



**We create
a material difference**

**ANNUAL REPORT 2023
WITH SUSTAINABILITY REPORT**

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2023 OPERATIONS AND STRATEGY

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

FINANCIAL INFORMATION AND SUSTAINABILITY REPORTING

OTHER INFORMATION

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

This Annual Report is also available in English.

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, 2022, unless otherwise stated.

HEXPOL reports sustainability for 2023 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.

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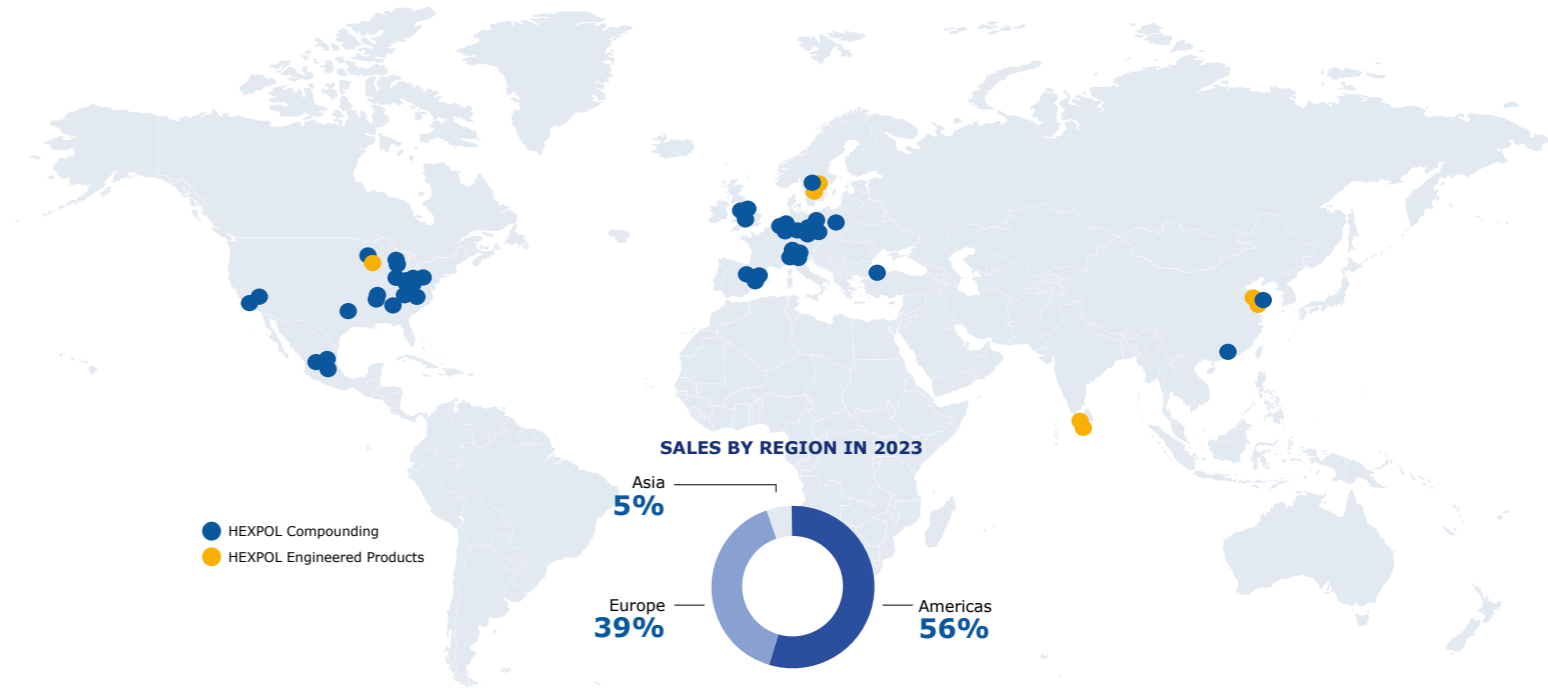


A Material Difference – expertise in advanced polymer materials

HEXPOL is a world-leading group with expertise in advanced polymer materials and applications, 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.

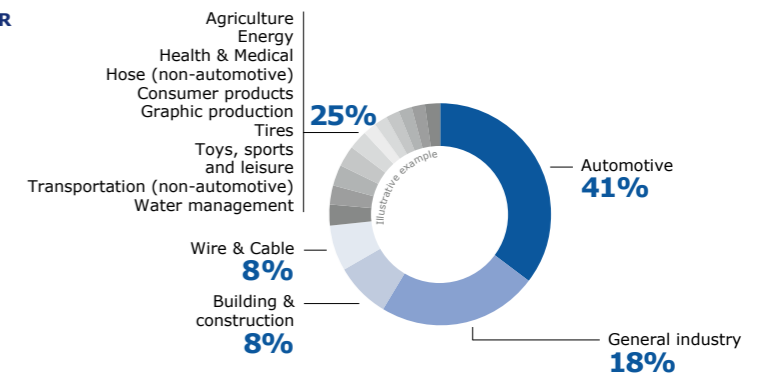
Today’s society could not function without advanced polymer materials. Electrification and energy savings are just a few areas that are critically dependent on polymer materials to seal and protect. Another area is medical technology.

HEXPOL’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, with a strong focus on more recycled materials and products for sustainable development. The Group is organized in two business areas, HEXPOL Compounding and HEXPOL Engineered Products.



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

Stronger growth in other segments has balanced out the automotive share from the previous 60 percent. Wire & Cable is a rapidly growing area, thanks to the electrification trend.



Significant events during the year

Our proven business model led to a new record year

Financial performance

- HEXPOL Group's sales in 2023 amounted to MSEK 22,046 (22,243). Sales were, among other factors, positively affected by acquisitions by 3 percent.
- Adjusted EBIT increased by 12 percent to MSEK 3,659 (3,260). The corresponding operating margin amounted to 16.6 percent (14.7). The higher EBIT margin is mainly driven by a better product and price mix.
- Operating cash flow increased by 42 percent during the year and amounted to MSEK 3,994 (2,813).

Sustainable development

- Continued development of products with a smaller climate footprint, including the launch of HEXGREEN, which contains bio-based and recycled raw materials.
- Increased capacity for recycling of polymer materials.
- CO₂ emissions from energy use continue to decline and have decreased by 57 percent since the 2018/2019 base year. The target is to lower the emissions by 75 percent by 2025.
- Additional production units in Europe and the U.S. were certified according to ISCC Plus. A total of four units are now certified.

Acquisitions

- On November 14, HEXPOL acquired the US TPE compounder Star Thermoplastic Alloys and Rubbers, Inc., thereby expanding geographically into the US TPE market. Read more about Star Thermoplastics on page 16.

Other significant events

- On September 1, HEXPOL's long-time President and CEO Georg Brunstam suddenly passed away. His passing entailed first and foremost great grief for his immediate family, but also a great loss for HEXPOL as an organization and for the many people who were touched by his commitment and leadership, both personally and professionally.
- Peter Rosén was appointed acting President and CEO on September 1.
- On December 19, Klas Dahlberg was appointed President and CEO of HEXPOL. Klas Dahlberg, who is currently Business Area Manager for NIBE Climate Solutions, will take up his position no later than July 1, 2024.

2023 was a strong year for the HEXPOL Group, and we were able to deliver our best year so far in terms of results. This despite a number of external challenges, such as geopolitical conflicts, high inflation and weaker demand. Once again, the strengths of HEXPOL's strong culture and business model were highlighted.

HEXPOL is an agile organization that can quickly adapt to changes in demand while doing what we do best – delivering on our customers' often very challenging requests. A Group that combines the global coordination of business-critical processes with local entrepreneurship and its closer-to-market opportunities.

2023 – our best year so far

The extraordinary challenges in the world around us continued during the year, with increased geopolitical tensions, high interest rates, high global inflation and weaker demand mainly in building and construction and consumer-related products. At the same time our raw material supply stabilized, as did sales to our important automotive-related customers.

Our organization has tackled the year's challenges in a responsible and flexible way, always in close dialogue with our customers.

Group sales amounted to MSEK 22,046 (22,243) despite lower sales prices and lower demand in some segments. Sales were positively affected by completed acquisitions and currency effects.

Our adjusted profit increased by 12 percent to MSEK 3,659 – the HEXPOL Group's best result to date. Earnings per share, adjusted for items affecting comparability,

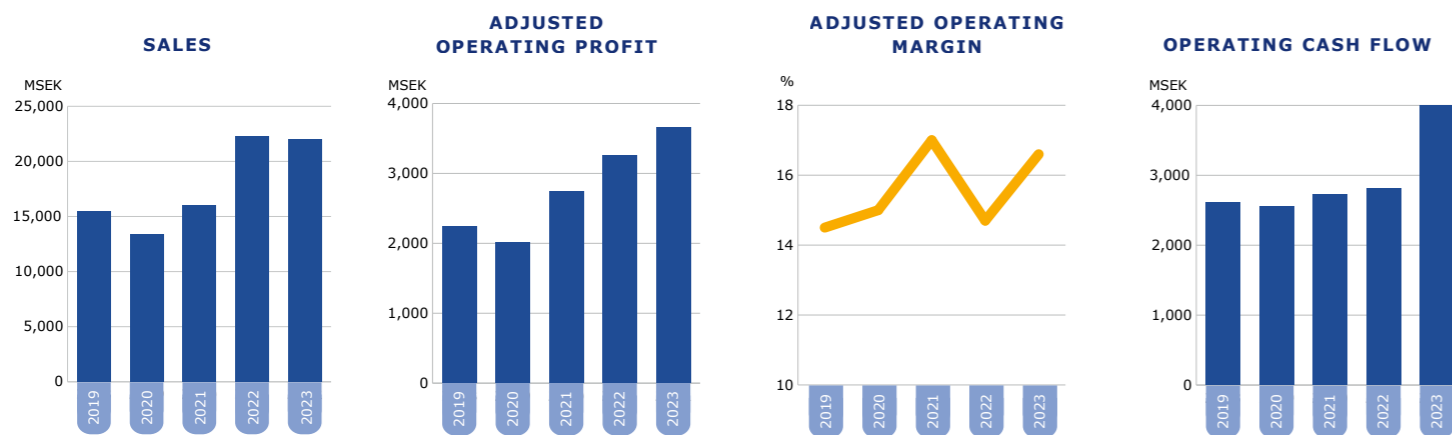
increased by about 5 percent to SEK 7.51. This year's successful value creation is the result of hard work on internal improvements and proves that our business model makes us exceptionally competitive.

The Group also continued to generate strong operating cash flow of MSEK 3,994 (2,813) during the year. The good results enabled the Board to propose an ordinary dividend for 2023 of SEK 4.00 (3.60) per share and an extra dividend of an additional SEK 2.00 per share, for a total proposed dividend of SEK 6.00 per share.

A sustainable business, for us and for our customers

By using resource-efficient production methods and investing in products with a lower climate impact, we create both environmental and business benefits. Sustainable development is therefore well integrated into HEXPOL's activities and a natural part of each unit's strategic plan, budget and social commitment. To focus and accelerate sustainability work, we share knowledge and initiate projects in a Group-wide Sustainability Council with participants from the Group's various units.

Our efforts to reduce the Group's CO₂ footprint by 75 percent by 2025 were intensified through investments in energy efficiency, solar panels and the use of fossil-free



“In our corporate culture we define a clear purpose: *We create a material difference.* We strive every day to make a tangible difference through both our products and our relationships with customers.”



electricity. By the end of 2023/2024, we had reduced the CO₂ footprint from energy use by 57 percent from the base year 2018/2019 and we are thus well on our way to the target.

In 2023, three more facilities – HEXPOL TPE in Lichtenfels, Germany; HEXPOL TPE UK; and Compounding Middlefield in the US – were certified as ISCC PLUS, a global certification that ensures traceability along the entire supply chain. For our customers working in highly regulated markets, ISCC PLUS certified products are an important step in simplifying their material choices. HEXPOL TPE's Swedish facility was already ISCC PLUS-certified in 2021.

Our focus on increasing the share of recycled or circular materials in our products can be seen in two examples from 2023.

HEXGREEN is a growing portfolio of rubber compounds with a reduced carbon footprint. Each HEXGREEN mixture is a tailor-made solution specifically developed to meet customer requirements. It can be based on bio-based, recycled or mass-balanced raw materials, or a combination.

At the Fakuma 2023 trade fair, almaak international and HEXPOL TPE announced a partnership that optimizes two-component combinations tailored to the automotive industry. Two-component systems combining rigid engineering thermoplastics with softer thermoplastic elastomers are in high demand in the automotive industry. It is also almaak's portfolio of engineering thermoplastics with up to 100 percent recycled content.

Our business culture makes a difference

In our corporate culture we define a clear purpose – *We create a material difference*. We strive every day to make a tangible difference through both our products and our relationships with customers. It is an objective that requires a well-developed and decentralized organization. Each unit needs to respond quickly and adapt to local conditions to effectively support our customers and ensure our financial strength. At the same time, we coordinate all the necessary processes and resources in one central location to maximize the benefits of our global presence.

The ongoing geopolitical tensions and increasing trade barriers have clearly highlighted that a shorter supply chain is crucial, both for our customers and our own supply chain. With our decentralized yet well-coordinated business structure, and with a global presence through 54 local units in Europe, America and Asia, we are able to offer fast and reliable deliveries adapted to local conditions and with a deep understanding of customer needs.

Continued growth through synergistic acquisitions

Our strategy is to grow both organically and through acquisitions. The acquisitions follow a well-defined strategy in terms of the areas in which we are interested in acquiring. Examples include the recent acquisitions of McCann Plastics in December 2022 and Star Thermoplastic in November 2023. The acquisition of McCann Plastics is a good example of a smooth integration. Already in early 2023, the crucial parts of McCann were integrated into HEXPOL Thermoplastic Compounding, and the integration was fully completed by mid-year.

The American TPE compounder Star Thermoplastic, acquired during the year, complements the HEXPOL TPE portfolio and provides a greater geographical reach. With Star Thermoplastics, we can repeat the successful growth journey we have made in the European TPE market, this time in the larger US TPE market. All our existing TPE companies will become stronger through the acquisition.

With a strong financial position and diversified funding, HEXPOL is well placed to realize its growth objectives.

Priorities in line with trends and strategies

Our sustainability work is of strategic importance both for us and our customers, not least in terms of the share of recycled or circular materials. At the end of 2023, it was decided to invest in and develop our ability to recycle rubber compounds. A complex challenge for our industry, where we see that we can take a leading 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, but also in wire & cable and medicine & health. Here we see that the acquisitions of recent years, including the acquisition of Star Thermoplastic, will provide us with good opportunities for strengthened positions and organic growth.

Future uncertainties remain high, given the evolution of inflation, interest rates, Russia's invasion of Ukraine and the unrest in the Middle East. However, we see that our strong customer focus combined with geographical proximity to customers gives us the competitiveness to further strengthen our market position.

Our robust business model gives us the flexibility to respond to different challenges. Positive business trends, a solid financial position and a highly competent organization give us the right conditions for continued growth and development of our Group.

In early fall, we received the tragic news that Georg Brunstam, longtime CEO of HEXPOL, suddenly passed away. I have spoken to employees from many parts of our Group who have all expressed their grief, dismay and loss.

Georg was focused on the success of HEXPOL and worked hard to achieve it. He had an equally strong focus on people. He saw everyone, from the factory floor to the boardroom, and could both praise and persuade. For me personally, I take with me his broad business acumen and the importance he placed on a company's business culture. His thoughts on this will live on for a long time to come.

Finally, I would like to thank our customers, suppliers and shareholders for their trust and cooperation in 2023. Across the world, despite many challenges, our people and management have continued to reliably deliver high quality to our customers. A warm thank you to you all. To new employees, I say: welcome!

Malmö, March 2024

Peter Rosén, Acting President and CEO

Well positioned for growth in growing end-user segments

Continued strong execution of our business model with high customer focus, our leading polymer expertise and our ability to offer fast and stable deliveries are key to HEXPOL's financial success. This, together with our geographical coverage, allowing for manufacturing close to our customers, strengthens our delivery capacity.

Since its IPO, HEXPOL has generated shareholder value by way of a steady return on equity. The target is for 25–50 percent of profit for the year to be distributed to shareholders as dividends. Since the turn of the year 2023/2024, this target has been updated to 40–60 percent of profit after tax to be used for dividends. The Group works continuously to create value for all its stakeholders, including through active and integrated sustainability work.

→ Strong growth orientation

HEXPOL has a strong track record that clearly shows that the strategy of growing both organically and through acquisitions with good margins and strong operating cash flows is working. The HEXPOL Group has gone from sales of just under MSEK 500 in 2001 to MSEK 22,046 in sales in 2023. With a strong and resilient business model and a strong financial position, there is great opportunity for continued expansion and stable results.

→ Global market positions

HEXPOL has strong global market positions with the ambition of being the market leader in select technical or geographical segments. With 54 units in Europe, America and Asia, HEXPOL can deliver flexible solutions to both local and global customers. We are present in most high-growth industries that require leading polymer expertise. These include the automotive and engineering sector, general industry, and the health and medical technology segment.

→ 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 demanding environments. Through enterprising technological development, cutting-edge knowledge in polymer 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. Long-term customer relationships and close innovation partnerships with renowned industry players are among the reasons why the barriers to entry for new players are high.

→ Contribution to sustainable development and sustainable communities

Sustainability is an integral part of HEXPOL's business, and the Group has set ambitious targets, including a significant reduction in carbon dioxide emissions. Reducing the environmental impact of raw materials, production facilities and products, as well as preparing for the impact of climate change on the Group's value chain are highly strategic issues and drive technological development in a positive direction. Interest in products containing bio-based and/or recycled raw materials continues to grow. Creating a more circular economy is a strong driver for HEXPOL and its business partners. Today, HEXPOL has a range of proprietary materials to reduce dependence on fossil raw materials and thus contribute to more sustainable development. Read more about these and HEXPOL's sustainability efforts on pages 87–122.

Contributing to socially sustainable work is key to creating a fair and inclusive society. For HEXPOL, this means investing in education, healthcare and providing financial support for those who need it most in the regions in which we operate. By promoting equality and fairness, we create a better future for all.



Global trends benefit HEXPOL

In addition to holding strong positions in selected segments, HEXPOL has identified a number of global trends that afford the Group additional business opportunities. These help drive our business model, and we continuously monitor and evaluate them to ensure proper positioning, minimize risks and exploit new business opportunities.

Critical applications in society

The polymer solutions help save energy and reduce carbon emissions, eliminate noise and vibration, and dramatically extend the life cycle of machinery and medical devices. But polymer solutions are also central in strong global trends such as electrification, digitalization and industrial automation. HEXPOL's polymer-based solutions are often crucial to the functionality of customers' end products.

Increasing electrification drives growth

Electrification is advancing rapidly, indicating pressure for change. 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 evident in the expanding segment of electric and hybrid vehicles. The fuel and propellant industry is one of the industries that is perhaps most important for the transition, as many of the products it develops, manufactures and delivers are necessary for mobility in society. They can enable other industries to succeed in their transition to

climate neutrality while maintaining their competitiveness. HEXPOL has a comprehensive and broad offering in the wire and cable industry, which is an important part of enabling electrification, but also material knowledge to develop lighter and more resilient applications for a sustainable future.

Often the production of electric vehicles involves completely new designs and therefore there is an opportunity to make radical changes to the material. Often, polymers and polymer compounds can have better properties than the sheet metal and metal that have traditionally been used, at a much lower weight and cost. Increased focus on recycled raw materials and sustainable production processes also benefits polymer materials.

Clear business opportunities in sustainable development

Limiting climate impact is a big challenge for society and most businesses. This affects the Group's entire value chain, and customers' interest in the climate impact of products is increasing. Therefore, many activities are ongoing within



The porous material HexLight provides a lower weight and thus lower fuel consumption when used in the automotive industry. The technology reduces density by about 30 percent, which is important for the electric car market, in particular.

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. The Group offers a wide range of products in the field of sustainability – read more about these on page 33.

HEXPOL's business model and production process are not affected by any switch to new raw materials or a more circular business. Our machines are modern, and production changeovers are easy. Instead, the transformation rate depends on customer demand and supplier availability of recycled raw materials.

Short supply chains are business critical for customers

Proximity with shorter distances and response times have become critical for HEXPOL customers. Global unrest, increased trade barriers and pandemics are examples that drive this trend. With global operations in Europe, America

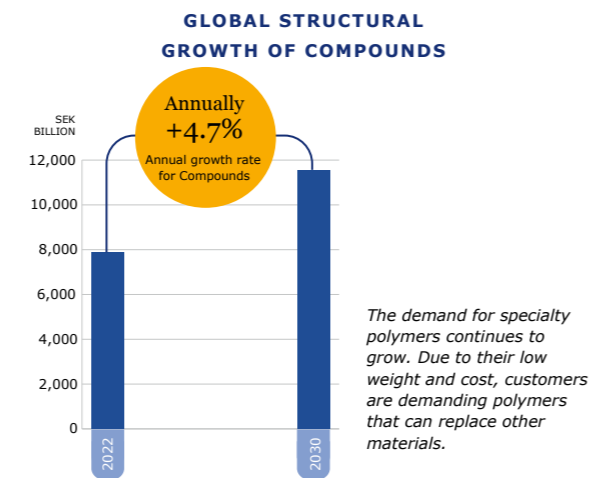
and Asia, HEXPOL is a flexible and reliable partner with a local presence through 54 units around the world. The proximity of production to customers also shortens both lead times and transport distances, which has a positive impact on the climate by reducing carbon dioxide emissions in the transport chain.

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

Human health is a global priority. An ageing population is an irreversible trend that has brought fundamental changes to our society. The UN estimates an additional 1 billion people on the planet by 2037. An ageing population, welfare diseases but also increased awareness of health issues are strong trends. HEXPOL's advanced polymer solutions are increasingly sought after for applications in the health and medical technology segment.









Today's society could not function without advanced polymer materials. Medical technology is just one of the areas that are critically dependent on polymer materials to seal and protect.



Source: Polymer Market Research Report (Global Industry Analysis and Growth Forecast to 2023 by Precedence Research, October 2022).

E-MOBILITY INCREASES HEXPOL'S BUSINESS OPPORTUNITIES

HEXPOL's Main Applications <small>Percentage of HEXPOL Compounding sales to automotive industry</small>	Plug-in Hybrid	Electric car
 WEATHERSTRIP		<ul style="list-style-type: none"> Increased demand for noise cancellation Light weighting for range extension
 SUSPENSION & DAMPENING		<ul style="list-style-type: none"> Different load distribution Greater demand for air spring systems New requirements due to higher weight
 HOSE	<ul style="list-style-type: none"> Higher temperature requirements Need for high-performance elastomers 	<ul style="list-style-type: none"> Only cooling hoses and AC (no Turbo, no fuel pipe) Cooling might not need flexible hoses
 TIRES	<ul style="list-style-type: none"> Tires have lower weight requirements 	<ul style="list-style-type: none"> Different design New material requirements
 BELT	<ul style="list-style-type: none"> Transmission of auxiliaries via ICE 	<ul style="list-style-type: none"> E-drives don't need timing belts Cooling & AC systems may also be needed for electric cars
 WIRE & CABLE		<ul style="list-style-type: none"> 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.

Strong core values are the foundation of everything we do

As a company, HEXPOL is propelled forward by its employees and its strong corporate culture with clear values. Our core values form the basis of our way of working and are the natural starting point in our business model.

Our purpose, vision and business concept

Our purpose is to make a difference every day, both through our products and through our relationships with customers – *We create a material difference*. We are driven by our vision of becoming the leading supplier of solutions for sustainable polymer applications. We do this by fulfilling our mission to deliver high-quality polymer solutions that enhance our customers' applications. Every day. Everywhere.

Strong core and clear values

HEXPOL is propelled forward by its employees and its strong corporate culture with clear values. Our strong core values are the foundation of everything we do: We are committed, We are close to you, We make you sustainable, We are entrepreneurs, and We are true specialists. Our core values and beliefs guide our work and approach to what we do – both internally and externally. See "Core and fundamental values" below.

HEXPOL is a flat organization with short decision-making paths.

A strong business model drives profitable growth

HEXPOL's business model is based on core values, complemented by four cornerstones that build on a strong customer focus: Leading expertise in polymers, Local business – global presence, Flexible and efficient facilities, and Strong and long-term customer relationships. This is how we

continue to develop the Group organically and with strong acquisition-driven growth.

Leading polymer expertise – high application know-how

Over time, HEXPOL has built up leading polymer expertise for a wide range of 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, often in close innovation collaboration with customers, develop polymer solutions for demanding environments. HEXPOL develops and owns most of the formulas, tools and processes required.

In recent years, efforts to develop environmentally and climate-friendly materials that contribute to sustainable development have also intensified. This includes the development and marketing of products containing bio-based and recycled polymer raw materials. As part of this, four of HEXPOL's production sites in Europe and America have already been certified for mass balance calculations. The certification allows customers to ensure that bio-based or recycled raw materials are present in a defined amount in their products. This is a step in a gradual transition from virgin and fossil raw materials to more bio-based and recycled raw material.

Local presence – global reach

Through global operations, HEXPOL is able to meet the

CORE AND FUNDAMENTAL VALUES

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



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.

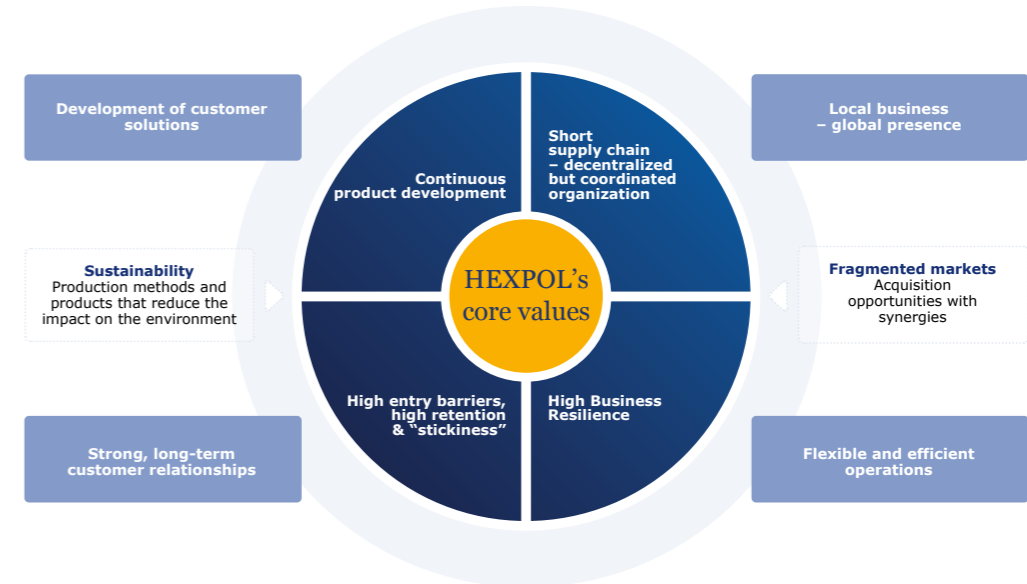
Our global footprint with agile development-focused units safeguards our offering of the best local support for customer needs.

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

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.

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.

BUSINESS MODEL WITH A STRONG CUSTOMER FOCUS



requirements of large global groups, but also to reduce lead times thanks to our 54 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. But it also creates environmental benefits with shorter transportation distances. HEXPOL is one of the few players with both global and local roots.

Flexible and efficient operations

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 while giving HEXPOL flexibility in its production. The low working capital is a contributing factor in HEXPOL's stable profitability.

The modern and well-invested operations are batch-oriented and are valued based on the lowest possible transition from one batch to another. Batch production provides a high degree of flexibility in the face of changing customer needs; production can be quickly moved to other countries/production facilities or scaled up or down to meet these 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.

The close cooperation with customers and the complexity

of materials results in a high level of repeat business and high barriers to entry for competitors. Many of our customers have been with us for more than 20 years.

Sustainability with and for the customer

Sustainability matters are an integral part of HEXPOL's operations. We focus on energy and climate, a safe working environment, good business ethics and the development of production processes and products helping directly or indirectly reduce environmental impact. Many of the Group's customers have similar priorities and it is often 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 bio-based and/or recycled raw materials continues to grow. 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 the raw materials.

