

# Hexatronic Group AB (publ)

## Interim Report April – June 2018

(Reporting period January – June 2018)

### The quarter (April-June 2018)

- Net sales amounted to MSEK 411.6 (346.2), which represents 19% (26%) growth during the quarter.
- The operating result before interest, taxes, depreciation and amortisation (EBITDA) totalled MSEK 39.8 (49.2), which corresponds to an EBITDA margin of 9.7% (14.2%).
- The operating result amounted to MSEK 30.2 (42.2).
- Net earnings totalled MSEK 19.8 (30.4).
- Earnings per share after dilution totalled SEK 0.52 (0.80).
- Cash flow from operating activities during the quarter amounted to MSEK -44.3 (-5.6)

### The period (January-June 2018)

- Net sales amounted to MSEK 750.8 (637.5), which represents 18% (36%) growth during the period.
- The operating result before interest, taxes, depreciation and amortisation (EBITDA) totalled MSEK 64.3 (70.2), which corresponds to an EBITDA margin of 8.6% (11.0%). The EBITDA margin on a rolling 12-month basis was 10.3% (11.3%).
- The operating result amounted to MSEK 43.9 (56.2).
- Net earnings totalled MSEK 31.1 (39.9).
- Earnings per share after dilution totalled SEK 0.82 (1.06).
- Cash flow from operating activities during the period amounted to MSEK -46.1 (23.0)

## Comments from the CEO

### Continued strong growth, though with a weak Swedish market

Growth for the Group as a whole during the quarter amounts to 19%. We continue the strong growth outside of the Nordics with a growth of 125%. The Swedish market was weak during the quarter compared to the same period last year. Thanks to the impressive growth outside of the Nordics we have however advanced our positions dramatically, which means that a far higher proportion of our sales are now on growth markets. Negative organic growth in Sweden has meant lower utilisation of our production capacity, and this affected our profitability negatively during the quarter.

The weak Swedish market is attributable to the postponement of fiber to the home (FTTH) construction until the latter part of May (due to the harsh winter), the fact that one of the major operators in Sweden has begun far fewer new FTTH projects, and the relatively large stock of optical fiber still with our major customers from the previous year. Our new prediction for the Swedish market is that it will be around 20% lower this year than last year. One pleasing development on the Swedish market during the quarter was that we won a large order worth MSEK 29 to extend the fiber optic transport network.

The substantial growth outside of the Nordics is in line with our strategy, with increased internationalisation in growth regions. New Zealand and the USA were the territories that continued to see strong growth. In the USA duct manufacturer Blue Diamond Industries, acquired at the beginning of the year, is developing very well. At the end of the quarter we also saw an increase in our system sales in the USA, which is very pleasing. These remain at quite low volumes, but there is a distinct upward trend which we believe will continue. We continued to strengthen our organisation in the USA during the quarter. We can see a strong market in New Zealand, and we believe this is set to remain so for the foreseeable future.

The acquisition of British training company PQMS (with subsidiaries Gordon Franks and Smart Awards) was strategically important for us to strengthen our presence and offering in the UK. The British market represents a major extension of FTTH, and there is a distinct lack of qualified fiber installers and project managers. We view our opportunities in the UK very positively and anticipate a pronounced increase in sales the coming quarter.

Another growth market of great interest is Germany, where we became established last quarter. We can already see a high level of interest in our solutions and expect to be up and running with the first projects during the coming quarter.

On the product side we launched our hybrid system, InOne, for 5G, WiFi, sensors and CCTV during the quarter. The system is based on blowable hybrid cables, as well as miniature transformers and switches. The market for these products is expected to increase dramatically over the next few years. The system has been tested during the year with a number of successful pilot installations both in Sweden and abroad, and this has resulted in a great deal of interest.

In the strongly developing market for fiber optic sensors, Proximion signed a partnership agreement with SKF during the quarter relating to development of fiber optic sensors for SKF's roller bearing solutions. The agreement is a strategic one and it illustrates our extensive expertise in fiber optic sensors, while also adding yet another area of application for our sensors.

We move into Q3 2018 with an order book that is 32% lower than at the same point last year and on a comparable basis (13% lower than last year including acquisitions). During the second quarter of last year, several Swedish customers placed large orders well in advance so as to secure their access to materials. With the weak Swedish market this year, customers are thinking far more short-term. We anticipate continued strong growth outside of the Nordics, an increasing Swedish market and greater utilisation of our production plants in Sweden in the coming quarter.

We still have a very positive view of the FTTH market and of the opportunities that 5G will bring in terms of fiber expansion, and of our opportunities for continued profitable growth.

Thank you for joining us on this journey.

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

## Events during the quarter (April – June 2018))

- Hexatronic acquired the British training companies Professional Quality Management Services Ltd., Smart Awards Ltd. and Gordon Franks Training Ltd. The acquired companies are consolidated into the Hexatronic Group from June 8, 2018.
- Hexatronic won an order of MSEK 29 regarding transport cable and submarine cable.
- SKF and Proximion AB, a wholly-owned subsidiary of Hexatronic Group AB, entered into a development partnership for the industrialization of fiber optic sensing systems.
- Hexatronic received a lawsuit from Emtelle Ltd. related to an alleged infringement on air-blown fiber products on the British market.
- The AGM was held on 19 April 2018. The AGM decided to pay a dividend of SEK 0.40 per share, which was paid on 26 April 2018. Jaakko Kivinen was voted onto the Board as a new member. A decision was made to introduce an incentive programme via a targeted issue of max. 1,000,000 warrants. The Board was authorised 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.
- With the AGM’s authorisation, Hexatronic’s Board of Directors decided on a new share issue of 121,372 shares. The new issue comprised part of the purchase price for the acquisition of PQMS Ltd.

## Events since the end of the period

- Hexatronic has received a notice of discontinuance from the High Court of New Zealand regarding an alleged infringement by Hexatronic New Zealand Limited and Hexatronic Cables & Interconnect Systems AB in New Zealand. The lawsuit which was communicated July 8, 2016 was related to air-blown fiber.
- Hexatronic signed an agreement with a UK operator totalling 6 MGBP regarding delivery of fibre optic FTTH system. The agreement covers deliveries in 2018.

