

Hexatronic Group AB (publ)

Interim Report 1 January – 31 March 2019

The quarter (1 January – 31 March 2019)

- Net sales amounted to MSEK 421.1 (339.2), which represents 24% (16%) growth during the quarter.
- The operating result before interest, taxes and amortisation (EBITA) totalled MSEK 21.2 (19.4), which corresponds to an EBITA margin of 5.0 (5.7%). The EBITA margin on a rolling 12-month basis on 31 March 2019 was 7.0% (10.1%).
- The operating result amounted to MSEK 14.4 (13.7).
- Net earnings totalled MSEK 5.2 (11.3).
- Earnings per share after dilution totalled SEK 0.14 (0.30).
- Cash flow from operating activities during the quarter amounted to MSEK 30.8 (-1.8)

Events during the quarter (1 January – 31 March 2019)

- Hexatronic UK signed a strategic agreement with CityFibre Ltd. totalling approximately MSEK 500.

Events since the end of the period

No events to report since the end of the period.

Comments from the CEO

Strategic choice of system in the UK

The year began very well, including an agreement with CityFibre in February worth in the region of MSEK 500, regarding fiber connection for a million homes. This was not only our largest ever single order, but also provided even clearer proof of the value of offering customers a system-level solution, which enables a more cost-efficient installation procedure.

As expected, moving more from selling products to entire solutions has been a long journey, one that began with the launch of Matrix in February 2016. With CityFibre we now also have an important reference customer and we have great expectations of continued success with our system sales, particularly on our strategic emerging markets of the UK, Germany and North America.

The first quarter of 2019 has seen continued strong growth of 24%, of which organic growth 6%. We continue to grow outside of Sweden, both organically and through the acquisitions we made last year. The Swedish market accounted for 30% of Group sales during the quarter, compared to 41% in the same period last year. The Swedish market remained cautious during the quarter, and several projects outside of Sweden have been postponed until after the summer.

All three of our acquisitions last year have continued to develop well and have also strategically improved our plans for growth. Volumes relating to our contract with CityFibre in the UK increased during the quarter. We believe that these will gradually increase during the year, achieving full volume in 2020. We have also continued to build stock in the UK, related not only to the CityFibre contract but also uncertainty surrounding Brexit.

Our first financial quarter is generally the weakest, due primarily to winter-related effects. We achieved an EBITA margin of 5% (5.7% in the corresponding period last year). The margin falls below our target of 9% on a rolling 12-month basis but is still at an acceptable level bearing in mind the weak quarter seasonally, combined with the investments we are making outside of Sweden to continue our international expansion. Cash flow from operating activities developed positively during the quarter, despite a period of building stock.

We believe that the Swedish market will remain much the same as in 2018. We expect the UK market to grow progressively during the year, the German market to start picking up from 2020, and the North American market to remain strong.

We enter the second quarter of 2019 with an order book 22% 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)

Financial information, Group

	Quarter 190101 190331	Quarter 180101 180331	Full year 180101 181231
MSEK			
Net sales	421.1	339.2	1,597.8
EBITA	21.2	19.4	114.9
EBITA margin	5.0%	5.7%	7.2%
Operating result	14.4	13.7	92.5
Net earnings	5.2	11.3	59.3
Earnings per share after dilution, SEK	0.14	0.30	1.62
Cash flow from operating activities	30.8	-1.8	15.6
Liquid assets	73.3	109.2	84.6

See other key metrics on page 15.

Net sales and results

The quarter (1 January – 31 March 2019)

