

# Hexatronic Group AB (publ)

## Interim Report 1 April – 30 June 2019

(Reporting period January – June 2019)

### The quarter (1 April – 30 June 2019)

- Net sales amounted to MSEK 484.9 (411.6), which represents 18% (19%) growth during the quarter.
- The operating result before interest, taxes and amortisation (EBITA) totalled MSEK 39.8 (34.2), which corresponds to an EBITA margin of 8.2% (8.3%).
- The operating result amounted to MSEK 31.1 (30.2).
- Net earnings totalled MSEK 20.2 (19.8).
- Earnings per share after dilution totalled SEK 0.54 (0.52).
- Cash flow from operating activities during the quarter amounted to MSEK 5.4 (-44.3)

### The period (1 January – 30 June 2019)

- Net sales amounted to MSEK 906.0 (750.8), which represents 21% (18%) growth during the period.
- The operating result before interest, taxes and amortisation (EBITA) totalled MSEK 61.1 (53.6), which corresponds to an EBITA margin of 6.7% (7.1%). The EBITA margin on a rolling 12-month basis was 7.0% (8.9%).
- The operating result amounted to MSEK 45.5 (43.9).
- Net earnings totalled MSEK 25.3 (31.1).
- Earnings per share after dilution totalled SEK 0.68 (0.82).
- Cash flow from operating activities during the period amounted to MSEK 36.2 (-46.1)

## Comments from the CEO

### Strong growth in Europe

The first half-year has brought some important successes on all three of our strategic growth markets: the UK, Germany and North America.

Sales in Europe (excluding Sweden) showed powerful organic growth of just over 100% compared to the same quarter last year. The region has now overtaken Sweden and is our largest geographic market.

Particularly the sales in our strategic market UK have developed well. One important success factor has been our system solution, Matrix. Matrix was pivotal in the major contract we won with CityFibre during the first quarter and was a direct factor in the one with Zzoomm during the second. The Zzoomm contract runs for five years and we have exclusivity until the end of December 2020 and covers our entire Matrix solution including training. Our sales during the exclusivity period are estimated at about MSEK 30, with considerably higher potential over the years to come.

Our second strategic growth market, Germany, has seen a breakthrough and we have won several minor projects to be delivered from this autumn up to the first half of 2020. Several of these are pilot projects and are expected to lead to bigger contracts in the next phase.

Our third strategic growth market, North America, has continued to develop strongly, particularly on the duct side with growth of just over 25%. Based on the potential development and existing customers wanting to increase their business with us, during June we decided to add an additional production plant located west of the current facility in Middlesboro, Kentucky, USA. We anticipate production from the first quarter of 2020, and a positive impact on the company's profits from 2021. Important progress has been made in sales of our system solution in North America, although a fair amount of work remains to be done until we have established the same strong position as in the UK. We will therefore be reinforcing our sales organization in North America during the second half of 2019 so as to build up a stronger client base. We still believe we have good potential to develop strong system sales on this market.

The Swedish market developed on a par with the first quarter with sales some 10% lower than the corresponding period last year. We anticipate the Swedish market for 2019 being around 10% lower than the previous year.

Sales in other markets developed weakly during the quarter due to low activity in New Zealand, as well as several projects being postponed until the autumn, primarily in the Middle East.

Overall for the quarter we achieved sales growth of 18% and an EBITA margin of 8.2% EBITA, which is in line with the same quarter last year. Not satisfied with this, we are adapting the Swedish organization to the weaker market situation there, while also investing in the organization outside of Sweden so as to grow in the UK, Germany and North America, among other territories. The most important component in increasing our profitability is to boost organic growth and make optimal use of our production plants. We believe we are in a good position to achieve this. We are in period of flux in which the Swedish market has progressively declined since early 2018, while we are growing in markets with high growth potential outside of Sweden.

We enter the third quarter of 2019 with an order book that is 20% higher organically than at the same point last year. The organic growth in the order book is driven by markets outside of Sweden.

We still have a highly positive view of the FTTH market, the opportunities 5G will bring in the shape of fiber expansion, and our potential for continued profitable growth moving forward.

Thank you for joining us on this journey.

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

### Events during the quarter (1 April – 30 June 2019)

- Hexatronic signed a strategic supply agreement with Zzoomm Ltd. regarding supply of Hexatronic's full Matrix system. The agreement will run for five years and Hexatronic UK will be the exclusive supplier for the passive components and training for the first 1.5 years. The approximate value for this initial exclusive start-up phase is 2.5 MGBP.
- Hexatronic decided to establish a second production facility in the United States, to meet the increased demand of High Density Polyethylene conduit for the protection of fiber optic and power cables. The production plant will be an extension of the wholly owned subsidiary Blue Diamond Industries current production in Middlesboro, Kentucky, which today covers demand in eastern United States. The new location west of Middlesboro will allow Blue Diamond to serve a significantly larger geographical market.
- The AGM was held on 9 May 2019. The AGM decided to pay a dividend of SEK 0.40 per share, which was paid on 16 May 2019. Mats Otterstedt was elected as a new Board member. A decision was made to introduce an incentive programme through a targeted issue of up to 500,000 options. A decision was made to introduce a long-term, performance-based incentive plan for senior executives and other key people in the Group who are resident in Sweden. The Board was authorised to make decisions to acquire or transfer its own shares in accordance with the Board proposal and to decide on new issues of shares and/or warrants and/or convertibles amounting to up to 10% of the registered share capital.

### Events since the end of the period

- Hexatronic recently signed several FTTH contracts on the German market amounting to a total order value of approximately 40 MSEK. The main part is system sales for delivery in the next 12 months.

## Financial information, Group

	Quarter April-June 2019	Quarter April-June 2018	Period Jan-June 2019	Period Jan-June 2018	Full year Jan-Dec 2018
<b>MSEK</b>					
Net sales	484.9	411.6	906.0	750.8	1,597.8
EBITA	39.8	34.2	61.1	53.6	114.9
EBITA margin	8.2%	8.3%	6.7%	7.1%	7.2%
Operating result	31.1	30.2	45.5	43.9	92.5
Net earnings	20.2	19.8	25.3	31.1	59.3
Earnings per share after dilution, SEK	0.54	0.52	0.68	0.82	1.62
Cash flow from operating activities	5.4	-44.3	36.2	-46.1	15.6
Liquid assets	84.9	50.6	84.9	50.6	84.6

See other key metrics on page 17.

