

# Hexatronic Group AB (publ)

Interim Report January – March 2020



## Key ratio for the quarter

MSEK	2020 Q1	2019 Q1	Δ%
Net sales	437.3	421.1	4%
EBITA	22.2	21.2	5%
EBITA margin	5.1%	5.0%	
Operating result (EBIT)	15.3	14.4	6%
Net earnings	8.9	5.2	71%
Earnings per share after dilution, SEK	0.24	0.14	71%
Cash flow from operating activities	55.7	30.8	81%
Liquid assets	97.0	73.3	32%

## Events during the quarter

- Emtelle UK Ltd. and Hexatronic entered into a global settlement agreement, ending their patent litigation in the UK.
- Emtelle licensed Hexatronic under its patents on air blown fiber bundles. Hexatronic can continue to make and sell its air blown fiber products in all markets worldwide.

## Events since the end of the period

- Based on the very uncertain situation in the world, the Board decided to withdraw the previously announced dividend proposal.
- During the first quarter, Hexatronic had a minor negative impact as a result of Covid-19 and expects continued slightly lower activity in the second quarter.
- Hexatronic won submarine cable orders totalling MSEK 40.

COMMENTS FROM THE CEO

## Continued strong international growth

---

Growth on our strategic growth markets remained strong during the first quarter. In North America we grew organically by 17 percent, which means that three years after establishing an operation there, sales are almost on a par with sales in Sweden. Growth on our other strategic growth markets, the UK and Germany, amounted to 16 percent.

Following a weak start, sales on the Swedish market recovered well in the latter part of the quarter. Our prediction remains that Sweden will be on a par with last year, providing the impact of Covid-19 does not increase from its present status.

Altogether, organic sales growth during the quarter totalled 4 percent, and growth in EBITA 5 percent. We judge that sales have dropped by approximately 5 percent as a result of Covid-19, primarily related to delivery problems from subcontractors in China.

The order book has developed strongly, and we entered the second quarter with an order book that is 35 percent higher organically than at the same point last year. In submarine cables, we have recently won several contracts worth MSEK 40 in total. Pleasingly, several of these projects are for new customers. On the German market, where we are still a small player, we have won several minor FTTH contracts, and have signed a five-year, MSEK 40 general agreement with a large regional operator.

In the latter part of the quarter, a slight negative effect from Covid-19 was apparent on several markets. Although our operation is categorised as critical on several markets, uncertainty remains high and there is a risk of greater adverse impact. Customers are reacting in different ways, from

postponing new projects to continuing as before. With the information we have at present, we are planning for slightly lower activity during the second quarter. Another effect of Covid-19 is that our new duct factory in Texas has been delayed by just over a month and is now expected to be up and running in early May.

Under the uncertain circumstances, we have prioritised a strong balance sheet. This means for instance that the Board has withdrawn its dividend proposal for the year, and we have also decided to postpone certain investments to a later date. Our financial position is strong and has grown stronger during the quarter. We have higher margins both in terms of available funds and the covenants we have in place with our bank.

Looking beyond Covid-19 our anticipated outlook remains very positive, with strong developments on our strategic growth markets. There is a huge need to expand the fiber optic communication systems. The importance of fast, reliable internet connections is coming to the fore in these times of working from home, video meetings and online schooling. In the longer term, we believe that experiences from Covid-19 will have a positive impact on investment in communication networks.

Thank you for joining us on this journey.

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



## Net sales and earnings

The Group's net sales for the first quarter of 2020 increased 4 percent to MSEK 437.3 (421.1) as a result of organic growth. The increase was 2 percent cleared for exchange-rate effects.

<b>Analysis of change in net sales (MSEK)</b>	<b>Q1 2020</b>	<b>(%)</b>	<b>Q1 2019</b>	<b>(%)</b>
Year-earlier quarter	421.1	-	339.2	-
Organic growth	8.3	2%	5.3	2%
Acquisitions and structural changes	-	-	63.1	19%
Exchange-rate effects	8.0	2%	13.5	4%
<b>Current quarter</b>	<b>437.3</b>	<b>4%</b>	<b>421.1</b>	<b>24%</b>

The Group's net sales on its strategic growth markets of the UK, Germany and North America continued to grow during the quarter.