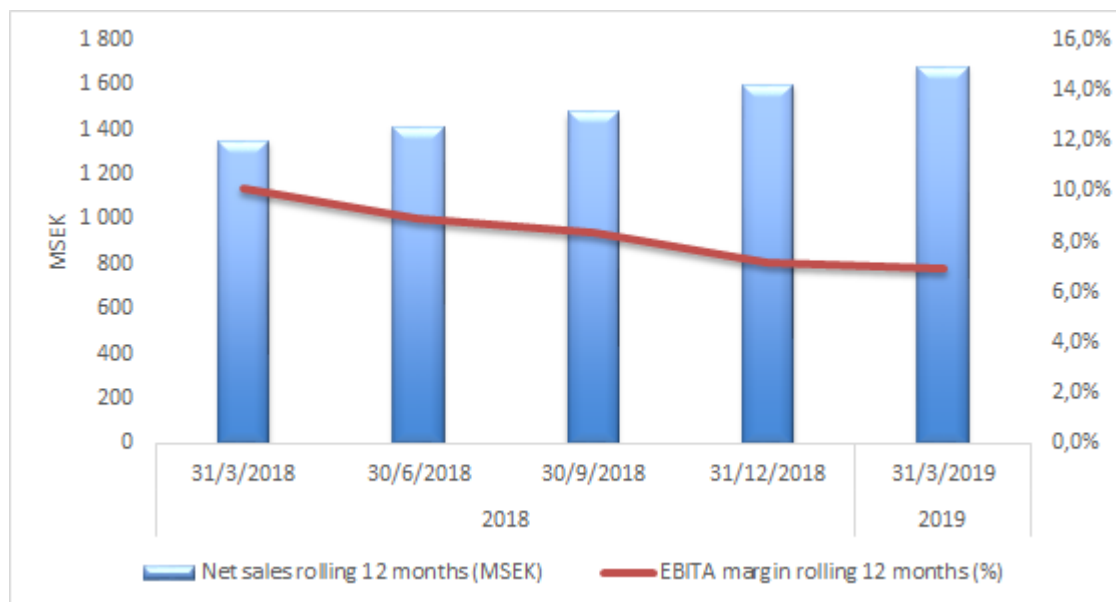
Net sales during the quarter amounted to MSEK 421.1 (339.2). Net sales increased by 24% for the Group compared to the same quarter last year. The growth is attributable to the acquisitions of PQMS, Gordon Franks Training, Smart Awards and Opternus. The organic growth was 6% compared to the same quarter last year.

Other external expenses during the quarter amounted to MSEK 58.3 (53.8). In accordance with IFRS 16, costs for leased premises during the quarter of approximately MSEK 8.7 have been recognised as depreciation of tangible assets, which complicates comparison with the same quarter last year when IFRS 16 was not applied.

EBITA totalled MSEK 21.2 (19.4), which corresponds to an EBITA margin of 5.0% (5.7%).

Net financial items during the quarter amounted to -4.8 KSEK (0), whereof net interest amounted to -3.0 MSEK (-1.1), unrealised foreign exchange differences to -1.5 MSEK (1.5) and other financial items to -0.3 MSEK (-0.4).

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



Financial position and liquidity

Liquid assets

Liquid assets on 31 March 2019, excluding overdraft facilities, amounted to MSEK 73.3 (84.6). Unutilised overdraft facilities amounted to MSEK 113.2 on 31 March 2019.

Non-current assets

Non-current assets amounted to MSEK 778.2 on 31 March 2019 (594.7). MSEK 174.6 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 529.3 on 31 March 2019 (494.4), which equated to SEK 14.23 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 31 March 2019 totalled MSEK 411.6, and MSEK 354.7 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 338.3 at the end of the reporting period compared to MSEK 353.4 as per 31 December 2018, which corresponds to a net debt of 2.11 times. 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 30.8 (-1.8), including a change in working capital of MSEK -14.3 (-19.2).

Cash flow from investing activities

Cash flow from investing activities during the quarter amounted to MSEK -14.9 (-227.2).

Cash flow from financing activities

Cash flow from financing activities during the quarter amounted to MSEK -25.7 (229.9). The cash flow from financing activities during the quarter is primarily attributable to less utilisation of overdraft facilities.

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 31 March 2019 was 7.0% (10.1%).

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 24% (16%). Growth on a rolling 12-month basis was 25% (19%).

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 576 (475) employees in the Group on 31 March 2019. The increase in employees compared to the same time last year is primarily due to the acquisition of PQMS, Gordon Franks Training and Opternus.

Parent Company

The Parent Company's main business consists of performing Group-wide services. Revenue for the quarter amounted to MSEK 4.7 (5.9) and the result for the period was MSEK -10.4 (-5.5).

The Parent Company's financial assets amounted to MSEK 623.6 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 1,859,190.95, distributed among a total of 37,183,825 shares, before dilution from existing employee stock option programmes.