### Net sales and results

#### The quarter (1 April – 30 June 2019)

Net sales during the quarter amounted to MSEK 484.9 (411.6). Net sales increased by 18% for the Group compared to the same quarter last year. The growth is primarily attributable to the acquisitions of PQMS, Gordon Franks Training, Smart Awards and Opternus. The organic growth was 4% compared to the same quarter last year.

Other external expenses during the quarter amounted to MSEK 68.0 (63.8). In accordance with IFRS 16, costs for leased premises during the quarter current year of approximately MSEK 8.8 have been recognised as depreciation of tangible assets and interest expenses.

EBITA totalled MSEK 39.8 (34.2), which corresponds to an EBITA margin of 8.2% (8.3%).

Net financial items during the quarter amounted to -3.9 MSEK (-5.6), whereof net interest amounted to -3.2 MSEK (-1.9), unrealised foreign exchange differences to -0.2 MSEK (-3.4) and other financial items to -0.5 MSEK (-0.3).

#### The period (1 January – 30 June 2019)

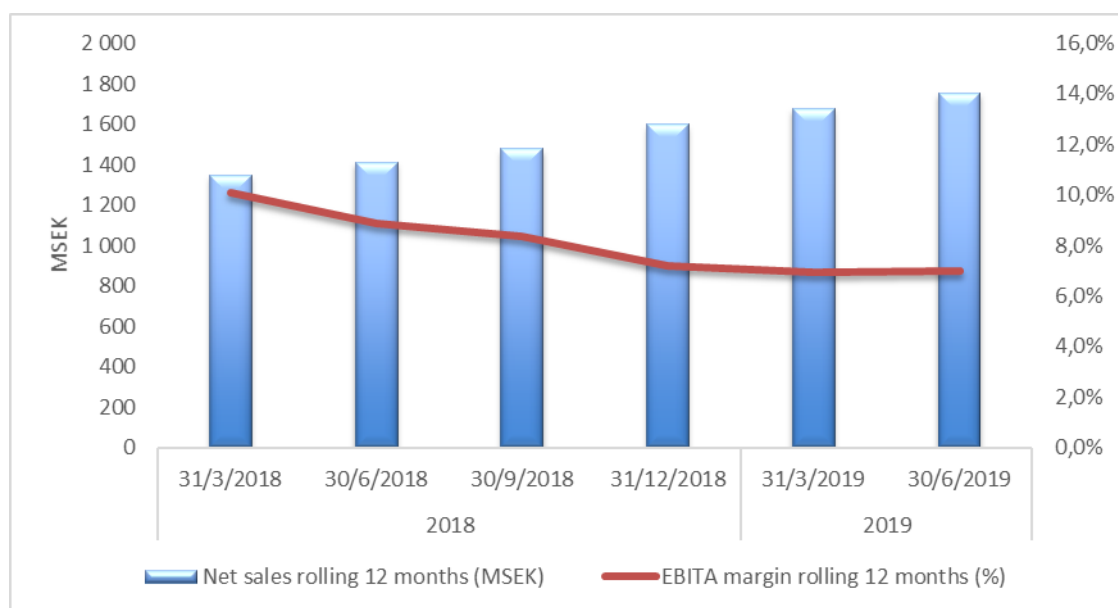
Net sales for the period amounted to MSEK 906.0 (750.8). Net sales increased by 21% for the Group compared to the same period last year. The growth in sales is attributable to the acquisitions of PQMS, Gordon Franks Training, Smart Awards and Opternus. The organic growth was 5% compared to the same period last year.

Other external expenses during the period amounted to MSEK 126.4 (117.6). In accordance with IFRS 16, costs for leased premises during the period current year of approximately MSEK 17.5 have been recognised as depreciation of tangible assets and interest expenses.

EBITDA totalled MSEK 61.1 (53.6), which corresponds to an EBITA margin of 6.7% (7.1%).

Net financial items during the period amounted to -8.7 MSEK (-5.6), whereof net interest amounted to -6.3 MSEK (-3.1), unrealised foreign exchange differences to -1.7 MSEK (-1.9) and other financial items to -0.7 MSEK (-0.6).

### Net sales 12 months (MSEK) and EBITA margin rolling 12 months (%)



## Financial position and liquidity

### Liquid assets

Liquid assets on 30 June 2019, excluding unutilised overdraft facilities, amounted to MSEK 84.9 (84.6). Unutilised overdraft facilities amounted to MSEK 41.0 on 30 June 2019.

### Non-current assets

Non-current assets amounted to MSEK 767.2 on 30 June 2019 (594.7). MSEK 165.2 is related to the fact that use-of-rights for premises is recognized as tangible assets after the transition to IFRS 16.

### Equity

Equity amounted to MSEK 531.9 on 30 June 2019 (494.4), which equated to SEK 14.31 per outstanding share before dilution at the end of the reporting period.

### Borrowing

The Parent Company has an acquisition facility of MSEK 565. The utilised amount on 30 June 2019 totalled MSEK 383.8, and MSEK 326.9 of this is long-term borrowing. The debt falls due for payment on 15 December 2021 with an option to extend. The Parent Company's loan agreements include the usual conditions, commitments and provisos related to senior net debt to EBITDA ratio based on rolling 12 months pro forma, interest cover ratio and equity ratio.

Net debt totalled MSEK 371.6 at the end of the reporting period compared to MSEK 353.4 as per 31 December 2018. Agreed bank covenants are calculated excluding the effects of IFRS 16.

## Cash flow

### Cash flow from operating activities

Cash flow from operating activities during the quarter amounted to MSEK 5.4 (-44.3), including a change in working capital of MSEK -34.8 (-74.8).

