

Hexatronic Group AB (publ)

Interim Report July – September 2017

(Reporting period January – September 2017 and September 2016 – September 2017)

The quarter (July-September 2017)

- Net sales amounted to MSEK 336.9 (259.2), which represents 30% (43%) growth during the quarter.
- The operating result before interest, taxes, depreciation and amortisation (EBITDA) totalled MSEK 42.9 (33.2), which corresponds to an EBITDA margin of 12.7% (12.8%).
- The operating result amounted to MSEK 35.7 (27.7).
- Net earnings totalled MSEK 26.8 (16.6).
- Earnings per share after dilution totalled SEK 0.71 (0.46).
- Cash flow from operating activities during the quarter amounted to MSEK 54.3 (31.5)

The period (January-September 2017)

- Net sales amounted to MSEK 974.4 (727.2), which represents 34% (40%) growth during the period.
- The operating result before interest, taxes, depreciation and amortisation (EBITDA) totalled MSEK 113.1 (77.0), which corresponds to an EBITDA margin of 11.6% (10.6%). The EBITDA margin on a rolling 12-month basis was 11.4% (9.6%).
- The operating result amounted to MSEK 91.9 (62.4).
- Net earnings totalled MSEK 66.7 (40.5).
- Earnings per share after dilution totalled SEK 1.76 (1.14).
- Cash flow from operating activities during the quarter amounted to MSEK 77.3 (88.4)

Comments from the CEO

Continued strong growth and profitability

The quarter developed according to our expectations with continued strong growth of 30%, almost all of which was organic. An EBITDA margin of 12.7% was still comfortably above our goal of 10%, although it was somewhat lower than profitability in the previous quarter, mainly due to the sales mix and supporting purchases of ducts in order to fulfil our delivery commitments. Cash flow from operating activities also developed well during the quarter and amounted to MSEK 54.

However, despite the continued strong sales development we have been restricted by limited access to optical fibre, of which there is a shortage globally, and by duct production capacity. We believe these factors will also be a limitation over the coming quarters. To assure continued growth we have decided to invest in increased duct production capacity. We have also secured increased access to optical fibre for 2018, which is somewhat above the Group's growth goal of 20%. We are working to further improve our access to optical fibre.

Our strategic growth markets are developing well. It is encouraging that we have reached an important milestone in the USA. Our system offering, Matrix, has now been approved by a major American operator. We do not think this will have a major impact on sales in the next few quarters, but we see strong potential in the long term.

One key component of our strategy for achieving our long-term growth and profitability goals is acquisitions. We are also convinced that we have to be 'local' in the markets in which we want to grow, i.e. we need to have a local organisation for sales, distribution and potentially in-house production. During the quarter we made an organisational change that increases the focus on acquisitions.

After the end of the quarter, the Patent and Market Court announced its verdict in the Swedish patent dispute with Emtelle Ltd. The court's decision to declare Emtelle's patent invalid has gained legal effect and is in line with our expectations.

We enter the last quarter with an order book which, organically, is 94% larger than at the same point last year, which is very encouraging. The trend we saw at the end of the previous quarter, i.e. our major customers placing orders considerably further in advance to secure their needs, continued in Q3.

We still have a very positive view of the market in which we operate, for both the short and long term, where we see good opportunities for continued profitable growth.

Thank you for joining us on this journey.

Henrik Larsson Lyon
President and CEO of Hexatronic Group AB (publ)

Events during the quarter (July – September 2017)

- To lay a better foundation for the Group’s further expansion, Martin Åberg was appointed Deputy CEO of Hexatronic Group AB, with responsibility for the Group’s mergers and acquisitions. Martin will also continue in his role as President of Proximion AB.
- Håkan Bäckström, formerly Vice President of Hexatronic Cables & Interconnect Systems AB (‘HCI’) was appointed as President of HCI. Håkan will retain his role as Head of Sales & Marketing for HCI.

Events since the end of the period

- With the AGM’s authorisation, Hexatronic’s Board of Directors decided on a new issue of 30,892 shares. The sellers of the shares in Hexatronic UK Ltd. (formerly OpticReach Ltd.), which Hexatronic acquired in January 2016, each subscribed for half of the shares. Payment is by way of offsetting. The reason for the deviation from the shareholders’ preferential right was that it was an offset issue.
- In spring 2015, Hexatronic was sued by Emtelle Ltd. regarding the alleged infringement of a Swedish patent relating to what is known as air blown fibre. Hexatronic contested the suit and issued a counter-suit claiming that the Emtelle patent should be declared invalid. Negotiations in the Swedish Patent and Market Court were held in early September 2017. The Court made a decision on the dispute in favour of Hexatronic. The Court declared the patent invalid and thus struck down Emtelle’s patent infringement claim. Emtelle was obliged to compensate Hexatronic for court costs amounting to approximately MSEK 5.1. The decision has gained legal effect.
- The company decided to invest in further production capacity for ducts at its factory in Hudiksvall, northern Sweden. The investment is part of the company’s strategy to increase production capacity and product breadth, in order to meet increased demand for its products. The investment amounts to approximately MSEK 21 and will take place in two stages with the first capacity increase taking place in spring 2018 and the second in autumn 2018.

