

Hexatronic Group AB (publ)

Year-End Report 2016/17

(The quarter October – December 2017, the full year January – December 2017 and the period September 2016 – December 2017)

The full year (January-December 2017)

- Net sales amounted to MSEK 1,299.4 (1,032.3), which represents 26% (43%) growth during the full year.
- The operating result before interest, taxes, depreciation and amortisation (EBITDA) totalled MSEK 151.0 (109.8), which corresponds to an EBITDA margin of 11.6% (10.6%).
- The operating result amounted to MSEK 122.3 (88.8).
- Net earnings totalled MSEK 90.4 (54.1).
- Earnings per share after dilution totalled SEK 2.38 (1.50).
- Cash flow from operating activities during the full year amounted to MSEK 133.4 (33.1)

The quarter (October-December 2017)

- Net sales amounted to MSEK 325.0 (305.1), which represents 7% (51%) growth during the quarter.
- The operating result before interest, taxes, depreciation and amortisation (EBITDA) totalled MSEK 37.9 (32.8), which corresponds to an EBITDA margin of 11.7% (10.8%).
- The operating result amounted to MSEK 30.4 (26.4).
- Net earnings totalled MSEK 23.7 (13.6).
- Earnings per share after dilution totalled SEK 0.62 (0.36).
- Cash flow from operating activities during the quarter amounted to MSEK 56.0 (-54.7)

The period (September 2016-December 2017)

- Net sales amounted to MSEK 1,717.8 (1,309.3), which represents 31% (45%) growth during the period.
- The operating result before interest, taxes, depreciation and amortisation (EBITDA) totalled MSEK 198.6 (129.0), which corresponds to an EBITDA margin of 11.6% (9.8%).
- The operating result amounted to MSEK 161.6 (102.2).
- Net earnings totalled MSEK 112.3 (64.0).
- Earnings per share after dilution totalled SEK 2.97 (1.80).
- Cash flow from operating activities during the period amounted to MSEK 102.7 (-15.5).
- The board will propose a dividend of SEK 0.40 (0.30) per share for the financial year 2016/17 to the annual general meeting.

Comments from the CEO

A year of successful internationalisation

Our internationalisation continues, and 2017 is the first year that Sweden, despite good development on the Swedish market, pro forma (including the acquisition of Blue Diamond Industries) accounts for less than half of the Group's sales – 49% compared to 60% in 2016. Our efforts to establish ourselves more firmly on our strategic growth markets such as the USA, UK and Germany continue, and this is where much of my own energy and focus have been concentrated since last year. These markets have announced major investments in fibre to the home (FTTH) in 2018 and beyond, and this is where we want to grow.

The most important development during the year was that we established a strategic position on the American market. Early in the new year we acquired a duct manufacturer, and during the final quarter we made our first breakthrough with our system offering after technical approval from a major operator. The combination of local duct production and our fibre optic system developed and produced in Sweden is attractive, and means big savings for customers when building FTTH. The key financial developments in 2017 were a 26% increase in sales and an improvement in the EBITDA margin to 11.6%, compared to 10.6% the previous year. We exceeded our financial targets of 20% growth in sales and a 10% in EBITDA margin.

The end of the year was at an acceptable level, bearing in mind it is a weaker quarter seasonally. Sales growth amounted to 7% during the final quarter, adversely affected by a build-up of stock on the Swedish market. It is our assessment that a high rate of expansion followed by the seasonal slowing towards the end of the year led to a build-up in stock levels along all parts of the value chain, and this had an adverse impact at the end of the quarter, both in terms of invoicing and incoming orders. We achieved an EBITDA margin of 11.7%, compared to 10.8% the previous year. Adjusted for the one-off items we refer to in the year-end report, the EBITDA margin amounted to 8.1% in the final quarter.