Cash flow from operating activities during the period January-June amounted to MSEK 36.2 (-46.1), including a change in working capital of MSEK -49.0 (-94.0). The negative change in working capital is primarily attributable to a large build-up of inventory ahead of the summer and autumn seasons with high installation activity.

### Cash flow from investing activities

Cash flow from investing activities during the quarter amounted to MSEK -14.7 (-28.5).

Cash flow from investing activities during the period January- June amounted to MSEK -29.6 (-255.7).

### Cash flow from financing activities

Cash flow from financing activities during the quarter amounted to MSEK 21.2 (14.3). The cash flow from financing activities during the quarter is primarily attributable to increased utilisation of overdraft facilities, amortisation of loans and change in lease liabilities.

Cash flow from financing activities during the period January- June amounted to MSEK -4.5 (244.2). The cash flow from financing activities during the period is primarily attributable to increased utilisation of overdraft facilities, amortisation of loans, change in lease liabilities and 14.9 MSEK in dividend paid.

## The Group's financial goals from 1 January 2019

In light of the transition to the new reporting standard, IFRS 16 Leases, the Board of Directors has adopted new financial goals to apply from 1 January 2019.

### Profitability

The EBITA margin (Earnings before interest, taxes, and amortisation) should be at least 9% on a rolling 12-month basis. The EBITA margin on a rolling 12-month basis on 30 June 2019 was 7.0% (8.9%).

### Growth

The Group shall grow more than its market organically. Annual growth of at least 20%. The growth will be both organic and acquisition driven. Growth during the quarter was 18% (19%). Growth on a rolling 12-month basis was 24% (18%).

## 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, telecom companies, installers and system houses, and a part of the Group's products are distributed via wholesalers.

## Employees

There were 596 (540) employees in the Group on 30 June 2019. The increase in employees compared to the same time last year is primarily due to the acquisition of Opternus.

## Parent Company

The Parent Company's main business consists of performing Group-wide services. Revenue for the period January-June amounted to MSEK 9.9 (12.7) and the result for the period was MSEK -29.4 (-12.6).

The Parent Company's financial assets amounted to MSEK 625.2 at the end of the period (compared to MSEK 630.2 at the beginning of the 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 under normal commercial conditions. The rent for the premises amounts to approximately MSEK 4.6 annually.

## Significant risks and uncertainties

Like all business activities, Hexatronic's operation is associated with risks of various kinds. Continually identifying and assessing risks is a natural and integral part of the operation, enabling risks to be controlled, limited and managed proactively.

The Group's ability to map and prevent risks minimises the likelihood of unpredictable events having an adverse impact on the business. The aim of risk management is not necessarily to eliminate the risk, but rather to safeguard set business goals with a balanced risk portfolio. Mapping, planning and management of identifiable risks supports the management in making strategic decisions. Risk assessment also aims to increase the entire organisation's risk awareness.

Several risk areas have been identified in Hexatronic's risk management process. Hexatronic has divided identified risks into operational and environmental risks, market risks and financial risks.

A more detailed description of the Group's risks and risk management is provided in the Hexatronic Group Annual Report for 2018 on page 42-45.

## Patent dispute

In June 2018 Emtelle UK Ltd. filed a lawsuit in England against Hexatronic UK Ltd., Hexatronic Cables & Interconnect Systems AB and Hexatronic Group AB., for infringement in two British patents related to air-blown fiber. 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, Germany, 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 and growth strategy.

## The market

Expansion of fiber networks has continued worldwide, both in broadband and 5G. It is evident that certain countries have made good progress while several large nations are still lagging a long way behind.

At the EU level and in many individual countries, there are digitalisation goals that include a certain bandwidth per household by a certain date. *The Digital Agenda for Europe* stipulates the goals up to 2025. The global economy is changing quickly, and it is important for the competitiveness of individual nations and the entire EU that the goals are met; this is causing several countries to earmark government funds to speed up the expansion.

There is still a high level of activity on the global FTTH market around the world, and especially on our focus markets which are the Nordics, Central Europe and North America. In an FTTH Council Europe report presented in February 2019, relating to coverage of FTTH/FTTB users by country as a percentage, small nations like the UAE, Qatar and Singapore, along with China are at the top of the rankings. The corresponding ranking for Europe is topped by Latvia, followed by Lithuania, Spain and Sweden. Large countries like Germany, Italy and Poland remain far down the list, with the UK at the very bottom having qualified for inclusion for the first time by achieving more than the 1% minimum required.

In terms of size, the North American market is comparable with Europe, and the rate of expansion is expected to be high in the next few years. During the period 2017–2018, the number of fiber users increased by 21% to a total of 17 million households, which indicates that the market is active.

The main task remaining in Sweden is to connect rural areas. Since the material requirement for duct and cable is higher for each connection in rural areas than in cities, the need for materials will not decrease at



the same rate as the number of connections. Though, the rate of expansion in rural areas is lower than in cities which means this expansion will take longer time.

5G is now imminent – a technological shift that is needed to provide enough support for new services and connected products that need higher transfer speeds in the networks, such as driverless vehicles. Video now accounts for around 50% of all traffic, and this is expected to increase to 75% by 2023. The transition to 5G entails a marked densification of antennas. This will have an effect on the fiber networks as the antennas are largely connected to fiber, and the need for fiber will increase.

The expansion of 5G is still in its infancy and is expected to gather serious momentum in two to three years' time as it expands across Europe. The countries that have made the most progress with 5G expansion are China, the USA, Korea and Japan. According to the Ericsson Mobility Report of November 2018, 5G is expected to be rolled out on a global level from 2020, and by 2024 there will be 1.5 billion users of 5G.

The development of Internet of Things (IoT) and smart cities has only just begun, and the market is expected to grow dramatically in the years to come. Creative ideas and solutions are emerging and new needs are becoming evident. The opportunities and potential applications are virtually endless.

## 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 and growth 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 is listed in the Mid cap segment on Nasdaq Stockholm.

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 1,877,190.95, distributed among a total of 37,183,825 ordinary shares and 360,000 shares in serie C.

