

Hexatronic Group AB (publ)

Interim Report April-June 2017

(Reporting period January-June 2017)

The quarter (April-June 2017)

- Net sales amounted to MSEK 346.2 (274.9), which equates to 26% growth during the quarter.
- The operating result before interest, taxes, depreciation and amortisation (EBITDA) totalled MSEK 49.2 (31.0), which corresponds to an EBITDA margin of 14.2% (11.3%).
- The operating result amounted to MSEK 42.2 (26.6).
- Net earnings totalled MSEK 30.4 (18.0).
- Earnings per share after dilution totalled SEK 0.80 (0.51).
- Cash flow from operating activities during the quarter amounted to MSEK -5.6 (22.7)

The period (January-June 2017)

- Net sales amounted to MSEK 637.5 (468.0), which equates to 36% (38%) growth during the period.
- The operating result before interest, taxes, depreciation and amortisation (EBITDA) totalled MSEK 70.2 (43.8), which corresponds to an EBITDA margin of 11.0% (9.4%). The EBITDA margin on a rolling 12-month basis was 11.3% (9.1%).
- The operating result amounted to MSEK 56.2 (34.7).
- Net earnings totalled MSEK 39.9 (23.9).
- Earnings per share after dilution totalled SEK 1.06 (0.67).
- Cash flow from operating activities during the quarter amounted to MSEK 23.0 (56.8)

Comments from the CEO

Strong development in growth and profitability

We can look back on a very strong quarter, where we delivered one of the highest levels of profitability in the company's history, with an EBITDA margin of 14.2%. The profitability development is primarily due to an advantageous product mix, including submarine cables, but also to economies of scale resulting from organic sales growth.

The early part of the quarter was far quieter than we expected, which is mainly explained by delayed starts in major fibre-to-the-home (FTTH) projects in Sweden. The growth in net sales reached 26%, of which 13% was organic. The growth comes from several markets that have developed well, as well as the acquisition of Ericsson's operations in New Zealand and the training companies ICT Education and IFTAC.

We continued to strengthen our organisation during the quarter with more employees in sales, engineering and production. The purpose of the new recruitment is to accommodate our current level of activity, but it is also an investment for the future.

One limiting factor to our growth at present is access to optical fibre, which we use as a raw material in producing fibre optic cables. Ahead of 2017, we believed we had secured our optical fibre requirement for the year. Demand for optical fibre has, however, been greater than expected, which is of course positive in many ways. There is a shortage of optical fibre globally and the major manufacturers have invested in greater capacity, which is expected to reach the market during 2018. We have secured larger volumes for 2018.

We move into Q3 with an order book which, organically, is a full 92% larger than at the same point last year, which is obviously encouraging. During the latter part of Q2 we experienced strong incoming orders due to a high market demand for FTTH projects, which led several of our customers to place orders further in advance than usual to secure their needs for Q3 and also to some extent Q4.

The high demand and strong order book also mean that we need to invest in further production capacity for ducts.

In conclusion, we operate in what remains a very strong market. At the same time, we believe that the global market for fibre to the home (FTTH) and infrastructure for 5G, WiFi and sensors is still in its infancy.

Please join us on our continued journey of growth.

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

Events during the quarter (April-June 2017)

- As part of the transition from a split financial year to the calendar year, the company presented financial information for the 2016 calendar year comprising an income statement and balance sheet, a cash flow statement and key metrics.

Events since the end of the period

- To lay a better foundation for the Group's further expansion, Martin Åberg was appointed Deputy CEO of Hexatronic Group AB, with responsibility for the Group's mergers and acquisitions. Martin will also continue in his role as President of Proximion AB.

Håkan Bäckström, formerly Vice President of Hexatronic Cables & Interconnect Systems AB ('HCI') replaced Henrik Larsson Lyon as President of HCI. Håkan will retain his role as Head of Sales & Marketing for HCI. Henrik will focus on his role as President and CEO of Hexatronic Group AB.

Financial information, Group

	Quarter 170401	Quarter 160401	Period 170101	Period 160101	Period 160901	Period 150901	Full year 160101
MSEK	170630	160630	170630	160630	170630	160630	161231
Net sales	346.2	274.9	637.5	468.0	1,055.9	745.0	1,032.3
EBITDA	49.2	31.0	70.2	43.8	117.9	62.9	109.8
EBITDA margin	14.2%	11.3%	11.0%	9.4%	11.2%	8.4%	10.6%
Operating result	42.2	26.6	56.2	34.7	95.4	48.1	88.8
Net earnings	30.4	18.0	39.9	23.9	61.8	33.8	54.1
Earnings per share after dilution, SEK	0.80	0.51	1.06	0.67	1.64	0.96	1.50
Cash flow from operating activities	-5.6	22.7	23.0	56.8	-7.7	7.7	34.5
Liquid assets	22.5	29.5	22.5	29.5	22.5	29.5	39.6

See other key metrics on page 17.