Fragmented markets

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

Strategies supporting value generation and profitable growth

HEXPOL's overall objective is to generate value for its stakeholders through profitable growth and sustainable development. 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.

The strategies are agile and adaptable over time, allowing the business to continuously improve.

→ Strong global market positions

HEXPOL is represented in most industrial segments that demand leading knowledge and development capacity in advanced polymers. The largest segments are the automotive and engineering sectors, together with the construction sector. Other key customer segments include transportation, the wire and cable industry, medical device manufacturers, and the energy and consumer sectors.

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 increase sales and further strengthen our positions through benchmarking.

As a leading player in advanced polymers, 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 better

cooperation and efficient solutions. Today, a short supply chain and short response times are business-critical components for HEXPOL's customers. Pandemics, increasing trade barriers and political unrest 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 part, 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, supported by Group-wide, coordinated processes and an ongoing exchange of experiences between units, safeguarding development and "best practice" within the Group.

→ Coordination and cooperation for a cost-effective business

The HEXPOL Group is continuously optimizing processes, reducing costs and eliminating waste. Our production facilities are well-invested and modern with a high level of technology. This, together with a wide range of expertise in a flat and efficient organization, ensures that we are the most cost-effective company in our industry.

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 polymer 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.

→ Strategy for sustainable development

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 little climate impact.

Our society relies heavily on polymer solutions for a wide range of applications and uses. To reduce our dependency on fossil fuels and reduce our environmental impact, it is necessary to move to more sustainable alternatives. By developing and using bio-based and recycled polymer materials, HEXPOL promotes a more circular economy and reduces the negative impact on the environment. HEXPOL already offers a wide range of solutions for sustainable development; read more about it on page 33. However, the pace of transformation is strongly linked to customer demand and the ability of suppliers to deliver recycled raw materials.



The WS and WS+ products are TPE materials with hydrophilic properties. The products swell in contact with water and are used, e.g., in tunnels, sewage systems, water tanks and water treatment plants, that is, equipment able to aid adaptation to climate change among other things.



Water is a precious resource on Earth and every drop counts. An appropriate infrastructure is therefore crucial. The challenges may vary among countries, but polymer compounds are always included in critical applications to safely manage both drinking water and wastewater.

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, nearly 50 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 in this way, through synergies within the Group, improve 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 42 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 markets. We build long-term relationships with many types of businesses, from family businesses to private equity companies and other industrial owners. Our market is still fragmented, which means that there is great opportunity for acquisitions in profitable areas. Together with industry experts, we conduct proactive searches in key areas

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.



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.	<ul style="list-style-type: none"> • Leading position in Europe and North America • Profitable niche position in China 	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • Good European position in silicone • Improved position in North America and the UK 	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • Favorable position in North America (reinforced PP) • Strengthened position in Europe • No position in Asia 	<ul style="list-style-type: none"> • Capture larger market share – new and existing customers • New customer solutions • Great acquisition opportunities
HEXPOL TPE Compounding	Global market with structural growth.	<ul style="list-style-type: none"> • Good position in Europe • Strengthened position in North America • Weak but growing position in Asia 	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • Leading global position in wheels in polymer materials for forklifts and material handling 	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • Leading position in Europe and Asia (PHE) • Positive development in North America 	<ul style="list-style-type: none"> • Geographic expansion

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.

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 in 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.

An example of this 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.

Other examples include the strengthening of margins for individual units following HEXPOL's acquisition. Both almaak international GmbH and McCann Plastics had a profitability level just below the HEXPOL Group but are now fully integrated with improved margins for.

The acquisition of US-based Star Thermoplastics in 2023 is in line with HEXPOL's growth strategy and enables greater geographical reach in the TPE market through a well-established company with a strong product portfolio. Read more about the acquisition on page 16.

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, e.g., by the wire and cable industry and health & medical technology. Market niches are constantly reviewed to assess how the Group can continue to improve its positions.

GROWTH

A first step toward the growing US TPE market

In November 2023, HEXPOL acquired US TPE Compounder Star Thermoplastic Alloys and Rubbers, Inc. The acquisition establishes HEXPOL in the growing US TPE market. The company was founded in 1993 by Thomas A. Dieschbourg and has grown to become a technically advanced TPE company.

The acquisition of Star Thermoplastics is in line with HEXPOL's growth strategy and allows HEXPOL to enter the US TPE market through a well-established company with a strong product portfolio.

The acquisition complements the HEXPOL TPE portfolio in a number of areas. Although it is a small acquisition in financial terms, it is a strategically important acquisition as it provides a foothold in the US TPE market where HEXPOL has not been present so far. The acquisition also provides increased opportunities and a greater geographical reach.

"Star Thermoplastics will give us the opportunity to repeat the successful growth journey we have made in the European TPE market, this time in the larger US market. Our existing TPE companies in Europe and China as well as Star Thermoplastics will all become stronger through this acquisition," say Ralph Wolkener and Carsten Rüter, CEOs of HEXPOL TPE Compounding.

At the time of the acquisition, Star Thermoplastics had sales of approximately MSEK 200 with profitability below the level of the HEXPOL Group. Star Thermoplastics operates near the city of Chicago. The facility, with about 30 employees, is modern and well-invested with great growth potential. The main end customer segments are automotive, construction, medical technology, industry, electronics and consumer.



Targets and outcomes in 2023

FINANCIAL TARGETS¹

Sales growth

Sales growth demonstrates HEXPOL's competitiveness in the market and its capacity to leverage its strengths and areas of expertise. Sales growth, adjusted for currency effects, should amount to more than 10 percent, over a business cycle.

Comments on 2023:

Adjusted for exchange rate effects, sales amounted to -6 percent, of which organic growth amounted to -9 percent. Acquisitions contributed an additional 3 percent growth during the year.

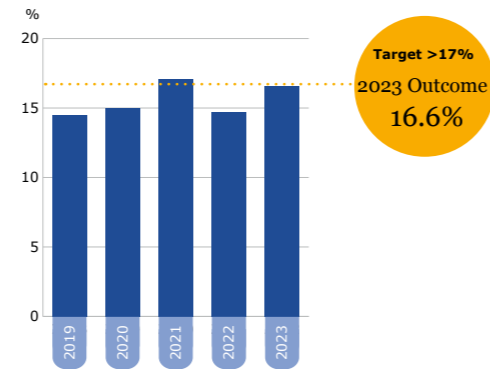


Operating margin

The operating margin shows HEXPOL's capacity to cover operating costs and generate profit for shareholders. The target is for the operating margin, adjusted for items affecting comparability, to exceed 17 percent over a business cycle.

Comments on 2023:

The operating margin, adjusted for non-recurring items, amounted to 16.6 percent. A favorable product and price mix had a positive impact on the margin during the year.



Equity/assets ratio

The equity/assets ratio measures the proportion of HEXPOL's total assets that are financed with equity. The goal is to exceed 30 percent annually.

Comments on 2023:

The equity/assets ratio remained strong at 65 percent (58). The Group's total assets amounted to MSEK 22,507 (23,553). Net debt amounted to MSEK 1,575 (2,845), of which MSEK 452 (428) pertains to financial leasing liabilities in accordance with IFRS 16, which gives a net debt/EBITDA of 0.38 (0.75).



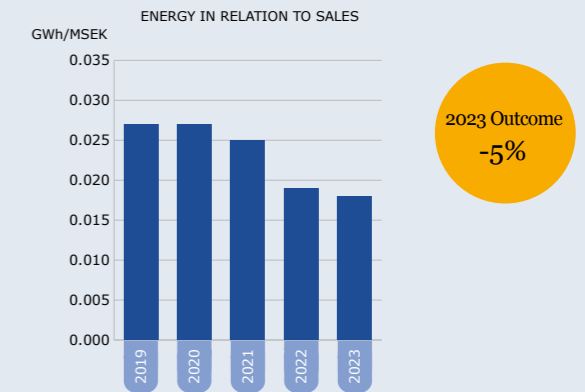
¹ Financial definitions can be found on page 123.

SUSTAINABILITY TARGETS¹

Energy

Energy consumption (GWh/net sales) is to be reduced continuously.

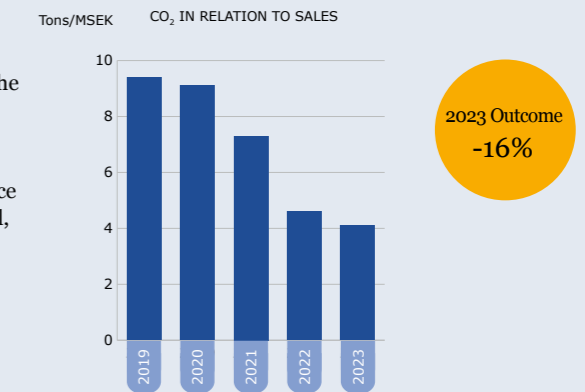
Over the year, investments were made in more energy-efficient production equipment, lighting and infrastructure. Compared with 2022, the key ratio for energy use decreased by about 5 percent.



Climate

Carbon emissions from energy consumption (tons CO₂/net sales) are to decrease by 75 percent by 2025 compared with the average for 2018–2019.

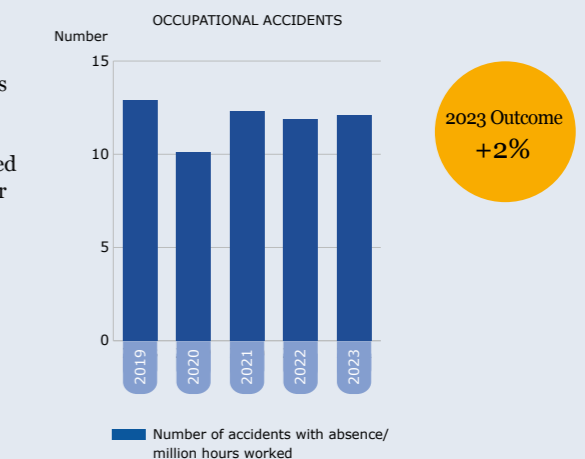
Increased purchasing of fossil-free electricity, installation of solar cells and improvement of energy efficiency helped reduce CO₂ emissions by about 16 percent compared to 2022. In total, emissions have decreased by 57 percent since the base year 2018/2019.



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.

The frequency of workplace accidents per million hours worked was largely unchanged from the average of the previous 5-year period.



¹ Read more about HEXPOL's sustainability-related targets on page 32.

The HEXPOL share and shareholders

Share price development and share turnover

In 2023, the price paid for HEXPOL's B share increased by 10 percent (-8), the same increase as the comparable index, OMX Stockholm Basic Materials, which also increased by 10 percent (-12). The Stockholm exchange as a whole, Nasdaq Stockholm, rose by 15 percent (-25).

The highest price paid for HEXPOL's B-share was recorded on April 17 at SEK 129.50, and the lowest price paid was recorded on October 27 at SEK 87.85.

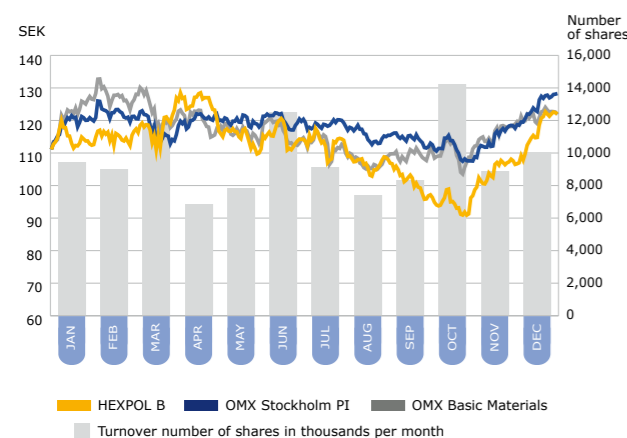
In 2023, 116 million (128) HEXPOL shares were traded at value of MSEK 12,857. On average per trading day, 461,107 shares (505,590) were traded for an average of SEK 51,295,028 per day. HEXPOL's total return was about 13 percent during the year, compared to the OMX Stockholm GI¹, which was 19 percent. Over the past five year period, HEXPOL's Class B share has had an average total return of over 23 percent per year. The corresponding figure for OMX Stockholm GI is 17 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 A shares and 329,671,226 are 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, 2023, HEXPOL AB had 12,166 (12,726) 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 percent of the share capital and 46 percent of the voting rights. The number of shares held by non-Swedish shareholders totalled 42 percent (36) of the capital. The 20 largest

SHARE PRICE TREND AND TRADING VOLUME, JAN 1-DEC 31, 2023



shareholders accounted for 68 percent (69) of the capital and 77 percent (78) 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 25–50 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. Since the turn of the year 2023/2024, this target has been updated so that 40-60 percent of profit after tax is to be used for dividends. For 2023, the Board proposes an ordinary dividend of SEK 4.00 per share (3.60) and an extraordinary dividend of SEK 2.00 per share. The dividend corresponds to approximately 55 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.

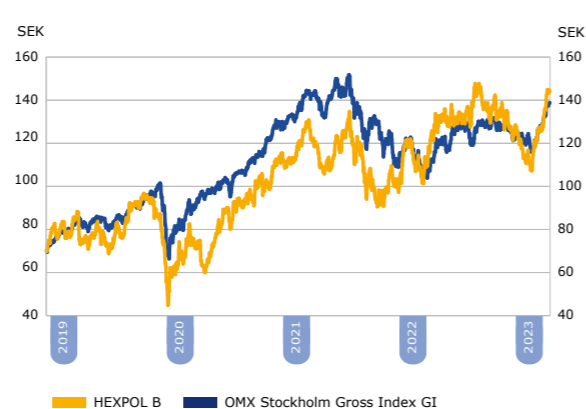
Responsible for IR issues at HEXPOL is Peter Rosén, acting President and CEO and CFO: phone 040-25 46 60, ir@hexpol.com.

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



In 2023, HEXPOL organized a capital market day in the factory in Åmål.

TOTAL RETURN 2019-2023



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

KEY PERFORMANCE INDICATORS PER SHARE¹

SEK	2023	2022	2021	2020	2019
Adjusted profit	7.51	7.14	6.09	4.26	4.93
Shareholders' equity	42.32	39.97	33.82	26.53	28.34
Dividend	3.60	6.00 ²	2.30	2.30	2.25
Closing price, Class B share, 31 December	122.0	111.10	121.30	88.0	91.80
Cash flow from operating activities	10.23	7.53	6.99	6.90	6.86

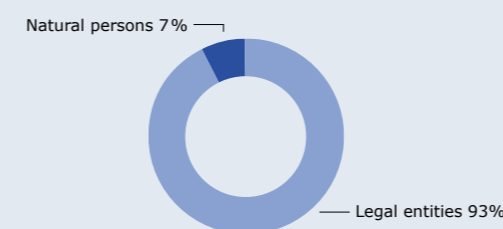
MAJOR SHAREHOLDERS

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
State Street Bank and Trust Co W9	0	37,063,036	10.8	7.8
ALECTA PENSIONS FÖRSÄKRING, ÖMSEIDIGT	0	17,410,000	5.1	3.6
JP Morgan Chase Bank NA, W9	0	11,178,428	3.2	2.3
Northern Trust company, London Branch	0	10,319,818	3.0	2.2
Lannebo småbolag	0	8,668,923	2.5	1.8
Första AP-fonden	0	8,343,000	2.4	1.8
Swedbank Robur Småbolagsfond	0	7,430,000	2.2	1.6
The Bank of New York Mellon, W9	0	6,404,573	1.9	1.3
Andra AP-fonden	0	6,323,540	1.8	1.3
Total of the 10 largest shareholders	14,765,620	183,924,748	57.7	69.5
Total other shareholders	0	145,746,478	42.3	30.5
Total	14,765,620	329,671,226	100.0	100.0

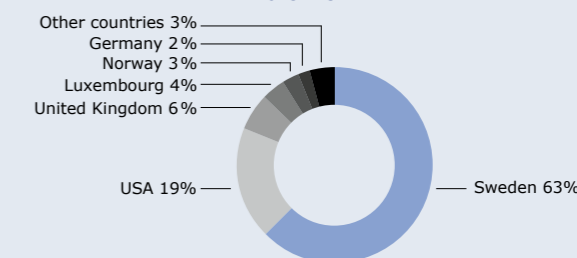
OWNERSHIP STRUCTURE

Number of shares per shareholder	Number of shareholders	Class A shares	Class B shares
1-500	7,967	0	976,227
501-1,000	1,314	0	1,067,637
1,001-5,000	1,902	0	4,428,221
5,001-20,000	637	0	6,250,605
20,001-	346	14,765,620	316,948,536
Total	12,166	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.

Global Group with local presence

The Group's strengths are its locally rooted entrepreneurial spirit, with its 54 units having excellent familiarity with the local markets, cutting-edge knowledge and development capabilities.

HEXPOL's customers impose rigorous demands and have high expectations in terms of flexible and fast deliveries of customer-specific polymer compounds or components designed to resolve challenges, often in the most demanding environments. Other requirements include uniform quality and high delivery capacity.

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 22,046, and at the end of the year they had about 5,100 employees in 14 countries.

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.

SENIOR EXECUTIVES WITHIN HEXPOL'S BUSINESS AREAS



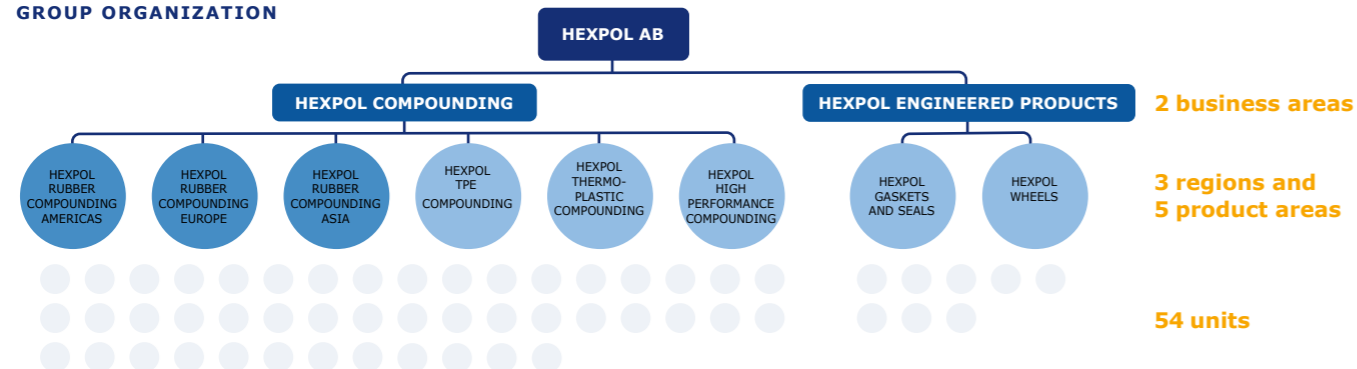
GARY MOORE
President HEXPOL Compounding Americas

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
CEO HEXPOL Thermoplastic Compounding och HEXPOL Engineered Products

GROUP ORGANIZATION



BUSINESS AREA HEXPOL COMPOUNDING:

A world-leading player in advanced polymer compounds

HEXPOL Compounding's 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, energy sector, consumer sector, wire and cable industry and medical device manufacturers.

A decentralized, and highly coordinated organization

HEXPOL Compounding's operations encompass 46 business units divided between four product areas: HEXPOL Thermoplastic Elastomer Compounding (TPE), HEXPOL Thermoplastic Compounding, HEXPOL High Performance Compounding and HEXPOL Rubber Compounding, which is divided into three geographical areas: the Americas, Europe and Asia.

The organization is characterized by far-reaching decentralization of responsibilities and powers and encourages rapid decision-making. 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 increasingly in demand.

HEXPOL has a culture that promotes commitment, responsibility and good ethics in customer relations. 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.

HEXPOL Compounding's 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 require unique expertise, and are owned in large part by HEXPOL.

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

Rapidly increasing electrification provides favorable growth opportunities in the wire and cable industry, where HEXPOL Compounding has combined its offerings for a more powerful impact on the market.



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
- Strengthened position in North America
- Weak but growing position in Asia



Whether a customer needs flame retardant, oil resistant, UV stable or medical technology approved polymer materials, HEXPOL offers technical solutions that perfectly match application requirements.



There are several reasons why polymer use will increase in the future in the automotive industry. Often the production of electric vehicles involves completely new designs and therefore there is an opportunity to make radical changes to the material. Often, polymers can have better properties than the sheet metal and metal that have traditionally been used, at a lower weight and cost. Increased focus on recycled raw materials and sustainable production processes also benefits polymer materials. The electric vehicle market is a growing niche where HEXPOL products help to protect and seal with reduced weight.



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.

HEXPOL COMPOUNDING IN THE VALUE CHAIN



Leading global market positions

The business area has leading global market positions in all market areas. 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 for large global industrial corporations, but also for other, more local players. HEXPOL focuses on high-growth markets with interesting and growing customer applications in areas such as health & medical technology, general industry, consumer products, and the automotive industry. Other attractive niches with growth opportunities for HEXPOL are the transportation sector, such as the railroad, aviation and space industries.

Demand and sales of products that focus on sustainable development are steadily increasing. HEXPOL Compounding has established a strong position in the field, with materials such as Dryflex Circular, RheVision and HEXGREEN, 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 markets.

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.

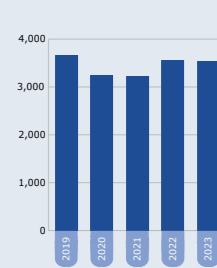
The smaller and medium-sized manufacturers of components find it difficult to maintain proprietary production of rubber compounds long term, choosing therefore to outsource some of this production to HEXPOL, among others, which have an opportunity to offer a competitive global concept and cost-efficient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

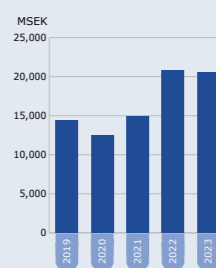
Significant events in 2023

- Sales decreased slightly compared to 2022 and amounted to MSEK 20,581 (20,834). At the same time, the adjusted operating margin strengthened to 16.5 percent (14.3), mainly as a result of a better product and price mix.
- On November 14, HEXPOL acquired the US TPE compounder Star Thermoplastic Alloys and Rubbers, Inc., thereby expanding geographically into the US TPE market.
- During the year, three more sites were certified under the International Sustainability and Carbon Certification (ISCC PLUS). A total of four sites are now certified.
- HEXPOL Compounding Europe had its "Product Carbon Footprint" calculation model certified according to ISO 14067:2018 and can now provide the carbon footprint of its compounds.

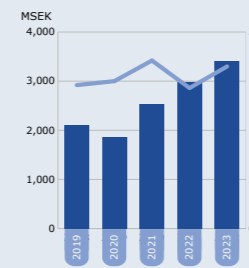
AVERAGE NUMBER OF EMPLOYEES



2023 SALES MSEK 20,581

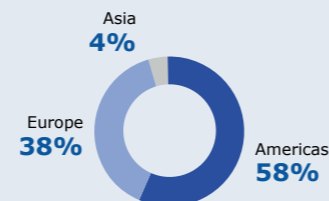


ADJUSTED OPERATING PROFIT AND OPERATING MARGIN



■ Adj. operating profit, MSEK
■ Adj. operating margin, %

SALES PER REGION



Various polymer solutions play an important role in the development of society towards a more sustainable world. Electrification and energy savings are just a few areas that are critically dependent on polymer materials to seal and protect. Another area is medical technology.

Strong growth and global positions in niche areas

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

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. The composition of the rubber material, the geometric design of the gasket and tight tolerances in the manufacturing process are critical factors for the end product's performance and useful life. The rubber material is developed specifically for different applications and gaskets that are delivered in varying sizes, ranging from about 10 centimeters in length up to several meters.

HEXPOL Gaskets and Seals is today the main supplier to all major OEM manufacturers of plate heat exchangers. The market is growing as the demand for energy-efficient solutions

HEXPOL ENGINEERED PRODUCTS IN THE VALUE CHAIN



increases and as an increasing number of customers make demands for sustainable development. HEXPOL Gaskets and Seals' production units and distribution center are strategically well placed in Europe, Asia and North America.

The Swedish unit conducts research and development of new materials that can withstand higher temperatures, pressure and more aggressive media than what is currently available on the market. It also ensures that the input material has the same properties and that the production process is the same so the gasket has the same final properties, regardless of the place of production. The focus on cost-effectiveness in the refining process is also something the business area attaches great importance to.

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. HEXPOL Wheels is at the forefront when it comes to devel-

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 polymer 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.

oping 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.

HEXPOL Wheels is the only global polyurethane wheel and tire company with production units in Europe, North America, and Asia. The global forklift wheels market has regional differentiation due to varying design requirements, material preferences, and quality standards. The business unit 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.

Flexible production

HEXPOL Engineered Products 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. HEXPOL Gaskets and Seals produces most of the tools used in-house, which is an advantage for new projects.

Establishing a European distribution center for wheels 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."

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.

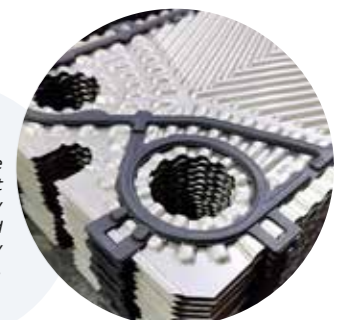
HEXPOL Wheels is well positioned to take an active role in any structural projects. Continued investment in customer service and product development are critical factors for success. The aftermarket segment for forklift wheels also increased and is dominated by OEM forklift manufacturers and independent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

Significant events in 2023

- Sales increased by 4 percent compared to 2022 and amounted to MSEK 1,465 (1,409) while the operating margin amounted to 17.6 percent (19.7), where the decrease is explained by negative currency effects related to Sri Lanka.
- 2023 marked 130 years since the Gislöw brothers set up a rubber factory in Gislaved, marking the start of the HEXPOL Group. Read more about our history at www.hexpol.com
- In December, HEXPOL Wheels opened a new office and production facility in Qingdao, China.

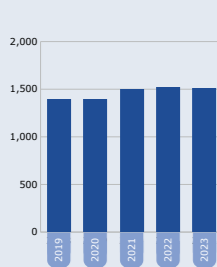


HEXPOL is the only truck wheel manufacturer that can meet customers globally with production units in Europe, North America and Asia.

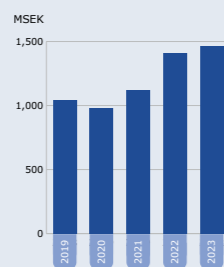


HEXPOL is a world leader in the manufacture of gaskets for plate heat exchangers. The level of technology in the seals and gaskets is high, and the end product is characterized by high quality requirements.

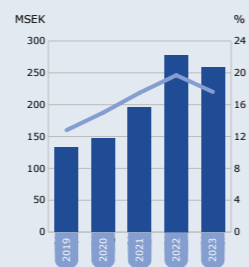
AVERAGE NUMBER OF EMPLOYEES



2023 SALES MSEK 1,465

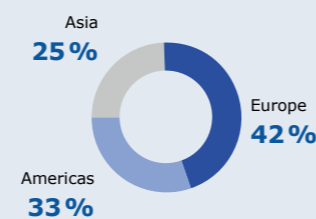


ADJUSTED OPERATING PROFIT AND OPERATING MARGIN



■ Adj. operating profit, %
■ Adj. operating margin, MSEK

SALES PER REGION





INNOVATION

Two-component solutions for the automotive industry

The demand for two-component systems is high in the automotive industry. You want to be able to combine rigid engineering thermoplastics with softer thermoplastic elastomers to meet functional, ergonomic or aesthetic requirements. Applications in the automotive industry include interior and exterior solutions, which include technical parts such as seals, handles, moldings, bracket and interior parts, rubber bands, electronics housing, and noise and vibration damping.

One challenge with two-component solutions is that good adhesion for standard TPEs is limited to olefin-based substrates such as polypropylene, which in turn have limitations in terms of thermal and stiffness performance.

In contrast, chemically modified TPEs allow adhesion to a much wider range of engineering thermoplastics and improve properties to meet more demanding component requirements.

The HEXPOL-company almaak's product portfolio includes a wide range of engineering thermoplastics – many in materials with up to 100 percent recycled content. These have been tested for adhesion with HEXPOL TPE's portfolio of thermoplastic elastomer materials with very good results.