At the Annual General Meeting (AGM) on 9 May 2019, it was decided to authorise the Board to acquire and transfer personally held shares in line with the Board's decision, and to decide on the new issue of shares and/or warrants and/or convertibles equating to no more than 10% of the registered share capital. The AGM decided to pay a dividend of SEK 0.40 per share, which was paid on 16 May 2019.

The fair value on the issued options, in all employee stock option programs, has been calculated according to the Black & Scholes model. Each option entitles the holder to buy one share.

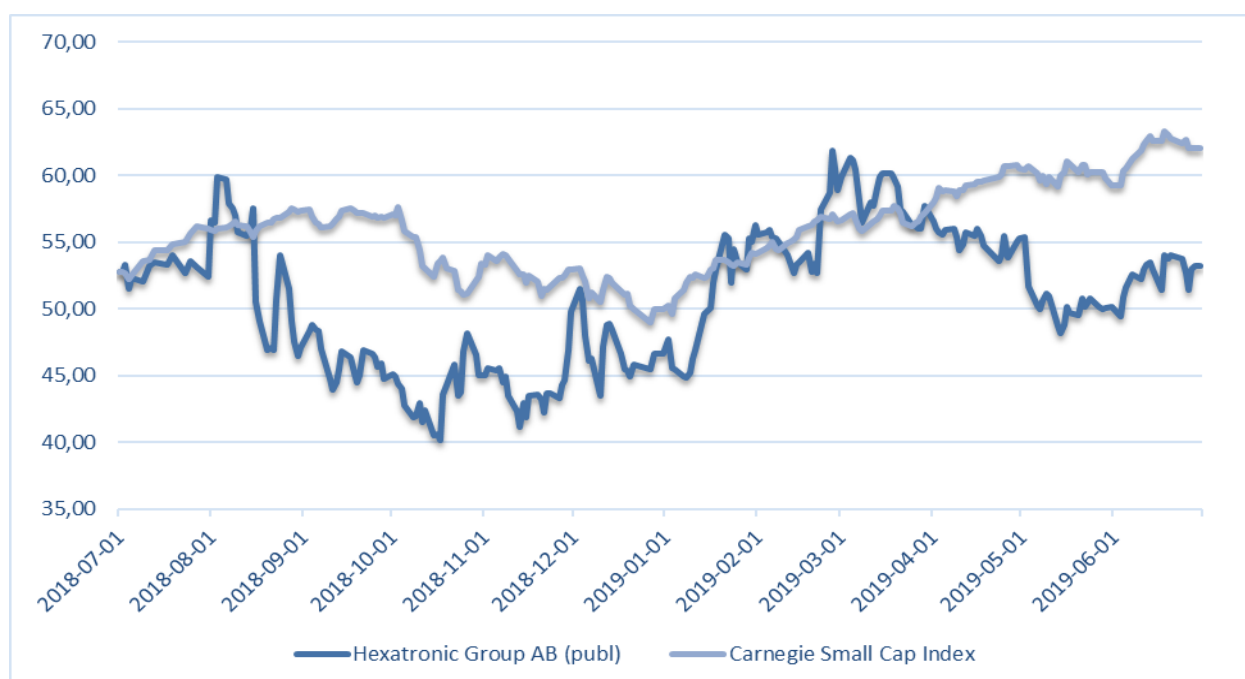
Existing incentive programmes active at the time of this report's publication are:

- 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.
- In 2018 an employee stock option programme was approved with 1,000,000 options available to the company’s personnel; 603,000 of these options were subscribed at an issue price of SEK 82.20, with a redemption window of 15 May – 15 June 2021.
- In 2019 an employee stock option programme was approved with 500,000 options available to the company’s personnel; 351,500 of these options were subscribed at an issue price of SEK 66.73, with a redemption window of 15 May – 15 June 2022.
- During 2019, a decision was made to introduce a long-term, performance-based incentive plan (LTIP 2019) for 12 senior executives in the Group who are resident in Sweden. At the time of this report, the participants have invested in a total of 54,240 savings shares.

Under the LTIP, for each acquired Hexatronic share (savings share), participants can receive 4–6 shares in Hexatronic (performance shares) free of charge, assuming achievement of certain performance targets. To qualify for performance shares, participants must acquire and retain a number of Hexatronic shares for the whole of the three-year vesting period and must, with some exceptions, remain in employment during the same period. In addition to the above conditions, performance shares also require certain performance targets to be met, linked to the development of the per-share earnings, the Group’s growth and the growth in EBITA during the vesting period. The targets relate to the 2019, 2020 and 2021 financial years. Hexatronic has judged that all the above conditions are non-market related conditions under IFRS 2.

Bearing in mind that the allocation time for the performance rights and thereby the starting point of the vesting period was at the end of the second quarter of 2019, no significant costs have been recognized in the second quarter.

## Share price development in the past 12 months (SEK)



The company's market value at the end of the period was MSEK 1,978.

The number of shareholders at period end, 7,184, is based on data from Euroclear. The shareholder structure of Hexatronic Group AB (publ) on 30 June 2019 is shown in the table below.

Shareholder	No. of ordinary shares	Votes %
Accendo Capital	4 063 447	10,9%
Handelsbanken Funds	3 057 236	8,2%
Jonas Nordlund, privately and corporately	3 000 000	8,1%
Martin Åberg and Erik Selin via Chirp AB	1 785 872	4,8%
Fondita Nordic Micro Cap	1 763 000	4,7%
Swedbank Robur, West Fund	1 277 839	3,4%
Länsförsäkringar Funds	1 180 592	3,2%
AMF Insurance & Funds	1 076 279	2,9%
Göran Nordlund, privately and corporately	1 073 154	2,9%
Avanza Pension - Insurance Company	959 236	2,6%
Other shareholders	17 947 170	48,3%
<b>Total outstanding shares</b>	<b>37 183 825</b>	<b>100,0%</b>

## 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 persons named below, on 16 August 2019 at 08:00 CET.

### Financial calendar

Interim Report July-September 2019: 6 November 2019

Year-End Report: 21 February 2020

Interim Report January-March 2020: 29 April 2020

Interim Report April-June 2020: 14 August 2020

### Annual General Meeting

The AGM will be held on 7 May 2020.

