Continued growth with strong margins

ANNUAL REPORT 2022
WITH SUSTAINABILITY REPORT

HEXPOL®
A Material Difference

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2022 OPERATIONS, BUSINESS MODEL AND STRATEGY

BOARD OF DIRECTORS' REPORT, RISK, RISK MANAGEMENT AND CORPORATE GOVERNANCE

FINANCIAL INFORMATION

SUSTAINABILITY INFORMATION

OTHER INFORMATION

HEXPOL AB is a public company. Corp. Reg. No. 556108-9631. Registered office in Malmö, Sweden.

Denna årsredovisning finns även på svenska.

The Annual Report is published in Swedish and English. The Swedish version is the original and has been audited by HEXPOL's auditor. All values are expressed in Swedish kronor (SEK), unless otherwise stated. Swedish kronor is abbreviated SEK, thousands of Swedish kronor as TSEK, and millions of Swedish kronor as MSEK. Figures in parentheses refer to the preceding year, 2021, unless otherwise stated.

HEXPOL reports sustainability for 2022 according to the Global Reporting Initiative (GRI) standards for sustainability reporting (GRI Universal Standard).

This report contains forward-looking information based on HEXPOL management's current expectations. Although management believes that the expectations stated in such forward-looking information are reasonable, no guarantee can be given that these expectations will prove to be correct. Consequently, future outcomes can vary significantly compared to what is stated in the forward-looking information due, among other things, to changed conditions in terms of the economy, market and competition, changes in legal requirements and other policy measures, exchange rate fluctuations and other factors.

The Annual Report is produced by HEXPOL in collaboration with RHR Corporate Communication. Graphic design by G-byrån Sverige. Printed by Taberg Media Group on Munken Kristall paper from Arctic Paper Munkedals, one of the most environmentally friendly paper mills in the world. The paper is made from raw materials from sustainable forestry and meets the requirements for both FSC, PEFC and the EU Ecolabel. The printed matter is labelled with the Nordic Swan Ecolabel.

HEXPOL IN BRIEF

HEXPOL is a world leading polymer group, with strong global market positions in advanced polymer compounds, gaskets for plate heat exchangers and wheels for forklifts and castor wheel applications. Customers are demanding and expect flexible and fast delivery of customized solutions for demanding environments and with a high sustainability perspective.

The Group's strengths are its global delivery capacity and locally rooted entrepreneurial spirit, each unit having in-depth knowledge of the market, cutting-edge expertise and development capabilities in advanced polymers. Combined with HEXPOL's global and coordinated platform, this makes for a strong customer offering.

The Group is organized into two business areas, HEXPOL Compounding and HEXPOL Engineered Products which, between them, cover a total of three regions and five product areas. HEXPOL has sales of MSEK 22,243 and has around 5,100 employees in 14 countries.

2022 SALES
MSEK 22,243
(MSEK 16,005)

ADJUSTED OPERATING PROFIT
MSEK 3,260
(MSEK 2,737)

ADJUSTED OPERATING MARGIN
14.7%
(17.1%)

EARNINGS PER SHARE
SEK 7.21
(SEK 6.85)

SIGNIFICANT EVENTS IN 2022

- In 2022, HEXPOL acquired 70 percent of the shares in German-based almaak international GmbH, a specialist in technologically advanced, high-quality recycled polymer compounds.
- All over the world, customers are showing increasing interest in products with a lower carbon footprint. From a life-cycle perspective, carbon emissions are lower for products containing recycled materials compared to those containing virgin polymers. In 2022, the HEXPOL Group's use of recycled polymers increased to 16 percent (10) in total.
- In October 2022, the Swedish electric car company Polestar appointed HEXPOL as a partner in Project Polestar 0, with the aim of creating a climate-neutral car by 2030. HEXPOL will support the project with knowledge and capacity in thermoplastic elastomers (TPEs) and soft polymer compounds, as well as research on promoting opportunities with bio-based and recycled content.
- In October 2022, Gary Moore was appointed President of HEXPOL Compounding Americas. Gary has been with the HEXPOL Group since 2007.
- HEXPOL's HEXPOL TPE business unit in Manchester achieved platinum status in the Ecovadis classification. Ecovadis is an independent system where suppliers' sustainability performance is evaluated according to a variety of criteria. Ecovadis Platinum is the highest level awarded, which means that the Manchester unit is among the top companies evaluated in this category.
- HEXPOL is on track to meet the ambitious target of reducing carbon dioxide emissions from energy use by 75 percent by 2025, compared to the 2018–2019 average. Emissions were reduced by about 33 percent compared to 2021.
- In December 2022, HEXPOL acquired McCann Plastics, an American specialist in niche thermoplastic compounds. Main end customers are general industry, agriculture and the fast-growing segment of cooling boxes.
- As previously communicated, a manufacturing unit in Lydney, UK, was closed during the year. For further information, see Note 2.

A MESSAGE FROM THE CEO

STRONG BUSINESS MODEL – THE BASIS FOR PROFITABLE GROWTH AND OUR BEST YEAR SO FAR

President and CEO, Georg Brunstam

Our ability to deliver even in turbulent times is based on our strong and well-established business model and its four cornerstones: Leading expertise in polymers, Local business – Global presence, Flexible and efficient facilities, and Strong and long-term customer relationships. These are cornerstones that, when properly handled, make us highly competitive, set clear entry barriers and clear benefits for our customers, such as short supply chains and reliable customer-specific solutions.

Our industry structure, with its fragmented markets, gives us excellent opportunities for acquisitions where we have synergies. Common to all our operations are the sustainability aspects that affect us and the world around us.

2022 – our best year so far

2022 was a transformative year, with extreme environmental challenges that our organization handled wisely and with determination. The commodity situation has been turbulent during the year, with shortages and sharp price increases, which we have managed and compensated for with respect and determination. We have responded with flexibility in close dialogue with our customers to a high degree of unpredictability in several segments, not least the automotive industry, and disruptions in supply chains.

We have overcome challenges and enjoyed very strong sales growth during the year, with total Group sales of MSEK 22,243 (16,005), an increase of 39 percent. Organic growth increased by 17 percent compared to the previous year. Our adjusted profit increased by 19 percent to MSEK 3,260 – the HEXPOL Group's best result to date. Earnings per share, adjusted for items affecting comparability, increased by about 17 percent to SEK 7.14. I see our good value creation during the year as proof that our business model delivers, even in turbulent times.

The Group also continued to generate strong operating cash flow of MSEK 2,813 (2,731) during the year.

HEXPOL's financial position after this year's good results allowed the Board to propose a dividend for 2022 of SEK 3.60 (3.00) per share, an increase of 20 percent.

We are focusing, strengthening and accelerating our sustainability work

Sustainable development has been an integral part of our operations and long-term strategy for many years. A natural part of each unit's strategic plan, budget and social commitment. By using resource-efficient production methods, as well as investing in products with a lower climate impact, we achieve both environmental and business benefits.

The goal of reducing our carbon footprint by 75 percent by 2025 was intensified during the year through a number of investments in energy efficiency improvements, solar panels at our facilities and fossil-free electricity supply. By the end of 2022/2023, we had reduced our carbon footprint by 49 percent from the base year 2018/2019, putting us well on track to meet our target.

Many existing raw materials can be replaced by circular or renewable materials without changing our production processes. The pace of innovation is high, and a realignment is in progress among consumers, customers and suppliers.

In addition to a number of our own development projects that create green growth, our strategy also includes acquiring companies with a strong sustainability profile, mainly in recycled materials. A good example of this is the acquisition of almaak international GmbH – a niche player in specialized TP compounds based on recycled materials.

During the year, we were invited to be a partner in electric car manufacturer Polestar's future initiative to create a completely climate-neutral car by 2030. It is an inspiring, challenging and research-oriented project. With Project Polestar 0 and other exciting projects, we are working to enable long-term change in the polymer industry.

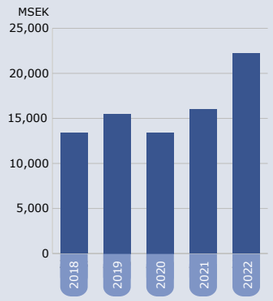
To further focus and accelerate our sustainability work, we have strengthened the organization in many parts of the Group and established a Sustainability Council at Group level. I personally lead the work of this Council, which has participants from different units of the Group.

Decentralized and coordinated – a material difference

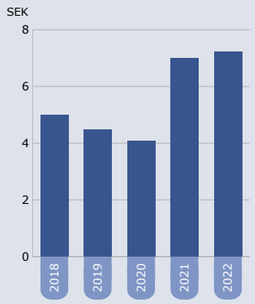
Our business culture defines a clear purpose for all of us at HEXPOL – *We create a material difference*. We make a difference every day, both through our products and through our relationships with customers.

It is a purpose that requires an experienced and decentralized organization. Each unit must act quickly and adapt to local conditions, to best support our customers but also to safeguard our financial position. At the same time, we coordinate all the necessary processes and resources centrally to optimize the benefits of our global presence.

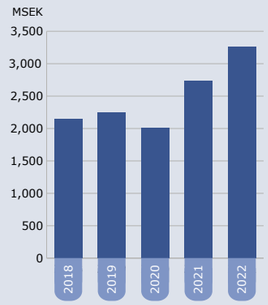
Today's geopolitical tensions and rising trade barriers have made it clear that a shorter supply chain is a business-



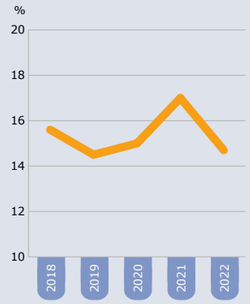
Sales increased by 39 percent, with all product areas and markets being affected favorably. Sales increased organically by 17 percent and through acquisitions by 7 percent.



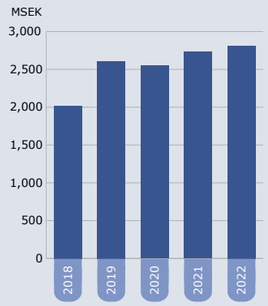
Earnings per share were SEK 7.21, a 5 percent increase.



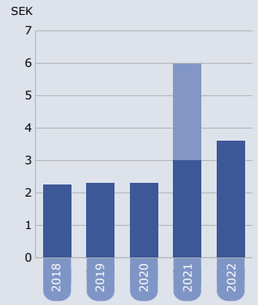
Over the year, adjusted operating profit rose by about 19 percent to MSEK 3,260, primarily due to our strong and solution-oriented customer focus, coordinated processes and utilization of our decentralized and flexible organization around the world.



The adjusted operating margin was 14.7 percent. The need to continuously adapt production to rapidly changing customer demand, combined with non-optimized formulas due to raw material shortages and price increases on raw materials and energy, negatively impacted gross margin.



In 2022 HEXPOL continued to generate strong operating cash flow of MSEK 2,813 (2,731), and the Group's net debt/EBITDA ratio was 0.75 (0.25).



After a strong year, HEXPOL's financial position is good, and the Board proposes a dividend for 2022 of SEK 3.60 (3.00) per share, an increase of 20 percent.

critical component for many of our customers but also in our own supply chain. With our decentralized and co-ordinated business structure and 53 local units in Europe, America and Asia, we are able to offer fast and secure deliveries based on local conditions and with the best understanding of our customer' needs.

Our acquisition journey continues

The HEXPOL Group has enjoyed strong growth since its inception, both organically and through a significant number of acquisitions.

Our acquisition strategy is clear and long-term, and acquisitions are made in areas that are familiar to us and often by companies that we have followed for a long time.

In 2022, we have strengthened our positions through the acquisitions of German almaak and US McCann. The specialist almaak is a niche player in technologically advanced and high-quality recycled polymer compounds and operates from two locations in Germany. McCann Plastics is focused on niche thermoplastic compounds and operates from two locations in Ohio and has approximately 100 employees.

Through these acquisitions, we continue our strategy of building a larger global base in specialized and high-performance TP Compounds largely based on recycled materials.

Priorities in line with strategies and trends

Our sustainability work is of strategic importance to both us and our customers. Alongside our own and others' development projects and a focus on increasing the proportion of recycled or circular materials, our integrated sustainability work will play a central role.

With a deep knowledge of advanced polymers, we benefit from a number of strong trends. Ever-increasing electrification gives us opportunities to grow in a number of areas, not least in the automotive industry. We are growing strongly in Wire and Cable, thanks in large part to the successful integration of last year's acquisition VICOM. Medical and health is another area where advanced polymers with stringent customer requirements are in strong demand – and we are well-positioned. Our major investment in expanded production capacity for materials for medical device production in Åmål will be completed in early 2023.

However, uncertainty ahead remains high with sharply rising inflation and interest rates, supply chain disruptions and Russia's invasion of Ukraine. We are confident that our strong customer focus, combined with geographical proximity to customers, will enable us to continue to manage the disruption and further strengthen our market position. We are flexible and ready to meet the expected increase in vehicle production.

With a robust business model, we have proven that we can handle even uncertain times. Favorable business trends, a strong financial position and a highly competent organization give us the right conditions to continue to grow and develop our Group in a positive direction.

During the year, Ken Bloom, head of our US compounding business, chose to retire. I would like to extend a special thank you to Ken for his important and dedicated work and, at the same time, welcome Gary Moore as the new President of HEXPOL Compounding Americas. Gary is a very experienced manager within HEXPOL and has been with the Group since 2007.

Finally, I would like to thank our customers, suppliers and shareholders for their trust and cooperation in 2022. Despite the challenges, our employees and our management worldwide have continued to reliably deliver high quality to our customers. Many thanks to you all. I would also like to take this opportunity to welcome new employees from the acquired units.

Malmö, Sweden, March 2023

Georg Brunstam, President and CEO

THE ACQUISITION OF GERMAN ALMAAK STRENGTHENING HEXPOL'S OFFER BY GREEN COMPOUNDS

The acquisition of 70 percent of the shares in German almaak international GmbH further strengthens HEXPOL's position in sustainable development. almaak is a specialist in technologically advanced and high-quality recycled polymer compounds. Founders Olaf Eichstädt and Thomas Schmeinta will remain with the company and continue to drive growth and technical excellence.

almaak has many years of experience in the production, processing and development of engineering polymer compounds. The Krefeld and Doberlug-Kirchhain plants produce around 60,000 tonnes of technical polymer compounds per year on 16 extrusion lines. The products are mainly used in the automotive, electrical, household and construction industries.

For several years, almaak has focused on the development of compounds from recycled raw materials, for which there is extensive experience in serial production in almost all relevant applications. By developing and manufacturing both small customer-specific quantities as well as large volumes, almaak is as much a partner to small companies as to large globally producing polymer groups.

The acquisition is fully in line with HEXPOL's acquisition strategy, with growth in thermoplastic compounding and technologically advanced polymers with a high level of recycled material. The acquisition further strengthens HEXPOL's already established marketposition in Europe.

HEXPOL AS AN INVESTMENT

STRONG GROWTH ORIENTATION

GLOBAL MARKET POSITIONS

ADVANCED POLYMER SOLUTIONS

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

Since its IPO, HEXPOL has generated shareholder value by means of a steady return on equity. The aim is for 25–50 percent of profit for the year[1] to be distributed to shareholders as dividends. The Group works continuously to create value for all its stakeholders, including through active and integrated sustainability work. For HEXPOL as an investment, several factors form the foundation on which the Group generates value.

Strong growth orientation

HEXPOL strives for leading positions in selected segments and has a strategy to grow both organically and through acquisitions with good margins and strong operating cash flows that enable continued expansion. HEXPOL has gone from sales of just under MSEK 500 in 2001 to MSEK 22,243 in sales in 2022.

Global market positions

HEXPOL has strong global market positions with the ambition of being the market leader in select technical or geographical segments. With 53 units in Europe, America and Asia, HEXPOL can deliver flexible solutions to both local and global customers. We are present in most industries that require leading polymer knowledge. The largest are the automotive and engineering sectors.

Advanced polymer solutions for demanding customer applications

HEXPOL's customers impose rigorous demands and high expectations of solutions to new climate-smart challenges, often in the most demanding environments. Through cutting-edge knowledge in polymeric materials, solid application know-how and the best service on the market, HEXPOL strengthens its customers' competitiveness, often in direct collaboration with the customers' own development departments.

Contribution to sustainable development

Sustainability forms an integral part of HEXPOL's operations. Reducing the impact on the climate of raw materials, production facilities and products, as well as being prepared for the impact of a changed climate on the Group's value chain, are highly strategic issues. Interest in products containing bio-based and/or recycled raw materials has increased significantly among many customers. Creating a more circular economy is a strong driver for HEXPOL and its business partners. Read more about HEXPOL's sustainability work on pages 28–35 and 86–111.

[1] *Profit after tax, provided that the company's financial position is judged to be satisfactory.*

THE HEXPOL SHARE AND SHAREHOLDERS

Share price development and share turnover

In 2022, HEXPOL's Class B share price fell by 8 percent (+38), while the index of comparable industrial companies, OMX Stockholm Basic Materials, fell by 12 percent (+21). The Stockholm exchange as a whole, Nasdaq Stockholm, fell by 25 percent (+35). The highest quoted bid price for HEXPOL's Class B share 2022 was on 10 January at SEK 125.55, and the lowest bid price on 9 May, at SEK 77.70.

In 2022, 128 million (133) HEXPOL shares were traded at value of MSEK 12,632. On average per trading day, 505,590 shares (526,168) were traded for an average of SEK 49,730,954.35 per day. HEXPOL's total return fell by just under 3 percent during the year, compared to the OMX Stockholm GI[1], which fell by 22 percent. Over the past five year period, HEXPOL's Class B share has had a total return of over 11 percent. The corresponding figure for OMX Stockholm GI is 12 percent.

Ownership structure

HEXPOL's Class B share has been listed on the exchange since 2008. Today, the stock is listed on Nasdaq Stockholm's major companies list, Large Cap, under HPOL B. The share capital of HEXPOL AB totals SEK 68,887,369, divided into 344,436,846 shares. Of these, 14,765,620 are Class A shares and 329,671,226 are Class B shares. Each Class A share carries ten voting rights, and a Class B share, one voting right. Each share has a quota value of SEK 0.30. All shares carry equal rights to the Company's assets and earnings.

As of December 31, 2022, HEXPOL AB had 12,726 (11,588) shareholders. The largest shareholder is Melker Schörling AB, who owns all Class A shares. Melker Schörling AB also holds Class B shares and owns in total 25 pecentage of the share capital and 46 percent of the voting rights. The number of shares held by non-Swedish shareholders totalled 36 percent (42) of the capital. The 20 largest shareholders accounted for 69 percent (72) of the capital and 78 percent (80) of the voting rights.

Dividend

HEXPOL's earnings trend and equity/assets ratio determine the size of the dividend. HEXPOL's dividend policy is that 25 to 50 percent of profit after tax for the year will be distributed in dividends to HEXPOL's shareholders, on the condition that the Group's financial position is deemed satisfactory. For 2022, the Board of Directors proposes an ordinary dividend of SEK 3.60 (3.00) per share. The dividend corresponds to approximately 50 percent of net profit for the year, adjusted for items affecting comparability.

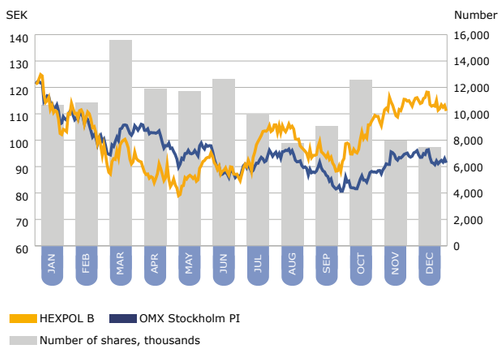
Shareholder value and analysts

HEXPOL's executive management works continuously to develop the Company's financial information to create favorable conditions for valuing the Group in the most accurate manner possible. This includes working actively through meetings with analysts, shareholders and the media.

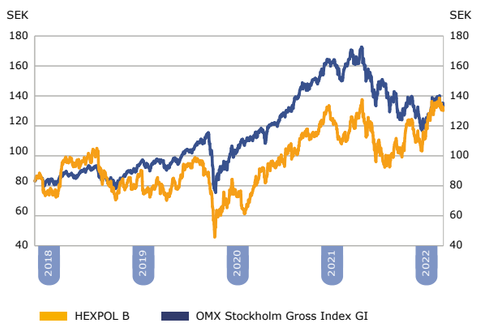
Responsible for IR matters at HEXPOL is Peter Rosén, Deputy CEO and CFO: +46 40-25 46 60, ir@hexpol.com.

For a current list of the analysts who continuously monitor HEXPOL, visit www.hexpol.com.

SHARE PRICE TREND AND TRADING VOLUME, JAN 1–DEC 31, 2022



TOTAL RETURN 2018–2022



[1] *OMX Stockholm Gross Index, the average trend on OMX Stockholm, including dividends.*

KEY PERFORMANCE INDICATORS PER SHARE[1]

SEK	2022	2021	2020	2019	2018
Adjusted profit	7.14	6.09	4.26	4.93	4.78
Shareholders' equity	39.97	33.82	26.53	28.34	24.96
Dividend	6.00 [2]	2.30	2.30	2.25	1.95
Closing price, Class B share, 31 December	111.10	121.30	88.0	91.80	70.05
Cash flow from operating activities	7.53	6.99	6.90	6.86	5.25

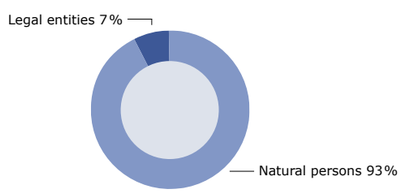
MAJOR SHAREHOLDERS

Owner/manager/custodian bank	Class A shares	Class B shares	Share capital %	Votes %
Melker Schörling AB	14,765,620	70,783,430	24.8	45.8
Alecta Pension Insurance, mutual	0	15,180,000	4.4	3.2
Didner & Gerge Fonder Aktiebolag	0	13,327,055	3.9	2.8
Allianz	0	11,687,336	3.4	2.5
Fidelity Mutual Funds	0	10,238,409	3.0	2.1
Baillie Gifford Funds	0	9,379,600	2.7	2.0
Swedbank Robur Fonder AB	0	9,325,828	2.7	2.0
Vanguard	0	8,741,675	2.5	1.8
Lannebo Fonder	0	7,554,816	2.2	1.6
Handelsbanken Fonder	0	5,985,161	1.7	1.3
Total of the 10 largest shareholders	**14,765,620**	**162,203,310**	**51.3**	**64.9**
Total other shareholders	**0**	**167,467,916**	**48.7**	**35.1**
Total	**14,765,620**	**329,671,226**	**100.0**	**100.0**

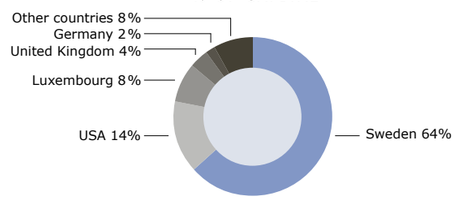
OWNERSHIP STRUCTURE

Number of shares per shareholder	Number shareholders	Class A shares	Class B shares
1–500	8,449	0	1,015,338
501-1,000	1,300	0	1,063,197
1,001-5,000	1,973	0	4,613,329
5,001-20,000	663	0	6,519,365
20,001-	341	14,765,620	316,459,997
Total	**12,726**	**14,765,620**	**329,671,226**

SHAREHOLDER CATEGORIES, % OF CAPITAL



SHAREHOLDERS BY COUNTRY, % OF CAPITAL



[1] *Adjusted for items affecting comparability.*
[2] *Including extra dividend of SEK 3.00 per share.*

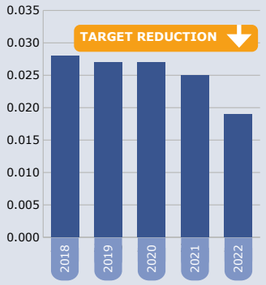
TARGETS AND OUTCOMES IN 2022

Financial targets[1]

[1] *Financial definitions can be found on page 112.*

Sustainability targets[1]

ENERGY IN RELATION TO SALES, GWh/MSEK



GLOBAL GOALS

CO_2 IN RELATION TO SALES, tons/MSEK

GLOBAL GOALS

OCCUPATIONAL ACCIDENTS number of accidents with absence/ million hours worked

GLOBAL GOALS

[1] *Read more about HEXPOL's sustainability-related targets on page 31.*

MISSION, VISION AND PURPOSE

Purpose
The positive impact of what we do

We create a material difference

Vision
Our long-term objective

The leading supplier of solutions for sustainable polymer applications

Business concept
What we do – every day

We supply high-quality polymer solutions that enhance our customers' applications. Every day. Everywhere.

Core values
Our fundamental values, which guide how we work

- We are committed
- We are close to you
- We make you sustainable
- We are entrepreneurs
- We are true specialists

Our purpose, vision and business concept

We are driven by our vision of becoming the leading supplier of solutions for sustainable polymer applications. *We create a material difference* – Our purpose is to make a difference every day, both through our products and through our relationships with customers.

Our entire business is based on a strong customer focus: We supply high-quality polymer solutions that enhance our customers' applications. Every day. Everywhere.

Strong core values are the foundation of everything we do

Our core values guide the way we work and our approach both internally and externally.

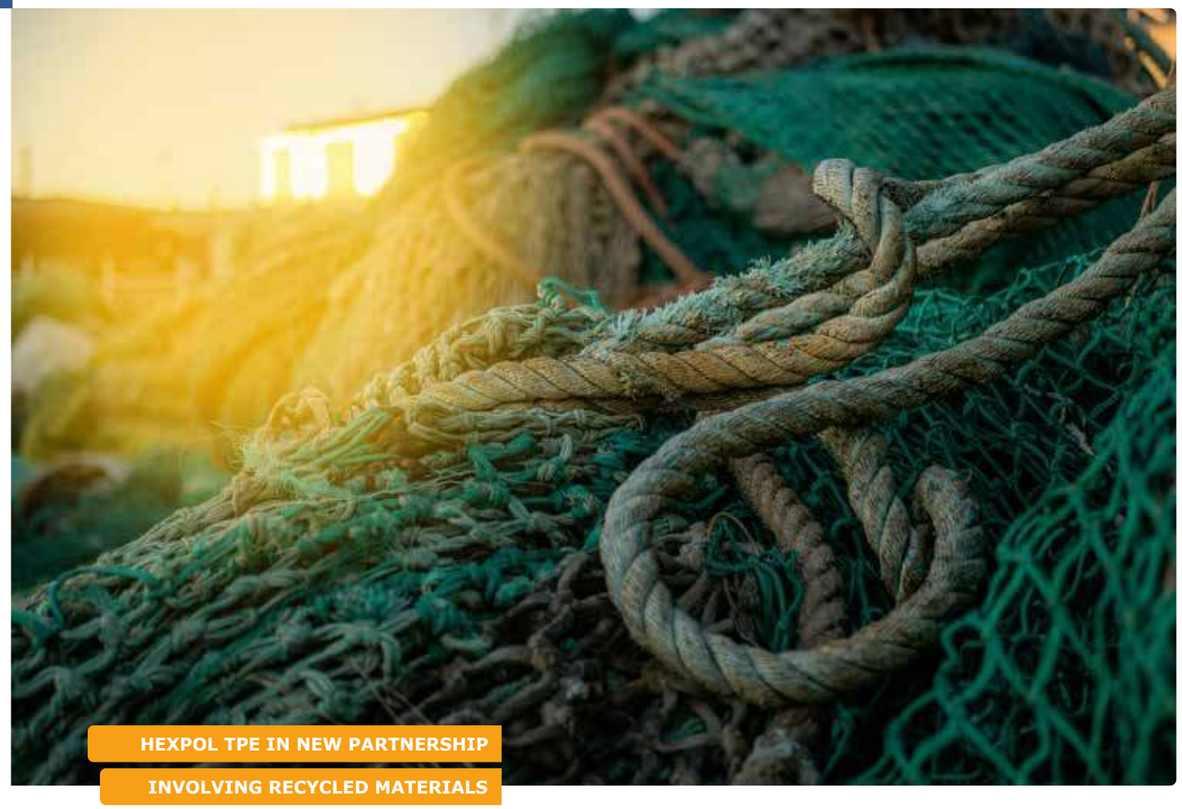
We are committed – We know our markets, our customers and their end products. This ensures that our customers can grow with us, globally and in all segments, regardless of application.

We are close to you – Our global footprint with agile development-focused units safeguards our offering of the best local support for customer needs.

We make you sustainable – We take sustainability seriously and challenge our units to be best in class in terms of social responsibility and minimizing climate impact.

We are entrepreneurs – A decentralized structure with local expertise and close customer contact offers advantages such as speed and creativity, together with efficiency and flexibility, in a larger structure.

We are true specialists – Above all else, we value technical skills and in-depth application know-how. This enables us to surpass our customers' expectations by further improving the products.



HEXPOL TPE IN NEW PARTNERSHIP INVOLVING RECYCLED MATERIALS FROM MARITIME WASTE

Increasing the use of recycled and renewable materials will support the transition to a circular economy model, by reducing the demand for finite fossil-based virgin materials.

HEXPOL is expanding its growing portfolio of TPEs containing recycled material with Dryflex Circular MWR (Maritime Waste Recyclate).

The new material is the result of a collaboration between HEXPOL and Plastix A/S, a Danish plastics recycling company specializing in the sorting and recycling of polymeric fiber waste from the maritime industry. Old fishing nets, trawls and ropes, which would have either ended up in landfills or, worse, at the bottom of the sea, are instead transformed into high-quality virgin raw materials.

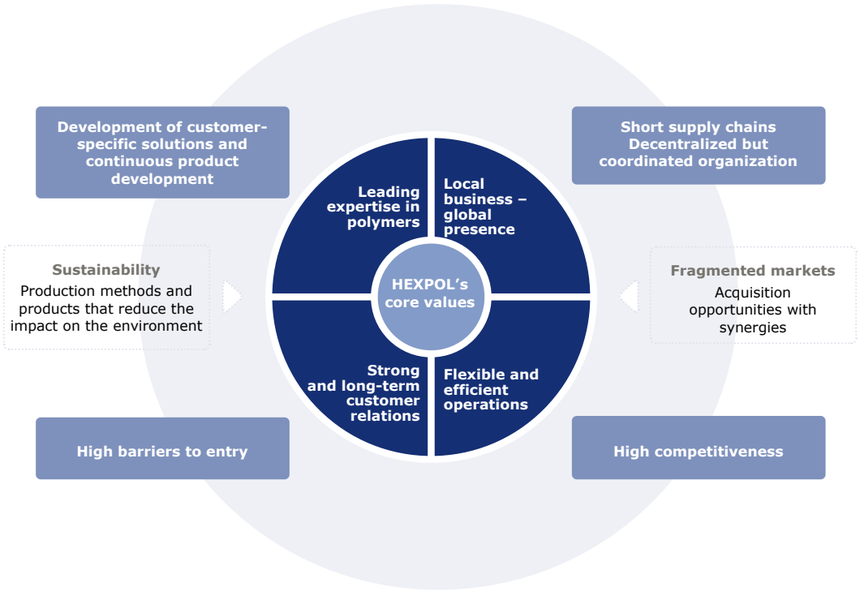
Dryflex Circular MWR is available in different hardnesses with 10 to 60 percent recycled content. Target applications for the material are consumer goods, automotive exteriors and outdoor polymer products.

The new material is part of HEXPOL's Dryflex Circular portfolio, which also offers tailor-made materials with PCR (Post Consumer Recyclate) and PIR (Post Industrial Recyclate). Dryflex Circular is recyclable in closed systems.

"The integration of recycled materials is essential in the world's transition to a circular economy and requires that they are used in all possible applications. We are pleased to be working with HEXPOL to make this happen," says Plastix CEO Hans Axel Kristensen.

"We are constantly exploring new sources of recycling to support the transition from virgin materials. What attracted us to work with Plastix was the controls and quality of their products and the fact that their work is evidence-based," commented Jill Bradford, Global Marketing Manager at HEXPOL TPE.

STRONG BUSINESS MODEL FOR CONTINUED PROFITABLE GROWTH



Leading expertise in polymers, superior know-how in applications

Over time, HEXPOL has built up leading polymer expertise for a wide range of advanced materials that, together with solid application know-how, meet the strict requirements set by customers. HEXPOL has more than 100 qualified and experienced chemists and application engineers who, in close collaboration with customers, develop polymer solutions for demanding environments. This also includes the work of developing environmentally and climate-adapted materials that contribute to our own and our customers' sustainable development goals.

Global reach, local presence

Through global operations, HEXPOL is able to meet the requirements of large global groups, but also to reduce lead times thanks to our 53 production units on three continents. Sales and development take place close to the customer, usually at, or adjacent to, the local production unit. With a short distance to the customer, problems such as limited durability, transport challenges, customs and other trade barriers are eliminated.

Flexible and efficient facilities

Deliveries are made in accordance customer orders and with predetermined call-offs based on the customer's forecast. This gives customers security with regard to delivery and quality, and gives HEXPOL flexibility in its production. The low level of working capital contributes to HEXPOL's stable profitability.

The well-invested operations are batch-oriented and are measured based on the lowest possible transition from one batch to another. Batch production provides a high degree of flexibility; it can be quickly adapted by shifting or scaling up or down to meet changing customer needs or challenges from the world around us.

Strong, long-term customer relationships

HEXPOL's business is driven by customer orders, enabling a clear degree of flexibility. Formulas for different compounds are developed in close cooperation with customers and require unique expertise. The formulas are HEXPOL's property in most cases. Products are approved following extensive testing and are then specified very frequently by the component manufacturer.

Our core values:
We are committed
We are close to you
We make you sustainable
We are entrepreneurs
We are true specialists

The close customer cooperation and material complexity provide high entry barriers for competitors and a high proportion of recurring transactions. Many of our customers have been with us for more than 20 years.

Sustainability with and for the customer

Sustainability issues form a natural part of HEXPOL's operations. We focus on energy and climate, a safe working environment, good business ethics, and the development of products helping directly or indirectly reduce environmental impact. Many of the Group's customers have similar priorities and it is in interaction with them that sustainable solutions emerge.

Customers demand a code of conduct and certified environmental management systems. Other requirements concern the phasing out of hazardous chemical substances and sustainability issues being implemented in the supply chain.

Interest in products containing recycled and/or bio-based raw materials has increased and is expected to continue to grow in the future. HEXPOL has a growing portfolio of renewable and recycled materials, and the goal is to reduce the use of fossil-based raw materials. HEXPOL works with raw material suppliers to obtain useful data on the carbon footprint of raw materials.

Fragmented markets

Many of the markets in which we operate are fragmented, with a few major players and a large number of smaller local manufacturers or customers with their own rubber compounding operations. For us, as a strong global Group, this gives us continued opportunities to make acquisitions and increase our presence in all markets. HEXPOL has extensive experience of integrating acquisitions, enabling us to quickly generate synergies within our own operations.

HEXPOL JOINS PROJECT POLESTAR 0 AS A PARTNER – TO CREATE A CLIMATE-NEUTRAL CAR BY 2030

Swedish electric car company Polestar is accelerating its efforts to eliminate greenhouse gas emissions by welcoming new partners to its Project Polestar 0. In October 2022, HEXPOL was invited as a partner.

The 0 project is Polestar's visionary goal to create the first truly climate-neutral car by 2030 without offsetting. The project will work to identify and eliminate all greenhouse gas emissions from the extraction of raw materials to when the car is delivered to the customer and all the way to the end of the car's life.

HEXPOL will support the project with thermoplastic elastomers (TPE) and soft polymer compounds. The work includes research that advances the possibilities of bio-based and recycled content. The project will also include mapping the supply chain to identify all sources of emissions and investigate zero-carbon logistics systems.

To launch a car in 2030, the advanced research must be completed by 2025, when work on the car's architecture begins. In 2027, the vehicle project will start, which means the application of the research and advanced engineering required to take a research project into industrial production must be complete.

"An ambitious project of this kind requires partners who are at the forefront of their industries and who are fully committed to our bold vision. That's why I'm looking forward to HEXPOL becoming a crucial part of our team as we find solutions to develop a completely climate-neutral supply chain. HEXPOL's expertise will be invaluable in our mission and will play an integral role in pioneering new and innovative technologies to achieve what has, so far, been impossible," says Hans Pehrson, Project Manager for Project Polestar 0.

"This is a very inspiring project to be part of. It's in line with our work to enable systemic transformation in the polymer industry. To make a real change, we need to work together on an unprecedented scale," says Thomas Nilsson, CEO of HEXPOL TPE AB.

STRATEGIES SUPPORTING VALUE GENERATION AND PROFITABLE GROWTH

We ensure that we are the most cost-effective company through continuously improving processes, decreasing costs and eliminating waste in well-invested high-tech production units, combined with broad-based expertise in a flat and cost-effective organization.

STRONG GLOBAL MARKET POSITIONS

EFFICIENT SUPPLY CHAIN

HIGHEST COMPETENCE AT ALL LEVELS

SUSTAINABLE DEVELOPMENT

COST-EFFECTIVE ORGANIZATION

HIGH VALUE CREATION FOR THE CUSTOMER

HEXPOL's overall objective is to generate value for its stakeholders through profitable growth. To achieve this and to maintain long-term competitiveness, we apply six strategies. These strategies ensure that HEXPOL, Group-wide and within the business areas, works to optimize its operations, achieve market leadership and pursue appropriate activities and acquisitions.

With our core values and business model set-out, detailing our approach and our comparative advantages over the competition, our strategies become more agile and adaptable over time, allowing us to continuously improve our operations.

Strong global market positions

HEXPOL is represented in most industrial segments that demand leading knowledge and development capacity in advanced polymers. The largest segments comprise the automotive and engineering industries, followed by the construction sector. Other important customer segments are the transport sector, energy sector, consumer sector, cable industry and medical device manufacturers. HEXPOL shall be a market leader, ranking number one or two, in all selected technological or geographical segments.

We use our strong global market positions strategically to coordinate processes such as purchasing, research and development and major global account management. We use our global platform and knowledge-centric organization to both increase sales and further strengthen our positions through benchmarking.

As a leading player in advanced polymers, our strong positions also afford us a clear advantage when seeking growth opportunities through acquisitions. We are well-acquainted with the market, at the local and global level, and know how to assess opportunities and synergies when seeking acquisition candidates.

An efficient supply chain is business critical

We safeguard an efficient supply chain by continuously focusing on identifying cost-efficient supplier solutions from which benefits can be derived in terms of volume and technology. Global and Group-coordinated procurement processes are in place, providing strategic economies of scale. The local units ensure delivery quality and raw material supply in their respective markets. Accordingly, maintaining close cooperation with customers by means of a local presence generates opportunities to achieve efficient solutions. Today, a short supply chain and short response times are business-critical components for HEXPOL's customers. The Covid pandemic and increasing trade barriers are current trends driving this development.

Highest competence at all levels

HEXPOL has chosen to organize its business operations with a strong, decentralized local focus. Our strengths lie in our local entrepreneurial spirit whereby each unit possesses excellent market knowledge and can capitalize on close customer relationships.

Short and prompt decision-making processes hasten implementation and boost the organization's capacity. This places great demands on skilled local management teams that assume overall responsibility for their operations. This makes them a strategic asset. They receive support through coordinated Group-wide processes and an ongoing exchange of experiences between units, safeguarding development and "best practice" within the Group.

Coordination and collaboration for a cost-effective business

Through continuously improving processes, decreasing costs and eliminating waste and well-invested production units with a high level of technology combined with broad-based expertise in a flat and cost-effective organization, we ensure that we are the most cost-effective company.

Coordination and cooperation around global supplier agreements, equipment design, communication and digitization are examples of support that help us achieve greater efficiency in unison. A broad-based sharing of knowledge between our units provides opportunities for continuous improvement and a set of "best practice" processes.

Capacity for generating customer value

We work with a strong customer focus. Our task is to strengthen customers' competitiveness on their market. They impose rigorous demands and have high expectations in terms of flexible and fast deliveries of customer-specific polymer compounds or components that are to resolve new challenges, often in the most demanding environments.

We meet these high demands through solid know-how in advanced polymers, strong application know-how, technical support, developmental power and excellent service.

It is in our close relationships with customers that we gain an in-depth knowledge of the challenges they face, and that we generate long-term success and profitability.

Sustainable development, part of the group strategy

The work with sustainable development is focused on solving challenges in the near future but also on building preparedness for future expectations and requirements. An important part of sustainability work is to develop resource-efficient production methods and products with a low climate impact.

SUSTAINABLE DEVELOPMENT

Sustainable development (ESG) is an integral part of HEXPOL's operations and long-term strategy. Through preventive and goal-oriented efforts, we generate value for our stakeholders and for society at large. By using resource-efficient production methods, as well as investing in products with a lower climate impact, we achieve both environmental and business benefits. The overall strategy focuses on the main sustainability issues and influences the strategies and objectives of the local companies in a decentralized manner. The strategy aims for the Group to:

- Reduce risks and costs through preventive measures, risk assessments and investments in effective technical solutions.
- Generate business opportunities through responsible conduct, and developing resource-efficient production methods and products. An important component of the strategy is that the view of circular business models permeates decisions and actions at different levels of the Group.
- Apply a goal-oriented and systematic approach aided by certified management systems in the areas of the environment, quality, work environment and energy.
- Be an attractive employer and an active member of society.
- Apply sound business ethics, comply with laws and regulations and prevent corruption.
- Communicate openly regarding targets and outcomes in sustainable development.

In the area of climate change, the strategy covers the following areas:

- Measures to reduce carbon emissions from energy use, including increased energy efficiency, phasing out of fossil fuels, installation of solar panels and increased purchasing of fossil-free electricity.
- Developing products with smaller carbon footprints, such as through the use of bio-based and recycled raw materials and strategic cooperation with suppliers regarding materials and processes.
- Activities that contribute to an in-depth understanding of how climate change may affect facilities, manufacturing processes and the business model. For example, we carry out scenario and risk analyses.

