Future lies beneath

A lasting link to the future

Hexatronic enables non-stop connectivity for communities worldwide. We partner with customers across four continents – from telecom operators to network owners – offering leading-edge fiber technology and solutions for any and all conditions.

1,696
Employees

54
Companies

HQ in Gothenburg

Focus areas:

Fiber Solutions
Harsh Environment
Wireless
Data Center

Key markets:

North America
Germany
United Kingdom
Nordics

Reasons to own shares

- Uniquely positioned with a complete system offering
- Attractive and expanding market
- Strong foothold on major growth markets
- Proven acquisition model
- Highly diversified customer base

A record year for Hexatronic – way beyond our targets

2022 was a record year that exceeded our expectations, both in terms of sales and profitability. Strategic investments, acquisitions, customer orientation, and an excellent corporate culture are behind this strong performance. The roll-out of fiber networks in our key markets continues to progress. With Hexatronic's efficient system solutions, we can strengthen our position and grow faster than the market.

Our biggest achievements of the year

Hexatronic delivered across the full range in 2022, and growth was largely organic. High organic sales growth in the US from Blue Diamond Industries and Hexatronic US boosted the figures, and Hexatronic UK also showed solid organic sales growth. Other companies that stood out with striking performances were Hexatronic in Norway, Swedish Proximion, and Italian Qubix.

Our geographic sales mix has positively impacted profitability, and we benefit from the scale effects of high-capacity utilization. In several markets, demand has exceeded supply, keeping prices up. During the year, we have started to catch up with price increases after a long period of rising raw material prices. Increased sales in the US have also had a positive impact on profitability.

We signed several important partnership agreements during the year - CityFibre (UK), Open Fiber (US), Grizzly Broadband (US), and Eltel (Finland).

The acquisition journey continues

In 2022, we signed acquisition agreements with four new companies. We welcome IDS (UK), homeway (Germany), Rochester Cable (USA , closing 2023), and KNET (South Korea) to our group. These acquisitions give us a local presence and a pathway into key markets, but they also complement our offering and strengthen our capabilities. Through diligent work and valuable advice from our local companies, we enter 2023 with a solid pipeline on the acquisition side.

Why we succeed

Hexatronic has a complete system solution, a whole that makes us stand out from the competition. Our solutions speed up the installation of fiber networks, resulting in significant cost savings for the customer. In a market where the lack of installers limits deployment, field support and training have become critical factors for our customers. We demonstrate that we care about their success and sell value rather than a product. That's why so many choose us.

We have also strategically chosen to target small and medium-sized operators who appreciate our offer's comprehensiveness and our commitment to their projects. It gives us a broad customer base and the opportunity to grow with our customers as we have done with CityFibre in the UK.

The culture makes people happy to work at Hexatronic, and we get to keep our employees. Entrepreneurial spirit and responsibility are something we look for in both recruitment and acquisitions. We have a decentralized organization where employees and companies within the Hexatronic Group make their own important decisions.

Business areas as a platform for growth

Hexatronic's largest business is Fiber Solutions, but we also have operations in Harsh Environment, Wireless, and Data Center. More communication is needed everywhere, and fiber is the way to go. The industry is evolving and requires systems that can handle challenging conditions. At the same time, significant investments are being made in 5G, and we are seeing a continued expansion of data centers. We aim to grow Harsh Environment, Wireless, and Data Center strongly through strategic investments and acquisitions of new exciting companies.

What's happening in the market?

The market outlook for the next few years is excellent, especially in our geographic growth markets. North America is a market undergoing strong development, and we expect the growth to continue for several years. Penetration rates for fiber to the home are still low, and major investments are being made. Growth in the UK looks set to continue, but probably at lower rates. We are well positioned with a wide range of customers. The German market is growing and will continue to grow for several years. Metropolitan networks play

an important role in the roll-out of fiber to the home and are, therefore, a focus group for us. In all our growth markets, labor shortages are a dampening factor. We expect the Swedish market to remain relatively stable over the next few years.

Organization for increased sustainability engagement

The new sustainability organization launched during the year is an important milestone for us. It brings increased local involvement, with many more people involved in our activities and targets. We are driving sustainability with a positive sentiment. I hear many good examples from companies about how they work to reduce our environmental footprint, increase gender equality and educate on our Code of Conduct.

More digital communication

It is difficult to predict what services we will use in ten years, but one thing is sure – the future will include more digital communications, and bandwidth requirements will increase. We plan to increase our system sales, and we believe we can grow faster than the market with our holistic approach.

In addition, we are planning for growth through more acquisitions in our business areas. We are following developments globally and looking at more markets where we see great potential, such as Australia.

Russia's war of aggression in Ukraine, of course, affects us on a personal level; we stand united with the people of Ukraine. It has also affected us through higher raw material and energy prices. In the event of a potential recession, we expect some negative impact on our growth and profitability.

I am proud of the long-term strategic investments behind Hexatronic's record year in 2022 and look forward to the continued growth journey.

Henrik Larsson Lyon, CEO Hexatronic

Growth at a new pace

In 2022, we reached a new pace of growth. We had a very high profitability and an extremely strong growth at 88%.

Pernilla Lindén, CFO, Hexatronic Group AB

6 574
SALES MSEK

16.6 %
EBITA MARGIN

Financial summary	2021	2022
Net sales, MSEK	3,492	6,574
Earnings before interest, taxes and amortisation of intangible assets (EBITA), MSEK	394	1,090
EBITA margin, %	11.3	16.6
Operating result (EBIT), MSEK	355	1,028
Net earnings, MSEK	252	793
Total assets, MSEK	4,715	7,388
Cash flow from operating activities, MSEK	105	670
Earnings per share after dilution, SEK	1.29	3.89

Solid growth in terms of both sales and profitability summarizes 2022. We grew fast in all our strategic markets with four major partnership agreements, and we continued our acquisition activity by signing agreements to acquire four new companies.

The year in brief

Hexatronic signed strategically important orders and agreements during the year.

- An extended supply agreement with CityFibre in the UK, to a total value of 100 MGBP over the next three years.
- A strategic partner agreement with Open Fiber USA, Inc in the USA, to a value of more than 40 MUSD.
- A 3-year strategic supply agreement with Eltel for the Finnish market, to a value of approximately 20 MEUR.
- A strategic partnership agreement with Grizzly Broadband in the USA, to a value of 15 MUSD.

Other

- In February, we adjusted our profitability target to 12% EBITA margin (earnings before interest, taxes, and amortization of intangible assets) over a business cycle. The previous set profitiability target was at least 10% on a rolling 12-month basis.
- At the same time, we also increased our growth target to annual growth of at least 20% over a business cycle. The previous growth target was to grow more than the market organically and with annual growth of at least 20%.
- Hexatronic executed a share split (5:1).

Acquisitions

- German multimedia home network provider homeway GmbH.
- UK-based data center specialist Impact Data Solutions Limited.
- Signed an agreement to acquire US-based Rochester Cable from TE Connectivity.
- Leading microduct business KNET with head quarters in South Korea.

Events since the end of the period

- Hexatronic completed the previously announced acquisition of Rochester Cable in the US on March 3 after having received regulatory approval.
- Hexatronic adjusted the profitability target to an EBITA margin of 15% to 17% over a business cycle. The previously set profitability target was at least 12% EBITA margin over a business cycle.
- The Board of Directors will propose a dividend of 0.10 SEK (0.10) per share for the financial year 2022 to the Annual General meeting.
- Hexatronic decided to establish a new production facility in the western part of the US. The investment of around 30 MUSD relates to production equipment and infrastructure for establishing the plant with expected production start in the second quarter of 2024.

How we perform

We strive for profitable and sustainable growth to create long-term value for our shareholders, customers and the society.

Our financial targets

Our financial targets are regularly evaluated in light of market conditions and developments within the company, and are intended to promote growth, profitability, and financial stability over the course of a business cycle. The targets focus on achieving and maintaining a strong financial position.

- Annual growth of at least 20% over a business cycle.
- Profitability target of at least 12% EBITA margin (earnings before interest, taxes, and amortization of intangible assets) over a business cycle. From 2023, Hexatronic adjusted the profitability target to 15-17% EBITA margin over a business cycle.

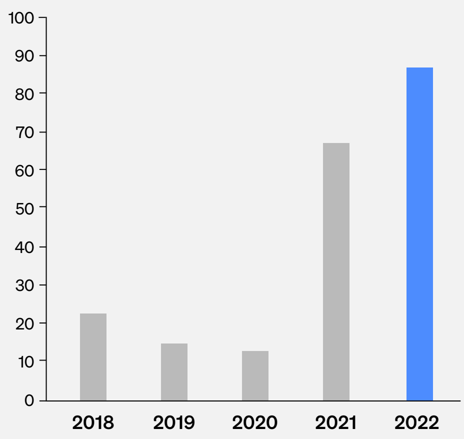
Our sustainability targets

Sustainability targets play an important part in our company's overall strategy. The targets aim to promote sustainable solutions, conduct business in a responsible manner, and to be an attractive employer. The targets focus on our six prioritized sustainability areas.

Our 2030 targets include:

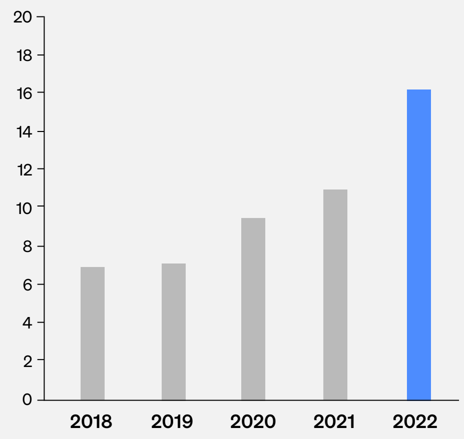
- Continue to maintain strong business ethics
- Reduce scope 1-3 GHG emissions by 50% (intensity target), become a climate neutral business within our own operations, and declare the climate footprint for most of our products
- Secure a sustainable supply chain with regard to the environment, human rights, fair employment conditions, a good working environment, and anti-corruption
- Offer an equal and inclusive workplace with a high degree of diversity
- Be a great place to work with zero harm to our employees
- Making a positive difference in society

Growth, %



Target 2022: 20%

EBITA margin, %



Target 2022: 12%

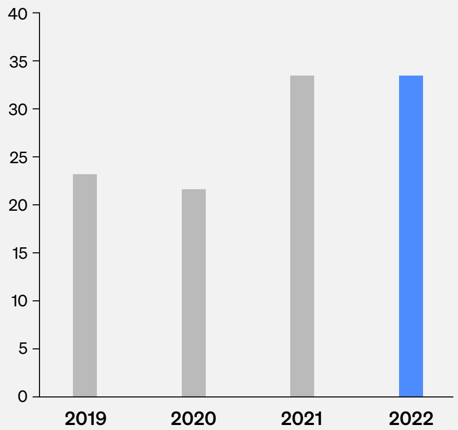
Previous target: 10%

91

Percentage of employees who have received training in our Code of Conduct

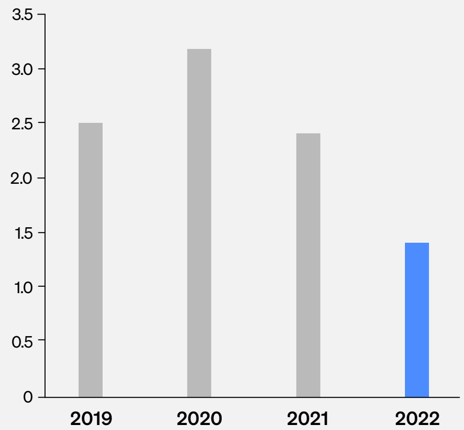
Target 2022: 100%

Women in executive management, %



Target 2022: 30%

Climate intensity scope 1-2, CO_2e/MSEK sales



Target 2022: 2

Hexatronic in the value chain

We are part of building the digital infrastructure, which is an essential enabler for communities, businesses and individuals to grow and develop.

With in-house development and manufacturing, we offer high-quality solutions that help our customers and partners towards successful business and projects. In order to further support our customers, we provide field support and training services. Our offering is based on our customers' main challenge: to manage effective, successful projects that result in robust, futureproof networks. This requires high-quality products, as well as a skilled workforce.