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, 16 August 2019

Anders Persson  
Chairman

Erik Selin  
Board member

Jaakko Kivinen  
Board member

Malin Frenning  
Board member

Malin Persson  
Board member

Mats Otterstedt  
Board member

Henrik Larsson Lyon  
President and CEO

This interim 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 Matrix, Viper, Stingray, Raptor, InOne, Drytech™, Lightmate®, Skyline and Wistom®. The Group has its headquarters in Gothenburg, Sweden and has sales offices and/or subsidiaries in Sweden, Norway, United Kingdom, Germany, China, New Zealand and the US. The Group is listed on Nasdaq Stockholm under the ticker HTRO. For more information, visit [www.hexatronicgroup.com](http://www.hexatronicgroup.com)*

Consolidated income statement (SEK thousand)	Quarter	Quarter	Period	Period	Full year
	April-June	April-June	Jan-June	Jan-June	Jan-Dec
	2019	2018	2019	2018	2018
<u>Revenue</u>					
Net sales	484,875	411,587	905,962	750,821	1,597,768
Other operating income	1,039	882	2,262	1,560	17,526
	485,914	412,469	908,224	752,381	1,615,294
<u>Operating expenses</u>					
Raw materials and goods for resale	-266,769	-230,453	-500,372	-417,268	-906,639
Other external costs	-68,039	-63,836	-126,374	-117,633	-259,596
Personnel costs	-94,300	-78,425	-187,469	-153,160	-306,191
Other operating expenses	-695	0	-695	0	-4,653
Depreciation of tangible assets	-16,278	-5,522	-32,240	-10,673	-23,281
<b>Earnings before interest, taxes and amortisation (EBITA)</b>	<b>39,834</b>	<b>34,233</b>	<b>61,075</b>	<b>53,647</b>	<b>114,933</b>
Depreciation of intangible assets	-8,735	-4,044	-15,572	-9,731	-22,388
<b>Operating result (EBIT)</b>	<b>31,099</b>	<b>30,189</b>	<b>45,503</b>	<b>43,916</b>	<b>92,545</b>
<u>Result from financial items</u>					
Financial income	41	0	82	134	194
Financial expenses	-3,924	-5,632	-8,784	-5,783	-10,988
<b>Result after financial items</b>	<b>27,216</b>	<b>24,557</b>	<b>36,800</b>	<b>38,267</b>	<b>81,751</b>
Income taxes	-7,048	-4,729	-11,451	-7,131	-22,472
<b>Net result for the period</b>	<b>20,168</b>	<b>19,827</b>	<b>25,349</b>	<b>31,136</b>	<b>59,279</b>
<b>Attributable to:</b>					
Parent Company shareholders	20,168	19,827	25,349	31,136	59,279
<b>Earnings per share</b>					
Earnings per share before dilution (SEK)	0.54	0.55	0.68	0.86	1.63
Earnings per share after dilution (SEK)	0.54	0.52	0.68	0.82	1.62
<b>Consolidated statement of comprehensive income</b>	<b>Kvartalet</b>	<b>Kvartalet</b>	<b>Perioden</b>	<b>Perioden</b>	<b>Helåret</b>
	<b>190401</b>	<b>180401</b>	<b>190101</b>	<b>180101</b>	<b>180101</b>
	<b>190630</b>	<b>180630</b>	<b>190630</b>	<b>180630</b>	<b>181231</b>
Result for the period	20,168	19,827	25,349	31,136	59,279
<b>Items which can later be recovered in the income statement</b>					
Translation differences	-3,386	12,704	13,074	15,034	11,542
Cash flow hedge	0	0	0	3,077	3,077
<b>Other comprehensive income for the period</b>	<b>-3,386</b>	<b>12,704</b>	<b>13,074</b>	<b>18,111</b>	<b>14,619</b>
<b>Comprehensive income for the period</b>	<b>16,782</b>	<b>32,532</b>	<b>38,423</b>	<b>49,248</b>	<b>73,898</b>
<b>Attributable to:</b>					
Parent Company shareholders	16,782	32,532	38,423	49,248	73,898

Consolidated balance sheet (SEK thousand)	30/6/2019	30/6/2018	31/12/2018
<b>Assets</b>			
<b><u>Non-current assets</u></b>			
Intangible assets	446,308	334,383	454,517
Tangible assets	319,172	132,169	139,197
Financial assets	1,714	957	1,015
<b>Total non-current assets</b>	<b>767,194</b>	<b>467,509</b>	<b>594,729</b>
<b><u>Current assets</u></b>			
Inventories	375,247	313,125	334,282
<b><u>Current receivables</u></b>			
Accounts receivable	292,749	322,271	261,774
Current tax receivables	0	0	1,594
Other receivables	2,750	6,307	2,553
Prepaid expenses and accrued income	24,680	16,219	23,582
<b>Total current receivables</b>	<b>320,180</b>	<b>344,796</b>	<b>289,502</b>
<b><u>Liquid assets</u></b>	<b>84,878</b>	<b>50,642</b>	<b>84,621</b>
<b>Total current assets</b>	<b>780,305</b>	<b>708,563</b>	<b>708,405</b>
<b>Total assets</b>	<b>1,547,499</b>	<b>1,176,072</b>	<b>1,303,134</b>
<b>Equity</b>	<b>531,921</b>	<b>460,470</b>	<b>494,415</b>
<b><u>Non-current liabilities</u></b>			
Liabilities to credit institutions	326,858	281,728	351,741
Deferred tax	60,939	37,238	62,630
Non-current lease liabilities	135,461	0	0
<b>Total non-current liabilities</b>	<b>523,257</b>	<b>318,966</b>	<b>414,372</b>
<b><u>Current liabilities</u></b>			
Liabilities to credit institutions	56,907	52,215	56,457
Current lease liabilities	30,778	0	0
Overdraft facilities	72,217	17,118	29,863
Accounts payable	193,407	193,307	173,772
Provisions	3,000	3,000	3,000
Current tax liabilities	1,248	5,027	0
Other liabilities	66,246	64,198	72,815
Accrued expenses and deferred income	68,518	61,771	58,440
<b>Total current liabilities</b>	<b>492,321</b>	<b>396,636</b>	<b>394,347</b>
<b>Total equity, provisions and liabilities</b>	<b>1,547,499</b>	<b>1,176,072</b>	<b>1,303,134</b>