## Financial information, Group

	Quarter 180401 180630	Quarter 170401 170630	Period 180101 180630	Period 170101 170630	Full year 170101 171231
<b>MSEK</b>					
Net sales	411.6	346.2	750.8	637.5	1,299.4
EBITDA	39.8	49.2	64.3	70.2	151.0
EBITDA margin	9.7%	14.2%	8.6%	11.0%	11.6%
Operating result	30.2	42.2	43.9	56.2	122.3
Net earnings	19.8	30.4	31.1	39.9	90.4
Earnings per share after dilution, SEK	0.52	0.80	0.82	1.06	2.38
Cash flow from operating activities	-44.3	-5.6	-46.1	23.0	133.4
Liquid assets	50.6	22.5	50.6	22.5	108.2

See other key metrics on page 19.

## Net sales and results

### The quarter (April – June 2018)

Net sales during the quarter amounted to MSEK 411.6 (346.2). Net sales increased by 19% for the Group compared to the same quarter last year. The growth is attributable to the acquisitions of Blue Diamond Industries, PQMS, Gordon Franks Training and Smart Awards. The organic growth was -6% compared to the same quarter last year.

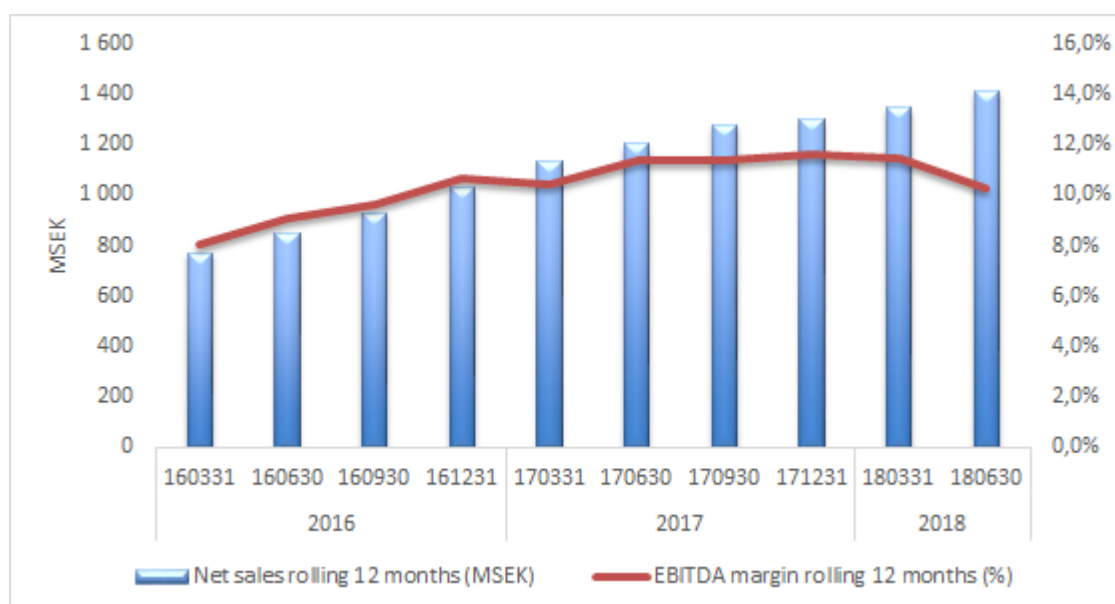
EBITDA totalled MSEK 39.8 (49.2), which corresponds to an EBITDA margin of 9.7% (14.2%).

### The period (January – June 2018)

Net sales for the period amounted to MSEK 750.8 (637.5). Net sales increased by 18% for the Group compared to the same period last year. The growth in sales is attributable to the acquisitions of Blue Diamond Industries, PQMS, Gordon Franks Training and Smart Awards.

EBITDA totalled MSEK 64.3 (70.2), which corresponds to an EBITDA margin of 8.6% (11.0%). The EBITDA margin on a rolling 12-month basis was 10.3% (11.3%).

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



## Financial position and liquidity

### Liquid assets

Liquid assets on 30 June 2018, excluding overdraft facilities, amounted to MSEK 50.6 (22.5). Unutilised overdraft facilities amounted to MSEK 52.9 (41.6) on 30 June 2018.

### Non-current assets

Non-current assets amounted to MSEK 467.5 (218.9) on 30 June 2018. The increase is primarily related to acquired assets in connection with the acquisitions of Blue Diamond Industries, PQMS, Gordon Franks Training and Smart Awards.

### Equity

Equity amounted to MSEK 460.5 (370.7) on 30 June 2018, which equated to SEK 12.69 (10.26) per outstanding share before dilution at the end of the reporting period.

### Borrowing

The Parent Company has an acquisition facility of MSEK 500 (100) with Danske Bank. The utilised amount on 30 June 2018 totalled MSEK 333.9, and MSEK 281.7 of this is long-term borrowing. The debt falls due for payment on 15 December 2020 with an option to extend. The Parent Company's loan agreements include the usual conditions, commitments and provisos.

Net debt totalled MSEK 300.5 (80.0) at the end of the reporting period.

### Equity ratio

The equity ratio on 30 June 2018 was 39% (49%).

### Cash flow

#### Cash flow from operating activities

Cash flow from operating activities during the quarter amounted to MSEK -44.3 (-5.6), including a change in working capital of MSEK -74.8 (-45.8). The lower cash flow is attributable to increased capital tied up in inventories and accounts receivables.

Cash flow from operating activities during the period January-June amounted to MSEK -46.1 (23.0), including a change in working capital of MSEK -94.0 (-39.7). 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 -28.5 (-17.7). The cash flow is primarily attributable to the acquisition of PQMS, Gordon Franks Training and Smart Awards and to some extent to investments in tangible and intangible assets.

Cash flow from investing activities during the period January-June amounted to MSEK -255.7 (-29.5). The cash flow is primarily attributable to the acquisition of Blue Diamond Industries, PQMS, Gordon Franks Training and Smart Awards and to some extent to investments in tangible and intangible assets.