Sustainable solutions with a low TCO

The ultimate value for our customers is a long-lasting network with the best possible TCO (Total Cost of Ownership). Installation accounts for more than 80% of the construction cost, which means that faster installation increases the efficiency of a project and reduces the TCO. Creating efficient solutions is therefore a main focus across the entire value chain.

We strive to achieve a sustainable supply chain, not only by developing more sustainable solutions, but also considering human rights, fair employment conditions, a good working environment, and anti-corruption.

Product design and development

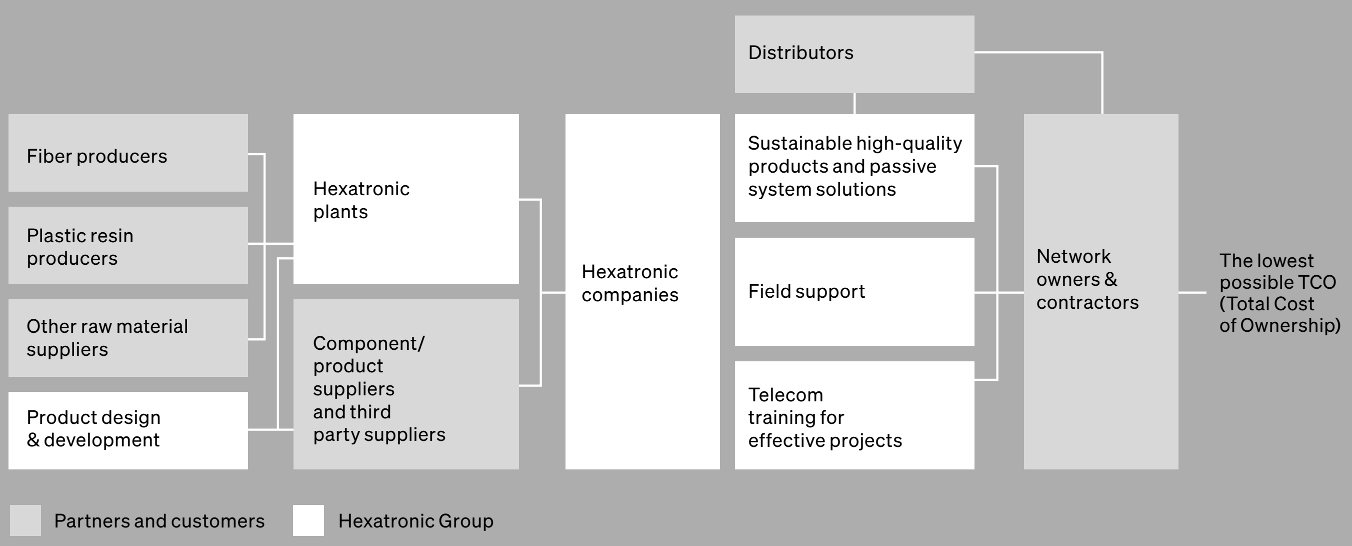
Design and product development are pivotal aspects of our operation. Our strong presence in customer projects, in which field support plays a vital part, provides valuable, relevant input to the development processes.

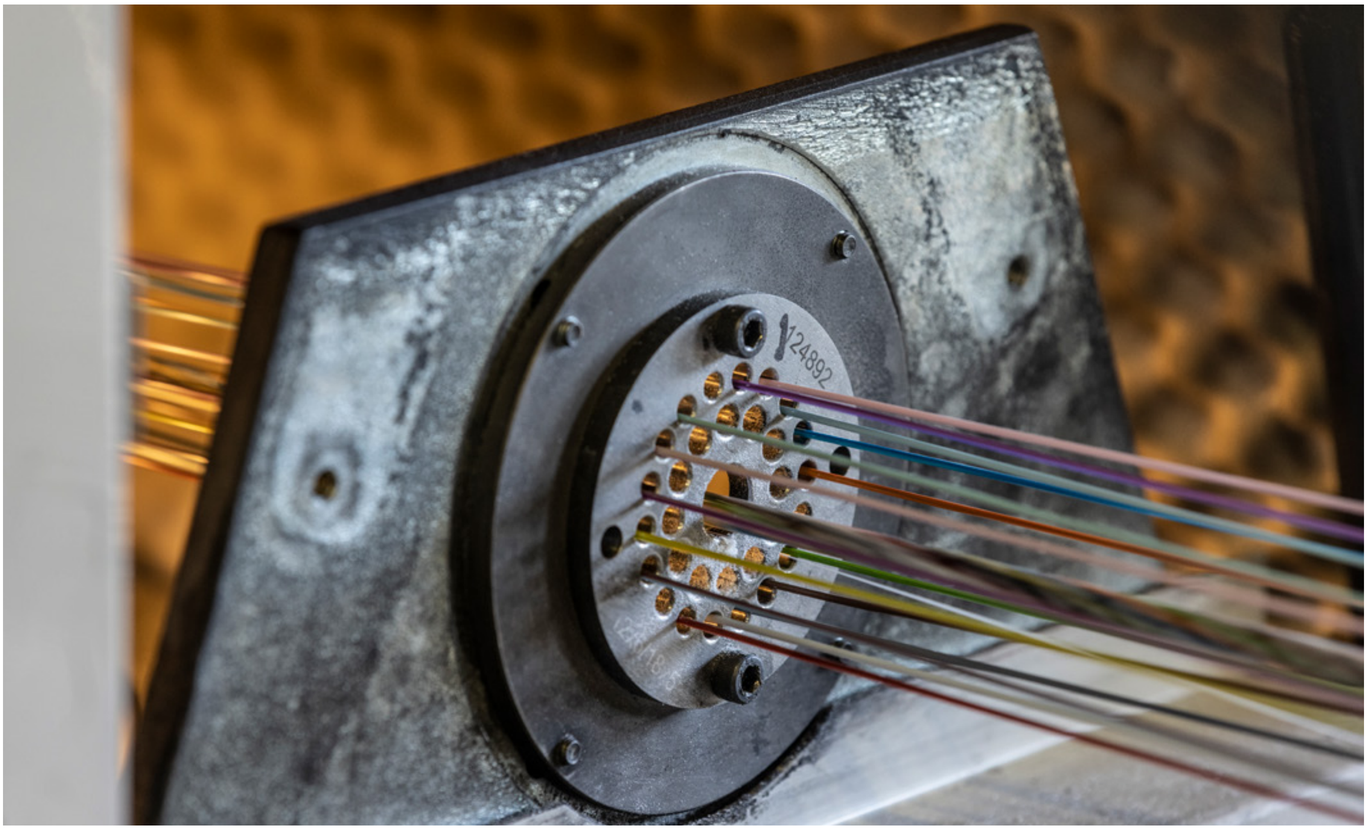
In-house development also allows us to put extra emphasis on creating products with a low environmetal impact. We design products and assemble them into high-quality systems with a long lifespan. Our ambition is to always offer products that are easy and efficient to install.

Manufacturing and logistics

Manufacturing is performed in our own factories and by subcontractors. We aim to oversee the entire process – from concept through development and manufacturing to the wrapped and delivered product – to ensure high quality and traceability. We also create important synergies and system benefits when the products are designed to guarantee optimal compatibility.

In addition to in-house manufacturing, Hexatronic also has agents for third-party products such as fiber optic fusion splicing and testing instruments from well-known brands. These products expand our range and make it easier for our customers to source everything from one place.





Products and systems are delivered to our customers via our companies and logistic centers, and in some markets, the orders goes through distribution partners. The ongoing establishment of warehouses and manufacturing units in more countries is an important stage in increasing availability for our customers.

Field support

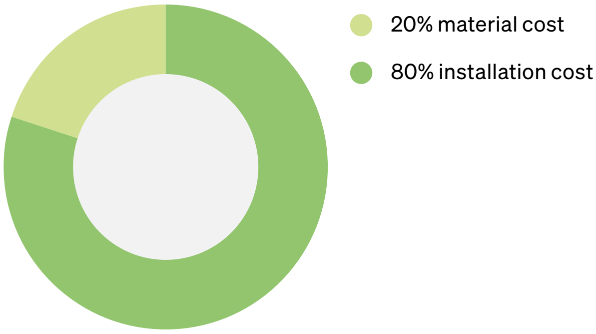
Hexatronic offers field support, which means practical support at the project sites. This could for instance be hands-on guidance, support in challenging situations, problem-solving or advising on appropriate solutions.

Training

With various kinds of trainings for the people who build the networks and manage the projects, we can support customers in streamlining their projects. Hexatronic offers trainings, from project management to installation and quality assurance.

The right knowledge and a greater understanding of the full project process reduces the installation time and improves the quality of the networks.

All our efforts across the value chain go into creating sustainable solutions with low TCO.



Total fiber deployment project cost

Strategy for growth

Our vision is to create a lasting link to the future. The more people who can access what the digital universe can offer, the better we believe our tomorrow will be. Our strategy points out how to get there. It is composed of seven pillars guiding our way forward.

We strive to become the leading FTTH supplier of air-blown fiber in our strategic markets and substantially grow our business areas.

Henrik Larsson Lyon, CEO Hexatronic

Our vision

A lasting link to the future

Our guiding star

Easy to do business with

Our core values

Responsible
Open
Inventive

Strategic key markets

We select new key markets based on their potential for growth, considering level of maturity, competitive situation, and local attitudes to technology and quality. For example, the growth markets North America, the UK and Germany all present major opportunities in fiber solutions and added-value services. We work customer-centric with local presence in all key markets.

Strategic acquisitions

To strengthen our position, we proactively look for strategic acquisitions. We seek profitable companies with market-leading positions and supplementary acquisitions to consolidate competitiveness and profitability locally and for the Group.

Full system solution

We bring our customers the full system solution including training and support. We know that efficient, high-quality solutions with full compatibility create the best possible TCO (Total Cost of Ownership) for our customers.

Strategic business areas

Focusing on strategic business areas makes us ready to grow.

We see vast potential in our selected areas.

- **Fiber Solutions**
- **Wireless**
- **Harsh Environment**
- **Data Center**

Operational efficiency

When we make continuous improvements part of our business culture, we ensure long-term profitability. Efficiency is at the core of our business, from our operations to operational cash flow. We also keep investing in increasing capacity for future growth by adding more lines at existing plants and by acquiring producing companies in strategic locations.

People and organization

Talented and responsible people with entrepreneurial mindsets are highly valued. We create a culture where employees enjoy going to work. We believe in a decentralized organization supporting the growth of our business areas.

Sustainability

Guided by our Sustainability Roadmap for 2030, we work actively to integrate our six prioritized sustainability areas in our work.

Our solutions enable non-stop connectivity

We contribute to digitalization worldwide by providing reliable and accessible solutions for passive fiber networks within different applications. We focus on four core areas: Fiber Solutions, Harsh Environment, Wireless, and Data Center.

Staying close to the customers is essential for us. This way, we can understand their challenges, improve products, and tailor solutions. Developing and producing most of our products in-house is an important advantage, creating customer value and high customer satisfaction.

The key benefits of our offering are:

- Efficient installation
- Complete systems with high compatibility
- High-quality products with a long lifespan
- Training and Field support

Thanks to our scope, we create value for companies in several industries, from telecom, fiber networks, and wireless applications, to solutions for harsh environments, industrial applications, and data centers.

Above all, by creating a lasting link to the future, we support people, companies, and societies using our solutions to evolve.

Fiber Solutions

High-performance fiber solutions for connected societies

Our new digital landscape demands increased data volumes. Fiber networks have become the backbone of the world, and we see growth ahead driven by the extensive FTTH roll-out and expansion of wireless solutions dependent on robust fiber networks. Our customers are mainly installation companies and network owners, and our aim is to reduce the total cost of ownership for network owners and to boost the competitiveness of installations companies.

A complete system solution

Hexatronic offers complete solutions for creating fiber networks, from transport networks with high fiber counts to access networks connecting individual households. With a focus on passive products, we have everything needed to build and maintain a fiber network. The portfolio includes ducts, fiber cables of different types with varying numbers of fibers, distribution hubs, cabinet solutions, instruments, and measuring tools.

Hexatronic products are easy to install, leading to significantly shorter installation times and higher project efficiency compared to traditional solutions. We also design products to be compatible, creating an optimal system for which we can offer an extended system guarantee. Our high-quality products extend the network's lifespan and lower the need of future maintenance.