<b>Geographical net sales (MSEK)</b>	<b>Q1 2020</b>	<b>Allocation (%)</b>	<b>Growth (%)</b>
Sweden	118.3	27%	-7%
Rest of Europe	151.2	35%	16%
North America	106.3	24%	17%
Rest of the world	61.6	14%	-16%
<b>Total</b>	<b>437.3</b>	<b>100%</b>	<b>4%</b>

EBITA rose 5 percent to MSEK 22.2 (21.2) in the quarter. The EBITA margin amounted to 5.1 percent (5.0).

Net financial items during the quarter amounted to -2.7 MSEK (-4.8), whereof net interest amounted to -2.4 MSEK (-3.0), unrealised foreign exchange differences to 0.1 MSEK (-1.5) and other financial items to -0.4 MSEK (-0.3).

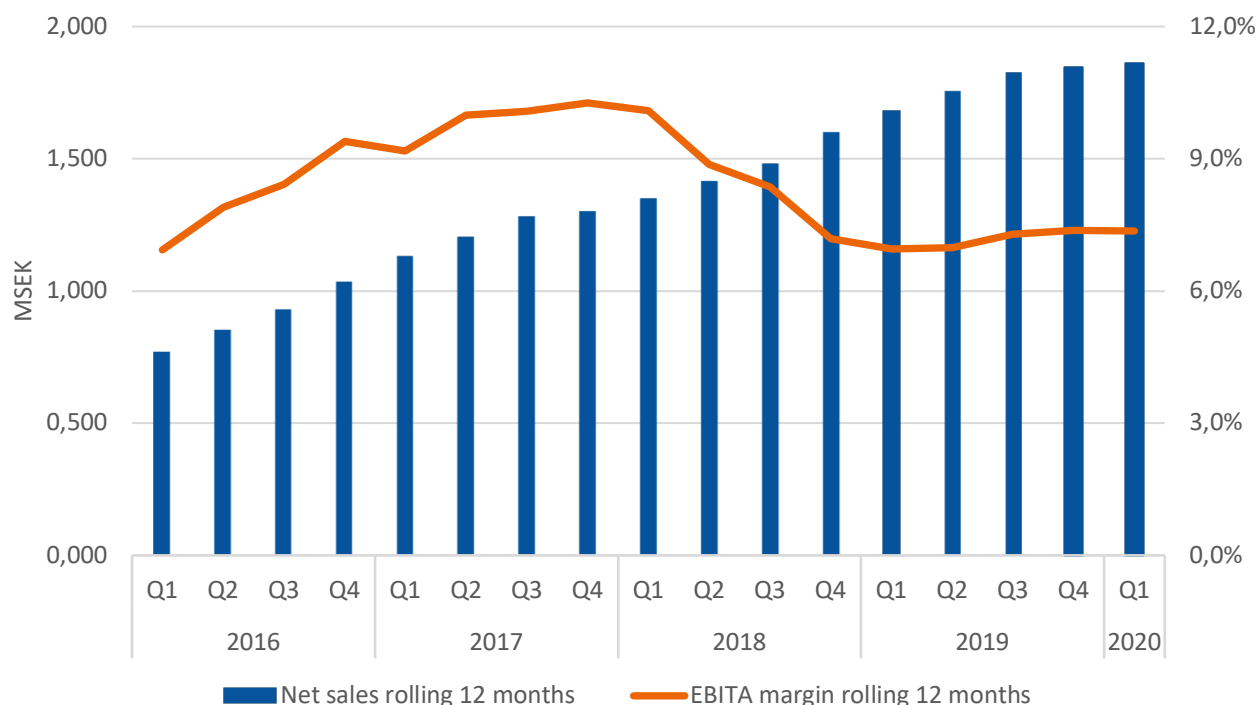
Net earnings for the quarter amounted to MSEK 8.9 (5.2) and earnings per share after dilution, increased by 71 percent and amounted to SEK 0.24 SEK (0.14). tax for the period was MSEK 3.7 (4.4) which means the average effective tax rate for the Group was 29.5 percent (45.9).

### Cash flow and investments

Cash flow from operating activities in the quarter amounted to MSEK 55.7 (30.8), including a change in working capital of MSEK -4.8 (-14.3).

Investments during the quarter amounted to MSEK 41.7 (14.3), of which MSEK 28.0 refers to an investment in a new production facility in the US.