#### Cash flow from financing activities

Cash flow from financing activities during the quarter amounted to MSEK 14.3 (-3.6). The cash flow during the quarter is attributable to new borrowing related to the acquisition of PQMS, Gordon Franks Training and Smart Awards, utilisation of overdraft facilities and MSEK 14.5 related to dividend paid.

Cash flow from financing activities during the period January-June amounted to MSEK 244.2 (-10.6). The cash flow from financing activities during the period January-June is attributable to new borrowing related to the acquisition of Blue Diamond Industries, PQMS, Gordon Franks Training and Smart Awards, utilisation of overdraft facilities and MSEK 14.5 related to dividend paid.

## The Group's financial goals

### Profitability

An EBITDA margin (EBITDA as a percentage of net sales) of at least 10% on a rolling 12-month basis. The EBITDA margin on a rolling 12-month basis on 30 June 2018 was 10.3% (11.3%).

### 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 during the quarter was 19% (26%). Growth on a rolling 12-month basis was 18% (41%).

### Financial stability

The Group shall have an equity ratio of at least 30%. The equity ratio was 39% (49%) 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. The Group mainly sells its products in the Nordic market but is also represented in several European countries and in the rest of the world.

## Employees

There were 540 (389) employees in the Group on 30 June 2018. The increase in employees compared to the same time last year is primarily due to the acquisition of Blue Diamond Industries, PQMS, Gordon Franks Training and Smart Awards.

## Parent Company

The Parent Company's main business consists of performing Group-wide services. Revenue for the period January-June amounted to MSEK 12.7 (10.2) and the result for the period was MSEK -12.6 (-6.7).

The Parent Company's financial assets amounted to MSEK 522.0 (229.9) at the end of the period. The increase is related to the value of shares in the acquired companies Blue Diamond Industries, PQMS, Gordon Franks Training and Smart Awards.

## 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

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.

A number of 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 2016/17.

## Patent dispute

Hexatronic received in August 2018 a notice of discontinuance from the High Court of New Zealand regarding an alleged infringement by Hexatronic New Zealand Limited and Hexatronic Cables & Interconnect Systems AB in New Zealand. The lawsuit which was communicated July 8, 2016 was related to air-blown fiber.

In addition to above, 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 intends to contest 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 acquisition of PQMS

During the quarter, Hexatronic acquired 100% of the British training provider PQMS Ltd. As part of the transaction Hexatronic also acquired UK-based Smart Awards Ltds. and Gordon Franks Training Ltd. The acquired companies are consolidated into the Hexatronic Group from June 8, 2018.

PQMS is a reputable training provider to a number of the largest telecommunication and electric companies in the UK. Smart Awards is a national accrediting body that develops and certificates programs for a number of industries including telecommunication. Gordon Franks is a provider of apprenticeships and specialist training programs. In 2017, the companies generated a revenue of approximately £5.2 million with an expected strong revenue growth going forward.

See note 5 Business acquisitions for more information.

## The market

Broadband expansion is in full swing all around the world. Some nations have come a long way, while several major countries have barely begun.

At EU level, and in many individual countries, there are digitalisation goals that include a certain bandwidth per household at a particular point in time. "The Digital Agenda for Europe" stipulates the goals up to 2025. The global economy is changing quickly and it is important to the competitiveness of individual countries and the whole of the EU that the goals are accomplished.

There is still high activity on the global FTTH market worldwide, and especially on our focus markets of the Nordics, Central Europe and North America. In an FTTH Council Europe report presented in February 2018, relating to the percentile coverage of FTTH/FTTB by country, small countries such as the United Arab Emirates, Singapore and South Korea are at the top of the rankings for the percentage of fiber households. In Europe, Latvia is in the lead with 50.6% followed by Sweden with 43.4% and lagging far behind are major nations like Germany and Italy with just 2.3% each, while the UK has under 1%.

In terms of size, the North American market is comparable to Europe, and expansion there is expected to be strong in the next few years. During 2017, the number of 'homes passed' increased by 20% to 50 million households in total, which indicates that the market is active.

On the Swedish market, it is primarily connection in rural areas that is yet to be completed. Since the material requirement for rural connection is about 2.6 times higher for duct and cable than in built-up areas, this means that even though the market is in the final stages of development and the number of connections is falling, the need for materials is not decreasing at the same rate.

5G is imminent – a technological shift that is required to provide sufficient support for new services and connected products that need higher transfer speeds in the networks, such as driverless vehicles.

Video currently comprises around 50% of all traffic, and this is expected to rise to 75% by 2023. The transition to 5G entails a dramatic condensation of senders/receivers, which has an effect on the fiber networks as these are largely connected to fiber, and the need for fiber will increase.

The development of 5G is in its infancy and is expected to gather real momentum in two to three years' time. The number of mobile users is expected to increase from around 8 billion to around 9 billion by 2023, according to the Ericsson Mobility Report.

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 arising. The opportunities and potential applications are virtually endless.

The segments expected to grow the most in IoT are the 'short range' ones, i.e. products with a wireless range of up to 100 m, often with a connection to WiFi, Bluetooth and Zigbee. The number of IoT products is expected to grow by about 20% a year up to 2023, which would then result in 20 billion connected devices worldwide – a clear indication of the dramatic growth that's anticipated in this segment.

## 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 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 MEUR 150 and MEUR 1,000.