One example is polybutylene terephthalate, which is often used for electromobility applications and normally has difficulty adhering to TPE materials. Adding fiberglass reinforcement and flame retardant additives makes it even more difficult. HEXPOL has now delivered tested material combinations that ensure chemical compatibility and adhesion performance to automotive customers, along with a support package that includes tooling and processing advice for the customer.

The collaboration between almaak and HEXPOL TPE in developing the two-component solutions gives HEXPOL's automotive customers a huge competitive advantage, as they have been able to test the functionality of the material combination at an early stage before it goes into application production.

Platform for sustainable development

Responsibility for people and the environment is an integral part of HEXPOL's business concept and we want to be the leading provider of solutions for sustainable polymer applications. The Group's sustainable development platform focuses on reducing the climate impact of processes and products, efficient use of resources, and good working conditions.

Significant events during the year

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.

During the year, climate issues and the development of products with a lower carbon footprint continued to engage our stakeholders. New legislation on sustainability reporting affected both the amount of information to be collected within the Group and how it is presented externally. Significant events during the year included:

- A tool for calculating the carbon footprint of products was launched (Product Carbon Footprint Calculator). The tool provides a good opportunity for customers to actively choose raw materials with a lower carbon footprint.

- ISCC+ mass balance certification provides customers with proof of traceability throughout the supply chain. The certification ensures that bio-based or recycled raw materials are present in a defined amount in the products. During the year, two production units were certified, and a total of four units in Europe and the US are now certified.
- The internal capacity to recycle polymer materials was increased by investing in recycling equipment and acquiring companies that have this as their business concept.
- Carbon dioxide emissions from energy use continued to decrease, which is a result of energy efficiency improvements and increased purchases of fossil-free electricity, among other things.
- Installations of solar panels continued, and nine production plants currently have such equipment. The production of self-generated electricity increased by 160 percent during the year.
- The development of products with a lower carbon footprint remained a high priority. The growing product port-

KEY PERFORMANCE INDICATORS FOR SUSTAINABLE DEVELOPMENT¹

	2023	2022	2021
Energy consumption/net sales, GWh/MSEK	0.018	0.019	0.025
Purchased fossil-free electricity, percent of total electricity use	42	30	31
CO2 emissions/sales, tons/MSEK	4.1	4.9	7.3
Recycled/bio-based polymer raw materials ² percent of total polymer use	19	16	10
Violations of environmental and work environment legislation	0	5	3
Occupational accidents, number/million hours worked	12.1	11.9	12.3
Training of employees, hours/employee	18	22	20
Proportion of women in local management teams, %	27	28	27
Human rights violations	0	0	0
Financial value distributed between stakeholders, MSEK	5,193	5,354	3,569

¹ Page 126 provides an overview of the KPIs for sustainable development in a ten-year perspective.
² Excluding natural rubber

folio now also includes HEXGREEN, which contains at least 10 percent recycled or bio-based raw materials, or combinations thereof.

- The alignment of sustainability reporting with the EU's Corporate Sustainability Reporting Directive (CSRD/ESRS) began during the year. The results of this work are presented in the separate sustainability report at the end of the annual report. Adaptation will continue in 2024 with the aim of presenting a full report when the Directive enters into force.

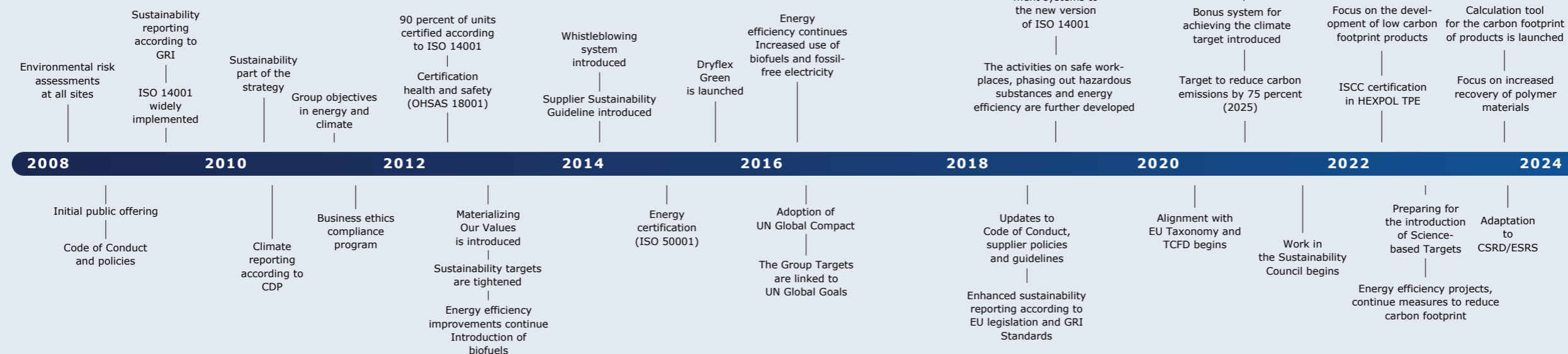


Sustainability goals

The UN Sustainable Development Goals contribute to the company's sustainable development priorities.

An important starting point for achieving the goals 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

KEY STEPS IN SUSTAINABILITY



materials. The Global Goals also provide guidance on measures social responsibility, social engagement and business ethics measures. We have introduced Group-wide 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 87–122 of the Sustainability Report.







Focus on climate change

With a focus on reducing the carbon footprint of processes and products, customers and other business partners present ambitious climate targets. These ambitions are largely driven by strong social currents around climate policies,

legislative measures and accounting systems. Industry is identified as an important partner in the transition to a society with less dependence on fossil fuels and raw materials.

Climate issues are very important for the Group, and it is important to 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 made a commitment to introduce Science-Based Targets. As part of this work, in 2024 we will map the carbon dioxide emissions caused by transport, business travel, raw materials, investments in equipment, the use of products and much more (Scope 3 of the Greenhouse Gas Protocol).

SUSTAINABLE DEVELOPMENT TARGETS

Target	Global goal	Outcome	Continued measures
Energy Energy consumption (GWh/net sales) is to be reduced continuously.		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. Over the last five years, the energy use ratio has decreased by about 30 percentage points.	Installation of energy-efficient equipment, lighting and infrastructure will continue.
Climate Carbon emissions (tons CO2e/net sales) will be reduced by 75 percent by 2025 compared with the average for 2018–2019 (base year). The target refers to CO2 emissions from energy consumption (Scopes 1 and 2 in accordance with the GHG Protocol).		Measures to reduce the carbon footprint include increased use of biofuels, increased purchases of fossil-free electricity and energy efficiency. Currently, about 38 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 57 percent. The climate target has been linked to a bonus system since 2022.	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.		Three companies were certified to ISO 14001 during the year, and 96 percent (94) of the facilities are now certified.	Two companies are planning to achieve certification in 2024–2025.
Chemical substances Uses of hazardous chemicals are to be identified and controlled. Where possible, hazardous substances should be phased out.		Work to limit the use of particularly hazardous substances is conducted continuously. During the year, around ten items were replaced.	Replacing or reducing the use of hazardous substances is a long-term process that will continue for the foreseeable future. The list includes certain phthalates, nitrosamines, ETUs, lead and flame retardants.
Products HEXPOL should be seen as a front-runner in the polymer industry as a supplier of products that contribute to sustainable development.		In 2023, the development and marketing of products that contribute to sustainable development continued (see pages 33 and 108). Around 19 percent (16) of the polymer raw materials were made of recycled or bio-based 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 products 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.		The number of accidents involving absence from the workplace was 12.1 (11.9) per million hours worked. Incident reporting systems are in place in 83 percent (81) of the units.	Over the past five years, the key performance indicator for occupational accidents has shown no change in the situation. Achieving the zero vision requires continued efforts (technical measures, training, monitoring).

Products that contribute to a smaller carbon footprint

The majority of the Group's indirect carbon emissions (Scope 3) are caused by the production of the raw materials originating from fossil oil products. When it comes to both rubber and plastic 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. Despite these challenging circumstances, the portfolio of products contributing to sustainable development is growing. The table below provides an overview of such products.

EXAMPLES OF HEXPOL PRODUCTS THAT CONTRIBUTE TO SUSTAINABLE DEVELOPMENT

Products/product groups*	Contribution to sustainable development	Facilitates customers' sustainability efforts
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 cleantech applications.	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.	Reducing the use of fossil resources. Reduced climate impact. Circular economy.	✓
Dryflex Circular – TPE containing recycled raw materials.	Reduced climate impact. Circular economy.	✓
Dryflex Circular MWR – TPE containing material from recycled fishing nets.	Contributes to the reduction of marine litter. 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.	✓
HEXGREEN (rubber compounds containing more than 10 percent recycled or bio-based raw materials).	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.	Extends 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.	✓

* Internal criteria for products contributing to sustainable development: 1) Is used in cleantech applications, 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.

SUSTAINABLE DEVELOPMENT

A portfolio of polymer compounds with less fossil raw material and a reduced CO₂ footprint

HEXPOL's vision is to be the preferred choice for sustainable polymer applications. HEXPOL's growing HEXGREEN portfolio brings the vision one step closer to reality.

Each HEXGREEN compound is a tailor-made solution specifically developed to meet customer requirements. It can be based on bio-based, recycled or mass-balanced raw materials – or a combination of the categories. The combination possibilities are endless and constantly growing, with an increasing range of alternative raw materials becoming available. As long as the share of non-fossil raw materials is above 10 percent, the compound can be called HEXGREEN.

The new HEXGREEN compound have strict technical and product functionality requirements while offering the same processing performance as the original formulas. Fortunately, HEXPOL's development team has extensive experience in adjusting formulas to meet both sustainability and technical requirements.

Renewable energy in the compounding process contributes to low emissions, but it is the knowledge of alternative raw materials that makes the big difference for HEXGREEN applications.

HEXPOL Compounding in Europe is currently able to offer compounds with a sustainability rate of up to 40 percent, but is constantly striving for more. Most in demand are compounds based on recycled raw materials. In particular, devulcanized rubber is a clear trend that opens up the circular economy in the rubber industry. A formula based on recycled raw materials can already reduce the product's carbon footprint by a third compared to the traditional fossil-based version.

HEXGREEN compounds work well in a number of different applications in segments such as automotive, construction, energy and general industry. Cable manufacturers are also interested in converting their existing formulas into HEXGREEN formulas.



Board of Directors' report

The Board of Directors and the President of HEXPOL AB (publ.), registered in Malmö, Sweden, hereby present the annual report and consolidated financial statements for the 2023 fiscal year. The following income statements and balance sheets, statements of changes in shareholders' equity, cash flow statements, statements of comprehensive income and the presentation of the applied accounting policies and notes comprise HEXPOL's formal financial reporting.

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 12,166 shareholders on December 31, 2023. 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 68 percent of the capital and 77 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 5,055 employees in 14 countries at the end of the year.

FISCAL YEAR 2023

Sales and operating profit

The HEXPOL Group's sales during the year amounted to MSEK 22,046 (22,243), including positive currency effects of MSEK 1,124. In addition to the positive currency effects, sales were positively impacted, 3 percent, by acquisitions.

Sales in Europe decreased by 4 percent, while sales in the Americas increased slightly and sales in Asia increased by 7 percent, both compared to the previous year.

Operating profit increased to MSEK 3,576 (3,290), and the operating margin increased to 16.2 percent (14.8). The result includes MSEK -83 (30) for items affecting comparability, mainly attributable to a restructuring in California, USA, where two factories are being consolidated into one (see also Note 2). Over the year, exchange rate fluctuations had a positive impact of MSEK 128 on operating profit.

Business area HEXPOL Compounding's sales during the year decreased slightly to MSEK 20,581 (20,834). Operating profit increased by 10 percent, amounted to MSEK 3,318 (3,012), and the operating margin increased to 16.1 percent (14.5).

Business area HEXPOL Engineered Products' sales increased by 4 percent during the year to total MSEK 1,465 (1,409). Operating profit amounted to MSEK 258 (278), and the operating margin was 17.6 percent (19.7).

For significant events in 2023, please see page 4, and for the ten-year financial overview, please see page 125.

Financial income and expenses

Consolidated net financial items amounted to MSEK -230 (-46), including higher interest costs and exchange-rate gains and losses.

Tax expenses

The consolidated tax expense amounted to MSEK 822 (761), corresponding to a tax rate of 24.6 percent (23.5).

Profit for the year

Profit before tax for the year amounted to MSEK 3,346 (3,244). Profit after tax amounted to MSEK 2,524 (2,483), and earnings per share were SEK 7.33 (7.21). Profit after tax includes items affecting comparability of MSEK -64 (24) attributable to restructuring in California, USA, including the consolidation of two factories. See also Note 2.

Investments, depreciation and amortization

The Group's investments amounted to MSEK 684 (659) during the year. For the same period, depreciation and impairment totaled MSEK 544 (492), of which MSEK 82 (85) relates to leased assets according to IFRS 16.

Profitability

Return on capital employed amounted to 19.0 percent (19.2). The return on shareholders' equity amounted to 17.1 percent (19.1).

Cash flow

Operating cash flow amounted to MSEK 3,994 (2,813). Cash flow from operating activities increased to MSEK 3,525 (2,593).

Financial position

The equity/assets ratio amounted to 65 percent (58). The Group's total assets amounted to MSEK 22,507 (23,553). Net debt amounted to MSEK 1,575 (2,845). HEXPOL has implemented the dividend of MSEK 1,240 (2,067) decided at the Annual General Meeting of April 28, 2023, corresponding to a dividend of SEK 3.60 per share.

The Group has the following major credit agreements with Nordic banks as of December 31, 2023:

- A credit agreement with a limit of MSEK 1,000 that falls due in May 2026.
- A credit agreement with a limit of MEUR 150 that falls due in May 2026.
- A credit agreement with a limit of MSEK 1,500 that falls due in June 2026.
- A credit agreement with a limit of MSEK 1,100 that falls due in February 2027.

The Group uses commercial papers as part of its financing, and as at December 31 these amounted to MSEK 1,880. 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, 2023, consolidated goodwill and intangible assets totaled MSEK 12,501 (12,678).

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:

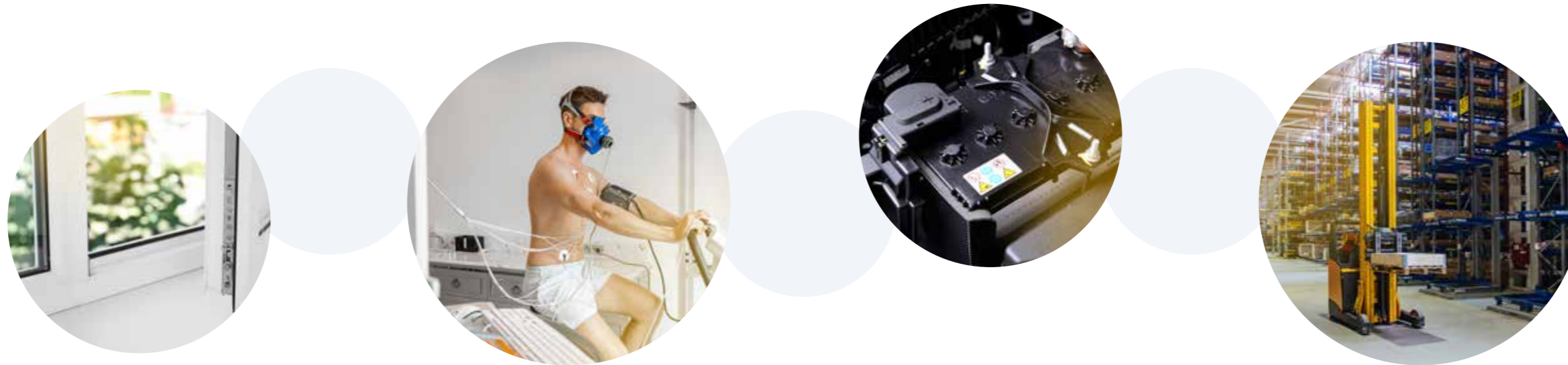
- Sales growth (adjusted for exchange rate effects) should exceed 10 percent.
- The operating margin (adjusted for items affecting comparability) should exceed 17 percent.

Principles for remuneration of senior executives

The current guidelines for remuneration to the CEO and other senior executives were adopted at the 2022 AGM, where it was decided 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 pay 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 mea-

surement 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, pension benefits, 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.

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 2024 Annual General Meeting.

Research and development

HEXPOL's research and development expenditure over the year totaled MSEK 152 (137), 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: That a cash dividend of SEK 4.00 per share be paid to shareholders as an ordinary dividend, plus an additional dividend of SEK 2.00 per share, giving a total proposed dividend of SEK 6.00 per share.

At the same time, the dividend policy is increased from 25–50 percent to 40–60 percent of profit after tax.

TSEK	
Total dividend from profit brought forward	2,066,621
To be carried forward	3,852,824
Total unrestricted funds	5,919,445

Risks and risk management

HEXPOL is a global player, which leads to many business opportunities while exposing us to a number of risks. The risks may have a greater or lesser impact on the Group. They are mainly defined as various factors that may affect our ability to achieve the objectives set for the Group. Risks, both financial and sustainability-related, that are properly managed can lead to opportunities and create value, while risks that are not properly managed can lead to damage and loss to the business. HEXPOL's ability to manage different risks is crucial to our success and the achievement of our objectives.

Our strategic planning includes defining possible risks, as well as opportunities, in our operations, assessing their likelihood, possible consequences and how to minimize the negative impact on the Group.

MARKET RISK MANAGEMENT

Risk	Description	Risk management
Cyclical 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 5 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 continued greater focus on the supply chain in 2023 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.
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 guide lines, 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. A termination of the license agreement by Covestro would have a negative but limited impact.	HEXPOL has an ongoing dialogue with the license owner.

CONT. LEGAL RISK MANAGEMENT

Risk	Description	Risk management
Health, safety and the environment	<p>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.</p>	<p>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.</p> <p>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.</p> <p>Most of the production units are certified in accordance with ISO 14001, and internal and external environmental audits are conducted regularly.</p> <p>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.</p>

FINANCIAL RISK MANAGEMENT

Risk	Description	Risk management																				
Currency risk	<p>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).</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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 MSEK 1,859, operating profit by MSEK 274 and shareholders' equity by MSEK 1,768</p> <table border="1"> <thead> <tr> <th>Currency</th> <th>Sales</th> <th>Operating profit</th> <th>Shareholders' equity</th> </tr> </thead> <tbody> <tr> <td>USD</td> <td>1,070</td> <td>203</td> <td>1,322</td> </tr> <tr> <td>EUR</td> <td>665</td> <td>80</td> <td>276</td> </tr> <tr> <td>Other</td> <td>124</td> <td>-9</td> <td>170</td> </tr> <tr> <td>Total</td> <td>1,859</td> <td>274</td> <td>1,768</td> </tr> </tbody> </table>	Currency	Sales	Operating profit	Shareholders' equity	USD	1,070	203	1,322	EUR	665	80	276	Other	124	-9	170	Total	1,859	274	1,768
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USD	1,070	203	1,322																			
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Other	124	-9	170																			
Total	1,859	274	1,768																			
Interest-rate risk	<p>Changes in market interest rates affect HEXPOL's net financial items.</p>	<p>Excess liquidity and credit agreements are primarily managed at Group level and in accordance with the financial policy and at variable interest rate.</p> <p>On December 31, 2023, external liabilities totaled MSEK 2,683 (4,393). A one percentage point change in the interest rate on the Group's closing liabilities for 2023 would impact the full-year earnings by approximately MSEK 27 before tax.</p>																				
Credit risk	<p>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.</p>	<p>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.</p> <p>HEXPOL's excess liquidity is primarily used to repay external loans, and further surpluses are placed in well-known banks.</p>																				
Financing and liquidity risk	<p>To enable corporate acquisitions or otherwise achieve strategic objectives, HEXPOL's operations could ultimately require additional financial resources.</p> <p>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.</p>	<p>HEXPOL has a strong balance sheet, providing a financial platform for future acquisitions.</p> <p>HEXPOL has four major credit agreements with Nordic banks. For further information on these, see Note 15.</p> <p>HEXPOL also has a program for issuing commercial papers with the possibility of these being issued within a limit of SEK 4 billion.</p>																				
Insurable risks	<p>HEXPOL's operations, assets and employees are to some extent exposed to various types of risks that may affect the Group's operations.</p>	<p>HEXPOL has centrally procured insurance cover for property, liability, disruption, travel and transport insurance, etc., combined with local insurance policies where necessary.</p>																				

SUSTAINABLE DEVELOPMENT RISK MANAGEMENT

Risk	Description	Risk management
Environmental, health and safety, and other sustainable development legislation	<p>Developments in environmental legislation affect the Group in both the short and long term. Changes in legislation, regulation and supervision that give rise to higher or changing requirements in the area of sustainability may require investments and lead to increased costs. Legislative amendments and changes in regulations could also impede or limit the company's operations.</p> <p>Climate change is an area where additional legislation, charges and taxes have been or 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 uses PFAS substances in high performance elastomers.</p> <p>The new EU directive on sustainability reporting (CSRD) and the upcoming sustainable development due diligence (CSDDD) require increased efforts from the Group.</p>	<p>The Company works continuously to identify new and amended environmental and health and safety legislation. In the short term, we have not identified significant changes in the requirements for the operation of production facilities. The units hold current environmental permits, and only minor updates are expected. The units are under the supervision of the authorities, and internal and external environmental audits are conducted through the environmental management system ISO 14001.</p> <p>With respect to REACH, the development departments have reformulated several formulas in which hazardous substances have been phased out or where their use has decreased. This work is ongoing and includes PFAS substances.</p> <p>Adaptation to the requirements of the CSRD is ongoing, as indicated in the Sustainability Report.</p> <p>Detailed information can be found in the Sustainability Report on pages 87-122.</p>
Contaminated soil	<p>No emissions or accidents of significance for the soil or groundwater were registered in 2023. There is limited soil pollution at one facility. The pollution is of a historical nature and remediation measures are carried out by thermal oxidation.</p> <p>In Sweden, the environmental authority has requested an in-depth investigation of possible soil pollution at a production facility. Such an investigation was carried out in 2023, and no pollution was detected.</p>	<p>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.</p> <p>Through risk analysis and preventive measures within the framework of environmental legislation and ISO 14001, the probability and consequences of uncontrolled emissions are minimized.</p> <p>Detailed information can be found in the Sustainability Report on pages 87-122.</p>
Hazardous substances in buildings	<p>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. Small amounts of asbestos are also present in pipework at a few sites. 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.</p>	<p>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.</p>
Climate change	<p>The Group emits significant amounts of carbon dioxide through its energy consumption. In addition, most of the products are based on fossil raw materials.</p> <p>Demanding emissions policies and accounting systems are being introduced in an increasing number of countries. In the EU, the Group is affected by, among other things, the Sustainability Reporting Directive (CSRD), where climate issues have been given considerable prominence. Furthermore, customers will gradually demand increased use of products with a low carbon footprint. Requirements for disclosure of the climate impact of products will also increase.</p>	<p>The Group works actively to chart and mitigate emissions of gases affecting the climate and originating from our production facilities and products.</p> <p>Comprehensive scenario analyses have been conducted on how the Group is affected by physical climate change (acute, chronic), political decisions, legislation and changing customer behavior. The analyses have followed the guidelines of the TCFD.</p> <p>Climate-related risks are taken into account in conjunction with acquisitions and supplier assessments.</p> <p>Detailed information can be found in the Sustainability Report on pages 87-122.</p>
Occupational health and safety risks	<p>A poor work environment in production facilities can cause ill health and accidents at work, with significant consequences for individual employees. The working environment is also important for the well-being and retention of employees.</p>	<p>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.</p> <p>Detailed information can be found in the Sustainability Report on pages 87-122.</p>
Environmental and climate adaptation of products	<p>Interest in environmentally adapted products is increasing in many industries, and many of the customers set requirements regarding phasing out hazardous substances and other properties that are of significance to health and the environment, particularly mitigation of the climate impact. If the requirements are not met, there is a risk that the deal will be lost.</p>	<p>The Group is taken an active role in the area and offers knowledge that contributes to environmental friendly product development. The Group's portfolio of sustainable products is growing and shows good potential for business development.</p> <p>Detailed information can be found on page 33 and in the Sustainability Report on pages 87-122.</p>
Human rights	<p>The risk for any violation of human rights in our own production facilities is considered low. Human rights issues are included in the Supplier Sustainability Guideline, where suppliers are required to report codes of conduct and policies. Most of the Group's suppliers of raw materials are global chemical companies, and there the risks relating to human rights are considered low.</p> <p>The Group has identified natural rubber suppliers as a potential area of environmental and human rights risk. Formal sustainability audits have therefore been performed at natural rubber plantations in Sri Lanka. The situation regarding human rights there was assessed as good.</p>	<p>Materializing Our Values states how human rights are viewed. 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.</p> <p>The whistleblowing system makes it possible for employees to sound the alarm regarding possible irregularities.</p> <p>Detailed information can be found in the Sustainability Report on pages 87-122.</p>
Business ethics and anti-corruption	<p>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.</p> <p>HEXPOL operates in many parts of the world. No matter where the operations are, there is a risk of sound business principles not being applied. The message from the Group management is that zero tolerance is applied for anti-corruption and deficient business ethics.</p>	<p>Materializing Our Values provides employees with guidance on what is and is not allowed when dealing with business partners. Training on business ethics and anti-corruption is carried out regularly.</p> <p>The whistleblowing system makes it possible for employees to sound the alarm if irregularities are suspected.</p> <p>Detailed information can be found in the Sustainability Report on pages 87-122.</p>

Chairman of the Board

In a packed church in Falsterbo last fall, we were many friends and colleagues who, together with the family, said farewell to HEXPOL's long-time CEO, Georg Brunstam, in a moving ceremony.

Georg joined HEXPOL as the new CEO in 2008 and subsequently developed the company very successfully into a world leader in the market for polymer compounds. He is greatly missed within HEXPOL, both personally and professionally.

In December, we announced the appointment of Klas Dahlberg by the Board of Directors as president and CEO, effective no later than July 1, 2024. Klas Dahlberg is currently Business Area Manager for NIBE Climate Solutions and has been in the NIBE Group since 2016 and responsible for NIBE Climate Solutions since 2018. He joined NIBE after a successful 30-year international career with the Scania Group.

In 2023, HEXPOL once again delivered its best year to date in a market with difficult challenges and a never-ending stream of unlikely external changes.

The ominous cocktail contains more and more ingredients. The common denominator is unpredictability. The economy, interest rates, supply chains, transport, energy prices, inflation, war in Europe, unrest in the Middle East, climate change, geopolitics and rearmament, migration, crime, terrorist threats, increased segregation and domestic political polarization in many countries. Not an encouraging list. Of course, one would hope that 2024 will be a year when many things get better in the world, but while hoping for that, we need to plan for continued uncertainty and unpredictability for the foreseeable future.

My belief is that agility, flexibility, courage and adaptability are increasingly important features of a company's business model. It is not easy to put into practice in larger companies, but the advantage of something that is difficult is that fewer people will dare to try, let alone succeed so that it makes a difference in the eyes of customers. HEXPOL has the best conditions. For many years, we have had a well-tuned business model with high levels of decentralized responsibility but with globally coordinated processes. For example, we can quickly change formulas and adapt to customer requests; we can supply from different factories when raw materials or supply chains are affected – as we successfully demonstrated during the pandemic – and we can leverage our size to purchase inputs while maintaining multiple parallel suppliers.

In the coming years, we will continue to develop HEXPOL's strategic direction, focusing on continued expansion through acquisitions, organic growth and continued innovation of advanced customized polymer solutions for demanding environments. A crucial success parameter will be an increasing focus on sustainability and recycling and reducing our dependence on fossil raw materials. We can do a lot ourselves, but we also depend on developments in the chemical industry and the pace of change of our customers.

We are well equipped for the future and we are continuing our growth journey by using our strong cash flow for further acquisitions. In an uncertain environment and a market that is difficult to assess, there are more opportunities than risks for an organization with high competence and great ability to quickly meet customer needs.