Net sales and results

The quarter (April-June 2017)

Net sales during the quarter amounted to MSEK 346.2 (274.9). Net sales increased by 26% for the Group compared to the same quarter last year; 13% of this relates to organic growth and 13% to acquisition-driven growth. The acquisition growth is attributable to Hexatronic New Zealand, ICT Education and Iftac.

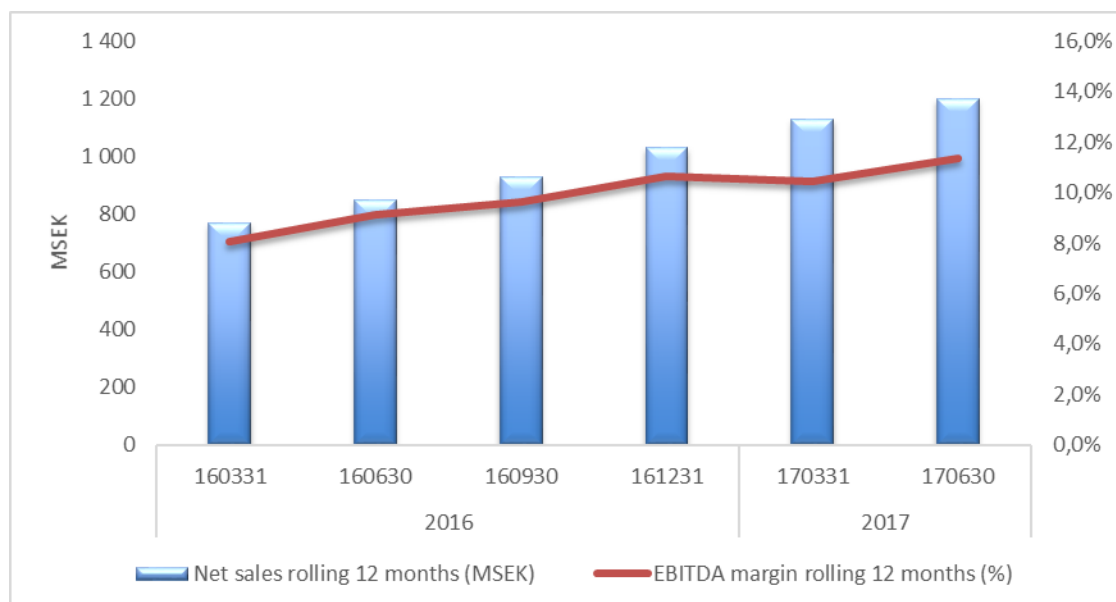
EBITDA totalled MSEK 49.2 (31.0), which corresponds to an EBITDA margin of 14.2% (11.3%).

The period (January-June 2017)

Net sales for the period amounted to MSEK 637.5 (468.0). Net sales increased by 36% for the Group compared to the same period last year. The growth in sales is attributable primarily to organic growth, and also to some extent to the acquisition of Hexatronic New Zealand, ICT Education and Iftac.

EBITDA totalled MSEK 70.2 (43.8), which corresponds to an EBITDA margin of 11.0% (9.4%). The EBITDA margin on a rolling 12-month basis was 11.3% (9.1%).

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



Financial position and liquidity

Liquid assets

Liquid assets on 30 June 2017, excluding overdraft facilities, amounted to MSEK 22.5 (29.5). Unutilised overdraft facilities amounted to MSEK 41.6 (28.7) on 30 June 2017.

Non-current assets

Non-current assets amounted to MSEK 218.9 (137.6) on 30 June 2017. The increase is related to investments in tangible and intangible assets, such as new production lines in Hudiksvall, and to acquired assets in connection with the acquisition of Hexatronic New Zealand, ICT Education and Iftac.

Equity

Equity amounted to MSEK 370.7 (292.4) on 30 June 2017, which equated to SEK 10.26 (8.68) per outstanding share at the end of the reporting period.

Borrowing

The Parent Company has an acquisition facility of MSEK 100 with Nordea bank. The facility was used for the acquisition of assets and liabilities in New Zealand and in the acquisitions of ICT Education and Iftac. The utilised amount on 30 June 2017 totalled MSEK 94.0, and MSEK 83.0 of this is long-term borrowing. The loan falls due for payment on 31 December 2021 and will be repaid quarterly starting November 2017.

Equity ratio

The equity ratio on 30 June 2017 was 49% (51%).

Cash flow

Cash flow from operating activities

Cash flow from operating activities during the quarter amounted to MSEK -5.6 (22.7), including a change in working capital of MSEK -45.8 (-0.8).

Cash flow from operating activities during the period January-June amounted to MSEK 23.0 (56.8), including a change in working capital of MSEK -39.7 (24.8). 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.

While capital employed has increased due to sales growth, the company has increased efficiency in its handling of core working capital, i.e. inventories, accounts receivable and accounts payable. Compared to the previous full year and period (January-June), core working capital as a proportion of net sales has fallen from 29% to 28%, and cash conversion days has decreased slightly.

Cash flow from investing activities

Cash flow from investing activities during the quarter amounted to MSEK -17.7 (-17.9), which is attributable to investment in tangible fixed assets.

