

# Hexatronic Group AB (publ)

## Interim Report January – March 2018

### The quarter (January-March 2018)

- Net sales amounted to MSEK 339.2 (291.3), which represents 16% (51%) growth during the quarter.
- The operating result before interest, taxes, depreciation and amortisation (EBITDA) totalled MSEK 24.6 (21.0), which corresponds to an EBITDA margin of 7.2% (7.2%).
- The operating result amounted to MSEK 13.7 (14.0).
- Net earnings totalled MSEK 11.3 (9.5).
- Earnings per share after dilution totalled SEK 0.30 (0.25).
- Cash flow from operating activities during the quarter amounted to MSEK -1.8 (28.6)

### Events during the quarter (January–March 2018)

- Hexatronic acquired the American duct manufacturer Blue Diamond Industries LLC. The company is consolidated in the Group from 2 January 2018.
- Hexatronic won submarine cable orders totalling MSEK 33.
- Hexatronic was moved up to the Nasdaq Stockholm Mid Cap-segment. The Mid Cap segment consists of companies with a market value between MEUR 150 and MEUR 1,000.

### Events since the end of the period

- Hexatronic signed an agreement with one of the major Swedish operators regarding the delivery of cables to a reinforcement of the fiber transport network in the south of Sweden (Stockholm to Malmö). The agreement includes delivery of both transport cable and submarine cable used for crossing of waters.
- 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 options. 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 options and/or convertibles equating to no more than 10% of the registered share capital

## Comments from the CEO

### Strong development outside of the Nordics

The most important event during the quarter was the acquisition of Blue Diamond Industries (BDI) in the USA. The aim of the acquisition was to gain local duct production to support sales of our system solutions. BDI has developed well beyond expectation during the first quarter. This is primarily attributable to a generally strong telecom market in the USA. Our system sales in North America remain at a low level. We do not anticipate any material volumes of system sales for the Group during 2018 but do expect them to increase considerably in 2019. We are currently developing BDI's production to include microduct, which is an important success factor. Moreover, during the first half-year we are relocating two experienced personnel to the USA to further strengthen our focus on system sales.

The first quarter of 2018 was characterised by a harsher winter in the Nordics than in recent years. March was one of the coldest months on record according to the Swedish Meteorological and Hydrological Institute. With ground frost and a lot of snow, installation work across the Nordics went very slowly, and this is reflected in the sales figures. In our ambition to develop sales outside of Sweden, we observed excellent sales development in both the USA and New Zealand during the quarter.

Strong developments outside of the Nordics combined with a tough winter in the region meant that, for the first time, sales outside of Sweden accounted for around 60% of Group sales during the quarter. Sales outside of Sweden were 43% in the corresponding period last year. This shows that our efforts to expand geographically and make the company less dependent on the Swedish market are having a clear impact on sales.

Growth for the quarter totalled 16%, of which organic growth was -6%. Sales were adversely affected by the harsh winter, and the fact that Easter fell in March. We expect seasonal variations in our sales to decrease as we expand internationally. Profitability during the quarter of 7.2% EBITDA is in line with the corresponding period last year. This is short of our goal for the year of 10% but is acceptable given the seasonally weak quarter and the ongoing investments we are making in future profitable growth.

In Europe, we expect the British and German markets for fiber to the home (FTTH) to gather momentum during 2018. The signs during the quarter have been positive. The new German government has announced that it will support fiber expansion to the tune of EUR 10-12 billion over the next four years. We strengthened our organisation in the UK during the quarter and have employed a sales manager for the German market, who will head up the newly established subsidiary Hexatronic GmbH.

We took part in the FTTH Conference in Valencia during the quarter, where we launched our new nano cable, Raptor. The highly successful conference can be summed up by a distinct rise in interest from operators and installers, primarily from the UK and Germany.

Our assessment remains that our important Swedish market will develop in line with last year, i.e. with volumes roughly on a par with last year, and that demand will pick up at the end of April. On the Norwegian and Finnish markets, we predict increased demand during the year, which is why we are strengthening our organisations in both these territories.

Since the first quarter is our weakest, we are building up stocks to meet higher demand during the spring and summer. This build-up of stock means that we have a weak cash flow during the quarter. We move into

Q2 2018 with an order book that is 4% lower than at the same point last year and on a comparable basis (17% higher than last year including acquisitions).