Malmö, March 2024

Alf Göransson, Chairman of the Board

“Agility, flexibility and adaptability are increasingly important qualities”

Alf Göransson, Chairman of the Board



Corporate governance report

Good corporate governance is the basis for ensuring that HEXPOL is managed as sustainably, responsibly and effectively as possible for its shareholders. Decentralized governance with responsible decision-making is one of HEXPOL's strengths and permeates the entire organization. The role of corporate governance is to ensure that this is done in a clear, efficient, reliable and business-like manner. This in turn improves confidence in the company on the capital market and among the public. Corporate governance is designed to support the company's long-term strategy, market presence and competitiveness.

General

HEXPOL is a public company listed on Nasdaq Stockholm, Large Cap. The governance of the HEXPOL Group is based on Swedish legislation, primarily the Companies Act, HEXPOL's Articles of Association, the Nordic Main Market Rulebook for Issuers of Shares and the Swedish Code of Corporate Governance (the Code*).

Ownership structure and share

On December 31, 2023, HEXPOL's share capital totaled SEK 68,887,369, 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 2023 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 20–21.

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 fiscal 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



KEY EXTERNAL REGULATIONS

- Swedish Companies Act
- NASDAQ Stockholm rules
- Swedish Corporate Governance Code (the Code)
- Accounting rules

KEY INTERNAL REGULATIONS

- The articles of association
- Rules of procedure of the Board of Directors and instructions to the CEO
- Guidelines for remuneration of senior executives
- Various policy documents and instructions (e.g., Group code of conduct, financial policy and internal governance documents).

*The Code is available at www.bolagsstyrning.se

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 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, and the setting of remuneration for the board members and auditors.

Annual General Meeting 2023

The 2023 AGM was held on April 28, 2023. The Annual General Meeting was conducted as a physical meeting but with the possibility of exercising voting rights by post before the meeting in accordance with the provisions of Chapter 7, Section 4a of the Swedish Companies Act and the company's Articles of Association. At the AGM, shareholders in attendance represented approximately 75 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 2022 fiscal year of SEK 3.60 per share. Alf Göransson, Jan-Anders E. Månson, Malin Persson, Märta Schörling Andreen and Kerstin Lindell were re-elected as ordinary board members and Nils-Johan Andersson and Henrik Elmin were newly elected.

Alf Göransson was re-elected as Chairman of the Board. The meeting approved the board's remuneration report for 2022.

Annual General Meeting 2024

HEXPOL's Annual General Meeting 2024 will be held on April 26, 2024 in Malmö, Sweden. For information about the AGM, refer to page 127 and the company's website <https://investors.hexpol.com/en/corporate-governance/annual-general-meeting>.

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 assign-

ments 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 2023 AGM, 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 2023, 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 2024 AGM.

Should a shareholder who is represented by one of the members of the Nomination 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 2024, 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 two meetings at which minutes were recorded. The Committee discussed the desired changes and decided on proposals to be submitted ahead of the 2024 AGM.

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, 2023 resolved to elect a board consisting of, Alf Göransson (Chairman), Malin Persson, Jan-Anders E. Månson, Märta Schörling Andreen, Kerstin Lindell, Nils-Johan Andersson and Henrik Elmin. The board was elected for the period up until the 2024 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 share-

holders, 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 targets, 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 2023, 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 the 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 oper-

WORK OF THE BOARD OF DIRECTORS IN 2023



ations 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 committee is also tasked with reviewing and monitoring the Group's sustainable development activities.

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, as well as sustainability issues. In 2023, the Audit Committee consisted of Nils-Johan Andersson (Chairman), Malin Persson and Märta Schörling Andreen. The committee held four meetings with recorded minutes during the period. All committee members attended all minuted meetings.

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 2023, 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 2023

During the year, the board held a total of 10 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, sustainability work, acquisitions and the auditors' report on the audit work. In 2023, 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 2023 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 2024 AGM.



Joakim Falck

Ernst & Young AB
Authorized Public Accountant and member of the Swedish institute of the accountancy profession, FAR

Born: 1972

Nationality: Swedish

Other roles: Nolato AB, ITAB Shop Concept AB, Absolent Group AB, Garo AB



Karoline Tedevall

Ernst & Young AB
Authorized Public Accountant and member of the Swedish institute of the accountancy profession, FAR

Born: 1978

Nationality: Swedish

Other roles: Alfa Laval AB and 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 has 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 2024.

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, pay, pensions and other benefits for the board, CEO and other senior executives, refer to Note 4 on page 64.

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

The internal control of financial reporting is part of the overall internal control within HEXPOL and is a central component of the Group's corporate governance. The main objectives are that internal control is effective and efficient, produces reliable reports and complies with laws and regulations.

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.

Information and communication

To ensure the completeness and correctness of financial

INFORMATION INCLUDING THE FOLLOWING CAN BE FOUND ON THE COMPANY'S WEBSITE: WWW.HEXPOL.COM:

- 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 2024 Annual General Meeting



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.S. (Econ.)
Other roles: 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 of 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.S. (Eng.)
Other roles: Member of the boards of Peab AB, Getinge AB and Ricardo AB, among others.
Independent in relation to the company and management: Yes
Independent of 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.S. (Eng.) and Ph.D.
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 Elcece 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.S. (Econ)
Other roles: 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.



Peter Rosén

Acting President and CEO, and CFO and IR manager
Year employed: 2019
Born: 1968
Nationality: Swedish
Education: B.S. (Econ)
Experience: Around 30 years of experience in international companies in various sectors, such as consumer goods, banking and industrial companies. CFO of listed companies for the last 15 years.
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.S. (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.S. (Eng.)
Other assignments: -
Own holding and holdings of related parties: 650,000 Class B shares



Kerstin Lindell

Member
Elected: 2016
Born: 1967
Nationality: Swedish
Education: M.S.(Eng.), Licentiate of Science (Tech.), B.S. (Econ.) and Honorary Doctorate from Lund Institute of Technology
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 of major shareholders: Yes
Committee: -
Own holding and holdings of related parties: 5,000 Class B shares



Nils-Johan Andersson

Member
Elected: 2023
Born: 1962
Nationality: Swedish
Education: B.S. (Econ)
Other assignments: CEO of Melker Schörling AB. Chairman of the Board of Hissen AB and board member of AAK AB and Absolent Group AB and member of the Investment Committee of Greenbridge.
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: 1,600 Class B shares



Henrik Elmin

Member
Elected: 2023
Born: 1970
Nationality: Swedish
Education: M.S. (Eng.) and MBA
Other assignments: Head of the Industrial Technology business area at Atlas Copco
Independent in relation to the company and management: Yes
Independent of major shareholders: Yes
Committee: -
Own holding and holdings of related parties: -



Ralph Wolkener

President HEXPOL Compounding Europe/Asia and EHPOL TPE/HP Compounding
Year employed: 1997
Born: 1971
Nationality: Belgian
Education: B.S. (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.S. (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.S. in Materials Science
Other assignments: -
Own holding and holdings of related parties: -

SUSTAINABILITY

Traceability certification strengthens HEXPOL's offering

Both customers and customers' customers are increasingly demanding traceability of materials and products. Several HEXPOL Group companies already have the international sustainability and carbon certification ISCC PLUS, which ensures traceability and helps to meet existing and future sustainability requirements.

ISCC PLUS is aimed at all companies that want to prove that their raw materials come from sustainable sources. This includes mainly bio-based raw materials, but also circular raw materials. The ISCC PLUS certification expands HEXPOL's ability to achieve greater sustainability management in processes and production, and it ensures the supply chain by an independent certification body.

The ISCC PLUS certification includes traceability along the entire supply chain and ensures correct and transparent use of the mass balance method. All parts of the production chain undergo an audit process for the Company to obtain the certification. These sustainability declarations create a chain of traceability from origin to final product, where the certified business can show, among other things, exactly how much of each raw material is included in the product. Through ISCC PLUS, HEXPOL's customers thus get a secure proof of traceability and HEXPOL can ensure that bio-based or recycled raw materials are present in the defined quantity as promised. Mass balance enables a safe and gradual reduction of the fossil share in polymer compounds, with the aim of gradually phasing out fossil raw materials step by step.

For customers in highly regulated markets – such as healthcare and medical technology, the food industry, and toys and baby products – ISCC PLUS-certified mass balance TPEs are an important step in material selection. Today, HEXPOL delivers ISCC PLUS-certified bio-, circular and/or bio-circular products in Dryflex, among others, but also Epseal TPE – intended for food and beverage packaging applications – is covered by the certification.



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CONSOLIDATED INCOME STATEMENTS

MSEK	Note	2023	2022
Sales	2	22,046	22,243
Cost of goods sold		-17,186	-17,899
Gross profit		4,860	4,344
Selling expenses		-243	-216
Administrative expenses		-905	-752
Research and development costs		-152	-137
Other operating income		67	65
Other operating expenses		-51	-14
Operating profit	2, 3, 4, 5, 6, 9, 10, 11	3,576	3,290
Financial income	7	78	93
Financial expenses	7	-308	-139
Profit before tax		3,346	3,244
Tax	8	-822	-761
Profit after tax		2,524	2,483
of which, attributable to Parent Company shareholders		2,524	2,483
Earnings per share, SEK		7.33	7.21

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	2023	2022
Profit after tax	2,524	2,483
Items that will not be reclassified to the income statement		
Remeasurement of defined-benefit pension plans	3	5
Income tax relating to items that will not be re-classified to the Income Statement	-	-
	3	5
Items that may be reclassified to the income statement		
Translation difference	-473	1,696
	-473	1,696
Other comprehensive income after tax	-470	1,701
Total comprehensive income	2,054	4,184
of which, attributable to Parent Company shareholders	2,054	4,184

CONSOLIDATED BALANCE SHEETS

MSEK	Note	2023	2022
ASSETS			
Fixed assets			
Goodwill and intangible fixed assets	9	12,501	12,678
Tangible fixed assets and right-of-use assets	10, 11	3,500	3,232
Financial fixed assets	21	5	7
Deferred tax assets	8	97	102
Total fixed assets		16,103	16,019
Current assets			
Inventories	12	2,092	2,454
Accounts receivable	13, 21	2,575	3,078
Current tax receivables		429	274
Other current receivables		123	110
Prepaid expenses and accrued income		82	77
Cash and cash equivalents	21	1,103	1,541
Total current assets		6,404	7,534
TOTAL ASSETS		22,507	23,553
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		69	69
Other capital contributions		619	619
Reserves		2,778	3,248
Profit brought forward including profit of the year		11,111	9,831
Total equity attributable to Parent Company shareholders	14	14,577	13,767
Attributable to non-controlling interests		0	0
Total shareholders' equity		14,577	13,767
Non-current liabilities			
Interest-bearing liabilities	15, 21	685	1,822
Other liabilities	21	422	348
Deferred tax liabilities	8	832	825
Pension provisions	16	69	68
Total non-current liabilities		2,008	3,063
Current liabilities			
Interest-bearing liabilities	15, 21	1,998	2,571
Accounts payable	21	2,737	3,111
Current tax liabilities		339	252
Other current liabilities	21	99	90
Other provisions	17	70	13
Accrued expenses and prepaid income	18, 21	679	686
Total current liabilities		5,922	6,723
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		22,507	23,553

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Attributable to Parent Company's shareholders				Total
	Share capital	Other capital contributions	Reserves	Profit brought forward including profit of the year	
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
2023					
Comprehensive income					
Profit after tax	-	-	-	2,524	2,524
Other comprehensive income	-	-	-470	-	-470
Comprehensive income	-	-	-470	2,524	2,054
Transactions with shareholders					
Dividend	-	-	-	-1,244	-1,244
December 31, 2023	69	619	2,778	11,111	14,577

CONSOLIDATED CASH FLOW STATEMENTS

MSEK	Note	2023	2022
Cash flow from operating activities	20		
Operating profit		3,576	3,290
Adjustment for non-cash items		544	492
Net financial items		-249	-40
Tax paid		-904	-839
Cash flow from operations before changes in working capital		2,967	2,903
Cash flow from changes in working capital			
Changes in operating receivables		827	-474
Changes in operating liabilities		-269	164
Cash flow from operating activities		3,525	2,593
Investing activities			
Investments in tangible fixed assets		-675	-652
Sales of tangible fixed assets		0	0
Investments in intangible fixed assets		-9	-7
Acquisitions of operations	22	-211	-1,512
Cash flow from investing activities		-895	-2,171
Financing operations	20		
Loans raised		492	2,576
Repayment of liabilities		-2,094	-305
Repayment of lease liabilities		-108	-100
Dividend		-1,244	-2,067
Cash flow from financing operations		-2,954	104
Cash flow for the year		-324	526
Cash and cash equivalents, January 1		1,541	1,320
Exchange-rate differences in cash and cash equivalents		-114	-305
Cash and cash equivalents, December 31		1,103	1,541

OPERATING CASH FLOW, GROUP

MSEK	2023	2022
Operating profit	3,576	3,290
Depreciation/amortization/impairment	544	492
Change in working capital	558	-310
Sales of fixed assets	0	0
Investments	-684	-659
Operating cash flow	3,994	2,813

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 Council for Sustainability and the Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, was also applied.

The Parent Company applies the Swedish Annual Accounts Act and the Swedish Council for Sustainability and Financial Reporting's recommendation RFR 2, Accounting for Legal Entities. This means that the Parent Company applies the same accounting policies as the Group, except as outlined on page 62.

The applied accounting policies correspond to those applied in the preceding year with the exception of the new IFRS applied commencing January 1, 2023. None of the amendments and interpretations to existing standards that are effective for the fiscal year beginning on or after January 1, 2023, had any impact on the consolidated or Parent Company's financial statements, except for IAS 1 Accounting Policies, which has been revised and has the impact that only material information for the Group is presented.

Implementation of the OECD model rules for Pillar II

IAS12 – OECD Pillar II Model Rules – The Group is currently assessing its exposure to the Pillar II legislation with tax specialists to assist in applying the legislation. Under the legislation, the group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15 percent minimum rate. All companies in the Group have an effective tax rate of more than 15 percent. The group has applied the mandatory exception regarding deferred tax according to IAS 12.

New standards in 2024

No changes in standards, new standards or interpretations that come into force on January 1, 2024, 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. Acquisition-related costs are expensed as incurred, and the Group recognizes them in administrative expenses.

Liability to minority shareholders

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 March 31. 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 January 1 to March 31. 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. At the balance sheet date, the Group recognizes the corresponding liability at fair value through profit or loss, where changes in the forecast outcome are recognized as other operating income/expenses and changes in WACC are recognized as financial income/expenses, and as other liabilities in the balance sheet. See also Note 21. 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.

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 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.

TRANSLATION OF FOREIGN 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 the Group's reporting currency, Swedish krona (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.

REVENUE RECOGNITION

The Group's agreements with customers include only one kind of performance obligation, sale of goods. The duration of the contracts is short, normally no more than three months. 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.

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.

Temporary differences on shares in subsidiaries are not recognized because it is not probable that these will be utilized in the foreseeable future.

LEASES

HEXPOL has entered into a number of lease agreements as a lessee.

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.

HEXPOL's contracts for property usually contain options to extend. HEXPOL evaluates whether it is reasonably certain that the option will be exercised for each contract. The term of the lease is determined as the noncancellable 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.

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.

Right-of-use assets

HEXPOL recognizes right-of-use assets in the balance sheet from the commencement date of the lease. Cost consists of the initial value of the attributable lease liability, plus 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. The right-of-use assets are reported under the item tangible fixed assets and right-of-use assets in the balance sheet. These include premises, production & office equipment, and vehicles.

Right-of-use assets are valued at cost less deductions for accumulated depreciation and any impairment, and adjusted for revaluations of the lease liabilities.

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.

Relief rules applied

HEXPOL has chosen not to recognize right-of-use assets and lease



liabilities for short-term and low-value leases 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.

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 (see Note 9).

TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and 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 fiscal year.

The following useful lives are applied:

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 (including solar panels)	20–50 years
Land improvements	5–30 years

IMPAIRMENT LOSSES

Goodwill is analyzed at least annually with regard to any impairment requirements. Other assets are analyzed for indications of impairment. 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 estimated selling costs.

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.

Financial assets and liabilities at fair value through profit or loss

Liability to minority shareholders 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 liability to minority shareholders 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 with a discount rate of 8.4 percent. HEXPOL has no financial assets at fair value through profit or loss.

Financial assets and liabilities valued at amortized cost

Financial assets such as accounts receivable, cash and cash equivalents and other financial 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 (see Note 15). Provisions for expected credit losses are applied in accordance with the simplified method, meaning that expected credit losses are reserved for the remaining maturity. Impairment losses on trade receivables are recognized as selling expenses in the income statement unless the impairment amounts are significant, in which case they are recognized separately. Financial liabilities such as accounts payable and other 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.

PENSION AND SIMILAR COMMITMENTS

The Group predominantly has defined-contribution pension obligations. There are also employees with defined-benefit pension plans.

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, 2023, Alecta's surplus in the form of the collective consolidation level was, preliminarily, 157 percent (172).

CLASSIFICATION OF OPERATING INCOME/EXPENSES, INCLUDING ITEMS AFFECTING COMPARABILITY

The Group recognizes items affecting comparability when non-recurring items have arisen. These items may relate to integration costs, restructuring and other one-off material items.

SIGNIFICANT JUDGMENTS IN APPLYING THE ACCOUNTING POLICIES, ESTIMATES AND ASSUMPTIONS

In preparing the consolidated financial statements, management makes estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and related notes and disclosures of contingent liabilities.

Uncertainty about these assumptions and estimates may lead to significant adjustments to the carrying amounts of the assets and liabilities affected in future financial statements, as the outcome may differ from the estimates and assessments made. Changes in estimates are recognized prospectively.

Management also makes judgements in applying the Group's accounting policies.

Judgements

In applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the carrying amounts in the financial statements:

- Determination of the lease period in contracts with extension options. Options to extend contracts are included in a number of the Group's leases, mainly for buildings. In determining the length of the lease, all available information and circumstances that provide an economic value for exercising an extension option are considered, such as the contractual terms of extension periods compared with market rates and significant improvements made or expected to be made to a leased property during the lease term.

Estimates and assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to assets and liabilities within the next fiscal year are described below. Assumptions and estimates were based on information available at the time the financial statements were prepared. The conditions and assumptions about future developments may change, based on changes in the market or other circumstances that arise that are not within the Group's control. Such changes are reflected in the assumptions when they occur.

- Impairment of goodwill – Note 9
- Provision for expected credit losses – Note 13
- Deferred tax assets – Note 8
- Estimating the fair value of financial instruments – Note 21
- Financial liability to minority shareholders – Note 21
- Allocation of purchase price to identified assets and liabilities in connection with acquisitions – Note 22
- Parent Company holdings of shares – Note 32

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

For the Hexpol Group, the business area represents the basis of division into operating segments.

The Group is organized 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.

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.

No single customer accounts for more than 10 percent of Group sales.

MSEK	HEXPOL Compounding		HEXPOL Engineered Products		Eliminations		Group	
	2023	2022	2023	2022	2023	2022	2023	2022
Sales, external	20,581	20,834	1,465	1,409	-	-	22,046	22,243
Sales, internal	573	569	127	125	-700	-694	-	-
Operating profit	3,318	3,012	258	278	-	-	3,576	3,290
Operating margin, %	16.1	14.5	17.6	19.7	-	-	16.2	14.8
Net financial items							-230	-46
Tax							-822	-761
Profit for the year							2,524	2,483
Operating assets	20,242	21,039	651	630	-	-	20,893	21,669
Unallocated assets	-	-	-	-	-	-	1,614	1,884
Group total	20,242	21,039	651	630	-	-	22,507	23,553
Operating liabilities	3,366	3,643	187	181	-	-	3,553	3,824
Unallocated liabilities	-	-	-	-	-	-	4,377	5,962
Group total	3,366	3,643	187	181	-	-	7,930	9,786
Investments	592	601	92	58	-	-	684	659
Depreciation/amortization/impairment	514	464	30	28	-	-	544	492

MSEK	HEXPOL Compounding		HEXPOL Engineered Products		Group	
	2023	2022	2023	2022	2023	2022
Non-recurring items						
Administrative expenses			-46	-	-	-
Other operating income			-	30	-	30
Other operating expenses			-37	-	-	-
Operating profit			-83	30	-	30
Tax					19	-6
Profit for the year			-64	24		

The cost in the year 2023 is attributable to the restructuring carried out in California, USA, where production is being consolidated from two factories to one factory. Revenue from 2022 is attributable to release of a cost reserve related to the fire in Jonesborough, TN, USA on January 7, 2021.

MSEK	Sales per recipient country		Fixed assets		HEXPOL Compounding		HEXPOL Engineered Products	
	2023	2022	2023	2022	2023	2022	2023	2022
Geographic region								
Sweden	466	461	375	376				
Europe excl. Sweden	8,024	8,387	6,704	6,397				
USA	9,257	9,637	8,612	8,853				
Americas, excl. USA	3,112	2,652	92	101	7,874	8,212	616	637
Asia	1,187	1,106	320	292	11,884	11,860	486	429
Total	22,046	22,243	16,103	16,019	823	762	363	343
Sales per geographic market and business area								
Europe								
Americas								
Asia								
Total	20,581	20,834	1,465	1,409				

NOTE 3 Related-party transactions

Transactions between Group companies are conducted on market-based terms. In 2023, the Group purchased energy for MSEK 18 (23) from the associated company, Megufo AB, in Sweden. On December 31, 2023, the Group had a liability of MSEK 4 (3) to this associated company. See also Note 4.

NOTE 4 Employees and personnel expenses

MSEK	2023	2022
Costs of employee remuneration		
Salaries and remuneration, etc.	2,511	2,077
Total	2,511	2,077
Pension costs	45	49
Social-security costs	357	317
Total	402	366

	2023		2022		MSEK	2023	2022
Average number of employees	of whom men	of whom men	Personnel costs per country				
Sweden	315	69%	325	69%	Sweden	297	312
Belgium	56	89%	54	87%	Belgium	53	44
Czech Republic	229	89%	226	89%	Czech Republic	114	91
Germany	430	90%	426	90%	Germany	281	203
Mexico	416	86%	411	88%	Mexico	111	79
Luxembourg	5	60%	6	67%	Luxembourg	24	39
USA	1,626	86%	1,591	87%	USA	1,564	1,213
China	313	73%	331	69%	China	72	73
Sri Lanka	1,061	92%	1,072	91%	Sri Lanka	44	42
United Kingdom	197	89%	253	90%	United Kingdom	110	126
Spain	197	85%	197	86%	Spain	125	115
Italy	184	78%	179	80%	Italy	112	100
Turkey	10	60%	13	54%	Turkey	2	2
Poland	15	53%	17	59%	Poland	4	4
Total	5,054	86%	5,101	86%	Total	2,913	2,443

TSEK	Board fee		Committee fee		Total	
	2023	2022	2023	2022	2023	2022
Remuneration of the Board of Directors						
Alf Göransson	1,063	1,027	153	150	1,216	1,177
Kerstin Lindell	430	413	-	-	430	413
Jan-Anders E. Månson	430	413	-	-	430	413
Malin Persson	430	413	128	125	558	538
Märta Schörling Andreen	430	413	180	175	610	588
Henrik Elmin	290	-	-	-	290	-
Nils-Johan Andersson*	0	-	0	-	0	-
Gun Nilsson	140	413	83	250	223	663
Total	3,213	3,092	544	700	3,757	3,792

* The fee for Nils-Johan Andersson's board and committee work has been invoiced by Melker Schörling AB. This totals TSEK 463, of which TSEK 290 relates to fees as a board member and TSEK 173 relates to fees as chairman of the Audit Committee.

TSEK	Basic salary		Variable salary		Pension cost		Car, housing and other benefits		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Remuneration of senior executives										
Georg Brunstam*	9,180	12,915	12,135	18,081	4,686	6,832	3,963	1,994	29,964	39,822
Peter Rosén**	5,056	4,104	4,879	4,925	1,379	1,167	311	407	11,625	10,603
Other members of Group management, 5 (5) persons	27,733	27,703	26,861	29,249	2,176	2,023	1,808	1,592	58,578	60,567
Total	41,969	44,722	43,875	52,255	8,241	10,022	6,082	3,993	100,167	110,992

* Georg Brunstam was CEO until September 1, 2023. As of September 1, 2023, Peter Rosén was the acting CEO.
** Peter Rosén was Executive Vice President until September 1, 2023.

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	2023	2022
EY		
Audit engagement	15	13
Audit activities in addition to audit	1	1
Tax consultancy	0	1
Other services	0	0
Other auditors		
Audit engagement	2	1
Total	18	16

NOTE 6 Expenses broken down by nature of cost

MSEK	2023	2022
Employee benefits expenses	2,913	2,443
Depreciation/amortization/impairment	544	492
Input costs and other external expenses	15,029	16,069
Other operating expenses	51	14
Total	18,537	19,018

No development expenses were capitalized in 2023 or 2022

NOTE 7 Financial income and expenses

MSEK	2023	2022
Assets and liabilities valued at amortized cost		
Interest income from accounts receivable	0	0
Interest income other financial assets	69	23
Total interest income according to the effective-interest-rate method	69	23
Other financial income		
Exchange rate differences on financial items	9	70
Total	9	70
Total financial income	78	93

Assets and liabilities valued at amortized cost		
Interest expense liabilities to credit institutions and commercial papers	-214	-84
Interest expenses and other financial liabilities	0	0
Total interest expense according to the effective-interest-rate method	-214	-84
Other financial expenses		
Expected credit losses on financial assets	0	0
Interest expense lease liabilities	-17	-13
Exchange rate differences on financial items	-60	-34
Other	-17	-8
Total	-94	-55
Total financial expenses	-308	-139
Net financial items	-230	-46

NOTE 8 Taxes

MSEK	2023	2022
Current tax expense		
Tax expense on profit for the year	-799	-701
Total	-799	-701
Deferred tax expense		
Deferred tax pertaining to temporary differences	-23	-60
Utilized/revaluation of loss carry forwards	0	0
Total	-23	-60
Total reported tax expense	-822	-761

The Group has no loss carry-forwards for 2023 or 2022.

MSEK	2023	%	2022	%
Reconciliation of effective tax				
Profit before tax	3,346		3,244	
Tax according to current tax rate for the Parent Company	-689	-21	-668	-21
Effect of other tax rates for foreign subsidiaries	-107	-3	-95	-3
Non-deductible expenses	-24	-1	-19	-1
Non-taxable revenues	2	0	8	0
Deductible goodwill amortization	-2	0	2	0
Revaluation of tax-loss carry forwards/temporary differences	0	0	0	0
Tax attributable to prior years	-2	0	11	0
Total reported tax expense	-822	-25	-761	-23

MSEK	Opening balance		Recognized in profit/loss		Acquisitions		Recognized directly in comprehensive income		Conversion differences		Closing balance	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Deferred tax assets/tax liabilities												
Intangible assets	-561	-436	-28	-13	-	-61	-	-	0	-51	-589	-561
Tangible assets	-250	-151	19	-64	-	-	-	-	13	-35	-218	-250
Right-of-use assets	-99	-91	-7	-6	-	-	-	-	0	-2	-106	-99
Current assets	31	24	-10	4	-	-	-	-	-1	3	20	31
Operating liabilities	51	34	-4	13	-	-	-	-	-1	4	46	51
Leasing liabilities	105	97	7	6	-	-	-	-	0	2	112	105
Loss carry-forwards	0	0	0	0	-	-	-	-	0	0	0	0
Liabilities	0	0	0	0	-	-	-	-	0	0	0	0
Total	-723	-523	-23	-60	-	-61	-	-	11	-79	-735	-723

NOTE 9 Goodwill and intangible fixed assets

MSEK	Goodwill		Other intangible assets		Total	
	2023	2022	2023	2022	2023	2022
Accumulated acquisition value						
Opening balance, January 1	11,911	9,095	1,363	1,061	13,274	10,156
Acquisitions*	88	1,619	178	163	266	1,782
Investments	-	-	9	7	9	7
Reclassification	-	-	-3	3	-3	3
Translation difference	-315	1,197	-35	129	-350	1,326
Closing balance, December 31	11,684	11,911	1,512	1,363	13,196	13,274
Accumulated amortization/depreciation						
Opening balance, January 1	-18	-8	-578	-424	-596	-432
Depreciation according to plan for the year	-	-	-128	-98	-128	-98
Reclassification	-	-	8	-	8	-
Translation difference	3	-10	18	-56	21	-66
Closing balance, December 31	-15	-18	-680	-578	-695	-596
Carrying amount, December 31	11,669	11,893	832	785	12,501	12,678

*Acquisition goodwill refers to Star Thermoplastic MSEK 143, almaak MSEK 96 regarding final adjustment of the value of debt to minority and McCann MSEK 151 final adjustment of the value of intangible assets MSEK 181 and deferred tax -41. See also note 22.