Innovation

We invest in product development and are at the leading edge of innovation within our field. Our signature air-blown fiber Stingray is quicker to install than comparable products on the market and reduces installation costs for our customers. The product design of nano cables also brings a positive environmental effect. The super slim air-blown cables require less material in production and can be paired with slimmer ducts to save additional material and transportation, reducing the environmental impact.

We know that one solution might not fit all. With in-house R&D and production, we can develop products tailored to specific markets and customers.

Hexatronic Field support

Fiber expansion is a complex, demanding process that entails everything from excavation, duct laying, and cable installation to high-precision tasks such as splicing and fiber connection. It places high demands on the installers' knowledge and experience. Hexatronic Field support offers practical guidance and support on-site, enabling the customers to use and combine Hexatronic's products in the best possible way.

Training

With many countries planning extensive fiber network installations in the global market, a great need for competent personnel has arisen. There is a shortfall of skilled people who know how to design, project manage and install fiber networks. Therefore, we offer customized training programs for individual companies and higher vocational education programs in fiber optics, 5G and wireless, programming, and security technology.

Harsh Environment

Rugged solutions for challenging conditions

Today, connectivity is critical even in the most demanding environments, however, there is no one-fits-all solution. More and more industries utilize fiber connections to monitor and optimize their data transfer, and many sectors want to take advantage of the opportunities of optical sensing systems. Even the most distant locations, such as offshore wind farms and submarine ROVs, need to be connected.

Whether challenging conditions externally or within industrial applications – extreme temperatures, pressure, moisture, sand and dust, shock, and vibration all require customized solutions. Our offer includes advanced sensor systems for control and monitoring, and robust industrial connectorized solutions for secure information transfer. Working with sectors such as defense, naval, aerospace, oil and gas, energy generation, offshore, industrial, and broadcast, our customers are technology leaders operating across global markets.

Several companies within Hexatronic Group provide optical solutions for harsh environments. The collective know-how and specialized products from Hexatronic Fiberoptic, Hexatronic Norway, Proximion, TechOptics, FOS, and Rochester Cable (acquired 2023) give us a solid foundation to serve customers with tailored solutions for their specific requirements. At Hexatronic Harsh Environment, we operate at the leading edge of technology, working closely with our customer's development projects to provide innovative and reliable solutions.

Advanced sensor systems for control and monitoring

Hexatronic designs and manufactures fiber optic sensor systems for real-time control of processes and critical infrastructure monitoring. Our advanced fiber optic sensor system has many benefits compared to conventional sensor systems. It is resistant to external environmental factors, has a far higher resolution, a smaller footprint, and a lower weight. Extremely high-resolution measurement capability creates significant opportunities for optimization in industrial processing.

Solutions built to last

Whether it is an umbilical cable hundreds of meters below sea level, fibers for monitoring in a steel mill, or connectorized assemblies in extreme environments, our solutions are built to last and secure the transfer of vital data or power, or even both.


30

Wireless

Wireless solutions for coming generations

Today, we rely on staying connected and being productive from virtually everywhere, and the demand for bandwidth will increase with our evolving online habits. Wireless communication solutions also complement FTTH, connecting homes in rural areas and in places where the roll-out is delayed. The densification of antennas and small cells is ongoing, and the expansion is expected to boost in the next few years.

We offer a wide range of products and solutions for installing wireless systems, such as distributions and termination hubs, products for assembly and installation, and customized cable solutions. Our offering covers FTTA (Fiber To The Antenna), micro sites, and passive products for mobile backhaul. All solutions are developed with the same focus as in other parts of Hexatronic – to streamline installation, offer high quality and functionality and a long lifetime. One example of such a product is our robust hybrid cables for FTTA with fiber and power combined. Using a hybrid cable significantly reduces the number of individual cables needed and makes installation more efficient. For micro sites, the air-blown InOne hybrid cable provides a smart solution.

Wireless communication depends entirely on fiber networks since most antennas are connected by fiber. Whereas the connection between the antenna and the device is wireless, most transfer distance is via fixed fiber. Hexatronic's fiber solutions enable the expansion of these mobile backhaul networks and provide the possibility of expanding capacity in existing duct infrastructure.

Hexatronic companies Edugrade and Mpirical conduct training within the field. Edugrade gives instructional courses for antenna installation, and Mpirical hosts theoretical educations in wireless technology.

Our customers are installation companies, operators, and network owners.

Data Center

High-density solutions for data centers

The move to the cloud and the demand for SaaS (Software as a Service) solutions drive the expansion of data centers worldwide. Everything we do online starts and ends in data centers, and their functionality is critical to businesses, organizations, and governments.

In the future, we can expect more edge computing. This distributed computing brings data storage and computation closer to the network's edge, where data is generated and consumed. Edge computing reduces the amount of data that needs to be transmitted over long distances, improving the speed and reliability of data-intensive applications.

Additionally, the need for increased energy efficiency drives major new developments within data center design and build-out. Data centers typically include power and cooling infrastructure, storage, security, and high-speed networks. All these are designed with redundancy capabilities to ensure the continuous availability of data and computing resources.

Handling increasing amounts of data calls for leading-edge communication solutions of high quality. The fiber count is high, just like the density of the cables, and the environment is strictly controlled.

The offering tailored for data centers includes high-capacity fiber optic cable and cable assemblies, cable management solutions, and hot and cold isle containment.

Data Center Systems (DCS), based in the USA, and IDS (Impact Data Solutions), based in the UK, broaden our offer within the business area. DCS develops and produces innovative product solutions for data centers, and IDS provides installation and project management services. Our extensive know-how in fiber solutions, in combination with our companies specializing in data centers, provides a comprehensive system solution for our customers.

The customers range from cloud services and co-location providers to large enterprise data centers.


Hexatronic
ROLL THIS WAY

Growth markets in the spotlight

We boost our presence in significant growth markets such as North America, the UK, and Germany.

Our strategic growth markets are selected with regard to their level of maturity, competitive situation, and local attitudes to technology and quality. All the strategic growth markets present major opportunities in fiber solutions and added-value services.

A common denominator is that huge investments are being planned to expand fiber optic infrastructure, particularly FTTH. Bearing in mind the far-reaching programs planned to connect homes, public buildings, and business premises, this expansion is expected to continue for many years.

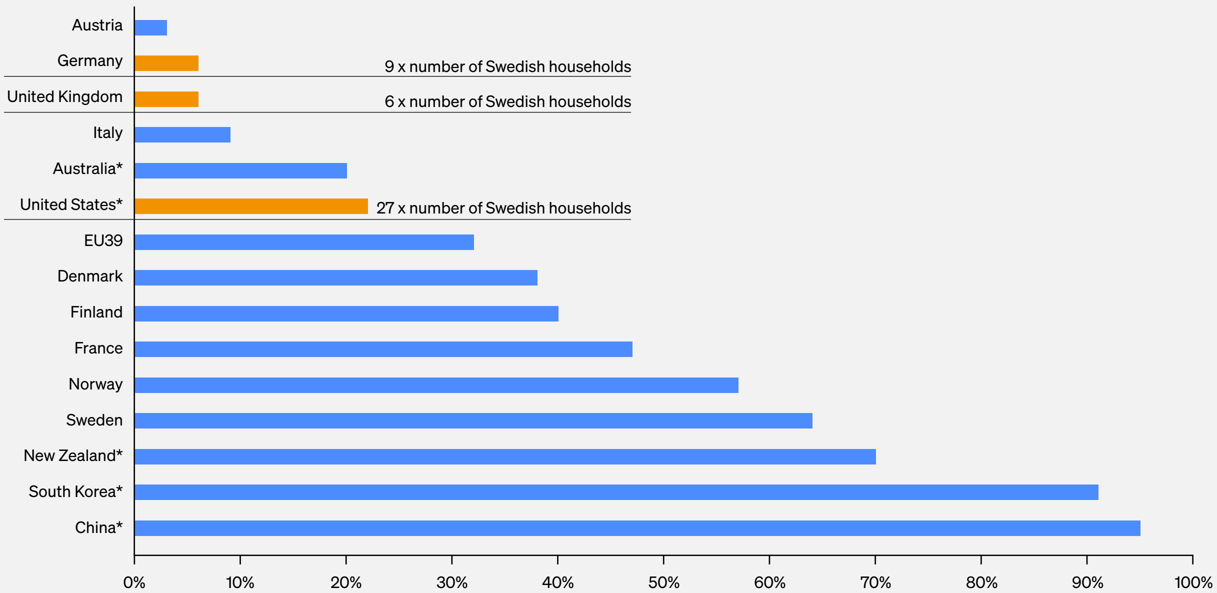
The demand for fast, reliable connections grows yearly, and markets lagging behind will need to build increasingly rapidly. The need for a high expansion rate creates demand for solutions that contribute to an efficient roll-out. Besides locally customized systems, training is a crucial factor in the projects' efficiency. With proper knowledge and training, companies and personnel working in network design, installation,

The right knowledge and training can reduce the installation and deployment time, while also raising network quality.

and operation get the best prerequisite to do the job quickly and correctly. It helps to reduce deployment time and raise network quality.

Efficiency, reliability, and robustness are now top priorities for decision-makers when procuring fiber networks. Governments worldwide are working to create the right conditions for digitalization to thrive. The specific plans and goals may differ from country to country, but they all aim to support societal development.

What percentage of households subscribe to a service through FTTH/B?



Penetration rate

FTTH Council Market Panorama data on penetration rate from September 2021. Fiber penetration rate is defined as the FTTH/B subscriptions divided by the total amount of households. * Data from May 2022.

What drives the market?

Our society is evolving fast, and it is hard to predict the future. Are we shifting into an era of 3D internet where communication and interaction move to a metaverse? We might be. What we do know is that technological development is accelerating, services are going online and we are inventing new ways of working. Our behavioral patterns are also changing rapidly, and the information flow is enormous. Individuals, companies, and communities require a reliable and fast internet connection to grow and prosper, driving the roll-out of digital infrastructure in the shape of high-performance fixed communication networks.

FTTH

A well-functioning fiber optic network is a must in modern society. It became evident during the pandemic, and even after, plenty of people continue to work from home.

Whereas some countries have good coverage of households connected, many need to catch up and accelerate the build-out. Various reports and national forecasts indicate continued strong demand for FTTH on Hexatronic's strategic growth markets (North America , the UK and Germany) up to 2030 and probably beyond.

5G

The USA, Korea, Japan, and China started early and have progressed relatively far in 5G, while several European countries lag behind. Expansion is expected to gather real momentum in the next few years. 5G has a wide range of applications and can improve the experience in mobile telephony and broadband. Industrial applications with 5G will create many new opportunities for streamlining and optimizing production processes. Antennas for 5G will need to be installed and densified, thus creating an increased need for fiber. Most networks now being built for FTTH are also being prepared for 5G, often by installing extra ducts that can be used to increase the number of fiber cables for 5G.

Data centers

More connected devices, the expansion of online platforms, the 3D internet, and the increased use of sensors and IoT devices all boost data volumes. But more trends are fueling the development. For example, artificial intelligence and machine learning require large amounts of data to be trained and improved in accuracy. Also, companies collect and store more data than ever to gain insight and make better decisions.

Increased data volumes drive fiber network investment, and the emerging need for data centers is a clear indicator. These include hyperscale and co-location facilities and upcoming needs for edge computing where the data needs to be closer to the user.

Smart cities

Digitalization is progressing in all parts of society, and significant changes are expected in the years to come. For a long time, there has been talk about higher quality of life, improved security, and efficiencies when most things are connected and can communicate with the world around them. All types of driverless vehicles connected to the surroundings can communicate in real-time with other vehicles, which can lead to a new kind of traffic environment with opportunities for greater safety and control.

Lighting control can create enhanced security in urban environments after sunset. Other relevant examples are connected rubbish bins that can increase efficiency and reduce environmental impact as the bin lorry can identify which bins need emptying. Security via connected cameras, is another fast-growing area in many countries. All these smart-city developments need secure, stable connections and are driving the need for a well-developed fiber infrastructure.

The digital and sustainable society

One strong driver in the change toward a digital society is sustainability. Digitalization often entails opportunities for streamlining and new services, such as driverless cars, buses, and lorries, which can save energy while benefiting from greater communication and coordination with each other.