We still have a very positive view of the FTTH market and of the opportunities that 5G will bring in terms of fiber expansion. In addition, we are seeing an increasing need to strengthen the transport networks.

We look forward to travelling with you on our continued journey towards further growth!

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

## Financial information, Group

	Quarter 180101 180331	Quarter 170101 170331	Full year 170101 171231
<b>MSEK</b>			
Net sales	339.2	291.3	1,299.4
EBITDA	24.6	21.0	151.0
EBITDA margin	7.2%	7.2%	11.6%
Operating result	13.7	14.0	122.3
Net earnings	11.3	9.5	90.4
Earnings per share after dilution, SEK	0.30	0.25	2.38
Cash flow from operating activities	-1.8	28.6	133.4
Liquid assets	109.2	49.4	108.2

See other key metrics on page 16.

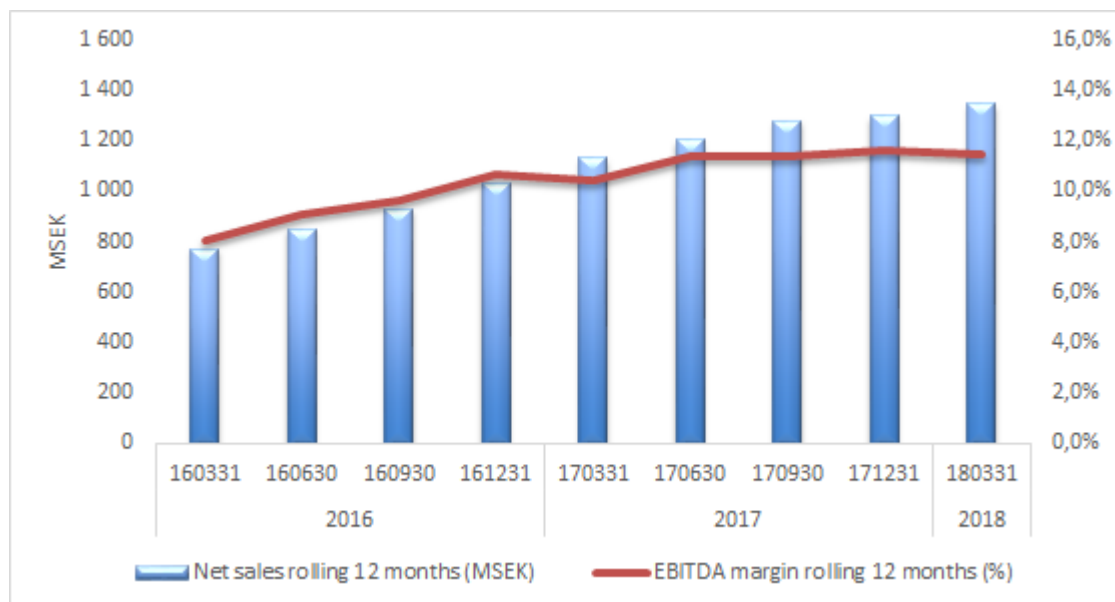
### Net sales and results

#### The quarter (January – March 2018)

Net sales during the quarter amounted to MSEK 339.2 (291.3). Net sales increased by 16% for the Group compared to the same quarter the year before. The growth is attributable to the acquisition of Blue Diamond Industries. The organic growth as -6% compared to the same quarter the year before

EBITDA totalled MSEK 24.6 (21.0), which corresponds to an EBITDA margin of 7.2% (7.2%).

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



## Financial position and liquidity

### Liquid assets

Liquid assets on 31 March 2018, excluding overdraft facilities, amounted to MSEK 109.2 (49.4). Unutilised overdraft facilities amounted to MSEK 70.0 MSEK (38.0) on 31 March 2018.

### Non-current assets

Non-current assets amounted to MSEK 412.2 (208.1) on 31 March 2018. The increase is related to acquired assets in connection with the acquisition of Blue Diamond Industries.

### Equity

Equity amounted to MSEK 430.8 (340.7) on 31 March 2018, which equated to SEK 11.91 (9.43) per outstanding share at the end of the reporting period before dilution.