Other intangible assets pertain mainly to acquired customer relations, and the remaining amortization period is between 2 and 10 years. Other intangible assets do not include any significant amounts in respect of capitalized development costs.

MSEK	2023	2022
Goodwill distributed by operating segment		
HEXPOL Compounding	11,640	11,863
HEXPOL Engineered Products	29	30
Closing balance, December 31	11,669	11,893

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 business areas. 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 8.4 percent before tax (11.0) 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 2024 approved by the Board of Directors and the strategy plan for the period 2025-2026, 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 of 9,5 percent 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		Machinery and equipment		Total	
	2023	2022	2023	2022	2023	2022
Accumulated acquisition value						
Opening balance, January 1	1,688	1,322	6,221	5,157	7,909	6,479
Acquisitions	63	128	43	155	106	283
Investments	35	71	513	506	548	577
Divestments and disposals*	-3	-2	-138	-140	-141	-142
Reclassification	84	30	-81	-33	3	-3
Translation difference	-46	139	-163	576	-209	715
Closing balance, December 31	1,821	1,688	6,395	6,221	8,216	7,909
Accumulated amortization/depreciation						
Opening balance, January 1	-744	-625	-4,138	-3,618	-4,882	-4,243
Depreciation according to plan for the year	-61	-53	-275	-251	-336	-304
Divestments and disposals*	3	1	132	131	135	132
Reclassification	0	-	-8	0	-8	0
Translation difference	23	-67	120	-400	143	-467
Closing balance, December 31	-779	-744	-4,169	-4,138	-4,948	-4,882
Accumulated impairment						
Opening balance, January 1	-38	-36	-125	-112	-163	-148
Impairment losses	0	-	2	-5	2	-5
Translation difference	1	-2	3	-8	4	-10
Closing balance, December 31	-37	-38	-120	-125	-157	-163
Carrying amount, tangible fixed assets	1,005	906	2,106	1,958	3,111	2,864
Right-of-use assets**	347	326	42	42	389	368
Carrying amount	1,352	1,232	2,148	2,000	3,500	3,232

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

MSEK	2023	2022
Distribution of depreciation/amortization/impairment of tangible and intangible and right-of-use assets for the year		
Cost of goods sold	506	452
Selling expenses	5	4
Administrative expenses	32	33
Product development costs	3	3
Total	546	492

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:

MSEK	Right-of-use assets			Lease liability
	Land and buildings	Machinery and equipment	Total	
Opening balance, January 1, 2022	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
Additional agreements	94	33	127	153
Depreciation of right-of-use assets	-59	-23	-82	-
Terminated agreements	-2	-9	-11	-44
Revaluation of agreements	0	0	0	0
Translation difference	-12	-1	-13	-12
Interest expense lease liabilities	-	-	-	19
Lease payments	-	-	-	-96
Closing balance, December 31, 2023	347	42	389	448

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

MSEK	2023	2022
Depreciation of right-of-use assets	-82	-85
Interest expense lease liabilities	-19	-13
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	-101	-98

HEXPOL recognizes cash outflow attributable to leases amounting to MSEK 96 (100) for the 2023 fiscal year. For a term analysis of the Group's lease liabilities, see Note 20.

NOTE 12 Inventories

MSEK	2023	2022
Raw materials	1,326	1,669
Goods in production	193	154
Finished goods	573	631
Total	2,092	2,454

No significant impairments were recognized in 2023 and 2022.

NOTE 13 Accounts receivable

MSEK	2023	2022	MSEK	2023	2022
Age distribution of accounts receivable					
Not past due	2,262	2,737	Opening balance	-42	-39
Past due, 1-30 days	287	306	Provisions	-6	-5
Past due, 31-60 days	23	30	Acquisitions	-1	-2
Past due, more than 60 days	3	5	Actual losses	0	7
Accounts receivable	2,575	3,078	Reversal	4	4
			Translation differences	1	-7
			Closing balance	-44	-42

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
December 31, 2023					
Reported amount of accounts receivable - gross	2,262	289	36	32	2,619
Credit loss reserves	0	-2	-13	-29	-44
Closing balance	2,262	287	23	3	2,575

NOTE 14 Shareholders' equity

	Class A shares		Class B shares		Total	
	2023	2022	2023	2022	2023	2022
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

	2023	2022	Class A shares	Class B shares	Total
Average number of shares	344,436,846	344,436,846			
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	2023	2022
Non-current liabilities		
Interest-bearing liabilities in addition to leasing	350	1,494
Liabilities, leasing	335	328
Non-current liabilities	685	1,822
Current liabilities		
Interest-bearing liabilities in addition to leasing	1,881	2,471
Liabilities, leasing	117	100
Current liabilities	1,998	2,571

MSEK	Utilized		Unutilized	
	2023	2022	2023	2022
Bilateral loan, MSEK 1,100	350	750	574	526
Bilateral loan, MSEK 1,500	-	1,500	920	580
Bilateral loan, MSEK 1,000	-	1,000	-	-
Bilateral loan, MEUR 150	-	1,664	-	-
Liabilities, leasing	335	-	328	-
Total non-current liabilities	685	1,822		
Bilateral loan, MSEK 2,000	-	-	500	1,500
Bilateral loan, MSEK 1,500	-	-	450	1,050
Commercial papers*	1,880	-	1,520	-
Other current liabilities	1	-	1	-
Liabilities, leasing	117	-	100	-
Total current liabilities	1,998	2,571		

The Group has the following major credit agreements with Nordic banks:
 - A credit agreement with a limit of MSEK 1,000 that will fall due in May 2026.
 - A credit agreement with a limit of MEUR 150 that will fall due in May 2026.
 - A credit agreement with a limit of MSEK 1,500 that will fall due in June 2026.
 - A credit agreement with a limit of MSEK 1,100 that will fall due in February 2027.

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.

All bilateral credit agreements include financial covenants, which are tested on a quarterly basis, all of which were fulfilled at December 31, 2023. 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, 2023, HEXPOL AB had unused credit capacity in long-term facilities of MSEK 4,914, of which MSEK 1,880 was reserved for outstanding volumes in the market for commercial papers. In accordance with IAS 1, outstanding volumes are reported in the balance sheet as current liabilities, although, given the Group's financing and liquidity risk, they are of a non-current nature.

NOTE 16 Pension provisions

MSEK	2023	2022
Change in provision		
Opening balance, January 1	68	66
Provisions for the year	1	2
Closing balance, December 31	69	68

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

MSEK	Restructuring programs		Other provisions		Total	
	2023	2022	2023	2022	2023	2022
Opening balance	2	4	11	3	13	7
Provisions for the year	65	-	2	11	67	11
Utilized during the year	0	-3	-10	-2	-10	-5
Translation difference	0	1	0	-1	0	0
Closing balance	67	2	3	11	70	13

The 2023 provision for restructuring programs relates to reorganization and concentrations within the business areas.

NOTE 18 Accrued expenses and prepaid income

MSEK	2023	2022
Personnel-related expenses	481	467
Accrued expenses for goods and services	183	190
Other	15	29
Total	679	686

NOTE 19 Pledged assets and contingent liabilities

MSEK	2023	2022
Pledged assets		
Current assets	-	-
Total	-	-
Contingent liabilities		
Guarantee for the benefit of associated companies	0	0
Total	0	0

NOTE 20 Cash flow statement

MSEK	2023	2022
Financial items received and paid		
Financial income received	68	89
Financial expenses paid	-317	-129
Total	-249	-40
Adjustments for non-cash items		
Depreciation/amortization/impairment	544	492
Total	544	492

MSEK	Jan 1, 2022	Cash flows	Noncash changes			Dec 31, 2022
			Acquisitions	Leases	Exchange rate difference	
Change in liabilities attributable to financing activities						
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

MSEK	Jan 1, 2023	Cash flows	Noncash changes			Dec 31, 2023
			Acquisitions	Leases	Exchange rate difference	
Change in liabilities attributable to financing activities						
Interest-bearing liabilities	2,445	-2,094	-	-	0	351
Interest-bearing liabilities, commercial papers	1,520	360	-	-	0	1,880
Interest-bearing liabilities, lease liabilities	428	-96	-	132	-12	452
Liabilities arising from financing activities	4,393	-1,830	-	132	-12	2,683

NOTE 21 Financial instruments and risk management

Financial instruments per category and measurement level. As regards the risks and the risk management, see page 52 in the Directors' Report.

December 31, 2023	MSEK	Amortized cost	Financial assets/liabilities valued at:		Total
			Fair value through profit or loss	Measurement level	
Assets in the balance sheet					
Non-current financial assets		5	-		5
Accounts receivable		2,575	-		2,575
Cash and cash equivalents		1,103	-		1,103
Total		3,683	-		3,683
Liabilities in the balance sheet					
Interest-bearing liabilities, non-current		350	-		350
Interest-bearing non-current lease liabilities		335	-		335
Liability to minority shareholders*			388	3	388
Interest-bearing liabilities, commercial papers, current		1,881	-		1,881
Interest-bearing current lease liabilities		117	-		117
Accounts payable		2,737	-		2,737
Other liabilities		438	-		438
Accrued expenses		749	-		749
Total		6,607	388		6,995

December 31, 2022	MSEK	Amortized cost	Financial assets/liabilities valued at:		Total
			Fair value through profit or loss	Measurement level	
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

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.

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
MSEK										
Non-current liabilities										
Interest-bearing liabilities	350	1,494	–	–	–	1,494	350	–	–	–
Liabilities, leasing	445	395	–	–	114	65	166	135	165	195
Liability to minority shareholders*	388	290	–	–	–	–	388	290	–	–
Total non-current liabilities	1,183	2,179	–	–	114	1,559	904	425	165	195
Current liabilities										
Interest-bearing liabilities**	1,881	2,471	1,881	2,471	–	–	–	–	–	–
Liabilities, leasing	58	44	58	44	–	–	–	–	–	–
Accounts payable	2,737	3,111	2,737	3,111	–	–	–	–	–	–
Other current liabilities	438	342	438	342	–	–	–	–	–	–
Accrued expenses	679	686	679	686	–	–	–	–	–	–
Total current liabilities	5,793	6,654	5,793	6,654	–	–	–	–	–	–

* Liabilities to minority shareholders are reported in other noncurrent 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, 2023, HEXPOL AB had unused credit capacity in long-term facilities of MSEK 4,914 (1,106), of which MSEK 1,880 was reserved for outstanding volumes in the market for commercial papers. In accordance with IAS 1, outstanding volumes are reported in the balance sheet as current liabilities, although, given the Group's financing and liquidity risk, they are of a non-current nature.

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 two to four months.

NOTE 22 Acquisitions

Acquisitions in 2023

Acquisitions in TPE Compounding

In November, the HEXPOL Group acquired 100 percent of the shares in the US company TPE compounder Star Thermoplastic Alloys and Rubbers Inc. Star Thermoplastics operates near Chicago, Illinois in a well-invested facility with great growth potential. The main end customer segments are automotive, construction, medical technology, industry, electronics and consumer.

The acquisition price amounted to approximately MUSD 26.5 on a cash and debt-free basis and is funded by a combination of cash and existing bank facilities. Star Thermoplastic was consolidated from November 1, 2023. The acquisition analysis is preliminary as the valuation of intangible assets is ongoing, and the preliminary acquisition analysis for intangible assets in the form of customer relationships, trademarks, technology and goodwill may change after the valuation of the subsidiary is completed.

Sales amounted to MUSD 2, and profit after tax, MUSD -0.3 in the period November to December 2023. For the full year 2022, sales were MUSD 17, and profit after tax was MUSD -3.5.

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

MSEK	
Purchase consideration	218
Fair value of acquired net assets	75
Goodwill	143

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 is in line with HEXPOL's growth strategy and allows HEXPOL to enter the US TPE market through a well-established company with a strong product portfolio. The fair value of the acquired net assets includes the estimated value of MSEK 1 in acquired 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	2	–	2
Accounts receivable	16	–	16
Other current assets	28	–	28
Tangible assets	106	–	106
Intangible assets	1	–	1
Non-current liabilities	–57	–	–57
Accounts payable	–13	–	–13
Current liabilities	–8	–	–8
Acquired net assets	75	–	75

Total purchase considerations	218
Cash and cash equivalents in acquired operations	2
Change in Group cash and cash equivalents at acquisition	216

Transaction costs for the above acquisition amounted to MSEK 6 and have been reported in operating profit under administrative expenses.

Acquisitions in 2022

Acquisition in TP Compounding – almaak international GmbH

In April, the HEXPOL Group acquired a 70 percent of the shares in almaak international GmbH, a specialist in technologically advanced, high-quality recycled compounds. The main end customer segment is the European automotive industry, where interest in recycled compounds is high. The acquisition price amounts to approximately MEUR 70 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–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–March 31). The operation has been consolidated from April 1. The acquisition analysis is final. The changes that have taken place compared to 31 December 2022 are shown in note 9. See also Note 1 for further information.

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

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

MSEK	
Purchase consideration	929
Fair value of acquired net assets	263
Goodwill	666

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 MSEK 163 in acquired intangible assets, of which MSEK 153 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 liabilities	–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	929
Liability to minority shareholders	–412
Cash and cash equivalents in acquired operations	131
Change in the Group's cash and cash equivalents	386

Transaction costs for the above acquisition amounted to MSEK 7 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 MUSD 120 on a debt-free basis and is funded by a combination of cash and existing bank facilities.

The operation has been consolidated from December 1. The acquisition analysis is final. The changes that have taken place compared to 31 December 2022 are shown in note 9.

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

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

MSEK	
Purchase consideration	1,225
Fair value of acquired net assets	301
Goodwill	924

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 include intangible assets of MSEK 181 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	110	–	110
Accounts receivable	44	–	44
Other current assets	198	–	198
Tangible assets	46	–	46
Intangible assets	–	181	181
Deferred tax liabilities	–	–41	–41
Accounts payable	–41	–	–41
Current liabilities	–196	–	–196
Acquired net assets	161	140	301

Total purchase considerations	1,225
Cash and cash equivalents in acquired operations	110
Change in the Group's cash and cash equivalents	1,115

Transaction costs for the above acquisition amounted to MSEK 15 and have been reported 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	2023	2022
Sales	24	68	68
Administrative expenses		-93	-109
Operating profit	25, 26	-25	-41
Financial income	27	2,160	1,635
Financial expenses	27	-463	-147
Profit after financial items		1,672	1,447
Appropriations		-	-
Profit before tax		1,672	1,447
Tax	28	-54	-17
Profit after tax		1,618	1,430

Comprehensive income matches profit after tax.

PARENT COMPANY BALANCE SHEETS

MSEK	Note	2023	2022
ASSETS			
Fixed assets			
Tangible fixed assets		0	0
Intangible fixed assets	29	0	0
Interest-bearing intra-Group receivables		3,419	3,941
Participations in Group companies	32	9,826	9,826
Deferred tax assets		-	0
Total fixed assets		13,245	13,767
Current assets			
Intra-Group operating receivables		392	145
Interest-bearing intra-Group receivables		54	64
Prepaid expenses and accrued income		31	26
Cash and bank balances		160	468
Total current assets		637	703
TOTAL ASSETS		13,882	14,470
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted shareholders' equity			
Share capital		69	69
Total restricted shareholders' equity		69	69
Nonrestricted shareholders' equity			
Share premium reserve		619	619
Profit brought forward		3,682	3,492
Profit for the year		1,618	1,430
Total nonrestricted shareholders' equity		5,919	5,541
Total shareholders' equity		5,988	5,610
Noncurrent liabilities			
Interest-bearing liabilities	31	350	1,494
Interest-bearing intra-Group liabilities		2,646	2,292
Total noncurrent liabilities		2,996	3,786
Current liabilities			
Accounts payable		3	3
Current tax liabilities		27	-
Intra-group operating liabilities		9	-
Interest-bearing intra-Group liabilities		2,918	2,523
Interest-bearing liabilities	31	1,880	2,470
Other current liabilities		2	-
Accrued expenses and prepaid income	30	59	78
Total current liabilities		4,898	5,074
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		13,882	14,470

PARENT COMPANY CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Share capital	Share premium reserve	Profit brought forward	Total
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
2023				
Comprehensive income				
Profit after tax	-	-	1,618	1,618
Transactions with shareholders				
Dividend	-	-	-1,240	-1,240
December 31, 2023	69	619	5,300	5,988

PARENT COMPANY CASH FLOW STATEMENTS

MSEK	2023	2022
Cash flow from operating activities		
Operating profit	-25	-41
Adjustment for noncash items, depreciations	0	1
Financial income received	287	88
Financial expenses paid	-471	-139
Tax paid	-17	-26
Cash flow from operations before changes in working capital	-226	-117
Cash flow from changes in working capital		
Changes in current receivables	0	5
Changes in current liabilities	0	16
Cash flow from operating activities	-226	-96
Investing activities		
Change in interest-bearing receivables	279	-1,466
Dividends from subsidiaries	1,473	1,396
Group contributions received	391	145
Acquisitions of companies	0	-547
Cash flow from investing activities	2,143	-472
Financing operations		
Loans raised	14,370	11,549
Repayment of liabilities	-15,355	-8,986
Dividend	-1,240	-2,067
Cash flow from financing operations	-2,225	496
Cash flow for the year	-308	-72
Cash and cash equivalents, January 1	468	540
Cash and cash equivalents, December 31	160	468

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

	2023	2022	MSEK	2023	2022
Average number of employees			Salaries, other remunerations and social-security costs		
Women	3	3	Board of Directors	4	4
Men	4	4	CEO and Deputy CEO	30	31
Total	7	7	Other employees	13	21
			Social security costs, pension costs and payroll tax	20	35
			Total	67	91

NOTE 26 Fees and cost remuneration paid to auditors

MSEK	2023	2022
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	2023	2022
Dividend	1,473	1,396
Group contributions	391	145
Interest income	63	21
Interest income from Group receivables	233	73
Exchange-rate gains	0	0
Other financial income	0	0
Financial income	2,160	1,635
Interest expenses	-213	-71
Interest expense from Group liabilities	-237	-71
Exchange-rate loss	-4	0
Other financial expenses	-9	-5
Financial expenses	-463	-147

NOTE 28 Taxes

MSEK	2023	2022	MSEK	2023	2022
Current tax expense			Reconciliation of effective tax		
Tax expense for the year	-54	-17	Profit before tax	1,672	1,447
Deferred tax expense			Tax according to current tax rate for the Parent Company	-345	-21%
Deferred tax pertaining to temporary differences	0	0	Nondeductible expenses	-14	-1%
Total reported tax expense	-54	-17	Nontaxable revenues	305	19%
			Total reported tax expense	-54	-3%
				-17	-1%

NOTE 29 Intangible fixed assets

MSEK	Other intangible		Total		MSEK	Other intangible		Total	
	2023	2022	2023	2022		2023	2022	2023	2022
Accumulated cost					Accumulated amortization/depreciation				
Opening balance, January 1	3	3	3	3	Opening balance, January 1	-3	-2	-3	-2
Investments	-	-	-	-	Depreciation for the year	0	-1	0	-1
Closing balance, December 31	3	3	3	3	Closing balance, December 31	-3	-3	-3	-3
					Carrying amount, December 31	0	0	0	0

NOTE 30 Accrued expenses and prepaid income

MSEK	2023	2022
Personnel-related expenses	53	66
Other	6	12
Total	59	78

NOTE 31 Interest-bearing liabilities

MSEK	2023	2022
noncurrent liabilities		
Interest-bearing liabilities	350	1,494
noncurrent liabilities	350	1,494
Current liabilities		
Interest-bearing liabilities	1,880	2,470
Current liabilities	1,880	2,470
Bilateral loan, MSEK 1,500	-	920
Bilateral loan, MSEK 1,100	350	574
Total noncurrent liabilities	350	1,494
Bilateral loan, MSEK 2,000	-	500
Bilateral loan, MSEK 1,500	-	450
Commercial papers*	1,880	1,520
Total current liabilities	1,880	2,470

The Group uses commercial papers as part of its financing, and as at December 31, these totaled MSEK 1,880. In accordance with IAS1, the outstanding volume is reported in the balance sheet as current liabilities, but as HEXPOL's bilateral credit agreements also serve as back-up facilities for outstanding commercial paper, they are mainly of a long-term nature.

NOTE 32 The Parent Company's holdings of shares and participations in Group companies

Corp. Reg. No.	Reg. office	Proportion of equity, %	Carrying amount, MSEK	Proportion of equity, %	Carrying amount, MSEK
		2023		2022	
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 Spri	Belgium	100	702	100	702
HEXPOL Compounding Spri	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 HQ GmbH	Germany	100	0		
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	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
Vicom 2002 S.L.	Spain	100	251	100	251
Unión de Industrias C.A., S.A.	Spain	100	420	100	420
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		100	
Robbins Holding Inc.	USA	100		100	
Robbins LLC	USA	100		100	
Synpol LLC	USA	100		100	
HEXPOL Compounding CA Inc	USA	100		100	
Star Thermoplastics Alloys & Rubbers, 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 NC Inc.	United Kingdom	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		9,826

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 Spri 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	2023	2022
Participations in Group companies		
Opening balance	9,826	9,279
Shareholder contributions	0	-
Acquisitions of companies	-	547
Carrying amount	9,826	9,826

NOTE 33 Pledged assets and contingent liabilities

MSEK	2023	2022
Sureties for subsidiaries	61	87
Total	61	87

NOTE 34 Proposed appropriation of earnings

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

Profit brought forward	3,682,031
Share premium reserve	618,728
Profit for the year	1,618,686
Total unrestricted funds	5,919,445

The Board of Directors proposes that earnings be allocated as follows: That a cash dividend of SEK 6.00 per share be paid to shareholders, of which SEK 4.00 is an ordinary dividend in accordance with the dividend policy, and an extraordinary dividend of SEK 2.00

Total dividend from profit brought forward	2,066,621
To be carried forward	3,852,824
Total	5,919,445

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 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 22, 2024

Alf Göransson
Chairman of the Board

Malin Persson
Board Member

Jan-Anders E. Månson
Board Member

Märta Schörling Andreen
Board Member

Kerstin Lindell
Board Member

Nils-Johan Andersson
Board Member

Henrik Elmin
Board Member

Peter Rosén
Acting CEO

As set out above, the Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on March 22, 2024. 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 26, 2024 for adoption.

Our audit report was submitted on March 25, 2024

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 REG. NO. 556108-9631

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of HEXPOL AB (publ) for the year 2023 except for the Corporate Governance Report on pages 44-53. The annual accounts and consolidated accounts of the company are included on pages 36-82 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, 2023, 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, 2023, and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards), 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 87-122. 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

The carrying value of goodwill as of December 31, 2023 amounts to MSEK 11,668 in the consolidated balance sheet, which represents 52 percent of total assets. Participations in group companies amounts to MSEK 9,826 in the Parent Company's balance sheet, which represents 71 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'.

How our audit addressed this key audit matter

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.

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, 44-56 and 87-127. 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 2023 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 fiscal 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 year 2023.

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 opinion

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 ISQM 1 Quality management for audit firms performing audits and reviews of financial statements and other assurance and related services that require the firm to design, implement and manage a quality management system including policies and procedures regarding compliance with ethical requirements, professional standards and applicable 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.

Malmö, March 25, 2024

Joakim Falck
Authorized Public Accountant

Karoline Tedevall
Authorized Public Accountant

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 31, Section 7, 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, 2023, 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, 2023, and has been the company's auditor since April 28, 2021.

Sustainability Report

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Sustainability Report

Accounting policies and key indicators in the area of sustainability (ESG) are presented along with materiality analysis and stakeholder dialogue. Information is also provided on the statutory sustainability report, CSRD, the UN Global Compact, GRI, the EU Sustainable Finance Taxonomy and TCFD.

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. 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 operating revenue, operating costs and investments that fall under the EU's Sustainable Investment Taxonomy. Outcomes and comments on the taxonomy can be found on page 118.

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Risks and risk management	40–43, 77–97
Diversity in board and management	46, 52–53, 108

CSRD and ESRS

In this year's sustainability report, a number of steps have been taken to align the content with the requirements of the CSRD (EU Directive on mandatory sustainability reporting) and related reporting standards (ESRS). The ongoing adap-

tation includes the structure of the report and on some data points.

Platform for sustainable development

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. The values are expressed in HEXPOL's Code of Conduct and policies that, combined, form "Materializing Our Values". The values and working methods are based on international initiatives, guidelines and standards, such as ISO environmental, health and safety standards, the UN Global Compact, the UN Sustainable Development Goals, GRI, CDP and TCFD. 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 noncompliance in respect of business ethics.

The Group's platform for sustainable development helps 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 global climate change is a major challenge for society and business. The Group's products are mainly based on fossil raw materials, and energy use is largely dependent on fossil energy sources, but many activities are underway to shift towards renew-

able raw materials and energy sources. The development of products with a smaller carbon footprint is a high priority.

- Resource consumption – The production processes involve significant use of natural resources, in particular energy and raw materials. We therefore work both in our own operations and in the value chain to increase resource efficiency and thereby reduce the impact on the climate and environment.
- Working conditions – Employee health and safety is a top priority in our sustainability efforts. Respect for human rights, a stimulating working environment, personal motivation and good business ethics are other important factors in attracting, retaining and developing our employees.

Value chain

Upstream – The Group's largest business area (Compounding) produces compounds of polymer products. The main raw materials originate from crude oil that is refined via chemical processes into the components of synthetic rubber, plastics and chemical products. Upstream in the value chain, the global oil and chemical industry is therefore important for the Group's impact on people and the environment.

Some rubber compounds contain natural rubber, which means that the value chain also includes the cultivation of rubber trees and the extraction and processing of latex (natural rubber).

The Group does not own any rubber plantations and natural rubber is mainly purchased through agents in different parts of the world. Bio-based polymers derived from sugar cane are also used to a limited extent. Furthermore, bio-based components (rice husks, hemp, cork, etc.) are used in some products. In addition to the fossil-based raw materials, a large number of other substances (metals, fillers, etc.) are used that originate from the extraction and processing of metals, rocks and other raw materials. Compounding uses significant amounts of recycled plastic and, to a lesser extent, recycled rubber. Upstream in the value chain, several of the links include transport.

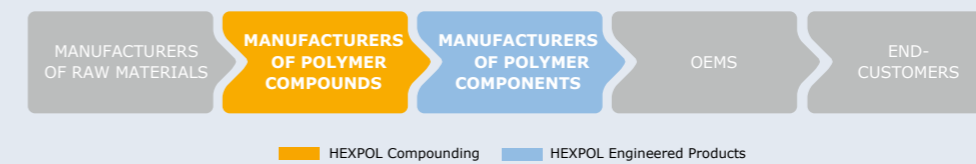
Own operations – At the Group's production sites, raw materials and other ingredients are mixed according to thousands of different formulas, depending on the technical and other performance requirements.

Downstream – The finished polymer compounds are purchased by customers who usually process the material further, for example via vulcanization of rubber or injection molding of plastics. With customers in a wide range of industries, such as manufacturers of components for the



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.

HEXPOL IN THE VALUE CHAIN



INTERNATIONAL STANDARDS AND INITIATIVES

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 90, 100). At the Group level, the social responsibility standard (ISO 26000) provides guidance in strategic sustainability work.



GLOBAL COMPACT 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 117.



GLOBAL GOALS FOR SUSTAINABLE DEVELOPMENT The UN's Sustainable Development 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 31–32 and 93.



GRI Accounting policies and indicators set out by the Global Reporting Initiative (GRI) are used as the standard for sustainability reporting. Read more on pages 114–116.



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 page 97–99.

automotive, engineering and construction industries, the polymer materials end up in thousands of different end-user applications.

Many products have a very long lifespan but will sooner or later wear out. The waste stage includes recycling, incineration and landfilling. The value chain includes transport both upstream and downstream of our own operations.

Products from Engineered Products are mainly wheels and tires (rubber, polyurethane, thermoplastics), gaskets for heat exchangers, and profiles for seals such as windows. The position in the value chain is therefore closer to the end customer, but the impact on sustainable development will in many respects be identical to the situation in Compounding. The use of metals for wheels, as well as solvents (VOC) in the production of polyurethane tires, are aspects where the value chain differs slightly between the business areas.

