	67	68	276	
Asia	50	58	62	59	229	53	59	61	55	228	
Group total	262	236	237	243	978	266	267	260	250	1 043	

Operating profit per business area

MSEK	2020					Full Year	2019				Full Year
	Q1*	Q2**	Q3**	Q4**	Year**		Q1	Q2	Q3*	Q4*	
HEXPOL Compounding	554	178	552	580	1 864	553	516	547	493	2 109	
HEXPOL Engineered Products	33	31	41	42	147	33	35	36	29	133	
Group total	587	209	593	622	2 011	586	551	583	522	2 242	

Operating margin per business area

%	2020					Full Year	2019				Full Year
	Q1*	Q2**	Q3**	Q4**	Year**		Q1	Q2	Q3*	Q4*	
HEXPOL Compounding	14,2	7,8	17,9	18,4	15,0	15,6	15,1	13,7	14,0	14,6	
HEXPOL Engineered Products	12,6	13,1	17,3	17,3	15,0	12,4	13,1	13,8	11,6	12,8	
Group total	14,1	8,3	17,8	18,3	15,0	15,4	15,0	13,7	13,8	14,5	

*Excl. Non-recurring items for HEXPOL Compounding

**Excl. Non-recurring items

Reconciliation alternative performance measures

Sales

MSEK	2020					2019					2018				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Sales	4 168	2 526	3 328	3 402	13 424	3 805	3 685	4 244	3 774	15 508	3 309	3 461	3 443	3 557	13 770
Currency effects	138	12	-202	-276	-328	298	198	163	152	811	-153	36	313	230	426
Sales excluding currency effects	4 030	2 514	3 530	3 678	13 752	3 507	3 487	4 081	3 622	14 697	3 462	3 425	3 130	3 327	13 344
Acquisitions	580	279	0	0	859	380	356	911	530	2 177	210	0	31	330	571
Sales excluding currency effects and acquisitions	3 450	2 235	3 530	3 678	12 893	3 127	3 131	3 170	3 092	12 520	3 252	3 425	3 099	2 997	12 773

Sales growth

%	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Sales growth excluding currency effects	-3	2	-11	7
Sales growth excluding currency effects and acquisitions	-3	-13	-17	-9

EBITA, excl. non-recurring items, %

MSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Sales	3 402	3 774	13 424	15 508
Operating profit	622	423	1 935	2 043
Non-recurring items	-	99	76	199
Amortisation and impairment of intangible assets	19	21	77	78
Total EBITA	641	543	2 088	2 320
EBITA%	18,8	14,4	15,6	15,0

EBITA, %

MSEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Sales	3 402	3 774	13 424	15 508
Operating profit	622	423	1 935	2 043
Amortisation and impairment of intangible assets	19	21	77	78
Total EBITA	641	444	2 012	2 121
EBITA%	18,8	11,8	15,0	13,7

Capital employed

MSEK	2020				2019				2018			
	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	19 088	16 131	16 185	15 073	15 422	15 720	18 579	17 425	11 301	11 760	12 664	14 456
Provision for deferred tax	-584	-543	-518	-521	-549	-499	-539	-580	-336	-352	-356	-539
Accounts payable	-2 300	-1 257	-1 689	-1 796	-1 990	-1 908	-2 238	-1 953	-1 879	-1 977	-1 848	-1 913
Other liabilities	-658	-604	-284	-221	-253	-254	-279	-598	-236	-216	-210	-216
Accrued expenses, prepaid income, provisions	-543	-542	-586	-504	-327	-339	-464	-439	-307	-345	-393	-346
Total Group	15 003	13 185	13 108	12 031	12 303	12 720	15 059	13 855	8 543	8 870	9 857	11 442

Return on capital employed, R12

MSEK	Dec 31 2020	Dec 31 2019
Average capital employed	13 332	13 484
Profit before tax	1 855	2 008
Interest expense	56	48
Total	1 911	2 056
Return on capital employed, %	14,3	15,2

Interest-coverage ratio, multiple

MSEK	Jan-Dec 2020	Jan-Dec 2019
Profit before tax	1 855	2 008
Interest expense	56	48
Total	1 911	2 056
Interest-coverage ratio, multiple	34	43

Shareholders' equity

MSEK	2020				2019				2018			
	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	10 924	10 162	10 319	9 133	9 387	9 068	9 926	9 756	7 682	7 882	8 151	8 592

Return on equity, R12

MSEK	Dec 31 2020	Dec 31 2019
Average shareholders' equity	10 135	9 534
Profit after tax	1 409	1 542
Return on equity, %	13,9	16,2

Net debt

MSEK	Dec 31 2020	Dec 31 2019
Financial assets	3	3
Cash and cash equivalents	1 200	1 624
Non-current interest-bearing liabilities	-2 699	-2 754
Current interest-bearing liabilities	-97	-1 249
Net debt	-1 593	-2 376

Net debt/EBITDA

MSEK	Dec 31 2020	Dec 31 2019
Net debt	-1 593	-2 376
EBITDA, R12	2 375	2 490
Net debt/EBITDA, multiple	-0,67	-0,95

Equity/assets ratio

MSEK	Dec 31 2020	Dec 31 2019
Shareholders' equity	9 133	9 756
Total assets	15 073	17 425
Equity/assets ratio, %	61	56

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/EBITDA	Non-current and current interest-bearing liabilities less cash and cash equivalents in relation to operating profit excluding depreciation, amortisation and impairment of tangible and intangible assets.
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.