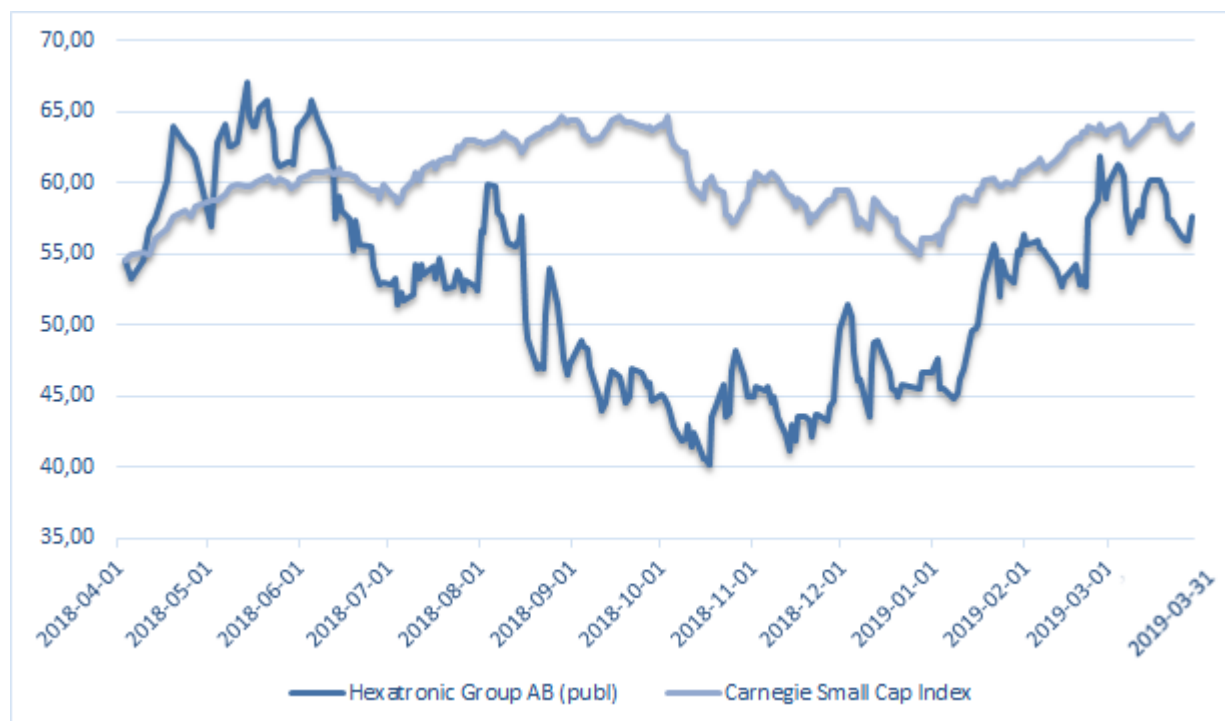
At the Annual General Meeting (AGM) on 19 April 2018, it was decided to authorise the Board to acquire and transfer personally held shares in line with the Board's decision, and to decide on the new issue of shares and/or warrants and/or convertibles equating to no more than 10% of the registered share capital. The AGM decided to pay a dividend of SEK 0.40 per share, which was paid on 26 April 2018.

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.

Employee stock option 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.

Share price development in the past 12 months (SEK)



The company's market value at the end of the period was MSEK 2,146.

The number of shareholders at period end, 7,637, is based on data from Euroclear. The shareholder structure of Hexatronic Group AB (publ) on 31 March 2019 is shown in the table below.

Shareholder	No. of shares	Capital & votes %
Accendo Capital	4 058 447	10,9%
Handelsbanken Funds	3 288 500	8,8%
Jonas Nordlund, privately and corporately	2 989 841	8,0%
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	1 342 039	3,6%
Avanza Pension - Insurance Company	1 117 973	3,0%
Nordea Funds	1 111 727	3,0%
Göran Nordlund, privately and corporately	1 083 954	2,9%
Consensus Asset Management	874 763	2,4%
Other shareholders	17 767 709	47,8%
Total outstanding shares	37 183 825	100,0%

Other information

Publication

This information comprises disclosures that Hexatronic Group AB (publ) must publish according to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, under responsibility of the contact persons named below, on 3 May 2019 at 08:00 CET.

Financial calendar

Interim Report April-June 2019: 16 August 2019

Interim Report July-September 2019: 6 November 2019

Year-End Report: 21 February 2020

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, 3 May 2019

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.