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



## Liquidity and financial position

### The Group's net debt

Net debt totalled MSEK 310.5 at the end of the reporting period compared to MSEK 318.9 as per 31 December 2019.

### Available funds

Available funds on 31 March 2020, including unutilised overdraft facilities, amounted to MSEK 208.0 (171.8).

### Equity

Equity amounted to MSEK 636.4 on 31 March 2020 (574.4), which equated to SEK 16.97 per outstanding share before dilution at the end of the reporting period.

### The Group's financial goals

#### 9 percent EBITA margin

Earnings before amortisation of intangible assets (EBITA) should be at least 9 percent on a rolling 12-month basis. The EBITA margin on a rolling 12-month basis on 31 March 2020 was 7.4 percent (7.0).

#### 20 percent annual growth

The Group shall grow more than its market organically. Annual growth of at least 20 percent.

The growth will be both organic and acquisition driven. Growth during the quarter year was 4 percent. Growth on a rolling 12-month basis was 11 percent (25).

### Customers

The Group's customers are mainly wholesalers, telecom operators, network owners, telecom companies, installers and system houses.

### Employees

There were 609 (576) employees in the Group on 31 March 2020.

### Parent Company

The Parent Company's main business consists of performing Group-wide services. Revenue for the quarter amounted to MSEK 4.3 (4.7) and the result for the quarter was MSEK -8.9 (-10.4).

### Ownership structure

The company's share is listed in the Mid cap segment on Nasdaq Stockholm. At the end of the period the share capital amounted to MSEK 1.9.

Class of shares	Number of shares	Number of votes	Percentage of capital	Percentage of votes
Ordinary share, 1 vote per share	37,508,930	37,508,930	99.0%	99.9%
Class C share, 1/10 vote per share	360,000	36,000	1.0%	0.1%
<b>Total number of shares before repurchases</b>	<b>37,868,930</b>	<b>37,544,930</b>	<b>100%</b>	<b>100%</b>
Repurchased class C shares	-360,000		1.0%	0.1%
<b>Total number of shares after repurchases</b>	<b>37,508,930</b>			

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

Outstanding warrant programme	Number of warrants	Corresponding number of shares	Proportion of total shares	Exercise price	Expiration period
Warrant programme 2018/2021	578,000	578,000	1.5%	82.20	15 May - 15 Jun 2021
Warrant programme 2019/2022	357,500	357,500	0.9%	66.73	15 May - 15 Jun 2022
<b>Total</b>	<b>935,500</b>	<b>935,500</b>			

In addition to above warrant programmes, a decision was made in 2019 to introduce a long-term, performance-based incentive plan (LTIP 2019) for 11 senior executives in the Group who are resident in Sweden. At the time of this report, the participants have invested in a total of 48,640 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.

The company's market value at the end of the period was MSEK 1,527. The number of shareholders at period end, 8,129, is based on data from Euroclear.

The shareholder structure of Hexatronic Group AB (publ) on 31 March 2020 is shown in the table below.

Shareholder	No. of ordinary shares	Votes %
Accendo Capital	3,756,012	10.0%
Handelsbanken Funds	3,521,000	9.4%
Jonas Nordlund, privately and corporately	3,000,000	8.0%
Länsförsäkringar Funds	1,931,277	5.1%
Martin Åberg and Erik Selin via Chirp AB	1,785,872	4.8%
Swedbank Robur, West Fund	1,359,722	3.6%
AMF Insurance & Funds	1,321,279	3.5%
Fondita Nordic Micro Cap	1,162,795	3.1%
Avanza Pension - Insurance Company	933,281	2.5%
Göran Nordlund, privately and corporately	875,364	2.3%
Other shareholders	17,862,328	47.6%
<b>Total outstanding shares</b>	<b>37,508,930</b>	<b>100.0%</b>

## Sustainability

Together with our employees, customers and suppliers, Hexatronic wants to contribute to a more sustainable society. The Hexatronic Group focuses on the following nine sustainability areas: high business ethics, sustainable supply chain, stable profitability, low climate impact, environmentally sound products, high resource efficiency, diversity and gender equality, good working environment, health and safety and social involvement.

In 2019, Hexatronic Group was ranked among the top 5 percent of the stock exchange's most sustainable companies linked to anti-corruption and the top 25 percent linked to Agenda 2030. In 2019, we became a supporting member of the Swedish Anti-Corruption Institute and a member of the Global Compact.