Globally speaking, the market is in the early stages of FTTH, and the expansion of infrastructure for 5G has just begun. The expansion of FTTH in Sweden during 2018 has been discussed in media. It is our assessment that the Swedish market in 2018 will be in line with the market in 2017, i.e. still strong. Bearing in mind the winter in the Nordic countries with snow and frozen ground limiting installation activities, the first quarter is our weakest quarter. To compare, in the previous year the Swedish market was very weak up to and including April, and then improved dramatically starting in May.

We have a generally very positive market outlook, and in 2018 we will invest in higher production capacity and in our organisation so as to enable continued profitable growth. Our targets of sales growth of at least 20% and at least 10% in the EBITDA margin remain, and we believe we have every possibility of achieving them.

We move into the first quarter 2018 with an order book that is 8% larger than at the same point last year. The order book has been adversely affected by the slowing in the Swedish market of late 2017. To sum up, 2018 looks like it is going to be one of the most exciting years in the Group's history. Continued acquisitions to make us local in our strategic markets, and to take advantage of the major expansions that are under way, are high on the agenda.

Thank you for joining us on our continued journey towards further growth,

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

Events during the quarter (October – December 2017)

- 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 6.9. 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.

Events since the end of the period

- The company's share was moved to the Mid cap segment on Nasdaq Stockholm on January 2, 2018. The change of segment is a result of Nasdaq's annual review of the average market values within the Nordic market segments. The Mid Cap segment consists of companies with a market value between EUR 150 million and EUR 1 billion.
- Hexatronic acquired 100% of the American duct manufacturer Blue Diamond Industries LLC. The company is included in the group consolidation from 2 January 2018.

Financial information, Group

	Quarter 171001 171231	Quarter 161001 161231	Full year 170101 171231	Full year 160101 161231	Period 160901 171231	Period 150901 161231
MSEK						
Net sales	325.0	305.1	1299.4	1,032.3	1717.8	1309.3
EBITDA	37.9	32.8	151.0	109.8	198.6	129.0
EBITDA margin	11.7%	10.8%	11.6%	10.6%	11.6%	9.8%
Operating result	30.4	26.4	122.3	88.8	161.6	102.2
Net earnings	23.7	13.6	90.4	54.1	112.3	64.0
Earnings per share after dilution, SEK	0.62	0.36	2.38	1.50	2.97	1.80
Cash flow from operating activities	56.0	-54.7	133.4	33.1	102.7	-15.5
Liquid assets	108.2	39.6	108.2	39.6	108.2	39.6

See other key metrics on page 18. The financial year is changed to calendar year, which means the current financial year is prolonged to cover a 16 months period. This is named as the period in the year-end report.

Net sales and results

The full year (January – December 2017)

Net sales for the full year amounted to MSEK 1,299.4 (1,032.3). Net sales increased by 26% for the Group compared to the year before of which 17% is related to organic growth, and 9% is related to the acquisition of Hexatronic New Zealand, ICT Education and Iftac.

EBITDA totalled MSEK 151.0 (109.8), which corresponds to an EBITDA margin of 11.6% (10.6%).

The quarter (October – December 2017)

Net sales during the quarter amounted to MSEK 325.0 (305.1). Net sales increased by 7% for the Group compared to the same quarter the year before; 4% of this relates to organic growth and 3% to acquisition-driven growth. The acquisition growth is attributable to ICT Education and Iftac.