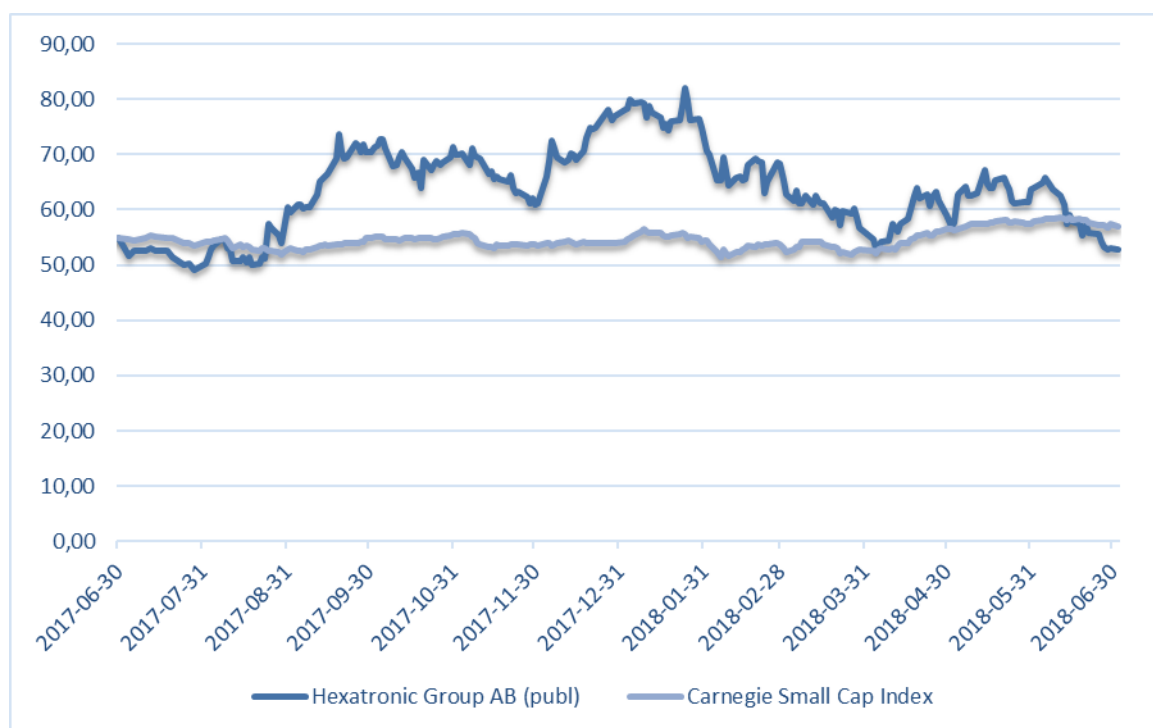
The company's share is listed under the ticker **HTRO**. On the balance sheet date, the share capital in Hexatronic Group AB (publ) amounted to SEK 1,814,652.15, distributed among a total of 36,293,049 shares, before dilution from existing employee stock option programmes.

At the Annual General Meeting (AGM) on 19 April 2018, 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 26 April 2018.

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.
- In 2018 an employee stock option programme was approved with 1,000,000 options available to the company’s personnel; 428,000 of these options were subscribed at an issue price of SEK 82.20, with a redemption window of 15 May – 15 Junw 2021.

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



The company’s market value at the end of the period was MSEK 1,923.

The number of shareholders at period end, 8.945, is based on data from Euroclear. The shareholder structure of Hexatronic Group AB (publ) on 30 June 2018 is shown in the table below.

Shareholder	No. of shares	Capital & votes %
Accendo Capital	4 658 447	12,8%
Jonas Nordlund, privately and corporately	2 989 841	8,2%
Handelsbanken Funds	2 400 000	6,6%
Fondita Nordic Micro Cap	1 800 000	5,0%
Martin Åberg and Erik Selin via Chirp AB	1 785 872	4,9%
Göran Nordlund, privately and corporately	1 415 477	3,9%
Swedbank Robur, West Fund	1 342 039	3,7%
Nordea Funds	1 300 727	3,6%
Avanza Pension - Insurance Company	1 223 590	3,4%
Henrik Larsson Lyon	791 666	2,2%
Other shareholders	16 585 390	45,7%
<b>Total outstanding shares</b>	<b>36 293 049</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 person named below, on 16 August 2018 at 08:00 CET.

### Financial calendar

Interim Report July-September 2018: 7 November 2018

Year-End Report: 22 February 2019

Interim Report January-March 2019: 3 May 2019

Interim Report April-June 2019: 16 August 2019

### Annual General Meeting

The AGM will be held on 9 May 2019.

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 2018

Anders Persson  
Chairman

Erik Selin  
Board member

Jaakko Kivinen  
Board member

Malin Frenning  
Board member

Malin Persson  
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 Ribbonet®, Micronet™, Drytech™, Lightmate®, FibreHub™, Matrix, Viper, Stingray 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).*

Consolidated income statement (SEK thousand)	Quarter	Quarter	Period	Period	Full year
	180401	170401	180101	170101	170101
	180630	170630	180630	170630	171231
<u>Revenue</u>					
Net sales	411,587	346,181	750,821	637,486	1,299,419
Other operating income	882	284	1,560	0	19,003
	412,469	346,465	752,381	637,486	1,318,423
<u>Operating expenses</u>					
Raw materials and goods for resale	-230,453	-190,216	-417,268	-354,083	-728,476
Other external costs	-63,836	-40,266	-117,633	-82,850	-176,801
Personnel costs	-78,425	-66,794	-153,160	-129,282	-259,950
Other operating expenses	0	0	0	-1,048	-2,191
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>39,755</b>	<b>49,189</b>	<b>64,320</b>	<b>70,223</b>	<b>151,004</b>
Depreciation of tangible assets and amortisation of intangible assets	-9,566	-7,038	-20,405	-14,066	-28,704
<b>Operating result</b>	<b>30,189</b>	<b>42,150</b>	<b>43,916</b>	<b>56,156</b>	<b>122,300</b>
<u>Result from financial items</u>					
Financial income	0	0	134	0	230
Financial expenses	-5,632	-3,041	-5,783	-3,771	-6,399
<b>Result after financial items</b>	<b>24,557</b>	<b>39,110</b>	<b>38,267</b>	<b>52,385</b>	<b>116,130</b>
Income taxes	-4,729	-8,728	-7,131	-12,472	-25,699
<b>Net result for the period</b>	<b>19,827</b>	<b>30,381</b>	<b>31,136</b>	<b>39,913</b>	<b>90,432</b>
<b>Attributable to:</b>					
Parent Company shareholders	19,827	30,381	31,136	39,913	90,432
<b>Earnings per share</b>					
Earnings per share before dilution (SEK)	0.55	0.84	0.86	1.10	2.50
Earnings per share after dilution (SEK)	0.52	0.80	0.82	1.06	2.38
<b>Consolidated statement of comprehensive income</b>					
	<b>Quarter</b>	<b>Quarter</b>	<b>Period</b>	<b>Period</b>	<b>Full year</b>
	<b>180401</b>	<b>170401</b>	<b>180101</b>	<b>170101</b>	<b>170101</b>
	<b>180630</b>	<b>170630</b>	<b>180630</b>	<b>170630</b>	<b>171231</b>
Result for the period	19,827	30,381	31,136	39,913	90,432
<b>Items which can later be recovered in the income statement</b>					
Translation differences	12,704	-389	15,034	-772	-2,687
Cash flow hedge	0	0	3,077	0	-3,077
<b>Other comprehensive income for the period</b>	<b>12,704</b>	<b>-389</b>	<b>18,111</b>	<b>-772</b>	<b>-5,765</b>
<b>Comprehensive income for the period</b>	<b>32,532</b>	<b>29,993</b>	<b>49,248</b>	<b>39,141</b>	<b>84,667</b>
<b>Attributable to:</b>					
Parent Company shareholders	32,532	29,993	49,248	39,141	84,667