Cash flow from investing activities during the six-month period January-June amounted to MSEK -29.5 (-55.7). The negative cash flow is attributable to the acquisition of Iftac and to investments in tangible and intangible assets.

Cash flow from financing activities

Cash flow from financing activities during the quarter amounted to MSEK -3.6 (16.4).

Cash flow from financing activities during the period January-June amounted to MSEK -10.6 (24.9).

The negative cash flow is primarily attributable to lower utilisation of overdraft facilities and less new borrowing compared to the previous period and quarter.

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 2017 was 11.3% (9.1%).

Growth

The Group shall grow more than its market organically. The Group strives for an average annual growth of at least 20%. The growth will be both organic and acquisition-driven. Growth on a rolling 12-month basis was 41%.

Financial stability

The Group shall have an equity ratio of at least 30%. The equity ratio was 49% at the end of the reporting period.

Segments

Hexatronic Group AB (publ) is an engineering group specialising in fibre communication. 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 on the Nordic market but is also represented in the majority of Europe and in the rest of the world, directly or via business partners such as Ericsson, ABB, Huawei and others.

Employees

There were 389 (285) employees in the Group on 30 June 2017. The increase in employees compared to the same time last year is primarily due to a larger workforce in production in Hudiksvall and Örebro, Sweden, and to the acquisition of Hexatronic New Zealand, ICT Education and Iftac.

Parent Company

The Parent Company's main business consists of performing Group-wide services. Revenue for the period amounted to MSEK 15.6 (13.0) and the result for the period was MSEK -11.1 (-9.3).

The Parent Company's financial assets amounted to MSEK 229.9 (180.7) at the end of the period. The increase is related to the value of shares in subsidiaries of acquired and newly started companies compared to the same period last year.

Transactions with related parties

The Group rents premises from Fastighets AB Balder, in which the Group's board member Erik Selin has a significant influence. The rental contract has been entered into under normal commercial conditions. The rent for the premises amounts to MSEK 4.0 annually.

Significant risks and uncertainties

In its business, the Group is exposed to risks of both a financial and an operational nature, and the Group can influence these risks to a greater or lesser extent. There are ongoing processes within the Group to identify the risks that exist and assess how they should be managed.

The Group has a foreign exchange risk through translation exposure of receivables and liabilities in foreign currencies. The Group is also exposed to other risks such as market risk, growth risk, credit risk, liquidity risk, tax risk, cash flow risk, share risk. etc. A description of the Group's risks and risk management is provided in the Hexatronic Group Annual Report for 2015/16.

Patent dispute

In spring 2015, Hexatronic was sued by Emtelle Ltd. regarding an alleged infringement of a Swedish patent regarding what is known as air blown fibre. Hexatronic contested the suit and issued a counter-suit claiming that the Emtelle patent should be declared invalid.

On two occasions during the ongoing process, the District Court in Stockholm has made interim decisions rejecting Emtelle’s motion to ban continued sales until a final verdict has been reached. In its decisions, the District Court has deemed it unlikely that the patent will be upheld, and that there is therefore no probable cause for patent infringement. Negotiations in the Patent and Market Court are planned for September 2017. Like the company’s legal advisors on patent matters, Hexatronic believes that there is a good foundation for a successful outcome in the matter.

In addition, in July 2016 Emtelle UK Ltd. filed a lawsuit in New Zealand against the Hexatronic subsidiary, Hexatronic New Zealand Ltd., for infringement on the corresponding New Zealand patent. Here, too, 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, China, the 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 also has an explicit acquisition strategy in the industry segment fibre optic cables and communication solutions.

The market

There is no avoiding the ongoing worldwide social transformation brought about by digitalisation – indeed, it is often described as the biggest social change ever, and one that is having more of an impact than when the world was electrified.

The EU and most countries today have set digitalisation goals that often contain targets like access to broadband of a certain capacity, the percentage of the population that should have access to broadband, and a time by which these goals should be achieved.

Access to communication solutions and broadband is a socially critical issue today and has a big impact on a country's competitiveness, making it a vital issue for many countries.

Sweden was early in communicating its goals for broadband, and in introducing stimulus packages to get construction of the systems started. Today, broadband (fibre networks) to homes and businesses is so important that nations that fall too far behind will lose crucial competitive power. Sweden is one of the countries that has come furthest, and there are many major nations that are lagging far behind and will therefore need to invest large sums in fibre optic infrastructure. One report from the FTTH Council with results from September 2016 shows that several large European nations are far behind when it comes to the construction of broadband networks. The report says that the UK, for instance, has a penetration of just 1%, and that countries like Poland, Germany, France, Turkey and Italy have a penetration of under 10%.

The backbone of broadband comprises communication networks built on fibre optic products and solutions. As more and more countries drive the expansion of broadband networks, the need increases for products and solutions that facilitate installation, and speed up the process and make it safer. Products that can be installed efficiently are a competitive tool for installation companies, and progress is constantly being made. One highly valued product is the Hexatronic Viper Micro Cable series, which offers our customers faster and more efficient installation.