In 2020, special focus will be on developing and improving the Group in the areas of low climate impact, sustainable supply chain and diversity and gender equality. In addition, a sustainability roadmap 2030 will be drawn up.



For more information about what Hexatronic has done and what is planned within the Group's sustainability work, please see Hexatronic's Annual Report 2019 on pages 24-37 and the website <https://hexatronicgroup.com/en/sustainability/>.

## The market

---

The general transition to a more digital, sustainable society is continuing at an increasing rate, and this change is extensively dependent on a fast, reliable infrastructure for digital communication. There are many factors driving this transition and the increased need for connection, from altered behaviours such as increased work from home, online shopping, digital banking services, online gaming, HD TV, streaming services and VR/MR, to a higher degree of connectivity in industry and driverless vehicles. The common denominator for it all is reliable internet connection with increasing demands on short response times.

The world's fiber network consists of powerful international transport networks that link together national and regional networks, backbone networks, and finally access networks (FTTH, fiber-to-the-home) which reach out to individual households. Millions of homes around the world need to be connected to high-performance communication networks, which means that the international market for FTTH is continuing to develop positively. Market Panorama, an annual report by FTTH Council Europe conducted, shows that growth in subscribers between September 2018 and September 2019 was 5 percent in the Nordic countries, 40 percent in the UK and 42 percent in Germany. The 2017-2018 growth was 42 percent in New Zealand and 21 percent in North America.

Various reports and national forecasts indicate continued strong demand for FTTH on Hexatronic's strategic growth markets (the UK, North America and Germany) up to 2025–2030, and probably beyond as well.

## Other disclosures

---

### Nature of operations

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.

The Group 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.

All amounts are in thousands of Swedish kronor (SEK thousand) unless otherwise stated. The figures in parentheses refer to the previous 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 4.7 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 2019 on page 44-47.

### 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 2019.

### Review

This interim report has not been reviewed by the company's auditor.



## 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 29 April 2020 at 08:00 CET.

### Financial calendar

Interim Report April-June 2020: 14 August 2020

Interim Report July-September 2020: 5 November 2020

Year-End Report 2020: 24 February 2021

### 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, 29 April 2020

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

## Consolidated income statement

(SEK thousand)	2020	2019	2019
	Q1	Q1	Full year
<u>Revenue</u>			
Net sales	437,331	421,087	1,842,266
Other operating income	1,951	1,223	14,043
	439,282	422,310	1,856,310
<u>Operating expenses</u>			
Raw materials and goods for resale	-243,141	-233,603	-1,022,632
Other external costs	-59,861	-58,336	-266,716
Personnel costs	-98,827	-93,169	-368,880
Other operating expenses	0	0	-1,294
Depreciation of tangible assets	-15,242	-15,961	-60,876
<b>Earnings before amortisation of intangible assets (EBITA)</b>	<b>22,212</b>	<b>21,241</b>	<b>135,911</b>
Amortisation of intangible assets	-6,938	-6,837	-29,501
<b>Operating result (EBIT)</b>	<b>15,274</b>	<b>14,404</b>	<b>106,410</b>
<u>Result from financial items</u>			
Financial income	117	41	285
Financial expenses	-2,795	-4,861	-15,664
<b>Resultat after financial items</b>	<b>12,596</b>	<b>9,584</b>	<b>91,031</b>
Income taxes	-3,720	-4,403	-23,965
<b>Net result for the period</b>	<b>8,876</b>	<b>5,181</b>	<b>67,066</b>
<b>Attributable to:</b>			
Parent Company shareholders	8,876	5,181	67,066
<b>Earnings per share</b>			
Earnings per share before dilution (SEK)	0.24	0.14	1.81
Earnings per share after dilution (SEK)	0.24	0.14	1.80
<b>Consolidated statement of comprehensive income</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>Q1</b>	<b>Q1</b>	<b>Helår</b>
Result for the period	8,876	5,181	67,066
<b>Items which can later be recovered in the income statement</b>			
Translation differences	35,325	16,461	12,025
<b>Other comprehensive income for the period</b>	<b>35,325</b>	<b>16,461</b>	<b>12,025</b>
<b>Comprehensive income for the period</b>	<b>44,201</b>	<b>21,642</b>	<b>79,091</b>
<b>Attributable to:</b>			
Parent Company shareholders	44,201	21,642	79,091