Consolidated statement of changes in equity (SEK thousand)	Share capital	Other capital contributions	Reserves	Result brought forward, including result for the period	Total equity
<b>Balance brought forward as of 1 January 2018</b>	<b>1,809</b>	<b>186,077</b>	<b>-8,714</b>	<b>236,087</b>	<b>415,259</b>
Result for the period	0	0	0	59,279	59,279
Other comprehensive income	0	0	14,619	0	14,619
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>14 619</b>	<b>59,279</b>	<b>73,898</b>
New share issue relating to business acquisitions	17	17,436	0	0	17,453
Employee stock option programme	0	2,274	0	0	2,274
Dividends paid	0	0	0	-14,469	-14,469
<b>Total transactions with shareholders, reported directly in equity</b>	<b>17</b>	<b>19,710</b>	<b>0</b>	<b>-14,469</b>	<b>5,258</b>
<b>Balance carried forward as of 31 December 2018</b>	<b>1,826</b>	<b>205,787</b>	<b>5,905</b>	<b>280,897</b>	<b>494,415</b>
<b>Balance brought forward as of 1 January 2019</b>	<b>1,826</b>	<b>205,787</b>	<b>5,905</b>	<b>280,897</b>	<b>494,415</b>
Result for the period	0	0	0	25,349	25,349
Other comprehensive income	0	0	13,074	0	13,074
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>13,074</b>	<b>25,349</b>	<b>38,423</b>
New shares related to employee stock option programme	52	13,923	0	-18	13,957
Dividends paid	0	0	0	-14,874	-14,874
<b>Total transactions with shareholders, reported directly in equity</b>	<b>52</b>	<b>13,923</b>	<b>0</b>	<b>-14,892</b>	<b>-917</b>
<b>Balance carried forward as of 30 June 2019</b>	<b>1,877</b>	<b>219,710</b>	<b>18,979</b>	<b>291,355</b>	<b>531,921</b>

Consolidated statement of cash flows (SEK thousand)	Quarter	Quarter	Period	Period	Full year
	April-June	April-June	Jan-June	Jan-June	Jan-Dec
	2019	2018	2019	2018	2018
Operating result	31,099	30,189	45,503	43,916	92,545
Items not affecting cash flow	23,173	11,783	58,597	23,798	50,508
Interest received	41	29	82	134	194
Interest paid	-3,609	-1,930	-6,850	-3,279	-10,403
Income tax paid	-10,536	-9,576	-12,065	-16,660	-34,094
<b>Cash flow from operating activities before changes in working capital</b>	<b>40,167</b>	<b>30,495</b>	<b>85,266</b>	<b>47,909</b>	<b>98,749</b>
Increase (-)/decrease (+) in inventories	4,424	-8,799	-40,966	-54,803	-67,247
Increase (-)/decrease (+) in accounts receivable	-13,821	-87,176	-30,975	-78,606	1,378
Increase (-)/decrease (+) in operating receivables	4,597	-495	298	-1,183	-4,627
Increase (+)/decrease (-) in accounts payable	-28,015	20,726	19,635	34,178	5,183
Increase (+)/decrease (-) in operating liabilities	-1,941	941	2,984	6,427	-17,872
<b>Cash flow from changes in working capital</b>	<b>-34,755</b>	<b>-74,803</b>	<b>-49,024</b>	<b>-93,987</b>	<b>-83,186</b>
<b>Cash flow from operating activities</b>	<b>5,412</b>	<b>-44,308</b>	<b>36,242</b>	<b>-46,079</b>	<b>15,564</b>
<u>Investing activities</u>					
Acquisition of tangible and intangible assets	-14,747	-13,837	-29,089	-23,102	-41,034
Acquisition of subsidiaries after deduction of acquired liquid assets	0	-14,664	0	-231,977	-319,776
Change in financial assets	-110	-23	-700	-645	-703
<b>Cash flow from investing activities</b>	<b>-14,857</b>	<b>-28,524</b>	<b>-29,788</b>	<b>-255,724</b>	<b>-361,512</b>
<u>Financing activities</u>					
Borrowings	0	31,719	0	261,622	348,728
Amortisation of loans	-36,390	-21,720	-45,099	-21,720	-43,446
Changes in overdraft facilities	72,217	17,118	42,354	17,118	29,863
New share issues for the period	278	1,654	13,106	1,654	1,654
Dividends paid	-14,874	-14,469	-14,874	-14,469	-14,469
<b>Cash flow from financing activities</b>	<b>21,231</b>	<b>14,303</b>	<b>-4,512</b>	<b>244,206</b>	<b>322,330</b>
<u>Cash flow for the period</u>	11,786	-58,530	1,942	-57,596	-23,618
Liquid assets at the start of the period	73,282	109,172	84,621	108,239	108,239
Exchange rate difference in liquid assets	-190	0	-1,685	0	0
<b>Liquid assets at the end of the period</b>	<b>84,878</b>	<b>50,642</b>	<b>84,878</b>	<b>50,642</b>	<b>84,621</b>



Key metrics for the group	Quarter	Quarter	Period	Period	Full year
	April-June	April-June	Jan-June	Jan-June	Jan-Dec
	2019	2018	2019	2018	2018
Growth in net sales	18%	19%	21%	18%	23%
EBITA margin	8.2%	8.3%	6.7%	7.1%	7.2%
EBITA margin, 12 months rolling	7.0%	8.9%	7.0%	8.9%	7.2%
Operating margin	6.4%	7.3%	5.0%	5.8%	5.8%
Earnings per share before dilution (SEK)	0.54	0.55	0.68	0.86	1.63
Earnings per share after dilution (SEK)	0.54	0.52	0.68	0.82	1.62
Net sales per employee (SEK thousand)	815	820	1,565	1,535	3,090
Result per employee (SEK thousand)	34	39	44	64	115
Quick ratio	0.8	1.0	0.8	1.0	0.9
Average number of employees	595	502	579	489	517
Number of shares at period end before dilution	37,183,825	36,293,049	37,183,825	36,293,049	36,511,825
Average number of shares before dilution	37,183,825	36,212,134	37,071,825	36,191,906	36,278,940
Average number of shares after dilution	37,193,920	37,830,401	37,157,620	37,810,172	36,676,240

For the definition of key metrics, see the Annual Report for 2018.