Financial information, Group

	Quarter 170701	Quarter 160701	Period 170101	Period 160101	Period 160901	Period 150901	Full year 160101
MSEK	170930	160930	170930	160930	170930	160930	161231
Net sales	336.9	259.2	974.4	727.2	1,392.8	1,004.1	1,032.3
EBITDA	42.9	33.2	113.1	77.0	160.7	96.1	109.8
EBITDA margin	12.7%	12.8%	11.6%	10.6%	11.5%	9.6%	10.6%
Operating result	35.7	27.7	91.9	62.4	131.1	75.8	88.8
Net earnings	26.8	16.6	66.7	40.5	88.6	50.4	54.1
Earnings per share after dilution, SEK	0.71	0.46	1.76	1.14	2.35	1.42	1.50
Cash flow from operating activities	54.3	31.5	77.3	88.4	46.7	39.2	33.1
Liquid assets	61.7	39.3	61.7	39.3	61.7	39.3	39.6

See other key metrics on page 17. The financial year is changed to calendar year, which means the current financial year is prolonged to cover a 16 months period.

Net sales and results

The quarter (July – September 2017)

Net sales during the quarter amounted to MSEK 336.9 (259.2). Net sales increased by 30% for the Group compared to the same quarter last year; 27% of this relates to organic growth and 3% to acquisition-driven growth. The acquisition growth is attributable to ICT Education and Iftac.

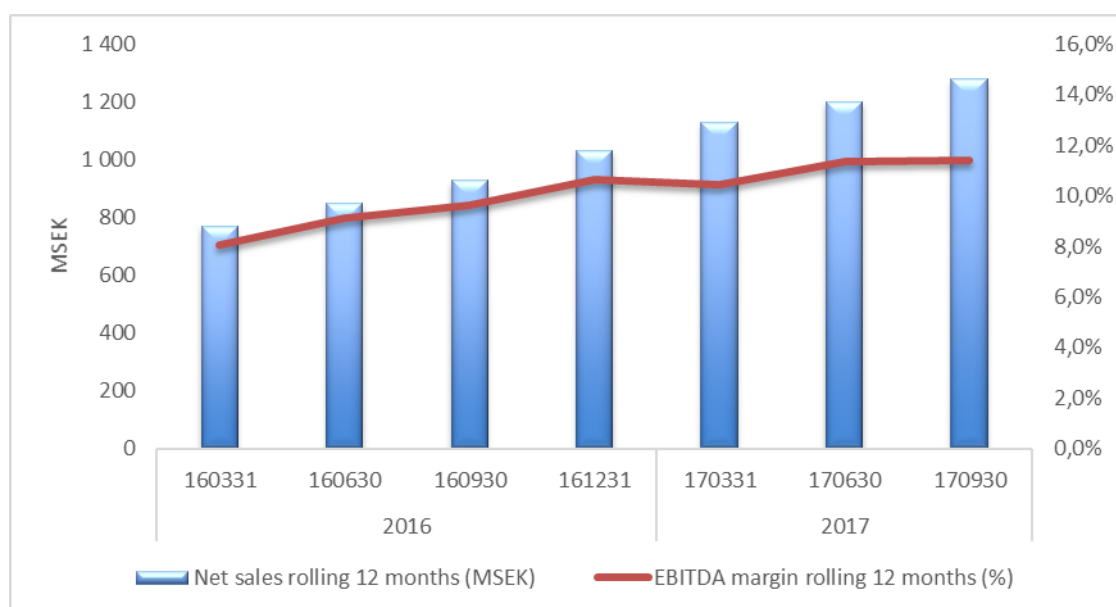
EBITDA totalled MSEK 42.9 (33.2), which corresponds to an EBITDA margin of 12.7% (12.8%).

The period (January – September 2017)

Net sales for the period amounted to MSEK 974.4 (727.2). Net sales increased by 34% for the Group compared to the same period last year. The growth in sales is attributable primarily to organic growth, and also to some extent to the acquisition of Hexatronic New Zealand, ICT Education and Iftac.

EBITDA totalled MSEK 113.1 (77.0), which corresponds to an EBITDA margin of 11.6% (10.6%). The EBITDA margin on a rolling 12-month basis was 11.4% (9.6%).

Net sales 12 months, MSEK and EBITDA margin rolling 12 months (%)



Financial position and liquidity

Liquid assets

Liquid assets on 30 September 2017, excluding overdraft facilities, amounted to MSEK 61.7 (39.3). Unutilised overdraft facilities amounted to MSEK 50.0 (46.9) on 30 September 2017.

Non-current assets

Non-current assets amounted to MSEK 213.7 (173.2) on 30 September 2017. The increase is related to investments in tangible and intangible assets, such as new production lines in Hudiksvall, and to acquired assets in connection with the acquisition of ICT Education and Iftac.

Equity

Equity amounted to MSEK 393.2 (314.1) on 30 September 2017, which equated to SEK 10.88 (9.13) per outstanding share at the end of the reporting period.

Borrowing

The Parent Company has an acquisition facility of MSEK 100 with Nordea bank. The facility was used for the acquisition of assets and liabilities in New Zealand and in the acquisitions of ICT Education and Iftac. The utilised amount on 30 September 2017 totalled MSEK 94.0, and MSEK 76.4 of this is long-term borrowing. The loan falls due for payment on 31 December 2021 and will be repaid quarterly starting March 2018.

Equity ratio

The equity ratio on 30 September 2017 was 50% (48%).

Cash flow

Cash flow from operating activities

Cash flow from operating activities during the quarter amounted to MSEK 54.3 (31.5), including a change in working capital of MSEK 22.2 (7.3).

Cash flow from operating activities during the period January-September amounted to MSEK 77.3 (88.4), including a change in working capital of MSEK -17.6 (32.1).

While capital employed has increased due to sales growth, the company has increased efficiency in its handling of core working capital, i.e., inventories, accounts receivable and accounts payable. Compared to the previous full year and period (January-September), core working capital as a proportion of net sales has fallen from 33% to 27%, and cash conversion days have decreased slightly.