## Consolidated balance sheet

(SEK thousand)

Assets	31/3/2020	31/3/2019	31/12/2019
<b>Non-current assets</b>			
Intangible assets	451,170	455,452	434,253
Tangible assets	404,495	321,187	352,562
Financial assets	1,655	1,604	1,729
<b>Total non-current assets</b>	<b>857,320</b>	<b>778,243</b>	<b>788,544</b>
<b>Current assets</b>			
Inventories	335,560	379,672	339,346
Accounts receivable	292,519	278,928	242,413
Other receivables	7,628	2,627	3,232
Prepaid expenses and accrued income	30,175	29,401	20,559
Liquid assets	97,004	73,281	103,762
<b>Total current assets</b>	<b>762,885</b>	<b>763,909</b>	<b>709,312</b>
<b>TOTAL ASSETS</b>	<b>1,620,206</b>	<b>1,542,152</b>	<b>1,497,856</b>
<b>Equity</b>	<b>636,421</b>	<b>529,261</b>	<b>574,400</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	306,323	354,666	320,430
Deferred tax	58,392	57,085	58,497
Non-current lease liabilities	139,444	144,367	123,415
<b>Total non-current liabilities</b>	<b>504,159</b>	<b>556,118</b>	<b>502,342</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	57,000	56,923	57,000
Current lease liabilities	35,452	30,829	34,349
Overdraft facilities	44,213	0	45,258
Accounts payable	198,141	221,422	162,584
Provisions	3,000	3,000	3,000
Current tax liabilities	16,688	7,585	2,811
Other liabilities	49,037	72,454	48,346
Accrued expenses and deferred income	76,095	64,560	67,765
<b>Total current liabilities</b>	<b>479,626</b>	<b>456,773</b>	<b>421,114</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>1,620,206</b>	<b>1,542,152</b>	<b>1,497,856</b>

## Consolidated statement of changes in equity

	Share capital	Other capital contributions	Reserves	Result brought forward, including result for the period	Total equity
<b>(SEK thousand)</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	67,066	<b>67,066</b>
Other comprehensive income	0	0	12,025	0	<b>12,025</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>12,025</b>	<b>67,066</b>	<b>79,091</b>
New shares related to employee stock option programme	34	12,795	0	0	<b>12,828</b>
Employee stock option programme	0	2,186	0	0	<b>2,186</b>
Share-based remuneration	18	0	0	736	<b>754</b>
Dividend paid	0	0	0	-14,874	<b>-14,874</b>
<b>Total transactions with shareholders, reported directly in equity</b>	<b>52</b>	<b>14,981</b>	<b>0</b>	<b>-14,138</b>	<b>894</b>
<b>Balance carried forward as of 31 December 2019</b>	<b>1,877</b>	<b>220,768</b>	<b>17,930</b>	<b>333,825</b>	<b>574,400</b>
<b>Balance brought forward as of 1 January 2020</b>	<b>1,877</b>	<b>220,768</b>	<b>17,930</b>	<b>333,825</b>	<b>574,400</b>
Result for the period	0	0	0	8,876	<b>8,876</b>
Other comprehensive income	0	0	35,325	0	<b>35,325</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>35,325</b>	<b>8,876</b>	<b>44,201</b>
New shares related to employee stock option programme	15	15,854	0	0	<b>15,869</b>
Employee stock option programme	0	519	0	300	<b>818</b>
New share issue related to business acquisitions	1	1,132	0	0	<b>1,133</b>
<b>Total transactions with shareholders, reported directly in equity</b>	<b>16</b>	<b>17,504</b>	<b>0</b>	<b>300</b>	<b>17,820</b>
<b>Balance carried forward as of 31 March 2020</b>	<b>1,893</b>	<b>238,272</b>	<b>53,255</b>	<b>343,000</b>	<b>636,421</b>