### Borrowing

The Parent Company has an acquisition facility of MSEK 500 with Danske Bank. The utilised amount on 31 March 2018 totalled MSEK 323.9, and MSEK 281.7 of this is long-term borrowing. Net debt totalled MSEK 214.8 (56.6) at the end of the reporting period. 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.

### Equity ratio

The equity ratio on 31 March 2018 was 40% (47%).

## Cash flow

### Cash flow from operating activities

Cash flow from operating activities during the quarter amounted to MSEK -1.8 (28.6), including a change in working capital of MSEK -19.2 (6.1). The lower cash flow is attributable to increased capital tied up in inventories.

### Cash flow from investing activities

Cash flow from investing activities during the quarter amounted to MSEK -227.2 (-11.7). The cash flow is mainly attributable to the acquisition of Blue Diamond Industries 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 229.9 (-7.1).

The cash flow during the quarter is attributable to new borrowing related to the acquisition of Blue Diamond Industries.

## 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 31 March 2018 was 11.5% (10.5%).

### 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 16 % (51%). Growth on a rolling 12-month basis was 19% (47%).

### Financial stability

The Group shall have an equity ratio of at least 30%. The equity ratio was 40% (47%) 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.

## Employees

There were 475 (372) employees in the Group on 31 March 2018. The increase in employees compared to the same time last year is primarily due to the acquisition of Blue Diamond Industries, and to a larger workforce in production in New Zealand.

## Parent Company

The Parent Company's main business consists of performing Group-wide services. Revenue for the quarter amounted to MSEK 5.9 (4.2) and the result for the period was MSEK -5.5 (-3.7).

The Parent Company's financial assets amounted to MSEK 464.3 (229.8) at the end of the period. The increase is related to the value of shares in Blue Diamond Industries which has been added during the quarter.

## 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

In July 2016 Emtelle UK Ltd. filed a lawsuit in New Zealand against the Hexatronic subsidiary, Hexatronic New Zealand Ltd., for infringement in a New Zealand patent, concerning air blown fibre. 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

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.

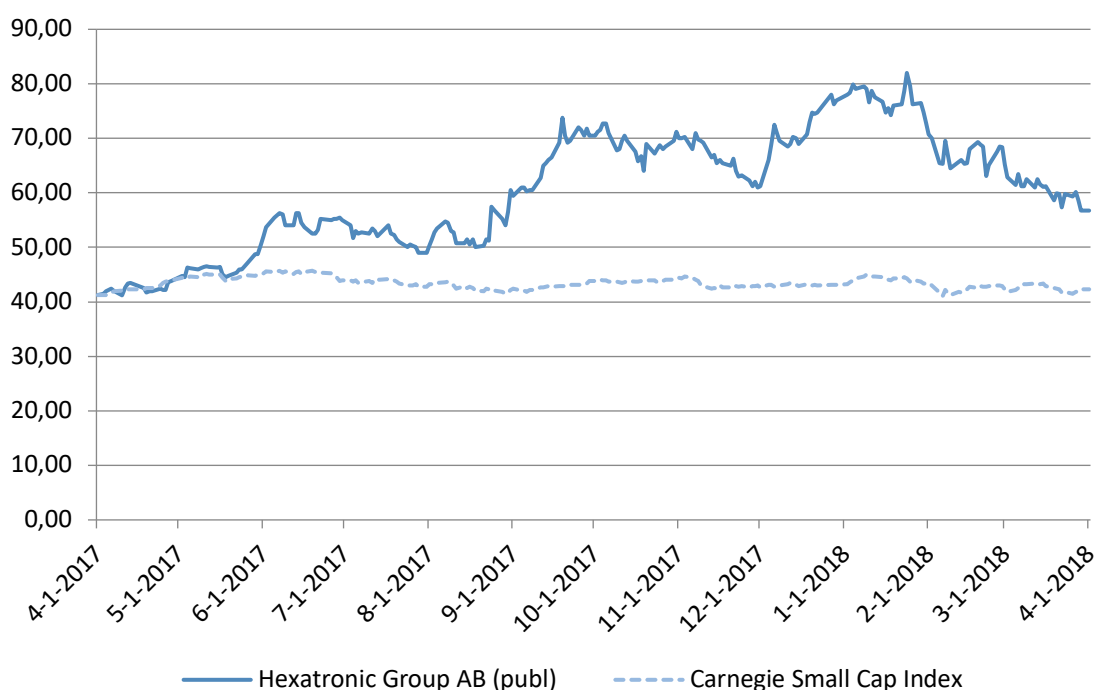
The company's share is listed under the ticker **HTRO**. On the balance sheet date, the share capital in Hexatronic Group AB (publ) amounted to SEK 1,808,583.55, distributed among a total of 36,177,677 shares, before dilution from existing employee stock option programmes.