Shifting operations towards a lower carbon footprint is a challenge. Therefore, we regularly implement measures that reduce carbon emissions from energy use, develop products that contain bio-based and recycled raw materials, and analyze how climate change could affect our facilities, manufacturing processes and value chain as a whole.

The speed of the shift is influenced by factors such as customer maturity, the availability of bio-based and recycled raw materials, demanding product specifications, and the development of new technologies. The Group therefore works strategically with customers and suppliers to drive development in order to assess and introduce new raw materials and technologies as quickly as possible.

Global trends benefit HEXPOL

In addition to holding strong positions in selected segments, HEXPOL has identified a number of global driving forces that afford us additional business opportunities. They drive our business model, and we continuously monitor and assess them to ensure accurate positioning, minimize risk and exploit new opportunities.

Increasing electrification drives growth

The increasing electrification of a growing number of applications in society is becoming evident in pace with the replacement of fossil fuels with renewable ones. This is particularly noticeable in the expanding segment of electrified or hybrid vehicles. HEXPOL has a comprehensive and broad offering to the wire and cable industry, which plays an important role in enabling electrification.

Clear business opportunities in sustainable development

Limiting climate impact is a major challenge for society and most businesses. Customers are increasingly demanding delivery and products with reduced carbon footprints. Several activities are ongoing within HEXPOL to shift towards renewable raw materials and energy sources, and to develop products with as limited a carbon footprint as possible. By increasing the use of bio-based and recycled raw materials and through resource-efficient processes and products, we can contribute to sustainable development.

Short supply chains are business critical for customers

Proximity with shorter distances and response times have become business-critical components for HEXPOL's customers. Increasing trade barriers and pandemics are examples that drive development. With global operations in Europe, America and Asia, HEXPOL is a reliable partner with a local presence through 53 units around the world.

Growing need for advanced materials for the Health & Medical Technology segment

Human health is a global priority. An ageing population, welfare diseases but also an increased awareness of health issues are strong and critical trends. HEXPOL's advanced polymer solutions are increasingly sought after for applications in the health and medical technology segments.

E-MOBILITY INCREASES HEXPOL'S BUSINESS OPPORTUNITIES

HEXPOL's Main Applications Percent of HEXPOL Compounding sales to automotive industry	Plug-in Hybrid	Fully Electric
WEATHERSTRIP	• Increased demand for noise cancellation • Light weighting for range extension	
SUSPENSION & DAMPENING	• Different load distribution • Greater demand for air spring systems • New requirements due to higher weight	
HOSE	• Higher temperature requirements • Need for high-performance elastomers	• Only cooling hoses and AC (no Turbo, no fuel pipe) • Cooling might not need flexible hoses
TIRES	• Tires have lower weight requirements	• Different design • New material requirements
BELT	• Transmission of auxiliaries via ICE	• E-drives don't need timing belts • Water & AC Systems may also be needed for electric cars
WIRE & CABLE	• More sensors and more cable • Charging cables	

The table shows how some of HEXPOL's applications are affected by increased electrification in the automotive industry.

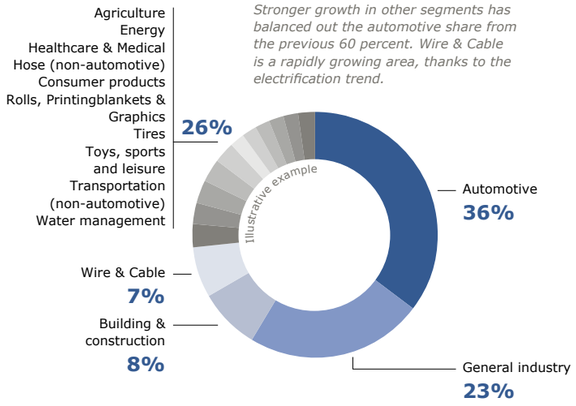
A company well positioned for growth in growing end-user segments

The HEXPOL Group is a world leader in advanced polymer compounds and engineered gaskets, seals and wheels. The Group's solutions can be found in a number of selected market niches, automotive and general industry being the dominant ones, followed by the building and construction and wire and cable industry. Market niches are constantly reviewed to assess how the Group can continue to improve its positions.

Through cutting-edge knowledge in polymeric materials, solid application know-how and the best service on the market, HEXPOL strengthens its customers' competitiveness, often in direct collaboration with the customers' own development departments.

Sustainability forms an integral part of HEXPOL's operations. Reducing the impact of raw materials, production facilities and products on the climate, as well as being prepared for the impact of a changed climate on the Group's value chain, are highly strategic issues. Interest in products containing bio-based and/or recycled raw materials has increased significantly among many customers. Creating a more circular economy is a strong driver for HEXPOL and its business partners. Read more about HEXPOL's sustainability work on pages 28–35 and 86–111.

A COMPANY WELL POSITIONED FOR GROWTH IN GROWING END-USER SEGMENTS



One concept that clarifies the transition from fossil raw materials to recycled and/or bio-based raw materials is mass balance certification.

In 2022, HEXPOL TPE in Åmål was certified according to International Sustainability and Carbon Certification (ISCC PLUS). This is proof of traceability throughout the supply chain and can ensure that bio-based or recycled raw materials are present in a defined amount in products, which is increasingly demanded by customers.

The certification system makes it possible to mix fossil raw materials with recycled and/or bio-based raw materials. The core of the system is traceability, where the certified business must be able to show exactly how much of each raw material is included in the product. All companies in the supply chain of the bio-based and/or recycled raw material must demonstrate the corresponding traceability. This is ensured by the ISCC PLUS certification (see model on page 34).

GROWTH – WELL INTEGRATED ACQUISITIONS

A well-positioned HEXPOL creates conditions for continued growth

HEXPOL has a proven ability to generate strong growth, both organically and through strategic acquisitions. Over the course of the year, 47 units have been acquired and successfully integrated into the operations, quickly generating synergies for the Group.

Through HEXPOL's ability to analyze and execute the right kind of acquisition for the Group, the growth is a result of internal improvement efforts, where all units are measured and compared to each other, and through synergies within the Group, thus improving the operating margins of acquired units.

Positioned for profitable growth

HEXPOL is positioned to benefit from development and to grow organically in its principal markets through new innovations, by developing its existing customers, and by expanding in new customer segments. HEXPOL leverages opportunities arising when rubber compounding manufacturers face the decision of whether to switch from proprietary compounding operations to outsourcing.

The Group's strategy is to continue to grow through acquisition in the polymer field, primarily in current business areas but also through a broadening of application areas, types of material and geography. Over the years, the operations have experienced a strong growth trend, with sales increasing by 61 percent over the past five years.

Robust and proven acquisition process

The HEXPOL Group has a strong cash flow, a strong financial position and the leadership capacity to capitalize on interesting acquisition opportunities on an ongoing basis. Potential acquisition objects are mapped on an ongoing basis.

Our acquisition model is based on extensive knowledge of current markets and continuous analysis of adjacent ones. We build long-term relationships with many types of businesses, from family businesses to private equity companies and other industrial owners. Together with industry experts, we also conduct proactive searches in key areas and maintain an ongoing dialogue with investment banks that are active in the chemicals industry.

We have a good reputation in the market for our experience in acquisitions and are prepared to act on opportunities when they arise. At the same time, we have the patience and experience to wait for the right opportunities to become available.

Strong history of well-integrated acquisitions

Part of the Group's strategy is to continue with acquisitions within the area of polymers. Potential acquisition targets are monitored continuously in accordance with a distinct acquisition model, whereby attractive targets are analyzed on the basis of a series of strategic parameters.

The illustration of HEXPOL's growth shows a selection of the more important acquisitions made over the years.

Extensive experience of extracting synergies

One of the factors behind HEXPOL's success in combining acquisitions and growth with significantly improved operating margins lies in our extensive experience of integrating acquisitions into the existing structure. Even before an acquisition is completed, distinct plans and processes are in place for how synergies are to be realized.

One example is how HEXPOL's position in the Spanish market has been significantly strengthened after the successful integration of the wire & cable compounder VICOM and the rubber compounder Unica. The two Spanish acquisitions from 2021 are excellent examples of our ability to quickly integrate and extract synergies from acquisitions.

In 2022, HEXPOL acquired 70 percent of the shares in almaak international GmbH. almaak is a specialist in technically advanced and high-quality recycled polymer compounds and operates in two locations in Germany with 190 employees. In 2021 almaak had sales of approximately MEUR 75 with a profitability level just below the HEXPOL Group. The main end-user segment is the European automotive industry, where interest in recycled compounds is growing every year.

At the end of 2022, HEXPOL also acquired US-based McCann Plastics. The company, which specializes in niche thermoplastic compounds, has operations in two locations in Ohio, USA, and about 100 employees. McCann's sales in the last 12 months totaled about MUSD 72, with a profitability level just below the HEXPOL Group. The main end-customer segments are general industry, agriculture, and the fast-growing segment of specialized cooling boxes.

HEXPOL CREATES CONDITIONS FOR CONTINUED GROWTH

Product area	Market	HEXPOL's position	Growth opportunities
HEXPOL Rubber Compounding	Global market growth. Recovery in the automotive, construction and general industry segments.	• Leading position in Europe and North America • Profitable niche position in China	• Capture larger market share – new and existing customers • New customer solutions • The market is fragmented, providing several acquisition opportunities
HEXPOL High Performance Compounding	Global market with structural growth.	• Good European position in silicone • Improved position in North America and the UK	• Capture larger market share – new and existing customers • New customer solutions • Geographical expansion • Attractive acquisition opportunities
HEXPOL Thermoplastic Compounding	Large global market with structural growth.	• Favorable position in North America (reinforced PP) • Strengthened position in Europe • No position in Asia	• Capture larger market share – new and existing customers • New customer solutions • Great acquisition opportunities
HEXPOL TPE Compounding	Global market with structural growth.	• Good position in Europe • Weak position in North America • Weak but growing position in Asia	• Capture larger market share – new and existing customers • New customer solutions • Geographical expansion • Attractive acquisition opportunities – few sellers
HEXPOL Wheels	Global market with structural growth driven by e-commerce and material handling. The Asian market, and primarily the Chinese market is considerable and continues to grow faster than the rest of the world.	• Leading global position in wheels in polymeric materials for forklifts and material handling.	• Capture larger market share – new and existing customers • New customer solutions • Market consolidation – acquisition opportunities
HEXPOL Gaskets and Seals	Global market in growth – driven by energy efficiency, environmental requirements and comfort cooling.	• Leading position in Europe and Asia (PHE) • Positive development in North America	• Geographic expansion

THE GROUP IN BRIEF

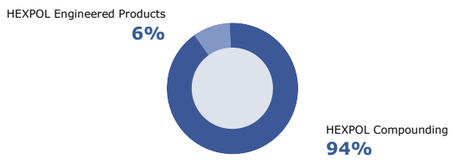
The HEXPOL Group comprises two business areas, HEXPOL Compounding and HEXPOL Engineered Products, which are further divided between three regions and five product areas. Combined, they have sales of MSEK 22,243, and at the end of the year they had about 5,100 employees in fourteen countries.

The Group's strengths are its locally rooted entrepreneurial spirit, with its 53 units having excellent familiarity with the local market, cutting-edge knowledge and development capabilities in advanced polymers. Combined with HEXPOL's global platform, the customer offering will be unique. HEXPOL's organization is structured to facilitate short and prompt decision-making processes, with clear, decentralized responsibility.

Most of HEXPOL's plants are relatively new and well-invested. The high level of technology, combined with far-reaching production and technological coordination, provides cost-effectiveness, high and uniform quality and the ability to smoothly move production between units and countries.

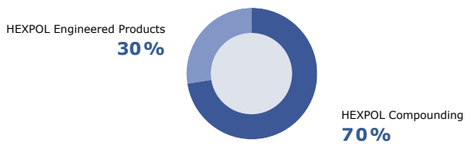
Thanks to its customer order-steered and/or batch production, HEXPOL's production organization is flexible. The global production platform enables brief supply chains for the Group's customers, while production capacity can be adjusted quickly and efficiently based on demand.

SALES
BY BUSINESS AREA IN 2022

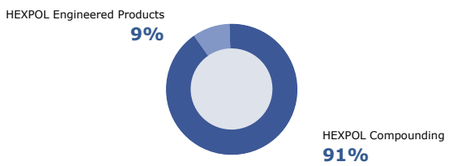


SALES BY
REGION IN 2022

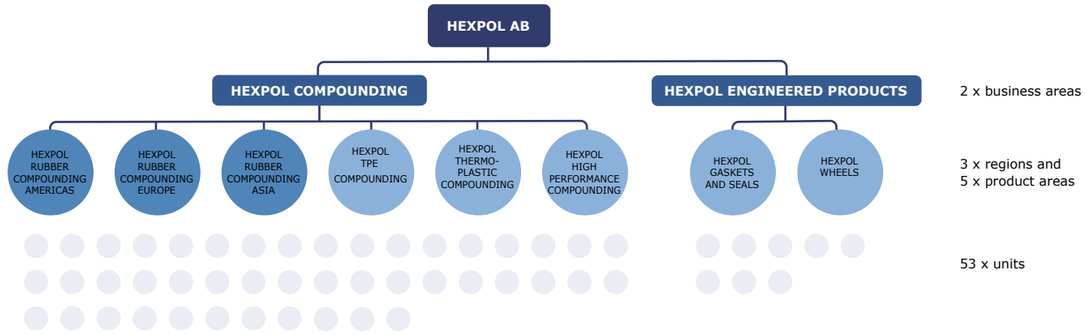
NUMBER OF EMPLOYEES
SHARE, GROUP



ADJUSTED OPERATING PROFIT
SHARE, GROUP



GROUP ORGANIZATION

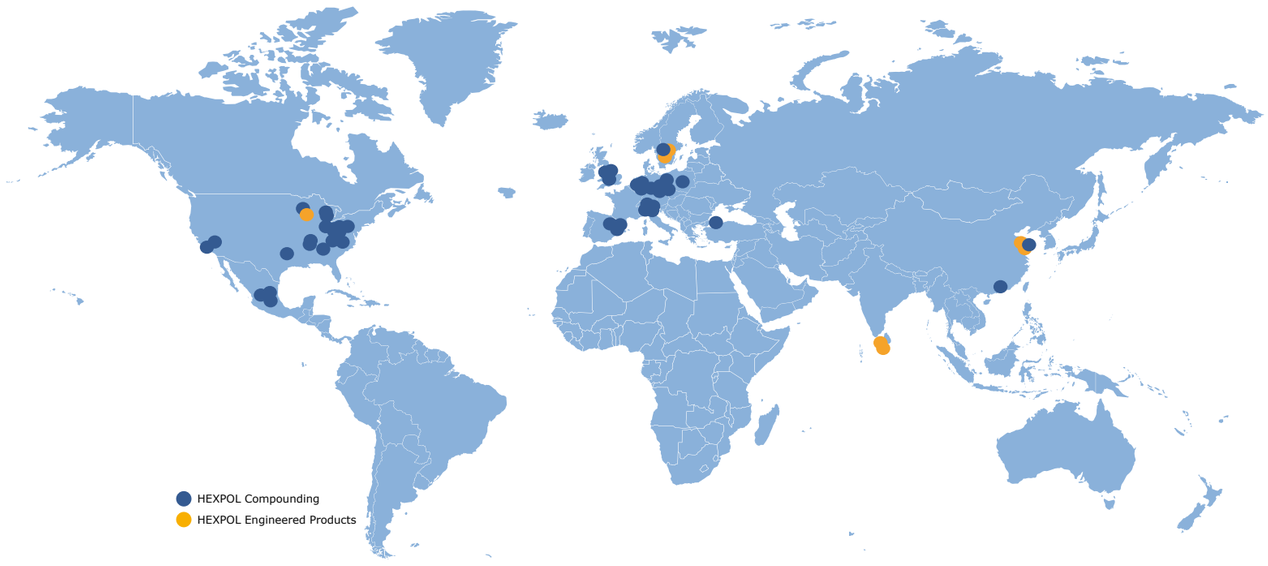


GARY MOORE
President
HEXPOL Compounding
Americas

CARSTEN RÜTER
President HEXPOL Compounding Europe/Asia, HEXPOL Compounding Global Purchasing/ Technology and HEXPOL TPE/HP Compounding.

RALPH WOLKENER
President
HEXPOL Compounding
Europe/Asia and HEXPOL TPE/HP Compounding

JAN WIKSTRÖM
President
HEXPOL Thermoplastic Compounding and HEXPOL Engineered Products



BUSINESS AREA

HEXPOL COMPOUNDING

The HEXPOL Compounding business area is one of the world's leading suppliers in the development and manufacturing of customer-specific advanced polymer compounds. Customers are manufacturers of polymer products and components who impose rigorous demands on quality, improved properties and local 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 important customer segments are the transport sector, the energy, the consumer sector, the wire and cable industry and manufacturers of medical technology.

A decentralized, strong and coordinated organization

HEXPOL Compounding's operations encompass 45 business units divided between four product areas HEXPOL Thermoplastic Elastomer Compounding, HEXPOL Thermoplastic Compounding, HEXPOL High Performance Compounding and HEXPOL Rubber Compounding, which are divided into three geographical areas: the Americas, Europe and Asia.

The organization is decentralized and most of the units have been built up with complete organizations for sales, product development and production. Our strong local units and expertise make us flexible and able to shorten our customers' supply chains, which is becoming increasingly important as trade barriers rise.

Coordination and cooperation is managed globally between the units in key areas including development of new materials and products, strategic selection of suppliers, technological equipment design and communications/digitization.

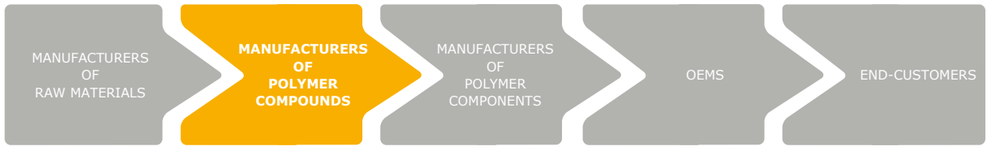
Production is early in the value chain and is mainly customer order-based and focused on a considerable number of selected raw materials that are largely subject to price fluctuations. Customer pricing is therefore renegotiated numerous times each year, generally monthly or quarterly. The key polymer compound formulas are developed in close cooperation with customers and require unique expertise.

A customer-specific offering

Polymer compounds are manufactured through highly technological processes that enhance the properties and performance of the polymers by joining and blending them with various components, such as additives and stabilizers, to create new, customer-specific material combinations.

Whether a customer needs flame retardant, oil resistant, UV stable or medical technology approved polymer materials, HEXPOL Compounding offers solutions that precisely match application requirements. The business area strives to develop products that can improve our customers' total production costs. The focus is primarily on three important areas: rubber compounds (including high-performance elastomers, such as silicone and fluorine rubber), thermoplastic elastomer compounds (TPE) and thermoplastic compounds (TP).

HEXPOL COMPOUNDING IN THE VALUE CHAIN



BUSINESS OPPORTUNITIES

HEXPOL Rubber Compounding
develops advanced rubber compounds with an extensive product range for a wide range of customer segments and application areas. HEXPOL Compounding is continuously advancing the technology for producing extremely pure rubber compounds.

- Leading position in Europe and North America
- Profitable niche position in China

HEXPOL High Performance Compounding
offers applications that are weather resistant, electrically insulating, can withstand strong temperature changes and are low in weight. Other examples are seals for highly demanding environments requiring high chemical resistance and able to withstand extremely high and low temperatures.

- Good European position in silicone
- Improved position in North America and the UK

HEXPOL Thermoplastic Compounding
offers a broad range, in which each product group has its own portfolio of formulas, customized for specific OEMs, with distinct properties and specific requirements.

- Favorable position in North America (reinforced PP)
- Strengthened position in Europe
- No position in Asia

HEXPOL TPE Compounding
offers one of the strongest portfolios of TPE compounds in the marketplace. The product area also offers a growing range of bio-based TPE compounds and compounds based on recycled TPE to meet the clearly increased demand for sustainable materials that reduce the use of fossil resources.

- Good position in Europe
- Weak position in North America
- Weak but growing position in Asia

Leading global market positions

The Group's sales to the automotive industry amount to around 36 percent (36) of total sales and include rubber compounds for products such as sealing strips for doors and windows, hoses and gaskets, as well as reinforced polypropylene compounds. The electric vehicle market is a growing niche where HEXPOL products contribute to improved weight performance.

Increased electrification also provides favorable growth opportunities in the wire and cable industry, where HEXPOL has brought together its offerings to achieve a more powerful impact on the market. The demands on quality are rigorous, particularly in the premium segment. The major vehicle manufacturers and their system suppliers operate globally. These customers are increasingly looking for shorter supply chains. HEXPOL focuses on being able to deliver the market's best products globally, offering identical quality regardless of the production unit and is therefore a suitable partner. Other attractive niches in the transport sector with growth opportunities for HEXPOL are the rail, aviation and space industries.

The product area HEXPOL TPE Compounding's market is growing strongly, with interesting and growing customer applications in medical technology, general industry, the consumer sector and automotive. HEXPOL is well positioned in the market with global capabilities. The market for the product area is growing, with interesting customer applications, particularly for reinforced polypropylene compounds (PP) and polyamide compounds (PA).

Demand and sales of products that focus on sustainable development are steadily increasing. HEXPOL has established a strong position in the field, with materials such as Dryflex Circular and RheVision, which have a high degree of recycled raw material for everything from toys and sporting goods to various applications for machines and vehicles.

Continued growth through strategic acquisitions and consolidations

The HEXPOL Compounding business area is well-positioned to increase its shares in existing markets and to leverage its strong global presence and development capability to increase volumes in new ones.

HEXPOL is actively seeking acquisition opportunities in selected technologies and materials. The markets in which HEXPOL Compounding operates are fragmented with few global competitors and many small or medium-sized family-owned local players.

The smaller and medium-sized manufacturers of components find it difficult to maintain proprietary production of rubber compounds long term, choosing therefore to outsource some of this production to HEXPOL, among others, which have substantial opportunities to offer a competitive global concept and cost-efficient manufacturing.

Other major players and international manufacturers of rubber, TPE and thermoplastic compounds include AirBoss, Teknor Apex, Dynamix, PTE, Multibase, GLS, Kraiburg, A. Schulman and Washington Penn. In addition, there is a large number of smaller, locally active manufacturers and, within rubber compounds, also customers with their own compounding activities.

Significant events in 2022

- Sales increased by 40 percent to MSEK 20,834 and was positively affected by underlying organic growth of 17 percent and by acquisitions of 8 percent.
- The acquisition of German almaak international GmbH strengthens the business area's offering in recycled thermoplastics.

- The business area's position has been strengthened in the Spanish market after successful integration of the acquisitions, Wire & Cable compounder Vicom and Rubber compounder Unica.
- During the year, the TPE business unit in Åmål was appointed as a partner in Swedish electric car manufacturer Polestar's Polestar 0 project, which aims to create a completely climate-neutral car by 2030.
- Interest in decarbonization is growing, and the business area is involved in several customer projects on recycled and bio-based raw materials.
- At the end of the year, the adjusted operating margin was 14.3 percentage. Continued supply chain disruptions and increased raw material costs require flexibility and had a negative impact on the operating margin.
- The business area's expansion of self-generated electricity from photovoltaic installations has continued.
- During the year, the HEXPOL Silicone business unit completed a move and expansion to a brand new facility in Akron, Ohio, where capacity was upgraded by adding three additional mixers, expanded lab capacity and a mini batch unit to scale up commercial orders.
- In December 2022, McCann Plastics LLC was acquired. The company, which specializes in niche thermoplastic compounds, has operations in two locations in the US. The acquisition further strengthens the market position as new end-customer segments are added.

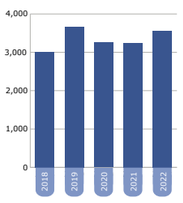
HEXPOL STRENGTHENS ITS POSITION THROUGH ACQUISITION OF MCCANN PLASTICS, AN AMERICAN SPECIALIST IN THERMOPLASTIC COMPOUNDS

In late 2022, HEXPOL acquired McCann Plastics LLC from the McCann family. The company, which specializes in niche thermoplastic compounds, has operations in two locations in Ohio, USA, and about 100 employees.

The acquisition complements HEXPOL's current operations in the US and further strengthens its market position as new end-customer segments are added.

In recent years, McCann has made significant investments in capacity and technology and has a strong position in its market niche, which complements and broadens HEXPOL's customer offering. The main end-customer segments are general industry, agriculture, and the fast-growing segment of specialized cooling boxes.

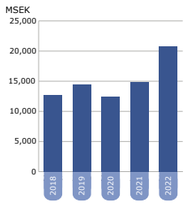
McCann's sales in the last 12 months totaled approx MUSD 72, with a profitability level just below the HEXPOL Group.



NUMBER OF EMPLOYEES DECEMBER 31, 2022

3,559

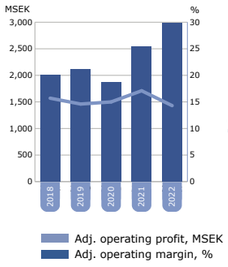
(3,264)



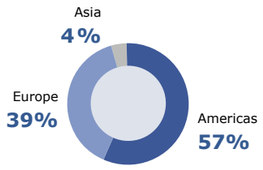
SALES 2022

MSEK 20,834

(14,888)



SALES PER REGION



BUSINESS AREA

HEXPOL ENGINEERED PRODUCTS

BUSINESS OPPORTUNITIES

HEXPOL Wheels
offers a complete range of wheels for electric-powered warehouse forklifts and hand trucks, and castor wheel applications. Five types of quality products are manufactured in the product area: polyurethane wheels, thermoplastic wheels, rubber wheels, solid rubber tires, and various special products comprised of the materials previously mentioned.

- Leading global position in wheels in polymeric materials for forklifts and materials handling.

HEXPOL Gaskets and Seals
specializes in the manufacture of gaskets for plate heat exchangers and various forms of extruded seals in advanced polymer materials. The technology content is high, and the end product is characterized by high quality requirements.

- Leading position in Europe and Asia
- Positive development in North America

The operations of the HEXPOL Engineered Products business area includes eight business units divided between two product areas: HEXPOL Gaskets and Seals and HEXPOL Wheels.

Customers are primarily major global OEM manufacturers with market leading positions, for whom HEXPOL's products are of vital importance for the quality and service life of the finished product. Technical expertise, a high degree of service and long-term relations are of major importance.

The business area's manufacturing processes are coordinated and standardized. The LEAN concept is applied successfully at all production facilities, ensuring the same superior product quality regardless of where production occurs. All production facilities work within a common business system, which forms the basis for efficient processes with less administration.

Strong product offering for demanding customers in plate heat exchangers

HEXPOL Gaskets and Seals specializes in the manufacture of gaskets for plate heat exchangers and various forms of extruded seals in advanced polymer materials. The technology content is high, and the end product is characterized by high quality requirements.

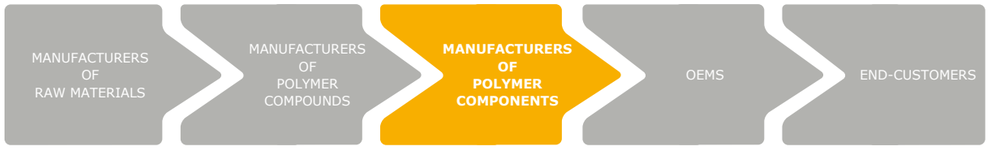
Performance depends on the composition of the rubber material, the geometric design of the gasket and tight tolerances in the manufacturing process. These factors are critical for the performance and service life of the end-product.

Gaskets are developed specifically for different applications and delivered in varying sizes, ranging from about 10 centimeters in length up to several meters. The parameters that determine the choice of gasket type and material are temperature, pressure and media. The aim is to be the main supplier to all OEM manufacturers of plate heat exchangers.

The market is growing as the demand for energy-efficient solutions increases and an increasing number of customers make demands in terms of sustainable development. HEXPOL Gaskets and Seals' unit in Sweden conducts research and development in new materials. Development is being driven by and towards withstanding even higher temperatures and pressures, more aggressive external media and by exacting demands for cost-efficiency in the refinement process.

All the constituent materials needed for manufacturing within the product area are manufactured adjacent to the unit in Sweden. The rubber material is then distributed to the respective manufacturing units, thus ensuring the quality of the end product regardless of its production site.

HEXPOL ENGINEERED PRODUCTS IN THE VALUE CHAIN



Complete customer offering in niche wheels for the materials handling industry

HEXPOL Wheels offers a complete range of wheels for electric-powered warehouse and hand pallet forklifts and castor wheel applications. Five types of quality products are manufactured in the product area: polyurethane wheels, thermoplastic wheels, rubber wheels and solid rubber tires and various special products in the above materials.

Although polyurethane is used as a generic term in the market, HEXPOL Wheels offers a comprehensive selection of different types of materials. HEXPOL Wheels is at the forefront when it comes to developing wheels for the materials handling industry. A contributing factor is the availability of advanced test equipment to simulate realistic wear, load capacity and service life.

The global forklift market is highly differentiated in terms of product demands and material selection. In the European market, the Vulkollan™ brand, licensed by Covestro, is the market leader with its durability and capacity for withstanding high loads. HEXPOL Wheels is one of the leading manufacturers of Vulkollan™ wheels in Europe. HEXPOL Wheels also offers products in materials developed in-house under its own brands, including Powerthane, Powerfriction, Lmax and Vmax.

Flexible production

HEXPOL Gaskets and Seals' has standardized equipment at its factories, providing flexibility and easy redistribution of production between units when needs peak or unforeseen events occur. The machinery is continuously upgraded and is typically highly automated. Considerable emphasis is placed on the control and handling of raw materials, which are purchased from certified suppliers. The production process is real-time monitored and quality controls are conducted at several phases. Gasket production is tool-specific, with each tool creating a unique gasket type. The product area HEXPOL Gaskets and Seals manufactures most of the tools that it uses.

HEXPOL Wheels' size enables synergies in the development of, and access to, a highly comprehensive global product portfolio. Considerable emphasis is placed on the control and handling of raw materials, which are purchased from certified suppliers.

The production process is monitored in real-time, and quality controls are performed in several phases during the process. The equipment is largely automated and upgraded continuously. Establishing a European distribution center has helped HEXPOL Wheels cut delivery times, raise its level of service and become more end-user oriented, in line with HEXPOL's concept 'Think globally, act locally'.

Leading global market positions

HEXPOL Gaskets and Seals' production units and distribution center are strategically well placed in Europe, Asia and North America. Increased energy prices and considerable focus on reducing negative environmental impacts are driving market growth through increased demand for energy recovery and generation, as well as the production of alternative fuels. General GDP growth also drives demand in, for example, comfort (cooling/heating) as well as food and beverages. Plate heat exchangers are used in these areas, and HEXPOL Gaskets and Seals cooperates with all major OEM manufacturers of plate heat exchangers.

HEXPOL Wheels is the only global polyurethane wheel and tire company with production locations in Europe, North America, and Asia. The global forklift wheels market has regional differentiation due to varying design requirements, material preferences, and quality standards. HEXPOL Wheels is well-positioned to capture additional market shares by means of its leading-edge expertise and technical support. In the expansive market for electric warehouse trucks and hand trucks, for example, where growth is linked to increasing warehouse automation and e-commerce, demand for HEXPOL Wheels' products is increasing.

Well-positioned for growth – organically, in niche areas and geographically

HEXPOL Gaskets and Seals focus on developing new markets in Asia and North America continues. The product area carefully monitors market developments and, thanks to its strategically located units around the world, can quickly expand its capacity when needed.

HEXPOL Wheels is well positioned to take an active role in any structural projects. Continued investment in customer service and product development are critical factors for success. The aftermarket segment for forklift wheels also increased and is dominated by OEM forklift manufacturers and independent distributors. The assessment is that the currently fragmented wheel market will be entering a phase of consolidation.

Significant events in 2022

- A strong customer focus and the business area's flexible organization again enabled it to deal constructively with the disruptions in the commodity and transportation markets.
- Despite global uncertainty, with demand and supply issues, continued raw material price increases and high energycosts, the business area delivered a strong year. Sales increased by 26 percent, and earnings improved compared to the previous year.
- The Stellana brand strengthens its leading position in the Chinese market with a new production facility for the manufacture of cast polyurethane wheels. The new production facility is estimated at 10,000 m² and will be completed by the end of 2023.
- To meet customer demand for larger gaskets, Gislaved Gummi has invested in new jumbo presses in its production unit in China.
- The demand for sustainable development products has increased during the year. Both HEXPOL Gaskets and Seals and HEXPOL Wheels have completed successful customer projects based on recycled and bio-based materials. Examples of products with recycled or bio-based materials that increased during the year are gaskets for plate heat exchangers, as well as rubber tires, polymer tires and polyurethane wheels.
- Sales increased by 26 percent to MSEK 1,409, while the operating margin increased to 19.7 percent (17.5).

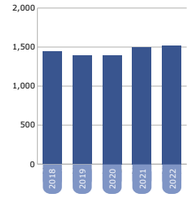
EXTENSIVE CAPACITY EXPANSION IN CHINA

HEXPOL's leading position in the Asian market has been further strengthened by the high quality wheel brand Stellana. A significant investment in capacity expansion in China has been initiated to strengthen the ability to cope with increasingly high customer demands.

The new production facility is estimated to be 10,000 m² and will be operational by the end of 2023.

For example, new production lines will be installed to produce cast polyurethane wheels, potentially doubling the production volume to meet the increase in orders. This further strengthens HEXPOL's delivery capabilities for the benefit of both our customers and partners around the world.

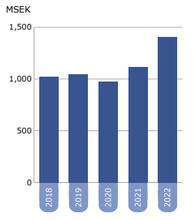
Stellana delivers wheel and tire solutions to the most demanding specifications. The most renowned OEMs in various industries choose Stellana for high quality, long life and reliability of supply.



NUMBER OF EMPLOYEES DECEBER 31, 2022

1,518

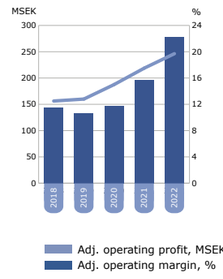
(1,500)



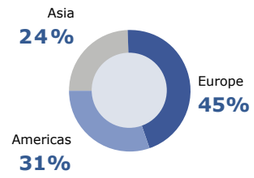
SALES 2022

MSEK 1,409

(1,117)



SALES PER REGION



THE HEXPOL PLATFORM FOR SUSTAINABLE DEVELOPMENT

Key events for sustainable development in 2022

The Group's planned activities in the area of sustainability were not negatively affected by the global pandemic and the geopolitical turmoil in Europe. Energy and climate issues, access to raw materials and the role of polymers in society continued to engage our stakeholders. This was reflected in internal measures to increase energy efficiency and reduce the carbon footprint, but also in the implementation of a large number of customer projects on bio-based or recycled raw materials.

Ecovadis Platinum
HEXPOL TPE (Manchester, UK) achieved platinum level in the Ecovadis classification in 2022. Ecovadis is an independent system where suppliers' sustainability performance is evaluated according to a wide variety of criteria. The assessment methodology is based on international initiatives and standards, such as the UN Global Compact, the Global Reporting Initiative (GRI), and the social responsibility standard (ISO 26000). Ecovadis Platinum is the highest level awarded, which means that HEXPOL TPE belongs to the top tier of the evaluated companies in this category. Only one percent of companies reach the Platinum level.

The use of recycled raw materials is increasing significantly
All over the world, customers are showing increasing interest in products with a lower carbon footprint. From a life-cycle perspective, carbon emissions are lower for products containing recycled materials, compared to those containing virgin polymers. In recent years, the group's use of recycled polymeric materials has been in the order of 10 percent of total use. The acquisition of the German company almaak international GmbH helps to increase the use of recycled plastics. In 2022, the Group's use of recycled polymers rose from 10 percent to 16 percent. The acquired company's technologies for processing recycled materials, as well as methods for high-level quality assurance of the products, add valuable knowledge to HEXPOL.

KEY PERFORMANCE INDICATORS FOR SUSTAINABLE DEVELOPMENT[1]

	2022	2021	2020
Energy consumption/net sales, GWh/MSEK	0.019	0.025	0.027
Purchased fossil-free electricity, % of total electricity use	30	31	26
CO_2 emissions/sales, tons/MSEK	4.9	7.3	9.1
Recycled/bio-based polymeric raw materials[2] % of total polymer use	16	10	8
Violations of environmental and work environment legislation	5	3	1
Occupational accidents, number/million hours worked	11.8	12.3	10.1
Training of employees, hours/employee	22	20	17
Proportion of women in local management teams, %	28	27	24
Human rights violations	0	0	0
Financial value distributed between stakeholders, MSEK	5,354	3,569	3,273

[1] Page 115 provides an overview of the KPIs for sustainable development in a ten-year perspective.
[2] Excluding natural rubber

Focus on fossil-free energy
To achieve the climate target, important measures are being implemented at the Group's production facilities. Emissions of carbon dioxide will be reduced by 75 percent by 2025 compared to the base year 2018/2019. Activities include technical measures to increase energy efficiency, such as monitoring systems, switching off equipment when not in use, and installing energy-efficient lighting. The majority of the European entities purchase fossil-free electricity. Within the framework of the "Operations Green Energy" program, the purchase of fossil-free electricity in the US and Mexico will increase in the period 2023–2025. Solar panels have been installed at six sites, and several projects have been approved.

Platform for sustainable development

The Group's platform for sustainable development enables us to meet requirements and expectations in the short term and prepares us for future challenges. The practical work encompasses targets and activities in social responsibility, business ethics, financial responsibility and the environment. Areas of particular interest are:

- *Climate impact* – Limiting climate impact is a major challenge for society and most businesses. Currently, our products are largely based on fossil raw materials and about two thirds of energy use is dependent on fossil energy sources. On a positive note, many activities are underway to shift towards renewable raw materials and energy sources, and to develop products with as limited a carbon footprint as possible. Our production facilities also work well for non-fossil raw materials.
- *Resource consumption* – The production processes involve significant use of natural resources, in particular energy and raw materials. The Group therefore works throughout the value chain to reduce waste and add value to its products. Efficient use of resources increases profitability and reduces climate and environmental impacts.
- *Working conditions* – Employee health and safety is a top priority. Respect for human rights, a stimulating working environment, personal motivation and good business ethics are important factors in attracting, retaining and developing our employees.

In sustainable development, HEXPOL works according to international standards, initiatives, conventions and guidelines.

ISO STANDARDS Certified management systems for quality, environment, health and safety, and energy are in place at the production units (page 94). At the Group level, the social responsibility standard (ISO 26000) provides guidance in strategic sustainability work.

GLOBAL COMPACT In 2017, the company joined the Global Compact, a UN initiative for corporate responsibility. We have thus committed to ten principles in the areas of human rights, labor, the environment and anti-corruption. Read more on page 106.

GLOBAL GOALS FOR SUSTAINABLE DEVELOPMENT The UN's Global Goals help us identify areas of importance within sustainable development and we have identified seven Goals with a clear bearing on the Group's operations. Read more on pages 30–31.

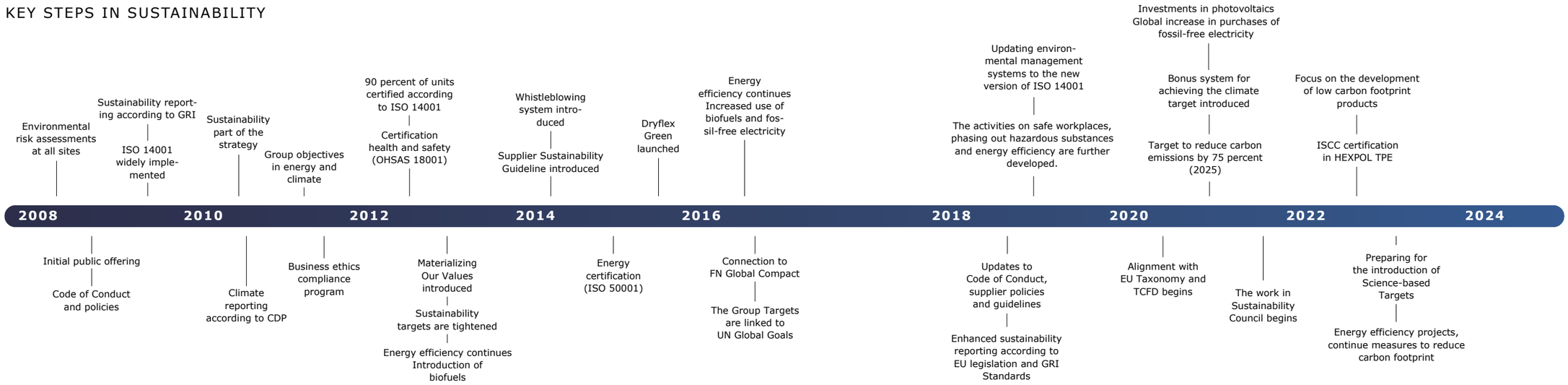
GRI Accounting principles and indicators set out by the Global Reporting Initiative (GRI) are used as the standard for sustainability reporting. Read more on pages 100–102.

CDP Since 2011, the Group has been reporting separately on climate change under the Carbon Disclosure Project (CDP). Through CDP, we also report specific climate information to customers who request it.

NASDAQ ESG TRANSPARENCY PARTNER The Group is certified as a Nasdaq ESG Transparency Partner. The certificate is awarded to companies that signal transparency to the market and contribute to higher environmental standards.

TCFD The Task force on Climate-related Financial Disclosures (TCFD) is a market-driven initiative. The guidelines describe how companies should manage their climate-related data, including risks and opportunities. Read more on pages 103–105.

KEY STEPS IN SUSTAINABILITY



Long-term commitment

From a historical perspective, the Group has made choices that have created a forward-looking approach to sustainable development. A high level of ambition, combined with increasing demands from various stakeholders, has resulted in a positive shift in the work on sustainable development. In both day-to-day work and strategic planning, adherence to international standards, initiatives and regulations has made a constructive contribution.