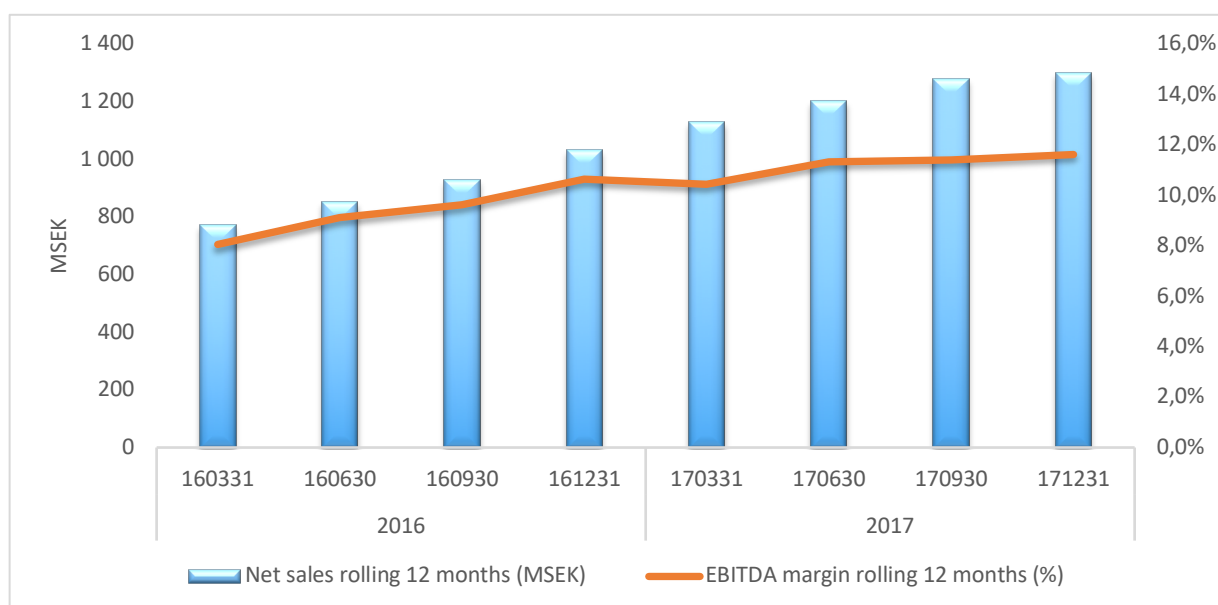
EBITDA totalled MSEK 37.9 (32.8), which corresponds to an EBITDA margin of 11.7% (10.8%).

Other operating income during the quarter totals approximately MSEK 17.1, of which MSEK 6.9 relates to compensation for court costs in the now settled patent dispute in Sweden, and MSEK 9.2 relates to an adjustment of previously booked debt raised for the additional purchase price linked to the acquisitions of ICT Education and Iftac.

The quarter was burdened by MSEK 2.9 in acquisition costs related to the acquisition of Blue Diamond Industries, and by MSEK 1.4 in external expenses related to the ongoing change of banks; see under Borrowing below.

Adjusted for the above-mentioned one-off items, the EBITDA margin for the quarter amounted to 8.1%.

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



Financial position and liquidity

Liquid assets

Liquid assets on 31 December 2017 amounted to MSEK 108.2 (39.6). Due to ongoing change of group bank, the group had no overdraft facility at the year-end.

Non-current assets

Non-current assets amounted to MSEK 212.8 (193.7) on 31 December 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 Iftac.

Equity

Equity amounted to MSEK 415.3 (330.3) on 31 December 2017, which equated to SEK 11.48 (9.14) 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 31 December 2017 totalled MSEK 94.0, and MSEK 70.5 of this is long-term borrowing.

After the year-end the overdraft facility with Nordea has been terminated and replaced by financing from Danske Bank. The new finance facility enables continuously strong growth, both organically or through acquisition.

Equity ratio

The equity ratio on 31 December 2017 was 53% (50%).

Cash flow

Cash flow from operating activities

Cash flow from operating activities during the full year January-December amounted to MSEK 133.4 (33.1), including a change in working capital of MSEK 12.7 (-40.6).

Cash flow from operating activities during the quarter amounted to MSEK 56.0 (-54.7), including a change in working capital of MSEK 30.3 (-74.8).

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, core working capital as a proportion of net sales has fallen from 29% to 23%, and cash conversion days have decreased to 105 days in full year January to December compared to 134 days in the previous year.

Cash flow from investing activities

Cash flow from investing activities during the full year January-December amounted to MSEK -45.8 (-77.7). The cash flow is attributable to the acquisition of Iftac and to investments in tangible and intangible assets.