Consolidated income statement (SEK thousand)	Quarter	Quarter	Full year
	Jan-March	Jan-March	Jan-Dec
	2019	2018	2018
<u>Revenue</u>			
Net sales	421,087	339,234	1,597,768
Other operating income	1,223	678	17,526
	422,310	339,912	1,615,294
<u>Operating expenses</u>			
Raw materials and goods for resale	-233,603	-186,815	-906,639
Other external costs	-58,336	-53,797	-259,596
Personnel costs	-93,169	-74,735	-306,191
Other operating expenses	0	0	-4,653
Depreciation of tangible assets	-15,961	-5,151	-23,281
Earnings before interest, taxes and amortisation (EBITA)	21,241	19,414	114,933
Depreciation of intangible assets	-6,837	-5,687	-22,388
Operating result (EBIT)	14,404	13,727	92,545
<u>Result from financial items</u>			
Financial income	41	1,256	194
Financial expenses	-4,861	-1,272	-10,988
Result after financial items	9,584	13,710	81,751
Income taxes	-4,403	-2,402	-22,472
Net result for the period	5,181	11,309	59,279
Attributable to:			
Parent Company shareholders	5,181	11,309	59,279
Earnings per share			
Earnings per share before dilution (SEK)	0.14	0.31	1.63
Earnings per share after dilution (SEK)	0.14	0.30	1.62
Consolidated statement of comprehensive income	Quarter	Quarter	Full year
	Jan-March	Jan-March	Jan-Dec
	2019	2018	2018
Result for the period	5,181	11,309	59,279
Items which can later be recovered in the income statement			
Translation differences	16,461	2,330	11,542
Cash flow hedge	0	3,077	3,077
Other comprehensive income for the period	16,461	5,407	14,619
Comprehensive income for the period	21,642	16,716	73,898
Attributable to:			
Parent Company shareholders	21,642	16,716	73,898

Consolidated balance sheet (SEK thousand)	31/3/2019	31/3/2018	31/12/2018
Assets			
<u>Non-current assets</u>			
Intangible assets	455,452	290,822	454,517
Tangible assets	321,187	120,456	139,197
Financial assets	1,604	934	1,015
Total non-current assets	778,243	412,212	594,729
<u>Current assets</u>			
Inventories	379,672	304,326	334,282
<u>Current receivables</u>			
Accounts receivable	278,928	225,923	261,774
Current tax receivables	0	0	1,594
Other receivables	2,627	2,613	2,553
Prepaid expenses and accrued income	29,401	13,628	23,582
Total current receivables	310,956	242,164	289,502
<u>Liquid assets</u>	73,281	109,172	84,621
Total current assets	763,909	655,663	708,405
Total assets	1,542,152	1,067,875	1,303,134
Equity	529,261	430,802	494,415
<u>Non-current liabilities</u>			
Liabilities to credit institutions	354,666	281,729	351,741
Deferred tax	57,085	35,592	62,630
Non-current lease liabilities	144,367	0	0
Total non-current liabilities	556,118	317,321	414,372
<u>Current liabilities</u>			
Liabilities to credit institutions	56,923	42,215	56,457
Current lease liabilities	30,829	0	0
Overdraft facilities	0	0	29,863
Accounts payable	221,422	169,373	173,772
Provisions	3,000	3,000	3,000
Current tax liabilities	7,585	3,395	0
Other liabilities	72,454	46,890	72,815
Accrued expenses and deferred income	64,560	54,878	58,440
Total current liabilities	456,773	319,752	394,347
Total equity, provisions and liabilities	1,542,152	1,067,875	1,303,134

Consolidated statement of changes in equity (SEK thousand)	Share capital	Other capital contributions	Reserves	Result brought forward, including result for the period	Total equity
Balance brought forward as of 1 January 2018	1,809	186,077	-8,714	236,087	415,259
Result for the period	0	0	0	59,279	59,279
Other comprehensive income	0	0	14,619	0	14,619
Total comprehensive income	0	0	14,619	59,279	73,898
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
Total transactions with shareholders, reported directly in equity	17	19,710	0	-14,469	5,258
Balance carried forward as of 31 December 2018	1,826	205,787	5,905	280,897	494,415
Balance brought forward as of 1 January 2019	1,826	205,787	5,905	280,897	494,415
Result for the period	0	0	0	5,181	5,181
Other comprehensive income	0	0	16,461	0	16,461
Total comprehensive income	0	0	16,461	5,181	21,642
New share issue relating to business acquisitions	0	0	0	0	0
New shares related to employee stock option programme	34	376	0	12,795	13,204
Total transactions with shareholders, reported directly in equity	34	376	0	12,795	13,204
Balance carried forward as of 31 March 2019	1,859	206,163	22,366	298,873	529,261