There is no shortage of areas where ESG expectations are increasing. Improving the climate performance of products requires in-depth and long-term collaboration with raw material suppliers and customers. Finding a viable path towards climate-neutral operations is a challenge that is likely to take a long time to realize. The rapid development of regulatory accounting systems is another example of challenges that will require significant work in the coming years.

Objectives, results and value created

Global Goals for Sustainable Development

As part of the 2030 Agenda, the UN published the Sustainable Development Goals (SDGs) in 2017. The 17 goals provide a clear and useful framework for meeting global challenges and has achieved considerable impact in society. They also serve to inspire innovation and business opportunities in the area of sustainability.

We have set priorities in our sustainability work, based on the SDGs. Key objectives are to reduce environmental impact, contribute to good working conditions, combat corruption, and create business opportunities. From a broader perspective, all the SDGs have some kind of link

to the Group's activities. However, we have chosen to start with the goals that most clearly affect the Group's operations, which means we have introduced Group-wide sustainability goals in five areas. For another two of the SDGs – gender equality and anti-corruption – the Group has a high level of ambition, but has chosen not to formulate measurable targets.

Targets and results

An important starting point for achieving the SDGs is to manage the Group's use of resources in a sustainable way. We do this through innovations, efficiency improvements, investments in new technologies, increased use of renewable energy, and investments in bio-based and recycled raw materials. The Global Goals also inspire measures in social responsibility, social engagement and business ethics.

HEXPOL has introduced long-term targets and key performance indicators related to the environment, management systems, chemical substances, environmentally adapted products and safe work environment. Charts and tables detailing the results can be found on pages 90–97.

HEXPOL'S SUSTAINABLE DEVELOPMENT GOALS

Target	Global goal	Outcome	Continued measures
Energy Energy consumption (GWh/net sales) will be continuously reduced.	7 AFFORDABLE AND CLEAN ENERGY	Production sites continued to address energy issues within the framework of ISO 14001 and/or ISO 50001. Energy surveys were carried out and efficiency measures continued. The installation of energy efficient production equipment, LED lighting, infrastructure and energy monitoring equipment contributed to more efficient energy use. Since 2010, the performance measure for energy consumption has decreased by about 50 percent.	Energy mapping will be carried out and sensors installed to monitor energy use in detail. Installation of energy-efficient equipment, lighting and infrastructure will continue.
Climate Carbon dioxide emissions (tons CO_2/net sales) will be reduced by 75 percent by 2025 compared with the average for 2018–2019 (base year). The target refers to CO_2 emissions from energy consumption (Scopes 1 and 2 in accordance with the GHG Protocol).	13 CLIMATE ACTION	To increase focus on climate issues, the climate target has been linked to a bonus system since 2022. Important measures to reduce the carbon footprint are increased use of biofuels, increased purchases of fossil-free electricity and energy efficiency. Currently, about 32 percent (32) of energy use consists of fossil-free electricity and biofuels. Since the base year, the key performance indicator for carbon emissions has decreased by about 49 percent.	Energy efficiency and procurement of biofuels will continue. The purchase of fossil-free electricity will be implemented as far as practically possible. The proportion of units with proprietary electricity production using photovoltaic cells will increase. Continued phasing out of fossil fuels.
Environmental management systems All sites are to have certified environmental management systems (ISO 14001). Acquired companies are to introduce ISO 14001 within a period of two years.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Three companies were certified to ISO 14001 during the year and 94 percent (87) of the sites are now certified.	Three companies are planning to achieve certification in 2023–2024.
Chemical substances Uses of hazardous chemicals are to be identified and controlled. Where possible, hazardous substances should be phased out.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Work to limit the use of particularly hazardous substances is conducted continuously. Over the year, over ten substances were replaced, including several phthalates (plasticizers) and other reactive chemicals that form nitrosamines.	Replacing hazardous substances is a long-term process. There are currently about ten chemicals, or groups of chemicals, on the list of substances to be phased out. The work will continue for the foreseeable future.
Products HEXPOL should be a frontrunner in the polymer industry as a supplier of products that contribute to sustainable development.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	In 2022, the development and marketing of products that contribute to sustainable development continued (see page 35). Approximately 16 percent (10) of the polymeric raw materials were recycled or bio-based materials (excluding natural rubber, which represented 7 percent of the polymeric raw materials).	In cooperation with customers and suppliers the development of products with a lower climate impact continues. Examples of areas include applications in energy efficiency, environmental technology, electric vehicles, lighter materials, and compounds containing bio-based and recycled raw materials.
Safe work environment The vision is for no accidents to occur at our workplaces. The target is that the number of accidents will be reduced. Systems for reporting near misses are to be in place in all operations.	8 DECENT WORK AND ECONOMIC GROWTH	The number of accidents involving absence from the workplace was 11.8 (12.3) per million hours worked. Incident reporting systems are in place in 81 percent of units.	Over the past five years, the key performance indicator for occupational accidents has shown a slight downward trend. Achieving Vision Zero requires continued efforts (technical measures, training, monitoring).

Sustainable development creates value

HEXPOL is affected by increasing demands and expectations in the field of sustainable development. By acting responsibly towards business partners, employees, owners and society, the Group creates long-term value for its stakeholders.

Over a ten-year perspective, customers' activities in the field of sustainable development have changed, and customer requirements now cover many different areas. Interest in products containing bio-based and/or recycled raw materials has increased and questions about the carbon footprint of products have become more prevalent. During the year, an increasing number of customers used the Carbon Disclosure Project (CDP) reporting system to obtain detailed information on the carbon footprint of manufacturing their products at our production facilities. Customers also use other independent evaluation platforms such as Ecovadis, where HEXPOL ranked highly (see page 28). Below is an overview of customer requirements in sustainable development, and on page 89 there is a more detailed review of the stakeholder issues.

The Group generates financial value that is distributed between different stakeholders. These include employees (salaries and benefits), shareholders (dividends), creditors (interest expenses) and society (tax). In 2022, MSEK 5,354 (3,569) was distributed. Supplier costs are not included.

PERCENT OF PRODUCTION UNITS REPORTING CUSTOMERS' SUSTAINABILITY REQUIREMENTS

Demands and expectations, %	2022	2021	2020	2019	2018
Implementation of ISO 14001	66	51	45	54	71
Phasing out of hazardous chemical substances	40	31	36	50	60
Compliance with the REACH chemicals legislation	28	11	18	37	40
Environmental declaration of products	43	33	36	61	57
Bio-based and recycled raw materials	53	24	27	26	-
Information about the products' carbon footprint	30	20	23	22	-
Code of Conduct	68	56	45	63	71
Conflict minerals	74	58	61	65	80
Supply chain Code of Conduct	32	47	20	46	37

DISTRIBUTED FINANCIAL VALUE

Group breakdown, MSEK	2022	2021	2020	2019	2018
Employees	2,443	2,073	1,994	2,069	1,785
Shareholders	2,066	792	792	774	671
Credit provider	84	31	41	48	18
Society	761	673	446	466	515

FOCUS ON CLIMATE CHANGE

Climate issues are very important for HEXPOL, and it is important to tighten climate targets and speed up the development of processes and products that contribute to reducing climate impact. We have a target to reduce carbon emissions by 75 percent by 2025 and have decided to start work on introducing Science-Based Targets (SBTs).

Processes that contribute to a smaller carbon footprint

The phasing out of fossil fuels, increased use of biofuels, the purchase of certified fossil-free electricity, energy efficiency measures, the installation of solar cells and bonus systems to achieve the climate target are examples of activities that reduce the Group's climate impact. As shown on pages 31, 90–91, the development is positive (Scopes 1 and 2) and has been largely influenced by the Group's long-term decisions and investments. The state of the world's energy markets is currently difficult to assess, and the availability of fossil-free fuels and electricity may be limited in the short term, which could negatively affect our carbon emissions.

Processes that contribute to a smaller carbon footprint

The majority of HEXPOL's indirect carbon emissions (Scope 3) are caused by the production of the raw materials originating from fossil oil products. We are working to map emissions and replace certain raw materials with recycled or bio-based alternatives. When it comes to polymeric raw materials, we follow developments in materials and are in regular contact with raw material producers, mostly global chemical companies. Some raw materials are available on the market, but unfortunately in limited quantities and at high prices. Other raw materials are under development and will take a number of years to become commercially available. Page 93 reviews the environmental impact of the Group's main raw materials and the alternatives currently available or under development.

The portfolio of climate-friendly TPE products is growing, and customer interest is increasing. Dryflex Green contains bio-based polymers. Lifocork is a composite material in which raw material from cork oak is combined with TPE. A fundamental principle of the circular economy is to ensure that materials are reused or recycled to the greatest extent possible. Dryflex Circular and Dryflex Circular MWR are examples of TPE materials that contain recycled polymers and are available for a wide range of applications. The Anjaeco product family from newly acquired almaak contains recycled textile fibers. HEXPOL RheTech uses recycled polymers in its products; some compounds contain more than 50 percent recycled polypropylene plastic. The RheVision product line contains natural fibers from bio-based raw materials, such as waste products from cactus, coconut and rice. The bio-based raw material can account for around 15 percent, and in combination with recycled polypropylene, the material's carbon footprint is low compared to traditional polymer products. The porous material HexLight has about 30 percent lower density, which contributes to lower weight and lower fuel consumption in vehicles.

Other examples of products that contribute to sustainable development are gaskets, which are a key component of plate heat exchangers. The gaskets from HEXPOL Engineered Products contribute to environmental benefits worldwide through reduced energy consumption, reduced climate impact, and safe handling of chemical products and food. See the table on page 35 for more examples of HEXPOL products that contribute to sustainable development.

Contribution to the development of a climate-neutral electric car

Swedish electric car manufacturer Polestar is increasing its climate ambitions with the goal of producing the first truly carbon-neutral car by 2030 ("Project Polestar 0"). To identify all sources of carbon emissions, the company will work with the entire supply chain from raw materials to components. It will also explore the possibilities of creating a zero-carbon logistics chain. The same applies to the handling of the cars at the end of their service life.

HEXPOL TPE in Åmål is participating as a partner in Polestar 0 and will contribute knowledge and capacity in thermoplastics (TPE) and soft polymer products. Particular focus will be on research and development on products containing bio-based and recycled raw materials (see page 13).

Polymeric waste from the fishing industry becomes new products

HEXPOL TPE has started a cooperation with the Danish recycling company PLASTIX A/S. The company specializes in collecting, sorting and recycling plastic waste from the fishing industry. By converting fishing nets, trawls and ropes into recycled plastic raw material, the company is helping to reduce marine litter and end-of-life plastic materials going to landfill.

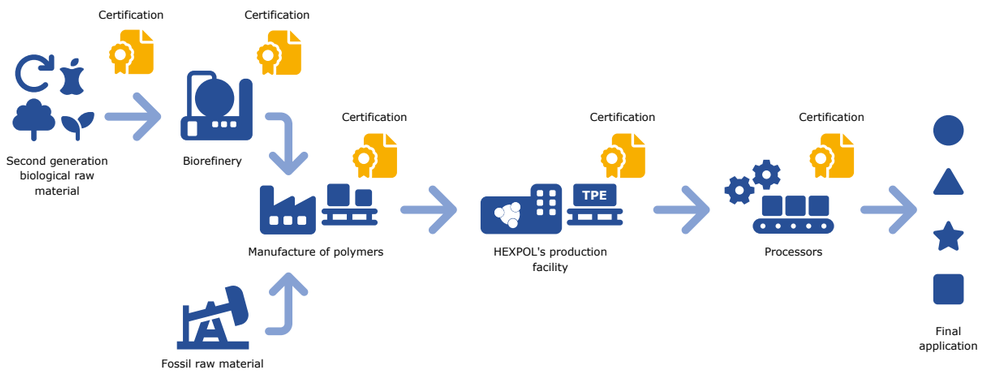
The new product group is called Dryflex Circular MWR TPE, where MWR stands for Maritime Waste Recyclate. The products are available in hardnesses from 40 Shore A to 50 Shore D, with a recycled plastic raw material content between 10 and 60 percent. They are available in colors such as black, blue and green (see page 17).

Mass balance certification

One concept that highlights the transition from fossil to recycled/bio-based raw materials is mass balance certification. It is based on a certification system that makes it possible to mix fossil resources with recycled and/or bio-based resources. The core of the system is traceability, where the certified business must be able to show exactly how much of each raw material is included in the product. All companies in the supply chain of the bio-based and/or recycled resources must demonstrate the corresponding traceability, which means they must be certified.

In 2022, HEXPOL TPE in Åmål was certified according to International Sustainability and Carbon Certification (ISCC PLUS). This gives customers proof of traceability throughout the supply chain and ensures that bio-based or recycled raw materials are present in a defined amount in products. Read more on page 17.

MASS BALANCE CERTIFICATION (ISCC PLUS)



EXAMPLES OF HEXPOL PRODUCTS THAT CONTRIBUTE TO SUSTAINABLE DEVELOPMENT

Products/product groups [1]	Contribution to sustainable development	Facilitates the stakeholders' sustainability work
Gaskets for plate heat exchangers	Reduced energy consumption. Reduced climate impact.	✓
Hexlight® (low-density porous materials).	Reduces vehicle weight and therefore fuel consumption. Reduced climate impact.	✓
Lifocork (TPE combined with cork from cork oak).	Reduced climate impact.	✓
Wheels for electric forklifts.	Decreases the use of fossil fuels. Reduced climate impact.	✓
Polymer compounds used in environmental technologies.	Products contribute to renewable technology, such as wind turbines, electric vehicles, solar cells and cables for battery charging. Reduced climate impact.	✓
Dryflex Green (TPE containing bio-based raw materials), Dryflex Circular (TPE containing recycled raw materials).	Reducing the use of fossil resources. The Dryflex Circular MWR contributes to the reduction of marine litter. Reduced climate impact. Circular economy.	✓
RheVision (polypropylene reinforced with natural fibers from bio waste (rice, coconuts, hemp). RheVision also includes products with bio-based or recycled polypropylene.	The bio-based content can amount to about 15 percent and, if this is combined with recycled polypropylene, the carbon footprint of the material is considerably lower compared to traditional plastic products. Reduced climate impact. Circular economy.	✓
Up to 100 percent of Anjaeco's raw materials are recycled fiber materials (PA6, PA6.6, PET).	Reduced climate impact. Circular economy.	✓
Forklift wheels of recycled polypropylene with natural fiber content.	Reduced climate impact. Recycling of raw materials.	✓
Dryflex WS and WS+ (TPE with hydrophilic properties).	The products swell in contact with water and can be used in tunnels, sewage systems, water tanks and water treatment plants, that is, equipment able to aid adaptation to climate change.	✓
The entire TPE product range is recyclable.	Recycling of raw materials. Circular economy.	✓
Long-life polyurethane forklift wheels.	Reduces the need for replacement wheels. Reduced climate impact.	✓
Products (envelopes) for retreading rubber tires.	Extend tire life. Circular economy.	✓
Recycled rubber raw materials in products for the automotive industry (splash guards, floor mats, bumpers).	Reduces the need for newly manufactured raw materials. Circular economy.	✓
The flame-retardant product HexFlame.	Does not contain dangerous flame retardants (halogens). Reduces the spread of hazardous chemical substances.	✓

[1] *Internal criteria for products contributing to sustainable development: 1) Is used in environmental technology, 2) Is lighter than traditional materials, 3) Is used for electric vehicles or components for electric vehicles, 4) Contains >10 percent recycled raw materials,5) Contains >10 percent bio-based raw materials, 6) Extends product life, 7) Contributes to the sustainable use of water resources, 8) Reduces the effects of climate change, 9) Consists of recyclable TPE, 10) Reduces the dispersion of hazardous chemical substances in the environment.*

BOARD OF DIRECTORS' REPORT

Owners and legal 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 in the Large Cap segment of the Nasdaq Stockholm exchange. HEXPOL AB had 12,726 shareholders on December 31, 2022. The largest shareholder is Melker Schörling AB, with 25 percent of the capital and 46 percent of the voting rights. The 20 largest shareholders own 69 percent of the capital and 78 percent of the voting rights.

Operations and structure

HEXPOL is a world leading polymer group, with strong global market positions in advanced polymer compounds (Compounding), gaskets for plate heat exchangers (Gaskets and Seals) and wheels made of polymer materials for forklifts and castor wheel applications (Wheels). Customers are primarily system suppliers to the global automotive and engineering industry, the building and construction and civil engineering sector, the transport sector, the energy sector, the consumer sector, the cable and wire industry, medical equipment manufacturers and manufacturers of plate heat exchangers, forklifts and castor wheels. The Group is organized in two business areas: HEXPOL Compounding and HEXPOL Engineered Products, and had 5,084 employees in 14 countries at the end of the year.

FINANCIAL YEAR 2022

Sales and operating profit

The HEXPOL Group's sales increased by 39 percent over the year to 22,243 MSEK (16,005), including positive currency effects of 2,269 MSEK. In addition to the positive currency effects, sales were positively impacted by organic growth of 17 percent and acquisitions of 7 percent.

Sales in Europe increased by 40 percent, with sales in the Americas also increasing by 39 percent and sales in Asia increasing by 28 percent compared with the preceding year.

Operating profit increased to 3,290 MSEK (3,074), and the operating margin was 14.8 percent (19.2). The result includes 30 MSEK (337) of items affecting comparability, mainly related to the release of a cost reserve related to the fire in Jonesborough, TN, USA (see also Note 2). Over the year, exchange rate fluctuations had a positive impact of 351 MSEK on operating profit.

Business area HEXPOL Compounding's sales increased by 40 percent over the year to 20,834 MSEK (14,888). Operating profit amounted to 3,012 MSEK (2 878), and the operating margin amounted to 14.3 percent (19.3).

Business area HEXPOL Engineered Products' sales amounted to 1,409 MSEK (1,117), an increase of 26 percent. Operating profit amounted to 278 MSEK (196), and operating margin increased to 19.7 percent (17.5).

For significant events in 2022, please see page 1, and for the ten-year financial overview please see page 114.

Financial income and expenses

Consolidated net financial items amounted to negative 46 MSEK (negative 43), including exchange-rate gains and losses.

Tax expenses

The consolidated tax expense amounted to 761 MSEK (673), corresponding to a tax rate of 23.5 percent (22.2).

Profit for the year

Profit before tax for the year amounted to 3,244 MSEK (3,031). Profit after tax amounted to 2,483 MSEK (2,358), and earnings per share amounted to 7.21 SEK (6.85). Profit after tax includes 24 MSEK (259) attributable to release of a cost reserve related to the fire in Jonesborough, TN, USA.

Investments, depreciation and amortization

Group investments amounted to 659 MSEK (304), an increase largely explained by investments related to the acquisitions of almaak international and McCann Plastics and the acquisition of a production building in the US. Depreciation, amortization and impairment amounted to 492 MSEK (471).

Profitability

Return on capital employed amounted to 19.2 percent (22.8). The return on shareholders' equity amounted to 19.1 percent (22.2).

Cash flow

Operating cash flow amounted to 2,813 MSEK (2,731). Cash flow from operating activities increased to 2,593 MSEK (2,406).

Financial position

The equity/assets ratio amounted to 58 percent (65). The Group's total assets totaled MSEK 23,553 (17,963). Net debt amounted to 2,845 MSEK (899). HEXPOL has implemented the dividend decided at the General Meeting of 2,067 MSEK (792) corresponding to a dividend of 6.00 SEK per share, of which an ordinary dividend according to the dividend policy of 3.00 SEK per share and an extra dividend of 3.00 SEK per share. The Group has the following major credit agreements with Nordic banks as of December 31, 2022:

- A credit agreement with a limit of 2,000 MSEK that will fall due in July 2023.
- A credit agreement with a limit of 1,500 MSEK that will fall due in September 2023.
- A credit agreement with a limit of 1,500 MSEK that will fall due in June 2025.
- A credit agreement with a limit of 1,100 MSEK that will fall due in February 2025.

The Group uses commercial papers as part of its financing, and as at December 31 these amounted to MSEK 1,520. See Note 15 for further information.

Goodwill value is tested at least once annually. Such testing was performed at year-end and did not reveal any need for impairment. On December 31, 2022, consolidated goodwill and intangible assets amounted to 12,678 MSEK (9,724), influenced by exchange rate effects.

Financial targets

The Group has the following financial targets:

- Each year, the equity/assets ratio should exceed 30 percent.

Yearly average over a business cycle:

- Sales growth (adjusted for exchange rate effects) should exceed 10 percent.
- The operating margin (adjusted for items affecting comparability) should exceed 17 percent.

Principles for remuneration of senior executives

The 2022 Annual General Meeting adopted guidelines for the remuneration of the CEO and other senior executives as follows. Other senior executives are defined as members of Group Management. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting. These guidelines do not apply to any remuneration decided by the General Meeting.

A prerequisite for the successful implementation of the company's vision, business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to attract and retain qualified senior executives. To this end, it is necessary that the company offers competitive remuneration on market terms. These guidelines enable the company to offer senior executives competitive total remuneration. Further information about HEXPOL's vision and business strategy can be found on HEXPOL's website, www.hexpol.com.

The total remuneration of senior executives should be on market terms and consist of fixed cash salary, variable remuneration, other benefits and pension. Additionally, the General Meeting may – irrespective of these guidelines – resolve on, for example, share-related or share price-related incentive programs.

The fixed remuneration for senior executives in HEXPOL should be adapted to the market and competitive. It should be based on the areas of responsibility, authority, skills and experience of the individual senior executive.

In addition to a fixed annual salary, senior executives should also be able to receive variable remuneration. The criteria for this remuneration should be designed to foster the company's vision, business strategy and long-term interests, including its sustainability. The criteria applied are based on earnings, earnings per share and working capital. The company's sustainability work also includes an environmental target for CO2 emissions to be reduced in relation to targets set by the Board. The variable remuneration comprises three parts. The first of these parts, annual variable cash remuneration, will be linked to individualized predetermined and measurable criteria. The variable cash remuneration will be based on earnings and working capital. The second part, cash remuneration in accordance with the company's long-term cash-based incentive program (LTI) will be based on improved earnings per share. The third part will be based on a reduction in CO2 emissions.

For cash remuneration in accordance with LTI, payment of the remuneration will be made with half in the second year after the end of the measurement period and with the remaining half in the third year after the end of the measurement period. The design of the criteria for variable cash remuneration and the terms for payment contributes to the company's vision and business strategy, as well as to its long-term interests and sustainability.

The extent to which the criteria for awarding variable cash remuneration have been satisfied should be determined when the measurement period has ended. The Remuneration Committee is responsible for the evaluation so far as it concerns variable cash remuneration to the CEO. For variable cash remuneration to other executives, the CEO is responsible for the evaluation. For financial objectives, the evaluation will be based on the latest financial information made public by the company.

It should be possible for the satisfaction of criteria for awarding variable cash remuneration to be measured over a period of one year. The variable cash remuneration is capped and will constitute a maximum of 140 percent of the fixed annual cash salary, of which 80 percent is attributable to annual cash remuneration, 50 percent is attributable to LTI and 10 percent is attributable to the fulfilment of environmental targets regarding reduced CO2 emissions.

For senior executives, pension benefits are to be paid not earlier than from the age of 60 years. For the CEO, pension benefits, including health insurance should either be benefit-or contribution based, or a combination of both. A prerequisite for variable cash remuneration is that it should not qualify for pension benefits. Variable cash remuneration should qualify for pension benefits only to the extent required by mandatory collective agreement provisions applicable to the executive. For other senior executives, pensionbenefits, including health insurance, will either be benefit-or contribution based, or a combination of the two. The pension contributions for defined-contribution pension are to amount to not more than 45 percent of the fixed annual cash salary.

Other benefits may include, for example, life insurance, medical insurance and company cars. Premiums and other costs relating to such benefits may amount to not more than 10 percent of the fixed annual cash salary. In relation to employments governed by rules other than Swedish, due adjustments may be made for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

The notice period will normally be six months on the part of the employee, without the right to severance pay. Between the company and the CEO, the CEO is entitled to a notice period of six months. On notice of termination by the company, a notice period of 24 months will apply. For other senior executives, the notice period will normally be 12 months on the part of the company. Fixed cash salary during the period of notice and severance pay may normally together not exceed an amount equivalent to the fixed cash salary for two years for the CEO, and the fixed cash salary for one year for other senior executives.

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for senior executives of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The Board of Directors has established a Remuneration Committee. Remuneration to the CEO and other senior executives is to be prepared by the Remuneration Committee and resolved by the Board of Directors based on the proposal of the Remuneration Committee. The Committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors is to prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting. The guidelines are to be in force until new guidelines are adopted by the General Meeting. The Remuneration Committee is also to monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

The guidelines for remuneration of senior executives are intended to apply until further notice, and the Board will not propose any changes to the guidelines to the 2023 Annual General Meeting.

Research and development

HEXPOL's research and development expenditure over the year amounted to 137 MSEK (111), mainly comprising development expenses in close collaboration with customers. The Group has currently no significant research expenditure that meets the criteria for capitalization.

Events after the reporting period

No significant events after the end of the period have been reported.

Proposed distribution of unappropriated earnings

The Board of Directors proposes that earnings be allocated as follows:
To distribute to the shareholders in cash 3.60 SEK per share.

TSEK	
Total dividend from profit brought forward	1,239,973
To be carried forward	4,300,763
Total unrestricted funds	**5,540,736**

RISKS AND RISK MANAGEMENT

MARKET RISK MANAGEMENT

Risk	Description	Risk management
Economic sensitivity	The Group is involved in worldwide operations that are primarily geared toward the market for polymer compounds, gaskets for plate heat exchangers and wheels for the forklift industry. These markets, and thus also HEXPOL, depend on both the general economic trend and the political situation in the world and conditions that are unique to certain countries or regions in which HEXPOL or HEXPOL's customers produce or sell their products. As is the case for nearly all business operations, the general economic climate affects volumes among HEXPOL's existing and potential customers. Accordingly, a weak economic trend throughout or in parts of the world could lead to lower-than-expected market growth. Developments in HEXPOL's customer segments constitute one of the principal risks related to the business environment. This results in stringent demands in terms of understanding the current and future demands, requirements and wishes of both direct and end-customers.	HEXPOL's operations are widely spread geographically, with a broad global customer base within numerous market segments, providing a favorable risk diversification. Possible negative effects of a downturn in one market can therefore be partially offset by increased sales in another market. HEXPOL has flexible production that can adapt to changed customer requirements.
Competition and price pressure	HEXPOL's operations are conducted in sectors subject to competition and are thus affected by, for example, severe price pressure, which, in turn, drives demand for cost-efficient solutions. Through improvements to their technology and production expertise, competing companies may begin to produce at low cost and thus increase competition with HEXPOL's products. HEXPOL's future competitive capacity is dependent on its ability to utilize the Group's leading-edge expertise in polymer compounds and rubber and plastic products and to transform this into attractive products and customized solutions at a competitive price. Increased competition and price pressure in the markets in which HEXPOL is active could have an adverse impact on the Group's operations.	Focusing on product development is one of HEXPOL's operational strategies to maintain long-term profitability and sustainable competitiveness. The Group possesses in-depth and wide-ranging polymer and applications expertise. Most of the plants are relatively new and well-invested with a high level of technology. Overall, approximately five percent of HEXPOL Compounding's employees are engaged in development work, and many of them are highly qualified engineers.
Acquisitions and integration	HEXPOL works on the basis of an active acquisition strategy, which has resulted in a series of successful acquisitions. Strategic acquisitions will also be a part of the growth strategy in the future. However, it cannot be guaranteed that HEXPOL will be able to find suitable acquisition targets; nor can it be guaranteed that the necessary financing for future acquisition targets can be obtained on terms that are acceptable to the Group. This could result in reduced or declining growth for HEXPOL. The completion of acquisitions also entails risks. In addition to the company-specific risks, the acquired company's relations with customers, suppliers and key individuals could be adversely affected. There is also a risk that integration processes could prove more costly or take more time than estimated and that anticipated synergies in full or in part will fail to materialize.	HEXPOL evaluates a large number of companies to find acquisitions that can strengthen the Group's product portfolio or geographic position, and that supports the Group's strategic plan. An analysis of the entire company, known as due diligence, is done to assess any potential risks before a decision is taken. HEXPOL has a strong balance sheet, providing a financial platform for future acquisitions. Based on extensive experience of acquisitions and integrations of these, combined with clear strategies and objectives, HEXPOL has good potential to successfully continue the active acquisition strategy.
Supply chain disruptions	There was greater focus on the supply chain in 2022 than in previous years, partly as a result of global supply disruptions and supply constraints due to the coronavirus pandemic and the war in Ukraine.	HEXPOL has well-established tools that ensure parallel supply and evaluates and balances purchases between local and global suppliers, limiting disruption.
Global crises	HEXPOL's global operations entail a risk that the company may be affected by events around the world outside its direct control, for example in the event of a global pandemic or changed geopolitical situations. Exercising contractual rights and enforcing contractual obligations can be difficult in global crises.	Monitoring events around the world is high on the agenda of both the management and the Board in order to be able to respond quickly to situations that could have a significant impact on HEXPOL. The Covid-19 outbreak led to global challenges with lower demand from customers and difficulties for suppliers in delivering raw materials and components. HEXPOL handled the turbulent situation caused by the pandemic well, with only limited disruption to the business overall. HEXPOL does not have any business connections affected by the war in Ukraine.

STRATEGIC AND OPERATIONAL RISK MANAGEMENT

Risk	Description	Risk management
Customers	HEXPOL conducts operations in a large number of geographic markets and offers products to a considerable number of customer categories. One major customer group comprises system suppliers to the automotive industry. A decline or weak trend in the automotive industry could have a negative impact on HEXPOL's operations. This customer group could thus entail certain risks for HEXPOL. If HEXPOL's customers fail to fulfil their obligations, or drastically reduce or cease their operations, the Group's operations could be adversely impacted.	HEXPOL has a favorable risk diversification in terms of geographic areas and customer groups. No single customer accounts for more than 10 percent of Group sales.

CONT. STRATEGIC AND OPERATIONAL RISK MANAGEMENT

Risk	Description	Risk management
Products	If HEXPOL's products do not meet customer requirements, complaints and recalls may occur.	HEXPOL uses quality systems to ensure that the product complies with specified requirements.
Suppliers	HEXPOL's products consist of many different raw materials from several different suppliers. To be able to manufacture, sell and deliver products, HEXPOL depends on externally supplied goods meeting agreed requirements with respect to factors such as quantity, quality and delivery time.	HEXPOL has a favorable risk diversification in terms of suppliers and the Group is not, to any significant extent, dependent on any single supplier.
Key individuals	If key individuals leave and successors cannot be recruited or if HEXPOL is unable to attract qualified personnel, this could have a negative impact on the Group's operations.	HEXPOL's future success largely depends on its ability to recruit, retain and develop the Group's employees. HEXPOL strives to be an attractive employer and encourages internal recruitment.
Production disruptions	Damage to production facilities caused, for example, by fire, flood, mechanical damage, natural disaster, can lead to interruption of business and affect customer deliveries.	HEXPOL has many units, which provides some flexibility in terms of supporting production. HEXPOL works regularly on risk prevention.
Raw materials	HEXPOL depends on a significant number of input materials, primarily plastics and rubber raw materials. Trends in the market may result in higher purchasing prices for input materials that are crucial for HEXPOL. In view of the competitive situation, there is a risk that HEXPOL cannot raise prices sufficiently to fully offset the increased costs, leading to reduced margins.	To meet the increased costs of input materials, HEXPOL works, among other things, to improve production efficiency, developing more cost-effective processes and holding monthly price negotiations.
Cyberattack risk	HEXPOL uses modern IT infrastructure for communications and business support. Disruptions in these systems can have a negative effect on operations, both in terms of marketing activities and production. Cyberattacks and misuse of data can also lead to personal data and intangible assets falling into the wrong hands.	HEXPOL takes IT security and cyberattack risks very seriously and continuously assesses the reliability and weaknesses of the company's security systems. All HEXPOL units are covered by the Group's IT policy, which clearly states what requirements apply. Compliance with the above-mentioned policy is audited annually by the Group's auditors to a certain extent, but mainly by representatives of the IT organization.

LEGAL RISK MANAGEMENT

Risk	Description	Risk management
Legislation and regulation	HEXPOL's principal markets are subject to extensive regulation. Amendments to the regulatory framework, customs regulations and other trade obstacles, competition regulations, price and currency controls, as well as other public legal guidelines, ordinances and restrictions in the countries in which HEXPOL is active could have an adverse impact on the Group's operations.	HEXPOL complies in all respects with the applicable laws, regulations and ordinances in each market and aims for quick adaptation to identified future changes in the area. HEXPOL trains managers and staff in business ethics guidelines, and senior managers and employees in purchasing and sales participate in training on international law relating to cartels and other unlawful business cooperation.
Tax risk	HEXPOL conducts its operations through subsidiaries in a number of countries. The Group's interpretation of applicable laws, tax treaties, OECD guidelines and regulations may be challenged by local tax authorities. Rules and guidelines may be subject to future changes which can have an impact on the Group's tax position.	The business, including transactions between Group companies, is conducted in accordance with the Group's interpretation of prevailing tax legislation, tax agreements, OECD guidelines and regulations. The Group has obtained advice on certain matters from independent tax advisers. Transactions between Group companies are normally conducted at arm's length.
Intellectual property rights	HEXPOL sells its products under several well-known brands. It is of major commercial significance for the Group that these brands can be protected against unauthorized use by competitors and that the goodwill associated with the brands can be maintained. Under a license agreement with Covestro AG, HEXPOL is entitled to use the Vulkollan brand and logo in connection with the manufacture and marketing of wheels produced by HEXPOL Wheels. The license agreement with Covestro AG extends for one-year periods and notice may be given three months prior to the end of the agreement. Notice of termination of the agreement by Covestro would have a negative impact, since Vulkollan wheels currently account for a major share of the sales of the subsidiary Stellana AB.	HEXPOL has an ongoing dialogue with the license owner.

CONT. LEGAL RISK MANAGEMENT

Risk	Description	Risk management
Health, safety and the environment	HEXPOL has operations in many countries with different permit requirements and environmental legislation. Legislative amendments and changes in government regulations resulting in more stringent requirements or revised terms and conditions pertaining to health, safety and the environment, or a trend toward stricter application of laws and regulations by the authorities, may require additional investments and lead to increased costs. Legislative amendments and changes in government regulations could also impede or limit HEXPOL's operations. The possibility of liabilities arising in conjunction with personal injuries or damage to property, as well as damage to air, water, land and biological processes may have a negative impact on the Group's operations.	HEXPOL's assessment is that its operations, in all material respects, are conducted in accordance with the applicable laws and regulations concerning health, safety and the environment. The Group continuously monitors anticipated and implemented changes in legislation in the countries where the Group operates. Most of the companies within the Group conduct operations that are subject to permits or mandatory notification under applicable local environmental legislation. Accordingly, these operations are under the supervision of the appropriate authorities. On an ongoing basis, HEXPOL ensures that it holds all of the necessary permits and that it fulfils all of the necessary applicable notification obligations. Most of the production units are certified in accordance with ISO 14001, and internal and external environmental audits are conducted regularly. In the US, HEXPOL provides a health insurance system through which employees are offered reimbursement for health care. The Group's expenses are maximized to a fixed amount per individual and year.

FINANCIAL RISK MANAGEMENT

Risk	Description	Risk management
Currency risk	In its operations, HEXPOL is exposed to various financial risks, of which the currency risk is the one that dominates. Exchange-rate fluctuations affect HEXPOL's earnings, both when sales and purchases take place in different currencies (transaction exposure) and when the income statements and balance sheets of foreign subsidiaries are translated to SEK (translation exposure). HEXPOL's global operations give rise to extensive foreign-currency cash flows. The key currencies in the Group's payment flows are SEK, USD and EUR. Exchange-rate fluctuations have an impact on the Group's earnings in the translation of foreign Group companies' income statements to SEK. Since a considerable portion of the Group's earnings is generated outside Sweden, exchange-rate fluctuations could have a significant impact on the consolidated income statement. In conjunction with the translation of the Group's investments in foreign subsidiaries to SEK, there is a risk that exchange rate fluctuations could have an impact on the Group's balance sheet.	HEXPOL's business is local, which means that sales and purchases normally are made in local currency and thus limits the Group's transaction exposure. A sensitivity analysis shows that the effect of a change of 10 percent against all currencies in relation to the exchange rate for SEK would affect sales by 1,771 MSEK and operating profit by 221 MSEK. Currency / Sales / Operating profit USD / 949 / 157 EUR / 704 / 79 Other / 118 / –15 Total / 1,771 / 221
Interest-rate risk	Changes in market interest rates affect HEXPOL's net financial items.	Excess liquidity and credit agreements are primarily managed at Group level and in accordance with the financial policy and at variable interest rate. On December 31, 2022, external liabilities amounted to 4,393 MSEK (2,222). A change in the interest rate of 1 percent point on the Group's closing liabilities for 2022 would impact the full-year earnings by approximately 44 MSEK before tax.
Credit risk	The financial risks to which HEXPOL is exposed also include credit risks, meaning that a customer or business partner will be unable to fulfil their payment obligations or to settle receivables that HEXPOL has invoiced or intends to invoice. Financial credit risks are defined as the risk that counterparties with which the Group has invested cash and cash equivalents, has current bank investments or has entered into financial instruments will be unable to fulfil their obligations.	HEXPOL conducts regular credit assessments of customers. HEXPOL has widely diversified customers in terms of both geographic areas and customer groups, which limits the risk of significant bad debt losses. HEXPOL's excess liquidity is primarily used to repay external loans, and further surpluses are placed in well-known banks.
Financing and liquidity risk	To enable corporate acquisitions or otherwise achieve strategic objectives, HEXPOL's operations could ultimately require additional financial resources. HEXPOL's ability to ensure future capital requirements depends to a great extent on successful sales of the Group's products and services. There are no guarantees that HEXPOL will be able to secure the necessary capital. In this regard, general developments in the share capital and credit markets are also of considerable significance. The liquidity risk is defined as the risk that the Group will be unable to entirely fulfil its payment undertakings when they fall due or will only be able to do so on highly unfavorable terms.	HEXPOL has a strong balance sheet, providing a financial platform for future acquisitions. HEXPOL has four major credit agreements with Nordic banks. For further information on these, see Note 15. In 2021, HEXPOL established a program for issuing commercial papers with the possibility of these being issued within a limit of 4 billion SEK.
Insurable risks	HEXPOL's operations, assets and employees are to some extent exposed to various types of risks that may affect the Group's operations.	HEXPOL has centrally procured insurance cover for property, liability, disruption, travel and transport insurance, etc., combined with local insurance policies where necessary.

SUSTAINABLE DEVELOPMENT RISK MANAGEMENT

Risk	Description	Risk management
Environmental and labor legislation	Developments in environmental legislation affect HEXPOL in both the short and long term. Legislative amendments and changes in government regulations resulting in more stringent requirements or revised terms and conditions pertaining to health, safety and the environment, or a trend toward stricter application of laws and regulations by the authorities, could require additional investments and lead to increased costs. Legislative amendments and changes in government regulations could also impede or limit HEXPOL's operations. Climate change is an area where it is likely that additional legislation, charges and taxes will be introduced. In the area of chemicals, the EU's REACH Regulation is highly influential. The Group uses substances listed by REACH as SVHCs (Substances of Very High Concern), and it is likely that demands that these be phased out (or that other risk mitigation measures be introduced) will increase.	The Group works continuously to identify new and amended environmental and health and safety legislation. In the short term, we have not identified significantly amended requirements. The production units hold current environmental permits, and only minor updates are expected. The units are under the supervision of the authorities, with internal and external environmental audits being conducted via ISO 14001. In response to REACH, the development departments have reformulated several recipes, in which hazardous substances have been phased out, or where their use has decreased. This work is ongoing.
Polluted soil	Most of the Group's facilities are built on land not previously used by polluting operations. No emissions or accidents of significance for the soil or groundwater were registered in 2022. There is limited soil pollution at three facilities. The pollution is of a historical nature, and remediation measures are ongoing at one facility. At one facility in Sweden, the environmental authority has requested an in-depth investigation of possible soil pollution. In 2021, demands were made on one of the Swedish units regarding possible partial responsibility for investigations and action at a former landfill site. In 2022, the regulatory authority concluded that HEXPOL cannot be considered to be involved in or responsible for the pollution.	Regular assessments of the risk for soil pollution and other environmental damage are made in conjunction with acquisitions. Where it is considered necessary, sampling of soil and groundwater is conducted. Through risk analysis and preventative actions the probability and consequences of uncontrolled emissions are minimized.
Hazardous substances in buildings	The roofs of certain buildings consist of Eternit tiles containing asbestos. The risks are considered minor and do not require action to be taken until the roofs are to be replaced. There may also be small amounts of asbestos in pipe systems and other installations at some individual facilities. Under Swedish legislation, the Group performed an inventory of the properties with respect to PCBs (polychlorinated biphenyls). Some small amounts of PCBs were found in window seams in a number of buildings, and the caulking compound will be remedied as the windows are gradually replaced. The risks to humans and the environment are very low.	Regular assessments of the presence of asbestos and PCBs are made in conjunction with acquisitions. In accordance with the legislation in different countries inventories has been carried out and relevant precautions have been taken. No further measures are currently relevant.
Climate change	The Group emits significant amounts of carbon dioxide through its energy consumption. In addition, most of the products are based on fossil raw materials. It is likely that more demanding emission policies and measures will be introduced in several countries/regions. It is also likely that customers will demand increased use of renewable raw materials.	The Group works actively to mitigate emissions of gases affecting the climate and originating from our production facilities and products. Scenario analyses of how physical climate change, policy decisions and legislation affect HEXPOL have been initiated. With regard to these issues, the Group has begun to apply the TCFD guidelines, see pages 103–105. Climate-related risks are taken into account in conjunction with acquisitions and supplier assessments.
Occupational health and safety risks	A poor work environment in production facilities can cause ill health and accidents at work, with significant consequences for individual employees.	The Group has a zero vision for work-related accidents and pursues an active and systematic work environment policy to reduce the risk of work-related illnesses and accidents. Prevention is particularly important and is described on pages 96-98.
Environmental and climate adaptation of products	Interest in environmentally adapted products is increasing in many industries, and many of the customers set requirements regarding phase-out of hazardous substances and other properties that are of significance to health and the environment, particularly climate impact. If the requirements are not met, there is a risk that the deal will be lost.	The Group is taken an active role in the area and offers knowledge that contributes to environmental friendly product development. Many of the Group's sustainable products show good potential for business development, for example Dryflex Green, which contains bio-based raw materials, and Dryflex Circular, which contains recycled polymers (page 35).
Human rights	The risk for any violation of human rights at the production facilities is considered low. Most of the Group's suppliers of raw materials are global chemical companies, and the risks relating to human rights are considered low. HEXPOL has identified suppliers of natural rubber as a potential risk area. Formal sustainability audits have therefore been performed at natural rubber plantations in Sri Lanka. The situation regarding human rights there was assessed as good.	Materializing Our Values states how human rights are viewed. The Code of Conduct is supplemented by the commitments under the UN Global Compact. The whistle-blowing system makes it possible for employees to sound the alarm regarding possible irregularities. In the collected data for the annual Sustainability Report, all companies must state their position on questions regarding human rights in their own operation and among the suppliers.
Business ethics and anti-corruption	Unethical behavior or poor management of business ethics risks can damage the company's brand and credibility. The company may also be subject to fines and other legal sanctions. HEXPOL has operations in both industrialized and developing countries. No matter where the operations are, there is a risk of sound business principles not being applied. For this reason, good business ethics are afforded high priority in the materiality analysis. The message from the Group management is that zero tolerance is applied for anti-corruption and deficient business ethics.	The Global Compact and the business ethics guidelines guide employees on issues regarding what is and is not allowed in contacts with business partners. In the Compliance Program the managers confirm, through their signature, that the rules are followed. Managers and employees in sales and marketing take part in training in the area. In the collected data for the annual Sustainability Report, all companies must state their position on how they have counteracted corruption during the year. The questions originate from Global Compact guidance documents. The whistle-blowing system makes it possible for employees to sound the alarm if irregularities are suspected.