Some of the new developments that will drive requirements related to more widespread broadband and the ability to handle larger data volumes are, e.g., Internet of Things (IoT), M2M, cloud services, big data, hosted services, the digital workplace, CCTV monitoring solutions, and increased use of mobile connectivity. The new technologies will enable many new uses and applications in areas like sensor technology, as well as security and surveillance. The introduction of 5G in mobile systems will place even greater requirements on the backbone networks and capacity in the connections with mobile antennas. All in all, this will mean investment in fibre infrastructure both indoors and outdoors in, e.g., transport networks, access networks, telecom sites and data centres, and the Hexatronic Group has system and product solutions in all these areas.

Broadband expansion and investment in fibre optic networks are under way around the world, and there are several indications that this will continue for many years to come. Because the expansion rate is high and major countries have a long way to go before achieving their digitalisation goals, there are opportunities for refined solutions and technologies that lead to safer, more efficient project execution overall.

Future prospects

The Group will continue to work with large customers and major projects, where the Group's added value as a competent systems and product supplier constitutes a competitive edge. The Group's principal offering is systems and products for broadband communication, primarily for fibre optic networks.

The Group has an active acquisition strategy whereby attractive candidates – 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

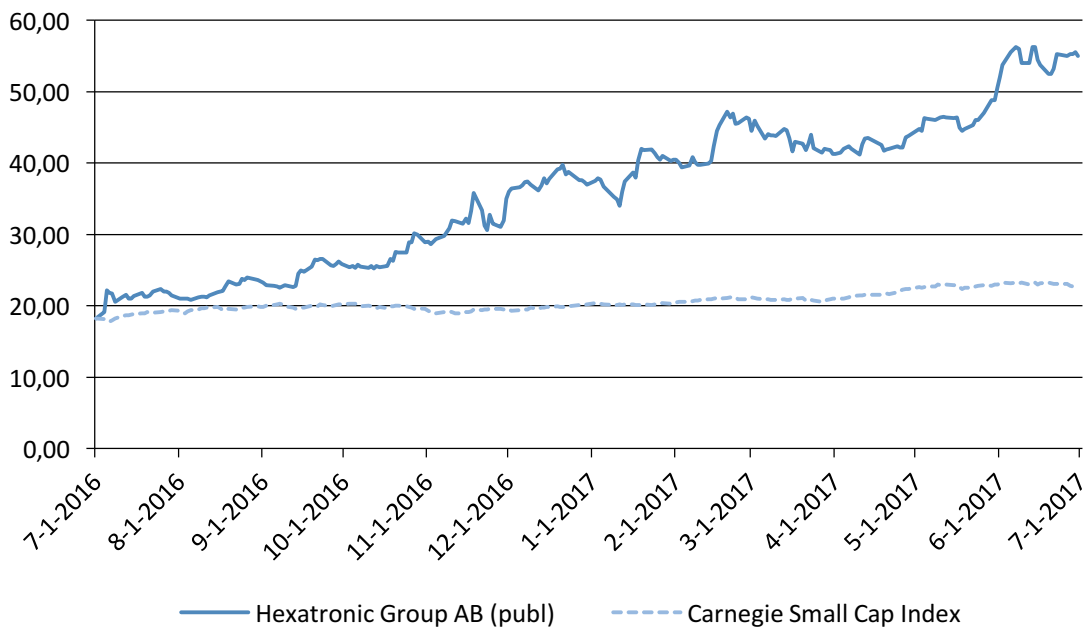
The company's share has been listed on the Nasdaq Stockholm Small Cap exchange since 18 December 2015, under the ticker **HTRO**. On the balance sheet date, the share capital in Hexatronic Group AB (publ) amounted to SEK 1,807,038.95, distributed among a total of 36,140,785 shares, before dilution from existing employee stock option programmes.

At the Annual General Meeting (AGM) on 15 December 2016, it was decided to authorise the Board of Directors to make decisions on a new share issue not exceeding 3,000,000 shares on one or more occasions before the next AGM. The issue may be executed with or without preferential rights for existing shareholders. The AGM decided to pay a dividend of SEK 0.30 per share, which was paid on 22 December 2016.

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; 341,500 of these options were subscribed at an issue price of SEK 51.65, with a redemption window of 15 January – 15 February 2020.

Share price development in the past 12 months (SEK)



The company's market value at the end of the period was MSEK 1,988.

The number of shareholders at period end, 5,287, is based on data from Euroclear. The shareholder structure of Hexatronic Group AB (publ) on 30 June 2017 is shown in the table below.

Owner	No. of shares	Capital & votes
Accendo Capital	4,758,447	13.2%
Jonas Nordlund, privately and via companies	2,989,841	8.3%
Göran Nordlund, privately and via companies	2,358,045	6.5%
Fondita Nordic Micro Cap	1,800,000	5.0%
Martin Åberg and Erik Selin via Chirp AB	1,785,872	4.9%
Swedbank Robur Västfonden	1,536,539	4.3%
Placeringsfond Small Cap Fund, Nordic	1,345,967	3.7%
Insurance company Avanza Pension	1,075,532	3.0%
Henrik Larsson Lyon	841,666	2.3%
JP MEL – Stockholm Branch	700,000	1.9%
Other owners	16,948,876	46.9%
Total outstanding shares	36,140,785	100.0%

Other information

Publication

This information comprises disclosures that Hexatronic Group AB (publ) must publish according to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, under responsibility of the contact person named below, on 24 August 2017 at 08:30 CET.