Cash flow from investing activities

Cash flow from investing activities during the quarter amounted to MSEK -6.7 (-6.7).

Cash flow from investing activities during the period January-September amounted to MSEK -36.1 (-62.4). The cash flow is attributable to the acquisition of Iftac and to investments in tangible and intangible assets.

Cash flow from financing activities

Cash flow from financing activities during the quarter amounted to MSEK -8.4 (-15.0).

Cash flow from financing activities during the period January-September amounted to MSEK -19.0 (9.9).

The cash flow decrease from financing activities during the period January-September is primarily attributable to lower utilisation of overdraft facilities and less new borrowing compared to the same period in the previous year.

The Group's financial goals

Profitability

An EBITDA margin (EBITDA as a percentage of net sales) of at least 10% on a rolling 12-month basis. The EBITDA margin on a rolling 12-month basis on 30 September 2017 was 11.4% (9.6%).

Growth

The Group shall grow more than its market organically. The Group strives for an average annual growth of at least 20%. The growth will be both organic and acquisition-driven. Growth on a rolling 12-month basis was 38%.

Financial stability

The Group shall have an equity ratio of at least 30%. The equity ratio was 50% at the end of the reporting period

Segments

Hexatronic Group AB (publ) is an engineering group specialising in fibre communications. The Group delivers products and solutions for optical fibre networks, and supplies a complete range of passive infrastructure for telecom companies, including related training. Hexatronic Group AB (publ) comprises the operating segment fibre optic communication solutions.

Customers

The Group's customers are telecom operators, network owners, data centre companies, telecom companies, installers and system houses, and many of the Group's products are distributed via wholesalers. The Group mainly sells its products in the Nordic market but is also represented in several European countries and in the rest of the world.

Employees

There were 380 (309) employees in the Group on 30 September 2017. The increase in employees compared to the same time last year is primarily due to a larger workforce in production in Hudiksvall, Sweden, and to the acquisition of ICT Education and Iftac.

Parent Company

The Parent Company's main business consists of performing Group-wide services. Revenue for the period amounted to MSEK 20.7 (17.5) and the result for the period was MSEK -14.2 (1.1). The previous period includes appropriations amounted to MSEK 19.2.

The Parent Company's financial assets amounted to MSEK 231.0 (180.2) at the end of the period. The increase is related to the value of shares in subsidiaries of acquired and newly started companies compared to the same period last year.

Transactions with related parties

The Group rents premises from Fastighets AB Balder, in which the Group's board member Erik Selin has a significant influence. The rental contract has been entered into under normal commercial conditions. The rent for the premises amounts to MSEK 4.6 annually.

Significant risks and uncertainties

In its business, the Group is exposed to risks of both a financial and an operational nature, and the Group can influence these risks to a greater or lesser extent. There are ongoing processes within the Group to identify the risks that exist and assess how they should be managed.

The Group has a foreign exchange risk through translation exposure of receivables and liabilities in foreign currencies. The Group is also exposed to other risks such as market risk, growth risk, credit risk, liquidity risk, tax risk, cash flow risk, share risk. etc. A description of the Group's risks and risk management is provided in the Hexatronic Group Annual Report for 2015/16.

Patent dispute

In spring 2015, Hexatronic was sued by Emtelle Ltd. regarding an alleged infringement of a Swedish patent regarding what is known as air blown fibre. Hexatronic contested the suit and issued a counter-suit claiming that the Emtelle patent should be declared invalid.

Negotiations in the Swedish Patent and Market Court were held in early September 2017. The Court has made a decision on the dispute in favour of Hexatronic. The Court has declared the patent invalid and thus struck down Emtelle's patent infringement claim. Emtelle is now obliged to compensate Hexatronic for court costs amounting to approximately MSEK 5.1. The decision has gained legal effect.

In addition, in July 2016 Emtelle UK Ltd. filed a lawsuit in New Zealand against the Hexatronic subsidiary, Hexatronic New Zealand Ltd., for infringement on the corresponding New Zealand patent. Here, too, Hexatronic has contested the claim.

The Group – Hexatronic Group AB (publ)



The Group offers a broad product range designed for fibre optic communication solutions for telecom companies, operators and network owners. It develops, designs, manufactures and sells its own products and system solutions in combination with products from leading partners around the world. The Group conducts its own business through established companies in Sweden, Norway, the UK, China, USA and New Zealand.

The Group's growth strategy is to grow organically by continuously developing its product range and introducing more added value services such as servicing, aftermarket sales, support and training. The Group

also has an explicit acquisition strategy in the industry segment fibre optic cables and communication solutions.

The market

There is an ongoing worldwide social transformation brought about by digitalisation – indeed, it is often described as the biggest social change ever, and one that is having more of an impact than when the world was electrified.

The EU and most countries today have set digitalisation goals that often contain targets like access to broadband of a certain capacity, the percentage of the population that should have access to broadband, and a time by which these goals should be achieved.

Access to communication solutions and broadband is a socially critical issue today and has a big impact on a country's competitiveness, making it a vital issue for many countries.

Sweden was early in communicating its goals for broadband, and in introducing stimulus packages to get construction of the systems started. Today, broadband (fibre networks) to homes and businesses is so important that nations that fall too far behind will lose crucial competitive power. Sweden is one of the countries that has come furthest, and there are many major nations that are lagging far behind and will therefore need to invest large sums in fibre optic infrastructure. One report from the FTTH Council with results from September 2016 shows that several large European nations are far behind when it comes to the construction of broadband networks. The report says that the UK, for instance, has a penetration of just 1%, and that countries like Poland, Germany, France, Turkey and Italy have a penetration of under 10%.