## Consolidated statement of cash flows

(SEK thousand)	2020	2019	2019
	Q1	Q1	Full year
Operating result	15,274	14,404	106,410
Items not affecting cash flow	37,198	35,424	97,206
Interest received	117	41	285
Interest paid	-941	-3,241	-16,090
Income tax paid	8,801	-1,529	-27,679
<b>Cash flow from operating activities before changes in working capital</b>	<b>60,449</b>	<b>45,099</b>	<b>160,132</b>
Increase (-)/decrease (+) in inventories	3,786	-45,390	-5,065
Increase (-)/decrease (+) in accounts receivable	-50,106	-17,155	19,361
Increase (-)/decrease (+) in operating receivables	-14,012	-4,299	3,938
Increase (+)/decrease (-) in accounts payable	35,557	47,650	-11,188
Increase (+)/decrease (-) in operating liabilities	20,024	4,925	6,736
<b>Cash flow from changes in working capital</b>	<b>-4,751</b>	<b>-14,269</b>	<b>13,782</b>
<b>Cash flow from operating activities</b>	<b>55,698</b>	<b>30,830</b>	<b>173,915</b>
<b>Investing activities</b>			
Acquisition of tangible and intangible assets	-41,659	-14,341	-81,781
Acquisition of subsidiaries after deduction of acquired liquid assets	-10,365	0	-13,809
Change in financial assets	74	-589	-714
<b>Cash flow from investing activities</b>	<b>-51,950</b>	<b>-14,930</b>	<b>-96,304</b>
<b>Financing activities</b>			
Borrowings	0	0	20,000
Amortisation of loans	-14,250	0	-56,971
Amortisation of lease liabilities	-9,368	-8,709	-35,657
Changes in overdraft facilities	-1,045	-29,863	15,395
New share issues for the period	15,869	12,828	13,106
Dividends paid	0	0	-14,874
<b>Cash flow from financing activities</b>	<b>-8,794</b>	<b>-25,744</b>	<b>-59,000</b>
<b>Cash flow for the period</b>	<b>-5,046</b>	<b>-9,844</b>	<b>18,610</b>
Liquid assets at the start of the period	103,762	84,621	84,621
Exchange rate difference in liquid assets	-1,712	-1,495	531
<b>Liquid assets at the end of the period</b>	<b>97,004</b>	<b>73,281</b>	<b>103,762</b>

## Key metric for the group

	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>Q1</b>	<b>Q1</b>	<b>Full year</b>
Growth in net sales	4%	24%	15%
EBITA margin	5.1%	5.0%	7.4%
EBITA margin, 12 months rolling	7.4%	7.0%	7.4%
Operating margin	3.5%	3.4%	5.8%
Earnings per share before dilution (SEK)	0.24	0.14	1.81
Earnings per share after dilution (SEK)	0.24	0.14	1.80
Net sales per employee (SEK thousand)	730	747	3,133
Result per employee (SEK thousand)	15	9	114
Quick asset ratio	89%	84%	88%
Average number of employees	599	564	588
Number of shares at period end before dilution	37,508,930	37,183,825	37,183,825
Average number of shares before dilution	37,292,193	36,959,825	37,127,825
Average number of shares after dilution	37,300,597	37,123,335	37,217,336

For definition of key metrics, see the section Definition alternative key metrics.

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)	2020 Q1	2019 Q1
<b>Revenue</b>		
Net sales	4,315	4,743
	4,315	4,743
<b>Operating expenses</b>		
Other external costs	-8,227	-8,198
Personnel costs	-6,954	-6,244
Depreciation of tangible assets	-54	-54
<b>Operating result (EBITA)</b>	<b>-10,920</b>	<b>-9,753</b>
<b>Result from financial items</b>		
Interest income	1,145	212
Interest expenses	838	-827
<b>Result after financial items</b>	<b>-8,937</b>	<b>-10,369</b>
Appropriations	0	0
<b>Result before tax</b>	<b>-8,937</b>	<b>-10,369</b>
Tax on profit for the period	27	0
<b>Net result for the period</b>	<b>-8,910</b>	<b>-10,369</b>

Total comprehensive income is the same as net result for the period in the parent company since there is nothing accounted for as other comprehensive income.