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.

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



The company's market value at the end of the period was MSEK 2,051. Based on data from Euroclear, the number of shareholders at period end are 9,167. The shareholder structure of Hexatronic Group AB (publ) on 31 March 2018 is shown in the table below.

Shareholder	No. of shares	Capital & votes %
Accendo Capital	4,658,447	12.9%
Jonas Nordlund, privately and corporately	2,989,841	8.3%
Fondita Nordic Micro Cap	1,800,000	5.0%
Handelsbanken Funds	1,800,000	5.0%
Martin Åberg and Erik Selin via Chirp AB	1,785,872	4.9%
Göran Nordlund, privately and corporately	1,563,549	4.3%
Swedbank Robur, West Fund	1,342,039	3.7%
Nordea Funds	1,285,953	3.6%
Avanza Pension - Insurance Company	1,118,869	3.1%
Henrik Larsson Lyon	791,666	2.2%
Other shareholders	17,035,441	47.1%
<b>Total outstanding shares</b>	<b>36,171,677</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 4 May 2018 at 08:00 CET.

### Financial calendar

Interim Report April-June 2018: 16 August 2018

Interim Report July-September 2018: 7 November 2018

Year-End Report: 22 February 2019

Interim Report January-March 2019: 3 May 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, 4 May 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 year-end 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, DCIO™, Basic Broadband™ 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 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	Full year
	180101	170101	170101
	180331	170331	171231
<u>Revenue</u>			
Net sales	339,234	291,305	1,299,419
Other operating income	678	0	19,003
	339,912	291,305	1,318,423
<u>Operating expenses</u>			
Raw materials and goods for resale	-186,815	-164,151	-728,476
Other external costs	-53,797	-42,584	-176,801
Personnel costs	-74,735	-62,488	-259,950
Other operating expenses	0	-1,048	-2,191
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>24,565</b>	<b>21,034</b>	<b>151,004</b>
Depreciation of tangible assets and amortisation of intangible assets	-10,838	-7,028	-28,704
<b>Operating result</b>	<b>13,727</b>	<b>14,006</b>	<b>122,300</b>
<u>Result from financial items</u>			
Financial income	1,256	76	230
Financial expenses	-1,272	-806	-6,399
<b>Result after financial items</b>	<b>13,710</b>	<b>13,276</b>	<b>116,130</b>
Income taxes	-2,402	-3,744	-25,699
<b>Net result for the period</b>	<b>11,309</b>	<b>9,532</b>	<b>90,432</b>
<b>Attributable to:</b>			
Parent Company shareholders	11,309	9,532	90,432
<b>Earnings per share</b>			
Earnings per share before dilution (SEK)	0.31	0.26	2.50
Earnings per share after dilution (SEK)	0.30	0.25	2.38
<b>Consolidated statement of comprehensive income</b>	<b>Quarter</b>	<b>Quarter</b>	<b>Full year</b>
	<b>180101</b>	<b>170101</b>	<b>170101</b>
	<b>180331</b>	<b>170331</b>	<b>171231</b>
Result for the period	11,309	9,532	90,432
<b>Items which can later be recovered in the income statement</b>			
Translation differences	2,330	-383	-2,687
Cash flow hedge	3,077	0	-3,077
<b>Other comprehensive income for the period</b>	<b>5,407</b>	<b>-383</b>	<b>-5,765</b>
<b>Comprehensive income for the period</b>	<b>16,716</b>	<b>9,149</b>	<b>84,667</b>
<b>Attributable to:</b>			
Parent Company shareholders	16,716	9,149	84,667