Financial calendar

Interim Report July-September 2017: 15 November 2017

Year-End Report: 22 February 2018

Interim Report January-March 2018: 4 May 2018

Interim Report April-June 2018: 16 August 2018

Annual General Meeting

The AGM will be held on 19 April 2018.

Please direct any questions to:

- Henrik Larsson Lyon, President and CEO, + 46 (0)70-650 34 00
- Lennart Sparud, Chief Financial Officer, + 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, 24 August 2017

Anders Persson
Chairman

Erik Selin
Board Member

Mark Shay
Board member

Malin Frenning
Board member

Malin Persson
Board member

Henrik Larsson Lyon
President and CEO

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

Hexatronic Group AB (publ) is a corporate Group developing, marketing and delivering products, components and system solutions with the primary focus on the fibre optic market. Hexatronic offers a wide range of innovative system and product solutions for infrastructure primarily in passive fibre optics with global brands such as Ribbonet[®], Micronet[™], Drytech[™], Lightmate[®], FibreHub[™], Matrix, DCIO[™], Basic Broadband[™] and Wistom[®]. Hexatronic is domiciled in Gothenburg, Sweden and has companies in Sweden, Norway, Finland, the UK, China, New Zealand and the USA. The Group is listed on the Nasdaq Stockholm exchange under the ticker HTRO. For further information, please go to www.hexatronicgroup.com.

Consolidated income statement (SEK thousand)	Quarter	Quarter	Period	Period	Period	Period	Full year
	170401	160401	170101	160101	160901	150901	160101
	170630	160630	170630	160630	170630	160630	161231
<u>Revenue</u>							
Net sales	346,181	274,946	637,486	468,047	1,055,857	744,972	1,032,342
Other, operating income	284	248	0	2,517	279	4,533	6,100
	346,465	275,195	637,486	470,563	1,056,136	749,504	1,038,442
<u>Operating expenses</u>							
Raw materials and goods for resale	-190,216	-158,659	-354,083	-268,739	-587,394	-427,571	-581,762
Other external costs	-40,266	-34,044	-82,850	-61,830	-139,656	-105,260	-140,032
Personnel costs	-66,794	-51,493	-129,282	-96,203	-210,177	-153,749	-204,227
Other operating expenses	0	0	-1,048	0	-1,048	0	-2,597
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	49,189	30,998	70,223	43,791	117,861	62,924	109,823
Depreciation of tangible assets and amortisation of intangible assets	-7,038	-4,371	-14,066	-9,063	-22,445	-14,812	-21,041
Operating result	42,150	26,627	56,156	34,729	95,416	48,112	88,782
<u>Result from financial items</u>							
Financial income	0	107	0	0	71	158	0
Financial expenses	-3,041	-3,807	-3,771	-4,180	-15,614	-4,910	-18,998
Result after financial items	39,110	22,927	52,385	30,548	79,873	43,360	69,784
Income tax	-8,728	-4,945	-12,472	-6,667	-18,073	-9,600	-15,674
Net result for the period	30,381	17,981	39,913	23,881	61,800	33,760	54,110
Attributable to:							
Parent Company shareholders	30,381	17,981	39,913	23,881	61,800	33,760	54,110
Earnings per share							
Earnings per share before dilution (SEK)	0.84	0.53	1.10	0.71	1.73	1.01	1.59
Earnings per share after dilution (SEK)	0.80	0.51	1.06	0.67	1.64	0.96	1.50
Consolidated statement of comprehensive income							
	Quarter	Quarter	Period	Period	Period	Period	Full year
	170401	160401	170101	160101	160901	150901	160101
	170630	160630	170630	160630	170630	160630	161231
Result for the period	30,381	17,981	39,913	23,881	61,800	33,760	54,110
Items which can later be recovered in the income statement							
Translation differences	-389	227	-772	105	443	-316	1,157
Other comprehensive income for the period	-389	227	-772	105	443	-316	1,157
Comprehensive income for the period	29,992	18,208	39,141	23,986	62,243	33,444	55,267

Attributable to:

Parent Company shareholders

29,992

18,208

39,141

23,986

62,243

33,444

55,267

Consolidated balance sheet (SEK thousand)

	2017-06-30		2016-06-30		2016-12-31
Assets					
<u>Non-current assets</u>					
Intangible assets	123,461		92,057		113,291
Tangible assets	95,106		45,228		80,156
Financial assets	288		289		289
Total non-current assets	218,855		137,575		193,736
<u>Current assets</u>					
Inventories	227,226		165,180		206,994
<u>Current receivables</u>					
Accounts receivable	261,870		218,402		196,082
Other receivables	2,788		16,213		10,664
Prepaid expenses and accrued income	16,169		8,833		10,227
Total current receivables	280,827		243,447		216,974
<u>Liquid assets</u>					
	22,465		29,511		39,588
Total current assets	530,518		438,139		463,556
Total assets	749,373		575,714		657,292