The backbone of broadband comprises communication networks built on fibre optic products and solutions. As more and more countries drive the expansion of broadband networks, the need increases for products and solutions that facilitate installation, and speed up the process and make it safer. Products that can be installed efficiently are a competitive tool for installation companies, and progress is constantly being made. One highly valued product is the Hexatronic Viper Micro Cable series, which offers our customers faster and more efficient installation.

Some of the new developments that will drive requirements related to more widespread broadband and the ability to handle larger data volumes are, e.g., Internet of Things (IoT), machine to machine (M2M), cloud services, big data, hosted services, the digital workplace, CCTV monitoring solutions, and increased use of mobile connectivity. The new technologies will enable many new uses and applications in areas like sensor technology, as well as security and surveillance. The introduction of 5G in mobile systems will place even greater requirements on the backbone networks and capacity in the connections with mobile antennas. All in all, this will mean investment in fibre infrastructure both indoors and outdoors in, e.g., transport networks, access networks, telecom sites and data centres, and the Hexatronic Group has system and product solutions in all these areas.

Broadband expansion and investment in fibre optic networks are under way around the world, and there are several indications that this will continue for many years to come. Because the expansion rate is high and major countries have a long way to go before achieving their digitalisation goals, there are opportunities for refined solutions and technologies that lead to safer, more efficient project execution overall.

Outlook

The Group will continue to work with large customers and major projects, where the Group's added value as a competent systems and product supplier constitutes a competitive edge. The Group's principal offering is systems and products for broadband communication, primarily for fibre optic networks.

The Group has an active acquisition strategy whereby attractive candidate – i.e., those that can complement Hexatronic either in terms of market or products – are continuously being evaluated. The Group does not prioritise acquisitions in which cost synergies need to be harnessed to achieve a good return on the acquisition investment.

The Group does not publish forecasts.

The Hexatronic share

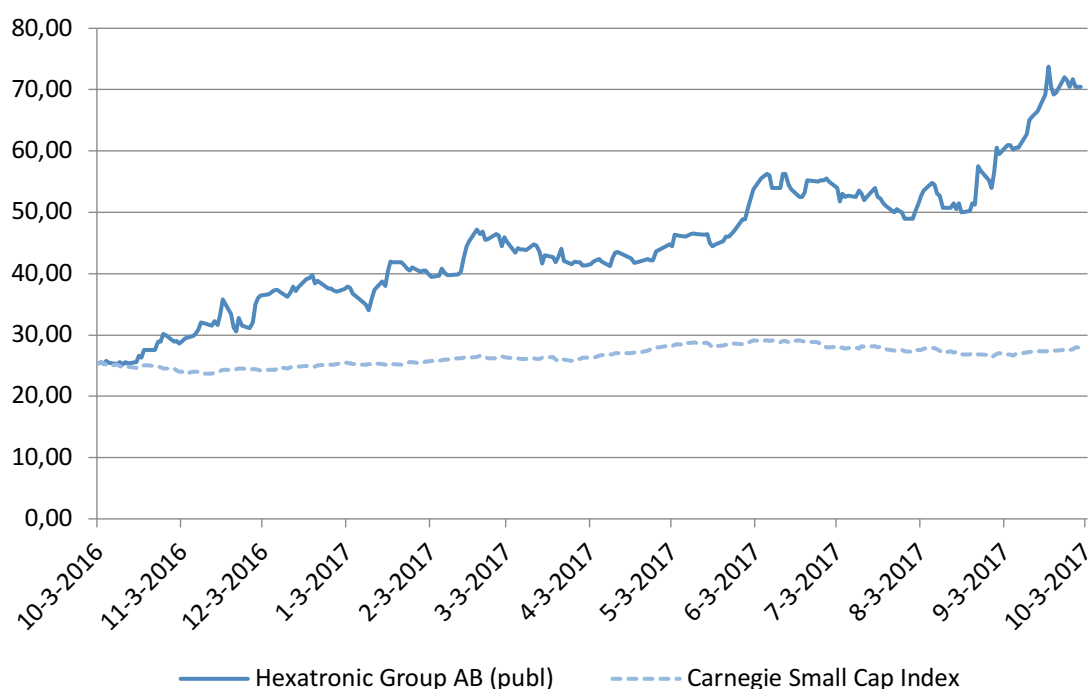
The company's share has been listed on the Nasdaq Stockholm Small Cap exchange since 18 December 2015, under the ticker **HTRO**. On the balance sheet date, the share capital in Hexatronic Group AB (publ) amounted to SEK 1,807,038.95, distributed among a total of 36,140,785 shares, before dilution from existing employee stock option programmes.

At the Annual General Meeting (AGM) on 15 December 2016, it was decided to authorise the Board of Directors to make decisions on a new share issue not exceeding 3,000,000 shares on one or more occasions before the next AGM. The issue may be executed with or without preferential rights for existing shareholders. The AGM decided to pay a dividend of SEK 0.30 per share, which was paid on 22 December 2016.

Employee stock option programmes active at the time of this report's publication are:

- In 2015/16 an employee stock option programme was approved with 1,000,000 options available to the company's personnel; 672,000 of these options were subscribed at an issue price of SEK 19.09, with a redemption window of 15 January – 15 February 2019.
- In 2016/17 an employee stock option programme was approved with 700,000 options available to the company's personnel; 341,500 of these options were subscribed at an issue price of SEK 51.65, with a redemption window of 15 January – 15 February 2020.

Share price development in the past 12 months (SEK)



The company's market value at the end of the period was MSEK 2,548.

The number of shareholders at period end, 6,619, is based on data from Euroclear. The shareholder structure of Hexatronic Group AB (publ) on 30 September 2017 is shown in the table below.