<b>Consolidated balance sheet (SEK thousand)</b>	<b>2018-03-31</b>	<b>2017-03-31</b>	<b>2017-12-31</b>
<b>Assets</b>			
<b><u>Non-current assets</u></b>			
Intangible assets	290,822	125,635	118,585
Tangible assets	120,456	82,212	93,933
Financial assets	934	300	312
<b>Total non-current assets</b>	<b>412,212</b>	<b>208,147</b>	<b>212,830</b>
<b><u>Current assets</u></b>			
Inventories	304,326	233,010	236,925
<b><u>Current receivables</u></b>			
Accounts receivable	225,923	213,161	204,062
Other receivables	2,613	9,844	1,649
Prepaid expenses and accrued income	13,628	14,437	13,394
<b>Total current receivables</b>	<b>242,164</b>	<b>237,443</b>	<b>219,104</b>
<b><u>Liquid assets</u></b>	<b>109,172</b>	<b>49,367</b>	<b>108,239</b>
<b>Total current assets</b>	<b>655,663</b>	<b>519,820</b>	<b>564,268</b>
<b>Total assets</b>	<b>1,067,875</b>	<b>727,967</b>	<b>777,098</b>

**Consolidated balance sheet (SEK thousand)**

	<b>2018-03-31</b>	<b>2017-03-31</b>	<b>2017-12-31</b>
<b>Equity</b>			
<u>Equity attributable to Parent Company shareholders</u>			
Share capital	1,809	1,807	1,809
Other contributed capital	186,125	184,206	186,077
Reserves	-4,528	-541	-8,714
Result brought forward, including comprehensive Income for the period	247,396	155,184	236,087
<b>Equity</b>	<b>430,802</b>	<b>340,656</b>	<b>415,259</b>
<u>Non-current liabilities</u>			
Liabilities to credit institutions	281,729	82,977	70,530
Deferred tax	35,592	32,961	35,372
<b>Total non-current liabilities</b>	<b>317,321</b>	<b>115,938</b>	<b>105,903</b>
<u>Current liabilities</u>			
Liabilities to credit institutions	42,215	11,064	23,510
Overdraft facilities	0	11,954	0
Accounts payable	169,373	144,824	140,886
Provisions	3,000	5,000	3,000
Current tax liabilities	3,395	12,898	11,779
Other liabilities	46,890	39,746	26,215
Accrued expenses and deferred income	54,878	45,889	50,546
<b>Total current liabilities</b>	<b>319,752</b>	<b>271,374</b>	<b>255,936</b>
<b>Total equity, provisions and liabilities</b>	<b>1,067,875</b>	<b>727,967</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	-	-	-2,792	90,432	<b>87,640</b>
Other comprehensive income	-	-	-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	-	-	<b>1,629</b>
Employee stock option programme	-	1,526	-	-	<b>1,526</b>
Fund for development costs	-	4,751	-	-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	-	-	-1,270	11,309	<b>10,039</b>
Other comprehensive income	-	-	5,457	-	<b>5,456</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>4,186</b>	<b>11,309</b>	<b>15,495</b>
Employee stock option programme	-	48	-	-	<b>48</b>
Fund for development costs	-	-4,751	-	4,751	<b>0</b>
<b>Total transactions with shareholders, reported directly in equity</b>	<b>0</b>	<b>-4,703</b>	<b>0</b>	<b>4,751</b>	<b>48</b>
<b>Balance carried forward as of 31 March 2018</b>	<b>1,809</b>	<b>186,125</b>	<b>-4,528</b>	<b>247,396</b>	<b>430,802</b>