Consolidated balance sheet (SEK thousand)

	2017-06-30	2016-06-30	2016-12-31
Equity			
<u>Equity attributable to Parent Company shareholders</u>			
Share capital	1,807	1,684	1,807
Other contributed capital	184,253	165,711	182,924
Reserves	-929	-825	-158
Result brought forward, including comprehensive income for the period	185,570	125,825	145,774
Equity	370,702	292,395	330,347
<u>Non-current liabilities</u>			
Liabilities to credit institutions	82,977	50,141	88,509
Deferred tax	32,061	26,758	31,627
Total non-current liabilities	115,038	76,899	120,136
<u>Current liabilities</u>			
Liabilities to credit institutions	11,064	0	5,532
Overdraft facilities	8,403	22,276	20,277
Accounts payable	131,599	116,785	104,327
Provisions	5,000	7,075	5,000
Current tax liabilities	16,708	214	3,948
Other liabilities	41,169	23,355	21,861
Accrued expenses and deferred income	49,691	36,716	45,864
Total current liabilities	263,634	206,420	206,808
Total equity, provisions and liabilities	749,373	575,714	657,292

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 2016	1,663	158,663	-753	102,055	261,629
Result for the period	-	-	-	54,110	54,110
Other comprehensive income	-	-	595	-	595
Total comprehensive income	0	0	595	54,110	54,705
New share issue relating to business acquisitions	33	13,185	-	-	13,218
New share issue	111	11,076	-	-	11,187
Dividends paid	-	-	-	-10,392	-10,392
Total transactions with shareholders, reported directly in equity	144	24,261	0	-10,392	14,013
Balance carried forward as of 31 December 2016	1,807	182,924	-158	145,774	330,347
Balance brought forward as of 1 January 2017	1,807	182,924	-158	145,774	330,347
Result for the period	-	-	-	39,913	39,913
Other comprehensive income	-	-	-772	-116	-888
Total comprehensive income	0	0	-772	39,797	39,025
New share issues	-	1,329	-	-	1,329
Total transactions with shareholders, reported directly in equity	0	1,329	0	0	1,329
Balance carried forward as of 30 June 2017	1,807	184,253	-929	185,570	370,702

Consolidated statement of cash flows (SEK thousand)	Quarter	Quarter	Period	Period	Period	Period	Full year
	170401	160401	170101	160101	160901	150901	160101
	170630	160630	170630	160630	170630	160630	161231
Operating result	42,150	26,627	56,156	34,729	95,416	48,112	88,782
Items not affecting cash flow	4,197	4,377	8,950	9,015	8,627	14,083	-413
Interest received	0	106	5	140	71	158	0
Interest paid	-534	-3,807	-1,051	-4,320	-1,608	-4,910	-1,279
Income tax paid	-5,593	-3,750	-1,345	-7,500	-9,659	-20,959	-13,375
Cash flow from operating activities before changes in working capital	40,220	23,553	62,715	32,063	92,846	36,484	73,716
Increase (-)/decrease (+) in inventories	5,784	5,187	-20,232	-5,328	-29,111	442	-24,124
Increase (-)/decrease (+) in accounts receivable	-48,709	-42,562	-65,534	-56,665	-92,859	-76,544	-33,208
Increase (-)/decrease (+) in operating receivables	5,324	4,146	4,448	403	-1,924	-6,188	-7,392
Increase (+)/decrease (-) in accounts payable	-13,225	21,555	26,325	36,182	27,630	41,747	23,158
Increase (+)/decrease (-) in operating liabilities	5,001	10,838	15,248	50,180	-4,258	11,735	2,349
Cash flow from changes in working capital	-45,825	-836	-39,745	24,772	-100,522	-28,808	-39,218
Cash flow from operating activities	-5,605	22,717	22,971	56,835	-7,676	7,675	34,498
<u>Investing activities</u>							
Acquisition of tangible and intangible assets	-17,758	-16,295	-24,498	-19,057	-29,084	-23,157	-29,018
Acquisition of subsidiaries after deduction of acquired liquid assets	12	-1,652	-4,960	-36,651	-45,882	-36,649	-50,114
Cash flow from investing activities	-17,746	-17,947	-29,458	-55,708	-74,966	-59,806	-79,132
<u>Financing activities</u>							
Borrowings	0	20,140	0	20,140	43,900	20,140	77,373
Amortisation of loans	0	0	0	-3,333	0	-9,999	-3,333
Changes in overdraft facilities	-3,551	-3,893	-11,874	7,886	8,403	22,276	5,886
New share issues for the period	0	189	1,239	189	12,145	3,278	11,187
Dividends paid	0	0	0	0	-10,392	0	-10,392
Cash flow from financing activities	-3,551	16,436	-10,635	24,882	54,056	35,695	80,721
<u>Cash flow for the period</u>	-26,902	21,206	-17,123	26,009	-28,586	-16,436	36,087
Liquid assets at the start of the period	49,367	8,305	39,588	3,502	51,051	45,947	3,502
Liquid assets at the end of the period	22,465	29,511	22,465	29,511	22,465	29,511	39,588