Cash flow from investing activities during the quarter amounted to MSEK -9.6 (-2.5).

Cash flow from financing activities

Cash flow from financing activities during the full year January-December amounted to MSEK -18.9 (80.7).

Cash flow from financing activities during the quarter amounted to MSEK 0.1 (57.5).

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

Dividend policy

Any dividend is decided by the Annual General Meeting, following a recommendation by the Board of Directors. The Group is currently in an expansive phase of development, and in the next few years the focus will be on re-investing profits back into the business.

The Board will propose to the AGM a dividend of SEK 0.40 (0.30) per share for the 2016/17 financial 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 31 December 2017 was 11.6% (10.6%).

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 26%.

Financial stability

The Group shall have an equity ratio of at least 30%. The equity ratio was 53% at the end of the reporting period.

In acquisitions, the equity ratio may fall below 30% for a period of less than 12 months. This may occur when the Board deems that the profitability and cash flow from acquired companies will cause a swift improvement in the equity ratio.

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.

Employees

There were 384 (342) employees in the Group on 31 December 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 full year January-December amounted to MSEK 27.7 (21.8) and the result for the full year January-December was MSEK 4.4 (-2.3).

The Parent Company's financial assets amounted to MSEK 221.8 (210.1) at the end of the period. The increase is related to the value of shares in subsidiaries of acquired 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 July 2016 Emtelle UK Ltd. filed a lawsuit in New Zealand against the Hexatronic subsidiary, Hexatronic New Zealand Ltd., for infringement in a New Zealand patent, concerning air blown fibre. Hexatronic has contested the claim.

During autumn 2017, a patent dispute between Hexatronic and Emtelle Ltd. regarding the corresponding Swedish patent was settled. The Court made a decision on the dispute in favour of Hexatronic. The decision has gained legal effect.

The Group – Hexatronic Group AB (publ)



* Included in the group consolidation from 2 January 2018

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 has an explicit acquisition strategy.

The acquisition of Blue Diamond Industries

Since the end of the period Hexatronic acquired 100% of the American duct manufacturer Blue Diamond Industries LLC. The company is included in the group consolidation from 2 January 2018.

Blue Diamond Industries manufactures conduit and duct used in the telecommunications and power markets. The company is headquartered in Lexington, Kentucky, and has a modern production plant in Middlesboro, Kentucky. Blue Diamond Industries has 85 employees.

Blue Diamond generated a revenue of approximately SEK 250 million during 2017 with an expected strong revenue growth the going forward. See note 4 Business acquisitions for more information.

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 was moved to the Mid cap segment on Nasdaq Stockholm on January 2, 2018. The change of segment is a result of Nasdaq's annual review of the average market values within the Nordic market segments. The Mid Cap segment consists of companies with a market value between EUR 150 million and EUR 1 billion.