CHAIRMAN OF THE BOARD

FOREWORD

HEXPOL has once again delivered its best year yet in a market facing increasing challenges and an unlikely cocktail of changes in the world we operate in.

I wrote in my Chairman's Comments a year ago that, in addition to the pandemic, we were battling shortages of raw materials, large cost increases, rising energy prices, production stoppages in the automotive industry, global logistics problems, high sickness absence and rising pay inflation. I wrote this in the hope that it was unlikely to become much worse in coming years. By no means has that turned out to be the case. In addition to last year's cocktail of woes, Russia invaded Ukraine and we are experiencing a horrific war in Europe, geopolitical tensions have increased, the climate clouds are darkening, electricity costs have become unpredictable due to the war and a pricing model governed by marginal cost, inflation has really taken off with consequent rising interest rates and consumers are experiencing negative real-terms pay rises and are more cautious with smaller margins in their finances.

We live in a world and a market where yesterday's recipes do not always solve tomorrow's problems. This makes great demands on HEXPOL. Our strengths are becoming increasingly important. A fast-moving, decentralized but globally coordinated organization, with supply capacity from different factories and with the ability to quickly reset recipes when input materials are in short supply or delayed, is emerging ever more strongly as a competitive advantage, and here HEXPOL is unique. Size and global capability in purchasing are also becoming increasingly important and we have proven once again that the old cliché that large organizations are slow to move is not true – at least not in our case. We adapt every day to new circumstances while maintaining profitability.

Recycling of fossil products is becoming increasingly important, and it is likely that, in addition to increasing environmental requirements, the economics of increasing recycling will also become more attractive. An important part of the Group's strategic work and corporate governance is to increase the focus on sustainability. In 2022, HEXPOL took some important steps in this direction, including the acquisition of almaak in Germany. To ensure that sustainability is 'here and now', i.e. reducing environmental impacts in the short term, we wove sustainability into our incentive system in 2022.

We are well positioned for the future and are continuing our growth journey by using our strong cash flow for further acquisitions, and in an uncertain environment and a market that is difficult to assess there are plenty of opportunities for an organization with high skills and experience.

Malmö, Sweden, March 2023

Alf Göransson, Chairman of the Board

CORPORATE GOVERNANCE REPORT

Ownership structure and share

On December 31, 2022, HEXPOL's share capital-amounted to 68,887,369 SEK, divided into 344,436,846 shares, of which 14,765,620 of Class A with 10 votes each and 329,671,226 of Class B with one vote each. The largest individual shareholder is Melker Schörling AB, whose holding at the end of 2022 comprised a total 14,765,620 Class A shares and 70,783,430 Class B shares, corresponding to 46 percent of the votes and 25 percent of the capital in the company. No other shareholder has a direct or indirect holding amounting to at least 10 percent of the total number of votes in the company. For more detailed information on ownership structure and the share, see pages 6–7.

Articles of Association

HEXPOL's current Articles of Association were adopted on April 28, 2022. The Articles of Association state that the objective of the company's operations is to acquire, own and actively manage shares mainly in industrial, trading and service companies. The company is also to own and manage securities, sell services in the administrative area and pursue other operations compatible therewith.

The Articles of Association establish, among other things, the shareholders' rights, the number of directors and auditors, that the annual general meeting is to be held once a year within six months after the end of the financial year, how the Annual General Meeting is to be called and that the company's Board of Directors has its registered office in Malmö Municipality. The current Articles of Association are available on the company's website.

General Shareholder Meetings

A General Shareholder Meeting is HEXPOL's highest decision-making body, which all shareholders are entitled to attend. At a General Shareholder Meeting, all shareholders have the opportunity to exert an influence over the company by exercising the votes attached to their respective shareholdings. At the Annual General Meeting (AGM), the Board

**The Code is available at www.bolagsstyrning.se*

presents the annual report, the consolidated financial statements and the auditors' report.

HEXPOL calls the Annual General Meeting no later than four weeks prior to the Meeting. The Annual General Meeting is usually held in Malmö, Sweden, although, in accordance with the Articles of Association, it may also be held in Stockholm, and is usually held in April or May. Among other matters, the AGM passes resolutions such as the adoption of the income statement and balance sheet, the dividend to be paid, amendments to the company's Articles of Association, discharge from liability for the Board and CEO, election of Board members and auditors, the setting of remuneration for the Board members and auditors, and approval of the Remuneration Report.

Annual General Meeting 2022

The 2022 AGM was held on April 28, 2022. The Annual General Meeting was held as an in-person meeting but with the possibility to vote by mail before the meeting under temporary legal rules due to the continued risk of Covid-19 infection. At the AGM, shareholders in attendance represented approximately 68 percent of the total voting rights. The Chairman of the Board, Alf Göransson, was elected Chairman of the Meeting. At the Meeting the Income Statement and Balance Sheet and the consolidated Income Statement and Balance Sheet, were adopted.

The Meeting approved the Board's proposal for a dividend for the 2021 financial year of 6.00 SEK per share. Alf Göransson, Jan-Anders E. Månson, Malin Persson, Märta Schörling Andreen, Kerstin Lindell and Gun Nilsson were re-elected as members of the Board.

Alf Göransson was re-elected as Chairman of the Board. The Meeting approved the Board's proposed guidelines for remuneration of HEXPOL's senior executives and the 2021 Remuneration Report.

Annual General Meeting 2023

HEXPOL's Annual General Meeting 2023 will be held on April 28, 2023 in Malmö, Sweden. For information about the AGM, refer to page 116 and the company's website https://investors.hexpol.com/sv/bolagsstyrning/bolagsstamma.

Nomination Committee

HEXPOL's AGM determines the composition of the company's Nomination Committee. The Nomination Committee's task is to submit proposals regarding the Chairman of the AGM, the Chairman and other members of the Board, as well as in respect of the fees and other remuneration for Board assignments to each of the Board members. The Nomination Committee is also to submit proposals regarding the election and fees to be paid to auditors.

In the nomination process in preparation for the 2022 Annual General Meeting, the Nomination Committee applied Rule 4.1 of the Code on Diversity Policy in preparing its proposals for the Board. The Nomination Committee concluded that the Board of HEXPOL has an appropriate composition.

At the Annual General Meeting 2022, it was decided that HEXPOL is to have a Nomination Committee consisting of four members representing the largest shareholders in terms of votes, and that Mikael Ekdahl representing Melker Schörling AB (Chairman), Henrik Didner representing Didner & Gerge Fonder, Jesper Wilgodt representing Alecta Pensionsförsäkring and Hjalmar Ek representing Lannebo fonder are to be members of the Nomination Committee up to the 2023 AGM.

Should a shareholder who is represented by one of the members of the Remuneration Committee cease being one of the largest shareholders in HEXPOL, or should a member of the committee no longer be employed by such a shareholder or for any other reason leave the committee prior to the AGM 2023, the committee is entitled to appoint another representative from among the major shareholders to replace such a member.

During the year, the Nomination Committee held six meetings at which minutes were recorded. The Committee discussed the desired changes and decided on proposals to be submitted ahead of the 2023 AGM.

WORK OF THE BOARD OF DIRECTORS IN 2022

The Board of Directors and its work

Composition of the Board and independence

According to the Articles of Association, HEXPOL's Board is to consist of at least five and no more than ten members, with no more than two deputies. HEXPOL's Articles of Association do not contain any provisions regarding appointment or dismissal of Board members or amendments to the Articles. The Board is elected annually at the AGM for the period up until the next AGM. HEXPOL's AGM on April 28, 2022 resolved to elect a Board consisting of, Alf Göransson (Chairman), Malin Persson, Jan-Anders E. Månson, Märta Schörling Andreen, Kerstin Lindell and Gun Nilsson. The Board was elected for the period up until the 2023 AGM. HEXPOL's CEO and HEXPOL's Deputy CEO and CFO participate in Board meetings. On request, other HEXPOL employees attend Board meetings to present certain specific matters.

The Board's assessment of its members' independence in relation to the company, its management and major shareholders, which is shared with that of the Nomination Committee, is presented on page 52.

According to the requirements presented in the Code, the majority of the Board members elected by the AGM is to be independent in relation to the company and its management, and at least two of the Board members are also to be independent in relation to the company's major shareholders. As stated on page 52, HEXPOL meets these requirements.

Members can be reached at the address of HEXPOL's head office.

Responsibilities of the Board of Directors

The Board is responsible for determining the Group's overall objectives, developing and monitoring the general strategy decisions on major acquisitions, divestments and investments and ongoing monitoring of operations during the year. In addition, the Board of Directors is responsible for the ongoing evaluation of the company's management, for there being effective systems for monitoring and internal control of the company's operations and financial position and for the organization and management of the Group in accordance with the Companies Act. The Board also appoints the President and CEO, the Audit Committee and Remuneration Committee, as well as deciding on matters involving the salary and other remuneration of the President and CEO.

The activities of the Board and division of responsibility between the Board and executive management are governed by the Board's work procedures. Work procedures include instructions for the President and CEO in respect of financial reporting as well as instructions for the Audit Committee and Remuneration Committee. These are reviewed and set annually.

Evaluation of the Board's work

Evaluation of the Board's work, including its committees, is conducted annually. The evaluation covers the Board's work processes, expertise and composition, including Board members' backgrounds, experience and diversity.

The evaluation is coordinated by the Chairman of the Board. In 2022, the Chairman conducted a written questionnaire-based survey of all Board members. The results of the evaluation have been reported and discussed by the Board and the Nomination Committee.

Board committees

The Board has established two committees from among its members: the Audit Committee and Remuneration Committee. The Board's Audit Committee, which is a preparatory function in the contact between the Board and auditors, follows a written instruction and through its operations has to meet the requirements of the Companies Act and the EU Audit Regulation. The Audit Committee's tasks include, among other things, assisting the Nomination Committee in preparing the proposal of auditors and auditing fees to the General Shareholder Meeting, where the Committee has to monitor that the auditor's mandate does not exceed the applicable rules, procure audit services and submit a recommendation in accordance with the EU Audit Regulation. The Committee also has to review and monitor the auditor's impartiality and independence, paying particular attention to whether the auditor provides the company with services other than auditing. The Committee is also to issue guidelines for services other than auditing provided by auditors

and when appropriate to approve such services in accordance with the issued guidelines. The Committee is to participate in the planning of the audit work and related reporting and regularly consult and discuss with the external auditors to keep informed about the direction and scope of the audit. The Committee is also to review and monitor the Group's financial statements, the work of the external auditors, the company's internal control system, the current risk profile and the company's financial information.

The committee's tasks also include making recommendations and suggestions to ensure the reliability of financial reporting as well as other issues the Board instructs the Committee to prepare.

The Audit Committee has to meet regularly with HEXPOL's auditors and report back to the Board.

The committee does not, except as expressly stated in the Board's adopted written instructions for the Audit Committee, have authority to make any decisions on behalf of the Board. The Board appoints the members of HEXPOL's Audit Committee annually. At least one member has to possess accounting or auditing qualifications, and all the Committee members must be familiar with economic and financial issues. In 2022, the Audit Committee consisted of Gun Nilsson (chairman), Malin Persson and Märta Schörling Andreen. The committee held four meetings with recorded minutes during the period. All members of the Committee attended all the meetings recorded in the minutes, except for one when one member was unable to attend.

The task of the Board's Remuneration Committee is to deal with matters involving remuneration guidelines, salaries, bonus payments, warrants, pensions and other forms of remuneration for the Group management. The Remuneration Committee may also address issues related to other management levels, should the Board so decide, as well as other similar issues that the Board instructs the committee to prepare. The committee has no authority to make decisions, but instead presents its findings and proposals to the Board for a decision. The Board appoints the members of HEXPOL's Remuneration Committee annually. During 2022, the Remuneration Committee consisted of Alf Göransson (Chairman) and Märta Schörling Andreen. The Remuneration Committee held one minuted meeting during the year, attended by both of the members.

Board activities in 2022

During the year, the Board held a total of seven Board meetings, one of which was the statutory meeting. At the meetings, HEXPOL's CEO reported on the market position and financial position as well as significant events that affected the company's operations. The Board has also, among other things, addressed questions related to investment, interim reports, the annual report, acquisitions and the auditors' report on the audit work.

In 2022, all of the Board members elected by the Annual General Meeting attended all Board Meetings.

Auditors

The auditors are elected at the AGM and, on behalf of the shareholders, are responsible for reviewing the Annual Report and accounting records, as well as the administration by the Board and CEO. HEXPOL's auditors normally attend at least one Board meeting annually, at which they report their findings from the Group's internal control procedures and the annual financial statements. The auditors also report to and meet the Audit Committee. In addition, the auditors participate in the AGM to present the auditors' report, which describes the audit conducted and the findings made.

At the 2022 Annual General Meeting, authorized public accountants Joakim Falck and Karoline Tedevall, employees of Ernst & Young AB, were elected as the company's auditors for a term of one year extending until the end of the ensuing Annual General Meeting. The auditors for the subsequent term will be elected at the 2023 AGM.

Joakim Falck
Ernst & Young AB
Authorized Public Accountant and member of FAR
Born: 1972
Nationality: Swedish
Other assignments: Nolato AB, ITAB Shop Concept AB, Absolent Group AB, Garo AB

Karoline Tedevall
Ernst & Young AB
Authorized Public Accountant and member of FAR
Born: 1978
Nationality: Swedish
Other assignments: Alfa Laval AB, Bona AB, Tetra Pak AB

Internal audit

Under the Code, the Board is to annually evaluate the need for a separate audit function (internal audit) to ensure that established principles for financial reporting and internal control are followed and that the company's financial statements are prepared in accordance with the law, applicable accounting standards and other requirements for listed companies. The Board have assessed with regard to HEXPOL's work and procedures for internal control that there is no need for a special review function. The issue of a special audit function will be re-examined in 2023.

CEO and Group Management

The President and CEO is responsible for leading and controlling HEXPOL's operations pursuant to the Swedish Companies Act, other legislation and ordinances, applicable rules for listed companies, including the Code, the company's Articles of Association and the instructions and strategies established by the Board. The CEO is to ensure that the Board receives objective, detailed and relevant information required to enable the Board to make well-founded decisions. In addition, the CEO is responsible for keeping the Board informed of the company's development between Board meetings. The President and CEO has appointed a Group Management consisting of the CFO, the head of M&A and strategy and the company's business and product area managers.

Group Management has overriding responsibility for the Group's operations and the allocation of financial resources among business operations and for the financing and capital structure. Regular Group Management and Steering Committee meetings serve as the forum for the implementation of the Group Management's overall governance down to each business and product area, and, in turn, down to the subsidiary level. The organization is structured to facilitate short and prompt decision-making processes, with clear, decentralized responsibility. Group Management is presented on page 53, in terms of descriptions of their period of employment at HEXPOL, educational background, year of birth, shareholding, etc.

Information on remuneration

For information on fees, salaries, pensions and other benefits for the Board, CEO and other senior executives, refer to Note 4 on page 63.

Financial reporting

HEXPOL provides continuous market information concerning the company's progress and financial position.

HEXPOL aims to be open, factual and provide a high degree of service in terms of financial reporting in an effort to build market confidence in the company and enhance interest in the HEXPOL share among current and potential investors. HEXPOL has a communication policy, whose aims include ensuring that the Group fulfils the requirements concerning information disclosure to the stock market.

HEXPOL's financial and other communication activities must always comply with the EU Market Abuse Regulation, Nasdaq Stockholm Exchange's regulations, generally acceptable behavior in the stock market and other relevant regulations and legal obligations to which HEXPOL may be subject. Communication is also to be designed to create a flow of uniform actions between the company, the employees and the business environment.

The policy establishes the distribution of responsibility for information matters and stipulates who may represent the company as a spokesperson. The policy also includes procedures for interim reports, Annual Reports, Annual General Meetings, press releases, meetings with investors and the company's website. The company's current communication policy is reviewed annually and revised as necessary.

INTERNAL CONTROL OF FINANCIAL REPORTING

According to the Swedish Companies Act and the Code, the Board of Directors is responsible for internal control. The Annual Accounts Act stipulates that the Corporate Governance Report must contain information concerning the principal aspects of the company's internal control and risk management systems in conjunction with the financial reporting. Internal control and risk management in terms of financial reporting is a process that involves HEXPOL's Board, corporate management and personnel. The process has been designed so that it provides reasonable assurance of the reliability of external reporting. According to a generally accepted framework that has been established for this purpose, the most important aspects of HEXPOL's internal control and risk management systems are described below from different perspectives.

Control environment

HEXPOL's organization is designed to facilitate rapid decision making. Operational decisions are therefore made at the business area, product area or subsidiary level, while decisions on strategies, acquisitions and divestments, as well as on overarching financial matters, are made by the company's Board of Directors and Group Management. The organization is characterized by well-defined allocation of responsibility and well-functioning and well-established governance and control systems, which apply to all HEXPOL units. The basis for the internal controls and risk management pertaining to financial reporting comprises an overall control environment in which the organization, decision-making paths, authorities and responsibilities have been documented and communicated in control documents, such as in HEXPOL's finance policy and financial reporting instructions and in accordance with the authorization arrangements established by the CEO.

HEXPOL's financial control functions are integrated by means of a Group-wide reporting system. All of HEXPOL's subsidiaries report complete financial statements on a monthly basis. This reporting provides the basis for the Group's consolidated financial reporting. Each legal entity has a controller responsible for the business area's financial control and for ensuring that the financial reports are correct, complete and delivered in time for consolidated financial reporting.

The Group's financial control unit engages in close and well-functioning cooperation with the subsidiaries' controllers in terms of the financial statements and the reporting process. The Board monitors the company's assessment of the internal control through the work conducted by the Audit Committee, for example. This work includes an ongoing review of the matters deemed to affect financial management. The Board also maintains direct contacts with the company's auditors to safeguard the internal control.

Risk management

The significant risks affecting the internal control of financial reporting are identified and managed at Group, business area, subsidiary and unit level. Within the Board, the Audit Committee is responsible for ensuring that significant financial risks and the risk of error in financial reporting are identified and managed in a manner that ensures correct financial reporting. This is achieved by continuously monitoring the areas considered critical for the company and its operations. Special priority has been assigned to identifying processes that, relatively speaking, give rise to a higher risk of significant error due to the complexity of the process or of the contexts in which major values are involved.

Control activities

The risks identified with respect to the financial reporting are managed via the company's control activities. The control activities are designed to prevent, uncover and rectify errors and deviations. Their management is conducted by means of manual controls in the form of, for example, reconciliations and audits and automatic controls using IT systems. Detailed analyses of financial results and follow-ups in relation to budget and forecasts supplement the business-specific controls and provide general confirmation of the quality of financial reporting.

- Articles of Association
- Code of Conduct (Materializing Our Values)
- Previous years' Corporate Governance Reports, commencing 2008
- Previous years' Sustainability Reports
- Information from HEXPOL's Annual General Meetings, commencing 2008 (notices, minutes, CEO's statements and communiqués)
- Information on Members of the Board, CEO and auditor
- Information on Nomination Committee and the company's instructions to the Nomination Committee
- Information on principles of remuneration of senior executives
- Remuneration Report
- Information in preparation for the 2023 Annual General Meeting

Information and communication

To ensure the completeness and correctness of financial reporting, the Group has formulated information and communication guidelines designed to ensure that relevant and significant information is exchanged within the business, in the particular unit and to and from management and the Board. Guidelines, handbooks and job descriptions pertaining to the financial process are communicated between management and personnel and are accessible electronically and/or in print. Via the Audit Committee, the Board receives regular feedback in respect of the internal control process.

To ensure that the external communication of information is correct and complete, HEXPOL complies with a Board-approved communication policy that stipulates what may be communicated, by whom and in what manner.

Follow-up

The efficiency of the process for risk assessment and the implementation of control activities are followed up continuously. The follow-up pertains to both formal and informal procedures used by the officers responsible at each level.

The procedures incorporate the follow-up of financial results in relation to budget and plans, analyses and key performance indicators. The Board obtains ongoing reports on the Group's financial position and performance. At each scheduled Board meeting, the Group's financial position is addressed and, on a monthly basis, management analyzes the company's financial reporting at a detailed level. The Audit Committee follows up the financial reporting at its meetings and receives reports from the auditors describing their findings.

BOARD OF DIRECTORS

Alf Göransson
Chairman

Elected: 2007

Born: 1957

Nationality: Swedish

Education: International B.Sc. (Econ.)

Other assignments: Chairman of the Board of Loomis AB, NCC AB and Axfast AB. Member of the Boards of Attendo AB, Sweco AB, Melker Schörling AB, Anticimex AB and Sandberg Development Group.

Independent in relation to the company and management: Yes

Independent in relation to major shareholders: No

Committee: Remuneration Committee

Own holding and holdings of related parties: 3,000 Class B shares

Malin Persson
Member

Elected: 2007

Born: 1968

Nationality: Swedish

Education: M. Sc. (Eng.)

Other assignments: Member of the Boards of Peab AB, Getinge AB and Ricardo AB, among others.

Independent in relation to the company and management: Yes

Independent in relation to major shareholders: Yes

Committee: Audit Committee

Own holding and holdings of related parties: –

Jan-Anders E. Månson
Member

Elected: 2008

Born: 1952

Nationality: Swedish

Education: M. Sc. (Eng.) and PhD

Other assignments: Distinguished Professor at Purdue University. Co-Exec. Dir. Indiana Next Generation Manufacturing Competitiveness Center (INMAC), Exec. Dir. Ray Ewry Sports Engineering Center and member of the Board of EELCEE Ltd.

Independent in relation to the company and management: Yes

Independent in relation to major shareholders: Yes

Committee: –

Own holding and holdings of related parties: –

Märta Schörling Andreen
Member

Elected: 2014

Born: 1984

Nationality: Swedish

Education: B.Sc. (Econ)

Other assignments: Member of the Boards of Melker Schörling AB, Hexagon AB, Absolent Group and AAK AB.

Independent in relation to the company and management: Yes

Independent in relation to major shareholders: No

Committee: Audit Committee and Remuneration Committee.

Own holding and holdings of related parties:
14,765,620 Class A shares and 70,783,430 Class B shares, through Melker Schörling AB.

Kerstin Lindell
Member

Elected: 2016

Born: 1967

Nationality: Swedish

Education: M. Sc. (Eng.), Tech. Lic., B.Sc. (Econ.) and honorary doctor LTH

Other assignments: Chairman of the Board of Bona AB and of the Chamber of Commerce and Industry of Southern Sweden. Member of the Boards of companies including Peab AB, Indutrade AB and Inwido AB.

Independent in relation to the company and management: Yes

Independent in relation to major shareholders: Yes

Committee: –

Own holding and holdings of related parties:
5,000 Class B shares

Gun Nilsson
Member

Elected: 2017

Born: 1955

Nationality: Swedish

Education: B.Sc. (Econ)

Other assignments: Chairman of the Board of Hexagon AB and the Swedish Corporate Governance Board and Member of the Boards of Melker Schörling AB, AAK AB, Bonnier Group AB, Einar Mattsson AB and Absolent Air Care Group AB.

Independent in relation to the company and management: Yes

Independent in relation to major shareholders: No

Committee: Audit Committee

Own holding and holdings of related parties:
5,000 Class B shares

GROUP MANAGEMENT

Georg Brunstam
President and CEO

Year employed: 2007

Born: 1957

Nationality: Swedish

Education: M. Sc. (Eng.)

Experience: More than 40 years of experience from international industrial companies. Among other positions, President of NOLATO AB and Business Area Manager and member of Group Management at Trelleborg AB.

Other assignments: Chairman of the Board of AAK AB and Member of the Boards of Nibe Industrier AB and GeBe Consulting AB.

Own holding and holdings of related parties: 655,000 Class B Shares

Peter Rosén
CFO, Deputy CEO and IR Manager

Year employed: 2019

Born: 1968

Nationality: Swedish

Education: B.Sc. (Econ)

Other assignments: Board member of Novotek AB

Own holding and holdings of related parties:
17,000 Class B shares

Magnus Berglund
Senior Vice President, Strategy, M&A

Year employed: 2008

Born: 1971

Nationality: Swedish

Education: M.A. (Econ.) and B.Sc. (Eng.)

Other assignments: –

Own holding and holdings of related parties:
17,000 Class B shares

Jan Wikström
President of HEXPOL Thermoplastic Compounding, HEXPOL WHeels and Hexpol Gaskets and Seals

Year employed: 2008

Born: 1972

Nationality: Swedish

Education: M. Sc. (Eng.)

Other assignments: –

Own holding and holdings of related parties:
650,000 Class B shares

Ralph Wolkener
President HEXPOL Compounding Europe/ Asia and HEXPOL TPE/HP Compounding

Year employed: 1997

Born: 1971

Nationality: Belgian

Education: B.Sc. (Econ)

Other assignments: –

Own holding and holdings of related parties: 40,000 Class B shares

Carsten Rüter
President HEXPOL Compounding Europe/ Asia, HEXPOL Compounding Purchasing/ Technology and HEXPOL TPE/HP Compounding

Year employed: 1997

Born: 1971

Nationality: German

Education: M. Sc. (Eng.)

Other assignments: –

Own holding and holdings of related parties:
50,000 Class B shares

Gary Moore
President of HEXPOL Compounding Americas

Year employed: 2007

Born: 1975

Nationality: British

Education: MBA in Finance and B.Sc. in Materials Science

Other assignments: –

Own holding and holdings of related parties: –

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CONSOLIDATED INCOME STATEMENTS

MSEK	Note	2022	2021
Sales	2	22,243	16,005
Cost of goods sold		-17,899	-12,532
Gross profit		**4,344**	**3,473**
Selling expenses		-216	-119
Administrative expenses		-752	-579
Research and development costs		-137	-111
Other operating income		65	678
Other operating expenses		-14	-268
Operating profit	2, 3, 4, 5, 6, 9, 10, 11	**3,290**	**3,074**
Financial income	7	93	32
Financial expenses	7	-139	-75
Profit before tax		**3,244**	**3,031**
Tax	8	-761	-673
Profit after tax		**2,483**	**2,358**
of which, attributable to Parent Company shareholders		2,483	2,358
Earnings per share, before and after dilution, SEK		7.21	6.85

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	2022	2021
Profit after tax	2,483	2,358
Items that will not be re-classified to the income statement		
Re-measurement of defined-benefit pension plans	5	1
Income tax relating to items that will not be re-classified to the Income Statement	–	–
	5	**1**
Items that may be re-classified to the income statement		
Translation difference	1,696	950
	1,696	**950**
Other comprehensive income after tax	**1,701**	**951**
Total comprehensive income	**4,184**	**3,309**
of which, attributable to Parent Company shareholders	4,184	3,309

CONSOLIDATED BALANCE SHEETS

MSEK	Note	2022	2021
ASSETS			
Fixed assets			
Goodwill and intangible fixed assets	9	12,678	9,724
Tangible fixed assets and right-of-use assets	10, 11	3,232	2,430
Financial fixed assets	21	7	3
Deferred tax assets	8	102	79
Total fixed assets		**16,019**	**12,236**
Current assets			
Inventories	12	2,454	1,739
Accounts receivable	13, 21	3,078	2,401
Current tax receivables		274	145
Other current receivables		110	67
Prepaid expenses and accrued income		77	55
Cash and cash equivalents	21	1,541	1,320
Total current assets		**7,534**	**5,727**
TOTAL ASSETS		**23,553**	**17,963**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		69	69
Other capital contributions		619	619
Reserves		3,248	1,547
Profit brought forward including profit for the year		9,831	9,415
Total equity attributable to Parent Company shareholders	14	**13,767**	**11,650**
Attributable to non-controlling interests		0	0
Total shareholders' equity		**13,767**	**11,650**
Non-current liabilities			
Interest-bearing liabilities	15, 21	1,822	301
Other liabilities	21	348	58
Deferred tax liabilities	8	825	602
Pension provisions	16	68	66
Total non-current liabilities		**3,063**	**1,027**
Current liabilities			
Interest-bearing liabilities	15, 21	2,571	1,921
Accounts payable	21	3,111	2,431
Current tax liabilities		252	267
Other current liabilities	21	90	67
Other provisions	17	13	7
Accrued expenses and prepaid income	18, 21	686	593
Total current liabilities		**6,723**	**5,286**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**23,553**	**17,963**

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to Parent Company's shareholders					
MSEK	Share capital	New share issue in progress	Other capital contributions	Reserves	Profit brought forward including profit of the year	Total
December 31, 2020	**69**	–	**619**	**596**	**7,849**	**9,133**
2021						
Comprehensive income						
Profit after tax	–	–	–	–	2,358	2,358
Other comprehensive income	–	–	–	951	–	951
Comprehensive income	**–**	**–**	**–**	**951**	**2,358**	**3,309**
Transactions with shareholders						
New share issue in progress	0	-0	–	–	–	–
Dividend	–	–	–	–	-792	-792
December 31, 2021	**69**	–	**619**	**1,547**	**9,415**	**11,650**
2022						
Comprehensive income						
Profit after tax	–	–	–	–	2,483	2,483
Other comprehensive income	–	–	–	1,701	–	1,701
Comprehensive income	–	–	–	**1,701**	**2,483**	**4,184**
Transactions with shareholders						
Dividend	–	–	–	–	-2,067	-2,067
December 31, 2022	**69**	–	**619**	**3,248**	**9,831**	**13,767**

CONSOLIDATED CASH FLOW STATEMENTS

MSEK	Note	2022	2021
Cash flow from operating activities	20		
Operating profit		3,290	3,074
Adjustment for non-cash items		492	471
Net financial items		-40	-50
Tax paid		-839	-579
Cash flow from operations before changes in working capital		**2,903**	**2,916**
Cash flow from changes in working capital			
Changes in operating receivables		-474	-855
Changes in operating liabilities		164	345
Cash flow from operating activities		**2,593**	**2,406**
Investing activities			
Investments in tangible fixed assets		-652	-293
Sales of tangible fixed assets		0	0
Investments in intangible fixed assets		-7	-11
Acquisitions of operations	22	-1,512	-558
Cash flow from investing activities		**-2,171**	**-862**
Financing operations	20		
Loans raised		2,576	1,953
Repayment of liabilities		-305	-2,435
Repayment of lease liabilities		-100	-92
Dividend		-2,067	-792
Cash flow from financing operations		**104**	**-1,366**
Cash flow for the year		**526**	**178**
Cash and cash equivalents, January 1		1,320	1,200
Exchange-rate differences in cash and cash equivalents		-305	-58
Cash and cash equivalents, December 31		**1,541**	**1,320**

OPERATING CASH FLOW, GROUP

MSEK	2022	2021
Operating profit	3,290	3,074
Depreciation/amortization/impairment	492	471
Change in working capital	-310	-510
Sales of fixed assets	0	0
Investments	-659	-304
Operating cash flow	**2,813**	**2,731**

NOTE 1 Accounting policies

HEXPOL's consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. The Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, was also applied.

The Parent Company applies the Annual Accounts Act and RFR 2, Accounting for legal entities, as issued by the Swedish Financial Reporting Board. This means that the Parent Company applies the same accounting policies as the Group, except as outlined on page 61. The applied accounting policies correspond to those applied in the preceding year with the exception of the new IFRS applied commencing January 1. 2022. None of the amendments and interpretations of existing standards be applied as of financial years commencing January 1, 2022 had any effect on the consolidated or Parent Company's financial statements.

New standards in 2023
IAS 1 – Materiality assessment of accounting principle. Instead of disclosing significant accounting principles, companies must disclose essential accounting principles in order to achieve more effective communication in financial reports as company-specific information about accounting principles is more useful to users of financial reports than standardized information.

IAS 1 – Classification of liability. The changes aim to clarify when a debt is to be classified as short-term or long-term. The conditions on the balance sheet date are the basis for determining how a debt is to be classified, and depending on the conditions contained in the loan agreements, these changes may require adjustments to the financial statements.

We follow the development and are in the process of assessing the impact on the current accounting principles and its set-up.

No other changes in standards, new standards or interpretations that come into force on 1 January 2023 and later are expected to have any material impact on the group's or parent company's financial statements.

CONSOLIDATED FINANCIAL STATEMENTS
The Parent Company and the other companies over which the Parent Company has a direct or indirect controlling influence are included in the consolidated financial statements.

Subsidiaries are included in the consolidated financial statements as of the day upon which controlling influence is attained and divested companies up to the time when a controlling interest over them ceases. The consolidated financial statements have been prepared in accordance with the cost method, with the exception of certain financial instruments that have been measured at fair value.

The acquisition method is used to recognize the Group's business combinations. The consideration for the acquisition of a subsidiary comprises the fair value of transferred assets and liabilities that the Group assumes from previous owners of the acquired company. The consideration also includes the fair value of all assets and liabilities resulting from an agreement concerning a contingent consideration. Each contingent consideration is recognized at fair value on the acquisition date. Subsequent changes to the fair value of a contingent consideration are recognized in profit or loss. Identifiable assets acquired and assumed liabilities in a business combination are initially measured at fair value on the date of acquisition. Acquisition-related costs are expensed as they arise. Goodwill is measured as the amount by which the total consideration exceeds the fair value of identifiable acquired assets and assumed liabilities. If the purchase consideration is lower than the fair value of identifiable acquired assets and assumed liabilities, the difference is recognized directly in profit or loss.

In 2022, HEXPOL acquired 70 percent of the shares in almaak international GmbH. According to the agreement, HEXPOL has an option to acquire the remaining shares and non-controlling interests have an option to sell their remaining shares to HEXPOL. In shareholder agreements that the company has signed with holders without controlling influence, there is an agreement on put/call options where the holder of the non-controlling influence has a right to sell his shares to HEXPOL according to, in the agreements determined calculation formula, from 2025 and thereafter annually during the period January 1 to 31 March. In the same way, HEXPOL has the right to acquire the shares according to this calculation formula from 2025 and thereafter annually during the period 1 January to 31 March. IFRS 3 Business combinations do not regulate how this type of contractual terms should be handled in the accounting. According to IAS 32 Financial instruments: classification, the Group must report a liability for issued put options in its own equity instruments, i.e. obligation to purchase outstanding shares in almaak international GmbH. The Group has chosen to take this debt into account in the acquisition analysis, i.e. as if the Group has already acquired outstanding shares. As of the balance sheet date, the Group reports the corresponding liability at fair through profit and loss and as other liability in the balance sheet, see also note 22. If the options expire without being exercised, this is reported as a sale of shares in subsidiaries, i.e. the debt is booked against equity. The non-controlling interest's share of equity and its share of the result are therefore not reported.

Intra-Group transactions, balance-sheet items and unrealized gains and losses on transactions between Group companies are eliminated.

TRANSLATION OF FOREIGN CURRENCIES

Functional currency and reporting currency
The functional currency of the Parent Company is Swedish kronor (SEK), which is also the reporting currency for the Parent Company and the Group.

Transactions and balance sheet items
Transactions in foreign currency are translated to the functional currency at the exchange rates prevailing on the transaction date. Foreign currency receivables and liabilities are recognized at the exchange rates prevailing on the balance sheet date. Exchange-rate-gains and losses that arise are recognized in profit or loss.

When transactions constitute hedging that meets the requirements for hedge accounting of net investments, exchange-rate differences are recognized directly in other comprehensive income after adjustment for deferred taxes. Exchange-rate differences on operating receivables and operating liabilities are included in operating profit, while exchange-rate differences on financial receivables and liabilities are recognized in net financial items.

SUBSIDIARIES
The earnings and financial position of subsidiaries are prepared in the functional currency of each company. In the consolidated financial statements, the subsidiaries' earnings and financial position are translated into Swedish kronor (SEK) in the following manner:

- Revenues and expenses in income statements are translated at the average exchange rate for the applicable year, while assets and liabilities in the balance sheets are translated at the exchange rate prevailing on the balance-sheet date. Exchange-rate differences arising from translation are recognized as a separate item in other comprehensive income.
- Goodwill and adjustments of fair value arising in connection with an acquisition are treated as assets and liabilities of the acquired operation, and are translated at the exchange rate prevailing on the balance-sheet date.

ASSOCIATED COMPANIES
The equity method is applied for one minor associated company.

SEGMENT REPORTING
An operating segment is a part of the Group that conducts operations from which it can generate revenues and incur costs and for which independent financial information is available. For the HEXPOL Group, the business areas represent the basis of division into operating segments. The Group is organized in two business areas: HEXPOL Compounding and HEXPOL Engineered Products.

Included in the segments' earnings, assets and liabilities are directly attributable items as well as items that can be allocated to the segments in a reasonable and reliable manner. Segment reporting for the operating segments comprises earnings up to operating revenues, and capital employed. Items in the Income Statement that are not allocated comprise financial income and financial expenses, and tax expenses. Assets and liabilities that have not been allocated to the segments are tax assets and tax liabilities and financial assets and financial liabilities. Internal billings between business areas occur at market value. In the presentation of the Group's geographic markets, the operations have been subdivided into the Group's key geographic markets, which are Sweden, Europe, the Americas and Asia. Sales are recognized according to customer location, while assets are recognized according to the actual physical location of these assets.

OTHER CLASSIFICATIONS
Fixed assets and non-current liabilities represent amounts that are expected to be recovered or paid after more than 12 months. Current assets and current liabilities consist only of amounts expected to be recovered or paid within twelve months.

REVENUE RECOGNITION
The Group's agreements with customers include only one kind of performance obligation, sale of goods. Revenue from sales of goods is recognized when the performance obligation is fulfilled, which occurs at a particular point in time. The agreements have short periods of validity. Sales are reported excluding VAT and at the transaction price determined in accordance with the customer agreement. The agreements include information on pricing, volume discounts, payment terms and delivery terms. Transfer of control of the goods to the customer takes place depending on the terms of delivery in the different contracts. A customer may choose to collect the goods from the company or to have the goods delivered.

The proceeds from the sale are recognized at a particular point in time, when the goods have been delivered to the customer or collected by the customer. Costs for delivery to the customer are reported as cost of goods sold. Variable compensation may be payable to customers under retroactive volume discounts, for which provisions are applied under accrued expenses in the balance sheet, based on their anticipated value. Normally, neither accrued nor prepaid revenues are reported, that is, no contract balances are recognized – only accounts receivable following delivery. Normal payment terms are applied, meaning there are no financing components included in the agreements. The Group has no commitments in the form of returns.

RESEARCH AND DEVELOPMENT EXPENDITURE
Expenditure for research is expensed as incurred, while expenditure for development is capitalized as follows: Capitalization of development expenditures in the Group occurs only in exceptional cases and is only applied to new products where significant development expenditures are involved, where the products have a probable earnings potential that could accrue to the Group and the costs are clearly distinguishable from ongoing product development expenditure. Capitalized development expenditures are amortized according to the useful life of the assets.

INCOME TAX
Income tax expenses for the year consist of current and deferred tax. Tax is recognized in profit or loss, apart from when the tax pertains to items recognized in other comprehensive income or directly in shareholders' equity. In such cases, the tax is also recognized in other comprehensive income or shareholders' equity.

Income taxes comprise: Current tax, meaning the tax calculated on taxable earnings for the period, and adjustments regarding prior periods.

Deferred taxes comprise: Tax on temporary differences arising between the value of assets and liabilities for tax purposes and their carrying amount in the consolidated financial statements, deductible loss carry-forwards and other tax deductions. Deferred tax is also recognized for transactions included in other comprehensive income and shareholders' equity. Deferred tax is calculated applying tax rates that have been decided or announced on the balance-sheet date. Temporary differences on shares in subsidiaries are not recognized because it is not probable that these will be utilized in the foreseeable future. Deferred tax assets are recognized insofar as it is probable that future taxable surpluses will be available to offset them against.

LEASES
Right-of-use assets and lease liabilities are reported in the balance sheet.