<b>Consolidated balance sheet (SEK thousand)</b>	<b>2018-06-30</b>	<b>2017-06-30</b>	<b>2017-12-31</b>
<b>Assets</b>			
<b><u>Non-current assets</u></b>			
Intangible assets	334,383	123,461	118,585
Tangible assets	132,169	95,106	93,933
Financial assets	957	288	312
<b>Total non-current assets</b>	<b>467,509</b>	<b>218,855</b>	<b>212,830</b>
<b><u>Current assets</u></b>			
Inventories	313,125	227,226	236,925
<b><u>Current receivables</u></b>			
Accounts receivable	322,271	261,870	204,062
Other receivables	6,307	2,788	1,649
Prepaid expenses and accrued income	16,219	16,169	13,394
<b>Total current receivables</b>	<b>344,796</b>	<b>280,827</b>	<b>219,104</b>
<b><u>Liquid assets</u></b>	<b>50,642</b>	<b>22,465</b>	<b>108,239</b>
<b>Total current assets</b>	<b>708,563</b>	<b>530,518</b>	<b>564,268</b>
<b>Total assets</b>	<b>1,176,072</b>	<b>749,373</b>	<b>777,098</b>

**Consolidated balance sheet (SEK thousand)**

	<b>2018-06-30</b>	<b>2017-06-30</b>	<b>2017-12-31</b>
<b>Equity</b>			
<u>Equity attributable to Parent Company shareholders</u>			
Share capital	1,815	1,807	1,809
Other contributed capital	194,946	184,253	186,077
Reserves	10,956	-929	-8,714
Result brought forward, including comprehensive Income for the period	252,753	185,570	236,087
<b>Equity</b>	<b>460,470</b>	<b>370,702</b>	<b>415,259</b>
<u>Non-current liabilities</u>			
Liabilities to credit institutions	281,728	82,977	70,530
Deferred tax	37,238	32,061	35,372
<b>Total non-current liabilities</b>	<b>318,966</b>	<b>115,038</b>	<b>105,903</b>
<u>Current liabilities</u>			
Liabilities to credit institutions	52,215	11,064	23,510
Overdraft facilities	17,118	8,403	0
Accounts payable	193,307	131,599	140,886
Provisions	3,000	5,000	3,000
Current tax liabilities	5,027	16,708	11,779
Other liabilities	64,198	41,169	26,215
Accrued expenses and deferred income	61,771	49,691	50,546
<b>Total current liabilities</b>	<b>396,636</b>	<b>263,634</b>	<b>255,936</b>
<b>Total equity, provisions and liabilities</b>	<b>1,176,072</b>	<b>749,373</b>	<b>777,098</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 2017</b>	<b>1,807</b>	<b>182,924</b>	<b>-158</b>	<b>145 774</b>	<b>330,347</b>
Result for the period	0	0	-2,792	90,432	<b>87,640</b>
Other comprehensive income	0	0	-5,765	-118	<b>-5,883</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-8,556</b>	<b>90,313</b>	<b>81,757</b>
New share issue relating to business acquisitions	2	1,627	0	0	<b>1,629</b>
Employee stock option programme	0	1,526	0	0	<b>1,526</b>
Fund for development costs	0	4,751	0	-4,751	<b>0</b>
<b>Total transactions with shareholders, reported directly in equity</b>	<b>2</b>	<b>7,904</b>	<b>0</b>	<b>-4,751</b>	<b>3,155</b>
<b>Balance carried forward as of 31 December 2017</b>	<b>1,809</b>	<b>190,828</b>	<b>-8,714</b>	<b>231,336</b>	<b>415,259</b>
<b>Balance brought forward as of 1 January 2018</b>	<b>1,809</b>	<b>190,828</b>	<b>-8,714</b>	<b>231,336</b>	<b>415,259</b>
Result for the period	0	0	0	31,136	<b>31,136</b>
Other comprehensive income	0	0	19,670	0	<b>19,670</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>19,670</b>	<b>31,136</b>	<b>50,806</b>
New share issue relating to business acquisitions	6	7,033	0	0	<b>7,039</b>
Employee stock option programme	0	1,836	0	0	<b>1,836</b>
Dividends paid	0	0	0	-14,471	<b>-14,471</b>
Fund for development costs	0	-4,751	0	4,751	<b>0</b>
<b>Total transactions with shareholders, reported directly in equity</b>	<b>6</b>	<b>4,118</b>	<b>0</b>	<b>-9,720</b>	<b>-5,596</b>
<b>Balance carried forward as of 30 June 2018</b>	<b>1,815</b>	<b>194,946</b>	<b>10,956</b>	<b>252,753</b>	<b>460,470</b>