Key metrics for the Group	Quarter	Quarter	Period	Period	Period	Period	Full year
	170401 170630	160401 160630	170101 170630	160101 160630	160901 170630	150901 160630	160101 161231
Growth in net sales	26%	42%	36%	38%	42%	43%	43%
EBITDA margin	14.2%	11.3%	11.0%	9.4%	11.2%	8.4%	10.6%
EBITDA margin, 12 months rolling	11.3%	9.1%	11.3%	9.1%	11.3%	9.1%	10.6%
Operating margin	12.2%	9.7%	8.8%	7.4%	9.0%	6.5%	8.6%
Equity ratio	49.5%	50.8%	49.5%	50.8%	49.5%	50.8%	51.9%
Earnings per share before dilution (SEK)	0.84	0.53	1.10	0.71	1.73	1.01	1.59
Earnings per share after dilution (SEK)	0.80	0.51	1.06	0.67	1.64	0.96	1.50
Net sales per employee (SEK thousand)	913	996	1,723	1,746	2,941	2,887	3,520
Result per employee (SEK thousand)	80	65	108	89	172	131	185
Quick ratio	1.2	1.4	1.2	1.4	1.2	1.4	1.3
Average number of employees	379	276	370	268	359	258	293
Number of shares at period end before dilution	36,140,785	33,677,240	36,140,785	33,677,240	36,140,785	33,677,240	36,140,785
Average number of shares before dilution	36,140,785	33,677,240	36,140,785	33,677,240	35,647,959	33,329,422	34,087,733
Average number of shares after dilution	37,779,218	35,444,419	37,779,218	35,444,419	37,667,505	35,238,839	36,103,801

For the definition of key metrics, see the Annual Report for 2015/16.

The key metrics presented are deemed essential to describing the Group's development as they both constitute the Group's financial objectives (growth in net sales, EBITDA margin, equity ratio) and are the key metrics by which the Group is governed. Several key metrics are considered relevant to investors, such as earnings per share and the number of shares. Other key metrics are presented in order to provide different perspectives on how the Group is developing and are therefore deemed to be of benefit to the reader.

Parent Company income statement (SEK thousand)

	Period	Period
	160901	150901
	170630	160630
<u>Revenue</u>		
Net sales	15,596	12,997
	15,596	12,997
<u>Operating expenses</u>		
Other external costs	-10,336	-11,445
Personnel costs	-15,291	-10,007
Other operating expenses	0	0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-10,031	-8,456
Depreciation of tangible assets	-187	-69
Operating result	-10,218	-8,524
<u>Result from financial items</u>		
Interest income	1,214	501
Interest expenses	-2,106	-1,320
Result after financial items	-11,110	-9,343
Appropriations	0	60
Result before tax	-11,110	-9,284
Tax on profit for the period	0	-27
Net result for the period	-11,110	-9,311

Parent Company balance sheet (SEK thousand)

	2017-06-30	2016-06-30
<u>Assets</u>		
Tangible assets	875	879
Financial assets	229,872	180,692
Total non-current assets	230,747	181,571
<u>Current receivables</u>		
Receivables from Group companies	155,556	105,125
Other receivables	6	1,040
Prepaid expenses and accrued income	1,910	1,706
Total current receivables	157,471	107,870
<u>Cash and bank balances</u>	0	0
Total current assets	157,471	107,869
Total assets	388,218	289,440
<u>Equity, provisions and liabilities</u>		
<u>Equity</u>	173,116	165,388
<u>Untaxed reserves</u>	3,740	2,840
<u>Non-current liabilities</u>		
Liabilities to credit institutions	82,977	50,141
Total non-current liabilities	82,977	50,141
<u>Current liabilities</u>		
Liabilities to credit institutions	11,064	0
Overdraft facilities	8,403	22,276
Accounts payable	873	1,842
Liabilities to Group companies	89,776	38,678
Current tax liabilities	111	602
Other liabilities	13,615	5,489
Accrued expenses and deferred income	4,544	2,184
Total current liabilities	128,386	71,071

Total equity, provisions and liabilities

388,218

289,440

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.

The interim report for the period April to June 2017 has been approved for publication by way of a decision of the Board of Directors made on 23 August 2017 at 18:00.

All amounts are in thousands of Swedish kronor (SEK thousand) unless otherwise stated. The figures in parentheses refer to the previous year.

Note 2 Accounting policies

The consolidated financial statements for Hexatronic Group ("Hexatronic") have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act. This interim report has been prepared in accordance with IAS 34 Interim Reporting, the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups.

The Group has begun assessing the impact of IFRS 9 and IFRS 15. From a preliminary perspective, these are not expected to have a significant impact on the Group.