Consolidated statement of cash flows (SEK thousand)	Quarter	Quarter	Full year
	Jan-March	Jan-March	Jan-Dec
	2019	2018	2018
Operating result	14,404	13,727	92,545
Items not affecting cash flow	35,424	12,015	50,508
Interest received	41	105	194
Interest paid	-3,241	-1,349	-10,403
Income tax paid	-1,529	-7,084	-34,094
Cash flow from operating activities before changes in working capital	45,099	17,414	98,749
Increase (-)/decrease (+) in inventories	-45,390	-46,004	-67,247
Increase (-)/decrease (+) in accounts receivable	-17,155	8,570	1,378
Increase (-)/decrease (+) in operating receivables	-4,299	-688	-4,627
Increase (+)/decrease (-) in accounts payable	47,650	13,452	5,183
Increase (+)/decrease (-) in operating liabilities	4,925	5,486	-17,872
Cash flow from changes in working capital	-14,269	-19,184	-83,186
Cash flow from operating activities	30,830	-1,771	15,564
<u>Investing activities</u>			
Acquisition of tangible and intangible assets	-14,341	-9,265	-41,034
Acquisition of subsidiaries after deduction of acquired liquid assets	0	-217,312	-319,776
Change in financial assets	-589	-622	-703
Cash flow from investing activities	-14,930	-227,199	-361,512
<u>Financing activities</u>			
Borrowings	0	229,904	348,728
Amortisation of loans	-8,709	0	-43,446
Changes in overdraft facilities	-29,863	0	29,863
New share issues for the period	12,828	0	1,654
Dividends paid	0	0	-14,469
Cash flow from financing activities	-25,744	229,904	322,330
<u>Cash flow for the period</u>	<u>-9,844</u>	<u>933</u>	<u>-23,618</u>
Liquid assets at the start of the period	84,621	108,239	108,239
Exchange rate difference in liquid assets	-1,495	0	0
Liquid assets at the end of the period	73,281	109,172	84,621

Key metrics for the group	Quarter	Quarter	Full year
	Jan-March	Jan-March	Jan-Dec
	2019	2018	2018
Growth in net sales	24%	16%	23%
EBITA margin	5.0%	5.7%	7.2%
EBITA margin, 12 months rolling	7.0%	10.1%	7.2%
Operating margin	3.4%	4.0%	5.8%
Earnings per share before dilution (SEK)	0.14	0.31	1.63
Earnings per share after dilution (SEK)	0.14	0.30	1.62
Net sales per employee (SEK thousand)	747	714	3,090
Result per employee (SEK thousand)	9	24	115
Quick ratio	0.8	1.1	1.0
Average number of employees	564	475	517
Number of shares at period end before dilution	37,183,825	36,171,677	36,511,825
Average number of shares before dilution	36,959,825	36,171,677	36,278,940
Average number of shares after dilution	37,123,335	37,826,437	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)

	Quarter Jan-March 2019	Quarter Jan-March 2018
<u>Revenue</u>		
Net sales	4,743	5,899
	4,743	5,899
<u>Operating expenses</u>		
Other external costs	-8,198	-4,705
Personnel costs	-6,244	-5,387
Depreciation of tangible assets	-54	-54
Operating result (EBITA)	-9,753	-4,247
<u>Result from financial items</u>		
Interest income	212	281
Interest expenses	-827	-1,645
Result after financial items	-10,369	-5,611
Appropriations	0	0
Result before tax	-10,369	-5,611
Tax on profit for the period	0	95
Net result for the period	-10,369	-5,516