Governance and organization

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

The management and monitoring of sustainability work follows the Group's procedures for self-monitoring and internal control, as described in the Corporate Governance Report (pages 45–53), and in the "Sustainability Management System – Group Manual". Within the Board, the Audit Committee has specific responsibility for sustainability issues. In brief, this means that the Board approves policies, objectives and strategies, regularly monitors performance and approves the Sustainability Report. In case of serious incidents, the Board is informed without delay.

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. The Compounding business area has employees at central level working on sustainability issues, including energy efficiency, chemicals, legislation, R&D and purchasing. To strengthen and coordinate the sustainability work, there is a sustainability manager for HEXPOL TPE, and a corresponding function for HEXPOL Compounding Americas.

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 employees 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.

The Group's Sustainability Council is tasked with deepening and further developing the strategic sustainability efforts. It is led by the CEO 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 CEO, the CFO and the Director of Sustainability, the Council includes senior executives in production, product development, sales, sustainability, communications and purchasing. In addition, HEXPOL TPE and HEXPOL Compounding Americas have their own Sustainability Council focusing on issues specific to their business.

Management systems

Certified management systems for the environment (ISO 14001), quality (ISO 9001), health and safety (ISO 45001) and energy (ISO 50001) are cornerstones of the Group's sustainability work. We have a target of all units being certified in accordance with the environmental standard ISO 14001. The structure and content of the management systems create good conditions for meeting the ESRS requirements on governance, competence, documentation and follow-up at local level. At Group level, the "Sustainability Management System – Group Manual" describes the management system at Group level and how it interacts with the local management systems.

Legislation on sustainable development

Legal compliance within sustainable development 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.

At group level, the company is subject to, among others, the Sustainability Reporting Directive (CSRD, ESRS) and the General Data Protection Regulation (GDPR). The regulation 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 Pro-

tection Policy. Processes and applications have been adapted to guarantee the protection of personal data and compliance with legal requirements.

Materiality analysis

The materiality analysis aims to identify the most important sustainability areas and thus forms the basis for priorities, targets and action plans, as well as reporting on sustainable development. It focuses on two perspectives (double materiality), which means that we consider:

- How the Group's operations, products and value chain impact 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 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 group has conducted materiality assessments for the last 10 years according to the guidelines of the GRI Standards. The Sustainability Reporting Directive (CSRD) affects the current methodology for materiality analysis and adaptation to the new requirements has therefore been initiated. This means that the following topics of the reporting standards have been considered: Climate change, Pollution, Water and marine resources, Biodiversity and ecosystems, Resource use and circular economy, Own workforce, Workers in the value chain, Impacted communities, Consumers and end-users, and Business conduct.

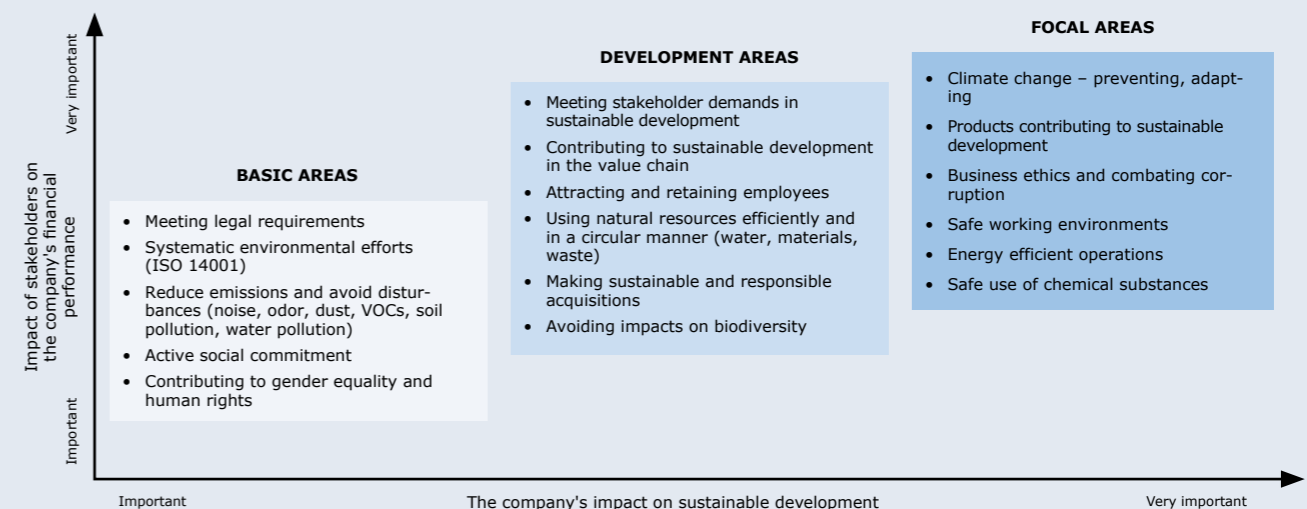
The material topics (important, very important) are presented in the diagram in three different categories which, together, form an overall sustainability agenda:

- Basic 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.

Compared to the previous materiality analysis, the following changes have been made:

- Systematic environmental management (ISO 14001) has been moved from Focal Areas to Basic Areas. Since the certified environmental management systems help to reduce environmental impact, and are also a requirement for business with important customers, they obviously remain important in the Group's sustainability work. The goal of having all units certified remains, but we now choose to consider ISO 14001 as a basic prerequisite for responsible business operations.

MATERIALITY ANALYSIS



- Biodiversity and ecosystem issues have been moved from Basic Areas to Development Areas. Interest in these issues has increased in society and among customers. The Group's use of natural rubber has an impact on ecosystems and, in addition, climate change may change the conditions for the production of natural rubber. Furthermore, we have a clear ambition to increase the use of bio-based raw materials. This results in increased vigilance on biodiversity and ecosystem issues.

The outcome of the CSRD material issues, as well as the link to GRI indicators, is presented in the following sections of the sustainability report.

Stakeholder engagement

We are 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 fiscal year. Stakeholder dialogue is conducted in a number of ways, including develop-

ment 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 2023 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.
- Impact of sustainable development legislation – The proposal by EU member states to phase out and ban PFAS substances has attracted a lot of attention in many industries, as well as among the Group's suppliers and customers. Furthermore, the EU Directive on mandatory sustainability reporting (CSRD) has attracted the attention of several stakeholders.

We have identified the following stakeholders (see table) who show environmental interest, social interest and/or who are interested in how the Group, and the individual companies, manage and monitor sustainability efforts.

Furthermore, there are stakeholder groups that are

Stakeholder groups	Key topics, demands and expectations	Examples of types of stakeholder dialogues
CUSTOMERS	Customer demands in climate, environment, human rights and business ethics remain high. Interest in bio-based and/or recycled raw materials increased during the year. Demand increased for life cycle assessments and data on the carbon footprint of products.	<ul style="list-style-type: none"> • Dialogues related to the purchase and use of our products. • The Group's sustainability performance is regularly evaluated by customers through surveys and audits.
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.	<ul style="list-style-type: none"> • Employee surveys. • Performance reviews and development plans. • In the context of training activities. • At departmental meetings. • Cooperation with trade unions.
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.	<ul style="list-style-type: none"> • Supplier dialogues. • Contract negotiations. • Assessments of suppliers (Supplier Sustainability Guideline).
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, the Group remains competitive.	<ul style="list-style-type: none"> • Shareholder meetings and the Annual General Meeting. • Capital Market Day. • Board meetings. • Dialogues with banks and investors. • Answering questionnaires from banks and investors.
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.	<ul style="list-style-type: none"> • Local social commitment. • Dialogue with regulatory authorities (environment, health and safety). • Contacts with neighbors in relation to disturbances and complaints.
UNIVERSITIES AND SCHOOLS	Students and pupils show interest in the Group's impact on sustainable development and request opportunities for thesis work and internships. From our perspective, it is important to inform students and generate interest in the Group as a future workplace.	<ul style="list-style-type: none"> • Study visits. • Research projects. • Guest lectures. • Degree projects and scholarships. • Workplace training.

potentially affected by our activities, products and business model. Dialogue and communication is conducted regularly to ensure that we can meaningfully discuss and address the issues that concern us and our stakeholders.

Sustainability strategy

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.

Sustainable development targets

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.

Based on the materiality analysis and the global goals, we have prioritized our sustainability work. 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 (SDGs 7, 8, 9, 12 and 13). These targets relate to energy, climate, environment, environmental management systems, chemicals, products and health and safety. For another two of the SDGs – gender equality (SDG 5) and anti-corruption (SDG 16) – the Group has a high level of ambition, but has chosen not to formulate measurable targets. Targets and results are presented in the following sections of the Sustainability Report.



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 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.

Climate change

With a focus on reducing the carbon footprint of processes and products, customers and other business partners present ambitious climate targets. These ambitions are largely driven by strong social currents around climate policies, legislative measures and accounting systems. Industry is identified as an important partner in the transition to a society with less dependence on fossil fuels and raw materials. A commitment to climate impact is included in the environmental policy that is part of Materializing Our Values.

Materiality analysis

The materiality analysis (page 91) classifies the following areas related to climate change:

- Climate change – preventing, adapting.
- Products contributing to sustainable development.
- Energy efficient operations.
- Meeting legal requirements.
- Systematic environmental efforts (ISO 14001).
- Contributing to sustainable development in the value chain.

As a result of the analysis, the above areas are classified as important/very important and, according to the Group's terminology, fall into the categories "Basic Areas", "Development Areas" and "Focal Areas".

Processes that contribute to a smaller carbon footprint

The carbon reduction target (Scope 1, 2) is affected by the Group's long-term decisions and investments. Actions such as 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 decisions that reduce the Group's climate impact. The state of the world's energy markets is difficult to assess, and the availability of fossil-free fuels and electricity may be limited in the short term, which could negatively affect carbon emissions.

Products 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 polymer 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.

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. Dryflex Circular and Dryflex Circular MWR are examples of TPE materials that contain recycled polymers, resulting in a smaller carbon footprint. The Anjaeco product family from almaak contains recycled textile fibers and HEXPOL RheTech uses recycled polymers in its products. 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 energy consumption in vehicles.

Other examples of products that contribute to reducing climate impact are gaskets in plate heat exchangers. Gaskets from HEXPOL Engineered Products contribute to reduced energy consumption and climate impact.

Emissions in the supply chain

Carbon emissions in the supply chain occur at several stages, with the production of raw materials and transport being particularly important. Most of the emissions arise in connection with the production of fossil-based polymers,

fillers, process oils and other chemical products. During the year, we therefore continued to work with raw material suppliers to increase the use of raw materials with a smaller carbon footprint. Via the Supplier Sustainability Guideline, we set general requirements for suppliers' sustainability work, but at present we do not set specific climate requirements or collect data on energy consumption and carbon dioxide emissions.

Transportation

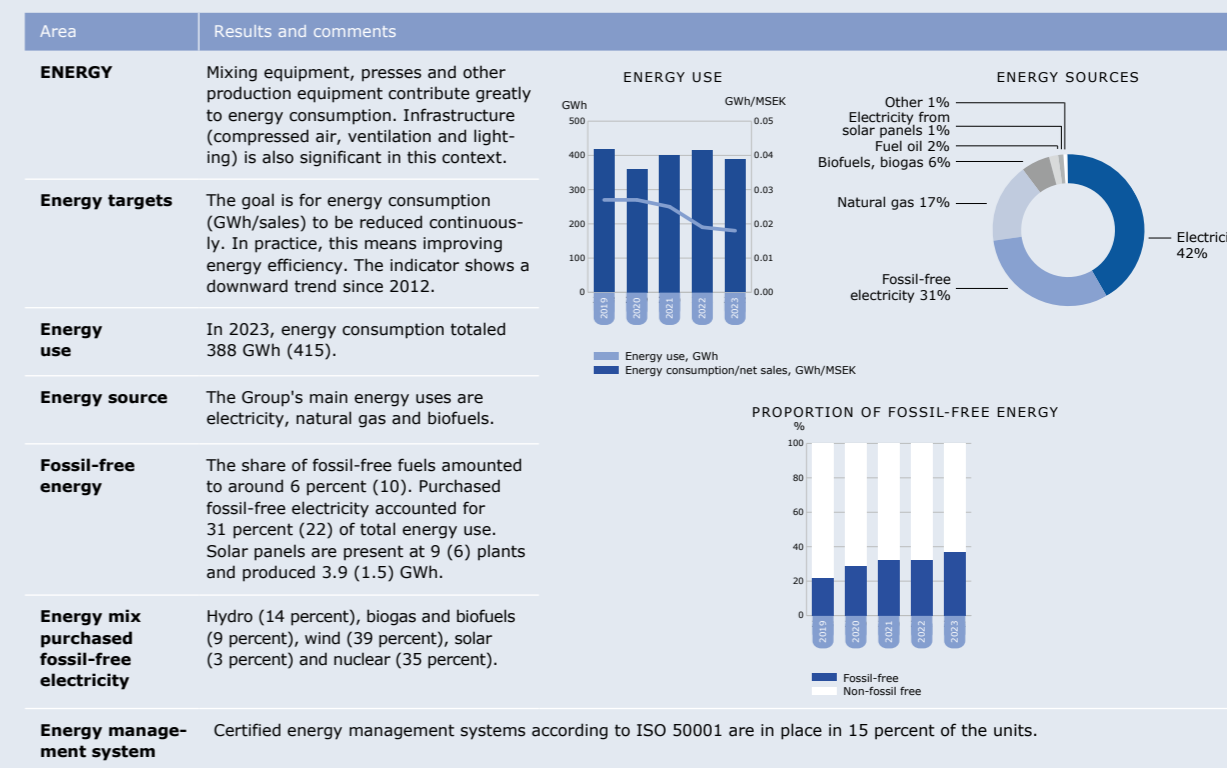
The Group works continuously to reduce the environmental impact of freight transport and business travel.

Some examples of measures implemented in recent years follow below:

- Group companies make use of online conference opportunities, and this increased significantly during the pandemic.

- When replacing vehicles and company cars, models that consume less fossil fuels are chosen, such as hybrid or electric cars. A number of sites 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.

The ongoing project to map Scope 3 emissions will provide a clearer picture of the climate impact of transport.



Energy measures during the year

The aim is to increase energy efficiency and, in line with the Group's climate targets, the share of fossil-free energy is to increase. 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 (14) in accordance with the EU's Energy Efficiency Directive. The (ISO 50001) energy management system has been introduced at 7 units (7).

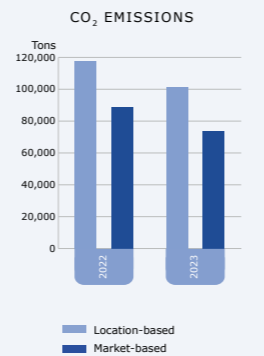
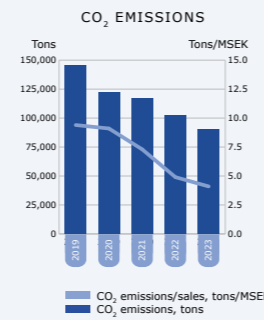
- The purchase of fossil-free electricity increased during the year and currently covers 56 percent of Group companies. Purchases were made through direct contracts with the energy supplier or through different types of certificate programs (REC, EFEC, IREC).
- Improved control of the speed at which rubber mixing equipment operates reduces energy consumption. Shorter cycles in mixing also help reduce energy consumption. Purchase of more energy-efficient pumps, motors and extrusion machines and other equipment.

- Improved insulation of buildings was implemented during the year.
- 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 solar panels were made and the production of own electricity increased by 160 percent.
- 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.
- 605 MWh (926) of surplus energy was sold from the production facilities.

Energy costs amounted to MSEK 452 (446). During the year, the Group invested approximately MSEK 125 in energy-related measures.

Area	Results and comments
PREVENTION OF CLIMATE CHANGE IMPACTS	Emissions of the climate-affecting gas carbon dioxide occur in connection with energy use, the production of raw materials and transport, among other things.
Climate targets	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). In a five-year perspective, the key figure for climate impact (tons CO ₂ e/sales) shows a positive development and since the base year, emissions have been reduced by 57 percent.
Incentive system	A bonus system has been introduced focusing on the Group's climate targets.
Emissions of carbon dioxide – Scopes 1 and 2 (market-based)	In 2023, carbon dioxide emissions totaled 90,400 tons (108,900).
Carbon dioxide emissions – Scope 1	The direct emissions from the use of fuel oil, natural gas etc. amounted to 16,300 tons (15,900).
Carbon dioxide emissions – Scope 2 (location-based)	Emissions from purchased electricity and district heating calculated using the location-based methodology amounted to 101,450 tons (117,800). The reasons for the decrease were lower energy use and a more fossil-free energy mix in some countries.
Carbon dioxide emissions – Scope 2 (market-based)	Emissions from purchased electricity and district heating calculated using the market-based method amounted to 74,060 tons (88,970). The reasons for the reduction were lower energy use and increased purchases of fossil-free electricity.
Carbon dioxide emissions – Scope 3	Scope 3 emissions have been roughly calculated for three production facilities and amounted to 123,400 tons where the production of purchased raw materials accounted for most of the emissions (about 90 percent). Work on calculating Scope 3 emissions for the entire Group's operations is ongoing.
ADAPTING TO CLIMATE CHANGE	We have identified physical and transition risks that require adaptation to climate change, especially in the medium and long term. For details, see "Climate-related risks and opportunities" below.



Energy measures during the year

Emissions of carbon dioxide arise from the use of fossil fuels (fuel oil, natural gas, propane), as well as from the purchase of electricity and district heating. The key performance indicator is affected by both positive and negative factors, for example:

- Measures to increase energy efficiency helped reduce CO₂ emissions.
- Increased purchases of fossil-free electricity reduced carbon dioxide emissions.
- The installation of solar panels reduces the carbon footprint and the expansion of self-generated electricity

continued. At the end of 2023, solar panels were installed in Eupen (Belgium) and Lesina (Czech Republic) with a total peak power of 482 kWp.

- The development of products with a smaller carbon footprint reduces emissions on the customer level. During the year, the Group's Product Carbon Footprint calculator (PCF) was certified according to ISO 14067. The tool provides valuable support for us and our customers in selecting raw materials for different products. Using the tool or other methods, the carbon footprint of more than 600 products has been calculated.
- Four units are ISCC+ certified, demonstrating the sustainable origin of bio-based raw materials throughout the produc-

tion and supply chain. A total of 7 products or product groups are certified.

- Mapping of CO₂ emissions according to Scope 3 in the GHG Protocol continued during the year.
- 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.
- In terms of carbon emissions, the acquisition of companies in countries whose energy systems are largely based on fossil fuels has a negative impact.

In addition to the investments reported under energy measures, investments in climate-related measures totaled around MSEK 23. Investments and costs for the development of products that contribute to a smaller climate footprint amounted to approximately MSEK 40.

Planned actions, costs and investments

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. 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. Investments and costs have not yet been identified.

Area	TCFD recommendations	Comments
GOVERNANCE	<ul style="list-style-type: none"> • Describe the Board's understanding and management of climate-related risks and opportunities. • Describe the role of management in assessing and managing climate-related 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.
STRATEGY	<ul style="list-style-type: none"> • 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 increased energy efficiency, reducing dependence on fossil energy, and developing products with a low carbon footprint.
RISK MANAGEMENT	<ul style="list-style-type: none"> • 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.
METRICS AND TARGETS	<ul style="list-style-type: none"> • 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.

Climate-related risks and opportunities

The Task Force on Climate-related Financial Disclosures (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. Below is the company's scenario analysis mainly based on the TCFD guidelines.

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. Climate adaption failure puts world at risk). 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. This is likely to further accelerate regulatory action by authorities and increase transition risks in the short to long term.

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). With regard to physical risks at production sites, the Group's "Risk Grading Matrix" is an important source of information.

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.	Sites in the US report a risk of tornadoes and snowstorms. One site 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. Risk of increased costs in the supply chain. Risk of increased insurance costs.
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). A site in the Czech Republic is also at risk of flooding.	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 fundraising 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. Geo-political 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:

- Regular inventory of climate-related risks.
- 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.

Pollution

The pollution accounting standard affects the Group's operations in several ways, including compliance with environmental legislation, environmental management systems, emissions to the atmosphere and water, soil pollution issues, and the use of raw materials and chemical products. These issues are highly relevant in the context of acquisitions of other companies. Commitments on pollution and the use of chemical products can be found in the environmental policy that is part of Materializing Our Values.

Materiality analysis

The materiality analysis (page 91) classifies the following areas related to pollution:

- Using natural resources efficiently and in a circular manner (water).
- Safe use of chemical substances.
- Meeting legal requirements.
- Systematic environmental efforts (ISO 14001).
- Reduce emissions and avoid disturbances (noise, odor, dust, VOCs, soil pollution, water pollution).
- Making sustainable and responsible acquisitions.

As a result of the analysis, the above areas are classified as important/very important and, according to the Group's terminology, fall into the categories "Basic Areas", "Development Areas" and "Focal Areas".

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 Poland, Germany and Turkey are not subject to any specific environmental permits.

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 40 percent of the units are subject to producer responsibility legislation for packaging waste.

Environmental management systems

Implementation of the ISO 14001 environmental management standard is an important part of the Group's sustainability strategy. One of the main purposes of the standard is to identify the significant environmental aspects and systematically reduce risks and impacts on the environment. Another important aim is to help companies identify and manage legal and other requirements.

Emissions to the atmosphere

Emissions of solvents (VOC) and isocyanate emissions occur during the production of polyurethane wheels. Emissions are regulated by limit values in each country's environmental legislation and treatment equipment is installed. Emissions from the vulcanization processes (vulcanization fume) in the production of rubber profiles at a plant in Sweden are regulated through permit conditions and treatment equipment. Emissions that can affect local residents are dust and odorous substances, which occasionally cause complaints. Dust filters are installed at those sites where this is relevant. The use of fossil fuels (oil, natural gas) gives rise to emissions of sulfur dioxide (SO2) and nitrogen dioxide (NOx). Emissions to the atmosphere can also occur during accidents or other uncontrolled situations.

Discharge to water

Discharge of pollutants 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. Measurements of pollutants in water are carried out at some sites, but at most units the environmental authorities or we ourselves have not found it necessary to take regular samples.

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. Discharge to water can also result from accidents, fires or other uncontrolled situations.

Contaminated land and buildings

Contaminated soil and groundwater can cause significant costs associated with remediation requirements. There is limited soil pollution at 1 facility (1). The pollution is of a historical nature and soil remediation is ongoing. No uncontrolled discharge or accidents of significance for the soil or groundwater were registered in 2023. In Sweden, the environmental authority has requested an in-depth investigation of possible soil pollution at a production facility. Such an investigation was carried out in 2023, and no pollution was detected.

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. Small amounts of asbestos are also present in pipework at a few sites. 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 risk for soil pollution, contaminated buildings, and other environmental damage are made in conjunction with acquisitions. Where it is considered necessary, sampling of soil and groundwater is conducted.

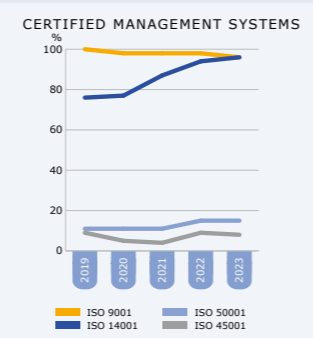
Chemical substances

Within the Group, thousands of formulas are used to manufacture mixtures with different technical properties. These formulas 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.

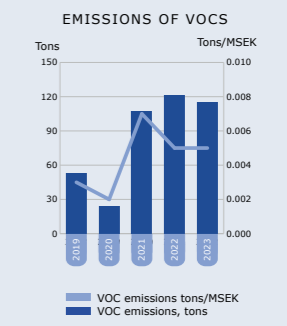
We use a number of chemicals listed as SVHCs (Substances of Very High Concern Candidate List) in REACH. The Group does not use chemical substances in quantities exceeding the limits listed in Annex II Regulation (EC) No. 166/2006. During the year, PFAS substances have been highlighted and five Member States have proposed to phase out all substances (more than 10,000) in this category. PFASs are present in tens of thousands of products worldwide but unfortunately have properties that make them considered "perpetual chemicals", i.e., they do not break down by natural processes in nature. The proposal has been presented to the European Chemicals Agency (ECHA) for further consideration. The group uses PFAS substances in high-performance elastomers (e.g., fluorinated rubber) and we are currently investigating the possibilities to phase out PFAS. Through industry associations, the Group is involved in the consultation process on ECHA's handling of the case.

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 environment as possible. Frequently asked questions from customers concern the Group's possible use of conflict minerals (see Glossary). Such minerals are used at only one plant where control mechanisms have been put in place.

Area	Results and comments
ENVIRONMENTAL LEGISLATION	No breaches (2) of environmental legislation were recorded during the year.
ENVIRONMENTAL MANAGEMENT SYSTEM - Targets	All sites are to have certified management systems (ISO 14001). Acquired companies are to introduce ISO 14001 within a period of two years.
Certified activities	During the year, two units in Italy and one in the US were certified. Environmental audits are an important component of ISO 14001, and 127 internal (116) and 54 (48) external audits were conducted during the year. The occupational health and safety management standard (ISO 45001) has been introduced at 4 units (4) 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). 96 percent (98) of the production facilities are certified in accordance with ISO 9001 (quality).



Area	Results and comments
EMISSIONS TO THE ATMOSPHERE	Emissions of VOCs (volatile organic compounds) from solvents and paints were about 115 tons (121). Energy consumption gave rise to emissions of 12 tons (15) of sulfur dioxide (SO ₂) and nitrogen oxides (NO _x). In total, there are about 3.6 tons (2.9) of refrigerant installed at the production facilities. During the year, emissions of such ozone-depleting and climate-affecting substances (F-gases) totaled 0.3 tons (0). Emissions of dust and odorous substances are normally negligible.
DISCHARGE TO WATER	Discharge of pollutants to water are low under normal production conditions. Within the framework of ISO 14001, procedures are in place to prevent pollution and manage accidents, leaks, spills and other unplanned events.
ACCIDENTS, COMPLAINTS	There were 0 accidents (4) affecting the environment during the year. 1 complaint (7) from nearby residents regarding disturbance from noise was registered.
CHEMICAL SUBSTANCES - Targets	Uses of hazardous chemicals are to be identified and controlled. Where possible, hazardous substances should be phased out.
SVHC substances	During the year, 5 tons of chemical substances classified as SVHC (Substances of Very High Concern) were used. The substances included cyclic siloxanes, some phthalates, ETUs, and lead compounds.
Phasing out of chemical substances	In 2023, around 10 of the SVHCs were replaced with alternatives that are better for the environment and health.



Actions during the year

The following events related to environmental legislation and ordinances occurred during the year:

- Compliance with permits and emission conditions is monitored through measurements and inspections, and 42 companies (36) submitted specific environmental reports to supervisory authorities. The supervisory authorities conducted inspections at 25 facilities (23). No significant discrepancies were found.
- Environmental measurements, risk analysis and mapping were carried out at 37 sites (33).
- The EU directive on energy efficiency affects 14 entities and energy audits were carried out at two sites during the year.

During the year, investments were made to reduce emissions to air and water, improve waste management, and reduce noise pollution in the local area. Investments amounted to approximately MSEK 33. Costs to comply with environmental legislation included administration, fees to authorities, operation of treatment plants, remediation of soil pollution and consultancy costs. The costs amounted to approximately MSEK 25.

Planned actions, costs and investments

Sixteen of the units are planning to apply for minor updates of applicable environmental permits in the near future. Energy audits are planned at two sites in 2024. Chemical prevention is a high priority and measures are being taken to reduce the use of certain phthalates, nitrosamines, ETUs, lead and flame retardants. Replacing or reducing the use of hazardous substances is a long-term process that will continue for the foreseeable future. The cost of the substitution is estimated at around MSEK 0.25.

Water and marine resources

The standard on water and marine resources affects the Group's activities to a limited extent and only in relation to the use of water. Commitment to the management of natural resources can be found in the Environmental Policy, which is part of Materializing Our Values.

Materiality analysis

The materiality analysis (page 91) classifies the following areas related to Water and Marine resources:

- Using natural resources efficiently and in a circular manner (water).
- Systematic environmental efforts (ISO 14001).