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 and EBITA margin) 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)**

	<b>Period Jan-June 2019</b>	<b>Period Jan-June 2018</b>
<u>Revenue</u>		
Net sales	9,889	12,650
	9,889	12,650
<u>Operating expenses</u>		
Other external costs	-21,807	-9,974
Personnel costs	-13,289	-11,506
Depreciation of tangible assets	-107	-107
<b>Operating result (EBITA)</b>	<b>-25,315</b>	<b>-8,937</b>
<u>Result from financial items</u>		
Interest income	589	476
Interest expenses	-4,711	-4,215
<b>Result after financial items</b>	<b>-29,436</b>	<b>-12,677</b>
Appropriations	0	0
<b>Result before tax</b>	<b>-29,436</b>	<b>-12,677</b>
Tax on profit for the period	0	95
<b>Net result for the period</b>	<b>-29,436</b>	<b>-12,582</b>

Total comprehensive income is the same as net result for the period in the parent company since there is no item accounted for as other comprehensive income.

Parent Company balance sheet (SEK thousand)	30/6/2019	30/6/2018	31/12/2018
<b>Assets</b>			
Tangible assets	440	655	548
Financial assets	625,177	521,955	630,239
<b>Total non-current assets</b>	<b>625,617</b>	<b>522,610</b>	<b>630,786</b>
<u>Current receivables</u>			
Receivables from Group companies	158,722	144,121	151,401
Current tax receivables	0	356	507
Other receivables	2,714	3,481	3,324
Prepaid expenses and accrued income	4,728	1,942	1,605
<b>Total current receivables</b>	<b>166,164</b>	<b>149,899</b>	<b>156,837</b>
<u>Cash and bank balances</u>	0	0	0
<b>Total current assets</b>	<b>166,164</b>	<b>149,899</b>	<b>156,837</b>
<b>Total assets</b>	<b>791,781</b>	<b>672,508</b>	<b>787,623</b>
<b>Equity, provisions and liabilities</b>			
<u>Equity</u>	171,034	174,517	192,922
<u>Untaxed reserves</u>	12,350	6,330	6,330
<u>Non-current liabilities</u>			
Liabilities to credit institutions	316,967	272,586	350,828
<b>Total non-current liabilities</b>	<b>316,967</b>	<b>272,586</b>	<b>350,828</b>
<u>Current liabilities</u>			
Liabilities to credit institutions	55,221	52,215	48,721
Overdraft facilities	72,217	17,118	29,863
Accounts payable	5,314	2,550	6,504
Liabilities to Group companies	114,470	110,744	98,914
Current tax liabilities	197	0	0
Other liabilities	36,981	30,596	49,104
Accrued expenses and deferred income	7,031	5,853	4,437
<b>Total current liabilities</b>	<b>291,430</b>	<b>219,075</b>	<b>237,543</b>
<b>Total equity, provisions and liabilities</b>	<b>791,781</b>	<b>672,508</b>	<b>787,623</b>

## 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.

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 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 regarding the relationship between accounting and taxation.

For full accounting policies, see the Annual Report for 2018.

#### **New standards applied from 1 January 2019**

IFRS 16 Leases is applied from 1 January 2019.

#### **The Group as a lessee**

The Group's leases primarily comprise right-of-use assets regarding premises. The leases are recognised as right-of-use assets equating to a lease liability on the day the leased asset becomes available for use by the Group. Short-term leases and leases for which the underlying asset is of low value are excepted.

Each lease payment is distributed between repayment of lease liability and financial expense. The financial expense shall be distributed over the term of the lease so that each accounting period is charged with an amount corresponding to a fixed rate of interest for the liability recognized in the respective period.

The lease period is established as the non-terminable period together with both periods covered by an opportunity to extend the lease if the lessee is reasonably certain to utilise that option, and periods covered by an opportunity to terminate the lease if the lessee is reasonably certain not to utilise that option.

The Group's lease liabilities are entered at the present value of the Group's fixed fees. Call options are included in the fees if it is reasonably certain that these will be utilised to acquire the underlying asset. Penalty fees which are charged on termination of the lease are included if the lease period reflects the fact that the lessee will utilise an opportunity to terminate the lease. The lease payments are discounted by the

lease's imputed rate of interest if this interest rate can easily be established, otherwise the Group's incremental borrowing rate is used.

The Group's right-of-use assets are recognised at cost and initially include the present value of the lease liability, adjusted for lease fees paid on or before the start date, as well as initial direct costs. Restoration costs are included in the asset if a corresponding provision relating to restoration costs has been identified. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the length of the lease.

Hexatronic has assessed many contracts concerning premises being open-ended contracts. This requires the Hexatronic lessee to determine the contract period instead of considering the termination clause. The lessee then determines the length of the contract period based on factors such as the importance of building to the business, any planned or made leasehold investments and the market situation for premises. Consequently, these contracts have in many cases had the contract period extended.

Hexatronic has chosen to perform the transition in line with the Cumulative catch-up approach and has applied the expedient to not restate any comparative information. Right-of-use assets have been determined as an amount equal to the lease liabilities as identified at initial application. A marginal rate of interest equal to the parent company's borrowing interest rate has been applied. Lease contracts shorter than 12 months or ending within 12 months at the date of application are considered short-term and hence not recognized as lease liability or right-of-use asset. Low value contracts, with a value as new below SEK 50 thousand, are also excluded from being recognized as lease liability or right-of-use asset.