HEXPOL applies the relief rules regarding short-term leases with a maturity of 12 months or less and leases where the underlying asset has a value of less than SEK 50,000. Expenses incurred in connection with these leases are reported on a straight-line basis over the lease period as operating expenses in profit or loss.

Lease liabilities
Lease liabilities are initially valued at the present value of the lease fees that were not paid on the commencement date. These lease liabilities are recognized in the items interest-bearing liabilities and interest-bearing current liabilities in the balance sheet.

The term of the lease is determined as the non-cancellable period plus with periods in which the agreement can be extended or terminated early if HEXPOL is reasonably certain that it will exercise such options. When determining the length of the lease, all available information and circumstances indicating a financial value for exercising an extension option or not exercising an option to terminate the lease are taken into account. Options to extend or terminate the lease relate primarily to the Group's leases on buildings.

Lease payments include fixed payments (after deduction of any benefits related to the signing of the lease), variable lease payments that depend on an index or a price, and amounts expected to be paid under residual value guarantees. In addition, the lease payments include the exercise price of any option to purchase the underlying asset or penalty fees payable upon termination if HEXPOL is reasonably certain that it will exercise these options. Variable lease fees not dependent on an index or price are expensed in the period to which they are attributable.

In the event that the implicit interest rate cannot easily be determined from the agreement, the marginal loan rate is applied in the present value calculation of lease payments. The marginal loan rate is determined by using the 12-month STIBOR model for each currency with a premium corresponding to the Group's external loan margins. HEXPOL has chosen not to divide the interest rate into different asset classes as this is not material. Following the commencement date of a lease, the lease liability increases to reflect the interest rate on the lease liability and decreases as lease payments are disbursed. In addition, the lease liability is reassessed as a result of agreement modifications, changes in the estimate of the lease term, changes in lease payments or changes in the assessment of whether to acquire the underlying asset or not.

HEXPOL recognizes right-of-use assets in the balance sheet from the commencement date of the lease. The right-of-use assets are reported under the item tangible fixed assets in the balance sheet.

Right-of-use assets are valued at cost less deductions for accumulated depreciation and any impairment, and adjusted for revaluations of the lease liabilities. Cost includes the initial value of the attributable lease liability, direct expenses, any advance payments made on or before the commencement date of the lease after deduction of any incentives received, and an estimate of any restoration costs.

Provided that HEXPOL is not reasonably certain that it will assume ownership of the underlying asset at the end of the lease, the right-of-use asset will be written off on a straight-line basis over the term of the lease or the useful life of the underlying asset, whichever is shorter.

GOODWILL
Goodwill comprises the difference between the acquisition cost and the fair value of the identified net assets of the acquired company on the date of acquisition. Acquisitions of less than 100 percent of an operation are considered on a case-by-case basis to determine whether full goodwill or partial goodwill is to be applied. Goodwill is tested at least annually to identify any impairment need and is measured at cost less any impairment losses.

TANGIBLE AND OTHER INTANGIBLE FIXED ASSETS
Tangible and other intangible fixed assets are recognized at cost less accumulated depreciation/amortization according to plan and any impairment losses.

DEPRECIATION/AMORTIZATION
Depreciation/amortization is performed on a straight-line basis across the useful life of the asset based on the depreciable/amortizable amount (cost less estimated residual value) and is based on the useful life of the asset. At a minimum, the useful life and residual value of the assets are revised at the end of each financial year.

The following useful lives are applied:

Development work	3–10 years
Patents and trademarks	20 years
Other intangible assets	3–15 years
IT equipment	3–8 years
Machinery and equipment	3–15 years
Office buildings	20–50 years
Industrial buildings (incl solar panels)	20–50 years
Land improvements	5–30 years

DEPRECIATION OF COMPONENTS
Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is recognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

IMPAIRMENT LOSSES
Goodwill is analyzed at least annually with regard to any impairment requirements. Other assets are analyzed for indications of impairment requirements, that is, an asset's carrying amount exceeds its recoverable amount. The recoverable value is the higher of the asset's net realizable value and the value in use, meaning the discounted present value of future cash flows. Previous impairment losses are reversed insofar as impairment is no longer warranted, although goodwill impairments are never reversed.

INVENTORIES
Inventories are valued according to the lowest value principle, meaning at the lower of cost and net realizable value at the balance-sheet date. The cost is measured in accordance with the first-in first-out principle. For manufactured goods, the cost comprises the cost of raw materials, direct payroll costs, other direct costs and a portion of indirect manufacturing costs. Net realizable value comprises the selling price less variable selling costs. Deductions are made for internal gains generated through intra-Group sales.

FINANCIAL INSTRUMENTS
Financial instruments that are recognized in the balance sheet include cash and cash equivalents, accounts receivable, other financial receivables, accounts payable, interest-bearing liabilities and other financial liabilities. A financial asset or financial liability is recognized from the balance sheet when all benefits and risks associated with ownership have been transferred. Financial assets and liabilities are recognized in, and deducted from, the balance sheet applying settlement-date accounting.

Classification of financial instruments
Financial instruments are classified in the following categories: Financial assets and financial liabilities measured at fair value through profit or loss, and financial assets and financial liabilities measured at amortized cost. The classification is based on the company's business model and the nature of the instrument.

Calculation of fair value
The fair value of listed financial instruments is based on the appropriate market quotation on the balance-sheet date. For unlisted financial instruments, the value is determined by applying recognized measurement techniques, whereby the Group makes assumptions that are based on the market conditions prevailing on the balance-sheet date. Market rates form the basis for the calculation of fair value of long-term loans.

Financial assets and liabilities at fair value through profit or loss
The liability for the put option is recognized as a financial liability at fair value with changes in value through profit or loss, and is measured according to Level 3. Valuation of minority debt is based on the expected forecast for 2022-2024 with a predetermined multiple, as well as based on the conditions and expectations that exist today. The present value of the debt is calculated.

Financial assets and liabilities valued at amortized cost
Financial assets and liabilities are initially measured at fair value plus transaction costs and, subsequently, at amortized cost, less any provisions for impairment. Receivables are initially recognized at fair value and subsequently at amortized cost applying the effective interest method, less any provision for expected and incurred credit losses. Provisions for expected credit losses regarding accounts receivable are applied in accordance with the simplified method, meaning that expected credit losses are reserved for the remaining maturity. Impairment of accounts receivable are reported in cost of sales. Financial liabilities are measured at amortized cost, applying the effective interest method.

Interest income
Interest income is recognized following accrual over the maturity periods, applying the effective interest rate method.

Cash and cash equivalents
Cash and cash equivalents comprise liquid funds and credit balances at banks and similar institutions.

HEDGE ACCOUNTING
Hedge accounting is applied if the hedging actions taken have the stated objective of constituting a hedge, have a direct correlation to the hedged item and effectively hedge the item. An effective hedge generates financial effects that offset those that arise through the hedged position. When hedging fair value, the change in the fair value of the hedging instrument is recognized in profit or loss together with the change in the value of the liability or asset to which the risk hedging applies. The value of the net assets of foreign subsidiaries, including goodwill and other adjustments of fair value, is partly hedged through foreign-currency loans. These loans are recognized at the exchange rate prevailing on the balance-sheet date and the exchange rate differences on the loans are recognized in other comprehensive income.

Cash flow hedges
The effective portion of changes in fair value of derivatives that are designated as cash flow hedges and which meet the conditions in terms of hedge accounting are recognized in other comprehensive income and accumulated amounts in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss as other income or expenses. Accumulated amounts in equity are reclassified to the profit and loss in the periods when the hedged item affects earnings.

PENSION AND SIMILAR COMMITMENTS
The Group predominantly has defined-contribution pension obligations. There are also employees with defined-benefit pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate legal entity and the cost of defined-contribution pension obligations is expensed as incurred.

In a defined benefit pension plan, the amount of the post-service pension benefit an employee will receive is based on factors such as age, period of service and salary. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of obligation less the fair value of plan assets on the balance-sheet date. The calculation is made in accordance with actuarial models.

Actuarial gains and losses are recognized in other comprehensive income. Defined-benefit plans are items for which the insurer (Alecta in Sweden) cannot specify the Group's share of the total plan assets and, pending this information becoming available, pension obligations are recognized as defined contribution plans. At December 31, 2022, Alecta's surplus in the form of the collective consolidation level was, preliminarily, 172 percent (172).

PROVISIONS
The Group recognizes provisions when the Group has a legal or informal undertaking as a result of the occurrence of an event and it is likely that an outflow of resources will be required to settle the undertaking and a reliable estimate can be made of the amount. A provision for restructuring is recognized when a detailed formal plan for the measures is in place and expectations have been created among those will be affected by the measures.

RELATED-PARTY TRANSACTIONS
The Group's transactions with related parties primarily pertain to purchasing from associated companies. All transactions are priced in accordance with market terms and prices; refer to Note 3 for further information. In addition, compensation is paid to the Board of Directors and senior executives; refer to Note 4.

KEY ESTIMATES AND ASSUMPTIONS
The Board of Directors makes accounting estimates and assumptions that affect the application of the accounting policies and the recognized amounts for assets, liabilities, revenues and expenses. These estimates are based on historical experience and on various assumptions considered reasonable under the prevailing conditions. The actual outcome could deviate from these accounting estimates. The areas including such assessments and assumptions and that could have a material impact on consolidated profit and the Group's financial position include assessments of the present value of forecast cash flows when testing possible impairment of goodwill (Note 9), shares in subsidiaries (Note 33), assessments of assets and liabilities identified in connection with acquisitions and calculation of financial liability to minority interests (Note 22).

ACCOUNTING POLICIES IN THE PARENT COMPANY
The Parent Company applies the same accounting policies as the Group, with the following exceptions:

- In the Parent Company, in accordance with RFR 2, Group contributions received are recognized as financial income, in accordance with the main rule.
- In the Parent Company, shares in Group companies are recognized at cost before any impairment. Impairment testing is carried out when there are indications of impairment, that is, when there are indications that the book value exceeds the recoverable amount. The recoverable amount corresponds to fair value or value in use, whichever is highest.
- In the Parent Company, financial assets and liabilities are initially reported at fair value plus transaction costs and subsequently at amortized cost. The Parent Company applies IFRS9, but since all accounts receivable are intra-group, credit risk is limited.

The Parent Company continues to apply the exemption included for legal entities in RFR 2 and expenses all leases on a straight-line basis over the term of the lease. Accordingly, right-of-use assets and lease liabilities are not included in the Parent Company's balance sheet. However, leases are identified in the same way as in the Group, that is, an agreement is, or contains, a lease if the agreement assigns the right to determine the use of an identified asset for a certain period in exchange for compensation.

NOTE 2 Segment reporting

Information about operating segments
The Group's operations are reported in two business areas: HEXPOL Compounding and HEXPOL Engineered Products.

HEXPOL Compounding manufactures advanced polymer compounds. HEXPOL Engineered Products manufactures gaskets for plate heat exchangers, forklift wheels and castor wheel applications.

Assets and liabilities included in each business area pertain to operating assets, such as receivables, inventories, other receivables, tangible and intangible fixed assets, as well as accrued income and operating liabilities, such as account payables, other liabilities, other provisions and accrued expenses. Unallocated assets and liabilities relates to cash and cash equivalents, taxes and loans and are not reported by business area. No single customer accounts for more than 10 percent of Group sales.

	HEXPOL Compounding		HEXPOL Engineered Products		Eliminations		Group	
MSEK	2022	2021	2022	2021	2022	2021	2022	2021
Sales, external	20,834	14,888	1,409	1,117	-	-	22,243	16,005
Sales, internal	569	425	125	106	-694	-531	-	-
Operating profit	3,012	2,878	278	196	-	-	3,290	3,074
Operating margin, %	14.5	19.3	19.7	17.5	-	-	14.8	19.2
Net financial items							-46	-43
Tax							-761	-673
Profit for the year							**2,483**	**2,358**
Operating assets	21,039	15,835	630	570	-	-	21,669	16,405
Unallocated assets	-	-	-	-	-	-	1,884	1,558
Group Total	**21,039**	**15,835**	**630**	**570**	**-**	**-**	**23,553**	**17,963**
Operating liabilities	3,643	2,888	181	179	-	-	3,824	3,067
Unallocated liabilities	-	-	-	-	-	-	5,962	3,246
Group Total	**3,643**	**2,888**	**181**	**179**	**-**	**-**	**9,786**	**6,313**
Investments	601	269	58	35	-	-	659	304
Depreciation/amortization/ impairment	464	446	28	25	-	-	492	471

	HEXPOL Compounding		HEXPOL Engineered Products		Group	
MSEK	2022	2021	2022	2021	2022	2021
NON-RECURRING ITEMS						
Cost of goods sold	-	-31	-	-	-	-31
Other operating income	30	628	-	-	30	628
Other operating expenses	-	-260	-	-	-	-260
Operating profit	**30**	**337**	-	-	**30**	**337**
Tax					-6	-78
Profit for the year					**24**	**259**

Revenue during the period is attributable to release of a cost reserve related to the fire in Jonesborough, TN, USA on January 7, 2021. Items affecting comparability in 2021 in the income statement are mainly attributable to the fire in Jonesborough, TN, USA. The revenue in the same period is the insurance compensation for the fire, which was disbursed in October. In addition to the cost of the fire, costs of restructuring the UK operations are included. The restructuring is proceeding according to plan.

	Sales per recipient country		Fixed assets	
MSEK	2022	2021	2022	2021
Geographic region				
Sweden	461	404	376	323
Europe excl. Sweden	8,387	5,930	6,397	4,872
USA	9,637	7,003	8,853	6,677
Americas, excl. USA	2,652	1,808	101	81
Asia	1,106	860	292	283
Total	**22,243**	**16,005**	**16,019**	**12,236**

	HEXPOL Compounding		HEXPOL Engineered Products	
MSEK	2022	2021	2022	2021
Sales per geographic market and business area				
Europe	8,212	5,788	637	546
Americas	11,860	8,507	429	304
Asia	762	593	343	267
Total	**20,834**	**14,888**	**1,409**	**1,117**

NOTE 3 Related-party transactions

Transactions between Group companies are conducted on market-based terms. In 2022, the Group purchased energy for 23 MSEK (19) from the associated company, Megufo AB, in Sweden. On 31 December 2022, the Group had a liability of 3 MSEK (6) to this associated company.
See also Note 4.

NOTE 4 Employees and personnel expenses

MSEK	2022	2021
Costs for remuneration of employees		
Salaries and remuneration, etc.	2,077	1,763
Total	**2,077**	**1,763**
Pension costs	49	45
Social-security costs	317	265
Total	**366**	**310**

	2022		2021	
Average number of employees		**of whom, men**		**of whom, men**
Sweden	325	69%	313	68%
Belgium	54	87%	51	86%
Czech Republic	226	89%	227	89%
Germany	426	90%	225	89%
Mexico	411	88%	396	90%
Luxembourg	6	67%	6	67%
USA	1,591	87%	1,491	88%
China	331	69%	353	67%
Sri Lanka	1,072	91%	971	92%
United Kingdom	253	90%	263	90%
Spain	197	86%	196	87%
Italy	179	80%	167	80%
Turkey	13	54%	11	73%
Poland	17	59%	18	61%
Total	**5,101**	**86%**	**4,688**	**86%**

MSEK	2022	2021
Personnel costs per country		
Sweden	312	294
Belgium	44	37
Czech Republic	91	78
Germany	203	126
Mexico	79	79
Luxembourg	39	37
USA	1,213	990
China	73	65
Sri Lanka	42	52
United Kingdom	126	115
Spain	115	104
Italy	100	90
Turkey	2	2
Poland	4	4
Total	**2,443**	**2,073**

	Board fee		Committee fee		Total	
TSEK	2022	2021	2022	2021	2022	2021
Remuneration of the Board of Directors						
Alf Göransson	1,027	967	150	133	1,177	1,100
Kerstin Lindell	413	397	–	–	413	397
Jan-Anders E. Månson	413	397	–	–	413	397
Malin Persson	413	397	125	125	538	522
Märta Schörling Andreen	413	397	175	175	588	572
Gun Nilsson	413	397	250	250	663	647
Total	**3,092**	**2,952**	**700**	**683**	**3,792**	**3,635**

	Basic salary		Variable salary		Non-recurring items		Pension cost		Car, housing and other benefits		Total	
TSEK	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Remuneration of senior executives												
Georg Brunstam	12,915	12,300	18,081	15,990	–	–	6,832	5,538	1,994	618	39,822	34,446
Peter Rosén	4,104	3,900	4,925	4,290	–	–	1,167	1,076	407	251	10,603	9,517
Other members of Group management, 5 (5) persons	27,703	24,330	29,249	25,483	–	–	2,023	1,990	1,592	1,287	60,567	53,090
Total	**44,722**	**40,530**	**52,255**	**45,763**	–	–	**10,022**	**8,604**	**3,993**	**2,156**	**110,992**	**97,053**

Principles of remuneration of the Board of Directors and senior executives
Remuneration is paid to the Board in accordance with the resolution of the Annual General Meeting.

The Remuneration Committee submits proposals to the Board of Directors for remuneration of the President and other senior executives. Remuneration of the President and other senior executives comprises basic salary, variable remuneration, other benefits and pension. The variable remuneration is based on earnings, earnings per share and the return on capital employed.

Between the company and the President, the President is entitled to employment termination notice of six months. On notice of termination by the company, a notice period of 24 months is to apply. For other senior executives, the period of notice is six months and from the company the norm is 12 months. There are no agreements concerning severance pay.

NOTE 5 Fees and cost remuneration paid to auditors

MSEK	2022	2021
EY		
Audit engagement	13	11
Audit activities in addition to audit	1	1
Tax consultancy	1	1
Other services	0	0
Other auditors		
Audit engagement	1	-
Total	**16**	**13**

NOTE 6 Expenses broken down by nature of cost

MSEK	2022	2021
Employee benefits expenses	2,443	2,073
Depreciation/amortization/impairment	492	471
Input costs and other external expenses	16,069	10,797
Other operating expenses	14	268
Total	**19,018**	**13,609**

No development expenses were capitalized in 2022 or 2021

NOTE 7 Financial income and expenses

MSEK	2022	2021
Assets and liabilities valued at amortized cost		
Interest income from accounts receivable	0	0
Interest income other financial assets	23	2
Total interest income according to the effective-interest-rate method	**23**	**2**
Other financial income		
Exchange rate differences on financial items	70	30
Total	**70**	**30**
Total financial income	**93**	**32**
Assets and liabilities valued at amortized cost		
Interest expense liabilities to credit institutions and commercial papers	-84	-31
Interest expenses and other financial liabilities	0	0
Total interest expense according to the effective-interest-rate method	**-84**	**-31**
Other financial expenses		
Expected credit losses on financial assets	0	0
Interest expense lease liabilities	-13	-12
Exchange rate differences on financial items	-34	-25
Other	-8	-7
Total	**-55**	**-44**
Total financial expenses	**-139**	**-75**
Net financial items	**-46**	**-43**

NOTE 8 Taxes

MSEK	2022	2021
Current tax expense		
Tax expense on profit for the year	-701	-682
Total	**-701**	**-682**
Deferred tax expense		
Deferred tax pertaining to temporary differences	-60	9
Utilized/revaluation of loss carry forwards	0	0
Total	**-60**	**9**
Total reported tax expense	**-761**	**-673**

The Group had no loss carry-forwards for 2022 or 2021.

MSEK	2022	%	2021	%
Reconciliation of effective tax				
Profit before tax	3,244		3,031	
Tax according to current tax rate for the Parent Company	-668	-21	-624	-21
Effect of other tax rates for foreign subsidiaries	-95	-3	-41	-1
Non-deductible expenses	-19	-1	-14	0
Non-taxable revenues	8	0	11	0
Deductible goodwill amortization	2	0	3	0
Revaluation of tax-loss carry forwards/temporary differences	0	0	0	0
Tax attributable to prior years	11	0	-8	0
Total reported tax expense	**-761**	**-23**	**-673**	**-22**

	Opening balance		Recognized in profit/loss		Acquisitions		Recognized directly in comprehensive income		Translation differences		Closing balance	
MSEK	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Deferred tax receivables/tax liabilities												
Intangible assets	-436	-372	-13	-10	-61	-21	-	-	-51	-33	-561	-436
Tangible assets	-145	-134	-64	-5	-	-	-	-	-35	-6	-244	-145
Current assets	24	16	4	4	-	-	-	-	3	4	31	24
Operating liabilities	34	19	13	20	-	-	-	-	4	-5	51	34
Loss carry-forwards	0	0	0	0	-	-	-	-	0	0	0	0
Liabilities	0	1	0	0	-	-	-	-	0	-1	0	0
Total	**-523**	**-470**	**-60**	**9**	**-61**	**-21**	**-**	**-**	**-79**	**-41**	**-723**	**-523**

NOTE 9 Goodwill and Intangible fixed assets

MSEK	Goodwill 2022	Goodwill 2021	Other intangible assets 2022	Other intangible assets 2021	Total 2022	Total 2021
Amortized cost						
Opening balance, January 1	9,095	7,929	1,061	898	10,156	8,827
Acquisitions	1,619	525	163	101	1,782	626
Investments	-	-	7	11	7	11
Reclassification	-	7	3	-7	3	0
Translation difference	1,197	634	129	58	1,326	692
Closing balance, December 31	**11,911**	**9,095**	**1,363**	**1,061**	**13,274**	**10,156**
Accumulated depreciation						
Opening balance, January 1	-8	-2	-424	-323	-432	-325
Depreciation according to plan for the year	-	-	-98	-75	-98	-75
Reclassification	-	-	-	-	-	-
Translation difference	-10	-6	-56	-26	-66	-32
Closing balance, December 31	**-18**	**-8**	**-578**	**-424**	**-596**	**-432**
Carrying amount, December 31	**11,893**	**9,087**	**785**	**637**	**12,678**	**9,724**

Other intangible assets pertain mainly to acquired customer relations, and the remaining amortization period is between 3 and 11 years.
Other intangible assets do not include any significant amounts in respect of capitalized development costs.

MSEK	2022	2021
Goodwill distributed by operating segment		
HEXPOL Compounding	11,863	9,059
HEXPOL Engineered Products	30	28
Closing balance, December 31	**11,893**	**9,087**

Goodwill and other assets are impairment tested annually or more frequently if there is an indication of a value decline.
Such testing is based on the Group's cash generating units, which are the Group's two segments.
The recoverable value is the higher of the asset's net realizable value and the value in use, meaning the discounted present value of future cash flows.
When calculating the present value of future cash flows, a cost of capital (WACC) of 11.0 percent before tax (9.6) has been used for both operating segments, since the risk profile is considered to be similar. In the calculation of WACC, the fact that the operations are financed by means of loans and shareholders' equity has been taken into account. The cost of shareholders' equity is based on expectations regarding a certain return on invested capital in the financial market. The cost of borrowed capital is based on borrowing costs in the financial market. Specific risks are included in the calculation by applying individual beta values and these are updated annually based on available market data. The calculation is based on the budget for 2023 approved by the Board of Directors and the strategy plan for the period 2024-2025, followed by annual growth levelling out at 2 percent (2).
The most important estimates involve sales growth and development of operating margin, and are based on experience and current information on the market development.
According to calculations, there is no impairment requirement.
A sensitivity analysis shows that a halving of sustainable growth, an increase in WACC by 2 percentage points and a decline in sustainable profitability (operating profit before, depreciation, amortization and impairment) by 2 percentage points would still not result in the need for impairment in any operating segment.

NOTE 10 Tangible fixed assets

MSEK	Land and buildings 2022	Land and buildings 2021	Machinery and equipment 2022	Machinery and equipment 2021	Total 2022	Total 2021
Amortized cost						
Opening balance, January 1	1,322	1,208	5,157	4,524	6,479	5,732
Acquisitions	128	20	155	67	283	87
Investments	71	6	506	246	577	252
Divestments and disposals*	-2	-2	-140	-43	-142	-45
Reclassification	30	4	-33	-4	-3	0
Translation difference	139	86	576	367	715	453
Closing balance, December 31	**1,688**	**1,322**	**6,221**	**5,157**	**7,909**	**6,479**
Accumulated depreciation						
Opening balance, January 1	-625	-545	-3,618	-3,209	-4,243	-3,754
Depreciation according to plan for the year	-53	-40	-251	-187	-304	-227
Divestments and disposals*	1	0	131	44	132	44
Reclassification	-	0	0	0	0	0
Translation difference	-67	-40	-400	-266	-467	-306
Closing balance, December 31	**-744**	**-625**	**-4,138**	**-3,618**	**-4,882**	**-4,243**
Accumulated impairment						
Opening balance, January 1	-36	-17	-112	-38	-148	-55
Impairment losses**	-	-18	-5	-69	-5	-87
Translation difference	-2	-1	-8	-5	-10	-6
Closing balance, December 31	**-38**	**-36**	**-125**	**-112**	**-163**	**-148**
Carrying amount, tangible fixed assets	**906**	**661**	**1,958**	**1,427**	**2,864**	**2,088**
Right-of-use assets***	326	302	42	40	368	342
Carrying amount	**1,232**	**963**	**2,000**	**1,467**	**3,232**	**2,430**

**This includes disposals following restructuring in the UK.*
***This includes scrapping/impairment following the Jonesborough fire.*
****For further information on leased assets, see also Note 11.*

MSEK	2022	2021
Distribution of depreciation/amortization/impairment of tangible and intangible and right-of-use assets for the year		
Cost of goods sold	452	437
Selling expenses	4	3
Administrative expenses	33	27
Product development costs	3	4
Total	**492**	**471**

NOTE 11 Right-of-use assets

HEXPOL divides its leases into the following categories of right-of-use assets: premises, production and office equipment and vehicles.
The following table present the closing balance of the right-of-use assets and lease liabilities and changes during the year:

	Right-of-use assets			
MSEK	Land and buildings	Machinery and equipment	Total	Lease liability
Opening balance, January 1, 2021	284	54	338	359
Additional agreements	52	19	71	93
Depreciation of right-of-use assets	-52	-30	-82	-
Terminated agreements	0	-5	-5	-5
Revaluation of agreements	0	0	0	0
Translation difference	17	3	20	28
Interest expense lease liabilities	-	-	-	12
Lease payments	-	-	-	-92
Closing balance, December 31, 2021	**301**	**41**	**342**	**395**
Additional agreements	52	31	83	77
Depreciation of right-of-use assets	-56	-29	-85	-
Terminated agreements	0	-4	-4	-5
Revaluation of agreements	0	0	0	0
Translation difference	29	3	32	48
Interest expense lease liabilities	-	-	-	13
Lease payments	-	-	-	-100
Closing balance, December 31, 2022	**326**	**42**	**368**	**428**

The amount that are attributable to leasing activities and are recognized in profit or loss during the year are presented below:

MSEK	2022	2021
Depreciation of right-of-use assets	-85	-82
Interest expense lease liabilities	-13	-12
Expenses relating to short-term lease agreements	0	0
Expenses relating to agreements where the underlying asset is of low value	0	0
Expenses for variable lease payments	0	0
Result of ended agreements	0	0
Total expenses related to lease activities	**-98**	**-94**

HEXPOL recognizes cash outflow attributable to leases amounting to 100 MSEK (92) for the 2022 financial year.
For a term analysis of the Group's lease liabilities, see Note 20.

NOTE 12 Inventories

MSEK	2022	2021
Raw materials	1,669	1,300
Goods in production	154	70
Finished goods	631	369
Total	**2,454**	**1,739**

No significant impairments were recognized in 2022 and 2021.

NOTE 13 Accounts receivable

MSEK	2022	2021
Age distribution of accounts receivable		
Not due	2,737	2,177
Past due, 1–30 days	306	201
Past due, 31–60 days	30	20
Past due, more than 60 days	5	3
Accounts receivable	**3,078**	**2,401**

MSEK	2022	2021
Provisions for bad debt losses		
Opening balance	-39	-53
Provisions	-5	-1
Acquisitions	-2	-
Actual losses	7	2
Reversal	4	17
Translation differences	-7	-4
Closing balance	**-42**	**-39**

MSEK	Not past due	Past due, 1–30 days	Past due, 31–60 days	Past due, more than 60 days	Total
December 31, 2022					
Reported amount of accounts receivable – gross	2,737	311	42	30	3,120
Credit loss reserves	0	-5	-12	-25	-42
Closing balance	**2,737**	**306**	**30**	**5**	**3,078**

MSEK	Not past due	Past due, 1–30 days	Past due, 31–60 days	Past due, more than 60 days	Total
31 December 2021					
Reported amount of accounts receivable – gross	2,178	204	26	32	2,440
Credit loss reserves	-1	-3	-6	-29	-39
Closing balance	**2,177**	**201**	**20**	**3**	**2,401**

NOTE 14 Shareholders' equity

	Class A shares		Class B shares		Total	
	2022	2021	2022	2021	2022	2021
Changes in the number of shares						
Opening balance, January 1	14,765,620	14,765,620	329,671,226	329,671,226	344,436,846	344,436,846
Closing balance, December 31	**14,765,620**	**14,765,620**	**329,671,226**	**329,671,226**	**344,436,846**	**344,436,846**

	2022	2021
Average number of shares	344,436,846	344,436,846

	Class A shares	Class B shares	Total
Number of votes	147,656,200	329,671,226	477,327,426

Each class A share entitles the holder to ten votes and each class B share to one vote.

NOTE 15 Interest-bearing liabilities

MSEK	2022	2021
Non-current liabilities		
Interest-bearing liabilities in addition to leasing	1,494	1
Liabilities, leasing	328	300
Non-current liabilities	**1,822**	**301**
Current liabilities		
Interest-bearing liabilities in addition to leasing	2,471	1,826
Liabilities, leasing	100	95
Current liabilities	**2,571**	**1,921**

	Utilized	Unutilized	Utilized	Unutilized
MSEK	2022		2021	
Bilateral loan, 1,100 MSEK	574	526	-	555
Bilateral loan, 1,500 MSEK	920	580	-	875
Bilateral loan, 1,500 MSEK	-	-	-	1,500
Bilateral loan, 2,000 MSEK	-	-	-	1,375
Other non-current liabilities	-	-	1	-
Liabilities, leasing	328	-	300	-
Total non-current liabilities	**1,822**		**301**	
Bilateral loan, 2,000 MSEK	500	1,500	-	-
Bilateral loan, 1,500 MSEK	450	1,050	-	-
Commercial papers*	1,520	-	1,825	-
Other current liabilities	1	-	1	-
Liabilities, leasing	100	-	95	-
Total current liabilities	**2,571**		**1,921**	

The Group has the following major credit agreements with Nordic banks:
– A credit agreement with a limit of 2,000 MSEK that will fall due in July 2023.
– A credit agreement with a limit of 1,500 MSEK that will fall due in September 2023.
– A credit agreement with a limit of 1,500 MSEK that will fall due in June 2025.
– A credit agreement with a limit of 1,100 MSEK that will fall due in February 2025.

All bilateral loans are repayment-free and carry a variable interest rate for each one-month and three-month period. Outstanding commercial papers at the end of the year mature at a fixed interest rate with a remaining term of 2-4 months.

All bilateral credit agreements include financial covenants, which are tested on a quarterly basis, all of which were fulfilled at December 31, 2022. See also information on changes in liabilities in Note 20, and the maturity analysis in Note 21.

* In accordance with the issue agreement signed in connection with the establishment of the commercial paper program, HEXPOL AB's bilateral credit agreements also function as back-up facilities for outstanding commercial papers. As of December 31, 2022, HEXPOL AB had unutilized credit capacity in long-term facilities of MSEK 1,106. In accordance with IAS1, outstanding volumes are reported in the balance sheet as current liabilities. However, 1,106 MSEK is of a non-current nature given the Group's financing and liquidity risk.

NOTE 16 Pension provisions

MSEK	2022	2021
Change in provision		
Opening balance, January 1	66	64
Provisions for the year	2	2
Closing balance, December 31	**68**	**66**

The Group has pension provisions in a Swedish subsidiary, in subsidiaries in Sri Lanka and in subsidiaries in Italy and the United States.

NOTE 17 Other provisions

	Restructuring programs		Other provisions		Total	
MSEK	2022	2021	2022	2021	2022	2021
Opening balance	4	32	3	32	7	64
Provisions for the year	-	-	11	2	11	2
Utilized during the year	-3	-29	-2	-32	-5	-61
Translation difference	1	1	-1	1	0	2
Closing balance	**2**	**4**	**11**	**3**	**13**	**7**

Utilization in 2021 of restructuring programs refers to reorganizations and concentrations within the business areas.

NOTE 18 Accrued expenses and prepaid income

MSEK	2022	2021
Personnel-related expenses	467	382
Accrued expenses for goods and services	190	179
Other	29	32
Total	**686**	**593**

NOTE 19 Pledged assets and contingent liabilities

MSEK	2022	2021
Pledged assets		
Current assets	-	2
Total	**-**	**2**
Contingent liabilities		
Guarantee for the benefit of associated companies	0	0
Total	**0**	**0**

NOTE 20 Cash flow statement

MSEK	2022	2021
Financial items received and paid		
Financial income received	89	31
Financial expenses paid	-129	-81
Total	**-40**	**-50**
Adjustments for non-cash items		
Depreciation/amortization/impairment	492	471
Total	**492**	**471**

Change in liabilities attributable to financing activities			Non-cash changes			
MSEK	Jan 1, 2021	Cash flows	Acquisitions	Leases	Exchange rate difference	Dec 31, 2021
Interest-bearing liabilities, bilateral loans	2,437	-2,435	-	-	0	2
Interest-bearing liabilities, commercial papers	-	1,825	-	-	0	1,825
Interest-bearing liabilities, lease liabilities	359	-92	-	100	28	395
Liabilities arising from financing activities	**2,796**	**-702**	**-**	**100**	**28**	**2,222**

Change in liabilities attributable to financing activities			Non-cash changes			
MSEK	Jan 1, 2022	Cash flows	Acquisitions	Leases	Exchange rate difference	Dec 31, 2022
Interest-bearing liabilities	2	2,443	-	-	0	2,445
Interest-bearing liabilities, commercial papers	1,825	-305	-	-	0	1,520
Interest-bearing liabilities, lease liabilities	395	-100	-	85	48	428
Liabilities arising from financing activities	**2,222**	**2,038**	**-**	**85**	**48**	**4,393**

NOTE 21 Financial instruments and risk management

Financial instruments per category and measurement level. As regards the risks and the risk management, see page 42 in the Board of Directors' Report.

December 31, 2022		Financial assets/liabilities valued at:		
MSEK	Amortized cost	Fair value through profit or loss	Measurement level	Total
Assets in the balance sheet				
Non-current financial assets	7	-		7
Accounts receivable	3,078	-		3,078
Cash and cash equivalents	1,541	-		1,541
Total	**4,626**	-		**4,626**
Liabilities in the balance sheet				
Interest-bearing liabilities, non-current	1,494	-		1,494
Interest-bearing non-current lease liabilities	328	-		328
Liability to minority shareholders*		290	3	290
Interest-bearing liabilities, commercial papers, current	2,471	-		2,471
Interest-bearing current lease liabilities	100	-		100
Accounts payable	3,111	-		3,111
Other liabilities	342	-		342
Accrued expenses	686	-		686
Total	**8,532**	**290**		**8,822**

31 December 2021		Financial assets/liabilities valued at:		
MSEK	Amortized cost	Fair value through profit or loss	Measurement level	Total
Assets in the balance sheet				
Non-current financial assets	3	-		3
Accounts receivable	2,401	-		2,401
Cash and cash equivalents	1,320	-		1,320
Total	**3,724**	-		**3,724**
Liabilities in the balance sheet				
Interest-bearing liabilities, non-current	1	-		1
Interest-bearing non-current lease liabilities	300	-		300
Interest-bearing liabilities, commercial papers, current	1,826	-		1,826
Interest-bearing current lease liabilities	95	-		95
Accounts payable	2,431	-		2,431
Other liabilities	334	-		334
Accrued expenses	593	-		593
Total	**5,580**	-		**5,580**

Fair value is consistent in all material respects with the carrying value in the balance sheet.

* Liabilities to minority shareholders are reported in other non-current liabilities.

** In accordance with the issue agreement signed in connection with the establishment of the commercial paper program, HEXPOL AB's bilateral credit agreements also function as back-up facilities for outstanding commercial papers. As of December 31, 2022, HEXPOL AB had unutilized credit capacity in long-term facilities of MSEK 1,106. In accordance with IAS1, outstanding volumes are reported in the balance sheet as current liabilities. However, 1,106 MSEK is of a non-current nature given the Group's financing and liquidity risk.

Term analysis, December 31	Total amount		Falling due within 1 year		Falling due within 1–2 years		Falling due within 2–5 years		Falling due after 5 years	
MSEK	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Non-current liabilities										
Interest-bearing liabilities	1,494	1	-	-	1,494	1	-	-	-	-
Liabilities, leasing	395	337	-	-	65	58	135	107	195	172
Liability to minority shareholders*	290	-	-	-	-	-	290	-	-	-
Total non-current liabilities	**2,179**	**338**	-	-	**1,559**	**59**	**425**	**107**	**195**	**172**
Current liabilities										
Interest-bearing liabilities**	2,471	1,826	2,471	1,826	-	-	-	-	-	-
Liabilities, leasing	44	44	44	44	-	-	-	-	-	-
Accounts payable	3,111	2,431	3,111	2,431	-	-	-	-	-	-
Other current liabilities	342	67	342	67	-	-	-	-	-	-
Accrued expenses	686	593	686	593	-	-	-	-	-	-
Total current liabilities	**6,654**	**4,961**	**6,654**	**4,961**	-	-	-	-	-	-

All bilateral loans are repayment-free and carry a variable interest rate for each one-month and three-month period. Outstanding commercial papers at the end of the year mature at a fixed interest rate with a remaining term of 2 to 4 months.

NOTE 22 Acquisitions

Acquisitions during 2022

Acquisition in TP Compounding - almaak international GmbH
In April HEXPOL Group acquired a 70 percent of the shares in almaak international GmbH, a specialist in high quality, recycled engineered compounds. The main end customer segment is the European automotive industry, where interest in recycled compounds is high. The acquisition price amounts to approximately 70 MEUR on a cash and debt-free basis and is funded by a combination of cash and existing bank facilities.

Pursuant the agreement, HEXPOL has an option to acquire the remaining shares (from 2025 and annually thereafter during the period January 1 to March 31), and the sellers have an option to sell their remaining shares to HEXPOL (from 2025 and annually thereafter during the period January 1 to March 31). The operation has been consolidated from April 1. See also Note 1 for further information.

The purchase price allocation is preliminary as some data is outstanding.

Sales amounted to 72 MEUR and profit after tax to 3.1 MEUR during the period April to December 2022. For the full year 2022, sales amounted to 92 MEUR and profit after tax to 5.1 MEUR.

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

MSEK	
Purchase consideration	807
Fair value of acquired net assets	263
Goodwill	**544**

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 strengthens our market position in Europe and gives us a great opportunity to continue our successful strategy and philosophy on sustainability for technically advanced compounds. The fair value of the acquired net assets includes the estimated value of 163 MSEK in acquired intangible assets, of which 153 MSEK was identifiable intangible assets in the form of customer relationships.

The following assets and liabilities were included in the acquisition:

MSEK	Balance sheet at the time of acquisition	Adjustment to fair value	Fair value
Cash and cash equivalents	131	-	131
Accounts receivable	13	-	13
Other current assets	271	-	271
Tangible assets	237	-	237
Intangible assets	10	153	163
Deferred tax liability	-13	-48	-61
Non-current liabilities	-1	-	-1
Accounts payable	-67	-	-67
Current liabilities	-423	-	-423
Acquired net assets	**158**	**105**	**263**

Total purchase considerations	807
Liability to minority shareholders	-290
Cash and cash equivalents in acquired operations	131
Change in Group cash and cash equivalents at acquisition	**386**

Transaction costs for the above acquisition amounted to 7 MSEK and have been reported in operating profit under administrative expenses.

Acquisitions in TP Compounding - McCann Plastics LLC
In December, the HEXPOL Group acquired 100 percent of the shares in McCann Plastics LLC from the McCann family. This company specializes in niche thermoplastic compounds, especially for roto molding applications, and is based in Ohio, USA. The main end-customer segments are general industry, agriculture, and the fast-growing segment of specialized cooling boxes.

The acquisition price amounted to approximately 120 MUSD on a cash and debt-free basis and is funded by a combination of cash and existing bank facilities.

The operation has been consolidated from December 1. The purchase price allocation is preliminary as some data is outstanding.

Sales amounted to 3 MUSD and profit after tax to 0.4 MUSD in December 2022. For the full year 2022, sales amounted to 62 MUSD and profit after tax to -2.2 MUSD.

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

MSEK	
Purchase consideration	1,236
Fair value of acquired net assets	161
Goodwill	**1,075**

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 complements our current operations in the US and strengthens our market position. The company is well-invested and highly skilled in specialized thermoplastic compounds. The fair value of net assets acquired does not include any intangible assets.

The following assets and liabilities were included in the acquisition:

MSEK	Balance sheet at the time of acquisition	Adjustment to fair value	Fair value
Cash and cash equivalents	110	-	110
Accounts receivable	68	-	68
Other current assets	174	-	174
Tangible assets	46	-	46
Intangible assets	-	-	-
Accounts payable	-41	-	-41
Current liabilities	-196	-	-196
Acquired net assets	**161**	**-**	**161**

Total purchase considerations	1,236
Cash and cash equivalents in acquired operations	110
Change in the Group's cash and cash equivalents	**1,126**

Transaction costs for the above acquisition amounted to 4 MSEK and have been recognized in operating profit under administrative expenses.

NOTE 23 Events after the reporting period

No significant events after the end of the period have been reported.

PARENT COMPANY INCOME STATEMENTS

MSEK	Note	2022	2021
Sales	24	68	58
Administrative expenses		-109	-95
Operating profit	25, 26	**-41**	**-37**
Financial income	27	1,635	1,467
Financial expenses	27	-147	-39
Profit after financial items		**1,447**	**1,391**
Appropriations	28	0	0
Profit before tax		**1,447**	**1,391**
Tax	29	-17	-25
Profit after tax		**1,430**	**1,366**

Comprehensive income matches profit after tax.