## Parent Company balance sheet

(SEK thousand)	31/3/2020	31/3/2019	31/12/2019
<b>Assets</b>			
Intangible assets	775	0	388
Tangible assets	279	494	333
Financial assets	633,075	623,614	631,753
<b>Total non-current assets</b>	<b>634,129</b>	<b>624,108</b>	<b>632,473</b>
<b>Current receivables</b>			
Receivables from Group companies	245,196	157,784	257,463
Other receivables	6,465	2,656	2,262
Prepaid expenses and accrued income	4,539	7,000	4,118
<b>Total current receivables</b>	<b>256,200</b>	<b>167,440</b>	<b>263,843</b>
<b>Cash and bank balances</b>	<b>0</b>	<b>3,570</b>	<b>0</b>
<b>Total current assets</b>	<b>256,200</b>	<b>171,010</b>	<b>263,843</b>
<b>TOTAL ASSETS</b>	<b>890,329</b>	<b>795,119</b>	<b>896,316</b>
<b>Equity</b>	<b>219,303</b>	<b>204,974</b>	<b>210,390</b>
<b>Untaxed reserves</b>	<b>16,950</b>	<b>12,350</b>	<b>16,950</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	306,323	350,953	320,430
Deferred tax	0	0	4
<b>Total non-current liabilities</b>	<b>306,323</b>	<b>350,953</b>	<b>320,434</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	57,000	48,721	57,000
Overdraft facilities	44,213	0	45,258
Accounts payable	7,292	6,439	8,465
Liabilities to Group companies	207,853	115,485	200,084
Current tax liabilities	1,959	231	3,462
Other liabilities	19,634	50,419	29,270
Accrued expenses and deferred income	9,826	5,547	5,002
<b>Total current liabilities</b>	<b>347,777</b>	<b>226,841</b>	<b>348,541</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>890,329</b>	<b>795,119</b>	<b>896,316</b>

## Notes

### Note 1 Revenue

January to March 2020					
Geographical markets	Sweden	Rest of Europe	North America	Rest of the world	Total
Revenue from external customers	118,316	151,161	106,301	61,552	<b>437,331</b>
<b>Category</b>					
Goods	112,583	136,154	106,301	61,552	416,591
Services	5,733	15,007	0	0	20,740
<b>Total</b>	<b>118,316</b>	<b>151,161</b>	<b>106,301</b>	<b>61,552</b>	<b>437,331</b>
<b>Time for revenue recognition</b>					
At a given time	118,316	151,161	106,301	61,552	437,331
Over time	0	0	0	0	0
<b>Total</b>	<b>118,316</b>	<b>151,161</b>	<b>106,301</b>	<b>61,552</b>	<b>437,331</b>

January to March 2019					
Geographical markets	Sweden	Rest of Europe	North America	Rest of the world	Total
Revenue from external customers	127,440	129,830	90,586	73,232	<b>421,087</b>
<b>Category</b>					
Goods	118,374	111,737	90,586	73,232	393,928
Services	9,066	18,093	0	0	27,159
<b>Total</b>	<b>127,440</b>	<b>129,830</b>	<b>90,586</b>	<b>73,232</b>	<b>421,087</b>
<b>Time for revenue recognition</b>					
At a given time	127,440	129,830	90,586	73,232	<b>421,087</b>
Over time	0	0	0	0	0
<b>Total</b>	<b>127,440</b>	<b>129,830</b>	<b>90,586</b>	<b>73,232</b>	<b>421,087</b>

### Note 2 Pledged assets

Pledged assets	Group			Parent Company	
	31/3/2020	31/3/2019	31/12/2019	31/3/2020	31/3/2019
<i>Assets pledged for liabilities to credit institutions</i>					
Chattel mortgages	157,350	157,350	157,350	100	100
Shares in subsidiaries	277,090	291,726	269,517	82,957	82,504
<b>Total</b>	<b>434,440</b>	<b>449,076</b>	<b>426,867</b>	<b>83,057</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, %		Q1 2020		
Net sales Q1 2020		437,331		
Exchange-rate effects		-7,979		
Acquisition driven		0		
Comparable net sales		429,352		
Net sales Q1 2019		421,087		
Net sales increase cleared of exchange-rate effects		8,265		
%		2%		
Organic growth		8,265		
%		2%		
Annual growth, rolling 12 months, %		12 months		
Net sales January-March 2020		437,331		
Net sales April-December 2019		1,421,179		
Net sales rolling 12 months		1,858,510		
Net sales January-March 2019		421,087		
Net sales April-December 2018		1,258,534		
Net sales rolling 12 months		1,679,621		
Annual growth, rolling 12 months		11%		
Quick asset ratio, %		31/3/2020	31/3/2019	31/12/2019
Current assets		762,885	763,909	709,312
Inventories		-335,560	-379,672	-339,346
Current assets-inventories		427,325	384,237	369,965
Current liabilities		479,626	456,773	421,114
Quick asset ratio		89%	84%	88%
Core working capital, SEK thousand		31/3/2020	31/3/2019	31/12/2019
Inventories		335,560	379,672	339,346
Accounts receivable		292,519	278,928	242,413
Accounts payable		-198,141	-221,422	-162,584
Core working capital		429,938	437,178	419,176

## Definition alternative key metrics

---

### **EBITA**

Earnings before amortisation of intangible assets.