Shareholder	No. of shares	Capital & votes %
Accendo Capital	4,658,447	12.9%
Jonas Nordlund, privately and corporately	2,989,841	8.3%
Göran Nordlund, privately and corporately	1,939,830	5.4%
Fondita Nordic Micro Cap	1,800,000	5.0%
Martin Åberg and Erik Selin via Chirp AB	1,785,872	4.9%
Handelsbanken Fonder	1,504,523	4.2%
Nordea Fonder	1,345,967	3.7%
Swedbank Robur Västfonden	1,306,539	3.6%
Försäkringsbolaget Avanza Pension	1,036,795	2.9%
Henrik Larsson Lyon	791,666	2.2%
Other shareholders	16,981,305	47.0%
Total outstanding shares	36,140,785	100.0%

Other information

Publication

This information comprises disclosures that Hexatronic Group AB (publ) must publish according to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, under responsibility of the contact person named below, on 15 November 2017 at 08:30 CET.

Financial calendar

Year-End Report: 22 February 2018

Interim Report January-March 2018: 4 May 2018

Interim Report April-June 2018: 16 August 2018

Interim Report July-September 2018: 7 November 2018

Annual General Meeting

The AGM will be held on 19 April 2018.

Please direct any questions to:

- Henrik Larsson Lyon, President and CEO, + 46 (0)70-650 34 00
- Lennart Sparud, CFO, + 46 (0)70-558 66 04

The Board of Directors and President hereby confirm that this interim report provides a true and fair overview of the business, financial position and results of the Parent Company and the Group, and describes significant risks and uncertainty factors with which the Parent Company and the companies forming the Group are faced.

Gothenburg, 15 November 2017

Anders Persson
Chairman

Erik Selin
Board member

Mark Shay
Board member

Malin Frenning
Board member

Malin Persson
Board member

Henrik Larsson Lyon
President and CEO

This interim report has been reviewed by the company's auditor.

Hexatronic Group AB (publ) is a group that develops, markets and delivers products, components and system solutions with the main focus on the fiber optic market. Hexatronic offers a wide range of innovative system and product solutions mainly for passive fiber optic infrastructure with global trademarks like Ribbonet®, Micronet™, Drytech™, Lightmate®, FibreHub™, Matrix, DCIO™, Basic Broadband™ and Wistom®. The Group has its headquarters in Gothenburg, Sweden

and has sales offices and/or subsidiaries in Sweden, Norway, Finland, United Kingdom, China and the US. The Group is listed on Nasdaq Stockholm under the ticker HTRO. For more information, visit www.hexatronicgroup.com.

	Quarter	Quarter	Period	Period	Period	Period	Full year
	170701	160701	170101	160101	160901	150901	160101
	170930	160930	170930	160930	170930	160930	161231
Consolidated income statement (SEK thousand)							
<u>Revenue</u>							
Net sales	336,940	259,153	974,425	727,200	1,392,796	1,004,125	1,032,342
Other operating income	1,964	3,259	1,915	5,776	2,243	7,792	6,100
	338,903	262,412	976,340	732,975	1,395,039	1,011,916	1,038,442
<u>Operating expenses</u>							
Raw materials and goods for resale	-193,220	-144,238	-547,254	-412,977	-780,614	-571,809	-581,762
Other external costs	-41,827	-34,306	-124,678	-96,136	-181,484	-139,566	-140,032
Personnel costs	-59,865	-48,062	-189,147	-144,265	-270,042	-201,811	-204,227
Other operating expenses	-1,131	-2,597	-2,191	-2,597	-2,191	-2,597	-2,597
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	42,859	33,209	113,070	77,000	160,708	96,133	109,823
Depreciation of tangible assets and amortisation of intangible assets	-7,152	-5,547	-21,218	-14,609	-29,597	-20,358	-21,041
Operating result	35,708	27,662	91,851	62,391	131,111	75,775	88,782
<u>Result from financial items</u>							
Financial income	17	0	78	0	78	131	0
Financial expenses	0	-5,377	-3,832	-9,557	-15,604	-10,261	-18,998
Result after financial items	35,725	22,285	88,097	52,834	115,585	65,645	69,784
Income tax	-8,880	-5,690	-21,352	-12,358	-26,953	-15,290	-15,674
Net result for the period	26,845	16,595	66,745	40,476	88,632	50,355	54,110
Attributable to:							
Parent Company shareholders	26,845	16,595	66,745	40,476	88,632	50,355	54,110
Earnings per share							
Earnings per share before dilution (SEK)	0.74	0.49	1.85	1.20	2.48	1.50	1.59
Earnings per share after dilution (SEK)	0.71	0.46	1.76	1.14	2.35	1.42	1.50
Consolidated statement of comprehensive income							
	Quarter	Quarter	Period	Period	Period	Period	Full year
	170701	160701	170101	160101	160901	150901	160101
	170930	160930	170930	160930	170930	160930	161231
Result for the period	26,845	16,595	66,745	40,476	88,632	50,355	54,110
Items which can later be recovered in the income statement							
Translation differences	-1,938	452	-2,709	557	-1,495	136	1,157
Other comprehensive income for the period	-1,938	452	-2,709	557	-1,495	136	1,157
Comprehensive income for the period	24,907	17,047	64,036	41,033	87,137	50,491	55,267
Attributable to:							
Parent Company shareholders	24,907	17,047	64,036	41,033	87,137	50,491	55,267