PARENT COMPANY BALANCE SHEETS

MSEK	Note	2022	2021
ASSETS			
Fixed assets			
Tangible fixed assets		0	0
Intangible fixed assets	30	0	1
Interest-bearing intra-Group receivables		3,941	720
Participations in Group companies	33	9,826	9,279
Deferred tax assets		0	0
Total fixed assets		**13,767**	**10,000**
Current assets			
Intra-Group operating receivables		145	155
Interest-bearing intra-Group receivables		64	1,813
Prepaid expenses and accrued income		43	38
Cash and bank balances		468	540
Total current assets		**720**	**2,546**
TOTAL ASSETS		**14,487**	**12,546**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted shareholders' equity			
Share capital		69	69
Total restricted shareholders' equity		**69**	**69**
Non-restricted shareholders' equity			
Share premium reserve		619	619
Profit brought forward		3,492	4,192
Profit for the year		1,430	1,366
Total non-restricted shareholders' equity		**5,541**	**6,177**
Total shareholders' equity		**5,610**	**6,246**
Untaxed reserves	28	**-**	**0**
Non-current liabilities			
Interest-bearing liabilities	32	1,494	0
Interest-bearing intra-Group liabilities		2,292	-
Total non-current liabilities		**3,786**	**0**
Current liabilities			
Accounts payable		3	2
Current tax liabilities		17	27
Interest-bearing intra-Group liabilities		2,523	4,392
Interest-bearing liabilities	32	2,470	1,825
Accrued expenses and prepaid income	31	78	54
Total current liabilities		**5,091**	**6,300**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**14,487**	**12,546**

PARENT COMPANY CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Share capital	New share issue in progress	Share premium reserve	Profit brought forward	Total
December 31, 2020	**69**	**–**	**619**	**4,984**	**5,672**
2021					
Comprehensive income					
Profit after tax	–	–	–	1,366	1,366
Transactions with shareholders					
New share issue in progress	0	-0	–	–	–
Dividend	–	–	–	-792	-792
December 31, 2021	**69**	**–**	**619**	**5,558**	**6,246**
2022					
Comprehensive income					
Profit after tax	-	-	-	1,430	1,430
Transactions with shareholders					
Dividend	-	-	-	-2,066	-2,066
December 31, 2022	**69**	**-**	**619**	**4,922**	**5,610**

PARENT COMPANY CASH FLOW STATEMENTS

MSEK	2022	2021
Cash flow from operating activities		
Operating profit	-41	-37
Adjustment for non-cash items, depreciations	1	0
Financial income received	88	31
Financial expenses paid	-139	-40
Tax paid	-26	-28
Cash flow from operations before changes in working capital	**-117**	**-74**
Cash flow from changes in working capital		
Changes in current receivables	5	-5
Changes in current liabilities	16	11
Cash flow from operating activities	**-96**	**-68**
Investing activities		
Investments in intangible fixed assets	-	0
Change in interest-bearing receivables	-1,466	174
Dividends from subsidiaries	1,396	1,292
Group contributions received	145	145
Acquisitions of companies	-547	-648
Cash flow from investing activities	**-472**	**963**
Financing operations		
Loans raised	11,549	7,085
Repayment of liabilities	-8,986	-7,177
Dividend	-2,067	-792
Cash flow from financing operations	**496**	**-884**
Cash flow for the year	**-72**	**11**
Cash and cash equivalents, January 1	540	529
Cash and cash equivalents, December 31	**468**	**540**

NOTE 24 Sales

Of the Parent Company's net sales, 100 percent pertains to sales of services to other Group companies and of the Parent Company's purchases, a small portion pertains to purchases from other Group companies.

NOTE 25 Employees and personnel expenses

	2022	2021
Average number of employees		
Women	3	3
Men	4	4
Total	**7**	**7**

MSEK	2022	2021
Salaries, other remunerations and social-security costs		
Board of Directors	4	4
CEO and Deputy CEO	31	29
Other employees	21	29
Social security costs, pension costs and payroll tax	35	36
Total	**91**	**98**

NOTE 26 Fees and cost remuneration paid to auditors

MSEK	2022	2021
EY		
Audit engagement	1	1
Audit activities in addition to audit	0	0
Other services	0	0
Total	**1**	**1**

NOTE 27 Financial income and expenses

MSEK	2022	2021
Dividend	1,396	1,292
Group contributions	145	145
Interest income	21	0
Interest income from Group receivables	73	30
Exchange-rate gains	0	0
Other financial income	0	0
Financial income	**1,635**	**1,467**
Interest expenses	-71	-31
Interest expense from Group liabilities	-71	-3
Exchange-rate loss	0	0
Other financial expenses	-5	-5
Financial expenses	**-147**	**-39**

NOTE 28 Appropriations and untaxed reserves

MSEK	2022	2021
Excess depreciation	-	0
Total	**-**	**0**

MSEK	2022	2021
Opening balance, January 1	0	0
Accumulated excess depreciation	-	0
Closing balance, December 31	**0**	**0**

NOTE 29 Taxes

MSEK	2022	2021
Current tax expense		
Tax expense for the year	-17	-25
Deferred tax expense		
Deferred tax pertaining to temporary differences	0	0
Total reported tax expense	**-17**	**-25**

MSEK	2022		2021	
Reconciliation of effective tax				
Profit before tax	1,447		1,391	
Tax according to current tax rate for the Parent Company	-298	-21%	-287	-21%
Non-deductible expenses	-6	0%	-5	-0%
Non-taxable revenues	287	20%	267	19%
Total reported tax expense	**-17**	**-1%**	**-25**	**-2%**

NOTE 30 Intangible fixed assets

Accumulated acquisition value	Other intangible		Total	
MSEK	2022	2021	2022	2021
Opening balance, January 1	3	3	3	3
Investments	-	–	-	–
Closing balance, 31 December	**3**	**3**	**3**	**3**

Accumulated amortization/depreciation	Other intangible		Total	
MSEK	2022	2021	2022	2021
Opening balance, January 1	-2	-1	-2	-1
Depreciation for the year	-1	-1	-1	-1
Divestments, disposals	–	–	–	–
Closing balance, 31 December	**-3**	**-2**	**-3**	**-2**
Carrying amount, December 31	**0**	**1**	**0**	**1**

NOTE 31 Accrued expenses and prepaid income

MSEK	2022	2021
Personnel-related expenses	66	51
Other	12	3
Total	**78**	**54**

NOTE 32 Interest-bearing liabilities

MSEK	2022	2021
Non-current liabilities		
Interest-bearing liabilities	1,494	–
Non-current liabilities	**1,494**	**–**
Current liabilities		
Interest-bearing liabilities	2,470	1,825
Current liabilities	**2,470**	**1,825**
Bilateral loan, 1,500 MSEK	920	–
Bilateral loan, 1,100 MSEK	574	–
Total non-current liabilities	**1,494**	**–**
Bilateral loan, 2,000 MSEK	500	–
Bilateral loan, 1,500 MSEK	450	–
Commercial papers*	1,520	1,825
Total current liabilities	**2,470**	**1,825**

* In accordance with the issue agreement signed in connection with the establishment of the commercial paper program, HEXPOL AB's bilateral credit agreements also function as back-up facilities for outstanding commercial papers. As of December 31, 2022, HEXPOL AB had unutilized credit capacity in long-term facilities of MSEK 1,106. In accordance with IAS1, outstanding volumes are recognized in the balance sheet as current liabilities. However, 1,106 MSEK is of a non-current nature given the Group's financing and liquidity risk.

For further information regarding interest-bearing liabilities, see also Note 15.

NOTE 33 The Parent Company's holdings of shares and participations in Group companies

Subsidiaries	Corp. Reg. No.	Reg.office	Proportion of equity, % 2022	Carrying amount, MSEK 2022	Proportion of equity, % 2021	Carrying amount, MSEK 2021
Gislaved Gummi AB	556112-2382	Gislaved, Sweden	100	101	100	101
Megufo AB	556421-2453	Gislaved, Sweden	50		50	
HEXPOL Holding AB	559078-6405	Malmö, Sweden	100	0	100	0
Stellana AB	556084-8870	Laxå, Sweden	100	29	100	29
Elastomeric Engineering Co., Ltd.[1]		Sri Lanka	99.6	58	99.6	58
Gislaved Gummi Lanka (Pvt) Ltd.		Sri Lanka	100		100	
Elastomeric Tools & Dies (Pvt) Ltd.[2]		Sri Lanka	100		100	
HEXPOL Compounding HQ Sprl		Belgium	100	702	100	702
HEXPOL Compounding Sprl		Belgium	100		100	
HEXPOL Compounding s.r.o		Czech Republic	100	435	100	435
HEXPOL Compounding Lesina s.r.o		Czech Republic	100	709	100	709
HEXPOL Compounding (Qingdao) Co., Ltd.		China	100	56	100	56
HEXPOL Compounding S.A de C.V 3)		Mexico	100		100	
HEXPOL Services Compounding S.A de C.V[3]		Mexico	100		100	
Gislaved Gummi (Qingdao) Co., Ltd.		China	100	33	100	33
Stellana (Qingdao) Co., Ltd.		China	100	7	100	7
HEXPOL Compounding GmbH		Germany	100	70	100	70
HEXPOL TPE GmbH		Germany	100		100	
HEXPOL Compounding Viersen CoKG		Germany	100		100	
HEXPOL Compounding Viersen Verwaltungs GbmH		Germany	100		100	
Stellana Deutschland GmbH		Germany	100		100	
almaak international GmbH		Germany	70	524	-	
HEXPOL TPE AB	556191-5777	Åmål, Sweden	100	250	100	250
HEXPOL TPE Ltd		United Kingdom	100	34	100	34
HEXPOL sàrl		Luxembourg	100	0	100	0
HEXPOL Compounding S.L.U		Spain	100	33	100	33
Unión de Industrias C.A., S.A. (Unica)		Spain	100	420	100	420
Vicom 2002 S.L.		Spain	100	251	100	228
Berwin Group Limited		United Kingdom	100	365	100	365
Flexi-Cell (UK) Ltd		United Kingdom	100		100	
Berwin Rubber Company Limited		United Kingdom	100		100	
Berwin of Lydney Limited		United Kingdom	100		100	
Berwin Industrial Polymers Limited		United Kingdom	100		100	
MESGO SpA		Italy	100	2,066	100	2,066
MESGO Iride Colors Srl		Italy	100		100	
3A MCOM Srl		Italy	100		100	
MESGO Polska		Poland	100		100	
MESGO Asia		Turkey	100		100	
HEXPOL Finance UK Ltd		United Kingdom	100	0	100	0
HEXPOL Holding Inc.		USA	100	3,683	100	3,683
RheTech LLC		USA	100		100	
RheTech Engineered Plastics		USA	100		100	
RheTech Thermocolor LLC		USA	100		100	
McCann Plastics LLC		USA	100		-	
Robbins Holding Inc.		USA	100		100	
Robbins LLC		USA	100		100	
Synpol LLC		USA	100		100	
HEXPOL Compounding CA Inc		USA	100		100	
Kirkhill Rubber Company		USA	100		100	
Preferred Compounding Corp.		USA	100		100	
Preferred Compounding de Mexico S. de R.L. de C.V.		Mexico	100		100	
HEXPOL UK Ltd		United Kingdom	100		100	
Stellana U.S. Inc.		USA	100		100	
GoldKey Processing Inc.		USA	100		100	
HEXPOL Compounding NC Inc.		USA	100		100	
HEXPOL Compounding LLC		USA	100		100	
HEXPOL Compounding (UK) Ltd		United Kingdom	100		100	
Chase Elastomer (UK) Ltd.		United Kingdom	100		100	
HEXPOL Compounding Services Queretaro S.A. de C.V.[4]		Mexico	100		100	
HEXPOL Compounding Queretaro S.A. de C.V.[5]		Mexico	100		100	
HEXPOL H.K Co., Ltd.		China	100		100	
HEXPOL Asia LLC		USA	100		100	
HEXPOL Compounding (Foshan) Co., Ltd.		China	100		100	
Total carrying amount in the Parent Company				**9,826**		**9,279**

[1] Gislaved Gummi AB owns 200 shares included in this holding. The remaining 0.4 percent of the shares is owned by the external parties.
[2] Gislaved Gummi Lanka (Pvt) Ltd. owns 69.6 percent and Elastomeric Engineering Company Ltd 30.4 percent of the shares.
[3] HEXPOL AB owns 99 percent and HEXPOL Compounding HQ Sprl owns 1 percent of the shares.
[4] HEXPOL Compounding LLC owns 99 percent and HEXPOL Compounding Queretaro S.A. de C.V. owns 1 percent of the shares.
[5] HEXPOL Compounding LLC owns 99 percent and HEXPOL Compounding Service Queretaro S.A. de C.V. owns 1 percent of the shares.

MSEK	2022	2021
Participations in Group companies		
Opening balance	9,279	8,631
Acquisitions of companies	547	648
Carrying amount	**9,826**	**9,279**

NOTE 34 Pledged assets and contingent liabilities

MSEK	2022	2021
Sureties for subsidiaries	87	78
Total	**87**	**78**

NOTE 35 Proposed distribution of unappropriated earnings

The following unrestricted funds in the Parent Company are at the disposal of the Annual General Meeting (TSEK):

Profit brought forward	3,492,072
Share premium reserve	618,728
Profit for the year	1,429,936
Total unrestricted funds	**5,540,736**

The Board of Directors proposes that earnings be allocated as follows:
To distribute to the shareholders in cash 3.60 SEK per share

Total dividend from profit brought forward	1,239,973
To be carried forward	4,300,763
Total	**5,540,736**

The undersigned give their assurance that the consolidated financial statements and the Annual Report were prepared in accordance with international accounting standards, IFRS, as adopted by the EU, and generally accepted accounting principles and provide a fair view of the Group's and the Parent Company's position and earnings, and that the Board of Directors' Report gives a fair impression of the development of the Group's and the Parent Company's operations, position and earnings, while also describing the material risks and uncertainties facing the companies included in the Group.

Malmö, March 28, 2023

Alf Göransson
Chairman of the Board

Malin Persson
Board Member

Märta Schörling Andreen
Board Member

Kerstin Lindell
Board Member

Gun Nilsson
Board Member

Jan-Anders E. Månson
Board Member

Georg Brunstam
CEO

As set out above, the Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on March 30, 2023. The consolidated Income Statement and Balance Sheet and the Parent Company Income Statement and Balance Sheet will be presented to the Annual General Meeting on April 28, 2023 for adoption.

Our audit report was submitted on March 30, 2023

Joakim Falck
Authorized Public Accountant

Karoline Tedevall
Authorized Public Accountant

AUDITOR’S REPORT

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF HEXPOL AB (PUBL), CORPORATE IDENTITY NUMBER 556108-9631

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of HEXPOL AB (publ) except for the corporate governance statement on pages 44-53 and the statutory sustainability report on pages 86-111 for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 36-81 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 44-53 and the statutory sustainability report on pages 86-111. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent Company’s audit committee in accordance with Article 11 of the Audit Regulation (537/2014).

Basis for opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Goodwill and participations in group companies

Description of the matter	How our audit addressed this key audit matter
The carrying value of goodwill as of December 31, 2022 amounts to 11,893 MSEK in the consolidated balance sheet, which represents 50 percent of total assets. Participations in group companies amounts to 9,826 MSEK in the Parent Company’s balance sheet, which represents 68 percent of total assets. The company performs an impairment test annually, and when there is an indication of impairment, to ensure the carrying value does not exceed the estimated recoverable value. The recoverable amount is determined for each cash generating unit by calculating the present value of future cash flows. Future cash flows are based on management’s business plans and forecasts, and includes a number of assumptions, including earnings performance, growth, investment requirements and the discount rate. For participations in group companies the recoverable amount is the higher of fair value and value in use. Changes in assumptions have a major impact on the calculation of the recoverable amount and the assumptions that the company applied will be of significant importance for the assessment whether an impairment requirement exists. We have therefore assessed the accounting for goodwill and participations in Group companies as a key audit matter. A description of the impairment test is shown in Note 9 ‘Goodwill and intangible fixed assets’ and in Note 1 Accounting Policies section ‘Key estimates and assumptions’.	In our audit, we evaluated and reviewed the company’s process for preparing impairment test, including evaluating past accuracy of forecasts and assumptions. We also evaluated the reasonableness of future cash flows and growth assumptions and with the help of our valuation specialists examined the selected discount rate and assumptions about long-term growth. We have also reviewed the company’s model and method for preparing the impairment test and assessed the company’s sensitivity analyzes. We have reviewed the disclosures in the annual report.

Acquisition of almaak international GmbH and McCann Plastics LLC

Description of the matter	How our audit addressed this key audit matter
The Group acquired two companies in 2022. The Group acquired 70 percent of the shares in almaak international GmbH in April 2022. The acquisition price for all shares amounts to approximately SEK 730 million on a debt-free basis. Total acquired intangible assets for these acquisitions have been estimated at SEK 707 million, of which goodwill is SEK 544 million. The acquisition price for almaak includes a value attributable to put and call options governing the acquisition of minority shares, which is estimated at SEK 290 million. The Group acquired 100% of the shares in McCann Plastics LLC in December 2022. The acquisition price for all shares amounts to approximately SEK 1,230 million on a debt-free basis. Total acquired intangible assets for these acquisitions have been estimated at SEK 1,075 million, all of which has been allocated to goodwill in the preliminary acquisition analysis. The company's disclosures on the acquisitions are presented in Note 22 ‘Acquisitions’ and in Note 1 Accounting policies, section ‘Consolidated financial statements’ and section ‘Significant estimates and assumptions’. The accounting for both acquisitions has required estimates by the company. The most significant estimate relates to assessing the fair value of separately identifiable assets and liabilities when allocating the purchase consideration. In preparing the preliminary acquisition analyses, the company has made several assumptions regarding, among other things, future cash flows, growth, discount rate and choice of model for valuation. We therefore considered the accounting for these acquisitions to be a key audit matter.	In our audit, we have evaluated and reviewed the company's process for preparing the preliminary acquisition analysis, including evaluating the reasonableness of future cash flows and growth assumptions. Together with our valuation specialists, we have reviewed the company's models and methods for conducting the acquisition analysis and the reasonableness of the choice of valuation model, assumptions including discount rate and future cash flows to determine the fair values of acquired assets and liabilities and the useful lives of the assets. We have reviewed the disclosures in the annual report.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-35, 44-53 and 86-116. The other information also consists of the remuneration report which we obtained before the date of this audit report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company’s and the group’s ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director’s responsibilities and tasks in general, among other things oversee the company’s financial reporting process.

Auditor’s responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company’s internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated financial statements.
  We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of HEXPOL AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:
- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion
In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for HEXPOL AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinions
We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of HEXPOL AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the ESEF report in accordance with Chapter 16. Section 4a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to obtain reasonable assurance whether the ESEF report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4 a of the Securities Market Act (2007:528), on the basis of our review.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures,that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the ESEF report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The audit procedures mainly include validating that the ESEF report has been prepared in a valid XHTML format and reconciling that the ESEF report is consistent with the audited annual accounts and consolidated financial statements.

Furthermore, the procedures also include an assessment of whether the consolidated income statement, balance sheet and equity statement, cash flow statement and notes in the ESEF report has been marked with iXBRL, in accordance with the provisions of the ESEF Regulation.

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for the corporate governance statement on pages 44-53 having been prepared in accordance with the Annual Accounts Act.

Our audit was conducted in accordance with FAR recommendation
RevR 16 The Auditor's Examination of the Corporate Governance Statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6,. Section 6, second paragraph, points 2-6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph the same Act are consistent with the other parts of the annual accounts and consolidated financial statements and are in accordance with the Annual Accounts Act.

Joakim Falck, Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of HEXPOL AB (publ) by the general meeting of the shareholders on April 28, 2022 and has been the company's auditor since April 28, 2021.

Karoline Tedevall, Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of HEXPOL AB (publ) by the general meeting of shareholders on April 28, 2022 and has been the company's auditor since April 28, 2021.

Malmö, March 30, 2023

Joakim Falck
Authorized Public Accountant

Karoline Tedevall
Authorized Public Accountant

SUSTAINABILITY-RELATED INFORMATION

Statutory Sustainability Report

Sustainability work is integrated into the company's operations, which makes it natural to include sustainability reporting in a combined annual and sustainability report, in accordance with Chapter 6, Section 11 of the Annual Accounts Act. Sustainability-related information can be found on pages 28-35 and 86-111. The table below indicates where in the annual report the statutory information can be found. The sustainability report has been submitted to the auditor for review at the same time as the annual accounts.

The Annual Accounts Act has been expanded to require reporting of the proportion of the scope of operations, operating costs and investments that fall under the EU's Sustainable Investment Taxonomy. Outcomes and comments on the taxonomy can be found on pages 107-109.

Area	Pages
Business model	10–13
Policies, frameworks, stakeholders and material topics	29, 86–89
Environmental responsibility	90–95
Personnel conditions and social responsibility	96–98
Human rights	97
Prevention of corruption	99
Risks and risk management	40–43, 103–105
Diversity in Board and management	52–53, 97

Governance and follow-up

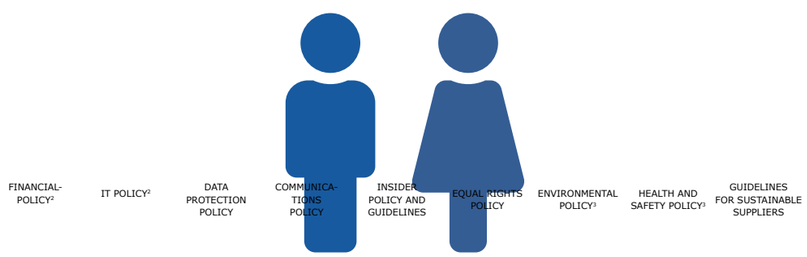
Code of conduct, guidelines and standards

The prerequisites for responsible business are good business ethics, consideration for people and the environment, and that operations are carried out in accordance with laws, international agreements and other requirements. HEXPOL's values are expressed in a Code of Conduct included in the document "Materializing Our Values". The Code of Conduct is supplemented by a more detailed Compliance Program, in which all managers in the Group sign to confirm that they are compliant with the rules. The managers participate in training programs in the area. Zero tolerance applies with regard to non-compliance in respect of business ethics.

Governance and organization

Sustainable development activities are an integral part of the business model, strategic planning, budget process and operations. Sustainability efforts help the company to strengthen competitiveness, reduce risks and costs, and attract talent and investors.

The management and monitoring of the sustainability efforts follows the Group's procedures for self-monitoring and internal control, as described in the Corporate Governance Report (pages 45-49). In brief, this means that the Board approves policies, objectives and strategies, and regularly monitors performance. The CEO has overall responsibility for managing sustainability activities. At the Group level, matters related to strategy, risks, follow-up and sustainability reporting, as well as sustainability issues in conjunction with corporate acquisitions and dialogues with investors are addressed.



[1] *Supported by a compliance program addressing competition and anti-corruption legislation.*
[2] *Policy available to all employees but not distributed externally.*
[3] *Integrated with Materializing Our Values.*

The Sustainability Council is tasked with deepening and further developing the strategic sustainability efforts. It is led by the President and, among other things, works to disseminate knowledge, support new initiatives, and contribute to integrating sustainability issues into the business model. In addition to the President and CEO, the CFO and the Director of Sustainability, the Council includes senior executives in production, product development, sales, sustainability, communications and purchasing.

The Compounding business area has people at central level working on sustainability issues, including energy efficiency, chemicals, legislation, R&D and purchasing. In order to strengthen the sustainability efforts, a Sustainability Director was appointed for HEXPOL TPE and a corresponding function for HEXPOL Compounding Americas in 2022. In 2022, HEXPOL TPE set up its own Sustainability Council to focus on issues specific to that business.

The practical work is decentralized with managers within the Group's companies being responsible for the local implementation of Group policies and targets. At each production site, there are people who coordinate environmental and health and safety activities. The activities are followed up by Group management through dialogues with the companies' management and through internal and external audits, for examples audits under ISO 14001. In connection with the Sustainability Report, an in-depth analysis is conducted of compliance with legislation and how targets, performance and key performance indicators have developed over the year.

Legal compliance

Legal compliance constitutes the baseline for all of the Group's areas of operations. Legislation affects a number of different areas and our efforts are guided by Group staff with relevant expertise and experience, as well as by external specialists.

The Group's operations are subject to comprehensive legislation, including a ban on the creation of cartels, export and import ordinances during international business transactions, trade embargoes and economic sanctions. Legislation governing the environment and areas of occupational health and safety is substantial and most of the production units are subject to permit obligations in accordance with legislation in the country concerned. In addition, a number of the Group's products are subject to various environmental requirements, such as the chemicals legislation REACH and RoHS. Specific legislation must be complied with in certain countries/areas, such as the US (Dodd-Frank Wall Street Reform and Consumer Protection Act regarding conflict minerals), EU (Conflict Minerals Regulation) and the UK (Bribery Act and Modern Slavery Act). The latter aims to prevent forced labor and sexual slavery. The results of statutory compliance in 2022 are presented on pages 94–97.

Standards for management systems

Certified management systems in environment, quality, health and safety and energy are cornerstones of the Group's strategy. We have a target of all units being certified in accordance with the environmental standard ISO 14001. An overview of certified management systems can be found on page 94.

Protection of personal data

The General Data Protection Regulation (GDPR) applies throughout the EU and is intended to improve the protection of the individual's right to privacy. The protection of personal data is included in Materializing Our Values, and the Group has implemented a specific Data Protection Policy. Processes and applications have been adapted to guarantee the protection of personal data and compliance with legal requirements.

Human rights

Materializing Our Values has its background in international agreements and guidelines concerning human rights, social responsibility and sustainable development, including the UN Global Compact and the Standard for Social Responsibility (ISO 26000). The Group's requirements are that workplaces should be safe, facilitate development and comply with occupational health and safety and labor legislation. No employee may be discriminated due to gender, religion, age, physical or mental disability, sexual orientation, nationality, political opinions or origin. The results of the human rights work are presented on pages 96-98.

The Group's values recognize the employee's right to be represented by trade unions or other employee representatives, as well as the right to collective bargaining and agreements. The extent of coverage by collective agreements varies depending on local political and cultural conditions in the countries in which the Group is active.

Business ethics and combating corruption

In accordance with Materializing Our Values and the tenth principle of the Global Compact, business principles must be characterized by integrity and responsibility. For a global company, these issues are complex, and the view of what represents normal business principles varies between different countries and cultures. Within the Group, the following methods are used to guide and monitor issues of ethics:

- Materializing Our Values applies to everyone, and the management teams of the Group's companies are responsible for disseminating the values within their organizations. There is training program for relevant executives.
- We continuously monitor costs, expenditure and revenues.
- The company pays special attention to ethical issues in its relationships with business partners. Although normal business practices in each country are to be observed, if the business principles do not agree with the Code of Conduct, we will decline the transaction or take other relevant measures. Suppliers must declare their compliance with our Code of Conduct.
- With the help of checklists from the Global Compact, annual assessments are made of how the companies work to prevent corruption and how they then improve the preventive measures.

The results of the anti-corruption efforts are reported on page 99 and in the risk section on page 43.

Whistle-blowing
Compliance with Materializing Our Values is monitored through internal controls. Employees are encouraged to report suspected violations to their managers or other representatives of management. Where reporting to a superior is out of the question, or is not taken seriously, it is possible to report suspected violations for external assessment via a whistle-blower function (Whistle-blower Policy). This can be done by sending an e-mail to an independent organization. HEXPOL will not tolerate any form of reprisals against anyone who, in good faith, lodges a complaint or suspects that the Code of Conduct has been violated. The result for 2022 is shown on page 99.

Guidelines for suppliers
In total, the Group has more than 15,000 suppliers, mainly in the USA, Europe and Asia. Key raw materials include polymers, chemical substances, additives, metals, solvents and paints (see pages 92–94). Purchasing is based on a common process but is decentralized to the operational units. Exceptions are made where purchasing at business area or Group level provides cost benefits. This applies, for example, to polymers and additives.

The Group's Supplier Sustainability Guidelines serve to follow up with and engage suppliers without overburdening them with the administrative workload. In brief, the guidelines entail the following:

- All suppliers are to be informed of our Code of Conduct and are expected to introduce equivalent undertakings within their own organizations.
- Suppliers meeting specific criteria, such as being associated with potential sustainable development risks, are to conduct a self-assessment. The declaration is made on an online platform. As part of the self-assessment, the supplier certifies its compliance with relevant legislation, that it works systematically on matters involving the environment and work environment, and that it promotes human rights and combats corruption.
- In cases where we feel uncertain about the supplier's sustainability efforts or has identified significant risks, targeted audits are conducted.

The results of the supplier evaluations for 2022 are presented on page 99.

Focus on key issues

Materiality analysis
The materiality analysis focuses on two perspectives (double materiality), which means that we consider:

- How the Group's operations, products and value chain impact on sustainable development (ESG) issues. This includes negative and positive impacts on the environment, climate, the work environment and social conditions.
- How stakeholders' views and demands in the area of sustainable development impact the Group's operations, competitiveness and financial performance. In this context, we regard the environment as a stakeholder and take into account, for example, how climate change may impact operations and profitability. The same applies to access to natural resources and other external factors.

The analysis forms a basis on which to set priorities, targets and plans of action, and on which to report with regard to sustainable development. It is based on knowledge of the company's and the industry's current impact on the environment and climate through resource use, emissions and waste. Similarly, the impact on people's health, working conditions and social situation is evaluated. Issues of business ethics and corruption are included in the evaluation. In each area, trends, risks and opportunities are identified. Stakeholder perspectives on sustainable development are evaluated through the demands and expectations expressed by customers, consumers, employees, investors, owners and other stakeholders. We also draw on the results of ESG assessments and trends in business, politics and society at large.

The material topics (important, very important) are presented in three different categories that together form an overall sustainability agenda:

- Fundamental areas – Aspects where we maintain a high level of ambition through governance, current actions, monitoring and reporting.
- Development areas – Aspects where we raise the level of ambition through governance, further actions, monitoring and reporting.
- Focal areas – Aspects to which we give top priority through sustainability goals, governance, further actions, monitoring and reporting.

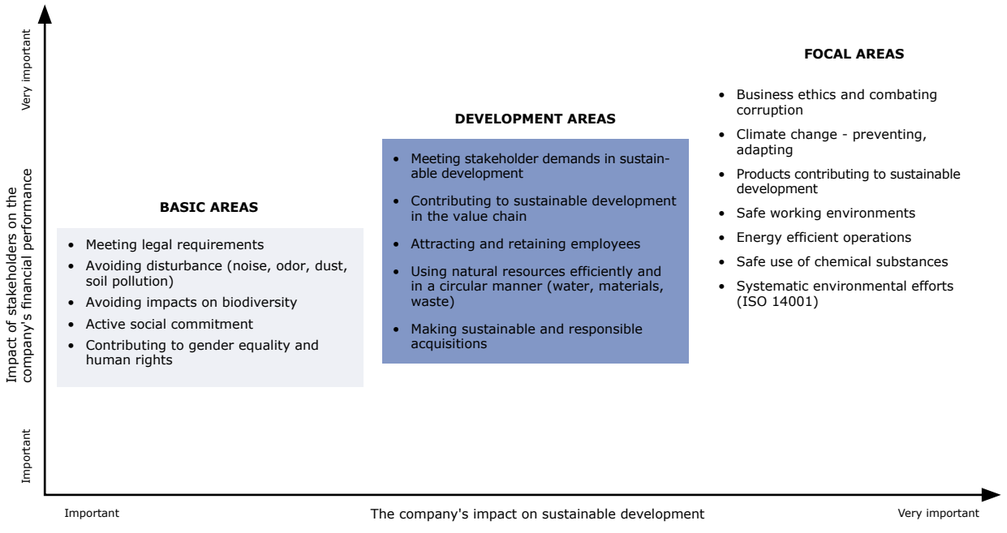
The outcome of material topics is reported in the Sustainability Report. The link to indicators in the GRI Standards is shown on pages 100–102. In addition to the above areas, there are parameters and indicators that are of interest for internal and external assessment of the Group's performance in sustainable development. Such information is provided in tabular form on pages 90–99.

Stakeholder dialogue

HEXPOL is influenced by stakeholders who present demands and expectations in the field of sustainable development. The perception of which stakeholders are important, and what they consider material, is based on experience and long-standing business relationships, but also on events that have occurred during the financial year. Stakeholder dialogue is conducted in a number of ways, including development discussions with employees, customer satisfaction surveys, analyst meetings, discussions with investors, and partnerships with customers, suppliers and contractors. Areas to which special attention was paid in 2022 are:

- Managing climate change issues – risks, opportunities and adaptation to a changing climate.
- Contributions to the circular economy - development of materials and products with a lower carbon footprint that can be reused or recycled in circular systems.
- The impact of sustainable development legislation - the EU Sustainable Finance Taxonomy, as well as the forthcoming EU Corporate Sustainable Reporting Directive (CSRD), has been highlighted by several stakeholders.

MATERIALITY ANALYSIS



OVERVIEW OF STAKEHOLDER ISSUES IN 2022

Stakeholder	Key topics, demands and expectations	Created value
CUSTOMERS	Customer demands in climate, environment, human rights and business ethics remain high (page 32). Interest in bio-based and/or recycled raw materials increased during the year. The Group's sustainability performance is regularly evaluated by customers.	High ambitions in sustainable development strengthen the relationship with customers. Audits and evaluations of the Group companies provided positive assessments of their performance.
EMPLOYEES	It is important for the Group to retain and develop its employees and to attract new ones. Important for employees are health, safety, financial compensation, personal development, social conditions and good business ethics.	The accident rate was slightly lower than in previous years. Training efforts continued, and a large number of career development reviews were held. Surveys on workplace well-being yielded good results. During the year, the company paid 2,443 MSEK (2,073) in salaries, pensions and social security expenses to employees.
SUPPLIERS	We strive to have long-term and open relationships with suppliers. The aim is to ensure the right quality, financial stability and sustainable development for both parties. Suppliers expect consistent and clear requirements.	Suppliers were informed of our Code of Conduct, and we expect them to share the Group's values. A significant number of evaluations were carried out via an online platform and audits. Suppliers met the Group's requirements in an acceptable manner.
SHAREHOLDERS	Growth, profitability and total return are at the heart of value creation for our shareholders. The integration of sustainability issues into business strategy reduces risks and creates business opportunities. Through the development of environmentally friendly products, resource-efficient production and investments in environmentally friendly technology, HEXPOL remains competitive.	The integration of sustainable development into strategies and everyday operations created value for the owners. The Sustainability Report gave shareholders and potential investors the opportunity to evaluate the Group's sustainability performance. The proposed dividend to shareholders is 1,240 MSEK (2,066).
SOCIETY AND AUTHORITIES	Community involvement is part of the Group's culture and something that is expected in the local communities where we operate. As a global company, we are expected to implement actions that contribute to national and global sustainable development goals. Meeting legal requirements in sustainable development is crucial to the business.	HEXPOL is affiliated to the UN Global Compact, and work on the Sustainable Development Goals continued. At the local level, we worked with schools and universities and contributed to health, education, sports and culture. Group tax expenses in 2022 amounted to 761 MSEK (673), corresponding to a tax rate of 23.5 percent (22.2). During the year there were 5 minor breaches of laws and regulations.

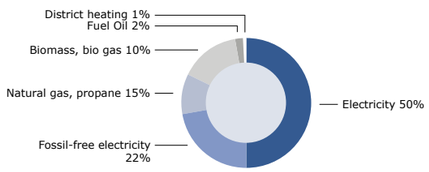
ENVIRONMENTAL RESPONSIBILITY

Key environmental aspects for the Group include the consumption of resources in the form of polymer raw materials, chemical products, energy and water. Climate impacts and how climate change affects the operations and the business model, are other highly important areas. By increasing energy efficiency and reducing the use of fossil energy sources, climate impact is reduced. Increased use of recycled and bio-based raw materials are other measures that are positive from the perspective of climate. Environmentally compatible product development is therefore a priority area in which the Group's expertise and technology can contribute to the customers' climate work. The following pages summarize and comment on the results in the environmental field.

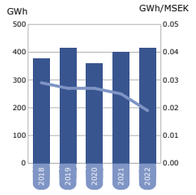
PERFORMANCE ENERGY AND CLIMATE

Area[1]	Background and outcome in 2022[2]
ENERGY	Mixing equipment, presses and other production equipment contribute greatly to energy consumption. Infrastructure (compressed air, ventilation and lighting) is also significant in this context. The goal is for energy consumption (GWh/sales) to be reduced continuously.
Energy use	In 2022, energy consumption amounted to 415 GWh (401). The key figure (GWh/sales) has shown a downward trend since 2012.
Forms of energy	The Group's main energy uses are electricity, natural gas and biofuels.
Fossil-free energy	The share of fossil-free fuels is around 10 percent (9). Purchased fossil-free electricity accounts for 22 percent (23) of total energy use. Solar panels are present at 6 (4) plants which produced 1.5 (0.9) GWh.
Energy cost	Energy cost amounted to 432 MSEK (299).
CLIMATE	Emissions of the climate-affecting gas carbon dioxide occur in connection with energy use, the production of raw materials and transport, among other things. Here, the target is to reduce energy-related emissions by 75 percent by 2025 (base year 2018/2019).
CO2 emissions	In 2022, CO2 emissions amounted to 108,900 tonnes (117,300), of which 15,900 tonnes (15,800) were in accordance with Scope 1 and 93,000 tonnes (101,500) were in accordance with Scope 2. The indirect emissions from purchased electricity dominated, accounting for 79 percent (85) of total emissions. In a five-year perspective, the key performance indicator for climate impact (tons of CO_2/sales) shows a positive trend. This is linked, among other things, to increased purchases of fossil-free electricity and energy measures.

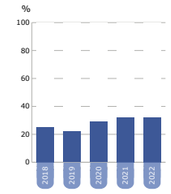
ENERGY SOURCES



ENERGY USE

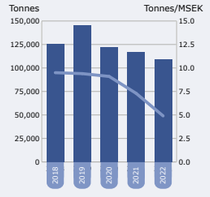


PROPORTION OF FOSSIL-FREE ENERGY



Energy use, GWh
Energy consumption/net sales, GWh/MSEK

CO2 EMISSIONS



CO_2 emissions, tonnes
CO_2 emissions/sales, tonnes/MSEK

[1] *For the Group's sustainability objectives, see page 31.*
[2] *Ten-year outcomes are presented on page 115.*

Area[1]	Background and outcome in 2022[2]
Other emissions to the atmosphere	Emissions of VOCs (volatile organic compounds) from solvents and paints were about 121 tonnes (100): They arose mainly in the production of polyurethane wheels. Energy consumption gave rise to emissions of 15 tonnes (19) of sulfur dioxide (SO_2) and nitrogen oxides (NO_x). In total, there are about 2.9 tonnes (1.2) of refrigerant installed at the production facilities. There were no significant emissions of such ozone-depleting and climate-changing substances (F gases) during the year. Emissions of dust and odorous substances are normally negligible, but occasional complaints from nearby residents may occur. In 2022, 2 complaints (1) were registered.

Energy

The aim is to increase energy efficiency and, in line with the Group's climate targets, the share of fossil-free energy is to increased. Energy costs have risen significantly, reinforcing the importance of energy efficiency and choice of forms of energy. Various efficiency projects are carried out at the production units every year, and some examples follow:

- Energy surveys have been conducted at 14 facilities (12) in accordance with the EU's Energy Efficiency Directive. The (ISO 50001) energy management system has been introduced at 7 units (5).
- Purchases of fossil-free electricity were essentially unchanged. In the US in particular, it was difficult to gain access to origin-labelled electricity. On the positive side, several countries are increasing the share of renewable energy in their electricity production. This reduces the Group's Scope 2 carbon dioxide emissions.
- In the UK, an energy survey project has been carried out with an external partner. The very detailed mapping showed good potential for energy efficiency and carbon reduction in several areas. The experience is now being shared across the Group.
- Improved control of the speed at which rubber mixing equipment operates reduces energy consumption. Shorter cycles in mixing also help reduce energy consumption.
- Energy-efficient LED lamps replace older lighting systems. Detectors are installed that turn off the lighting when not needed. Increased use of daylight in warehouses. Installation of energy-efficient cooling systems and compressors. Gas-powered forklifts are being replaced by electric ones.
- Investments in in-house production of electricity from solar panels are made continuously.
- Installation of sensors to be able to monitor in detail energy use in equipment and processes.
- Installing steam traps on presses and thermally insulating furnaces reduces energy losses and creates a better work environment.
- Heat recovery and leak detection increase the energy efficiency of compressed air equipment.
- Agreements with energy companies optimize access to electricity and reduce costs.
- 926 MWh of surplus energy was sold from the units in California, USA to the local district heating network. Mesgo in Italy sold 85 MWh of energy from its solar panels to the electricity grid.

Climate

Emissions of carbon dioxide arise from the use of fossil fuels (oil, natural gas, propane), as well as from the purchase of electricity. The target of achieving a 75% reduction in carbon dioxide emissions by 2025 is within reach, and the reduction is currently 49%. The key performance indicator is affected by both positive and negative factors, for example:

- Measures to increase energy efficiency help reduce CO2 emissions.
- Increased use of fossil-free electricity (Sweden, Germany, Belgium, Czech Republic, UK, Spain, USA), biofuels (Sri Lanka) and biogas (Sweden) reduces CO2 emissions.
- Installing solar panels reduces the carbon footprint. Such installations are in place in Italy (2), Mexico (1) and China (1). During the year, two plants came into operation in Sri Lanka, and the expansion of self-produced fossil-free electricity continues.
- Acting in a negative direction is increased production, with increased energy use, as well as acquisitions of companies in countries whose energy systems are largely based on fossil sources.
- The effects of Russia's war against Ukraine are significant in the field of energy. We can probably expect a negative impact on the Group's climate targets.