### **EBITA margin**

Earnings before amortisation of intangible assets as a percentage of net sales.

### **EBIT (operating result)**

Earnings before interest and taxes.

### **Operating margin**

Earnings before interest and taxes as a percentage of net sales.

### **Number of shares**

Number of outstanding shares at the end of the period.

### **Organic growth**

Changes in net sales excluding exchange-rate effects and acquisitions compared with the same period last year.

### **Annual growth**

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

### **Quick asset ratio**

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

### **Core working capital**

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

### **Average number of outstanding shares**

Weighted average of the number of outstanding shares during the period.

### **Average number of outstanding shares after dilution**

Number of outstanding shares at the end of the period plus the number of shares that would be added if all dilutive potential shares were converted.

### **Earnings per share before dilution**

Earnings as a percentage of average number of outstanding shares before dilution.

### **Earnings per share after dilution**

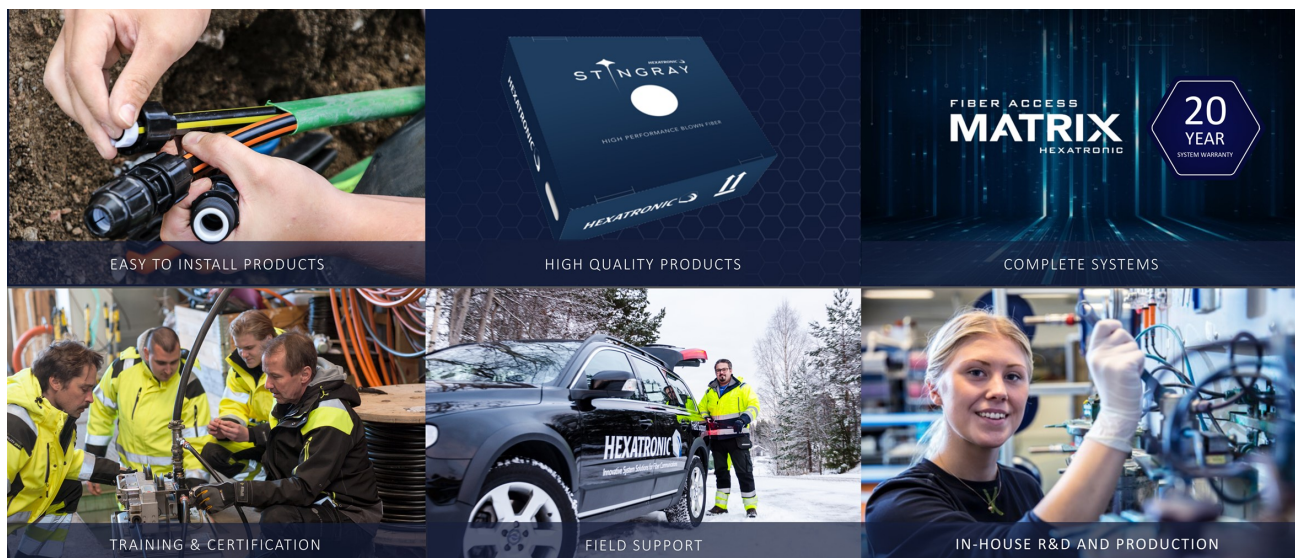
Earnings as a percentage of average number of outstanding shares after dilution.

### **Equity per share**

Equity divided by the number of shares at the end of the period.

### **Number of employees**

Number of employees at the end of the period.



## This is Hexatronic

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, Viper, Stringray, Raptor, InOne and Wistom®. The Group has its headquarters in Gothenburg, Sweden and has sales offices and/or subsidiaries in Sweden, Norway, Finland, 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).

**Hexatronic Group AB (publ)** Org nr 556168-6360