Consolidated statement of cash flows (SEK thousand)	Quarter	Quarter	Period	Period	Full year
	180401	170401	180101	170101	170101
	180630	170630	180630	170630	171231
Operating result	30,189	42,150	43,916	56,156	122,300
Items not affecting cash flow	11,783	4,197	23,798	8,950	16,534
Interest received	29	0	134	5	164
Interest paid	-1,930	-534	-3,279	-1,051	-2,025
Income tax paid	-9,576	-5,593	-16,660	-1,345	-16,299
<b>Cash flow from operating activities before changes in working capital</b>	<b>30,495</b>	<b>40,220</b>	<b>47,909</b>	<b>62,715</b>	<b>120,674</b>
Increase (-)/decrease (+) in inventories	-8,799	5,784	-54,803	-20,232	-29,931
Increase (-)/decrease (+) in accounts receivable	-87,176	-48,709	-78,606	-65,534	-7,726
Increase (-)/decrease (+) in operating receivables	-495	5,324	-1,183	4,448	8,369
Increase (+)/decrease (-) in accounts payable	20,726	-13,225	34,178	26,325	35,613
Increase (+)/decrease (-) in operating liabilities	941	5,001	6,427	15,248	6,360
<b>Cash flow from changes in working capital</b>	<b>-74,803</b>	<b>-45,825</b>	<b>-93,987</b>	<b>-39,745</b>	<b>12,684</b>
<b>Cash flow from operating activities</b>	<b>-44,308</b>	<b>-5,605</b>	<b>-46,079</b>	<b>22,971</b>	<b>133,358</b>
<u>Investing activities</u>					
Acquisition of tangible and intangible assets	-13,837	-17,758	-23,102	-24,498	-33,087
Acquisition of subsidiaries after deduction of acquired liquid assets	-14,687	12	-232,622	-4,960	-12,683
<b>Cash flow from investing activities</b>	<b>-28,524</b>	<b>-17,746</b>	<b>-255,724</b>	<b>-29,458</b>	<b>-45,770</b>
<u>Finansieringsverksamheten</u>					
Borrowings	31,719	0	261,622	0	0
Amortisation of loans	-21,720	0	-21,720	0	0
Changes in overdraft facilities	17,118	-3,551	17,118	-11,874	-20,277
New share issues for the period	1,654	0	1,654	1,239	1,340
Dividends paid	-14,469	0	-14,469	0	0
<b>Cash flow from financing activities</b>	<b>14,303</b>	<b>-3,551</b>	<b>244,206</b>	<b>-10,635</b>	<b>-18,937</b>
<u>Cash flow for the period</u>	<u>-58,530</u>	<u>-26,902</u>	<u>-57,596</u>	<u>-17,123</u>	<u>68,650</u>
Liquid assets at the start of the period	109,172	49,367	108,239	39,588	39,588
<b>Liquid assets at the end of the period</b>	<b>50,642</b>	<b>22,465</b>	<b>50,642</b>	<b>22,465</b>	<b>108,239</b>

Key metrics for the Group	Quarter	Quarter	Period	Period	Full year
	180401	170401	180101	170101	170101
	180630	170630	180630	170630	171231
Growth in net sales	19%	26%	18%	36%	26%
EBITDA margin	9.7%	14.2%	8.6%	11.0%	11.6%
EBITDA margin, 12 months rolling	10.3%	11.3%	10.3%	11.3%	11.6%
Operating margin	7.3%	12.2%	5.8%	8.8%	9.4%
Equity ratio	39.2%	49.5%	39.2%	49.5%	53.4%
Earnings per share before dilution (SEK)	0.55	0.84	0.86	1.10	2.50
Earnings per share after dilution (SEK)	0.52	0.80	0.82	1.06	2.38
Net sales per employee (SEK thousand)	820	913	1,535	1,723	3,456
Result per employee (SEK thousand)	39	80	64	108	241
Quick ratio	1.0	1.2	1.0	1.2	1.3
Average number of employees	502	379	489	370	376
Number of shares at period end before dilution	36,293,049	36,140,785	36,293,049	36,140,785	36,171,677
Average number of shares before dilution	36,212,134	36,140,785	36,191,906	36,140,785	36,148,508
Average number of shares after dilution	37,830,401	37,779,218	37,810,172	37,779,218	37,942,528

For the definition of key metrics, see the Annual Report for 2016/17.

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)**

	<b>Period</b>	<b>Period</b>
	<b>180101</b>	<b>170101</b>
	<b>180630</b>	<b>170630</b>
<u>Revenue</u>		
Net sales	12,650	10,155
	12,650	10,155
<u>Operating expenses</u>		
Other external costs	-9,974	-5,959
Personnel costs	-11,506	-10,309
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>-8,830</b>	<b>-6,113</b>
Depreciation of tangible assets	-107	-112
<b>Operating result</b>	<b>-8,937</b>	<b>-6,226</b>
<u>Result from financial items</u>		
Interest income	476	933
Interest expenses	-4,215	-1,431
<b>Result after financial items</b>	<b>-12,677</b>	<b>-6,724</b>
Appropriations	0	0
<b>Result before tax</b>	<b>-12,677</b>	<b>-6,724</b>
Tax on profit for the period	95	0
<b>Net result for the period</b>	<b>-12,582</b>	<b>-6,724</b>