Other areas are:

- Meetings via digital services reduce the need to travel
- Increased digitalization in healthcare increases efficiency and reduces the need for physical movement
- More digitalized farming increases efficiency and resource utilization
- Monitoring and measurement allow services and interventions to be carried out on demand instead of personal on-site checks

The pandemic has revealed how vital high-capacity communication networks are. In countries with low FTTH reach, home working and home schooling have been problematic in areas with low-capacity copper networks.

Objectives and initiatives

Most countries have goals for digitalization that directly or indirectly steer the expansion of fiber networks. Several countries are using government subsidies to speed up development, and the subsidies are often focused on sparsely populated areas that are not otherwise commercially attractive. While the structures of these programs differ, the objective is always to speed up the expansion of fiber networks in each country.

One positive development at the end of 2018 was the European Commission's decision to adopt a new European Electronic Communications Code (EECC). The 28 Member States then had two years to incorporate the regulations into national law. Another important initiative is the European Commission's Green Deal, which stipulates that Europe should be the world's first climate-neutral continent by 2050. The package of measures aims to enable businesses and individuals to benefit from a green transition.

Some of the focus areas are climate change, digitalization and migration. In March 2020, the European Commission adopted a strategy for the industry to support digital change in the EU.

Nordics

5G and data centers common drivers

Although the Nordic FTTH market is built out well compared to the rest of Europe, it is still an active market with continued expansion in the core networks and more sparsely populated areas.

Sweden is the farthest advanced in connected households and homes passed (HP) among the Nordic countries. The Swedish FTTH market was at its strongest in 2016–2018 but has since slowed slightly. Sweden, as a whole, has an HP coverage of just over 80%. In sparsely populated areas, the figure is about 50%.

After a few years of cautious development in the Norwegian market, the expansion rate took off in 2021 and 2022, and the high speed is expected to continue in 2023. Overall, the FTTH market in Norway is well-developed and has a high penetration level.

The Finnish market started later than both Norway and Sweden. One possible explanation is that it has focused more on building mobile solutions. Consequently, the need for a widespread fixed fiber network only arose once the demand for higher speeds increased. The Finnish market is in a growth phase, and continued expansive development is anticipated with positive indications for 2023 and 2024. This is partly because Telia and Capman have set up a joint venture to increase investment in FTTH construction, the expansion from large network owners such as GlobalConnect, and the realization of the value of fiber networks from investors.

Another driver for fiber expansion in the Nordics is the establishment of data centers. The Nordic market has major advantages, with good access to electricity and a well-developed fiber infrastructure. Another benefit is that the operation has less carbon footprint than many other countries. Also, the expansion of 5G will require reinforcement of the Nordic core networks and fiber connections to the antennas that form 5G.

The Nordics is Hexatronic's home market and we maintain in a strong position. We are keeping our focus on the market where we once started our journey.

Germany

Substantial growth and vast potential

Germany is experiencing a significant expansion of the FTTH network, and more is yet to come. With 22% of homes passed out of a total of 41 million households, and only 6% subscribing to a service over fiber, Germany has vast potential as a market.

Both private money and government funding are driving fiber deployment in Germany, leading to an acceleration of growth in the coming years. The German government's ambitious goal for all germans to access gigabit internet by 2030 will take considerably longer to achieve. The two main reasons are shortages in production and the lack of skilled personnel.

Deutsche Telekom, historically a significant investor in the copper network, is now leaning heavier toward building fiber solutions, often together with regional fiber operators. Many metropolitan networks are also expected to build FTTH networks in the years to come and governmental subsidies are driving the build-out in rural areas.

The extensive federal program for developing high-performance communication networks has a total funding budget of EUR 12 billion, and there are also funds available from local authorities. This, together with private investments, will fuel the growth ahead.

Although we are relatively new in the German market, we have strengthened our position with strategic acquisitions. Our efficient system solutions for fiber networks will be essential to tap into the growth.

Vincent Garnier
Director General
FTTH Council Europe

If you look at the 50% of homes which still needs to be connected by fiber in the EU plus UK, 60% of that potential comes from three countries: Germany, UK and Italy.

Listen to the full episode of The Fiber Pod with Vincent Garnier by scanning the QR code.

The UK

A race on who will connect most homes

2022 was a very strong year in terms of fiber network expansion in the UK, highly driven by the deployment of FTTH. The pace is forced by aggressive goals from operators and the government, indicating significant growth also in 2023.

With several operators challenging Openreach (British Telecom), activity in the British market took off in 2019 and has increased considerably since then. National challengers include Virgin Media, CityFibre, and Zzoomm. Regionally and locally, they are challenged by more than 150 operators in FTTH.

The major operators have communicated ambitious goals in the race on who will connect the most homes. CityFibre, for example, intends to connect one million households annually up to 2025.

According to a forecast by FTTH Council Europe in September 2021, the UK market is predicted to maintain a high development rate for many years. The number of homes passed in the UK is expected to increase by 18 million, relating to the expansion rate in 2021–2026.

The UK government's National Infrastructure Strategy of November 2020 stipulates a target of a minimum of 85% gigabit-capable broadband coverage by 2025. The government notes that private investment will primarily finance the broadband infrastructure. To reach the most difficult households in rural areas, GBP 5 billion has been earmarked up to 2025. The aim is to deliver gigabit-capable broadband coverage to the 20% of homes where the infrastructure will likely not be built by private investment.

While there will be significant rewards for both operators and society for reaching the set goals, they will be challenging. The greatest difficulty lies in the many engineers needed for installation. There is a massive demand for more personnel within the field and practical training of installers. Also, building future-proof high-quality networks takes time, which can be underestimated at times.

Hexatronic has a strong position in the UK market, providing our complete solutions and installation training. Our R&D team works closely with our customers' technology teams to develop solutions that can speed up the deployment, for example, pre-connected air-blown cables, improved cabinets, and toby boxes.

Gary Bolton
President and CEO
Fiber Broadband Association

I think we're just at the beginning of the largest fiber investment cycle in history.

Listen to the full episode of The Fiber Pod with Gary Bolton by scanning the QR code.

Our US partner Ting Internet visits our flagship production facility in Hudiksvall, Sweden.

North America

A huge market with major investments

The North American market is huge and major investments are planned ahead. With the US market being roughly the size of Europe's, there is great potential. The upcoming years hold extensive FTTH roll-out, densification of 5G, reinforcing of backbone networks, and data center expansion.

Data from the Fiber Broadband Association shows that roughly 22% of households in the USA subscribe to a full fiber service. The number of homes passed by fiber infrastructure that can easily be connected is around 51 million.

The US government has launched several funding packages to stimulate and accelerate broadband expansion nationwide. The largest package was passed in November 2021. The package totaling USD 65 billion, encompasses funding for different types of infrastructure and broadband network expansion to improve access to internet services, primarily in rural areas.

Wheras the USA remains far advanced in the expansion of 5G, the country has long lagged behind the others in terms of FTTH. The expansion rate has increased during 2022, and given the large number of homes to be connected, the roll-out speed is expected to remain high for several years.

The North American FTTH market is vast and diversified, with many active players – from small local FTTH operators to telecom giants like Verizon and AT&T.

Hexatronic still has a relatively small market share but is in a position to capture growth with our system solutions. Our system for FTTH is substantially more efficient than the traditional American solution, giving clients roughly 20% savings of the network lifetime cost. We are continously increasing capacity to meet the booming demand in the market. Our company culture has also become a competitive advantage.

The major infrastructure investments, including upgrades to power grids, roads and bridges, are also estimated to give an extra boost to the market for the type of pipes that Blue Diamond Industries produces. We are well-positioned to continue to take advantage of long term market trends.

Growing on all strategic growth markets

Independent, entrepreneurial companies

Hexatronic has 1,696 employees* in 54 legal entities and the parent company. Flexibility and freedom with responsibility are the fundamental principles that permeate Hexatronic's decentralized organization. We are convinced that the best business decisions are made close to the customer and the market.

Supporting subsidiaries' development

The independence of the subsidiaries is important for recruiting and retaining skilled employees and entrepreneurs. Hexatronic does not micromanage the companies but instead offers active support through group-wide functions and financial monitoring. Group-wide functions can be found in areas that contribute to the subsidiaries' efficiency and profitability such as marketing, legal affairs, accounting, finance, business development, sustainability and supply chain.

Companies acquired 2022

Germany
homeway GMBH

United Kingdom
IDS

USA
Rochester Cable (closing 2023)

South Korea
KNET

The Group comprises 54 legal entities supported by the parent company Hexatronic Group AB, with its registered office in Gothenburg.

* Number of employees in the Group as a whole on 31 December 2022.

Acquisition strategy

Profitable owner-run companies with market-leading positions

Hexatronic has an explicit acquisition strategy whereby we continually evaluate profitable companies with market-leading positions that can consolidate competitiveness and profitability locally and for the Group as a whole. Concerted efforts are underway to establish Hexatronic more firmly in important strategic growth markets such as the USA, the UK, and Germany. These markets have announced historically significant investments in infrastructure over the next few years. We can see good opportunities to strengthen our offering and local presence through acquisitions in all our areas: Fiber Solutions, Wireless, Harsh Environment, and Data Center.

The Group's growth strategy is continuously developing its product range and adding new offerings within services, aftermarket sales, support, and training. Acquisition candidates are primarily identified through our local organizations. We have strong entrepreneurs with very long industry experience and far-reaching networks in all strategic markets. As Hexatronic has become a major player, we are regularly contacted by potential sellers. One crucial factor in Hexatronic's growth journey is decentralized management, which makes it possible to maintain strong local entrepreneurialism. By almost exclusively acquiring owner-run companies that are largely still run independently, we have also managed to retain key people, which is crucial to the companies' long-term development.

Important criteria when we assess companies

- Strong management team
- Documented profitability
- Strong market position
- Limited exposure to technical risk
- Sustainable operation

Our philosophy for successful integration

- We value and strive to retain the entrepreneurial spirit in acquired companies
- We develop strong brands and a positive business culture
- We keep acquired companies as independent legal entities with clear profit responsibility
- We do not prioritize acquisitions where cost synergies are key to achieving good returns on the acquisition investment
- We focus on broader sales to strengthen the Group's offering

homeway

Strengthening Hexatronic's offering in Germany

The company was founded in 2002 and has approximately 25 employees based in Coburg, Germany. homeway provides a complete in-house multimedia system for home networking.

Where normally, up to four different cable systems must be laid for television, telephone, and internet via LAN/WLAN and fiber optics the services can be used through a single system. The company works with builders and property developers, planners, and installers.

The acquisition in September enables Hexatronic to broaden its offering in the German market and takes it all the way into the home. Together with homeway, Hexatronic is well-positioned to capture opportunities in the growing German FTTH market with a broader offering.

IDS

Opportunity for expansion within the data center market

IDS Group, acquired in September, offers consultation, design, and installation of fiber, copper, and containment solutions to support data center and colocation projects. In addition, IDS has a managed services division that supplies quality engineering to support smart hands services such as racking, stacking, cabinet placement, patching, and auditing. IDS Group is based out of London, UK, has approximately 40 employees, and serves customers across EMEA.

The acquisition broadens Hexatronic's offering within the data center market. Together with US-based Data Center Systems (DCS), which Hexatronic acquired in September 2021, IDS will play a key role in growing Hexatronic's data center business.

> Joining Hexatronic is a momentous event for IDS. With Hexatronic we can now offer our services truly globally.
>
> Benjamin Parker, CEO of IDS.

KNET

Increased duct capacity, strategically located

KNET, acquired in December, is a global leader and pioneer in developing and manufacturing microduct solutions for the telecommunication industry. Since 2002 the company has delivered to more than 70 countries on five continents. Today the main markets are North America, followed by Europe and Asia.

KNET is headquartered in Seoul and has a manufacturing plant in Jeongeup-si in the Southern part of South Korea. The company also has offices in the US and Indonesia.

Throughout the years, KNET has been an essential partner to Hexatronic. Both as a volume supplier managing peak demand and for products with high technical requirements. The strong support of KNET has been crucial for our strong growth and recent success in North America.