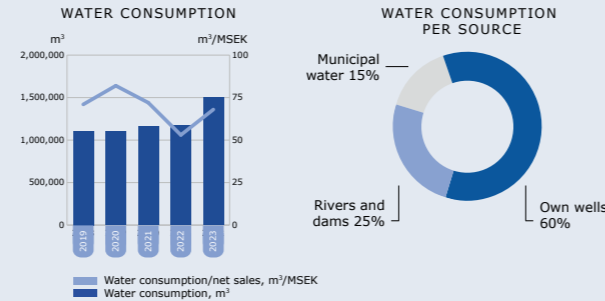
As a result of the analysis, the above areas are classified as important and, according to the Group's terminology, fall into the categories "Basic Areas," and "Development Areas."

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. Furthermore, a unit in the Czech Republic reports a risk of flooding of a local watercourse.

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.

Area	Results and comments
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 2023, 219,100 m ³ (222,100) of municipal water was used, 904,400 m ³ (680,300) was pumped from own wells and 380,800 m ³ (267,000) came from nearby rivers. Total water consumption amounted to 1,504,300 m ³ (1,169,600).
Water reuse	About half of the plants have closed cooling water recirculation systems. During the year, approximately 330,500 m ³ of cooling water was re-used.



Actions during the year

The acquisition of a production unit in the US resulted in about 15 percent higher water consumption and relates to increased use of water from own wells. Total consumption is affected by fluctuations in production volumes as well as by temporary leaks and other disturbances. To reduce water consumption, various measures are regularly implemented, such as technical solutions, leak detection, improved consumption measurement systems, and reduced outdoor irrigation. Furthermore, training activities are carried out to raise awareness of water issues.

Costs for water and sewerage amounted to MSEK 7.0 (5.6). No water consumption measures requiring investment were implemented during the year.

Planned actions, costs and investments

In the coming years, several plants are planning to optimize cooling water use and thus reduce consumption. A few plants are planning to install water treatment equipment to increase water reuse. Investments are estimate at approximately MSEK 0.5.

Biodiversity and ecosystems

The biodiversity and ecosystem standard relates to the Group's use of natural rubber and bio-based raw materials. Commitment to the management of natural resources can be found in the Environmental Policy, which is part of Materializing Our Values.

Materiality analysis

The materiality analysis (page 91) classifies the following areas related to biodiversity and ecosystems:

- Avoiding impacts on biodiversity.
- Meeting stakeholder demands in sustainable development.

As a result of the analysis, the above areas are classified as important and, according to the Group's terminology, fall into the category "Development Areas".

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. The group does not have its own rubber plantations; all raw materials are purchased through independent distributors. Natural rubber is used in compounds produced at 27 plants around the world. During the year, natural rubber accounted for about 7 percent (8) of total polymer use.

Other bio-based raw materials

Dryflex Green contains bio-based polymers and Lifocork is a composite material combining raw material from cork oak with TPE. 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 use of raw materials of biological origin remains unchanged and represents a modest share of the total use of raw materials.

Actions during the year

The natural rubber used at the Lesina plant (Czech Republic) is PEFC (Programme for the Endorsement of Forest Certification) and FSC-certified (Forest Stewardship Council). Bio-based plastics are certified under ISCC+ and BonSucro Certification. During the year, contact was made with suppliers regarding the availability of bio-based and recycled materials. Purchases of such materials are gradually increasing, but at a slow pace. The development of products that contribute to a lower carbon footprint and circular economy continued during the year with investments and

costs in in the order of MSEK 50 (see also Resource use and circular economy).

Planned actions, costs and investments

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 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 and costs. Future costs and investments for bio-based materials are not currently identified.

Resource use and circular economy

The Resource Use and Circular Economy standard addresses the Group's use of natural resources in the form of raw materials (including recycled raw materials), the generation of waste, and the development of products that contribute to sustainable development. Commitments on the management of natural resources and the development of products that contribute to the circular economy can be found in the environmental policy included in Materializing Our Values.

Materiality analysis

The materiality analysis (page 91) classifies the following areas related to biodiversity and ecosystems:

Polymer	Description	Impact on sustainable development
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. Synthetic rubber can be recycled, but large volumes of rubber waste are still used as fuel (e.g., in the cement industry) or landfilled.
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 nonrenewable raw materials, emissions of gases that impact the climate, and waste. A positive environmental aspect is that TPE can be recycled as material. As described elsewhere in the sustainability report, TPE can contain bio-based and recycled raw materials.
Thermoplastics	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). The Group manufactures products containing recycled thermoplastics and bio-based 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 and promoting a circular economy. These include recycled plastics, recycled rubber and recycled carbon black (e.g., via pyrolysis).

- Using natural resources efficiently and in a circular manner (materials, waste).
- Products contributing to sustainable development.
- Meeting legal requirements.
- Systematic environmental efforts (ISO 14001).
- Contributing to sustainable development in the value chain.
- Meeting stakeholder demands in sustainable development.

As a result of the analysis, the above areas are classified as important/very important and, according to the Group's terminology, fall into the categories "Basic Areas", "Development Areas" and "Focal Areas".

Polymer raw materials

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. In terms of volume, synthetic polymers dominate but some blends use natural rubber (see Biodiversity and ecosystems). Thermoplastic elastomers (TPE), thermoplastics (TP), polyurethane plastics, metals and paints are examples of other important raw materials.

We work with chemical and recycling companies and test many of the raw materials in our production processes. However, a number of questions remain about technical characteristics, production volumes and costs. Several of the group's recent acquisitions have involved

companies that use recycled polymer materials as raw materials (almaak, McCann). Starting at a facility in the Czech Republic, we are now installing technology for recycling rubber waste via devulcanization.

carbon black, process oils, plasticizers, antioxidants, fillers, reaction chemicals, solvents, paints and metals. The solvents are mainly used in the production of polyurethane wheels.

Other raw materials

A large number of other raw materials and chemicals are used in the production of rubber compounds, such as

Products

The Group's product portfolio includes several products that contribute to the circular economy (see table below).

Products/product groups	Contributing to the circular economy
Dryflex Circular (TPE containing recycled raw materials). Dryflex Circular MWR (TPE containing nylon from recycled fishing nets)	Reducing the use of fossil resources. The Dryflex Circular MWR contributes to the reduction of marine litter.
RheVision products are made of polypropylene plastic reinforced with natural fibers from plant waste (rice, coconuts, hemp). RheVision also includes products with recycled propylene plastic.	In addition to the contribution to the circular economy, the content of bio-based raw materials (up to 15 percent) and recycled plastic raw material significantly reduces the carbon footprint of the products compared to traditional plastic products.
Up to 100 percent of raw materials for Anjaeco products are recycled fiber materials (PA6, PA6.6, PET).	almaak purchases waste materials (such as used carpets) and recycles the components in its recycling equipment.
Truck wheels with recycled polypropylene plastic and natural fibers.	Recycling of fossil raw materials and reduction of climate impact.
Long-life polyurethane forklift wheels.	Reduces the need for replacement wheels and reduces climate impact.
The entire TPE product range is recyclable.	The possibility of recycling is one of the advantages of TPE. However, most countries lack effective recycling systems for TPE, which reduces recycling rates.
Products (envelopes) for retreading rubber tires.	Extends tire life.
Recycled rubber raw materials in products for the automotive industry (splash guards, floor mats, bumpers).	Reduces the need for newly manufactured raw materials.

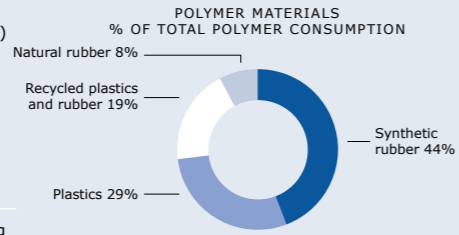
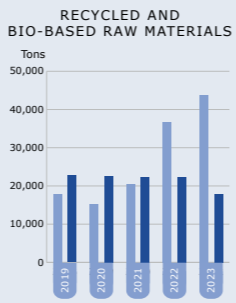
Waste

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

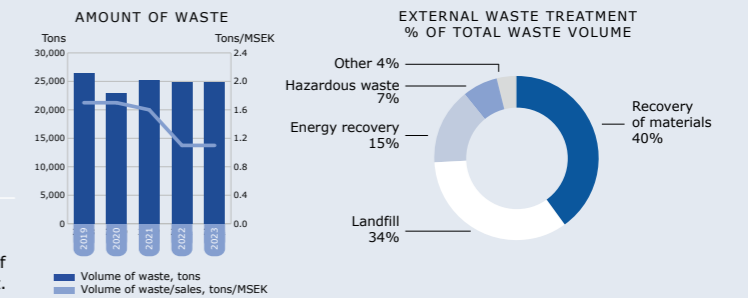
source for external recycling, as well as the internal reuse of plastic waste and carbon black are some examples of measures being conducted on an ongoing basis. The volume of waste sent to landfill has increased in recent years, which is mainly due to the number of production facilities in the US having increased, where landfill is an accepted method of waste disposal.

About half of the production sites have take-back systems for wooden pallets, containers and other product transport packaging.

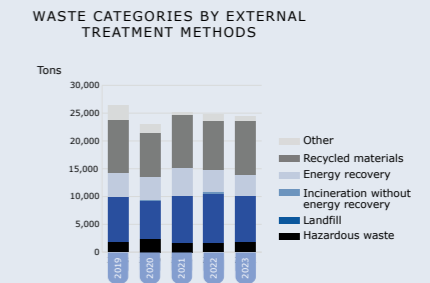
Area	Results and comments
RAW MATERIALS – Polymers	<p>The use of polymer materials amounted to 240,000 (236,000) tons. The use of recycled polymers increased to 44,000 (38,000) tons. The volume of bio-based raw materials amounted to 49 (54) tons.</p>  <p>POLYMER MATERIALS % OF TOTAL POLYMER CONSUMPTION</p> <ul style="list-style-type: none"> Synthetic rubber 44% Plastics 29% Recycled plastics and rubber 19% Natural rubber 8%
Other raw materials	<p>Other raw materials used during the year include carbon black (about 80,000 tons), process oils (about 53,000 tons), and a large number of chemical substances. Furthermore, about 121 tons of solvents (VOC) (165), 37 tons of paints (38) and 3,500 tons of metals (4,200) were used.</p>  <p>RECYCLED AND BIO-BASED RAW MATERIALS</p>

Area	Results and comments
Packaging	Purchases of packaging materials amounted to 8,500 tons of cardboard, 67 tons of paper and 2,680 tons of plastics.
PRODUCTS – Targets	HEXPOL should be a frontrunner in the polymer industry as a supplier of products that contribute to sustainable development.
Activities	Work to further develop the portfolio of products that contribute to the circular economy continued.

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, 24,400 tons (24,900) of waste were generated. In a five-year perspective, the key ratio (tons of waste/sales) has decreased somewhat. 55 percent (52) 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 1,759 tons (1,613) and accounted for 7 percent (6) of the total waste volume.

Actions during the year

The development of a Product Carbon Footprint Calculator (PCF) was completed and the calculation tool was certified according to ISO 14067. The PCF is a tool that supports us and our customers in selecting raw materials and formulas. During the year, contacts were made with customers on the development of recycled and bio-based raw materials. One example is a project where HEXPOL TPE together with the Swedish company Polykemi developed material combinations with a smaller carbon footprint. The combination of mechanically recycled ABS plastic and bio-circular TPE resulted in significantly lower CO2 emissions than the equivalent product made from traditional fossil raw materials. With the aim of contributing to the development of a climate-neutral car, HEXPOL TPE in Åmål is participating in the

"Polestar 0" project. Our contribution is in particular the development of thermoplastic elastomers containing bio-based and recycled raw materials.

Work on local waste targets and action plans continued during the year. This includes focusing on increasing recycling, reducing waste to landfill, and evaluating the possibilities of selling certain waste fractions. The costs of external waste management totaled MSEK 36.9 (30.3).

The development of products that contribute to a lower carbon footprint and circular economy continued during the year with investments and costs in the order of MSEK 70. One of the production units made a significant investment (around MSEK 29) in equipment for recycling plastics (post consumer waste).

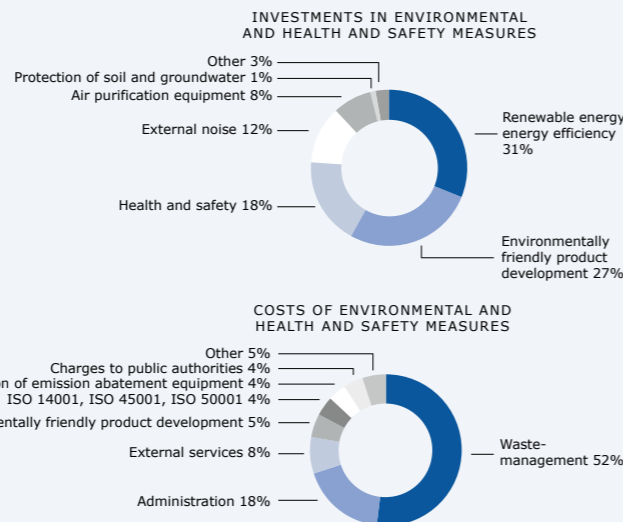
Planned actions, costs and investments

Measures to increase the use of recycled raw materials will continue, including investment in in-house recycling equipment for rubber waste. Efforts to reduce spills and waste will remain a high priority. The costs and investments are estimated at around MSEK 1.4. The development of products that contribute to sustainable development remains a high priority.

Investments and costs in sustainable development

Investments and costs are reported in several places in the sustainability report in connection with each area. To contribute to transparency, the table below provides a summary of sustainability-related financial information. The investments shown in the table are included as part of the investments for the year in Note 10 of the financial statements.

Area	Results and comments
Summary of investments related to environmental and health and safety measures	In 2023, the Group invested MSEK 148.2 (51.5) in measures that directly or indirectly contribute to reduced environmental impact and a better working environment. Significant investments were made in renewable energy (solar panels), energy efficiency, green product development and health and safety measures.
Summary of costs related to environmental and health and safety measures	Environmental costs amounted to MSEK 72.3 (55.7) and were dominated by expenses for waste disposal and internal administration. During the year, environmental improvement actions generated cost savings of MSEK 11.5 (10.8). The savings were achieved mainly through more efficient use of energy and waste management.



Social responsibility

Materializing Our Values applies equally across the globe and the Group is committed to being a good corporate citizen and providing safe and stimulating working environments. Work environment efforts are focused on preventive measures with the vision of zero accidents occurring.

Own workforce

As an important part of our sustainable development strategy, we aim to attract, develop and retain committed and skilled employees. Commitments on health and safety and human rights can be found in the Code of Conduct and the Health and Safety Policy, which are part of Materializing Our Values.

Materiality analysis

The materiality analysis (page 91) classifies the following areas related to Own workforce:

- Safe working environments.
- Attracting and retaining employees.
- Meeting legal requirements.
- Contributing to gender equality and human rights.

As a result of the analysis, the above areas are classified as important/very important and, according to the Group's terminology, fall into the categories "Basic Areas", "Development Areas" and "Focal Areas".

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 gender equality policy and this is a clear message from Group management to aim for a higher proportion of women in external and internal recruitment for 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 we operate. Variable remuneration based on sustainability performance occurs in parts of the Group.

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. Risk analyses, work environment surveys and medical examinations are performed regularly within the Group. In the US, the NAFTA Safety Team Process is in place, with key components of the program being the sharing of best practices and the analysis and rapid dissemination of lessons learned from accidents and incidents.

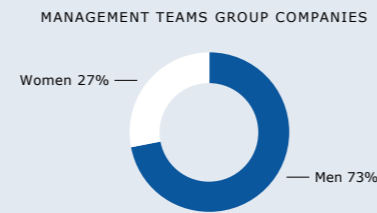
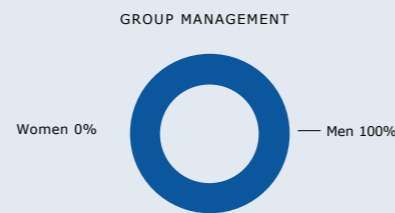
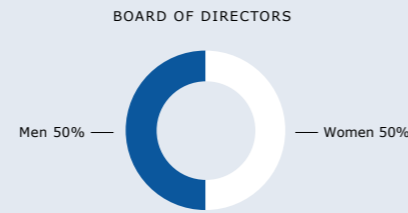
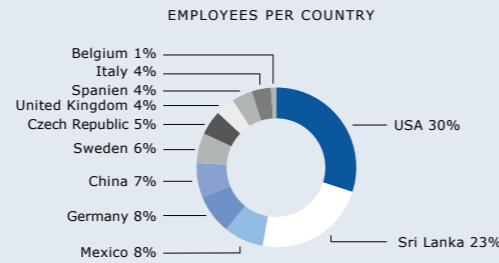
Human rights

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.

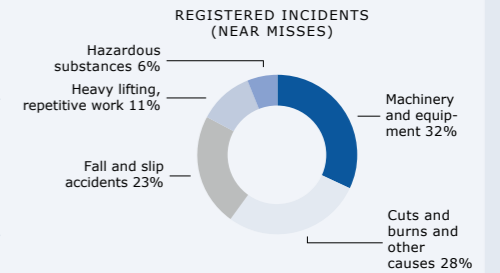
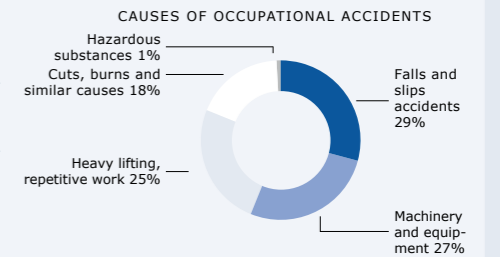
The Group's values recognize the employee's right to be represented by trade unions or other employee representatives, as well as the right to collective bargaining and agreements. The extent of coverage by collective agreements varies depending on local political and cultural conditions in the countries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

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 pursued in a decentralized way through gender equality policies, plans, training and other activities.

Area	Results and comments
EMPLOYEES	The average number of employees during the fiscal year was 5,050 (5,101), of which 3,533 (3,559) in the HEXPOL Compounding business area and 1,514 (1,518) in HEXPOL Engineered Products. The Parent Company had 7 employees (7). HEXPOL is a global Group and 94 percent (94) of the employees work outside Sweden.
Part-time employees	22 women and 25 men worked part-time during the year.
Non-employee worker	144 women and 236 men were on-call employees during the year.
Distribution between men and women	The proportion of women among employees was 14 percent (15) during the year. On the HEXPOL Board of Directors, the proportion of women was 50 percent (67), and in the Group Management it was 0 percent (0). Among the other members of the local management team, 71 (67) are women, which corresponds to 27 percent (28).
Age distribution	22 percent (26) of employees were <30 years old, 54 percent (52) between 30 and 50 years old and 24 percent (22) >50 years old.
Employees with disabilities	27 employees had some form of disability.
Staff-turnover	The staff turnover rate was 23 percent (21). At individual units, it varied between 0 (0) and 95 percent (85). In total, 1,144 people left the company during the year.
Pay, social and pension costs	During the year, personnel costs totaled MSEK 2,913 (2,443).
Pay, men and women	In about 38 percent of the units in the Group, there was no difference in pay for comparable tasks between men and women. In 31 percent of units, the pay gap was less than 10 percent. In 15 percent of units, women were paid more than men.
Adequate wages	All employees had salaries/wages that exceeded the definitions of adequate wages under forthcoming EU directives.
Pay gap highest paid person / all employees	For information on the annual total remuneration ratio of the highest paid person in relation to the average total pay, please refer to the information in Note 4 of the financial statements.
Training and personal development	The number of training hours amounted to 87,600 (115,000), including 52,200 hours for production staff, 28,400 for SAR and 7,000 hours for managers. This corresponds to 17,5 hours (22) per employee. On average, women had slightly more training hours per employee than men.
Training on the Code of Conduct	60 percent (60) of employees (3,023 people) participated in information or training on Materializing Our Values. Information is ongoing, with new recruits as a key target group and 1,119 people participated.
Career development reviews	3,929 employees participated in (3,500) career development reviews or other performance appraisals. 694 women and 3,235 men participated.
Employee surveys	During the year, employee surveys were conducted at 19 units (24). Examples of views and wishes expressed by employees concerned personal development, meals, training, internal communications, teamwork and planning of working hours.
Work-life balance	Family-related leave can include parental leave and care of dependents. Within the Group, these types of leave are available according to the legislation in each country.



Area	Results and comments
HEALTH AND SAFETY - Targets	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.
Fatal accidents	There were no fatal accidents involving own employees (1) during the year. There were no fatal accidents involving contractors during the year.
Lost workday cases (LWC)	During the year, there were 122 workplace accidents (126) with at least one day of absence. 5 contractors (4) experienced accidents. Approximately 33 percent (30) of the units reported zero accidents during the year. In a five-year perspective, the accident rate (LWC/million hours worked) is unchanged.
Lost work days (LWD)	Occupational accidents caused a total number of 2,502 lost workdays (2,790).
Work-related diseases	Two cases of skin and respiratory diseases (allergy, eczema), 9 cases of skeletal and muscular diseases, and one case of psychosomatic disease registered during the year.
Safety Committee	Safety committees, which are important in preventive efforts, are located at 94 percent (94) of the facilities.
Near misses	Systems for reporting near misses have been introduced at 83 percent (81) of the facilities. During the year, 422 risk situations (439) 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 (4), the company has elected to apply for certification in accordance with ISO 45001 (UK, Czech Republic).
Training in health and safety	Health and safety training is carried out in the units and during the year totaled 7 hours per employee (12). 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.
Risk analysis, work environment measurements, medical examinations	During the year, 90 percent of the units carried out health and safety measurements (such as noise, dust and chemical substances), risk analyses and medical examinations (such as hearing tests).
Inspections by health and safety authorities	In the field of health and safety at work, 16 units (17) were inspected by the health and safety authorities. Improvement measures were implemented as required by the authorities.
Violations of health and safety legislation	No minor breaches of health and safety legislation (3) were recorded during the year.
Incentive program	About 40 percent of the production units (49) have introduced reward programs for positive initiatives in the areas of health, safety and the environment.
HUMAN RIGHTS	During the year, 0 deviations (0) attributable to human rights were registered at the Group's units, or among suppliers.
Freedom of association	All employees have the right to be represented by trade unions, as well as the right to collective bargaining. On average, 22 percent 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.
Child labor, forced labor	0 cases of child labor and forced labor (0) were recorded. This also includes suppliers.
Gender equality and counteracting discrimination	Formal gender equality plans are in place at 42 percent (70) of units. During the year, 19 units (27) implemented measures to promote gender equality, for example in the recruitment and hiring of employees with disabilities. 5 cases (2) of discrimination were recorded during the year.
Violence and harassment	11 incidents of violence and harassment were recorded during the year.



Actions during the year

The Group's Code of Conduct and policies (Materializing Our Values) provide guidance to the Group companies and the practical implementation is mainly at the production units. As can be seen from the table above, a large number of measures relating to the own workforce were implemented during the year, e.g., such as training, safety committee meetings, work environment measurements, employee surveys and much more. This shows a committed and systematic approach to issues related to staff well-being, motivation and safety.

In some areas, the outcome points to conditions that require more attention, for example, the key figure for accidents at work has remained largely unchanged over the last five years, staff turnover was high in some units, and an increased number of cases of discrimination, harassment and violence were recorded compared to previous years. Investments in improving the working environment amounted to approximately MSEK 27.

Planned actions, costs and investments

Attracting and retaining committed employees is a fundamental requirement for successful business operations. Measures to contribute to employees' job satisfaction, personal development, pay and career opportunities therefore remain important. The same applies to activities that contribute to the promotion of gender equality and the protection of human rights.

Prevention efforts to create safer working environments will continue for the foreseeable future. Achieving the zero vision of no work-related accidents requires systematic work, for example through technical measures, training and follow-up. Investments and costs in the short and medium term have not been identified but are expected to be at a comparable level to previous years.

Workers in the value chain

The Group's values and ambitions on safe working environment and human rights should be applied in the value chain.

In Materializing Our Values, we commit to informing suppliers and other business partners about the Group's Code of Conduct and the requirements of the Supplier Sustainability Guideline. We are also committed to assessing the sustainability performance of our suppliers.

Materiality analysis

The materiality analysis (page 91) classifies the following areas related to Workers in the value chain:

- Contributing to sustainable development in the value chain.
- Contributing to gender equality and human rights.

As a result of the analysis, the above areas are classified as important/very important and, according to the Group's terminology, fall into the categories "Basic Areas," and "Development Areas."

Guidelines for suppliers

The group has thousands of suppliers in the US, Europe and Asia, among others. Key raw materials include polymers, chem-

ical substances, additives, metals, solvents, packaging and paints. 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 a digital 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.

Actions during the year

As part of the internal collection of data for the sustainability report, all Group companies must take a position on human rights issues in the supply chain. No discrepancies were reported during the year.

In 2023 1,700 supplier assessments (682) were performed by means of questionnaires and 42 audits or site visits were carried out (35). Since the introduction of the Supplier Sustainability Guideline, more than 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) have done so and certified that they accept the Group's Code of Conduct. The evaluations have not required any investment during the year.

Planned actions, costs and investments

We plan to update the Supplier Sustainability Guideline in 2024 and strengthen the collection of sustainability information. This applies in particular to the first tier of suppliers. We do not expect investments and costs to be significant.

Affected communities

In Materializing Our Values, we are committed to minimizing impacts and disturbances in the vicinity of production facilities. Furthermore, the Group aims to be a good corporate citizen and contribute to positive social development in the places where we operate.

Materiality analysis

The materiality analysis (page 91) classifies the following areas related to Affected communities:

- Reduce emissions and avoid disturbances (noise, smell, dust).
- Active social commitment.

As a result of the analysis, the above areas are classified as important and, according to the Group's terminology, fall into the category "Basic Areas".

Impact on communities

We have not identified any negative impact on indigenous populations caused by the Group's production facilities or products. In terms of upstream in the supply chain, it is likely that some negative impact is caused by first tier suppliers. Impacts through the extraction and production of certain raw materials cannot be excluded either. At present, we have not conducted a detailed risk analysis on this issue.

In terms of impact and disturbance to residents living near the production units, there are occasional emissions of dust or odorous substances. The causes can be a failure of a dust filter or some other technical circumstance. Occasional noise disturbances may also occur. Over five years, we have received a total of 19 complaints from local residents. In 2023 one complaint was received about noise. The ambition is always to implement improvement measures as quickly as possible. Emissions to air and water from the production facilities are small and it is assessed that this does not cause any negative impact on human health.

Actions during the year

We participate 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 2023, the following activities can be mentioned:

- At 12 sites, open house days were held with a total of around 860 participants.
- Nine of the units performed activities at local schools, including exchanging knowledge and providing information about the operations. Around 690 students and teachers participated in these activities.
- 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, such as biocomposites. The Group company almaak is working with researchers at IKT (Institute für Kunststoff, Technik, 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.
- About ten of the units participate in local and national networks and industry associations on sustainable devel-

opment, for example, on standardization, development of net-zero emission vehicles (Polestar Project), climate change (Carbon Literacy Project) and use of bio-based raw materials (Nordic Bioplastic Organization).

- Italian Mesgo organized a popular "Sustainability Day" for suppliers and customers.
- The Group 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.

Distributed financial value

The group creates economic value that is shared among various stakeholders, including the local communities where we operate. These are employees (pay and benefits), shareholders (dividends), creditors (interest expenses) and society (tax). In 2023, MSEK 5,193 (5,354) was distributed. Supplier costs are not included.

Consumers and end-users

The Group's direct contacts with consumers and end-users are very limited. The finished polymer compounds from HEXPOL Compounding are purchased by industrial customers who usually process the material further. Customers include manufacturers of components for the automotive, engineering and construction industries. The polymer materials end up in thousands of different applications with end customers, often after a multi-stage production chain leading to their use in a final product.

Products from HEXPOL Engineered Products are mainly wheels and tires (rubber, polyurethane, thermoplastics), gaskets for heat exchangers, and profiles for seals such as windows. The position in the value chain is therefore closer to the end customer.

Materiality analysis

The materiality analysis (page 91) classifies the following areas related to Consumers and end-users:

- Contributing to sustainable development in the value chain.
- Using natural resources efficiently and in a circular manner (materials, waste).
- Meeting legal requirements.