Mapping of CO2 emissions according to Scope 3 in the GHG Protocol is continuing. Most of the emissions arise in connection with the production of fossil-based polymers, fillers, process oils and other chemical products. Two important actions are the completion of the work to create a calculation model for emissions from different raw materials and mixtures and to increase the use of raw materials with lower carbon footprints in collaboration with raw material suppliers. Many activities are underway within the Group (pages 33–35, 92–94). It can also be stated that emissions from transport of raw materials and finished products are not insignificant. The guidelines in accordance with TCFD (Task Force on Climate-related Financial Disclosures) are being applied, and an overview is given on pages 103–105. In the area of climate, work has begun on introducing Science Based Targets (SBTs).

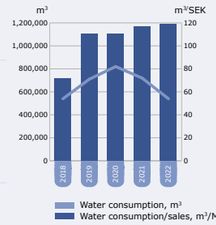
During the year, training on climate impact was carried out within the Group. One example is a training initiative at HEXPOL TPE in Manchester (UK), carried out in collaboration with the Carbon Literacy Project. The aim of the training was to increase employees' knowledge and awareness of climate change and reduce the carbon footprint of the business. HEXPOL TPE received the 'Bronze level Carbon Literate Organization' certificate.

[1] *For the Group's sustainability objectives, see page 31.*
[2] *Ten-year outcomes are presented on page 115.*

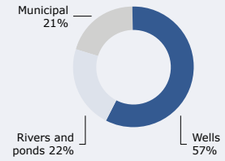
RESULTS WATER, RAW MATERIALS, CHEMICAL PRODUCTS AND WASTE

Area[1]	Background and outcome in 2022[2]
WATER	Water is used mainly for cooling, cleaning and sanitary purposes. Good water stewardship is a commitment in the Group's environmental policy.
Water use	In 2022, 243,500 m³ (286,500) of municipal water was used, 680,300 m³ (474,600) was pumped up from the Group's own wells, and 267,200 m³ (398,500) came from nearby watercourses. Consumption is affected by the increasing number of sites within the Group and by improved accounting practices.
Cost of water	Costs for water and sewerage amounted to 5.7 MSEK (5.6).
RAW MATERIALS, CHEMICAL SUBSTANCES AND PRODUCTS	The raw materials consist of polymers and a large number of chemicals (plasticizers, antioxidants, fillers, reaction chemicals, solvents, etc.). The polymers are dominated by synthetic rubber, although TPE and various plastics are used to a significant extent. In addition, natural rubber, recycled polymers and bio-based raw materials are used.
Chemical substances	The aim is to identify and manage hazardous chemical substances in a way that minimizes risks to people and the environment. Where possible, substances should be phased out. During the year, around ten substances were phased out.
Bio-based and recycled raw materials	Recycled plastic raw materials have long been used within the Group, and the acquisition of the German company almaak resulted in a significant increase in recycled raw materials. Recycled rubber is used to some extent. The main bio-based raw material is natural rubber, but the use of other raw materials of biological origin is increasing (e.g. bio-based plastics). During the year, many contacts were made with suppliers regarding the availability of bio-based and recycled materials. Purchases of such materials are gradually increasing.
Products	The aim is for the Group to be a pioneer in environmentally and climate-friendly products. The development of a carbon calculator continued, a calculation tool to support the choice of raw materials and recipes. During the year, many contacts were made with customers regarding recycled and bio-based raw materials. Demand for recycled plastics continued to grow. For an overview of products that contribute to sustainable development, see page 35.
WASTE	Reducing the volume of waste is a commitment in the Group's environmental policy. Within the frameworks of ISO 9001 and ISO 14001, many of the production units have their own targets and plans to reduce discards and the volume of waste.
Amount of waste	During the year, 24,900 tonnes (25,100) of waste were generated. In a five-year perspective, the key ratio (tonnes of waste/sales) has decreased. 52 percent (58) of waste is recycled as material and energy. Landfilling is common practice in several countries where the Group has operations.
Hazardous waste	Hazardous waste amounted to 1,613 tonnes (1,640) and accounted for 6 percent (7) of the total waste volume.
Cost of-waste	The costs of external waste management amounted to 30.3 MSEK (27.6).

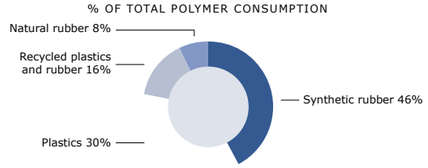
WATER CONSUMPTION



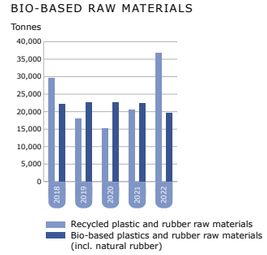
WATER CONSUMPTION PER SOURCE



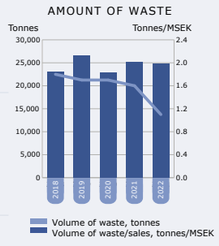
POLYMER MATERIALS % OF TOTAL POLYMER CONSUMPTION



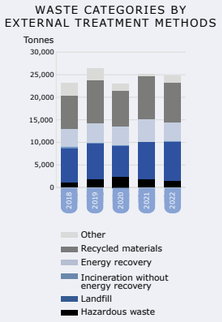
RECYCLED AND BIO-BASED RAW MATERIALS



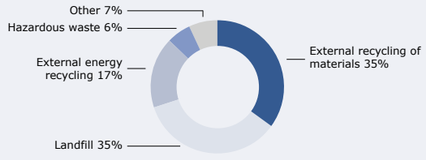
AMOUNT OF WASTE



WASTE CATEGORIES BY EXTERNAL TREATMENT METHODS



EXTERNAL WASTE TREATMENT % OF TOTAL WASTE VOLUME



[1] *For the Group's sustainability objectives, see page 31.*
[2] *Ten-year outcomes are presented on page 115.*

Water

Access to quality water is important, and there are many good reasons to save water. Most units are located in areas that do not suffer from water shortages, or where aquatic ecosystems are threatened. The exceptions are two facilities in California (US) where prolonged drought is causing water shortages and certain restrictions.

Closed cooling systems with recirculating water are installed at most of the production facilities, but a handful of units use water from wells and watercourses without recirculation. To reduce water consumption, various measures are implemented, such as technical solutions and leak detection, while educational initiatives also increase awareness of water issues.

Emissions of contaminants to waste water are limited and mainly comprise organic substances and nutrients from cleaning and sanitation. The waste water is treated at municipal treatment plants or similar facilities. At some units, cooling water, which has not been in direct contact with products, is released to nearby watercourses. To reduce the risk of unwanted discharges to water, preventive measures have been implemented, such as oil separators and collecting chemical products and oils. Decontamination equipment is available and personnel receive regular training in its use.

Polymers and other chemicals

The manufacture and use of polymer products affect the environment. The various stages in the life-cycle of the products contribute to their environmental impact. The table provides examples of the environmental aspects that can be associated with the raw materials most common within the Group. The impact is not exclusively negative and polymer materials can, for example, contribute to energy savings, noise attenuation, water management, reduced fuel consumption in vehicles and much more besides. In terms of volume, synthetic polymers dominate, but in some mixtures natural rubber is used. Thermoplastic elastomers (TPE), thermoplastics (TP), polyurethane plastics, metals and paints are examples of other important raw materials.

POLYMER MATERIALS AT HEXPOL

Polymer	Description	Environmental impact
SYNTHETIC RUBBER	About 60 percent of the world's production of synthetic rubber is used by the tire industry. The raw materials for the production of synthetic rubber derive from the petroleum industry (crude oil). Many different types of polymers are used at HEXPOL, including EPDM, SBR and NBR.	The environmental aspects of the manufacture and use of synthetic rubber are primarily energy consumption, the use of fossil raw materials, emissions to air and water, and waste. Examples of positive environmental aspects include rubber's capacity to contribute to lower energy consumption and to reduce noise and vibrations.
NATURAL RUBBER	Natural rubber is extracted from the viscous sap (latex) of several species of trees, among which the rubber tree, Hevea brasiliensis, is the most important. The rubber tree grows in regions with a tropical climate and about 90 percent of global production comes from Southeast Asia. There are also plantations in South America and Africa. Almost 70 percent of global production is used in the tire industry.	The large-scale cultivation of rubber trees on plantations can have an impact on local ecosystems, displacing the natural rainforest, for example, and replacing it with monocultures. Other negative environmental aspects include the use of pesticides and the impact on watercourses. Positive aspects include the fact that natural rubber is a renewable raw material and that interest in more sustainable, small-scale cultivation methods is increasing. HEXPOL does not own any rubber plantations of its own, and all raw materials are instead purchased.
THERMOPLASTIC ELASTOMERS	Thermoplastic elastomers (TPE) are a family of materials that share properties with rubber (flexibility, softness), while also offering typical plastic properties (versatility, recycling, advantages in processing). These materials are used in medical technology applications, for example, as well as in toys, vehicles and electronics.	Conventional TPE is produced from fossil raw materials (crude oil). The most important environmental aspects are the use of non-renewable raw materials, emissions of gases that impact the climate, and waste. A positive environmental aspect is that TPE can be recycled. Furthermore, TPE may contain bio-based and recycled raw materials, as is the case with Dryflex Green (bio-based ingredients) and Dryflex Circular (recycled ingredients).
THERMO-PLASTICS	Thermoplastics (TP) offer the advantage of melting when heated and solidifying when cooled. They can be remelted several times and are fully recyclable. Thermoplastics are easily processed using different production technologies, such as injection molding. Polyethylene (PE), polypropylene (PP) and polyvinyl chloride (PVC) are examples of thermoplastics.	Conventional thermoplastics are made from fossil petroleum products (for environmental aspects, see TPE). In the Group, RheTech manufactures composite materials comprising recycled thermoplastics and biodegradable waste products, such as rice husks or recycled cotton. The climate impact from such composite materials is significantly lower than for fossil-based materials. An example is the RheVision product line, which consists of polypropylene reinforced with natural fibers.

Preventive measures

Within the Group, thousands of recipes are used to manufacture mixtures with different technical properties. These recipes include a significant number of chemical substances and the Group's objective is to mitigate the risks of hazardous substances and, where possible, to phase out such substances. Compliance with EU chemicals legislation (REACH), and similar requirements regarding risk mitigation and labelling in other countries/regions, is obviously important for the Group's production units. In addition to direct legal requirements, many customers present their own lists of chemicals that are banned or subject to restrictions.

We use a number of chemicals listed as SVHCs (Substances of Very High Concern Candidate List) in REACH. Preventive measures have high priority, and in 2022 around ten of the listed substances were replaced with alternatives that are better from an environmental and health points of view. Additional measures are being taken to reduce the use

of, for example, cyclic siloxanes, certain phthalates, nitrosamines, ETU and dichloromethane.

In the absence of globally harmonized chemicals legislation, work on phasing out hazardous substances can be complicated. Some chemicals may be banned in one region but, at the same time, permitted elsewhere. An example is certain types of highly aromatic oils (process oils), with a content of PAHs exceeding 3 percent, banned in the EU but allowed in China, Mexico and the United States. Regardless of different requirements in different countries, we strive to give customers the opportunity to choose products with as little impact on health and the environmental as possible.

Solvents, metals and conflict minerals

The Group's production sites use around 165 tonnes of solvents (153), 38 tonnes of paints (37) and 4,200 tonnes of metals (3,500) per year. Frequently asked questions from customers concern the Group's possible use of conflict minerals (see glossary on pages 112–113). Such minerals are used at only one plant where control mechanisms have been put in place.

Renewable and recycled raw materials

The main use of recycled raw materials is recycled TP used in Rhetech's and almaak's operations with the automotive industry as one of the end-customers. Smaller amounts of recycled rubber raw material are used, for example, in the production of tires in Sri Lanka. Natural rubber is used in compounds produced at some 25 plants around the world. Natural cork is used in some TPE products, and the product series Dryflex Green, Dryflex Circular and RheVision contain bio-based and recycled raw materials.

In the polymer industry, many different development projects are in progress with the aim of reducing the use of fossil-based raw materials and chemicals. These include recycled carbon black (for example through pyrolysis products), rubber and plastic polymers from bio-based raw materials (for example from forest raw material or sugar cane), as well as process oils that are produced from biological materials and/or manufactured using methods with a small climate footprint. We are pursuing a continuous dialogue with various chemical and recycling companies and subsequently test many of the products. However, a number of questions remain about technical characteristics, production volumes, costs and the impact on biodiversity.

For an overview of products that contribute to sustainable development, see page 35.

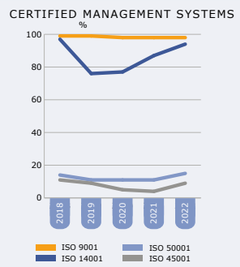
Waste

From an environmental point of view, it is positive that the proportion of waste that is recycled is increasing. This is a result of more demanding legislation in many countries, but can ultimately be linked to a number of preventive measures at the Group's facilities. The systematics in ISO 14001, Lean Manufacturing and 5S are important tools in reducing spoilage and production of waste.

Key components in our sustainability work include using raw materials in a resource-efficient manner and reducing the volume of waste produced. The sorting of waste at source for external recycling, as well as the internal reuse of plastic waste and carbon black are some examples of measures being conducted on an ongoing basis. The volume of waste sent to landfill has increased in recent years, which is mainly due to the number of production facilities in the US having increased, where landfill is an accepted method of waste disposal.

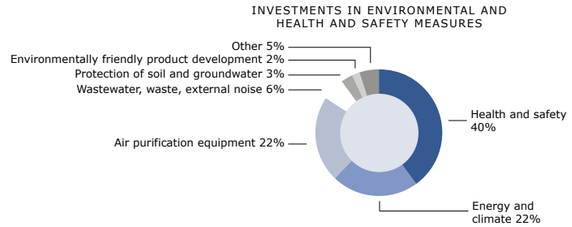
RESULTS — ENVIRONMENTAL MANAGEMENT SYSTEM, COMPLIANCE WITH ENVIRONMENTAL LEGISLATION, ACCIDENTS, COMPLAINTS, POLLUTED SOIL, TRANSPORT, INVESTMENTS AND COSTS

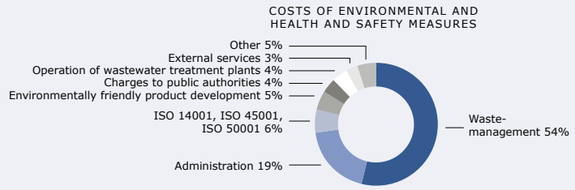
Area[1]	Background and outcome in 2022[2]
ENVIRONMENTAL MANAGEMENT SYSTEM	The Group has the target of all its production units being certified in accordance with ISO 14001 (environment). During the year, 3 units in Italy, Spain and the United States were certified. Environmental audits are an important component of ISO 14001, and 116 internal (145) and 48 external audits (48) were conducted during the year. The occupational health and safety management standard (ISO 45001) has been introduced at four units in the Czech Republic, the UK and Sri Lanka. Four plants in Germany, one in the Czech Republic and the units in Sri Lanka are certified according to the standard for energy management systems (ISO 50001). 98 percent of the production facilities are certified in accordance with ISO 9001 (quality).
COMPLIANCE WITH ENVIRONMENTAL LEGISLATION	2 breaches (1) of environmental legislation were recorded in 2022. The breaches concerned the classification of waste and emissions to air, land and water.



[1] *For the Group's sustainability objectives, see page 31.*
[2] *Ten-year outcomes are presented on page 115.*

Area[1]	Background and outcome in 2022[2]
ACCIDENTS COMPLAINTS	There were 4 accidents (0) affecting the environment during the year. The incidents involved some minor fire incidents and a small hydraulic oil spill. 7 complaints (5) from nearby residents regarding disturbance from odor, noise and dust.
POLLUTED SOIL	There is limited soil pollution at three facilities. The pollution is of a historical nature, and remediation measures are ongoing at one facility. At one facility in Sweden, the environmental authority has requested an in-depth investigation of possible soil pollution (see also the section on risk on page 43).
TRANSPORT	The Group works continuously to reduce the environmental impact of freight transport and business travel. A number of activities carried out are listed below.
INVESTMENTS	In 2022, HEXPOL invested MSEK 51.5 (67.1) in measures that directly or indirectly contribute to reducing environmental impact and improving the working environment. Around 22 percent (33) of the investments were in energy and climate measures, mainly energy-efficient production equipment and infrastructure. Around 40 percent (23) was spent on preventive work environment efforts.
COSTS	Environmental costs amounted to 55.7 MSEK (47.1) and were dominated by expenses for waste disposal, internal administration, and fees to authorities and certification companies. During the year, environmental improvement measures generated cost savings of 10.8 MSEK (10.0). The savings were achieved mainly through more efficient use of energy and waste management.





Environmental legislation

The Group is affected by national and international environmental legislation. The majority of the producing units require various types of permits and all the facilities in Sweden are subject to official approval or reporting pursuant to the Swedish Environmental Code. The units in the Czech Republic, Belgium, Spain, Italy, the US, Mexico, Sri Lanka and China have environmental licenses that either cover all areas of their operations or that apply to specific environmental aspects, for example, emissions to the atmosphere. A few operations in the UK, Poland, Germany and the US are not subject to any specific environmental permits. Compliance with permits and emission conditions is monitored through measurements and inspections, and 36 companies (40) submit specific environmental reports to supervisory authorities. About 20 of the units are planning to apply for minor updates of applicable permits in the near future.

Environmental legislation in the form of EU directives (REACH, RoHS, CLP, WEEE, energy optimization, sustainability reporting; see glossary) or other national/international legislation affects most of the Group's operations and products. About one third of the units are subject to producer responsibility legislation for packaging. The following events related to legislation and ordinances occurred during the year:

- Energy surveys were performed in accordance with the EU Energy Efficiency Directive.
- The supervisory authorities conducted inspections at 23 facilities (14). In a few cases, the authority requested improvement measures.
- Minor breaches of environmental legislation occurred at 2 units.

Transport

Some examples of measures implemented in recent years follow below:

- Group companies make use of online conference opportunities, and this increased significantly during the global pandemic.
- When replacing vehicles and company cars, models that consume less fossil fuels are chosen, such as hybrid or electric cars. A number of facilities have increased the number of electric vehicle charging points.
- Many of the companies work to optimize their transport, for example by filling trucks to a greater extent, coordinating transport and using environmentally friendly routes.
- Setting environmental requirements for transport companies reduces the carbon footprint of transport. The requirements may, for example, relate to the choice of fossil-free fuels, such as HVO100.

[1] *For the Group's sustainability objectives, see page 31.*
[2] *Ten-year outcomes are presented on page 115.*

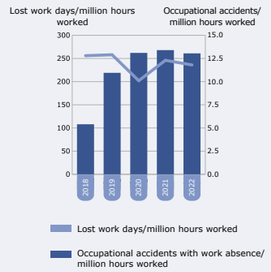
SOCIAL RESPONSIBILITY

Materializing Our Values applies in the same way worldwide and the Group aims to be a good corporate citizen applying sound business principles. As part of the strategy for sustainable development, the Code of Conduct helps attract, develop and retain committed and skilled employees. Work environment efforts are focused on preventive measures with the vision of zero accidents occurring. The following pages summarize and comment on the results in social responsibility.

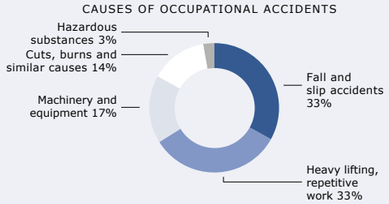
RESULTS | SOCIAL RESPONSIBILITY

Area[1]	Background and outcome in 2022[2]
HEALTH AND SAFETY	The overarching objective is that no accidents should occur at our workplaces. Risk analyses, work environment surveys and medical examinations are performed regularly within the Group. The US units apply the 'Compounding Americas Safety Program'. Important elements of the program include the units sharing examples of good practice, and experiences of accidents and incidents being analyzed and quickly disseminated.
Fatal accidents	1 fatal accident (0) occurred in 2022.
Lost work day cases (LWC)	In 2022, 126 occupational accidents (126) occurred that resulted in at least one lost work day. 4 contractors (5) experienced accidents. Approximately 30 percent (30) of the units reported zero accidents during the year.
Lost work days (LWD)	Occupational accidents caused a total number of 2,790 lost work days (2,700).
Safety Committee	Safety committees, which are important in preventive efforts, are located at 94 percent (87) of the facilities.
Near misses	Systems for reporting near misses have been introduced at 81 percent of the facilities (91). During the year, 439 risk situations (380) were registered, which in many cases resulted in preventive measures being implemented.
Certified health and safety management systems	Some form of work environment management system is in place at all Group companies and, in many instances, these systems build directly on requirements under national law. In 4 cases (2), the company has elected to apply for certification in accordance with ISO 45001 (UK, Czech Republic, Sri Lanka).
Training in health and safety	Training in health and safety is conducted at the units, amounting to 12 hours per employee (13) in 2022. New employees are an important target group. First aid, ergonomics and the handling of hazardous substances are some examples of areas covered in this training.
Inspections by health and safety authorities	In the field of health and safety at work, 17 units (15) were inspected by the health and safety authorities. Improvement measures were implemented as required by the authorities.
Breaches of health and safety legislation	3 minor breaches of health and safety legislation (2) were recorded in 2022.

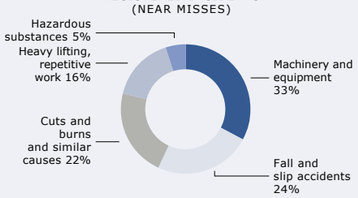
OCCUPATIONAL ACCIDENTS



CAUSES OF OCCUPATIONAL ACCIDENTS



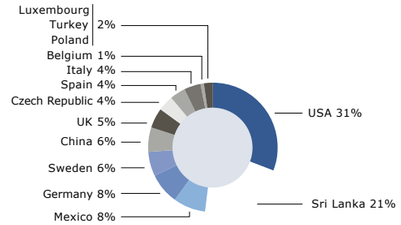
REGISTERED INCIDENTS (NEAR MISSES)



[1] *For the Group's sustainability objectives, see page 31.*
[2] *Ten-year outcomes are presented on page 115.*

Area[1]	Background and outcome in 2022[2]
EMPLOYEES	At the end of the financial year, the number of employees was 5,101 (4,771), of whom 3,559 (3,264) worked in the HEXPOL Compounding business area and 1,518 (1,500) in HEXPOL Engineered Products. The Parent Company had 7 employees (7). HEXPOL is a global Group and 94 percent (93) of the employees work outside Sweden.
Age distribution	26 percent of employees were <30 years old, 52 percent between 31 and 50 years old and 22 percent >51 years old.
Staff-turnover	The average staff turnover rate was 21 percent (19). At individual units, it varied between 0 (0) and 85 (85) per cent.
Freedom of association	All employees have the right to be represented by trade unions, as well as the right to collective bargaining. On average, 37 percent (39) of employees were represented by a union through a collective agreement. At individual units, the membership rate varied between 0 and 100 percent. In China, the law places certain restrictions on freedom of association.
Human rights	During the year, 0 deviations (0) attributable to human rights were registered at the Group's units, or among suppliers.
Child labor, forced labor	0 cases of child labor and forced labor (0) were recorded. This also includes suppliers.
Gender equality and counteracting discrimination	One of the aims of gender equality efforts is to create a balance between men and women in employment and career development. Gender equality issues are handled in a decentralized manner, and formal gender equality plans are in place at 70 percent (58) of units. During the year, 27 units (22) implemented measures to promote gender equality, for example in the recruitment and hiring of employees with disabilities. 1 case (2) of discrimination was recorded during the year.
Distribution between men and women	The proportion of women among employees was 15 percent (14) during the year. On the HEXPOL Board of Directors, the proportion of women was 67 percent (57), and in the Group Management it was 0 percent (0). Among the other members of the local management team, 67 (71) are women, which corresponds to 28 percent (27).
Training and personal development	The number of training hours was 115,000 (98,500). This corresponds to 22 hours (20) per employee.
Training on the Code of Conduct	60 percent of employees (3,000 people) participated in information or training on Materializing Our Values (HEXPOL's Code of Conduct and policies). Information is ongoing, with new recruits as a key target group.
Career development reviews	3,500 employees participated in (2,600) career development reviews or other performance appraisals.
Employee surveys	During the year, employee surveys were conducted at 24 units (17). Examples of views and wishes expressed by employees concerned personal development, training, internal communications and planning of working hours.

EMPLOYEES PER COUNTRY



BOARD OF DIRECTORS

GROUP MANAGEMENT

MANAGEMENT TEAMS GROUP COMPANIES

[1] *For the Group's sustainability objectives, see page 31.*
[2] *Ten-year outcomes are presented on page 115.*

Health and safety

The emphasis in occupational health and safety efforts is on preventive measures, such as risk analyses, systems for reporting incidents, training, occupational health and safety management systems (ISO 45001) and technical measures. Responsibility for fostering a favorable work environment lies with the local managements, and improvement programs are designed in collaboration with the employees. About 49 percent of the production units (45) have introduced reward programs for positive initiatives in the areas of health, safety and the environment.

The number of accidents per million hours worked has decreased somewhat over the past five years. As in previous years, the most common causes of occupational accidents are machinery, equipment, heavy lifting and repetitive work. Falls, cuts and burns are other common causes of injuries and lost work days.

Employees

Job satisfaction, personal development, pay and career opportunities are important factors for many employees. Each Group company is responsible for managing human resources issues in accordance with the Group's guidelines and with the laws and culture of the country concerned. The employees are entitled to form and join trade unions and have the right to collective bargaining. They also have complete insight into and the right of co-determination in accordance with the provisions of national legislation. There is a Group-wide equal opportunity policy, and this serves as a clear message from Group Management to strive for a higher proportion of females in connection with external and internal recruitment to various positions.

The Group offers remuneration that, at a minimum, meets the minimum requirements in the legislation and is fully adapted to the market in the countries where HEXPOL operates. Variable performance-based remuneration occurs in parts of the Group. In 2022, salaries, pension premiums and social security expenses amounted to 2,443 MSEK (2,073).

BUSINESS PARTNERS AND OTHER STAKEHOLDERS

HEXPOL's business principles are to be characterized by integrity, responsibility and good ethics - fundamental principles that we share with suppliers, customers and other stakeholders affected by our activities. Preventing corruption is a high priority. Materializing Our Values, based in part on the principles of the Global Compact, supports employees and builds trust in interactions with customers and other stakeholders.

RESULTS	BUSINESS PARTNERS AND OTHER STAKEHOLDERS
Area[1]	Background and outcome in 2022[2]
GOOD BUSINESS ETHICS	0 cases of bribery, corruption or creation of cartels (0) were registered in 2022. Group-wide training on anti-corruption, competition law, contract management and other relevant topics has been conducted, and new training will be offered in 2023. During the year, the management of all production units carried out self-assessments on anti-corruption according to Global Compact checklists.
Whistle-blowing - number of cases	In 2022, 2 reports (0) for further processing and investigation were received. Relevant measures have been taken where. justified. Where cases have been dismissed, it has been due to lack of relevance or insufficient evidence.
SUPPLIERS	During the financial year, 682 (1,096) supplier assessments were performed by means of questionnaires and 35 audits or site visits were carried out (124). Since the introduction of the Supplier Sustainability Guideline, nearly 15,000 suppliers have received the Group's guidelines (Step 1). In Step 2, selected suppliers are asked to make a self-declaration. More than 50 percent (based on purchasing costs; total spent) have done so and certified that they accept the Group's Code of Conduct.
CUSTOMERS	The demands on HEXPOL as a partner are increasing, and customer follow-up is becoming more effective. The majority of companies report sustainability requirements from customers (page 32). During the year, a significant number of customers carried out assessments at 30 units (20). HEXPOL TPE UK received the Platinum Award and 6 other Group companies received the Silver Award in evaluations conducted by the independent organization EcoVadis.
SOCIAL COMMITMENT	Group companies continued to interact with the surrounding communities in those places where they have operations (see below).

Good business ethics

An important component of the anti-bribery efforts is that the management of the Group companies carries out an annual evaluation of the efforts made during the year. The assessment consists of some 20 questions designed by the UN Global Compact and focuses on how anti-corruption policies and practices are implemented in the business and in its relations with business partners. The 2022 results show that the Group companies:

- Build on the commitments in Materializing Our Values in internal policy work. In addition, around 30 percent of companies have introduced a more detailed local policy.
- Declare zero tolerance of bribery.
- Provide training and information on topics relevant to anti-corruption and promoting good business ethics.
- Have introduced procedures for payments, gifts and donations.
- Require relevant employees to confirm in writing that they comply with anti-corruption principles. Have put in place a system of sanctions in case of non-compliance.
- Have put in place procedures for monitoring anti-corruption measures.
- Informs supplier of the anti-corruption principles and terminate contracts with suppliers if the principles are not followed.

Social commitment

HEXPOL participates actively in the community, including through collaborations with universities, study visits from schools, ‘open days’ for employees and their families, and financial support for healthcare, sports and cultural events. In 2022, the following activities can be mentioned:

- Schools: Ten production facilities performed activities at local schools, including exchanging knowledge and providing information about the operations. Around 450 people participated in these activities.
- Universities: More than 15 units participated in teaching and development projects at universities, including degree projects, internships and research projects. RheTech LLC participated in a collaboration between universities and businesses (Center for Bio plastics and Bio composites) on sustainable solutions for industrial companies. The intention is to progress from concepts to practical and commercial projects and products. The Group company almaak is working with researchers at IKT (Kunststoff, Teknik, Stuttgart) on bio-based raw materials as part of the BeBIO2 project. For a longtime, the Group has been collaborating with the International Institute for Industrial Environmental Economics (IIIEE) at Lund University in Sweden.
- Local communities: HEXPOL provides financial support to local schools, to healthcare initiatives, sports and social activities. In many cases, the commitment is long-term and centered on something that engages the Group’s employees.

[1] *For the Group's sustainability objectives, see page 31.*
[2] *Ten-year outcomes are presented on page 115.*

GRI INDEX

The organization behind the GRI (Global Reporting Initiative) has established voluntary global guidelines for how companies and other organizations should report on their activities in sustainable development. Reporting according to GRI must focus on sustainability aspects that are of material importance for the organization and its stakeholders. It must include both positive and negative aspects. As required by the GRI, HEXPOL publishes an index showing the standards and disclosures included in the Sustainability Report. The page references are to HEXPOL's Annual and Sustainability Report 2022.

Statement on use: HEXPOL reports in line with the GRI Standards for the period January 1, 2022 to December 31, 2022.

Use of GRI: Universal Standard.

Applicable GRI Standards: GRI 1 (Foundation 2021), GRI (General Disclosures), GRI 3 (Material Topics) and Topic Standards.

1. THE ORGANIZATION AND ITS ACCOUNTING POLICIES

GRI Standard/ Other source	Disclosures	Page/comments	Omitted information
GRI 2: General Disclosures 2021	2-1 Organizational details	1, 20–21	
	2-2 Entities included in the organization's sustainability reporting	111	
	2-3 Reporting period, frequency and contact point	110	
	2-4 Restatements of information	The report does not contain any corrections to previous information	
	2-5 External assurance	110	

2. ACTIVITIES AND STAFF

GRI Standard/ Other source	Disclosures	Page/comments	Omitted information
GRI 2: General Disclosures 2021	2-6 Activities, value chain and other business relationships	22–27	
	2-7 Employees	63, 97	
	2-8 Workers who are not employees	96	HEXPOL uses local contractors but does not have a system to track the number of individuals. The number of occupational accidents involving contractors is monitored and included in the Sustainability Report.

3. GOVERNANCE

GRI Standard/ Other source	Disclosures	Page/comments	Omitted information
GRI 2: General Disclosures 2021	2-9 Governance structure and composition	45–48, 86–87	
	2-10 Nomination and selection of the Board	47–48	
	2-11 Chairman of the Board	52	
	2-12 Role of the highest governance body in overseeing the management of impacts on environment, finance and people	86-87	
	2-13 Delegation of responsibility for managing impacts on environment, finance and people	86-87	
	2-14 Role of the Board of Directors in the sustainability reporting	86–88	
	2-15 Conflicts of interest	47	
	2-16 Communication of serious events to the Board	47	
	2-17 The Board's collective knowledge of sustainable development	52	
	2-18 Assessment of the Board's performance on sustainable development	47	
	2-19 Principles of remuneration	63	
	2-20 Process for determining remuneration	47–48, 63	
	2-21 Ratio of the highest paid person in the organization to the average remuneration of all employees	63	

4. STRATEGY, POLICIES AND APPLICATIONS

GRI Standard/ Other source	Disclosures	Page/comments	Omitted information
GRI 2: General Disclosures 2021	2-22 Statement on the Sustainable Development Strategy	14-17	
	2-23 Commitments in policies	29	
	2-24 Application of policy commitments	31, 86–89	
	2-25 Processes for restoring negative impact	90–95	
	2-26 Mechanisms for seeking advice and raising questions	86-87, 99	
	2-27 Compliance with laws and regulations	87, 94-96	
	2-28 Membership of organizations	99	

5. STAKEHOLDER RELATIONS

GRI Standard/ Other source	Disclosures	Page/comments	Omitted information
GRI 2: General Disclosures 2021	2-29 Stakeholder dialogue	88-89	
	2-30 Collective agreements	97	

6. MATERIAL AREAS

GRI Standard/ Other source	Disclosures	Page/comments	Omitted information
GRI 3: Material Topics 2021	3-1 Process for identifying significant topics	88–89	
GRI 3: Material Topics 2021	3-2 List of material topics	88	

GRI Standard/ Other source	Disclosures	Page/comments	Omitted information
ENVIRONMENT			
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 89, 90–95	
GRI 301: Materials 2016	301-1 Materials used by weight or volume 301-2 Recycled input materials used	31, 91–94	
GRI 302: Energy 2016	302-1 Energy consumption within the organization 302-3 Energy intensity 302-4 Reduction of energy consumption 302-5 Reduction in energy requirements of products and services	31, 33-35, 90-91	
GRI 303: Water and effluents 2018	303-3 Water withdrawal 303-5 Water consumption	92–93	
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products and services on biodiversity	93–94	
GRI 305: Emissions 2016	305-1 - 305-7 Greenhouse gas emissions and other emissions	31, 33-35, 90-91	Scope 3 emissions are being determined.
GRI 306: Effluents and waste 2016	306-1 Water discharge by quality and destination 306-2, 306-3, 306-4 Waste, spills and transport of hazardous waste	92-93	
GRI 308: Supplier environmental assessment	308-1 New suppliers that were screened using environmental criteria	99	
EMPLOYEES			
GRI 403: Occupational health and safety 2018	403-1 - 403-2, 403-4 - 403-6, 403-8 - 403-9 Management systems, risk assessments, participation, training, work-related injuries	31, 96–98	
GRI 404: Training and education 2016	404-1, 404-3 Hours of training per employee, career development reviews	96–97	
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees 405-2 Ratio of basic salary and remuneration of women to men	97	Information on the ratio of male to female remuneration has been collected. However, definitions and methodology need to be developed before data can be published.
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	97	
GRI 407: Freedom of association and collective bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	97	
GRI 408: Child labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	97	
GRI 409: Forced and compulsory labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	97	
ECONOMY AND SOCIETY			
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	32	
GRI 205: Anti-corruption 2016	205-2 - 205-3 Communication and training. Incidents and actions taken	99	
GRI 206: Anti-competitive behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	40, none during the financial year.	
GRI 413: Local communities 2016	413-1 Participation in local community activities	99	

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Task Force on Climate-related Financial Disclosures (TCFD)

TCFD is a market-driven initiative launched in 2017. The purpose is to develop recommendations for voluntary and consistent reporting of climate-related financial risks and opportunities. HEXPOL is not a member of the TCFD but has been working on climate issues for a long time. The company's work according to the TCFD structure is presented below with references to the relevant sections of the Annual/Sustainability Report.

Area	TCFD recommendations	References/pages
GOVERNANCE	• Describe the Board's oversight of climate-related risks and opportunities. • Describe management's role in assessing and managing risks and opportunities.	Climate-related risks and opportunities are part of the Group's overall risk management and business development work. Sustainability issues and risks are discussed at at least one Board meeting per year. The Board approves policies and objectives and monitors the results of its work. Risks and opportunities are also managed in the line organization and in networks. Climate issues are regularly raised in the Sustainability Council. A bonus system has been introduced focusing on the Group's climate targets. Read more about governance on pages 45-51 and 86-87.
STRATEGY	• Describe the climate-related risks and opportunities the organization had identified over the short, medium, and long term. • Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. • Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	HEXPOL has identified a number of climate-related risks and opportunities. Whatever the future climate scenario, the transition to a business less dependent on fossil fuels and raw materials is of great strategic importance. In our case, the raw material suppliers' shift to recycled and bio-based materials will have a major impact on the Group's carbon footprint. Key internal measures include greater energy efficiency, reducing dependence on fossil energy, and developing products with a low carbon footprint. Read more about strategy, risks, products and scenarios on pages 16, 29, 33-35, 43 and 103-105.
RISK MANAGEMENT	• Describe the organization's processes for identifying and assessing climate-related risks. • Describe the organization's processes for managing climate-related risks. • Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.	Climate-related risks and opportunities have been identified as part of the Group's risk management process. Read more about the process, identified risks and opportunities on pages 33-35 and 104-105.
METRICS AND TARGETS	• Disclose the metrics used by the organization to assess climate-related risk and opportunities in line with its strategy and risk management process. • Disclose Scope 1, Scope 2 and Scope 3 greenhouse gas emissions, and the related risks. • Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	The Group's targets in energy efficiency, reduction of carbon dioxide emissions, and development of products with low climate impact, aim to reduce the company's impact on the climate. In 2020, a demanding new climate target was introduced for the Group with a bearing on 2025. The Group has a long history of reporting on energy consumption and carbon dioxide emissions and providing key performance indicators for these areas. Read more about metrics and targets on pages 31 and 90-91.

Climate scenario

Climate risks are worsening as the rate of global warming increases. According to UN reports published in 2022, the science is sending a clear message that climate action is insufficient (Adaptation Gap Report 2022: Too little, too slow; The closing window. Climate crisis calls for rapid transformation of societies). It is noted that ambitions in many countries are high but implementation of relevant measures is too slow. The last seven years were the warmest on record and it is possible that in one of the next five years the global average temperature will temporarily be 1.5°C higher than the average for 1850-1900. The UN notes that if climate action is not stepped up, a temperature increase above the Paris Agreement target will be exceeded, meaning that the global temperature rise will not be kept below 2°C and will not be limited to 1.5°C.

Risks

In our climate scenario, we have assumed that the world fails to limit emissions and that the temperature increase will be at least 2.5°C by 2100. Climate action is being implemented in politics and business but at too slow a pace. Dependence on fossil fuels is decreasing but greenhouse gas emissions remain too high. Likely impacts include extreme

weather, floods, droughts, forest fires, water shortages, rising sea levels and ecosystem change. Based on these conditions, we have made a general assessment of how the business may be affected by physical climate risks (acute, chronic), as well as by the transition processes implemented in society (political decisions, legislation, development of technologies, changes in markets).

PHYSICAL RISKS THAT CAN BE CAUSED BY GLOBAL TEMPERATURE INCREASE (>2.5°C)

Risk	Event	Consequences	Current situation	Future situation
ACUTE	Extreme weather situations occur more frequently (torrential rain, storms, tropical cyclones, landslides, extreme temperatures, forest fires, etc).	Significant but temporary disruption to production facilities, transport, suppliers and customers. Increased operating costs and reduced revenues.	Facilities in the US report a risk of tornadoes and snowstorms. A facility in Sri Lanka is prone to flooding. There have been no significant production disruptions at our sites or with suppliers and customers.	The frequency of disruption is increasing and involves more production facilities. This also applies to suppliers' and customers' production facilities. Transport may also be adversely affected to a greater extent.
CHRONIC	Changing precipitation patterns and temperature. Rising sea levels.	Significant and long-term disruption to production facilities, transport, suppliers and customers. The global production of natural rubber is adversely affected by rising temperatures. Political unrest and flows of climate refugees.	Two plants in the US are located in areas with prolonged water shortages. One unit in Sweden is at risk of flooding (it has been flooded on one occasion).	Recurrent episodes of high temperatures complicate the operation of an increasing number of production facilities (occupational health and safety risks). Frequent flooding and chronic water shortages and water stress affect more facilities. Adverse impact on the availability of natural rubber affects the purchasing strategy.

TRANSITION RISKS THAT CAN BE CAUSED BY GLOBAL TEMPERATURE INCREASE (>2.5°C)

Risk	Consequences	Current situation	Future situation
POLITICAL DECISIONS AND LEGISLATION	Regulations, taxes and charges on fossil raw materials, fuels and emissions are increasing. Increased operating costs. Increased reporting requirements.	The impact of carbon taxes and other charges is limited in the case of production facilities. Taxes and duties have a limited impact on raw material prices. Current reporting requirements in the area of climate change are met.	A rapid and significant increase in regulations, taxes and charges increases the cost of fossil fuels and raw materials. Strengthened requirements for fund-raising through the EU Sustainable Investment Taxonomy and increased requirements for climate/sustainability reporting.
TECHNOLOGY-DEVELOPMENT	Increased use of raw materials and processes with lower climate impact.	The Group is investing in bio-based and recycled raw materials. Limited supply and high prices are slowing down the transition.	It is positive if the global supply of bio-based and recycled raw materials increases. On the positive side, existing production processes and equipment work well with bio-based and recycled raw materials. A negative aspect for the Group is if the switch of raw materials and technology by suppliers is too slow, and if competing technologies take over.
ACCESS TO FOSSIL-FREE ENERGY	Increasing access to fossil-free energy reduces climate impact. Limited supply and rising prices are slowing down the transition to a low-carbon polymer industry.	In a historical perspective, the Group's energy cost has been low in relation to other costs. The transition to fossil-free energy sources is taking place gradually according to targets and plans. Geopolitical turmoil has greatly changed the playing field both in terms of costs and access to fossil-free energy.	Society's transition to fossil-free energy sources is continuing. Continued high price levels affecting energy, raw material and transportation costs.
MARKET AND TRUST	The polymer industry is stigmatized and associated with fossil raw materials and products. The transition processes taking place in the value chain are perceived as insufficient. Changed customer preferences where low carbon footprint products are required. Investors are hesitant about the industry. Difficulty in finding skilled workers.	Trust and branding have not been affected, but interest in climate issues has increased significantly among customers and investors.	If the company does not respond quickly enough to the increasing demands for low-carbon products and processes, the impact on its brand and market position will be significant. New players in different market segments are emerging with applications in competing materials.