Consolidated balance sheet (SEK thousand)	2017-09-30	2016-09-30	2016-12-31	2016-08-31
Assets				
<u>Non-current assets</u>				
Intangible assets	121,011	92,363	113,291	93,055
Tangible assets	92,365	80,589	80,156	80,505
Financial assets	286	298	289	288
Total non-current assets	213,663	173,250	193,736	173,848
<u>Current assets</u>				
Inventories	220,951	206,982	206,994	198,115
<u>Current receivables</u>				
Accounts receivable	270,998	217,227	196,082	167,620
Current tax receivables	0	0	0	660
Other receivables	1,983	2,353	10,664	2,361
Prepaid expenses and accrued income	13,709	9,955	10,227	11,504
Total current receivables	286,691	229,536	216,974	182,145
<u>Liquid assets</u>				
	61,710	39,297	39,588	51,051
Total current assets	569,352	475,815	463,556	431,311
Total assets	783,015	649,065	657,292	605,160

Consolidated balance sheet (SEK thousand)	2017-09-30	2016-09-30	2016-12-31	2016-08-31
Equity				
<u>Equity attributable to Parent Company shareholders</u>				
Share capital	1,807	1,720	1,807	1,684
Other contributed capital	184,301	168,863	182,924	165,803
Reserves	-5,327	-193	-158	-807
Result brought forward, including comprehensive Income for the period	212,401	143,758	145,774	134,161
Equity	393,182	314,149	330,347	300,841
<u>Non-current liabilities</u>				
Liabilities to credit institutions	76,408	50,141	88,509	50,141
Deferred tax	31,133	29,783	31,627	29,986
Total non-current liabilities	107,541	79,923	120,136	80,127
<u>Current liabilities</u>				
Liabilities to credit institutions	17,633	0	5,532	0
Overdraft facilities	0	4,072	20,277	0
Accounts payable	147,093	100,052	104,327	102,456
Provisions	5,000	5,000	5,000	5,000
Current tax liabilities	19,498	879	3,948	0
Other liabilities	47,143	105,960	21,861	79,798
Accrued expenses and deferred income	45,926	39,030	45,864	36,938
Total current liabilities	282,292	254,993	206,808	224,192
Total equity, provisions and liabilities	783,015	649,065	657,292	605,160

Consolidated statement of changes in equity (SEK thousand)	Share capital	Other capital contributions	Reserves	Result brought forward, including result for the period	Total equity
Balance brought forward as of 1 September 2015	1,633	155,604	-329	92,059	248,967
Result for the period	-	-	-	42,102	42,102
Other comprehensive income	-	-	-479	-	-479
Total comprehensive income	0	0	-479	42,102	41,623
New share issue relating to business acquisitions	21	6,860	-	-	6,881
New share issue	30	3,339	-	-	3,369
Total transactions with shareholders, reported directly in equity	51	10,200	0	0	10,251
Balance carried forward as of 31 August 2016	1,684	165,803	-807	134,161	300,841
Balance brought forward as of 1 September 2016	1,684	165,803	-807	134,161	300,841
Result for the period	-	-	-	22,005	22,005
Other comprehensive income	-	-	650	-	650
Total comprehensive income	0	0	650	22,005	22,654
New share issue relating to business acquisitions	12	6,325	-	-	6,337
New share issue	111	10,796	-	-	10,907
Dividends paid	-	-	-	-10,392	-10,392
Total transactions with shareholders, reported directly in equity	123	17,121	0	-10,392	6,852
Balance carried forward as of 31 December 2016	1,807	182,924	-158	145,774	330,347
Balance brought forward as of 1 January 2017	1,807	182,924	-158	145,774	330,347
Result for the period	-	-	-2,460	66,745	64,285
Other comprehensive income	-	-	-2,709	-118	-2,828
Total comprehensive income	0	0	-5,170	66,627	61,457
New share issue	-	1,377	-	-	1,377
Total transactions with shareholders, reported directly in equity	0	1,377	0	0	1,377

Balance carried forward as of 30 September 2017	1,807	184,301	-5,327	212,401	393,182		
Consolidated statement of cash flows (SEK thousand)	Quarter	Quarter	Period	Period	Period	Period	Full year
	170701	160701	170101	160101	160901	150901	160101
	170930	160930	170930	160930	170930	160930	161231
Operating result	35,708	27,662	91,851	62,391	131,111	75,775	88,782
Items not affecting cash flow	1,985	-3,008	10,948	6,007	10,624	11,075	-410
Interest received	9	0	12	135	78	153	0
Interest paid	1,955	3,315	905	-1,001	347	-1,591	-1,279
Income tax paid	-7,477	-3,749	-8,822	-11,249	-17,136	-24,708	-13,375
Cash flow from operating activities before changes in working capital	32,181	24,220	94,894	56,283	125,024	60,704	73,718
Increase (-)/decrease (+) in inventories	6,275	-18,784	-13,957	-24,112	-22,836	-18,343	-24,124
Increase (-)/decrease (+) in accounts receivable	-9,128	1,175	-74,662	-55,490	-101,987	-75,370	-33,208
Increase (-)/decrease (+) in operating receivables	3,270	791	7,718	1,194	1,347	-5,397	-7,392
Increase (+)/decrease (-) in accounts payable	15,494	-16,732	41,819	19,449	43,123	25,015	23,158
Increase (+)/decrease (-) in operating liabilities	6,252	40,856	21,500	91,036	1,994	52,592	931
Cash flow from changes in working capital	22,163	7,306	-17,582	32,078	-78,359	-21,503	-40,636
Cash flow from operating activities	54,343	31,526	77,312	88,361	46,665	39,201	33,082
<u>Investing activities</u>							
Acquisition of tangible and intangible assets	-1,962	-6,697	-26,459	-25,754	-31,045	-29,854	-29,018
Acquisition of subsidiaries after deduction of acquired liquid assets	-4,733	-27	-9,692	-36,678	-50,613	-36,676	-48,696
Cash flow from investing activities	-6,695	-6,724	-36,152	-62,432	-81,659	-66,530	-77,714
<u>Financing activities</u>							
Borrowings	0	0	0	20,140	43,900	20,140	77,373
Amortisation of loans	0	0	0	-3,333	0	-9,999	-3,333
Changes in overdraft facilities	-8,403	-18,204	-20,277	-10,318	0	4,072	5,886
New share issues for the period	0	3,188	1,239	3,377	12,145	6,466	11,187
Dividends paid	0	0	0	0	-10,392	0	-10,392
Cash flow from financing activities	-8,403	-15,016	-19,038	9,866	45,653	20,679	80,721
<u>Cash flow for the period</u>	39,246	9,786	22,122	35,795	10,659	-6,650	36,087
Liquid assets at the start of the period	22,465	29,511	39,589	3,502	51,051	45,947	3,502
Liquid assets at the end of the period	61,710	39,297	61,710	39,297	61,710	39,297	39,588