Parent Company balance sheet (SEK thousand)	2018-06-30	2017-06-30	2017-12-31
<b>Assets</b>			
Tangible assets	655	875	762
Financial assets	521,955	229,872	221,847
<b>Total non-current assets</b>	<b>522,610</b>	<b>230,747</b>	<b>222,609</b>
<u>Current receivables</u>			
Receivables from Group companies	144,121	155,556	128,644
Current tax receivables	356	0	0
Other receivables	3,481	6	2,871
Prepaid expenses and accrued income	1,942	1,910	1,144
<b>Total current receivables</b>	<b>149,899</b>	<b>157,471</b>	<b>132,659</b>
<u>Cash and bank balances</u>	0	0	51,348
<b>Total current assets</b>	<b>149,899</b>	<b>157,471</b>	<b>184,007</b>
<b>Total assets</b>	<b>672,508</b>	<b>388,218</b>	<b>406,616</b>
<b><u>Equity, provisions and liabilities</u></b>			
<u>Equity</u>	174,517	173,116	193,480
<u>Untaxed reserves</u>	6,330	3,740	6,330
<u>Non-current liabilities</u>			
Liabilities to credit institutions	272,586	82,977	70,530
<b>Total non-current liabilities</b>	<b>272,586</b>	<b>82,977</b>	<b>70,530</b>
<u>Current liabilities</u>			
Liabilities to credit institutions	52,215	11,064	23,510
Overdraft facilities	17,118	8,403	0
Accounts payable	2,550	873	2,488
Liabilities to Group companies	110,744	89,776	101,166
Current tax liabilities	0	111	1,050
Other liabilities	30,596	13,615	1,839
Accrued expenses and deferred income	5,853	4,544	6,222
<b>Total current liabilities</b>	<b>219,075</b>	<b>128,386</b>	<b>136,276</b>
<b>Total equity, provisions and liabilities</b>	<b>672,508</b>	<b>388,218</b>	<b>406,616</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.

This interim report has been approved for publication by way of a decision of the Board of Directors made on 15 August 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 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 2016/17.

### **New standards applied from 1 January 2018**

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are applied from 1 January 2018.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 presents a new model for classification and measurement of financial instruments, a forward-looking impairment model based on expected credit losses, and a reformed approach to hedge accounting. The new standard also entails a change in the character of the Group's disclosures relating to financial instruments. The Group has examined its financial instruments and deems that the standard does not entail any material effects on the consolidated financial statements, and the transition therefore involves no adjustment to the opening balance for 2018.

IFRS 15 establishes principles for reporting useful information to users of financial reports regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Revenue in the Hexatronic Group's standard operation comprises the sale of goods and services. The Group's sales consist primarily of products, the sale of which is identified at a point in time. The sales that have been identified over time partly comprise training, the extent of which in relation to the Group's total

net sales is deemed to involve insignificant amounts and is therefore reported at a point in time, and partly sales of marine cable which are reported according to the percentage-of-completion method at points when they account for a significant proportion of the Group's total net sales.

Hexatronic Group meets the requirements that IFRS 15 places on revenue recognition as regards the sale of goods. Since marine cable contracts occur only to a limited extent, the new standard does not have a significant effect on the Group's accounting. Consequently, the opening balances for 2018 have not been recalculated.

### New standards not yet applied

IFRS 16 Leases will replace IAS 17 Leases and the accompanying interpretations. The standard will be applied from 1 January 2019

The standard entails that all lessee leases are recognised in the balance sheet, with the exception of short-term leases and leases of low value. Hexatronic's operating leases, as a lessee, primarily relate to the hire of premises.

Implementing the new standard will lead to higher total assets and a positive impact on EBITDA, since lease expenses will be recognised as amortisation and interest expense rather than operating expenses. IFRS 16 will entail a significant impact on the financial statements, although at this stage the Group is unable to quantify this impact. The standard will be applied using the modified retroactive method, which means that the cumulative effect of the transition to IFRS 16 will be recognised as an adjustment of the opening balance in equity on 1 January 2019.

### Note 3 Revenue

January to June 2018					
Geographical markets	Nordic countries	Europe (excl. Nordic)	North America	Rest of the world	Total
Revenue from external customers	349,787	98,880	173,623	128,531	<b>750,821</b>
<u>Category</u>					
Goods	338,532	93,695	173,623	128,531	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>349,787</b>	<b>98,880</b>	<b>173,623</b>	<b>128,531</b>	<b>750,821</b>
<u>Time for revenue recognition</u>					
At a given time	349,787	98,880	173,623	128,531	750,821
Over time	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>349,787</b>	<b>98,880</b>	<b>173,623</b>	<b>128,531</b>	<b>750,821</b>

### January to June 2017

<b>Geographical markets</b>	<b>Nordic countries</b>	<b>Europe (excl. Nordic)</b>	<b>North America</b>	<b>Rest of the world</b>	<b>Total</b>
Revenue from external customers	433,083	95,883	5,640	102,880	<b>637,486</b>
<u>Category</u>					
Goods	404,420	95,883	5,640	102,880	608,823
Services	<u>28,663</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>28,663</u>
<b>Total</b>	<b>433,083</b>	<b>95,883</b>	<b>5,640</b>	<b>102,880</b>	<b>637,486</b>
<u>Time for revenue recognition</u>					
At a given time	433,083	95,883	5,640	102,880	637,486
Over time	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>433,083</b>	<b>95,883</b>	<b>5,640</b>	<b>102,880</b>	<b>637,486</b>

#### Note 4 Pledged assets

		<b>Group</b>		<b>Parent Company</b>	
<b>Pledged assets</b>	<b>180630</b>	<b>170630</b>	<b>171231</b>	<b>180630</b>	<b>170630</b>
<i>Assets pledged for liabilities to credit institutions</i>					
Chattel mortgages	157,350	57,166	57,166	100	100
Shares in subsidiaries	273,284	307,624	338,190	82,504	143,427
<b>Total</b>	<b>430,634</b>	<b>364,790</b>	<b>395,356</b>	<b>82,604</b>	<b>143,527</b>

#### Note 5 Business acquisitions

##### Business acquisitions 2018

##### *Blue Diamond Industries LLC*

On 2 January 2018, the Group acquired 100% of the share capital in Blue Diamond Industries LLC for MUSD 24.5. There may be a possible additional purchase price of a maximum of MUSD 2.5 based on the EBITDA of the forthcoming two financial years.

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

##### **Purchase price as of 2 January 2018**



Liquid assets	222,898
Contingent purchase consideration (not paid)	16,450
<b>Total purchase price</b>	<b>239,348</b>

**Recognised amounts for identifiable acquired assets and taken-over liabilities**

Liquid assets	4,601
Tangible assets	23,932
Customer contracts and customer relations	71,066
Inventories	21,397
Accounts receivable	30,432
Other receivables	512
Accounts payable	-15,035
Other payables	-2,668
<b>Total identifiable net assets</b>	<b>134,237</b>
<b>Goodwill</b>	<b>105,511</b>

Acquisition-related costs of SEK 2,900 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2018 financial year. Total cash flow attributable to the business acquisition amounted to SEK -218,296 thousand.