> Hexatronic has been a long-term strategic partner to KNET and it is a natural and exciting development to join Hexatronic Group.
>
> Seo Seong Nam, Founder and Chairman of KNET

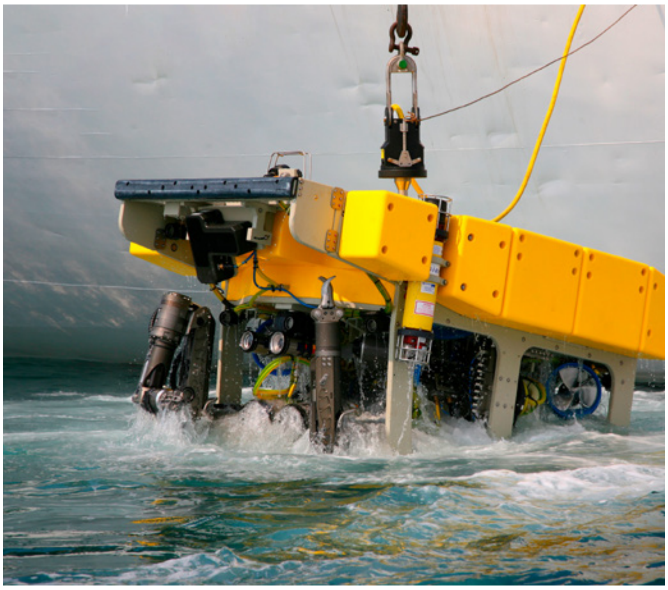
Rochester Cable

Exciting opportunities for the future submarine business

Rochester Cable is a recognized leader in designing and manufacturing electro-optical cables to meet specific requirements in demanding industries such as oil and gas, sensing, defense, oceanographic, and subsea applications. The electro-optical cables can accommodate extreme water depths to 6,000 meters and connect various sensors, equipment, and remotely operated vehicles.

Rochester Cable is powered by 130 employees in Culpeper, Virginia, where the 40,000 square meters production site is located.

In October, we signed an agreement to acquire Rochester Cable from TE Connectivity, the agreement was closed on March 3, 2023. Rochester Cable broadens Hexatronic's offering within fiber optic submarine communication cables to include dynamic working cables that transmit electrical signals and power in addition to transmitting optical signals.



Continued increased trading volume and more shareholders

Share Price Trend

During the financial year, the share price has fluctuated between a minimum of SEK 57.60 on 7 March 2022 and a maximum of SEK 166.50 on 9 December 2022. The closing price at the end of the financial year was SEK 141.55.

Trading volume

A total of 322,165,601 shares were traded to a total value of SEK 30,867,235,374. On average during the financial year, 1,273,382 shares were traded per trading day.

Ownership structure

On 31 December, 2022, number of shareholders in Hexatronic Group AB (publ) amounted to 49,014.

The ten largest shareholders owned 43.5% of the capital and votes. Foreign ownership accounted for 39.0% of the capital and 39.3% of the votes. (Source: Euroclear.)

Number of shares

The number of shares and votes in Hexatronic Group AB (publ) have during June 2022 changed as a result of the decision taken by the annual general meeting held on May 5, 2022, to resolve on a share split of the Company's shares whereupon each share is divided into five shares (share split 5:1) of the same series. Record date for the share split was June 3, 2022.

The number of shares on December 2022 totalled 205,062,579 of which 203,026,610 is ordinary shares and 2,035,969 shares in serie C. Each share has a quotient value of SEK 0.01. Holders of ordinary shares are entitled to a dividend as determined by the Annual General Meeting.

Each share entitles the holder to one vote at the AGM. Due to the regulations in the company's Articles of Association, there are no restrictions on the shares' transferability or on each shareholder's voting rights at the AGM.

Dividend policy

Any dividend is decided by the Annual General Meeting, following a recommendation by the Board of Directors.

The Board proposes a dividend of SEK 0.10 per share for the 2022 financial year. The Board will assess annually whether to propose a dividend or reinvestment of the profit into the operations.

Authorisation

During the financial year, the following share issues have been carried out:
A targeted non-cash issue of MSEK 9.7 (Oct, 2022) as part of the acquisition of homeway.

At the AGM on 5 May 2022, the Board was authorised to make decisions until the next AGM on new issues of shares and/or warrants and/or convertibles amounting to up to 10% of the registered share capital.

The Board was also authorised to make decisions, on one or more occasions, until the next AGM, on the acquisition of own shares or to transfer own shares held by the company at the time of the Board's decision to transfer. The company may acquire as many shares as to own a maximum of 10% of all shares in the company.

Investor relations

IR work is characterised by open, relevant, correct information to shareholders, investors and analysts in order to increase knowledge of the Group's operations and its share. Hexatronic communicates information in the form of interim reports, an annual report, relevant press releases, and also provides more in-depth information about the Group on its IR website pages (group.hexatronic.com). Shareholders and other stakeholders can subscribe to press releases and financial reports by e-mail.

During 2022, press releases were mainly issued for business of strategic importance, acquisitions, guidance regarding preliminary sales and earnings.

On the website, the general information on the IR pages is updated in connection with each end of quarter.

In the last four weeks before a financial is published, there is no separate communication with the financial market, for example through meetings with investors or analysts.

Ten largest shareholders 31 december 2022

Shareholder	No. of ordinary shares	Votes %
Swedbank Robur Funds	13,248,081	6.5%
AMF Pension & Funds	13,024,785	6.4%
Accendo Capital	12,713,945	6.4%
Jonas Nordlund, privately and corporately	12,114,353	6.0%
Handelsbanken Funds	9,250,344	4.6%
Chirp AB	8,929,360	4.4%
Vanguard	6,944,055	3.4%
Norges Bank	4,081,444	2.0%
Henrik Larsson Lyon	4,057,180	2.0%
Avanza Pension	3,772,588	1.9%
Ten largest shareholders total	**88,136,135**	**43.5%**
Other shareholders	114,890,475	56.5%
Total outstanding shares	**203,026,610**	**100.0%**

Distribution of number of ordinary shares 31 december 2022

Holding	No. of known shareholders	No. of ordinary shares	% of votes and capital
1 - 1,000	44,213	6,786,721	3.3%
1,001 - 5,000	3,671	8,633,907	4.3%
5,001 - 10,000	510	3,855,916	1.9%
10,001 - 20,000	291	4,170,002	2.1%
20,001 -	329	167,560,699	82.5%
Anonymous ownership		12,019,365	5.9%
Total	**49,014**	**203,026,610**	**100.0%**

About the Sustainability Report
This is the Group's fifth Sustainability Report in accordance with the requirements of the Swedish Annual Accounts Act, ch. 6, §12. The Sustainability Report relates to the 2022 financial year and is on pages 36-62.

The Sustainability Report encompasses the Parent Company Hexatronic Group AB and the subsidiaries that formed part of the Group for the whole of 2022 and have more than six employees. Companies acquired or formed during 2022 are included only to a limited extent in this Sustainability Report, and are not included in the key metrics presented on pages 58-59.

Sustainability Report

Sustainability Report 2022

Read more about Hexatronic's sustainability work in our Roadmap 2030 on our website: group.hexatronic.com/en/sustainability

We contribute to a more sustainable society by involving our employees, customers, and suppliers. We commit to follow the ten principles of the UN Global Compact and contribute to realize Agenda 2030. Our Sustainability Roadmap leads the way.

During the year, we accelerated our sustainability work by launching a new sustainability organization with clear ownership and dedicated action teams for our sustainability topics. Including representatives from Hexatronic Group companies and engaging local CEOs brings more force to our topics.

We work with six prioritized areas:

- Strong business ethics
- Low climate impact
- Sustainable supply chain
- Diversity and gender equality
- Good health, safety, and working environment
- Social involvement

With the new organization in place, we are ready to enhance actions and targets. We are excited about what we have achieved during the year and the continued journey ahead.

We consider sustainability in every part of our value chain, and work hard to create an inclusive culture where new ideas can grow.

Henrik Larsson Lyon, CEO Hexatronic Group

Our commitments

When we work together, we make progress. That is why we are proud participants in the UN Global Compact aligning our strategy with 17,000+ other companies worldwide. Being a member of the newly formed FTTH (Fiber To The Home) Sustainability Committee is another way for us to be at the forefront of sustainable development within our specific field. Digitalization can reduce the carbon footprint by enabling new technologies and remote working and learning. The Committee is paving the way for digitalization through fiber networks and gives recommendations on climate action in the FTTH value chain. We are also active members in the Swedish Anti-Corruption Institute and Europacable's Sustainability Committee.

Important milestones 2022

Q2

01 Employee survey

To find out how our employees feel about working for Hexatronic and find future improvements, we conducted an employee survey worldwide.

02 New sustainability organization

New dedicated action teams to support progress on our prioritized sustainability areas.

03 Health & wellness week

The Wellness week during spring inspired our employees to active and healthy habits.

Q3

04 FTTH Sustainability Committee member

We joined this new FTTH Sustainability Committee to unite efforts in mapping and reducing the carbon footprint in our industry.

Q4

05 Product carbon footprint calculations

Knowing our products' carbon footprint allows us to make decisions in a more sustainable direction.

06 Strong business ethics week

A week of focus on the topic of strong business ethics and training on our updated Code of Conduct and Anti-corruption policy.

07 Mapping of scope 3 emissions

Understanding the origin of emissions from our value chain is crucial for us to make the right priorities and develop a more sustainable business.

08 Purchasing training

Forced labor, environmental impact, and sustainable sourcing practices were all topics in our online training for purchasers.

Global trends and challenges

01

Increased pressure on climate transition to reach the 1.5 °C target

The consequences of enhanced global warming are massive for future generations, and how we act in the upcoming years is crucial. We will continue to work hard and systematically to become carbon neutral within our own business and reduce the climate impact from our value chains.

02

Increased focus on companies' sustainability performance

Investors and customers are increasingly interested in companies' sustainability performance. How companies manage sustainability risks and business opportunities are important aspects in delivering success and long-term value. We welcome this trend since we have sustainability high on our agenda and want to be a part of the development to secure a more sustainable future.

03

Increased regulatory environment

EU and national legislations and recommendations are increasing within the sustainability field. It is important for companies to stay on top of this development and contribute to a more sustainable society.

Materiality analysis 2022

During 2022, we updated our materiality analysis to define our most important sustainability areas. The materiality analysis includes business impact based on environmental and social effects from the outside world as well as effects from the organization's operations on the outside world. These perspectives are weighed together with trends, risks, opportunities and stakeholders' expectations in the area of sustainability. The analysis identifies the most significant social and environmental areas for our business and forms the basis of our priority in our Sustainability Roadmap.

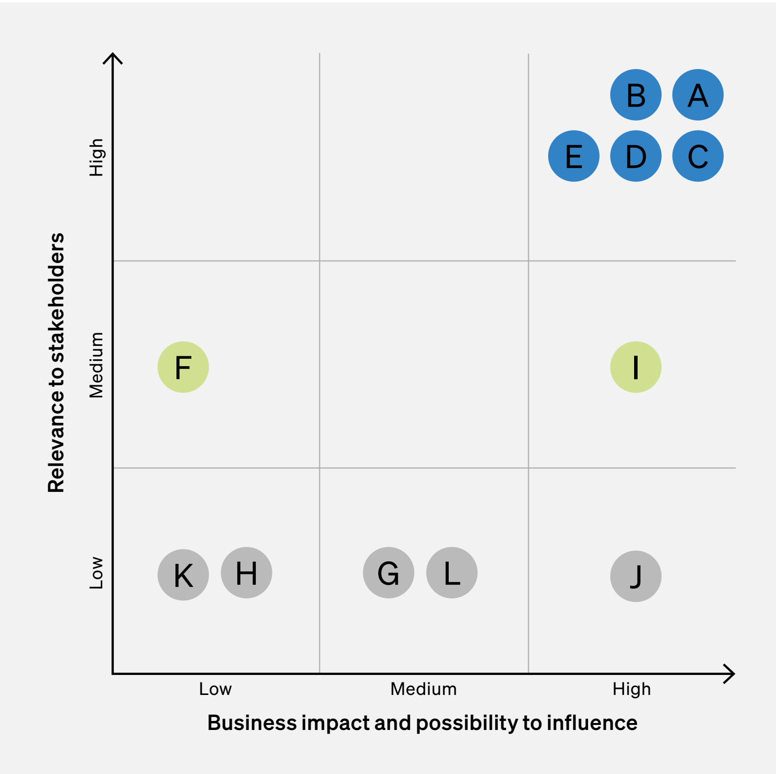
Method for materiality analysis

The sustainability topics are evaluated based on our business impact, how the business is affected by environmental and social effects, and with relevance to our stakeholders. We validated previous years material topics and evaluated new topics based on stakeholder dialogues, trends, opportunities and risks in the area of sustainability. Risks included, among other things, environmental risks, risk of natural disasters, risk of disruptions in production and other business risks linked to the sustainability areas. Read more about these risks on pages 56-57.