Key metrics for the Group	Quarter	Quarter	Period	Period	Period	Period	Full year
	170701	160701	170101	160101	160901	150901	160101
	170930	160930	170930	160930	170930	160930	161231
Growth in net sales	30%	43%	34%	40%	39%	43%	43%
EBITDA margin	12.7%	12.8%	11.6%	10.6%	11.5%	9,6%	10.6%
EBITDA margin, 12 months rolling	11.4%	9.6%	11.4%	9.6%	11.4%	9,6%	10.6%
Operating margin	10.6%	10.7%	9.4%	8.6%	9.4%	7,5%	8.6%
Equity ratio	50.2%	48.4%	50.2%	48.4%	50.2%	48,4%	51.9%
Earnings per share before dilution (SEK)	0.74	0.49	1.85	1.20	2.48	1,50	1.59
Earnings per share after dilution (SEK)	0.71	0.46	1.76	1.14	2.35	1,42	1.50
Net sales per employee (SEK thousand)	884	812	2,605	2,573	3,826	3 665	3,488
Result per employee (SEK thousand)	70	52	178	143	243	184	183
Quick ratio	1.2	1.1	1.2	1.1	1.2	1,1	1.3
Average number of employees	381	319	374	283	364	274	296
Number of shares at period end before dilution	36,140,785	34,397,240	36,140,785	34,397,240	36,140,785	34 397 240	36,140,785
Average number of shares before dilution	36,140,785	33,917,240	36,140,785	33,757,240	35,761,688	33 465 072	34,087,733
Average number of shares after dilution	37,662,408	36,041,416	37,820,098	35,643,418	37,737,365	35 433 945	36,103,801

For the definition of key metrics, see the Annual Report for 2015/16.

The key metrics presented are deemed essential to describing the Group's development as they both constitute the Group's financial objectives (growth in net sales, EBITDA margin, equity ratio) and are the key metrics by which the Group is governed. Several key metrics are considered relevant to investors, such as earnings per share and the number of shares. Other key metrics are presented in order to provide different perspectives on how the Group is developing and are therefore deemed to be of benefit to the reader.

Parent Company income statement (SEK thousand)

	Period	Period
	160901	150901
	170930	160930
<u>Revenue</u>		
Net sales	20,668	17,527
	20,668	17,527
<u>Operating expenses</u>		
Other external costs	-13,027	-16,221
Personnel costs	-20,487	-14,570
Other operating expenses	0	-2,597
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-12,846	-15,861
Depreciation of tangible assets	-243	-132
Operating result	-13,089	-15,993
<u>Result from financial items</u>		
Interest income	1,523	880
Interest expenses	-2,644	-2,305
Result after financial items	-14,210	-17,417
Appropriations	0	19,160
Result before tax	-14,210	1,743
Tax on profit for the period	13	-664
Net result for the period	-14,197	1,079

Parent Company balance sheet (SEK thousand)	2017-09-30	2016-09-30	2016-08-31
Assets			
Tangible assets	819	1,043	1,062
Financial assets	231,016	180,163	180,163
Total non-current assets	231,834	181,206	181,225
<u>Current receivables</u>			
Receivables from Group companies	125,902	115,179	99,123
Current tax receivables	740	0	0
Other receivables	421	2	32
Prepaid expenses and accrued income	1,287	1,151	1,042
Total current receivables	128,350	116,332	100,197
<u>Cash and bank balances</u>	21,615	0	12,877
Total current assets	149,965	116,331	113,074
Total assets	381,800	297,537	294,299
Equity, provisions and liabilities			
<u>Equity</u>	170,029	179,742	177,685
<u>Untaxed reserves</u>	3,740	3,740	3,740
<u>Non-current liabilities</u>			
Liabilities to credit institutions	76,408	50,141	50,141
Total non-current liabilities	76,408	50,141	50,141
<u>Current liabilities</u>			
Liabilities to credit institutions	17,633	0	0
Overdraft facilities	0	4,072	0
Accounts payable	1,898	1,422	879
Liabilities to Group companies	92,341	46,078	49,676
Current tax liabilities	0	1,611	1,420
Other liabilities	14,642	7,475	7,441
Accrued expenses and deferred income	5,108	3,257	3,317
Total current liabilities	131,622	63,914	62,733
Total equity, provisions and liabilities	381,800	297,537	294,299

NOTES

Note 1 General information

Hexatronic Group AB (publ), with corporate identity number 556168-6360, is the Parent Company of the Hexatronic Group. Hexatronic Group AB (publ) is based in Gothenburg at the address Sofierogatan 3A, SE-412 51 Gothenburg, Sweden.