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)	31/3/2019	31/3/2018	31/12/2018
Assets			
Tangible assets	494	709	548
Financial assets	623,614	464,282	630,239
Total non-current assets	624,108	464,990	630,786
<u>Current receivables</u>			
Receivables from Group companies	157,784	123,021	151,401
Current tax receivables	0	0	507
Other receivables	2,656	1,733	3,324
Prepaid expenses and accrued income	7,000	2,317	1,605
Total current receivables	167,440	127,072	156,837
<u>Cash and bank balances</u>	3,570	41,025	0
Total current assets	171,010	168,097	156,837
Total assets	795,119	633,087	787,623
<u>Equity, provisions and liabilities</u>			
<u>Equity</u>	204,974	187,963	192,922
<u>Untaxed reserves</u>	12,350	6,330	6,330
<u>Non-current liabilities</u>			
Liabilities to credit institutions	350,953	279,181	350,828
Total non-current liabilities	350,953	279,181	350,828
<u>Current liabilities</u>			
Liabilities to credit institutions	48,721	42,215	48,721
Overdraft facilities	0	0	29,863
Accounts payable	6,439	2,141	6,504
Liabilities to Group companies	115,485	93,442	98,914
Current tax liabilities	231	82	0
Other liabilities	50,419	17,155	49,104
Accrued expenses and deferred income	5,547	4,578	4,437
Total current liabilities	226,841	159,613	237,543
Total equity, provisions and liabilities	795,119	633,087	787,623

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.

Consolidated income statement	
SEK thousand	January-March 2019
Decrease in other external costs	8,848
Increase in depreciation of tangible assets	-8,709
Effect on operating profit	139
Increase in financial expenses	-747
Effect on profit before tax	-608
Decrease in income taxes	130
Effect on earnings for the period	-478
Effect on earnings per share before dilution, SEK	-0.01
Effect on earnings per share after dilution, SEK	-0.01
Consolidated statement of cash flows	
SEK thousand	January-March 2019
Increase in cash flow from operating activities	8,709
Decrease in cash flow from financing activities	-8,709
Effect on cash flow for the period	0

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

Note 3 Revenue

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	421,087
<u>Category</u>					
Goods	118,374	111,737	90,586	73,232	393,928
Services	<u>9,066</u>	<u>18,093</u>	<u>0</u>	<u>0</u>	<u>27,159</u>
Total	127,440	129,830	90,586	73,232	421,087
<u>Time for revenue recognition</u>					
At a given time	127,440	129,830	90,586	73,232	421,087
Over time	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	127,440	129,830	90,586	73,232	421,087

January to March 2018					
Geographical markets	Sweden	Rest of Europe	North America	Rest of the world	Total
Revenue from external customers	137,960	55,932	72,182	73,159	339,234
<u>Category</u>					
Goods	131,479	55,932	72,182	73,159	332,753
Services	<u>6,481</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,481</u>
Total	137,960	55,932	72,182	73,159	339,234
<u>Time for revenue recognition</u>					
At a given time	137,960	55,932	72,182	73,159	339,234
Over time	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	137,960	55,932	72,182	73,159	339,234

Note 4 Pledged assets

Pledged assets	Group			Parent Company	
	31/3/2019	31/3/2018	31/12/2018	31/3/2019	31/3/2018
<i>Assets pledged for liabilities to credit institutions</i>					
Chattel mortgages	157,350	157,350	157,350	100	100
Shares in subsidiaries	291,726	272,132	281,484	82,504	90,540
Total	449,076	429,482	438,834	82,604	90,640

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, %	Quarter 1
Net sales 2019	421,087
Acquisition driven	<u>-63,101</u>
Comparable net sales	357,986
Net sales 2018	339,234
Net sales increase	81,853
%	24%
Organic growth	18,752
%	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.

Annual growth, rolling 12 months	
%	12 months
Net sales January-March 2019	421,087
Net sales April-December 2018	<u>1,258,534</u>
<i>Net sales rolling 12 months</i>	1,679,621
Net sales January-March 2018	339,234
Net sales April-December 2017	<u>1,008,448</u>
<i>Net sales rolling 12 months</i>	1,347,682
Annual growth, rolling 12 months	25%

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			
%	31/3/2019	31/3/2018	31/12/2018
Current assets	763,909	655,663	708,405
Inventories	-379,672	-304,326	-334,282
<i>Current assets-inventories</i>	<i>384,237</i>	<i>351,337</i>	<i>374,123</i>
Current liabilities	456,773	319,752	394,347
Quick asset ratio	84%	110%	95%

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

Core working capital			
SEK thousand	31/3/2019	31/3/2018	31/12/2018
Inventories	379,672	304,326	334,282
Accounts receivable	278,928	225,923	261,774
Accounts payable	-221,422	-169,373	-173,772
Core working capital	437,178	360,876	422,284

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