Under the terms of the conditional purchase price, the Group will pay a maximum of SEK 20,750 thousand, up to a maximum of SEK 11,676 thousand based on EBITDA in the period 2 January 2018 – 31 December 2018, and a maximum of SEK 9,081 thousand based on EBITDA in the period 1 January 2019 – 31 December 2019.

The fair value of the conditional purchase price of SEK 16,450 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 Blue Diamond Industries. The fair value of accounts receivable totals SEK 30,432 thousand. No accounts receivable is deemed to be doubtful.

Blue Diamond Industries net sales have been included in the consolidated income statement since 2 January 2018 and amount to SEK 145,878 thousand. Blue Diamond Industries also generated an operating profit of SEK 13,281 thousand in the same period on group level.

**Professional Quality Management Services Ltd. (“PQMS”)**

On 8 June 2018, the Group acquired 100% of the share capital in PQMQ for MGBP 1.5. There may be a possible additional purchase consideration of a maximum of MGBP 1.95 based on the EBITDA of the forthcoming three financial years.

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

**Purchase price as of 8 June 2018**

Liquid assets	10,338
Equity instruments (91,029 shares)	5,279
Contingent purchase consideration (not paid)	10,357
<b>Total purchase price</b>	<b>25,974</b>

**Recognised amounts for identifiable acquired assets and taken-over liabilities**

Liquid assets	755
Tangible assets	2,684
Customer contracts and customer relations	12,882
Trademarks	3,799
Accounts receivable	9,051
Other receivables	4,915
Trade creditors	-3,253
Other liabilities	-10,733
<b>Total identifiable net assets</b>	<b>20,100</b>
<b>Goodwill</b>	<b>5,874</b>

Acquisition-related costs of SEK 1,111 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2018 financial year. Total cash flow attributable to the business acquisition amounted to SEK -9,583 thousand.

Under the terms of the conditional purchase price, the Group will pay a maximum of SEK 22,877 thousand, up to a maximum of SEK 7,919 thousand based on EBITDA in the period 1 May 2018 – 30 April 2019, a maximum of SEK 7,919 thousand based on EBITDA in the period 1 May 2019 – 30 April 2020, and a maximum of SEK 7,039 thousand based on EBITDA in the period 1 May 2020 – 30 April 2021.

The fair value of the conditional purchase price of SEK 10,357 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 PQMS. The fair value of accounts receivable totals SEK 9,051 thousand. No accounts receivable is deemed to be doubtful.

PQMS net sales have been included in the consolidated income statement since 8 June 2018 and amount to SEK 4,755 thousand. PQMS also generated an operating profit of SEK 140 thousand in the same period on group level.

Had PQMS been consolidated from 1 January 2018, the consolidated income statement for the period 1 January 2018 to 30 June 2018 would have shown increased net sales amounting to SEK 25,568 thousand and an operating profit of SEK 2,189 thousand.

***Gordon Franks Training Ltd. (GFT)***

As part of the acquisition of PQMS, on 8 June 2018 the Group acquired 100% of the share capital in GFT for MGBP 0.1. There may be a possible additional purchase price of a maximum of MGBP 0.13 based on the EBITDA of the forthcoming three financial years.

### Smart Awards Ltd. (SAL)

As part of the acquisition of PQMS, on 8 June 2018 the Group acquired 100% of the share capital in SAL for MGBP 0.4. There may be a possible additional purchase price of a maximum of MGBP 0.52 based on the EBITDA of the forthcoming three financial years.

## 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.

<b>Organic growth</b>		
<b>SEK thousand, %</b>	<b>April-June</b>	<b>January-June</b>
Net sales 2018	411,587	750,821
Acquisition driven	<u>-86,138</u>	<u>-151,063</u>
Comparable net sales	325,449	599,758
Net sales 2017	346,181	637,486
<b>Net sales increase</b>	<b>65,406</b>	<b>113,335</b>
%	19%	18%
<b>Organic growth</b>	<b>-20,732</b>	<b>-37,728</b>
%	-6%	-6%

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.

<b>Annual growth, rolling 12 months</b>	
<b>%</b>	<b>12 months</b>
Net sales January-Juni 2018	750,821
Net sales July-December 2017	<u>661,933</u>
<i>Net sales rolling 12 months</i>	1 412,754
Net sales January-June 2017	637,486
Net sales July-December 2016	<u>564,295</u>
<i>Net sales rolling 12 months</i>	1,201,781
<b>Annual growth, rolling 12 months</b>	<b>18%</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>Equity ratio</b>			
<b>%</b>	<b>2018-06-30</b>	<b>2017-06-30</b>	<b>2017-12-31</b>
Equity	460,470	370,702	415,259
Balance sheet total	1 176,072	749,373	777,098
<b>Equity ratio</b>	<b>39%</b>	<b>49%</b>	<b>53%</b>

Equity ratio is calculated as equity as a percentage of balance sheet total.

<b>Quick asset ratio</b>			
<b>%</b>	<b>2018-06-30</b>	<b>2017-06-30</b>	<b>2017-12-31</b>
Current assets	708,563	530,518	564,268
Inventories	-313,125	-227,226	-236,925
<i>Current assets-inventories</i>	<i>395,438</i>	<i>303,292</i>	<i>327,343</i>
Current liabilities	396,636	263,634	255,936
<b>Quick asset ratio</b>	<b>100%</b>	<b>115%</b>	<b>128%</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>2018-06-30</b>	<b>2017-06-30</b>	<b>2017-12-31</b>
Inventories	313,125	227,226	236,925
Accounts receivable	322,271	261,870	204,062
Accounts payable	-193,307	-131,599	-140,886
<b>Core working capital</b>	<b>442,089</b>	<b>357,497</b>	<b>300,101</b>

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