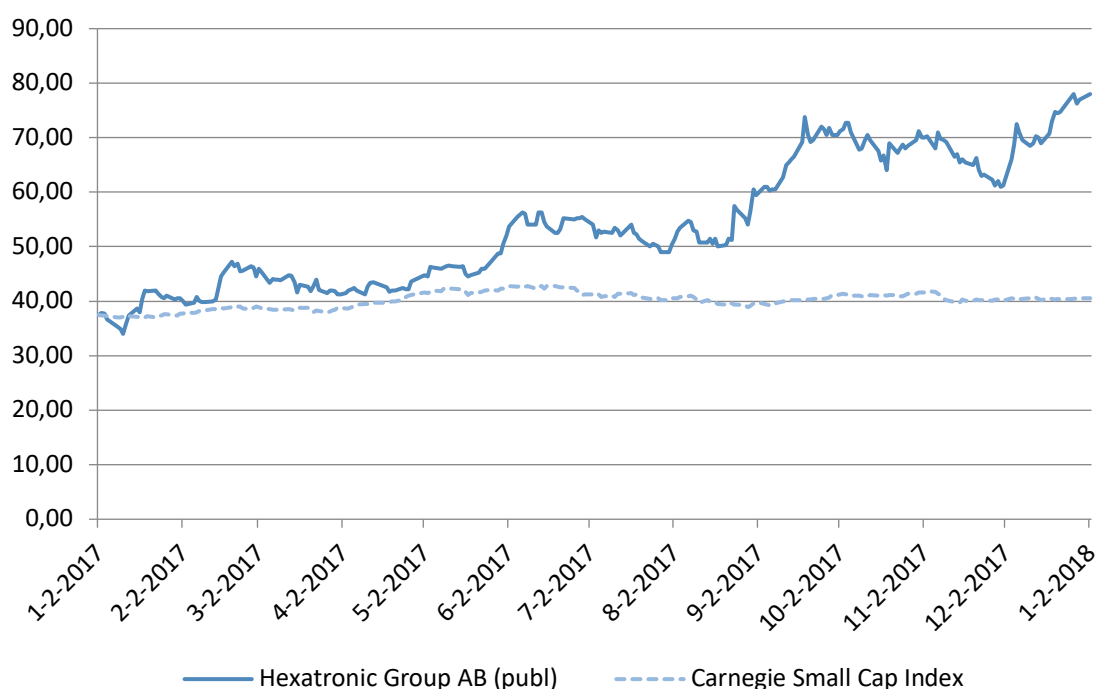
The company's share is listed under the ticker **HTRO**. On the balance sheet date, the share capital in Hexatronic Group AB (publ) amounted to SEK 1,808,583.55, distributed among a total of 36,177,677 shares, before dilution from existing employee stock option programmes.

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.

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; 346,500 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 2,785.

The number of shareholders at period end, 7,504, is based on data from Euroclear. The shareholder structure of Hexatronic Group AB (publ) on 31 December 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	1 810 340	5,0%
Fondita Nordic Micro Cap	1 800 000	5,0%
Martin Åberg and Erik Selin via Chirp AB	1 785 872	4,9%
Handelsbanken Fonder	1 665 000	4,6%
Swedbank Robur Västfonden	1 306 539	3,6%
Nordea Fonder	1 285 953	3,6%
Försäkringsbolaget Avanza Pension	1 089 387	3,0%
Henrik Larsson Lyon	791 666	2,2%
Other shareholders	16 988 632	47,0%
Total outstanding shares	36 171 677	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 22 February 2018 at 08:00 CET.

Financial calendar

Interim Report January-March 2018: 4 May 2018

Interim Report April-June 2018: 16 August 2018

Interim Report July-September 2018: 7 November 2018

Year-End Report: 22 February 2019

Annual General Meeting

The AGM will be held on 19 April 2018. The annual report for 2016/17 will be available from 29 March 2018 on www.hexatronicgroup.com.

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, 22 February 2018

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 year-end report has not 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.

Consolidated income statement (SEK thousand)

	Quarter 171001 171231	Quarter 161001 161231	Full year 170101 171231	Full year 160101 161231	Period 160901 171231	Period 150901 161231
<u>Revenue</u>						
Net sales	324,994	305,142	1,299,419	1,032,342	1,717,790	1,309,267
Other operating income	17,089	324	19,003	6,100	19,331	8,116
	342,083	305,467	1,318,423	1,038,442	1,737,121	1,317,383
<u>Operating expenses</u>						
Raw materials and goods for resale	-181,222	-168,786	-728,476	-581,762	-961,836	-740,595
Other external costs	-52,123	-43,896	-176,801	-140,032	-233,607	-183,463
Personnel costs	-70,803	-59,962	-259,950	-204,227	-340,845	-261,773
Other operating expenses	0	0	-2,191	-2,597	-2,191	-2,597
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	37,934	32,822	151,004	109,823	198,642	128,955
Depreciation of tangible assets and amortisation of intangible assets	-7,486	-6,432	-28,704	-21,041	-37,083	-26,790
Operating result	30,448	26,391	122,300	88,782	161,559	102,165
<u>Result from financial items</u>						
Financial income	152	0	230	0	230	131
Financial expenses	-2,568	-9,441	-6,399	-18,998	-18,172	-19,701
Result after financial items	28,033	16,950	116,130	69,784	143,618	82,595
Income tax	-4,346	-3,316	-25,699	-15,674	-31,299	-18,606
Net result for the period	23,686	13,634	90,432	54,110	112,318	63,989
Attributable to:						
Parent Company shareholders	23,686	13,634	90,432	54,110	112,318	63,989
Earnings per share						
Earnings per share before dilution (SEK)	0.65	0.39	2.50	1.59	3.13	1.89
Earnings per share after dilution (SEK)	0.62	0.36	2.38	1.50	2.97	1.80