<b>Consolidated statement of cash flows (SEK thousand)</b>	<b>Quarter 180101 180331</b>	<b>Quarter 170101 170331</b>	<b>Full year 170101 171231</b>
Operating result	13,727	14,006	122,300
Items not affecting cash flow	12,015	4,753	16,534
Interest received	105	10	164
Interest paid	-1,349	-522	-2,025
Income tax paid	-7,084	4,248	-16,299
<b>Cash flow from operating activities before changes in working capital</b>	<b>17,414</b>	<b>22,495</b>	<b>120,674</b>
Increase (-)/decrease (+) in inventories	-46,004	-26,016	-29,931
Increase (-)/decrease (+) in accounts receivable	8,570	-16,825	-7,726
Increase (-)/decrease (+) in operating receivables	-688	-876	8,369
Increase (+)/decrease (-) in accounts payable	13,452	39,550	35,613
Increase (+)/decrease (-) in operating liabilities	5,486	10,247	6,360
<b>Cash flow from changes in working capital</b>	<b>-19,184</b>	<b>6,081</b>	<b>12,684</b>
<b>Cash flow from operating activities</b>	<b>-1,771</b>	<b>28,576</b>	<b>133,358</b>
<u>Investing activities</u>			
Acquisition of tangible and intangible assets	-9,265	-6,740	-33,087
Acquisition of subsidiaries after deduction of acquired liquid assets	-217,935	-4,973	-12,683
<b>Cash flow from investing activities</b>	<b>-227,199</b>	<b>-11,713</b>	<b>-45,770</b>
<u>Financing activities</u>			
Borrowings	229,904	0	0
Changes in overdraft facilities	0	-8,323	-20,277
New share issues for the period	0	1,239	1,340
<b>Cash flow from financing activities</b>	<b>229,904</b>	<b>-7,084</b>	<b>-18,937</b>
<u>Cash flow for the period</u>	934	9,778	68,650
Liquid assets at the start of the period	108,239	39,588	39,588
<b>Liquid assets at the end of the period</b>	<b>109,172</b>	<b>49,367</b>	<b>108,239</b>

Key metrics for the Group	Quarter		Full year
	180101	170101	170101
	180331	170331	171231
Growth in net sales	16%	51%	26%
EBITDA margin	7.2%	7.2%	11.6%
EBITDA margin, 12 months rolling	11.5%	10.5%	11.6%
Operating margin	4.0%	4.8%	9.4%
Equity ratio	40.3%	46.8%	53.4%
Earnings per share before dilution (SEK)	0.31	0.26	2.50
Earnings per share after dilution (SEK)	0.30	0.25	2.38
Net sales per employee (SEK thousand)	714	807	3,456
Result per employee (SEK thousand)	24	26	241
Quick ratio	1.1	1.1	1.3
Average number of employees	475	361	376
Number of shares at period end before dilution	36,171,677	36,140,785	36,171,677
Average number of shares before dilution	36,171,677	36,140,785	36,148,508
Average number of shares after dilution	37,826,437	37,681,655	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>Quarter 180101 180331</b>	<b>Quarter 170101 170331</b>
<u>Revenue</u>		
Net sales	5,899	4,235
	5,899	4,235
<u>Operating expenses</u>		
Other external costs	-4,705	-3,034
Personnel costs	-5,387	-4,535
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>-4,193</b>	<b>-3,334</b>
Depreciation of tangible assets	-54	-55
<b>Operating result</b>	<b>-4,247</b>	<b>-3,390</b>
<u>Result from financial items</u>		
Interest income	281	233
Interest expenses	-1,645	-535
<b>Result after financial items</b>	<b>-5,611</b>	<b>-3,693</b>
Appropriations	0	0
<b>Result before tax</b>	<b>-5,611</b>	<b>-3,693</b>
Tax on profit for the period	95	0
<b>Net result for the period</b>	<b>-5,516</b>	<b>-3,693</b>

**Parent Company balance sheet (SEK thousand)**

	<b>2018-03-31</b>	<b>2017-03-31</b>
<b><u>Assets</u></b>		
Tangible assets	709	932
Financial assets	464,282	229,848
<b>Total non-current assets</b>	<b>464,990</b>	<b>230,779</b>
<b><u>Current receivables</u></b>		
Receivables from Group companies	123,021	126,435
Other receivables	1,733	14
Prepaid expenses and accrued income	2,317	2,164
<b>Total current receivables</b>	<b>127,072</b>	<b>128,613</b>
<b><u>Cash and bank balances</u></b>	<b>41,025</b>	<b>0</b>
<b>Total current assets</b>	<b>168,097</b>	<b>128,613</b>
<b>Total assets</b>	<b>633,087</b>	<b>359,393</b>
<b><u>Equity, provisions and liabilities</u></b>		
<b><u>Equity</u></b>	<b>187,963</b>	<b>176,147</b>
<u>Untaxed reserves</u>	6,330	3,740
<b><u>Non-current liabilities</u></b>		
Liabilities to credit institutions	279,181	82,977
<b>Total non-current liabilities</b>	<b>279,181</b>	<b>82,977</b>
<b><u>Current liabilities</u></b>		
Liabilities to credit institutions	42,215	11,064
Overdraft facilities	0	11,954
Accounts payable	2,141	1,888
Liabilities to Group companies	93,442	53,884
Current tax liabilities	82	695
Other liabilities	17,155	13,282
Accrued expenses and deferred income	4,578	3,763
<b>Total current liabilities</b>	<b>159,613</b>	<b>96,530</b>
<b>Total equity, provisions and liabilities</b>	<b>633,087</b>	<b>359,393</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 3 May 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.