In 2022, we incorporated inputs from our employee survey, dialogues with investors, customers, NGOs, and consultations with internal experts. We also considered input from company peers, upcoming regulations and legislation, external reporting standards and the UN Sustainable Development Goals. Most stakeholder groups have further strengthened their focus on climate impact and decreasing GHG emissions. In addition, we see that issues related to Business ethics, Sustainable supply chain, Good health, safety and working environment, and Diversity and gender equality remain in focus.

Through social involvement, many of our subsidiaries are making a difference by actively contributing to the development of society. Therefore, we have chosen to continue to include social involvement as one of our prioritized topics, even if the materiality analyzes show that other issues are more important to our business.

Resource circularity is another area that has increased in importance, which we will continue to strengthen in collaboration with our stakeholders. Resource circularity and reducing GHG emissions are two major focus areas included in our prioritized sustainability area Low climate impact. Read more on page 46.



A. Business ethics incl. anti-corruption
B. GHG emissions scope 1, 2 and 3
C. Sustainable supply chain*
D. Diversity and gender equality
E. Good health, safety and working environment
F. Social involvement
G. Tax transparency
H. Biodiversity
I. Resource circularity**
J. Digital inclusion
K. Water use
L. Chemicals and hazardous substances

* Includes impact on environment, human rights, fair employment conditions, a good working environment and anti-corruption

** Includes efficient use and reuse of raw materials, waste streams, packaging and drums.

- Our most important sustainability topics
- Material topics also included in our Sustainability Roadmap
- Topics not considered significant

Our prioritized areas

Our six priority areas are based on the materiality analysis and also build on the UN Global Compact's ten principles for sustainable business, Agenda 2030, and the Global Goals. We contribute to Goal 9 by accelerating the digital transformation to benefit businesses, individuals, society, and the transition at large, by offering smart, reliable product and system solutions for passive fiber infrastructure. For more information on our business model, see page 10.

Our priority areas form the basis of our 2030 roadmap. In the figure below, you can read about what we want to achieve in each priority area.The table on the right provides an overview of our sustainability progress and the connection to the global goals for each prioritized area. Follow the development of some selected targets from the base year 2019, through 2022, to our 2025 targets.

High resource efficiency and more sustainable products and services.

Being a reliable and safe partner to customers, investors, and other stakeholders.

A sustainable supply chain with regard to the environment, human rights, fair employment conditions, a good working environment and anti-corruption.

Supporting local and global initiatives and non-profit sustainability organizations.

Creating an innovative climate for long-term commercial success.

Managing the working environment for employees to feel safe and appreciated and caring for the work-life balance.

Sustainability progress

Prioritized areas	Targets for 2022-2025	Baseline 2019	2022	2025 Target
Strong business ethics	**1. Employees who have signed the internal Code of Conduct, %**	93	97	100
	2. Employees who have received training on Code of Conduct, %	n/a	91	100
	3. Number of confirmed instances of corruption	0	0	0
Low climate impact	4. Climate intensity, scope 1-2, tonnes CO_2e/MSEK sales	2.5	1.4	1.75
	5. Climate intensity, scope 3, tonnes CO_2e/MSEK sales	n/a	89.5	*
	6. Energy intensity, MWh/MSEK	11.7	7.1	7
Sustainable supply chain	**7. Spend** from sustainability approved suppliers, %**	0	41	60
Diversity & gender equality	8. Female managers, %	27	26	35
	9. Employees who have had an annual performance review, %	96	97	100
	10. Percentage of employees who find that Hexatronic is an equal and inclusive workplace	***	88	97
Good health, safety & working environment	**11. Employees covered by ISO 45001 or similar in the Group, %**	32	32	75
	12. Sick leave, %	3	3.1	3
	13. Employee Satisfaction Index	***	71	74
Social involvement	14. Employees who find that Hexatronic is making a positive difference in society, %	***	63	80

n/a = not available
* Target will be set during 2023.
** Based on total purchase volume of direct materials and transport.
*** No survey conducted. The employee survey is conducted every second year.

Strong business ethics

Strong business ethics is about building trust. We work actively to ensure that our customers, investors, owners, suppliers, employees, and other stakeholders know that we represent a high level of business ethics.

Areas we work on

Our policies form the basis for our work on business ethics. Our Code of Conduct, Sustainability policy, and Anti-corruption policy are natural parts of our introduction to new employees and acquired companies. The purpose of our internal Code of Conduct is to ensure that employees, contractors, and consultants working on behalf of Hexatronic act in a responsible and ethically correct manner. The Sustainability policy covers all employees in the Group's various companies. It covers how we should take responsibility based on the economic, environmental, and social dimensions of sustainability.

At Hexatronic, we have zero tolerance for bribery and corruption, as stated in the Anti-corruption policy. We provide online training and support material to educate and discuss ethical dilemmas along with the policy documents.

The annual risk analysis includes bribery and corruption, and we investigate compliance with internal and external audits. Moreover, anti-corruption is an essential part of our Code of Conduct for suppliers.

Hexatronic Group provides a whistleblowing function to ensure that we operate ethically and responsibly, and we encourage our employees and other stakeholders to use it when needed. Full anonymity is guaranteed for the reporting party. We have no reported cases of corruption, reported internally or through the whistleblower function.

Our commitments

Hexatronic is participating in the UN Global Compact, committed to conducting our business by the ten principles. Principle 10 relates to anti-corruption. We are also a member of the Swedish Anti-Corruption Institute.

Achieved in 2022

Our key actions during the year:

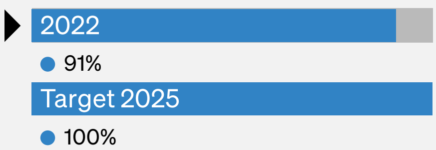
- Sustainability week on Strong business ethics
- Updated Code of Conduct, including new core values
- Training on the Code of Conduct for all employees
- Updated Anti-corruption policy
- Online training on anti-corruption
- Team workshops on core values and ethical dilemmas
- Follow-up on representation in each company
- Strengthened process for work on the sanctions list of countries and procedures
- Tax policy released for increased transparency

Objective 2030

To continue to maintain strong business ethics.

91

Percentage of employees who have received training on our Code of Conduct



Case

How we engaged our employees in conversations on business ethics

Lunchroom discussions, workshops, online and classroom trainings. During the Sustainability week on Strong business ethics, our managers worldwide led the way, supported by digital learning tools, presentations and posters, to spark conversations at local offices.

We launched a new Code of Conduct and Anti-corruption policy during Sustainability week. It created a common ground for who we are as a company and how to act as an employee of Hexatronic Group.

All employees were invited to trainings, and fruitful discussions around complex ethical dilemmas were held across the Group.

> We used online training in combination with local workshops to discuss difficult situations we might run into and how to handle them.

Henrik Larsson Lyon,
CEO Hexatronic Group and Leader of
the Strong business ethics action team

Low climate impact

We must act quickly to meet the climate challenges. Alongside customers, suppliers, and employees, we aim to contribute to the 1.5°C target by reducing our climate impact, being resource-efficient, and offering sustainable products and services.

Areas we work on

We are making extensive efforts on our road to net zero carbon emissions and becoming a climate-neutral business within our own operations. Key actions from our Roadmap to 2030 include increasing the use of renewable energy in our facilities and mapping our energy consumption, which guides us in energy efficiency programs. Optimizing pack sizes, coordinating product deliveries, and establishing local production reduces our goods transports. We work to change the mode of goods transportation from air to sea and move towards a zero-emissions vehicle fleet.

We are also increasing the amount of travel-free meetings and online training. Reducing the use of virgin material and increasing recycling are steps that we are taking to reduce our products' carbon footprint. Calculating our indirect value chain emissions as well as understanding the carbon footprint on our most common products is high on the agenda. This gives us insights into developing products with a smaller carbon footprint ahead. Developing and offering more sustainable products and services is a key focus area. We also recognize the importance of replacing plastic packaging with renewable/biodegradable materials. Moreover, focus on climate impact is a parameter we consider when choosing our suppliers.

Our commitments

Our Environmental policy is an integral part of our Code of Conduct and Sustainability policy. There we describe our commitment to minimize negative environmental impact from all our operations and activities in order to protect the environment for present and future generations.

Nine companies within the Hexatronic Group use the environmental management system ISO 14001 or similar to manage and monitor their environmental impact. The certifications are validated by a third party on a continuous basis. Moreover, two companies within the Group, Hexatronic Cables & Interconnect Systems (HCI) and Data Center Systems (DCS), received Ecovadis silver rating 2022.

Achieved in 2022

Our key activities during the year:

- Calculate product carbon footprints
- Mapping of scope 3 emissions
- Participation in Global Compact's Climate Ambition Accelerator Programme
- Environmental training
- Energy mapping at HCI, Proximion, Hexatronic GmbH in Austria
- Reducing plastics in packaging
- Drum return projects

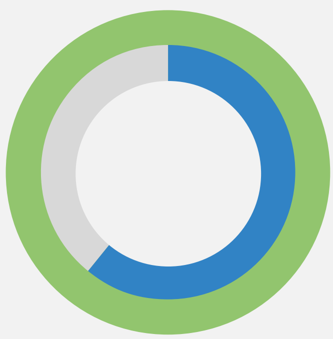
Objective 2030

To reduce scope 1-3 GHG emissions by 50%, become a climate neutral business within our own operations, and declare the climate footprint for most of our products.

61

Calculated carbon footprint on products, % of total volume of products produced inhouse*

*Includes production of duct and cable



Case

Mapping scope 3 emissions

Mapping our value chain emissions is key to understanding the total environmental impact of our business. Knowing this, we can make better choices, influence our suppliers and offer our customers solutions optimized for sustainability.

Based on an evaluation performed during 2021, we identified our most significant scope 3 categories that contribute to our value chain emissions. In 2022, we collected more specific data for those categories. Our significant scope 3 categories include purchased goods and services, business travel, fuel and energy consumption, and transportation and distribution.

Based on the aggregated data from these categories, the result shows that our indirect value chain scope 3 emissions account for almost 99% of our total emissions. The main part comes from transport and the purchased materials we use to manufacture our products.

Key actions to reduce the amount of virgin material include technical innovation, creating slimmer products, and using alternative materials with less carbon footprint. Reaching the target of reducing scope 3 emissions by 50% until 2030 involves collaboration, innovation, and circularity in the value chain. See more under Sustainable supply chain on pages 48-49.

Dialogue with suppliers, in-house innovation and resource circularity are all essential to reducing CO_2 emissions across our value chain.

Pernilla Eriksson, Sustainability Manager Hexatronic Group and Leader of Low Climate impact action team

Sustainable supply chain

We work together with our customers and suppliers to secure a sustainable supply chain. Through collaboration and open dialogue, we help each other become better and create concrete results.

Areas we work on

Sustainability is an important factor when choosing new suppliers. We aim to work with suppliers that have a clear focus on the environment, human rights, fair employment conditions, good working environment and anti-corruption. We encourage suppliers to commit and work towards the 1.5-degree target. For us, collaboration is a cornerstone to success, and we are happy to work with suppliers on relevant sustainability issues.

Another key to progress is to have the right competence in purchasing positions, achieved by investing in additional capabilities and relevant training for the purchasing organization.

Our Code of Conduct for suppliers should be known and respected. We regularly evaluate the compliance of our Code through assessments, audits, and supplier dialogues.

Our commitments

Hexatronic commits to preventing all forms of modern slavery, servitude, forced labor, and human trafficking. The UK Modern Slavery Act Statement is available in full via the Sustainability section on our website: group.hexatronic.com/en/sustainability.