Consolidated statement of comprehensive income

	Quarter 171001 171231	Quarter 161001 161231	Full year 170101 171231	Full year 160101 161231	Period 160901 171231	Period 150901 161231
Result for the period	23,686	13,634	90,432	54,110	112,318	63,989
Items which can later be recovered in the income statement						
Translation differences	22	600	-2,687	1,157	-1,473	736
Cash flow hedge	-3,077	0	-3,077	0	-3,077	0
Other comprehensive income for the period	-3,055	600	-5,765	1,157	-4,550	736
Comprehensive income for the period	20,631	14,234	84,667	55,267	107,768	64,725
Attributable to:						
Parent Company shareholders	20,631	14,234	84,667	55,267	107,768	64,725

Consolidated balance sheet (SEK thousand)

	2017-12-31	2016-12-31	2016-08-31
Assets			
<u>Non-current assets</u>			
Intangible assets	118,585	113,291	93,055
Tangible assets	93,933	80,156	80,505
Financial assets	312	289	288
Total non-current assets	212,830	193,736	173,848
<u>Current assets</u>			
Inventories	236,925	206,994	198,115
<u>Current receivables</u>			
Accounts receivable	204,062	196,082	167,620
Current tax receivables	0	0	660
Other receivables	1,649	10,664	2,361
Prepaid expenses and accrued income	13,394	10,227	11,504
Total current receivables	219,104	216,974	182,145
<u>Liquid assets</u>	108,239	39,588	51,051
Total current assets	564,268	463,556	431,311
Total assets	777,098	657,292	605,160

Consolidated balance sheet (SEK thousand)

	2017-12-31	2016-12-31	2016-08-31
Equity			
<u>Equity attributable to Parent Company shareholders</u>			
Share capital	1,809	1,807	1,684
Other contributed capital	190,828	182,924	165,803
Reserves	-8,714	-158	-807
Result brought forward, including comprehensive Income for the period	231,336	145,774	134,161
Equity	415,259	330,347	300,841
<u>Non-current liabilities</u>			
Liabilities to credit institutions	70,530	88,509	50,141
Deferred tax	35,372	31,627	29,986
Total non-current liabilities	105,903	120,136	80,127
<u>Current liabilities</u>			
Liabilities to credit institutions	23,510	5,532	0
Overdraft facilities	0	20,277	0
Accounts payable	140,886	104,327	102,456
Provisions	3,000	5,000	5,000
Current tax liabilities	11,779	3,948	0
Other liabilities	26,215	21,861	79,798
Accrued expenses and deferred income	50,546	45,864	36,938
Total current liabilities	255,936	206,808	224,192
Total equity, provisions and liabilities	777,098	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
Employee stock option programme	-	1,569	-	-	1,569
Redemption of employee stock option programme	30	1,770	-	-	1,800
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
Employee stock option programme	-	311	-	-	311
Redemption of employee stock option programme	111	10,485	-	-	10,596
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	-	-	-2,792	90,432	87,640
Other comprehensive income	-	-	-5,765	-118	-5,883
Total comprehensive income	0	0	-8,556	90,313	81,757
New share issue relating to business acquisitions	2	1,627	-	-	1,629
Employee stock option programme	-	1,526	-	-	1,526
Fund for development costs	-	4,751	-	-4,751	0
Total transactions with shareholders, reported directly in equity	2	7,904	0	-4,751	3,155
Balance carried forward as of 31 December 2017	1,809	190,828	-8,714	231,336	415,259