As a result of the analysis, the above areas are classified as important and, according to the Group's terminology, fall into the categories "Basic Areas," and "Development Areas."

FINANCIAL VALUE DISTRIBUTED BETWEEN STAKEHOLDERS, MSEK

	2023	2022	2021	2020	2019
Employees	2,913	2,443	2,073	1,994	2,069
Shareholders	1,244	2,066	792	792	774
Credit provider	214	84	31	41	48
Society	822	761	673	446	466
Total	5,193	5,354	3,569	3,273	3,357

PERCENT OF PRODUCTION UNITS REPORTING CUSTOMERS' SUSTAINABILITY REQUIREMENTS

Demands and expectations, %	2023	2022	2021	2020	2019
Implementation of ISO 14001	69	66	51	45	54
Phasing out of hazardous chemical substances	38	40	31	36	50
Compliance with the REACH chemicals legislation	25	28	11	18	37
Environmental declaration of products	50	43	33	36	61
Bio-based and recycled raw materials	40	53	24	27	26
Information about the products' carbon footprint	33	30	20	23	22
Code of Conduct	56	68	56	45	63
Conflict minerals	69	74	58	61	65
Supply chain Code of Conduct	35	32	47	20	46

Customer requirements within sustainable development
Over a ten-year perspective, customers' activities in the field of sustainable development have changed, and customer requirements now cover many different areas. Some requirements originate from environmental legislation, such as legal requirements for product safety data sheets (MSDS) and compliance with the REACH chemicals legislation. Other requirements reflect customers' increasing ambitions in sustainable development. 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.

Actions during the year

At 29 production facilities, customers assessed our sustainability performance through audits and questionnaires. The results of the evaluations were generally good, but in a few units improvement measures have been implemented.

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 one unit of the Group was rated "Bronze", six units were awarded "Silver" and one unit received "Gold".

To help customers choose polymer compounds with a lower carbon footprint, the "Product Carbon Footprint Calculator" has been launched. Using the tool or other calculation methods, the carbon footprint of more than 650 products has been calculated. Life cycle assessments (LCA) have been carried out for some products. For five products, environmental product declarations (EPDs) have been produced. For more information on green product development projects, see pages 33 and 103–104.

Planned actions, costs and investments

The measures outlined above will continue for the foreseeable future and are likely to increase. Investments and costs have not yet been estimated.

Business conduct

The company'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.

Materiality analysis

The materiality analysis (page 91) classifies the following areas related to Business ethics:

- Business ethics and combating corruption.
- Contributing to sustainable development in the value chain.
- Meeting legal requirements.

As a result of the analysis, the above areas are classified as important and, according to the Group's terminology, fall into the categories "Basic Areas", "Development Areas" and "Focal Areas".

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.

Whistleblowing

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 whistleblower function (Whistleblower 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.

Area	Results and comments
GOOD BUSINESS ETHICS – bribery, corruption, cartelization	0 cases of bribery, corruption or creation of cartels (0) were registered during the year.
Training activities	More than 3,000 employees, including 1,120 new hires, participated in training on Materializing Our Values during the year. Around 80 percent of the units provided targeted training on anti-corruption, competition law, contract management and other relevant topics. In total, around 840 people participated.
Internal evaluation	The management of all production units carried out self-assessments on anti-corruption according to Global Compact checklists. The 2023 results show that the Group companies: <ul style="list-style-type: none"> • Build on the commitments in Materializing Our Values in internal policy work. In addition, around 80 percent (30) 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 identified positions where there may be a risk of corruption. • 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 noncompliance. • 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.
Whistleblowing – number of cases	In 2023, 1 report (2) for further processing and investigation was received. Relevant actions have been taken where justified. Where cases have been dismissed, it has been due to lack of relevance or insufficient evidence.

Actions during the year

As shown in the table above, training was provided for new employees and for positions where there may be risks of corruption and other forms of business ethics failures. In the Group companies' self-assessment, the majority of company managements consider that they have worked on business ethics issues with the same level of ambition as in previous years. Three companies indicate that they have stepped up their efforts in this area.

Planned actions, investments and costs

Promoting good business ethics will be very important and a new Group-wide training program will be launched in 2024. The cost of the training action has not been calculated as it is carried out within the framework of regular working hours.

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 Report and Sustainability Report 2023.

Statement on use: HEXPOL reports according to GRI Standards for the period January 1, 2023 to December 31, 2023.

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	3, 14–15, 22	
	2-2 Entities included in the organization's sustainability reporting	121–122	
	2-3 Reporting period, frequency and contact point	121	
	2-4 Restatements of information	121	
	2-5 External assurance	121	

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	3, 7, 23–27, 89	
	2-7 Employees	108	
	2-8 Workers who are not employees	108	The Group 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	37–41	
	2-10 Nomination and selection of the Board	38–39	
	2-11 Chairman of the Board	39	
	2-12 Role of the highest governance body in overseeing the management of impacts on environment, finance and people	40, 89–90	
	2-13 Delegation of responsibility for managing impacts on environment, finance and people	90	

GRI Standard/ Other source	Disclosures	Page/comments	Omitted information
GRI 2: General Disclosures 2021	2-14 Role of the Board of Directors in the sustainability reporting	89	
	2-15 Conflicts of interest	39	
	2-16 Communication of serious events to the Board	89	
	2-17 The Board's collective knowledge of sustainable development	44	
	2-18 Assessment of the Board's performance on sustainable development	39	
	2-19 Principles of remuneration	47–49	
	2-20 Process for determining remuneration	49	
	2-21 Ratio of the highest paid person in the organization to the average remuneration of all employees	64–65	

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	93	
	2-23 Commitments in policies	88	
	2-24 Application of policy commitments	88	
	2-25 Processes for restoring negative impact	96–97, 101–106, 110–113	
	2-26 Mechanisms for seeking advice and raising questions	111–113	
	2-27 Compliance with laws and regulations	90, 99, 109, 113, 126	
	2-28 Membership of organizations	88, 111	

5. STAKEHOLDER RELATIONS

GRI Standard/ Other source	Disclosures	Page/comments	Omitted information
GRI 2: General Disclosures 2021	2-29 Stakeholder dialogue	92	
	2-30 Collective agreements	109	

6. MATERIAL AREAS

GRI Standard/ Other source	Disclosures	Page/comments	Omitted information
GRI 3: Material Topics 2021	3-1 Process for identifying significant topics	91–92	
	3-2 List of material topics	91	
ENVIRONMENT			
GRI 3: Material Topics 2021	3-3 Management of material topics	94–106	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	103–105, 104	
	301-2 Recycled input materials used		

Global Compact

GRI Standard/ Other source	Disclosures	Page/comments	Omitted information
GRI 302: Energy 2016	302-1 Energy consumption within the organization	95	
	302-3 Energy intensity	95	
	302-4 Reduction of energy consumption	95-96	
	302-5 Reduction in energy requirements of products and services	94	
GRI 303: Water and effluents 2018	303-3 Water withdrawal	102	
	303-5 Water consumption	102	
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products and services on biodiversity	102-103	
GRI 305: Emissions 2016	305-1-305-7 Greenhouse gas emissions and other emissions	96, 101	Emissions for a limited part of the activity are reported. Total Scope 3 emissions are being determined.
GRI 306: Effluents and waste 2016	306-1 Water discharge by quality and destination	101	
	306-2, 306-3, 306-4 Waste, spills and transport of hazardous waste	104-105	
GRI 308: Supplier environmental assessment	308-1 New suppliers that were screened using environmental criteria	110	
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	109	
GRI 404: Training and education 2016	404-1, 404-3 Hours of training per employee, career development reviews	108	
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	108	
	405-2 Ratio of basic salary and remuneration of men and women	108	
GRI 406: Nondiscrimination	406-1 Incidents of discrimination and corrective actions taken	109	
ECONOMY AND SOCIETY			
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	111	
GRI 205: Anti-corruption 2016	205-2 – 205-3 Communication and training. Incidents and actions taken	112-113	
GRI 206: Anti-competitive behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	113	
GRI 413: Local communities 2016	413-1 Participation in local community activities	110-111	

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 22,000 companies and organizations, including more than 550 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.



Communication on Progress (COP)

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 Standards, 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	103-2, 412-2, 413-1
2. Companies must ensure that they are not involved in human rights violations	103-2, 414-1
WORKING CONDITIONS	
3. Companies must maintain freedom of association and recognize the right to collective bargaining	103-2, 102-41, 407-1
4. Companies must work for the abolition of all forms of forced labor	103-2, 409-1
5. The companies must work for the abolition of all child labor	103-2, 408-1
6. Companies must work for the elimination of all discrimination in employment and professional practice	103-2, 102-8, 406-1
ENVIRONMENT	
7. Companies must support the precautionary principle with regard to environmental risks	103-2, 102-11, 301-1
8. Companies must take initiatives to promote greater environmental responsibility	103-2, 301-1, 302-4, 302-5
9. Companies must encourage the development and dissemination of environmentally friendly technology	103-2, 301-2, 302-4, 305-5
CORRUPTION	
10. Companies must counteract all forms of corruption, including extortion and bribery	103-2, 102-16, 205-2, 205-3

EU taxonomy

The Taxonomy for Environmentally Sustainable Investments is one of the measures of the EU Action Plan on Financing Sustainable Growth and aims to help the EU achieve its environmental goals of a green transition and climate neutrality by 2050. 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.
- 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 CO₂ 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 33, we have identified a number of such products. The contribution to sustainable development is described in the table.

PROPORTION OF TURNOVER

Economic activities	Code	Turnover	Proportion of Turnover, year 2023	Substantial contribution criteria						Criteria relating to Do No Significant Harm (DNSH)						Minimum protective measures	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) revenue, year 2022	Category enabling other activity	Category transitional activity
				Climate change mitigation	Climate change adaptation (CCA)	Water	Pollution	Circular economy	Biodiversity or biological diversity	Climate change mitigation	Climate change adaptation (CCA)	Water	Pollution	Circular economy	Biodiversity or biological diversity				
	MSEK	%		Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T	

A. TAXONOMY – ELIGIBLE ACTIVITIES

A.1 Environmentally sustainable activities (taxonomy-aligned)																			
Turnover from environmentally sustainable activities (taxonomy-aligned) (A.1)	0																		
Including enabling activities																		E	
Including transitional activities																			T
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																		
Turnover from taxonomy-eligible activities (A.1+A.2)	0																		

B. TAXONOMY – NONELIGIBLE ACTIVITIES

Turnover from nontaxonomy eligible activities	22,046	100
TOTAL (A+B)	22,046	100

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

Area	Share of Turnover/total turnover	
	Taxonomy eligibility per target	Targets covered by the taxonomy
CCM	0%	0%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

PROPORTION OF CAPITAL EXPENDITURE (CAPEX)

Economic activities	Code	Capital expenditure	Proportion of CAPEX, year 2023	Substantial contribution criteria						Criteria relating to Do No Significant Harm (DNSH)						Minimum protective measures	Proportion of taxonomy-aligned (A.1.) or eligible (A.2.) revenue, capital expenditure, 2022	Category enabling other activity	Category transitional activity
				Climate change mitigation	Climate change adaptation (CCA)	Water	Pollution	Circular economy	Biodiversity or biological diversity	Climate change mitigation	Climate change adaptation (CCA)	Water	Pollution	Circular economy	Biodiversity or biological diversity				
	MSEK	%		Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T	

A. TAXONOMY – ELIGIBLE ACTIVITIES

A.1 Environmentally sustainable activities (taxonomy-aligned)																			
Turnover from environmentally sustainable activities (taxonomy-aligned) (A.1)	0																		
Including enabling activities																		E	
Including transitional activities																			T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
Capital expenses for taxonomy-eligible companies that are not environmentally sustainable (not taxonomy-aligned) (A.2)	0																		
CapEx of taxonomy-eligible activities (A.1+A.2)	0																		

B. TAXONOMY – NONELIGIBLE ACTIVITIES

CapEx of no-taxonomy eligible activities	968	100
TOTAL (A+B)	968	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.

Area	Share of CAPEX/total CAPEX	
	Taxonomy eligibility per target	Targets covered by the taxonomy
CCM	0%	0%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

UNITS INCLUDED IN THE SUSTAINABILITY REPORT

Unit	Place	Number of employees	Building area m ²	Production capacity, tons	Permits in accordance with environmental legislation
HEXPOL Compounding Belgium	Eupen, Belgium	65	4,200	20,000	Yes
HEXPOL Compounding/TPE Foshan	Foshan, China	61	8,200	25,500	Yes
Gislaved Gummi Qingdao	Qingdao, China	159	20,600	-	Yes
HEXPOL Compounding Qingdao	Qingdao, China	62	8,500	20,000	Yes
Stellana China (Wheels)	Qingdao, China	83	5,000	-	Yes
HEXPOL Compounding Lesina	Lesina, Czech Republic	115	8,350	35,000	No
HEXPOL Compounding Czech Republic	Unicov, Czech Republic	113	7,900	35,000	Yes
almaak international	Doberlug-Kirchhain, Germany	69	25,000	25,000	No
HEXPOL Compounding Germany	Hückelhoven, Germany	77	6,300	35,000	Yes
almaak international	Krefeld, Germany	123	15,000	26,000	No
HEXPOL TPE Germany	Lichtenfels, Germany	132	8,500	35,000	No
MESGO S.p.A	Carobbio degli Angeli, Italy	74	10,800	11,900	Yes
MESGO IRIDE COLORS S.r.l Garlasco	Garlasco, Italy	48	7,600	8,000	Yes
MESGO S.p.A	Gorlago, Italy	49	6,200	10,000	Yes
3A MCOM S.r.l	Grigno, Italy	20	10,300	20,000	Yes
HEXPOL Compounding – Aguascalientes	Aguascalientes, Mexico	128	7,400	24,600	Yes
HEXPOL Compounding – Querétaro	Querétaro, Mexico	155	12,400	53,000	Yes
Preferred Compounding – San Luis Potosi	San Luis Potosi, Mexico	143	10,440	36,300	Yes
MESGO POLSKA Sp. Z o.o	Tomaszow Masowiecki, Poland	14	9,000	3,000	No
HEXPOL Compounding Spain	Barcelona, Spain	82	12,500	30,000	Yes
Unica	Corella, Spain	74	16,000	32,400	Yes
Vicom	Olderola, Spain	33	8,288	28,000	Yes
Gislaved Gummi Lanka (Gaskets and Seals),	Bokundara, Sri Lanka	515	10,600	-	Yes
Elastomeric (Wheels)	Horana, Sri Lanka	626	14,800	-	Yes
HEXPOL TPE Sweden	Åmål, Sweden	80	5,700	20,000	Yes
Gislaved Gummi (Compounding, Gaskets and Seals)	Gislaved, Sweden	158	20,000	19,000	Yes
Stellana Sweden (Wheels)	Laxå, Sweden	76	11,800	-	Yes
MESGO ASIA KAUCUK	Sekerpınar, Cayirova, Turkey	10	1,700	2,000	No
Berwin Rubber	Dukinfield, UK	147	9,400	36,700	Yes
HEXPOL TPE UK	Manchester, UK	50	4,800	13,000	No
Robbins	Muscle Shoals, USA	38	22,600	-	Yes
VALLEY Processing	California City of Industry, USA	60	7,100	56,000	Yes
Kirkhill Rubber	Long Beach, USA	71	15,000	48,000	Yes
Preferred Compounding – Tallapoosa	Tallapoosa, USA	94	11,150	34,100	Yes
RheTech Compounding	Fowlerville, USA	39	5,700	38,000	Yes
RheTech Compounding	Whitmore Lake, USA	92	10,900	65,000	Yes
HEXPOL Compounding – North Carolina	Statesville, USA	75	3,900	20,000	Yes
HEXPOL Silicone Compounding	Akron, USA	27	5,200	26,200	No
Preferred Compounding – Barberton	Barberton, USA	58	12,700	20,300	Yes
HEXPOL Compounding – Burton Rubber Processing	Burton, USA	152	20,800	55,000	Yes
McCann Plastics	North Canton, USA	74	17,500	48,000	Yes
GoldKey Processing	Middlefield, USA	193	13,900	40,000	Yes
RheTech Colors and HEXPOL TPE North America	Sandusky, USA	50	6,500	4,500	Yes
HEXPOL Compounding – Colonial Rubber Works	Dyersburg, USA	194	45,700	136,000	Yes
Preferred Compounding – Huntingdon	Huntingdon, USA	100	7,300	22,700	Yes
HEXPOL Compounding – Kennedale	Kennedale, USA	64	7,200	18,000	Yes
Stellana US (Wheels)	Lake Geneva, USA	88	7,500	-	Yes
Preferred Compounding – Whitewater	Whitewater, USA	40	4,270	8,000	Yes

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 noninterest-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.

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

EBITA MARGIN EBITA in relation to sales.

EBITDA Operating profit before depreciation, amortization and impairment.

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 relate to integration and restructuring costs.

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

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

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

OPERATING MARGIN ADJUSTED FOR ITEMS AFFECTING COMPARABILITY/ADJUSTED OPERATING MARGIN Operating profit adjusted for items affecting comparability in relation to sales.

OPERATING MARGIN Operating profit as a percentage of sales.

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

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

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 (CO₂) 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 greenhouse gas emissions into carbon dioxide equivalents, it is possible to compare and sum up the effect of the emissions of individual gases. The only greenhouse gas relevant to HEXPOL's activities is carbon dioxide.

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 polymer 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.

EPD Environmental Product Declaration, is an independently verified document that provides transparent and comparable information on the environmental impact of products and services.

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.

GHG Greenhouse Gases. The Group reports emissions of the greenhouse gas carbon dioxide (CO₂ equivalents) from energy use, i.e., Scope 1 and Scope 2 according to 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.

GoO Guarantees of Origin are tracking certificates that prove the origin of purchased renewable electricity.

I-RECs, RECs Tracking Certificates proving that 1 MWh of electricity was produced from renewable energy and fed into the grid.

ISCC+ Certification that allows companies to demonstrate on a voluntary basis the sustainable origin of bio-based raw materials in all production and supply chains in the food, packaging, feed and chemical industries.

ISO 9001 International standard governing quality management systems. In 2022, 1,666,172 plants worldwide were certified in accordance with the ISO 9001 requirements.

ISO 14001 International standard concerning environmental management system. In 2022, 744,428 plants 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 2022, 512,069 plants worldwide were certified in accordance with the ISO 45001 requirements.

ISO 14067 International standard for estimating greenhouse gases – Climate impact of products.

ISO 50001 International standard governing energy management systems. In 2022, 54,778 plants 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.

NOx 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 Polycyclic aromatic 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.

PFAS Collective name for a large and complex group of more than 10,000 identified highly fluorinated substances with varying properties and wide use in society. Common to all PFASs is that they are very difficult to break down and some PFASs can have harmful effects on both humans and the environment. All PFAS substances are synthetically produced and do not occur naturally in the environment.

POLYMERS 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 contracted 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.

SO₂ Sulphur 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 nonfinancial 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.

TPT Thermoplastics are plastics that becomes pliable or moldable above a specific temperature and solidifies upon cooling.

TPE Thermoplastic elastomers 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	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
INCOME STATEMENTS, condensed										
Sales	22,046	22,243	16,005	13,424	15,508	13,770	12,230	10,879	11,229	8,919
Operating expenses	-18,470	-18,953	-12,931	-11,489	-13,465	-11,620	-10,244	-8,958	-9,265	-7,463
Operating profit	3,576	3,290	3,074	1,935	2,043	2,150	1,986	1,921	1,964	1,456
Net financial items	-230	-46	-43	-80	-35	11	-18	-8	-21	-20
Profit before tax	3,346	3,244	3,031	1,855	2,008	2,161	1,968	1,913	1,943	1,436
Tax	-822	-761	-673	-446	-466	-515	-441	-516	-550	-388
Profit after tax	2,524	2,483	2,358	1,409	1,542	1,646	1,527	1,397	1,393	1,048
BALANCE SHEETS, condensed										
Assets										
Fixed assets	16,103	16,019	12,236	10,817	12,116	9,698	7,048	6,423	5,868	4,832
Current assets	5,301	5,993	4,407	3,056	3,685	3,594	2,489	2,128	1,877	1,626
Cash and cash equivalents	1,103	1,541	1,320	1,200	1,624	1,164	813	1,297	978	826
Total assets	22,507	23,553	17,963	15,073	17,425	14,456	10,350	9,848	8,723	7,284
Shareholders' equity and liabilities										
Shareholders' equity	14,577	13,767	11,650	9,133	9,756	8,592	7,010	7,559	6,233	5,049
Interest-bearing liabilities	2,683	4,393	2,222	2,796	4,003	2,332	840	29	524	567
Other liabilities and provisions	5,247	5,393	4,091	3,144	3,666	3,532	2,500	2,260	1,966	1,668
Total shareholders' equity and liabilities	22,507	23,553	17,963	15,073	17,425	14,456	10,350	9,848	8,723	7,284
CASH FLOW STATEMENTS, condensed										
Cash flow from operating activities	3,525	2,593	2,406	2,376	2,361	1,806	1,699	1,710	1,760	1,432
Net investments in tangible and intangible fixed assets	-684	-659	-304	-253	-286	-207	-195	-150	-118	-118
Acquisitions of operations	-211	-1,512	-558	-412	-2,204	-2,190	-1,081	-295	-1,043	-413
Cash flow from financing operations	-2,954	104	-1,366	-1,978	427	775	-823	-1,075	-479	-777
Cash flow for the period	-324	526	178	-267	298	184	-400	190	120	124
Cash and cash equivalents, January 1	1,541	1,320	1,200	1,624	1,164	813	1,297	978	826	597
Exchange-rate differences in cash and cash equivalents	-114	-305	-58	-157	162	167	-84	129	32	105
Cash and cash equivalents, December 31	1,103	1,541	1,320	1,200	1,624	1,164	813	1,297	978	826
KEY RATIOS										
Average shareholders' equity, MSEK	14,797	12,992	10,642	10,135	9,534	8,077	6,871	6,826	5,887	4,333
Average capital employed, MSEK	18,884	17,399	13,491	13,332	13,484	9,678	7,898	7,186	6,861	5,116
Return on shareholders' equity %	17.1	19.1	22.2	13.9	16.2	20.4	22.2	20.5	23.7	24.2
Return on capital employed, %	19.0	19.2	22.8	14.3	15.2	22.5	25.1	26.8	28.6	28.5
Sales growth excl currency effects, %	-6	25	25	-11	7	9	12	-4	11	6
Operating margin, %	16.2	14.8	19.2	14.4	13.2	15.6	16.2	17.7	17.5	16.3
Profit margin before tax, %	15.2	14.6	18.9	13.8	12.9	15.7	16.1	17.6	17.3	16.1
Earnings per share, before dilution SEK ¹	7.33	7.21	6.85	4.09	4.48	4.78	4.44	4.06	4.05	3.05
Earnings per share, after dilution SEK ¹	7.33	7.21	6.85	4.09	4.48	4.78	4.44	4.06	4.05	3.05
Net cash, MSEK	-1,575	-2,845	-899	-1,593	-2,376	-1,143	-27	1,268	454	259
Net debt/equity ratio, multiple	-0.1	-0.2	-0.1	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.0
Equity/assets ratio, %	65	58	65	61	56	59	68	77	72	69
Shareholder's equity per share, SEK ¹	42.32	39.97	33.82	26.53	28.34	24.96	20.37	21.96	18.11	14.67
Dividend, MSEK	1,240	2,067	792	792	774	671	1,635	585	413	310
Dividend per share, SEK	3.60	6.00	2.30	2.30	2.25	1.95	4.75	1.70	1.20	0.90
Operating cash flow, MSEK	3,994	2,813	2,731	2,548	2,607	2,019	2,001	2,057	2,185	1,676
Cash flow from operating activities, MSEK	3,525	2,593	2,406	2,376	2,361	1,806	1,699	1,710	1,760	1,432
Cash flow from operating activities per share, SEK ¹	10.23	7.53	6.99	6.90	6.86	5.25	4.94	4.97	5.11	4.16
Average number of employees	5,054	5,101	4,688	4,657	4,844	4,454	4,326	4,028	3,858	3,493
Number of employees, end of period	5,055	5,084	4,771	4,550	5,061	4,640	4,389	4,140	3,867	3,666
Sales per employee, MSEK	4.36	4.36	3.41	2.88	3.20	3.09	2.83	2.70	2.91	2.55

¹ Data per share is adjusted for 10:1 share split in May 2015.

Sustainability in a ten-year perspective

AREA		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
ENVIRONMENT											
Compliance	Number of violations of environmental legislation	0	2	1	1	3	2	3	1	2	2
Energy	Energy use, GWh	388	415	401	360	417	379	379	355	309	313
	Energy consumption/net sales, GWh/MSEK	0.018	0.019	0.025	0.027	0.027	0.029	0.031	0.033	0.030	0.035
Climate	Energy from fossil-free sources (electricity, biomass, biogas, photovoltaic cells), % of total energy use	38	32	32	29	22	25	17	13	17	9
	CO ₂ emissions from energy consumption, tons ¹	90,400	108,900	117,300	122,500	145,800	125,600	140,700	142,900	117,400	114,900
Water	CO ₂ emissions/sales, tons/MSEK	4.1	4.9	7.3	9.1	9.4	9.5	11.5	13.1	11.4	12.9
	Water consumption, thousands of m ³	1,504	1,191	1,160	1,106	1,106	718	735	884	700	684
Waste	Water consumption/net sales, m ³ /MSEK	68	54	72	82	71	54	60	81	68	77
	Volume of waste, tons	24,865	24,850	25,130	22,950	26,500	23,100	22,000	19,800	16,000	14,800
Raw materials	Amount of waste/net sales, tons/MSEK	1.1	1.1	1.6	1.7	1.7	1.8	1.8	1.8	1.6	1.7
	Recycled/bio-based polymer materials, % of natural use (excluding natural rubber)	19	16	10	8	8	15	15	18	1	3
Management systems	ISO 14001 certified facilities, % of total number	96	94	87	77	76	97	92	89	93	96
PEOPLE											
Employees	Number of employees (average)	5,050	5,101	4,688	4,657	4,844	4,454	4,326	4,028	3,858	3,493
Compliance	Number of significant violations of health and safety legislation (fines, sanctions)	0	3	2	0	3	0	0	1	0	2
Health and safety	Occupational accidents, lost work days, number/million hours worked	12.1	11.9	12.3	10.1	12.9	12.8	15.2	15.1	15.9	14.3
Diversity	Proportion of women on the Board of Directors of the Group, %	50	67	67	57	57	57	57	43	29	29
	Proportion of women in local management teams, %	27	28	27	24	18	18	14	15	12	11
Training	Training of employees, hours/employee	18	22	20	17	32	26	22	19	23	22
Management systems	ISO 45001 certified facilities, % of total number	8	9	4	5	9	11	11	9	7	7
Code of Conduct	Reported human rights violations, number	0	0	0	0	2	1	1	1	0	1
	Discrimination, number of reported cases	5	1	2	2	2	1	1	1	0	0
FINANCE											
	Sales, MSEK	22,046	22,243	16,005	13,424	15,508	13,770	12,230	10,879	11,229	8,919
	Economic value distributed between stakeholders, MSEK ²	5,193	5,354	3,569	3,273	3,357	2,989	3,658	2,559	2,366	1,743
	Taxes paid, MSEK	822	761	673	446	466	516	441	515	550	388

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 April 26, 2024, 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 18, 2024,
- and 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 22, 2024.

Shareholders whose shares are registered with a trustee must temporarily re-register the shares in their own name not later than April 18, 2024, 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 22, 2024, 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.

Dividend proposal

The Board of Directors proposes to the Annual General Meeting 2024 on April 26 an ordinary dividend of SEK 4.00 per share and an additional dividend of SEK 2.00 per share, giving a total proposed dividend of SEK 6.00 per share.

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 2024	April 26
Annual General Meeting 2024	April 26
Half-year report January–June 2024	July 17
Interim report January–September 2024	October 25
Year-end report 2024	January/February 2025



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 MSEK 22,046 in 2023, and the Group had some 5,100 employees in 14 countries.



HEXPOL AB (publ), Skeppsbron 3, SE-211 20 Malmö, Sweden.

Telephone +46 040-25 46 60.

www.hexpol.com