Achieved in 2022

Our main actions during the year included:

- Developed our definition of what a sustainability approved supplier is
- Supplier audits and assessments to drive and ensure compliance to our requirements, including our Supplier Code of Conduct
- Launched digital training for purchasing positions, including the topics of forced labor, environmental impact, and sustainable sourcing practices

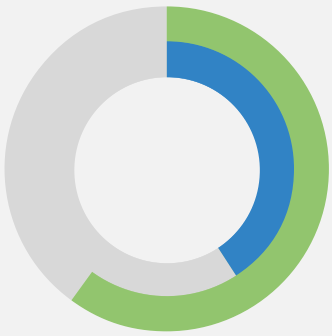
Objective 2030

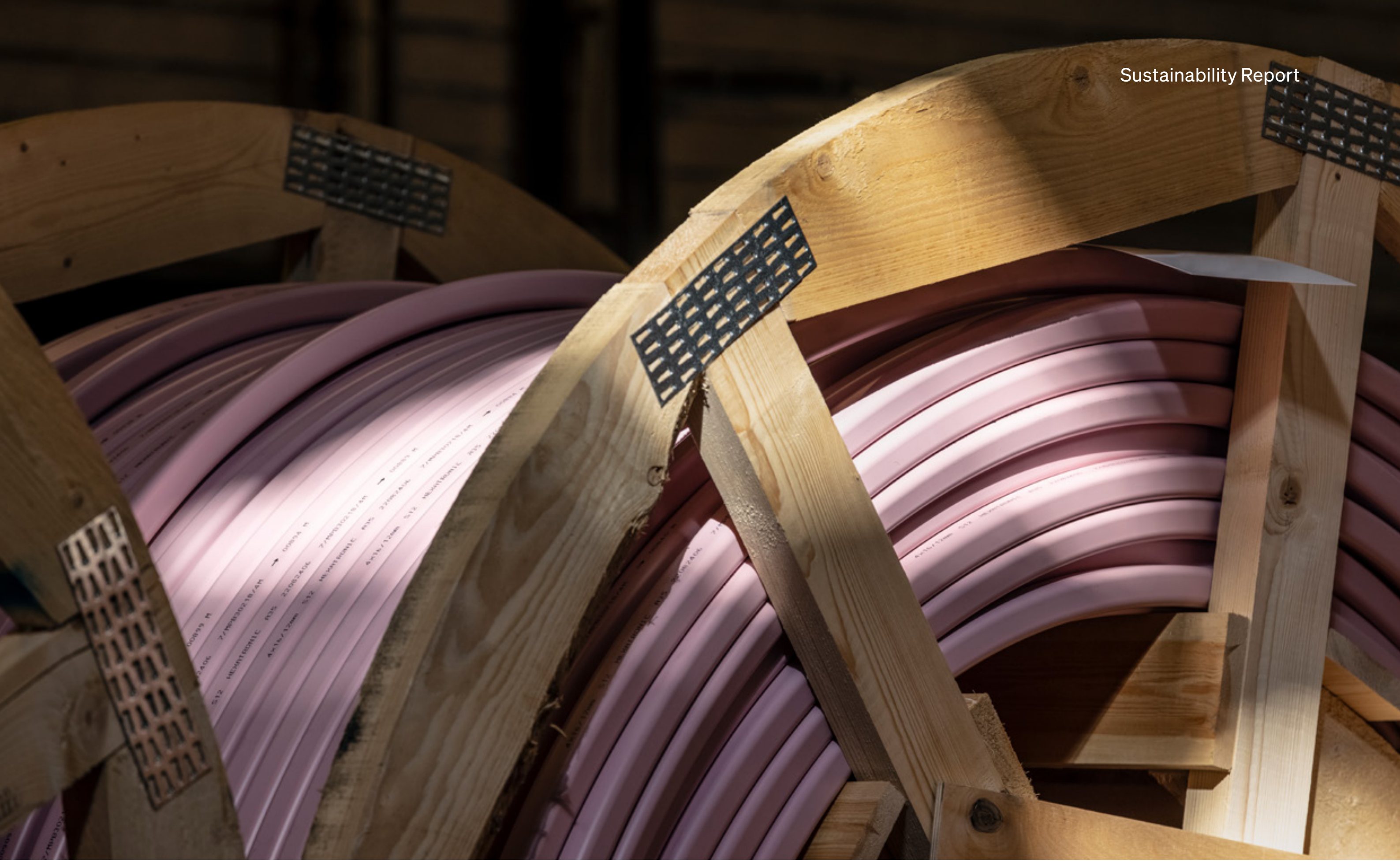
To achieve a sustainable supply chain with regard to the environment, human rights, fair employment conditions, a good working environment, and anti-corruption.

41

Percentage of spend* from sustainability approved suppliers

* Based on direct material and goods transports.





Case

What is a sustainability approved supplier?

Our definition is guided by the Code of Conduct and states; Approved compliance to our Code of Conduct based on supplier evaluation.

During the process, the supplier answers questions related to environmental impact, human rights, fair employment conditions, a good working environment, anti-corruption and supply chain management, and strengthen the answers with relevant documentation. In the evaluation phase, we go through the material together, and can ask follow-up questions and demand more material where needed. After this session, our team will score every aspect of the supplier's sustainability work, and calculate an average score to compare with our decided level of compliance.

The aim is to simplify making wise choices in the purchasing organization. Pointing out which of our suppliers are sustainability approved is a great help.

By assessing the risk level of our suppliers, we can make smarter choices on what suppliers to assess and make a difference where it matters.

Magnus Hillgren, Quality & Sustainability Manager, Hexatronic Cables & Interconnect Systems, and Leader of Sustainable supply chain action team

Moving forward, it is essential to set our focus on auditing where it matters the most. A new risk assessment platform will guide the efforts based on our evaluation, country risks and spend.

Diversity and gender equality

People with different perspectives, knowledge, and experience are essential to creating an innovative, inclusive working climate characterized by respect and equal value. We have a zero-tolerance policy toward all types of discrimination and harassment.

Areas we work on

Knowledge of the value of diversity is fundamental. Besides ensuring our Diversity and gender equality policy is known and respected, we conduct training on gender equality, diversity, and inclusion. Managers get training from a business and leadership perspective.

We work to include diversity and gender equality in recruitment, wage setting, competence development, promotion, and redundancy. To ensure equal pay to all employees, we perform a gender pay gap analysis. In the initiating phase, our 2022 survey included our Swedish companies, Hexatronic UK, and Data Center Systems. The survey resulted in an Equal Pay Index of 94% for 2022, slightly above our target of 93%.

Zero tolerance of discrimination

Our Diversity and gender equality policy explains our zero tolerance towards discrimination, sexual harassment, and victimization. The policy is part of the onboarding process for new employees and acquired companies.

> Combining different perspectives and experiences will drive the success of our company.

Lula Camaj, HR Manager and Leader of Diversity and gender equality action team

Achieved in 2022

Our key actions during the year:

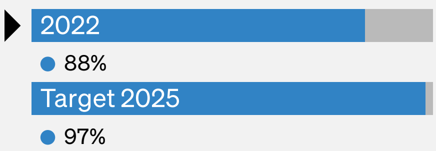
- Employee survey
- Implementing a LMS for compliance training
- Training and workshops with discussions about diversity and gender equality
- Rolled out an Equal pay tool to systematically ensure equal pay

Objective 2030

To offer an equal and inclusive workplace with a high degree of diversity.

88

Percentage of our employees who thinks Hexatronic is an equal and inclusive workplace



Good health, safety, and working environment

Our employees are our most important asset, and their health and safety are our top priorities. Together, we create a working climate where everyone feels valued, has a sense of belonging and is given opportunities to succeed and grow.

Areas we work on

To us, creating a great workplace is about many things. We conduct systematic work to ensure a safe working environment, work-life balance, and well-being.

ISO 45001 is a management system for safety and health at work. We work actively towards our 2025 target that 75% of our employees should be covered by a management system such as ISO 45001 or similar.

2022 was a year of growth. Hexatronic Group started the year with 1289 employees and ended with 1696. Despite our growth, we have managed to maintain a high level of our key metrics related to loyalty and satisfaction. The main focus was to complete responsible onboarding for new colleagues and acquired companies.

> Growing responsibly, with employee health and safety at the top of our minds, is crucial.

Lula Camaj, HR Manager and Leader of Good health, safety and working environment action team

Achieved in 2022

Our key actions during the year:

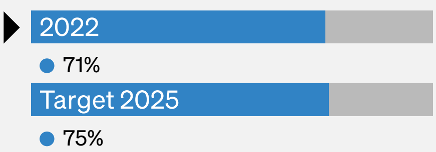
- Employee survey
- Sustainability week focusing on health and wellbeing to inspire our employees to active and healthy habits
- Training with workshops on a healthy working environment

Objective 2030

For Hexatronic Group to be a great place to work with zero harm to our employees.

71

Employee Satisfaction Index, %



Social involvement

We strive to make a difference by actively contributing to the development of society, both globally and locally.

Areas we work on

On a global level, Hexatronic Group is a proud corporative partner of Hand in Hand, a non-profit organization that works with entrepreneurship models to reduce poverty. The model of entrepreneurship strives to support people to improve their lives by helping them to start and run small and profitable businesses to earn a living, become more independent, and create job opportunities – for themselves and others.

Locally, we see many excellent examples of our subsidiaries making a difference in society.

I will be a business women, because I have learnt how to run a business and generate an income.

Member of a Hand in Hand Gorup in Chawia, Kenya

Achieved in 2022

Our main activities during the year:

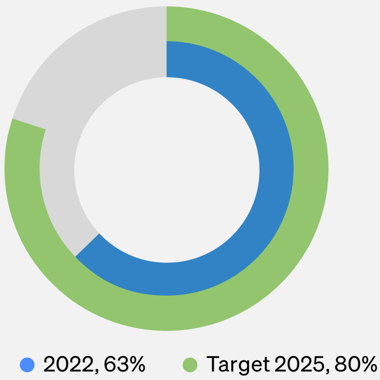
- Corporative partner of the Hand in Hand project
- Supporting the pink ribbon to raise awareness of breast cancer
- Social mobility through our training companies
- Data Center Systems is paying forward to the society by supporting several local initiatives, for example, the Dallas Children's Advocacy Center
- Mpirical donates to Greenlight for girls for each course completed on their platform
- Opternus supports Doctors without borders

Objective 2030

Making a positive difference in society.

63

Percentage of our employees who find that Hexatronic is making a positive difference in society



Sustainability in our business model

Our prioritized sustainability areas are well integrated into our business model. It is not only an effective way to reduce our environmental footprint and operate more responsibly; it can make us more successful and profitable in the long run.

A Sustainable supply chain is one of our most prioritized areas, and we aim to increase the number of sustainability approved suppliers continuously. We apply a risk-based and collaborative approach when working with our suppliers and prioritizing our efforts. Securing a sustainable supply chain is a vital part of our strategy to deliver value to customers and contribute to sustainable development.

In our operations, employee well-being is always in focus, and we care for the work-life balance of our co-workers. Good health, safety, and working environment are highly prioritized areas, as our employees should feel safe and secure with how we manage the working environment. Another prioritized area is Diversity and gender equality, as we believe a diverse workforce is crucial in creating the innovative climate required for long-term commercial success.

Strong business ethics and Low climate impact are prioritized areas across our value chain. It is vital that our customers, investors, and other stakeholders feel trust in Hexatronic and know that we represent a high level of business ethics. We aim to become a climate-neutral business in our own operations by 2030, lowering emissions from our supply chain and offering more sustainable solutions to our customers.

Social involvement is our sixth prioritized area. We want to make a positive difference and contribute locally and globally. In some of our own operations, we offer work experience for young people or adults far from the labor market. We also support initiatives and non-profit organizations that strive for a socially and environmentally sustainable future.