Consolidated statement of cash flows (SEK thousand)

	Quarter 171001	Quarter 161001	Full year 170101	Full year 160101	Period 160901	Period 150901
	171231	161231	171231	161231	171231	161231
Operating result	30,448	26,391	122,300	88,782	161,559	102,165
Items not affecting cash flow	5,587	-3,582	16,534	-412	16,211	7,493
Interest received	152	0	164	0	230	131
Interest paid	-2,929	-619	-2,025	-1,279	-2,582	-2,188
Income tax paid	-7,477	-2,126	-16,299	-13,375	-24,613	-26,834
Cash flow from operating activities before changes in working capital	25,780	20,063	120,674	73,716	150,804	80,767
Increase (-)/decrease (+) in inventories	-15,974	-12	-29,931	-24,124	-38,810	-18,355
Increase (-)/decrease (+) in accounts receivable	66,936	22,282	-7,726	-33,208	-35,051	-53,088
Increase (-)/decrease (+) in operating receivables	651	-8,586	8,369	-7,392	1,997	-13,983
Increase (+)/decrease (-) in accounts payable	-6,206	3,708	35,613	23,158	36,917	28,723
Increase (+)/decrease (-) in operating liabilities	-15,140	-92,145	6,360	931	-13,146	-39,553
Cash flow from changes in working capital	30,266	-74,752	12,684	-40,636	-48,092	-96,255
Cash flow from operating activities	56,046	-54,689	133,358	33,080	102,712	-15,488
<u>Investing activities</u>						
Acquisition of tangible and intangible assets	-6,628	-3,237	-33,087	-29,018	-37,673	-33,091
Acquisition of subsidiaries after deduction of acquired liquid assets	-2,991	694	-12,683	-48,696	-53,604	-35,981
Cash flow from investing activities	-9,619	-2,542	-45,770	-77,714	-91,277	-69,072
<u>Financing activities</u>						
Borrowings	0	43,900	0	77,373	43,900	64,040
Amortisation of loans	0	0	0	-3,333	0	-9,999
Changes in overdraft facilities	0	16,205	-20,277	5,886	0	20,277
New share issues for the period	101	7,811	1,340	11,187	12,246	14,277
Dividends paid	0	-10,392	0	-10,392	-10,392	-10,392
Cash flow from financing activities	101	57,523	-18,937	80,721	45,754	78,202
<u>Cash flow for the period</u>	<u>46,528</u>	<u>291</u>	<u>68,651</u>	<u>36,087</u>	<u>57,188</u>	<u>-6,358</u>
Liquid assets at the start of the period	61,710	39,297	39,588	3,502	51,051	45,947
Liquid assets at the end of the period	108,239	39,588	108,239	39,588	108,239	39,588

Key metrics for the Group	Quarter 171001 171231	Quarter 161001 161231	Full year 170101 171231	Full year 160101 161231	Period 160901 171231	Period 150901 161231
Growth in net sales	7%	51%	26%	43%	31%	45%
EBITDA margin	11.7%	10.8%	11.6%	10.6%	11.6%	9.8%
EBITDA margin, 12 months rolling	11.6%	10.6%	11.6%	10.6%	11-6%	10.6%
Operating margin	9.4%	8.6%	9.4%	8.6%	9.4%	7.8%
Equity ratio	53.4%	50.3%	53.4%	50.3%	53.4%	50.3%
Earnings per share before dilution (SEK)	0.65	0.39	2.50	1.59	3.13	1.89
Earnings per share after dilution (SEK)	0.62	0.36	2.38	1.50	2.97	1.80
Net sales per employee (SEK thousand)	844	900	3,456	3,479	4,668	4,568
Result per employee (SEK thousand)	62	40	241	182	305	223
Quick ratio	1.3	1.3	1.3	1.3	1.3	1.3
Average number of employees	385	339	376	297	368	287
Number of shares at period end before dilution	36,171,677	36,140,785	36,171,677	36,140,785	36,171,677	36,140,785
Average number of shares before dilution	36,171,677	35,079,213	36,148,508	34,087,733	35,838,561	33,767,724
Average number of shares after dilution	37,965,697	37,484,948	37,942,528	36,103,801	37,848,540	35,579,803