This interim report has been approved for publication by way of a decision of the Board of Directors made on 14 November 2017 at 18:00.

All amounts are in thousands of Swedish kronor (SEK thousand) unless otherwise stated. The figures in parentheses refer to the previous year.

Note 2 Accounting policies

The consolidated financial statements for Hexatronic Group ("Hexatronic") have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act. This interim report has been prepared in accordance with IAS 34 Interim Reporting, the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups.

The Group has begun assessing the impact of IFRS 9 and IFRS 15. From a preliminary perspective, these are not expected to have a significant impact on the Group.

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The application of RFR 2 means that in its interim report for the legal entity, the Parent Company applies all IFRS and statements adopted by the EU as far as possible within the framework of the Swedish Annual Accounts Act and the Swedish Insurance Act and with regard to the relationship between accounting and taxation.

For full accounting policies, see the Annual Report for 2015/16.

Note 3 Pledged assets

		Group		Parent Company	
Pledged assets	170930	160930	161231	170930	160930
<i>Assets pledged for liabilities to credit institutions</i>					
Chattel mortgages	57,166	97,166	57,166	100	100
Shares in subsidiaries	340,619	195,656	210,913	143,427	94,790
Total	397,785	292,822	268,079	143,527	94,890

Note 4 Business acquisitions

Business acquisitions 2016/17

ICT Education AB

On 1 November 2016, the Group acquired 100% of the share capital in ICT Education AB for SEK 21,273 thousand, of which SEK 16,273 thousand was paid in cash and SEK 5,000 thousand was paid through a new share issue in Hexatronic. There may be a possible additional purchase price of a maximum of SEK 9,000 thousand based on the EBITDA of the forthcoming two financial years.

The table below summarises the purchase price paid for ICT Education AB and the fair value of acquired assets and assumed liabilities recognised on the acquisition date.

Purchase price as of 1 November 2016

Liquid assets (of which SEK 10,000 paid on the balance sheet date)	16,273
Equity instruments (184,715 shares)	5,000
Contingent purchase consideration (not paid)	7,000
Total purchase price	28,273

Recognised amounts for identifiable acquired assets and taken-over liabilities

Liquid assets	10,694
Tangible assets	694
Customer contracts and customer relations	8,723
Trademarks	1,843
Accounts receivable	1,136
Other liabilities	-4,596
Deferred tax liabilities	-2,641
Total identifiable net assets	15,853
Goodwill	12,420

Acquisition-related costs of SEK 269 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2016/17 financial year. Total cash flow attributable to the business acquisition amounted to SEK -5,579 thousand. Under the terms of the conditional purchase price, the Group will pay a maximum of SEK 9,000 thousand, up to a maximum of SEK 4,500 thousand per year based on the EBITDA of the two forthcoming financial years.

The fair value of the conditional purchase price of SEK 7,000 thousand was estimated by applying the return of value approach. The fair value estimates are based on a discount rate, which is based on a two-year government bond of approximately 0.2%, and an assumed EBITDA in ICT Education AB. The fair value of accounts receivable totals SEK 1,136 thousand. No accounts receivable is deemed to be doubtful.

ICT Education AB's net sales have been included in the consolidated income statement since 1 November 2016 and amount to SEK 25,274 thousand. ICT Education AB also generated an operating profit of SEK 6,323 thousand in the same period. Had ICT Education AB been consolidated from 1 September 2016, the consolidated income statement for the period 1 September 2016 to 30 September 2017 would have shown increased net sales amounting to SEK 30,742 thousand and an operating profit of SEK 7,808 thousand.

Iftac AB

On 2 January 2017, the Group acquired 100% of the share capital in Iftac AB for SEK 8,900 thousand. There may be a possible additional purchase consideration of a maximum of SEK 7,800 thousand based on the EBITDA of the forthcoming two financial years. This acquisition expands the Group's education venture further.

The table below summarises the purchase price paid for Iftac AB and the fair value of acquired assets and assumed liabilities recognised on the acquisition date.

Purchase price as of 2 January 2017

Liquid assets (of which SEK 8,900 paid on the balance sheet date)	15,051
Contingent purchase consideration (not paid)	4,819
Total purchase price	19,870

Recognised amounts for identifiable acquired assets and taken-over liabilities

Liquid assets	11,629
Tangible assets	698
Customer contracts and customer relations	4,091
Trademarks	2,456
Accounts receivable	255
Other receivables	2,514
Other liabilities	-7,159
Deferred tax liabilities	-2,058
Total identifiable net assets	12,426
Goodwill	7,444

Acquisition-related costs of SEK 225 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2016/17 financial year. Total cash flow attributable to the business acquisition amounted to SEK -3,422 thousand. Under the terms of the conditional purchase price, the Group will pay a maximum of SEK 7,800 thousand, up to a maximum of SEK 3,900 thousand per year based on the EBITDA of the two forthcoming financial years.

The fair value of the conditional purchase price of SEK 4,819 thousand was estimated by applying the return of value approach. The fair value estimates are based on a discount rate, which is based on a two-year government bond of approximately 0.2%, and an assumed EBITDA in Iftac AB. The fair value of accounts receivable totals SEK 255 thousand. No accounts receivable is deemed to be doubtful.

Iftac AB's net sales have been included in the consolidated income statement since 2 January 2017 and amount to SEK 16,683 thousand. Iftac AB also generated an operating profit of SEK 2,082 thousand in the same period. Had Iftac AB been consolidated from 1 September 2016, the consolidated income statement for the period 1 September 2016 to 30 September 2017 would have shown increased net sales amounting to SEK 26,993 thousand and an operating profit of SEK 4,496 thousand.