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The application of RFR 2 means that in its interim report for the legal entity, the Parent Company applies all IFRS and statements adopted by the EU as far as possible within the framework of the Swedish Annual Accounts Act and the Swedish Insurance Act and with regard to the relationship between accounting and taxation.

For full accounting policies, see the Annual Report for 2015/16.

Note 3 Pledges assets and contingent liabilities

		Group		Parent Company	
Pledged assets and contingent liabilities	170630	160630	161231	170630	160630
<i>Assets pledged for liabilities to credit institutions</i>					
Chattel mortgages	57,166	97,166	57,166	100	100

Shares in subsidiaries	307,624	209,106	210,913	143,427	94,740
Total	364,790	306,272	268,079	143,527	94,840
<i>Contingent liabilities</i>					
Guarantees	5,000	7,075	5,000	0	0
Contingent purchase consideration	12,701	5,304	8,252	12,701	5,304
Total	17,701	12,379	13,252	12,701	5,304

Note 4 Business acquisitions

Business acquisitions 2016/17

ICT Education AB

On 1 November 2016, the Group acquired 100% of the share capital in ICT Education AB for SEK 21,273 thousand, of which SEK 16,273 thousand was paid in cash and SEK 5,000 thousand was paid through a new share issue in Hexatronic. There may be a possible additional purchase price of a maximum of SEK 9,000 thousand based on the EBITDA of the forthcoming two financial years.

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

Purchase price as of 1 November 2016

Liquid assets (of which SEK 10,000 paid on the balance sheet date)	16,273
Equity instruments (184,715 shares)	5,000
Contingent purchase consideration (not paid)	7,000
Total purchase price	28,273

Recognised amounts for identifiable acquired assets and taken-over liabilities

Liquid assets	10,694
Tangible assets	694
Customer contracts and customer relations	8,723
Trademarks	1,843
Accounts receivable	1,136
Other liabilities	-4,596
Deferred tax liabilities	-2,641
Total identifiable net assets	15,853
Goodwill	12,420

Acquisition-related costs of SEK 269 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2016/17 financial year. Total cash flow attributable to the business acquisition amounted to SEK -5,579 thousand.

Under the terms of the conditional purchase price, the Group will pay a maximum of SEK 9,000 thousand, up to a maximum of SEK 4,500 thousand per year based on the EBITDA of the two forthcoming financial years.

The fair value of the conditional purchase price of SEK 7,000 thousand was estimated by applying the return of value approach. The fair value estimates are based on a discount rate, which is based on a two-year government bond of approximately 0.2%, and an assumed EBITDA in ICT Education AB. The fair value of accounts receivable totals SEK 1,136 thousand. No accounts receivable is deemed to be doubtful.

ICT Education AB's net sales have been included in the consolidated income statement since 1 November 2016 and amount to SEK 20,078 thousand. ICT Education AB also generated an operating profit of SEK 6,339 thousand in the same period.

Had ICT Education AB been consolidated from 1 September 2016, the consolidated income statement for the period 1 September 2016 to 30 June 2017 would have shown increased net sales amounting to SEK 25,246 thousand and an operating profit of SEK 7,824 thousand.

Iftac AB

On 2 January 2017, the Group acquired 100% of the share capital in Iftac AB for SEK 8,900 thousand. There may be a possible additional purchase consideration of a maximum of SEK 7,800 thousand based on the EBITDA of the forthcoming two financial years. This acquisition expands the Group's education venture further.

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

Purchase price as of 2 January 2017

Liquid assets (of which SEK 8,900 paid on the balance sheet date)	15,051
Contingent purchase consideration (not paid)	4,819
Total purchase price	19,870

Recognised amounts for identifiable acquired assets and taken-over liabilities

Liquid assets	11,629
Tangible assets	698
Customer contracts and customer relations	4,091
Trademarks	2,456
Accounts receivable	255
Other receivables	2,514
Other liabilities	-7,159
Deferred tax liabilities	-2,058
Total identifiable net assets	12,426
Goodwill	7,444

Acquisition-related costs of SEK 225 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2016/17 financial year. Total cash flow attributable to the business acquisition amounted to SEK -3,422 thousand.

Under the terms of the conditional purchase price, the Group will pay a maximum of SEK 7,800 thousand, up to a maximum of SEK 3,900 thousand per year based on the EBITDA of the two forthcoming financial years.

The fair value of the conditional purchase price of SEK 4,819 thousand was estimated by applying the return of value approach. The fair value estimates are based on a discount rate, which is based on a two-year government bond of approximately 0.2%, and an assumed EBITDA in Iftac AB. The fair value of accounts receivable totals SEK 255 thousand. No accounts receivable is deemed to be doubtful.

Iftac AB's net sales have been included in the consolidated income statement since 2 January 2017 and amount to SEK 13,037 thousand. Iftac AB also generated an operating profit of SEK 2,466 thousand in the same period.

Had Iftac AB been consolidated from 1 September 2016, the consolidated income statement for the period 1 September 2016 to 30 June 2017 would have shown increased net sales amounting to SEK 23,347 thousand and an operating profit of SEK 4,880 thousand.