Preventive measures and opportunities

The most important preventive measures include:

- Evaluation of climate-related hazards.
- Reduction in emissions by improving energy efficiency and increasing the use of fossil-free energy sources.
- Development of products with a smaller carbon footprint.
- Batch production, which means that acute climate-related disruptions at one facility can be offset by equivalent production at another unit.

Climate change also brings potential competitive advantages to the Group:

- Greater cost-effectiveness through energy efficiency.
- Product development focused on bio-based and recycled raw materials.

Details on preventive measures and opportunities can be found on pages 33-35 and 90-91.

GLOBAL COMPACT

Ten principles of corporate responsibility

HEXPOL joined the UN initiative for corporate responsibility, the Global Compact, in 2017. The Group thus became part of a worldwide network that today consists of more than 16,000 companies and 3,000 organizations, including more than 500 in Sweden. The Group takes part as a Signatory.

Through the Global Compact, the company supports ten fundamental principles in respect of human rights, labor, the environment and anti-corruption. The ten principles are based on various UN conventions, such as the Declaration of Human Rights and the Convention against Corruption. Nowadays, the global goals that the UN presented in the autumn of 2015 are also attached to the Global Compact. In 2016, HEXPOL linked the Group targets to the Global Goals.

WE SUPPORT UN GLOBAL COMPACT

In 2017, the company joined the Global Compact, a UN initiative for corporate responsibility. We have thus committed to ten principles in the areas of human rights, labor, the environment and anti-corruption.

Communication on Progress

It is a requirement that organizations that have joined the Global Compact must compile an annual report (Communication on Progress; COP) on how the ten principles are met. To simplify Communication on Progress, we use GRI Universal Standard (2021) and the cross-reference table below shows which indicators are relevant in this context.

Global Compact	GRI indicators
HUMAN RIGHTS	
1. Companies must support and respect internationally proclaimed human rights	2-23, 2-24
2. Companies must ensure that they are not involved in human rights violations	2-23, 2-24
WORKING CONDITIONS	
3. Companies must maintain freedom of association and recognize the right to collective bargaining	2-23, 2-24, 407-1
4. Companies must work for the abolition of all forms of forced labor	2-23, 2-24, 409-1
5. The companies must work for the abolition of all child labor	2-23, 2-24, 408-1
6. Companies must work for the elimination of all discrimination in employment and professional practice	2-23, 2-24, 406-1
ENVIRONMENT	
7. Companies must support the precautionary principle with regard to environmental risks	2-23, 2-24, 301-1
8. Companies must take initiatives to promote greater environmental responsibility	2-23, 2-24, 301-1, 302-4, 302-5
9. Companies must encourage the development and dissemination of environmentally friendly technology	2-23, 2-24, 301-2, 302-4, 305-5
CORRUPTION	
10. Companies must counteract all forms of corruption, including extortion and bribery	2-23, 2-24

THE EU TAXONOMY

The taxonomy for environmentally sustainable investment is one of the measures included in the EU's plan of action for financing sustainable growth. The taxonomy makes it possible to identify and compare investments that are necessary in achieving a sustainable economy. The intention is that it will provide a basis for future standards and for the labelling of sustainable financial products. Companies with more than 500 employees must report their turnover, capital investments and operating expenses in accordance with the taxonomy. In accordance with the taxonomy, the following apply:

- Contribute to environmental objectives – To be sustainable in accordance with the Regulation, the operations must make a significant contribution to at least one of the six environmental targets stated in the taxonomy. The contribution can be made through internal measures and/or by the company's products facilitating a stakeholder's contribution to one of the environmental targets.
- Do not counteract environmental objectives – Meeting one or more of the taxonomy's environmental objectives may not counteract the other environmental objectives.
- Meet basic principles and standards – This refers to conventions and guidelines on, for example, labor and human rights.

PROPORTION OF TURNOVER

				Significant contributions						Criteria relating to Do No Significant Harm (DNSH)											
Economic activities	Code	Total turnover, MSEK	Proportion of turnover, %	Climate change mitigation, %	Climate change adaptation, %	Water and marine resources, %	Circular economy, %	Pollution, %	Biodiversity and ecosystems, %	Climate change mitigation, Y/N	Climate change adaptation, Y/N	Water and marine resources, Y/N	Circular economy, Y/N	Pollution, Y/N	Biodiversity and ecosystems, Y/N	Minimum safeguards, Y/N	Percentage of turnover taxonomy-aligned in 2022, %	Percentage of turnover taxonomy-aligned in 2021, %	Category (enabling activity) Y/N	Category (transitional activity) Y/N
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
Environmentally sustainable (Taxonomy-aligned) activities (A.1)		0	0																	
A.2 TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES)																				
Turnover of taxonomy-eligible but not environmentally sustainable (not taxonomy-aligned) (A.2)		0	0																	
Total (A.1 + A.2)		**0**	**0**																	
B. TAXONOMY -NON-ELIGIBLE ACTIVITIES																				
Turnover of taxonomy-non-eligible activities (B)		22,243	100																	
TOTAL (A + B)		**22,243**	**100**																	

The total turnover corresponds to the net sales in the group's annual report.

- Adhere to technical criteria – For an activity or product to be considered sustainable, the taxonomy states specific requirements and criteria.

To influence development in the direction of net-zero CO_2 emissions, in an initial stage, the regulation emphasizes activities of particular importance from the perspective of climate. The EU taxonomy is still evolving, but the Regulation does not currently cover all business activities and sustainability initiatives. The consequence of the taxonomy's focus is that polymer companies such as HEXPOL are not covered in any material way by the taxonomy's current guidelines and criteria. The proportion of economic activity that is either potentially eligible or fully aligned with the taxonomy is zero or minimal. The Group's share of sales covered by the Taxonomy Regulation is thus 0 percent. The share of capital expenditure (CAPEX) and operating expenses (OPEX) is also 0 percent.

In our view, the Group's product portfolio includes products that contribute to sustainable development. By applying the sustainability criteria listed in the table on page 35, we have identified a number of such products. The contribution to sustainable development is described in the table.

Accounting principles

In the absence of regulatory guidance in many respects regarding the taxonomy, HEXPOL has found that there is a wide scope for interpretation in several parts of the taxonomy. Because of this, we have made our own internal considerations regarding interpretations. The current interpretations made for 2022 may therefore change in the future if new guidance is added and market practice develops.

PROPORTION OF CAPITAL EXPENDITURE (CAPEX)

				Significant contributions						Criteria relating to Do No Significant Harm (DNSH)											
Economic activities	Code	Total turnover, MSEK	Proportion of turnover, %	Climate change mitigation, %	Climate change adaptation, %	Water and marine resources, %	Circular economy, %	Pollution, %	Biodiversity and ecosystems, %	Climate change mitigation, Y/N	Climate change adaptation, Y/N	Water and marine resources, Y/N	Circular economy, Y/N	Pollution, Y/N	Biodiversity and ecosystems, Y/N	Minimum safeguards, Y/N	Percentage of turnover taxonomy-aligned in 2022, %	Percentage of turnover taxonomy-aligned in 2021, %	Category (enabling activity) Y/N	Category (transitional activity) Y/N
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
Environmentally sustainable (Taxonomy-aligned) activities (A.1)		0	0																	
A.2 TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES)																				
Capital expenditure of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0																	
Total (A.1 + A.2)		0	0																	
B. TAXONOMY -NON-ELIGIBLE ACTIVITIES																				
Capital expenditure of Taxonomy-non-eligible activities (B)		1 113	100																	
TOTAL (A + B)		**1 113**	**100**																	

Total capital expenditure includes investments in tangible fixed assets, intangible assets and right-of-use assets before depreciation and revaluation. Capital expenditures also include investments in tangible fixed assets, intangible assets and right-of-use assets that come from business combinations.

PROPORTION OF OPERATING EXPENSES (OPEX)

				Significant contributions						Criteria relating to Do No Significant Harm (DNSH)											
Economic activities	Code	Total turnover, MSEK	Proportion of turnover, %	Climate change mitigation, %	Climate change adaptation, %	Water and marine resources, %	Circular economy, %	Pollution, %	Biodiversity and ecosystems, %	Climate change mitigation, Y/N	Climate change adaptation, Y/N	Water and marine resources, Y/N	Circular economy, Y/N	Pollution, Y/N	Biodiversity and ecosystems, Y/N	Minimum safeguards, Y/N	Percentage of turnover taxonomy-aligned in 2022, %	Percentage of turnover taxonomy-aligned in 2021, %	Category (enabling activity) Y/N	Category (transitional activity) Y/N
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
Environmentally sustainable (Taxonomy-aligned) activities (A.1)		0	0																	
A.2 TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES)																				
Operating expenses of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0																	
Total (A.1 + A.2)		**0**	**0**																	
B. TAXONOMY -NON-ELIGIBLE ACTIVITIES																				
Operating expenses of Taxonomy-non-eligible activities (B)		837	100																	
TOTAL (A + B)		**837**	**100**																	

The total operating expenditure correspond to costs for research and development, maintenance and repair as well as all other costs relating to the daily maintenance of tangible fixed assets.

ABOUT THE SUSTAINABILITY REPORT

Scope

The Group's Sustainability Report is an important tool for communicating our sustainability performance, and we have chosen to integrate it fully into the annual report. The report for 2022 is based on GRI Standards and Communication on Progress (UN Global Compact), and covers aspects relating to the environment, labor, social issues and business ethics. The ambition is for the report, with supplementary information, to provide employees and external stakeholders a transparent picture of the company's activities in the area of sustainability and how these interact with the business operations. All units that were part of the Group throughout 2022 are included in the report. In total, 47 production facilities (45) contributed data (see the table on page 111).

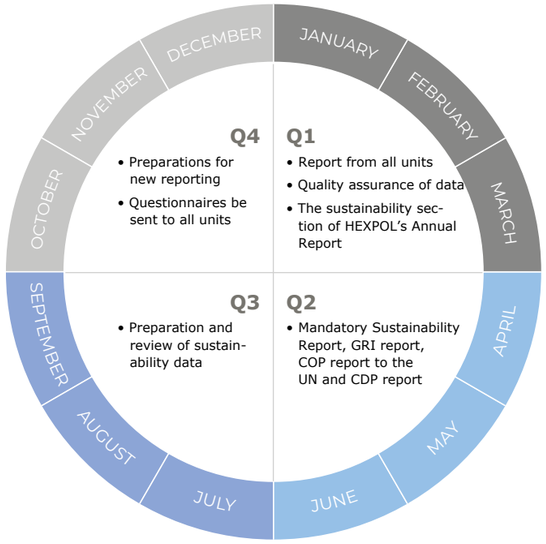
Accounting policies

Each production unit contributes quantitative and qualitative information in accordance with the Group's form for sustainability reporting. In cases where several Group companies operate at the same site, they report jointly as one geographic unit. The illustration shows the annual reporting cycle.

The head of each company/unit is responsible for the quality assurance of the data submitted. This year's performance is compared with and verified against the preceding year's data. Additional quality controls are performed in connection with interviews and site visits.

Emissions of carbon dioxide (CO_2), sulfur dioxide (SO_2) and nitrogen oxides (NO_x) from direct energy use (Scope 1 in accordance with the GHG Protocol) are calculated using conversion factors. These are based on the energy content and quality of the fuels used. The Group also reports carbon dioxide emissions from indirect energy use, comprising electricity and district heating (Scope 2 in accordance with the GHG Protocol). The emission factors from purchased electricity in different countries are based on data from international databases. In cases where the energy supplier presents specific information regarding the energy mix, the supplier's calculation model is used. To ensure the origin of fossil-free electricity, market-based instruments (Guarantees of Origin; GoOs, Renewable Energy Certificates; RECs or equivalent certificates) are purchased. 0 tonnes CO_2/MWh is used as the conversion factor from purchased certificates. Information on emissions of VOCs (solvents) are based mainly on mass balance calculations and on data on the efficiency of the treatment plants.

The contact person for the sustainability report is Torbjörn Brorson (Director Sustainability Affairs).



The Board of Directors gives an assurance that the sustainability report on pages 86–111has been prepared in accordance with the Swedish Annual Accounts Act and that it gives a true and fair view of the Group's sustainability work and outcomes for the financial year 2022.

Malmö, March 28, 2023
The Board of Directors

THE AUDITOR´S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

Engagement and responsibilities
The Board of Directors is responsible for the statutory sustainability report for 2022 on pages 86–111 and for it being prepared in accordance with the Annual Accounts Act.

Focus and scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion
A statutory sustainability report has been prepared.

Malmö, March 30, 2023
Ernst & Young AB

Joakim Falck
Authorized Public Accountant

Karoline Tedevall
Authorized Public Accountant

UNITS INCLUDED IN THE SUSTAINABILITY REPORT

Unit	Place	Number of employees	Building area m²	Production capacity, tonnes	Permits in accordance with environ mental legisla-tion
HEXPOL Compounding – North Carolina	Statesville, USA	79	3,900	20,000	Yes
GoldKey Processing	Middlefield, USA	187	13,900	40,000	Yes
HEXPOL Compounding – Burton Rubber Processing	Burton, USA	241	20,800	55,000	Yes
HEXPOL Compounding – Colonial Rubber Works	Dyersburg, USA	198	45,700	136,000	Yes
HEXPOL Compounding – Kennedale	Kennedale, USA	67	7,200	18,000	Yes
HEXPOL Compounding – Aguascalientes	Aguascalientes, Mexico	123	6,500	24,600	Yes
HEXPOL Compounding – Querétaro	Querétaro, Mexico	157	12,150	53,000	Yes
VALLEY Processing	California City of Industry, USA	64	11,150	56,000	Yes
Kirkhill Rubber	Long Beach, USA	72	14,960	48,000	Yes
RheTech Compounding	Whitmore Lake, USA	88	10,900	65,000	Yes
RheTech Compounding	Fowlerville, USA	37	5,700	38,000	Yes
RheTech Colors and HEXPOL TPE North America	Sandusky, USA	51	6,500	4,500	Yes
Preferred Compounding – Barberton	Barberton, USA	58	12,700	20,300	Yes
Preferred Compounding – Huntingdon	Huntington, USA	80	5,900	22,700	Yes
Preferred Compounding – Whitewater	Whitewater, USA	40	4,270	8,000	Yes
Preferred Compounding – Tallapoosa	Tallapoosa, USA	94	11,150	34,100	Yes
Preferred Compounding – San Luis Potosi	San Luis Potosi, Mexico	141	10,440	36,300	Yes
Robbins	Muscle Shoals, USA	42	22,600	-	Yes
HEXPOL Compounding Belgium	Eupen, Belgium	71	4,200	20,000	Yes
HEXPOL Compounding Germany	Hückelhoven, Germany	75	6,300	35,000	Yes
HEXPOL Compounding Czech Republic	Unicov, Czech Republic	111	7,900	35,000	Yes
HEXPOL Compounding Lesina	Lesina, Czech Republic	116	7,350	35,000	No
Berwin Rubber	Dukinfield, UK	175	9,400	36,700	Yes
HEXPOL Compounding Spain	Barcelona, Spain	85	12,500	30,000	Yes
MESGO S.p.A	Gorlago, Italy	51	6,200	10,000	Yes
MESGO S.p.A	Carobbio degli Angeli, Italy	66	10,800	15,000	Yes
MESGO IRIDE COLORS S.r.l Garalasco	Garlasco, Italy	45	7,600	8,000	Yes
3A MCOM S.r.l	Grigno, Italy	20	10,300	20,000	Yes
MESGO POLSKA Sp. Z o.o	Tomaszow Masowiecki, Poland	16	9,000	3,000	No
MESGO ASIA KAUCUK	Sekerpinar, Cayirova, Turkey	13	1,700	2,000	No
HEXPOL TPE Germany	Lichtenfels, Germany	145	7,210	35,000	No
HEXPOL TPE Sweden	Åmål, Sweden	83	5,300	20,000	Yes
HEXPOL TPE UK	Manchester, UK	48	4,800	13,000	No
HEXPOL Compounding Qingdao	Qingdao, China	62	8,300	20,000	Yes
HEXPOL Compounding/TPE Foshan	Foshan, China	66	8,200	25,500	Yes
Stellana US (Wheels)	Lake Geneva, USA	81	7,500	-	Yes
Stellana Sweden (Wheels)	Laxå, Sweden	79	11,800	-	Yes
Stellana China (Wheels)	Qingdao, China	79	3,500	-	Yes
Gislaved Gummi (Compounding, Gaskets and Seals)	Gislaved, Sweden	160	20,000	19,000	Yes
Gislaved Gummi Lanka (Gaskets and Seals)	Bokundara, Sri Lanka	438	10,500	-	Yes
Gislaved Gummi Qingdao	Qingdao, China	103	12,500	-	Yes
Elastomeric (Wheels)	Horana, Sri Lanka	645	11,800	-	Yes
Unica	Corella, Spain	86	16,000	32,400	Yes
Vicom	Olderola, Spain	33	8,288	28,000	Yes
almaak international	Krefeld, Germany	133	9,000	26,000	No
almaak international	Doberlug-Kirchhain, Germany	64	19,500	25,000	No
HEXPOL Silicone Compounding	Akron, USA	29	3,900	26,200	No

FINANCIAL DEFINITIONS AND GLOSSARY

FINANCIAL DEFINITIONS

AVERAGE CAPITAL EMPLOYED Average of the last four quarters' capital employed.

AVERAGE SHAREHOLDERS' EQUITY Average of the last four quarters' shareholders' equity. For 2014 and earlier years, the calculation was based on two measuring points.

CAPITAL EMPLOYED Total assets less non-interest-bearing liabilities.

CASH FLOW FROM OPERATING ACTIVITIES Cash flow from operating activities after changes in working capital.

CASH FLOW FROM OPERATING ACTIVITIES PER SHARE Cash flow from operating activities after changes in working capital divided by the average number of shares outstanding.

EARNINGS PER SHARE Profit after tax, attributable to Parent Company shareholders, divided by average number of shares outstanding.

EARNINGS PER SHARE AFTER DILUTION Profit after tax attributable to Parent Company shareholders divided by average number of shares outstanding adjusted for the dilution effect of warrants.

EARNINGS PER SHARE EXCLUDING ITEMS AFFECTING COMPARABILITY/ADJUSTED EARNINGS PER SHARE Profit after tax excluding items affecting comparability, attributable to Parent Company shareholders divided by average number of shares outstanding.

EBITDA Operating profit before depreciation, amortization and impairment.

EBITA Operating profit, excluding amortization and impairment of intangible assets.

EBITA MARGIN EBITA in relation to sales.

EQUITY/ASSETS RATIO Shareholders' equity as a percentage of total assets.

EQUITY PER SHARE Shareholders' equity attributable to Parent Company shareholders divided by the number of shares outstanding at the end of the period.

INTEREST-COVERAGE RATIO Profit before tax plus interest expenses in relation to interest expenses.

INVESTMENTS Purchases less sales of intangible and tangible fixed assets, excluding those included in acquisitions and divestments of subsidiaries.

ITEMS AFFECTING COMPARABILITY Items affecting comparability refers to integration and restructuring costs and acquisition costs.

NET DEBT/EQUITY RATIO Interest-bearing liabilities less cash and cash equivalents and interest-bearing assets divided by shareholders' equity.

NET DEBT, NET CASH Interest-bearing liabilities less cash and cash equivalents and interest-bearing assets.

OPERATING CASH FLOW Operating profit excluding non-recurring items less depreciation/amortization and investments, and after change in working capital.

OPERATING PROFIT EXCLUDING ITEMS AFFECTING COMPARABILITY/ADJUSTED OPERATING PROFIT Operating profit excluding items affecting comparability.

OPERATING MARGIN Operating profit as a percentage of sales.

OPERATING MARGIN EXLUDING ITEMS AFFECTING COMPARABILITY/ADJUSTED OPERATING MARGIN Operating profit excluding items affecting comparability in relation to sales.

RETURN ON EQUITY Profit after tax, attributable to Parent Company shareholders, as a percentage of average shareholders' equity, excluding minority interests.

RETURN ON CAPITAL EMPLOYED Profit before tax plus interest expenses as a percentage of average capital employed.

PROFIT MARGIN BEFORE TAX Profit before tax as a percentage of sales.

SALES GROWTH ADJUSTED FOR CURRENCY EFFECTS Sales growth excluding currency effects compared to the sales for the corresponding year-earlier period.

SALES GROWTH EXCLUDING CURRENCY EFFECTS AND ACQUISITIONS Sales growth excluding currency effects and acquisitions compared to the sales for the corresponding year-earlier period.

HEXPOL uses alternative performance indicators associated with the Group's financial position: return on capital employed, net debt, net cash, debt/equity ratio and equity/assets ratio. The performance indicators are used to assess the possibility of dividends, strategic investments and to manage financial commitments. Operating cash flow is used to show what funds the operations generate to make strategic investments and repayments, as well as to pay dividends. HEXPOL considers earnings measures excluding items affecting comparability to be of value to investors in understanding underlying earnings before items affecting comparability. Sales growth, excluding exchange rate effects and acquisitions are valuable key ratios for HEXPOL and investors in being able to monitor the trend in the underlying operations. For reconciliation of alternative performance indicators, please see the Year-end report available on our website.

GLOSSARY

CARBON DIOXIDE (CO_2) Carbon dioxide is formed in all processes involving the burning of carbon containing material, such as from the burning of fossil fuels. CO2 emissions increase global warming (the greenhouse effect). Carbon dioxide equivalent (CO2e) is a measure used to compare emissions of different greenhouse gases by taking into account their ability to contribute to global warming. By converting emissions of greenhouse gases into carbon dioxide equivalents, you can compare and sum up the effect of the emissions of the individual gases. The only greenhouse gas relevant to HEXPOL's operations is carbon dioxide. We therefore choose to consistently talk about carbon dioxide, CO2, carbon dioxide emissions and CO2 emissions and not about carbon dioxide equivalents or CO2e.

CDP Carbon Disclosure Project, an organization that provides information to global investors and financial institutions about how climate change affects business. The information is collected through voluntary contributions from companies.

CLP Classification, Labelling and Packaging, EU legislation addressing the danger of chemical substances and mixtures, and the manner in which users should be informed about them.

CFCs/HFCs Gases containing chlorofluorocarbons (CFCs), hydrochlorofluorocarbons (HFCs) and compounds containing fluorine have negative effects on the environment through their ozone-depleting properties and impact on the climate.

CODE OF CONDUCT Guidelines for HEXPOL's employees and suppliers concerning business ethics, environment, health, safety and social responsibility. The Group's code of conduct is called Materializing Our Values.

COMPOUNDING/COMPOUNDS Mixing/mixtures of polymeric materials with additives.

CONFLICT MINERAL Tantalum, tin, gold and tungsten are referred to as conflict minerals if they originate from the Democratic Republic of Congo and neighboring countries. The name has arisen because there are armed conflicts in the region, where mining often contributes to continued conflicts and leads to violations of human rights.

COP Communication On Progress is an annual report submitted to the UN on how the Group is working on the ten principles of the Global Compact.

CSRD Corporate Sustainability Reporting Directive. A new EU directive on corporate sustainability reporting. The requirements cover all large companies and all listed companies in the EU. Parent companies in a large group must prepare a sustainability report for the Group.

ENERGY USE The Group reports both its direct energy use (use of fuels in its own energy facilities) and its indirect consumption (purchased electricity and district heating).

ENVIRONMENTAL ASPECTS Those features of an organization's activities, products or services that interact with the environment.

ENVIRONMENT-RELATED COSTS Costs that can be attributed to actions taken to prevent, reduce or rectify the environmental impact of an organization's operations. The equivalent applies to costs in the area of health and safety.

ENVIRONMENT-RELATED INVESTMENTS Investments for preventing and reducing the environmental impact of an organization's operations. The equivalent applies to investments in an improved work environment.

ESG The term stands for 'Environmental, Social and Governance'. It is also often referred to as 'sustainability'.

EU TAXONOMY The taxonomy for environmentally sustainable investments makes it possible to identify and compare investments that are necessary to achieve sustainable economy.

GHGs Greenhouse Gases. The Group reports emissions of the greenhouse gas carbon dioxide (CO_2 equivalents) from energy use, that is, Scope 1 and Scope 2 in accordance with the GHG Protocol.

GLOBAL COMPACT A UN initiative concerning corporate responsibility. The participating organizations undertake to support ten fundamental principles in respect of human rights, labor, the environment and anti-corruption. HEXPOL joined the Global Compact in 2017.

GLOBAL GOALS At the UN summit in 2015, the world's heads of state and government adopted 17 Global Goals and the 2030 Agenda for sustainable development.

GRI The Global Reporting Initiative has established voluntary overarching standards specifying how companies and other organizations should report on their activities in sustainable development.

ISO 9001 International standard governing quality management systems. In 2021, 1,077,884 organizations (1,447,080 facilities) worldwide were certified in accordance with the ISO 9001 requirements.

ISO 14001 International standard concerning environmental management system. In 2021 420,433 organizations (610,924 facilities) worldwide were certified in accordance with the ISO 14001 requirements.

ISO 26000 International standard that provides guidance concerning how organizations are to address corporate social responsibility matters. The standard was introduced in 2010 and forms the basis of the HEXPOL Code of Conduct. It is not possible to obtain ISO 26000 certification.

ISO 45001 International standard governing health and safety. In 2021, 294,420 organizations (369,897 facilities) worldwide were certified in accordance with the ISO 45001 requirements.

ISO 50001 International standard governing energy management systems. In 2021,21,907 organizations (54,778 facilities) worldwide were certified in accordance with the ISO 50001 requirements.

LCA Life Cycle Assessment (LCA) is a method for obtaining an overall picture of the total environmental impact during the life cycle of a product from raw material extraction, through manufacturing processes and use to waste management, including transport and energy consumption in the intermediate stages.

LEAN MANUFACTURING Systematic approach to managing resources efficiently. The purpose of Lean is to identify all factors in a production process that do not create value for the customer.

NO_x Gaseous oxides formed in combustion processes by the oxidation of nitrogen. These substances are harmful to the environment and health and cause acidification and eutrophication, among other things.

OEM Original Equipment Manufacturer is a term for companies that manufacture the end-product to be sold on the open market.

OCCUPATIONAL DISEASE An occupational disease is caused by prolonged exposure to a particular factor in the work environment. Examples of factors are noise, dust and solvents.

OCCUPATIONAL INJURY An occupational injury is a sudden event (accident) that can be attributed to work and that causes an injury or other harm. The Group reports occupational injuries as an accident causing more than one day's absence (Lost Work Case; LWC). The frequency is standardized by the number of occupational injuries per million hours worked.

PA Polyamide, a common thermoplastic sometimes called nylon.

PAH Polyaromatic hydrocarbons are a group of several hundred compounds formed when organic materials are heated or incompletely burned. Animal studies have shown that several PAHs can damage chromosomes and cause cancer.

PCBs Polychlorinated biphenyls are a group of industrial chemicals that are hazardous to health and the environment.

POLYMERS Polymers are long chains of molecules that form the building blocks of rubber and plastics. There is only one chemical variant of natural rubber but there are around 20 variants of synthetic rubber. Through a variety of additives and blends, and in combination with other materials such as metal and textiles, polymers have a wide range of properties.

PP Polypropylene, a low-density, high-tensile thermoplastic.

REACH Chemicals legislation within the EU intended to ensure safer handling of chemicals. Chemical substances must be registered for a certain use, and particularly hazardous substances may be subject to restrictions.

ROHS Restrictions of Hazardous Substances. EU legislation restricting the use of certain substances that are hazardous to the environment and health.

PARIS AGREEMENT The Paris Agreement (2015), which is linked to the United Nations Framework Convention on Climate Change, states that the global temperature increase should be kept well below 2°C and the aim should be to limit it to 1.5°C.

SCOPE ACCORDING TO GHG PROTOCOL Reporting of emissions of climate-affecting gases expressed as carbon dioxide equivalents. Scope 1: Combustion of fossil fuels (gasoline, oil and coal) for example for production in company-owned factories or emissions from company-owned or leased vehicles/machinery. Scope 2: Consumption of electricity, district heating and cooling. Scope 3: Emissions from the purchase of goods and services, such as logistics, air travel, taxis, hotel nights and consumption of materials.

SO_2 Sulfur dioxide is formed when petroleum products are burned. The gas contributes to the acidification of water and soil. In higher concentrations, sulfur dioxide is harmful to human health.

SUSTAINABLE DEVELOPMENT The concept pertains to development that 'satisfies the needs of today without compromising the ability of future generations to meet their own needs'. Sustainable development encompasses ecological, social and financial sustainability.

SUSTAINABILITY REPORT An EU directive (2017) makes it mandatory for large companies to report on sustainability. The report has to contain the non-financial information necessary for an understanding of the company's development, position, performance and the impact of its activities.

TCFD The Task Force on Climate-related Financial Disclosures (TCFD) provides recommendations on reporting climate-related financial risks and opportunities.

THE ENERGY EFFICIENCY DIRECTIVE EU directive introduced in 2015, including energy surveys of large companies. The Group is covered by the Directive and carries out energy surveys.

TP Thermoplastic compounds is a plastic material that becomes pliable or moldable above a specific temperature and solidifies upon cooling.

TPE Thermoplastic elastomer compounds are rubber-like materials that combine the properties of vulcanized rubber with the process benefits of thermoplastics.

VOCs Volatile Organic Compounds. A group of organic compounds that readily evaporate at room temperature. Levels of volatile hydrocarbons in the air have adverse health and environmental effects, including contributing to the formation of ground-level ozone.

FINANCIAL TEN-YEAR OVERVIEW

MSEK	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
INCOME STATEMENTS, condensed										
Sales	22,243	16,005	13,424	15,508	13,770	12,230	10,879	11,229	8,919	8,036
Operating expenses	-18,953	-12,931	-11,489	-13,465	-11,620	-10,244	-8,958	-9,265	-7,463	-6,781
Operating profit	**3,290**	**3,074**	**1,935**	**2,043**	**2,150**	**1,986**	**1,921**	**1,964**	**1,456**	**1,255**
Net financial items	-46	-43	-80	-35	11	-18	-8	-21	-20	-19
Profit before tax	**3,244**	**3,031**	**1,855**	**2,008**	**2,161**	**1,968**	**1,913**	**1,943**	**1,436**	**1,236**
Tax	-761	-673	-446	-466	-515	-441	-516	-550	-388	-306
Profit after tax	**2,483**	**2,358**	**1,409**	**1,542**	**1,646**	**1,527**	**1,397**	**1,393**	**1,048**	**930**
BALANCE SHEETS, condensed										
Assets										
Fixed assets	16,019	12,236	10,817	12,116	9,698	7,048	6,423	5,868	4,832	3,946
Current assets	5,993	4,407	3,056	3,685	3,594	2,489	2,128	1,877	1,626	1,335
Cash and cash equivalents	1,541	1,320	1,200	1,624	1,164	813	1,297	978	826	597
Total assets	**23,553**	**17,963**	**15,073**	**17,425**	**14,456**	**10,350**	**9,848**	**8,723**	**7,284**	**5,878**
Shareholders' equity and liabilities										
Shareholders' equity	13,767	11,650	9,133	9,756	8,592	7,010	7,559	6,233	5,049	3,617
Interest-bearing liabilities	4,393	2,222	2,796	4,003	2,332	840	29	524	567	962
Other liabilities and provisions	5,393	4,091	3,144	3,666	3,532	2,500	2,260	1,966	1,668	1,299
Total shareholders' equity and liabilities	**23,553**	**17,963**	**15,073**	**17,425**	**14,456**	**10,350**	**9,848**	**8,723**	**7,284**	**5,878**
CASH FLOW STATEMENTS, condensed										
Cash flow from operating activities	2,593	2,406	2,376	2,361	1,806	1,699	1,710	1,760	1,432	1,223
Net investments in tangible and intangible fixed assets	-659	-304	-253	-286	-207	-195	-150	-118	-118	-136
Acquisitions of operations	-1,512	-558	-412	-2,204	-2,190	-1,081	-295	-1,043	-413	-3
Cash flow from financing operations	100	-1,366	-1,978	427	775	-823	-1,075	-479	-777	-1,060
Cash flow for the period	**522**	**178**	**-267**	**298**	**184**	**-400**	**190**	**120**	**124**	**24**
Cash and cash equivalents, January 1	1,320	1,200	1,624	1,164	813	1,297	978	826	597	564
Exchange-rate differences in cash and cash equivalents	-301	-58	-157	162	167	-84	129	32	105	9
Cash and cash equivalents, December 31	**1,541**	**1,320**	**1,200**	**1,624**	**1,164**	**813**	**1,297**	**978**	**826**	**597**
KEY RATIOS										
Average shareholders' equity, MSEK	12,992	10,642	10,135	9,534	8,077	6,871	6,826	5,887	4,333	3,263
Average capital employed, MSEK	17,399	13,491	13,332	13,484	9,678	7,898	7,186	6,861	5,116	4,664
Return on shareholders' equity %	19.1	22.2	13.9	16.2	20.4	22.2	20.5	23.7	24.2	28.5
Return on capital employed, %	19.2	22.8	14.3	15.2	22.5	25.1	26.8	28.6	28.5	27.0
Sales growth excl currency effects, %	25	25	-11	7	9	12	-4	11	6	6
operating margin, %	14.8	19.2	14.4	13.2	15.6	16.2	17.7	17.5	16.3	15.6
Profit margin before tax, %	14.6	18.9	13.8	12.9	15.7	16.1	17.6	17.3	16.1	15.4
Earnings per share, before dilution SEK [1]	7.21	6.85	4.09	4.48	4.78	4.44	4.06	4.05	3.05	2.70
Earnings per share, after dilution SEK [1]	7.21	6.85	4.09	4.48	4.78	4.44	4.06	4.05	3.05	2.70
Net debt, MSEK	-2,845	-899	-1,593	-2,376	-1,143	-27	1,268	454	259	-312
Net debt/equity ratio, multiple	-0.2	-0.1	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.0	0.1
Equity/assets ratio, %	58	65	61	56	59	68	77	72	69	62
Shareholders' equity per share, SEK [1]	39.97	33.82	26.53	28.34	24.96	20.37	21.96	18.11	14.67	10.51
Dividend, MSEK	-2,067	792	792	774	671	1,635	585	413	310	207
Dividend per share, SEK	6.00	2.30	2.30	2.25	1.95	4.75	1.70	1.20	0.90	0.60
Operating cash flow, MSEK	2,813	2,731	2,548	2,607	2,019	2,001	2,057	2,185	1,676	1,418
Cash flow from operating activities, MSEK	2,593	2,406	2,376	2,361	1,806	1,699	1,710	1,760	1,432	1,223
Cash flow from operating activities per share, SEK [1]	7.53	6.99	6.90	6.86	5.25	4.94	4.97	5.11	4.16	3.55
Average number of employees	5,101	4,688	4,657	4,844	4,454	4,326	4,028	3,858	3,493	3,411
Number of employees at year-end	5,084	4,771	4,550	5,061	4,640	4,389	4,140	3,867	3,666	3,433
Sales per employee, MSEK	4.36	3.41	2.88	3.20	3.09	2.83	2.70	2.91	2.55	2.36

[1] *Data per share is adjusted for 10:1 share split in May 2015.*

SUSTAINABILITY IN A TEN-YEAR PERSPECTIVE

AREA		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
ENVIRONMENT											
Compliance	Number of violations of environmental legislation	2	1	1	3	2	3	1	2	2	4
Energy	Energy use, GWh	415	401	360	417	379	379	355	309	313	275
	Energy consumption/net sales, GWh/MSEK	0.019	0.025	0.027	0.027	0.029	0.031	0.033	0.030	0.035	0.034
	Energy from fossil-free sources (electricity, biomass, biogas, photovoltaic cells), % of total energy use	32	32	29	22	25	17	13	17	9	4
Climate	CO2 emissions from energy consumption, tonnes[1]	108,900	117,300	122,500	145,800	125,600	140,700	142,900	117,400	114,900	108,500
	CO2 emissions/sales, tons/MSEK	4.9	7.3	9.1	9.4	9.5	11.5	13.1	11.4	12.9	13.5
Water	Water consumption, thousands of m^3	1,191	1,160	1,106	1,106	718	735	884	700	684	571
	Water consumption/net sales, m^3/MSEK	54	72	82	71	54	60	81	68	77	71
Waste	Volume of waste, tonnes	24,850	25,130	22,950	26,500	23,100	22,000	19,800	16,000	14,800	14,500
	Amount of waste/net sales, tonnes/MSEK	1.1	1.6	1.7	1.7	1.8	1.8	1.8	1.6	1.7	1.8
Raw materials	Recycled/bio-based polymer materials, % of natural use (excluding natural rubber)	16	10	8	8	15	15	18	1	3	2
Management systems	ISO 14001 certified facilities, % of total number	94	87	77	76	97	92	89	93	96	88
PEOPLE											
Employees	Number of employees (average)	5,101	4,688	4,657	4,844	4,454	4,326	4,028	3,858	3,493	3,411
Compliance	Number of significant violations of health and safety legislation (fines, sanctions)	3	2	0	3	0	0	1	0	2	0
Health and safety	Occupational accidents, lost work days, number/million hours worked	11.8	12.3	10.1	12.9	12.8	15.2	15.1	15.9	14.3	10.0
Diversity	Proportion of women on the Board of Directors of the Group, %	67	67	57	57	57	57	43	29	29	17
	Proportion of women in local management teams, %	28	27	24	18	18	14	15	12	11	10
Training	Training of employees, hours/employee	22	20	17	32	26	22	19	23	22	16
Management systems	ISO 45001 certified facilities, % of total number	9	4	5	9	11	11	9	7	7	7
Code of Conduct	Reported human rights violations, number	0	0	0	2	1	1	1	0	1	0
	Discrimination, number of reported cases	1	2	2	2	1	1	1	0	0	0
FINANCE											
	Sales, MSEK	22,243	16,005	13,424	15,508	13,770	12,230	10,879	11,229	8,919	8,036
	Economic value distributed between stakeholders, MSEK[2]	5,355	3,569	3,273	3,357	2,989	3,658	2,559	2,366	1,743	1,431
	Taxes paid, MSEK	761	673	446	466	516	441	515	550	388	306

[1] *In accordance with GHG (Greenhouse Gas Protocol), HEXPOL reports Scope 1, that is, emissions from direct energy use (e.g. fuel oil, natural gas), and Scope 2, that is, from indirect energy use (e.g. purchased electricity, district heating).*

[2] *Compensation to suppliers is not included.*

SHAREHOLDER INFORMATION

Annual General Meeting

The Annual General Meeting will be held on 28 April 2022, at 3:00 p.m. CET in Malmö Sweden.

In accordance with the provisions of Chapter 7. Section 4 a of the Companies Act and the company's articles of association, the Board of Directors has decided that shareholders are to have the opportunity to exercise their voting rights by postal vote prior to the meeting. Shareholders can therefore choose to exercise their voting rights at the meeting by attending in person, by proxy or by postal vote.

Shareholders who wish to participate in the AGM must

- be registered in the shareholders' register maintained by Euroclear Sweden AB no later than April 20, 2023,
- notify the Company of their participation by mail to HEXPOL AB, 'Annual General Meeting', c/o Euroclear Sweden, Box 191, SE-101 23 Stockholm, by telephone on +46 (0)8-402 90 49 or via the website www.hexpol.com, or submit a postal vote, no later than April 24, 2023.

Shareholders whose shares are registered with a trustee must temporarily re-register the shares in their own name not later than 20 April 2023 to be entitled to participate in the AGM. Voting registration requested by shareholders in time for registration to be made by the trustee by April 24, 2023 will be taken into account in the preparation of the share register.
The trustee should therefore be notified in due time before said date.

Notification should state the shareholder's name, personal identity number, telephone number and number of shares. Shareholders wishing to be represented by proxy should send a power-of-attorney to Euroclear Sweden AB before the AGM.

Shareholders exercising their voting rights by postal voting are not required to notify the company separately of their participation in the AGM. The postal voting form is available on the company's website.

Proposal for dividend

The Board of Directors proposes a dividend of 3.60 SEK per share to the 2023 Annual General Meeting on April 28.

Annual Report

HEXPOL's Annual Report is distributed digitally and can be downloaded from www.hexpol.com. Shareholders wishing to receive a printed copy should send their name and address to ir@hexpol.com or place their order directly with HEXPOL AB via the website www.hexpol.com.

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

Calendar for financial information

HEXPOL AB will publish financial information on the following dates:

ACTIVITY	DATE
Interim report January–March 2023	April 28
Annual General Meeting 2023	April 28
Half-year report January–June 2023	July 19
Interim report January–September 2023	October 27
Year-end report 2023	January/February 2024

HEXPOL is a world leading polymer group, with strong global positions in advanced polymer compounds, gaskets for plate heat exchangers and wheels made of polymer materials for forklifts and castor wheel applications.

Customers are primarily global suppliers to the automotive and engineering industries, the construction and civil engineering industries, and in sectors such as transport, energy and consumer products, as well as the cable and wire industry and medical technology manufacturers, plate heat exchangers and forklifts.

The Group is organized in two business areas, HEXPOL Compounding and HEXPOL Engineered Products. The HEXPOL Group generated sales of 22,243 MSEK in 2022, and the Group has some 5,100 employees in 14 countries.

HEXPOL®

A Material Difference

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