#### **IFRS 15 "Intäkter från avtal med kunder"**

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 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 submarine 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.

<b>January to March 2018</b>					
<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	162,548	48,609	70,140	57,937	<b>339,234</b>
<u>Category</u>					
Goods	156,067	48,609	70,140	57,937	332,753
Services	<u>6,481</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,481</u>
<b>Total</b>	<b>162,548</b>	<b>48,609</b>	<b>70,140</b>	<b>57,937</b>	<b>339,234</b>
<u>Time for revenue recognition</u>					
At a given time	162,548	48,609	70,140	57,937	339,234
Over time	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>162,548</b>	<b>48,609</b>	<b>70,140</b>	<b>57,937</b>	<b>339,234</b>

<b>January to March 2017</b>					
<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	186,491	47,410	3,372	54,032	<b>291,305</b>
<u>Category</u>					
Goods	172,681	47,410	3,372	54,032	277,495
Services	<u>13,810</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,810</u>
<b>Total</b>	<b>186,491</b>	<b>47,410</b>	<b>3,372</b>	<b>54,032</b>	<b>291,305</b>
<u>Time for revenue recognition</u>					
At a given time	186,491	47,410	3,372	54,032	291,305
Over time	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>186,491</b>	<b>47,410</b>	<b>3,372</b>	<b>54,032</b>	<b>291,305</b>

**Note 3**      **Pledged assets**

	<b>Group</b>			<b>Parent Company</b>	
<b>Pledged assets</b>	<b>180331</b>	<b>170331</b>	<b>171231</b>	<b>180331</b>	<b>170331</b>
<i>Assets pledged for liabilities to credit institutions</i>					
Chattel mortgages	157,350	57,166	57,166	100	100
Shares in subsidiaries	272,132	223,579	338,190	90,540	94,790
<b>Total</b>	<b>429,482</b>	<b>280,745</b>	<b>395,356</b>	<b>90,640</b>	<b>94,890</b>

## Note 4 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 preliminary 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 64,925 thousand. Blue Diamond Industries also generated an operating profit of SEK 5,296 thousand in the same period.

## 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>Quarter 1</b>
Net sales 2018	339,234
Acquisition driven	<u>-64,925</u>
Comparable net sales	274,309
Net sales 2017	291,305
<b>Net sales increase</b>	<b>47,929</b>
%	16%
<b>Organic growth</b>	<b>-16,996</b>
%	-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-March 2018	339,234
Net sales April-December 2017	<u>1,008,115</u>
<i>Net sales rolling 12 months</i>	<i>1,347,349</i>
Net sales January-March 2017	291,305
Net sales April-December 2016	<u>839,241</u>
<i>Net sales rolling 12 months</i>	<i>1,130,546</i>
<b>Annual growth, rolling 12 months</b>	<b>19%</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>2018-03-31</b>	<b>2017-03-31</b>	<b>2017-12-31</b>
Equity	430,802	340,656	415,259
Balance sheet total	1,067,875	727,967	777,098
<b>Equity ratio</b>	<b>40%</b>	<b>47%</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>2018-03-31</b>	<b>2017-03-31</b>	<b>2017-12-31</b>
Current assets	655,663	519,820	564,268
Inventories	-304,326	-233,010	-236,925
<i>Current assets-inventories</i>	<i>351,337</i>	<i>286,810</i>	<i>327,343</i>
Current liabilities	319,752	271,374	255,936
<b>Quick asset ratio</b>	<b>110%</b>	<b>106%</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>2018-03-31</b>	<b>2017-03-31</b>	<b>2017-12-31</b>
Inventories	304,326	233,010	236,925
Accounts receivable	225,923	213,161	204,062
Accounts payable	-169,373	-144,824	-140,886
<b>Core working capital</b>	<b>360,876</b>	<b>301,347</b>	<b>300,101</b>

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