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 160901 171231	Period 150901 161231
<u>Revenue</u>		
Net sales	27,686	21,774
	27,686	21,774
<u>Operating expenses</u>		
Other external costs	-18,853	-19,704
Personnel costs	-26,253	-18,290
Other operating expenses	0	-2,597
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-17,419	-18,817
Depreciation of tangible assets	-299	-188
Operating result	-17,719	-19,005
<u>Result from financial items</u>		
Interest income	1,819	1,235
Interest expenses	-3,118	-2,996
Result after financial items	-19,017	-20,765
Appropriations	25,510	19,160
Result before tax	6,493	-1,606
Tax on profit for the period	-2,088	-664
Net result for the period	4,405	-2,270

Parent Company balance sheet (SEK thousand)	2017-12-31	2016-12-31	2016-08-31
Assets			
Tangible assets	762	987	1 062
Financial assets	221 847	210 123	180 163
Total non-current assets	222 609	211 110	181 225
<u>Current receivables</u>			
Receivables from Group companies	128 644	141 966	99 123
Other receivables	2 871	6	32
Prepaid expenses and accrued income	1 144	834	1 042
Total current receivables	132 659	142 805	100 197
<u>Cash and bank balances</u>	51 348	0	12 877
Total current assets	184 007	142 805	113 074
Total assets	406 616	353 915	294 299
Equity, provisions and liabilities			
<u>Equity</u>	193 480	179 839	177 685
<u>Untaxed reserves</u>	6 330	3 740	3 740
<u>Non-current liabilities</u>			
Liabilities to credit institutions	70 530	94 041	50 141
Total non-current liabilities	70 530	94 041	50 141
<u>Current liabilities</u>			
Liabilities to credit institutions	23 510	0	0
Overdraft facilities	0	20 277	0
Accounts payable	2 488	1 218	879
Liabilities to Group companies	101 166	42 853	49 676
Current tax liabilities	1 050	496	1 420
Other liabilities	1 839	8 573	7 441
Accrued expenses and deferred income	6 222	2 878	3 317
Total current liabilities	136 276	76 296	62 733
Total equity, provisions and liabilities	406 616	353 915	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 year-end report has been approved for publication by way of a decision of the Board of Directors made on 21 February 2018 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	171231	161231	171231	161231
<i>Assets pledged for liabilities to credit institutions</i>				
Chattel mortgages	57,166	57,166	0,100	0,100
Shares in subsidiaries	338,190	210,913	134,258	94,790
Total	395,356	268,079	134,358	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 29,898 thousand. ICT Education AB also generated an operating profit of SEK 5,967 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 35,366 thousand and an operating profit of SEK 7,452 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 20,197 thousand. Iftac AB also generated an operating profit of SEK 706 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 30,507 thousand and an operating profit of SEK 3,120 thousand.

Business acquisitions 2018 (post balance date)***Blue Diamond Industries LLC***

On 2 January 2018, the Group acquired 100% of the share capital in Blue Diamond Industries LLC for USD 24,500 thousand. There may be a possible additional purchase consideration of a maximum of USD 2,500 thousand based on the EBITDA of the forthcoming two financial years.

There are no definitive admission accounts at the time of publication of this year-end report. Detailed acquisition calculation will be included in the next interim report which will be published on 4 May 2018.