<b>Consolidated income statement</b>	
<b>SEK thousand</b>	<b>January-June 2019</b>
Decrease in other external costs	17,883
Increase in depreciation of tangible assets	-17,488
<b>Effect on operating profit</b>	<b>395</b>
Increase in financial expenses	-1,465
<b>Effect on profit before tax</b>	<b>-1,070</b>
Decrease in income taxes	229
<b>Effect on earnings for the period</b>	<b>-841</b>
Effect on earnings per share before dilution, SEK	-0.02
Effect on earnings per share after dilution, SEK	-0.02
<b>Consolidated statement of cash flows</b>	
<b>SEK thousand</b>	<b>January-June 2019</b>
Increase in cash flow from operating activities	17,488
Decrease in cash flow from financing activities	-17,488
<b>Effect on cash flow for the period</b>	<b>0</b>

Consolidated balance sheet SEK thousand	Recognised balance-sheet items, 31/12/2018	Restating to IFRS 16	Restated balance- sheet items, 1/1/2019
<b>Assets</b>			
Right-of-use assets	0	180,473	180,473
<b>Total assets</b>	<b>1,303,134</b>	<b>180,473</b>	<b>1,483,607</b>
<b>Shareholders' equity and liabilities</b>			
Non-current lease liabilities	0	149,969	149,969
Current lease liabilities	0	30,504	30,504
<b>Total shareholders' equity and liabilities</b>	<b>1,303,134</b>	<b>180,473</b>	<b>1,483,607</b>

### Note 3 Revenue

January to June 2019					
Geographical markets	Sweden	Rest of Europe	North America	Rest of the world	Total
Revenue from external customers	277,827	278,662	207,440	142,033	<b>905,962</b>
<u>Category</u>					
Goods	259,209	245,628	207,440	142,033	854,310
Services	<u>18,618</u>	<u>33,034</u>	<u>0</u>	<u>0</u>	<u>51,652</u>
<b>Total</b>	<b>277,827</b>	<b>278,662</b>	<b>207,440</b>	<b>142,033</b>	<b>905,962</b>
<u>Time for revenue recognition</u>					
At a given time	277,827	278,662	207,440	142,033	905,962
Over time	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>277,827</b>	<b>278,662</b>	<b>207,440</b>	<b>142,033</b>	<b>905,962</b>

January to June 2018					
Geographical markets	Sweden	Rest of Europe	North America	Rest of the world	Total
Revenue from external customers	300,905	108,557	176,972	164,388	<b>750,821</b>
<u>Category</u>					
Goods	289,650	103,372	176,972	164,388	734,381
Services	<u>11,255</u>	<u>5,185</u>	<u>0</u>	<u>0</u>	<u>16,440</u>
<b>Total</b>	<b>300,905</b>	<b>108,557</b>	<b>176,972</b>	<b>164,388</b>	<b>750,821</b>
<u>Time for revenue recognition</u>					
At a given time	300,905	108,557	176,972	164,388	750,821
Over time	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>300,905</b>	<b>108,557</b>	<b>176,972</b>	<b>164,388</b>	<b>750,821</b>

## Note 4 Pledged assets

Pledged assets	Group			Parent Company	
	30/6/2019	30/6/2018	31/12/2018	30/6/2019	30/6/2018
<i>Assets pledged for liabilities to credit institutions</i>					
Chattel mortgages	157,350	157,350	157,350	100	100
Shares in subsidiaries	307,869	273,284	281,484	82,504	82,504
<b>Total</b>	<b>465,219</b>	<b>430,634</b>	<b>438,834</b>	<b>82,604</b>	<b>82,604</b>

## RECONCILIATION BETWEEN IFRS AND KEY METRICS USED

In this interim report, Hexatronic presents certain financial parameters that are not defined in IFRS, known as alternative key metrics. The Group believes that these parameters provide valuable supplementary information for investors, as they facilitate an evaluation of the company's results and position. Since not all companies calculate financial parameters in the same way, these metrics are not always comparable with those used by other companies. Investors should see the financial parameters as a complement to, rather than a replacement for, financial reporting in accordance with IFRS.

Organic growth SEK thousand, %	April-June		January-June	
Net sales 2019	484,875		905,962	
Acquisition driven	-55,506		-118,607	
Comparable net sales	429,369		787,355	
Net sales 2018	411,587		750,821	
<b>Net sales increase</b>	<b>73,288</b>		<b>155,141</b>	
%	18%		21%	
<b>Organic growth</b>	<b>17,782</b>		<b>36,534</b>	
%	4%		5%	

Organic growth is calculated as net sales for the year adjusted by acquisitions in relation to net sales for the previous year adjusted by acquisitions.

Annual growth, rolling 12 months %	12 months	
Net sales January-June 2019	905,962	
Net sales July-December 2018	846,947	
<i>Net sales rolling 12 months</i>	<i>1,752,909</i>	
Net sales January-June 2018	750,821	
Net sales July-December 2017	661,933	
<i>Net sales rolling 12 months</i>	<i>1,412,754</i>	
<b>Annual growth, rolling 12 months</b>	<b>24%</b>	

Average annual growth is calculated as the Group's total net sales during the period compared to the same period the year before.

<b>Quick asset ratio</b>			
<b>%</b>	<b>30/6/2019</b>	<b>30/6/2018</b>	<b>31/12/2018</b>
Current assets	780,305	708,563	708,405
Inventories	-375,247	-313,125	-334,282
<i>Current assets-inventories</i>	<i>405,058</i>	<i>395,438</i>	<i>374,123</i>
Current liabilities	492,321	396,636	394,347
<b>Quick asset ratio</b>	<b>82%</b>	<b>100%</b>	<b>95%</b>

Quick asset ratio is calculated as current assets minus inventories divided by current liabilities.

<b>Core working capital</b>			
<b>SEK thousand</b>	<b>30/6/2019</b>	<b>30/6/2018</b>	<b>31/12/2018</b>
Inventories	375,247	313,125	334,282
Accounts receivable	292,749	322,271	261,774
Accounts payable	-193,407	-193,307	-173,772
<b>Core working capital</b>	<b>474,589</b>	<b>442,089</b>	<b>422,284</b>

Core working capital is defined as inventories plus accounts receivable minus accounts payable.