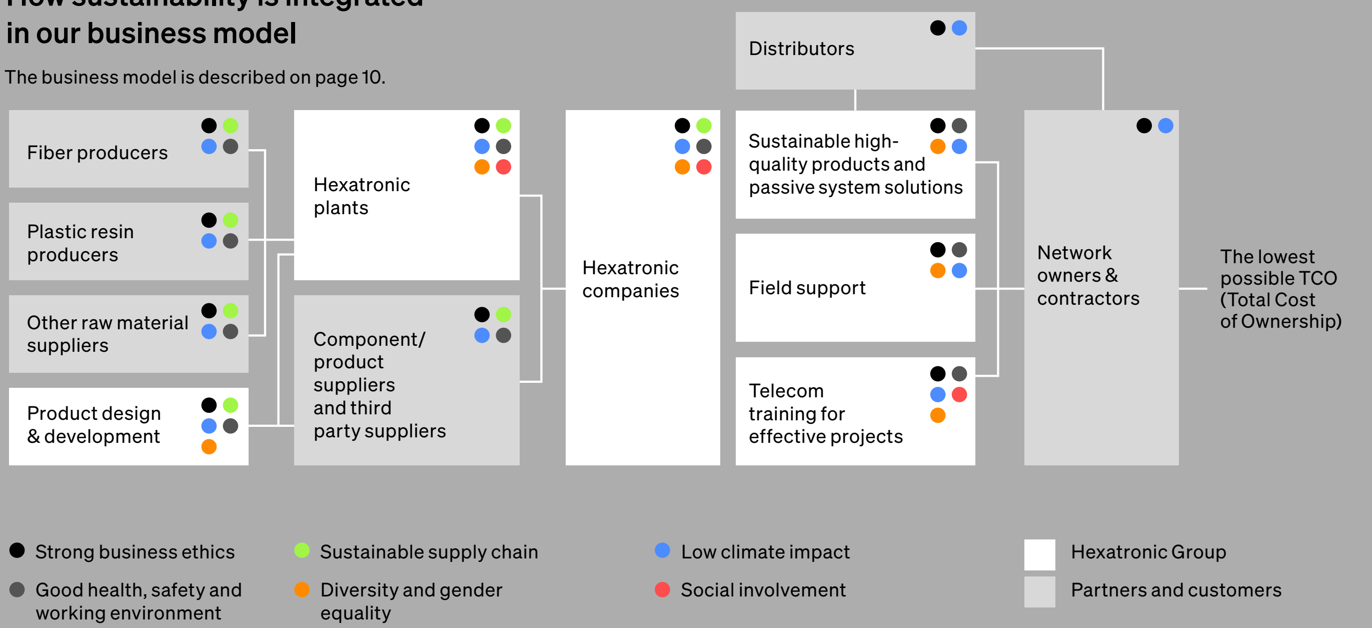
How do we succeed?

We have identified four success factors for our sustainability work:

- Integrated part of the operation
- Engagement and collaboration
- Corporate culture
- Inspiration and knowledge

How sustainability is integrated in our business model

The business model is described on page 10.



Governance for increased sustainability

New sustainability organization

Hexatronic launched a new sustainability organization in May to work even more effectively with sustainability in the Group. For each priority area, we created dedicated teams with leaders from different parts of the organization. The new organization strengthens our sustainability focus, encourages collaboration, and enhances the actions and efforts to reach our targets.

Responsibility and monitoring

Each subsidiary in the Group is responsible for contributing to positive development in our areas of sustainability by integrating them in their operation. Responsibility for driving, supporting, and monitoring developments lies at the Group level. The Group's Sustainability Manager leads a team of representatives from different parts of the organization and maintains an ongoing dialogue with each subsidiary. The work is reported regularly to the Group's Steering Committee. For further information about developments in each area, please see the table of key metrics on pages 58–59.

Central policy documents

At the Group level, the following steering documents are available in the field of sustainability: Sustainability policy, Code of Conduct – both internal and for suppliers, Anti-corruption policy, Diversity and Gender equality policy, Whistleblower policy, and Tax policy. The documents can be read in their entirety at group.hexatronic.com/en/sustainability. Our companies also have other policy documents to provide management and guidance at the local level.

We launched an updated internal Code of Conduct, an Anti-corruption policy and a Tax policy during the year. Monitoring compliance with the policy documents takes place through internal and external audits and also by using selected key metrics.

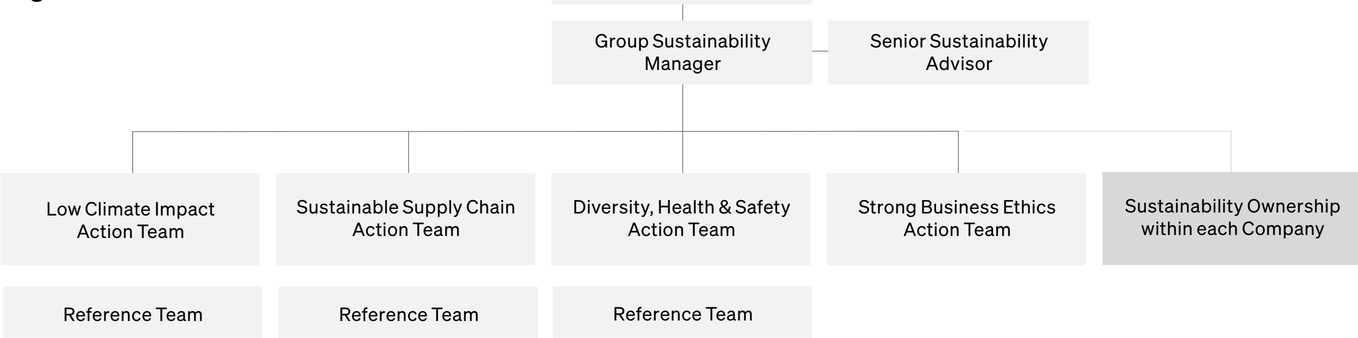
ISO-certified companies

The internal and external audits conducted during the year show no serious deviations. 43% of the Group's companies are environmentally certified to ISO 14001 or equivalent, and 32% of all employees are encompassed by ISO 45001 or similar health and safety management system. Our goal is that 90% of our employees are covered by a health and safety management system by 2030.

Onboarding of new companies

In 2022, newly acquired companies were assessed and introduced to Hexatronic's sustainability work. The introduction provides knowledge of Hexatronic's sustainability agenda, commitments, and position, including policy documents, so that new companies can quickly play an active part in the sustainability work and contribute to Hexatronic Group's Sustainability Roadmap.

Hexatronic Group Sustainability organization 2022



Sustainability risks and handling

We are constantly predicting risks to be able to prepare for handling them. Within the sustainability area, we have identified a number of risks:

- Natural disasters
- Serious disruption in production
- Aquisitions and integration
- Serious working environment accident
- Shortcomings in gender equality and diversity, and discrimination
- Human trafficking
- Bribery and corruption
- Serious deviation from the Code of Conduct for suppliers
- Stakeholders' climate requirements
- An increasingly uncertain world due to geopolitical instability, pandemics etc.

More information about how we handle the risks above can be found in the Risks and risks management section on page 72-77 and under each sustainability area.

Our risk management process

Case

Two climate scenarios

In 2022, we enhanced our focus on mapping environmental risk factors and their potential impacts. Two climate scenarios were analyzed and potential climate-related financial risks and opportunities were identified. The Task Force on Climate-related Financial Disclosures (TCFD) recommendations have been used as a guidance in this work.

The first scenario **Net Zero 2050** limits global warming to 1.5°C through strong climate policies and innovation, reaching global net zero CO_2 emissions around 2050.

- In the best case a 50% chance of limiting global warming to below 1.5˚C by the end of the century.
- Relatively low physical risks but high transitional impacts, including regulatory transition, technology development, consumer preferences, and market shifts in the energy system needed to limit warming.

The second scenario **Current Policies** assumes that only currently implemented policies are preserved, leading to high physical risks.

- Global warming of around 3˚C by the end of the century.
- Low transitional impacts but high physical risks, such as water stress, extreme weather, etc.

The two scenarios are influenced by NGFS (Network for Greening the Financial System) Climate Scenarios, IEA (International Energy Agency) Global Energy and Climate Model, and IPCC (Intergovernmental Panel on Climate Change) climate system scenarios.

Net Zero 2050 scenario: Transitional factors	Impact on the organisation's businesses, strategy and financial planning
Carbon price development. CO_2 prices are introduced across all regions. They are assumed to be introduced in the immediate future across all advanced economies for the industry and energy production sectors.	Increased costs due to carbon taxation and GHG emissions price volatility.
Low-carbon technologies and materials efficiency. Shift towards smaller ducts with less material.	Competitive advantage with increased business opportunities for Hexatronic Group.
Transition expansion of energy efficient network solutions – from copper to fiber technology. A rise in energy prices would drive efforts by telecom operators to increase energy efficiency in communication networks. Telecom operators are also striving to reduce their own emissions, with many setting net-zero targets across value chains.	The combination of these two factors creates opportunities for Hexatronic Group to expand our offering of network energy efficient solutions and could give a competitive advantage.

Current Policies scenarios: Physical risks	Impact on the organisation's businesses, strategy and financial planning
Supply chain disruptions caused by severe weather events (flooding, wildfires, severe thunderstorms)	Supply chain disruption. Increase of raw material prices. Unpredictable availability. Business disruption.
Disruptions in our own operations caused by severe weather events (flooding, wildfires, severe thunderstorms)	Temporary close down of factory and costs related to manufacturing disruption.

We consider the impacts of climate change when evaluating new investments. To manage serious disruption in production, Hexatronic Group has adequate insurance coverage, and every company in the Group has its own standard insurance solutions. Risk assessment and auditing take place in consultation with external advisors. Read more in the Risks and risks management section.

Goals and results indicators for sustainability work

To steer and monitor developments in our prioritized sustainability areas, a number of key metrics have been selected. For some of these both short-term (2022, 2025) and long-term goals (2030) have been formulated. The key metrics include the parent company Hexatronic Group AB and the subsidiaries with more than six employees that were active within the group during entire 2022.

Link to 2030 Agenda and the Global Compact
Each sustainability area is connected to the Agenda 2030 global goals and the UN Global Compact ten principles for sustainable business.

Prioritized sustainability areas/SDG and GC	Key metric	Baseline 2019	2020	2021	2022	Goal 2022	Goal 2025	Goal 2030
Strong business ethics SDG: 5.2, 16.5	Percentage of employees who have signed the internal Code of Conduct	93	99	100	**97**	100	100	100
GC: Principles 1, 5, 10	Percentage of employees who have received training in our Code of Conduct	n/a	0	0	**91**	100	100	100
	Percentage of salaried employees who have completed training in Anti-corruption	n/a	n/a	n/a	**97**	100	100	100
	No. of confirmed instances of corruption	0	0	0	**0**	0	0	0
Sustainable supply chain SDG: 5.1, 7.2, 7.3, 8.4, 8.5, 8.7, 8.8, 9.4, 10.2, 12.2, 12.4, 12.5, 13.1, 16.5	Percentage of suppliers who have signed the Code of Conduct for suppliers	75	74	80	**76**	*	*	*
GC: Principles 1–10	Number of audits conducted relating to sustainability[1]	11	0	0	**6**	*	*	*
	Percentage of purchased volume from sustainability approved suppliers[1]	n/a	n/a	0	**41**	30	60	90
Low climate impact SDG: 7.2, 7.3, 8.4, 9.4, 12.2, 12.4, 12.5, 12.8, 13.1, 13.3	Calculated carbon footprint on products, % of total volume of products produced inhouse[2]	0	0	0	**61**	75	100	100
GC: Principles 7–9	Direct energy consumption, MWh	21,575	27,305	30,736	**46,787**	*	*	*
	Percentage of green electricity	53	45	48	**40**	*	*	*
	Energy intensity, MWh/MSEK sales	11.7	13.5	9.9	**7.1**	9	7	6
	Total emissions of CO_2e, tonnes – scope 1	891	722	898[3]	**973**[3]	*	*	*
	Total emissions of CO_2e, tonnes – scope 2[4]	3,726	5,790	6,564[5]	**8,234**[5]	*	*	*
	Total emissions of CO_2e, tonnes – scope 3	n/a	n/a	n/a	**588,280**	*	*	*
	Climate intensity, scopes 1 & 2, tonnes CO_2e/MSEK sales	2.5	3.2	2.4	**1.4**	2	1,75	1,25
	Climate intensity, scope 3, tonnes CO_2e/MSEK sales	n/a	n/a	n/a	**89.5**	*	*	*
	Percentage of ISO 14001-certified companies in the Group[6]	33	33	38	**43**	*	*	*

Prioritized sustainability areas/SDG and GC	Key metric	Baseline 2019	2020	2021	2022	Goal 2022	Goal 2025	Goal 2030
	Percentage of recycled material in production	n/a	n/a	n/a	**12.8**	*	*	*
Good health, safety and working environment SDG: 3.4, 3.5, 3.9, 8.8	Percentage of employees covered by a management system for safety and working environment in the Group, ISO 45001 or equivalent	32	42	38	**32**	50	75	90
	Sick leave, %	3	3	3.9	**3.1**	3	3	3
	Work-related accidents with absence, frequency[7]	1.4	1	1.3	**3.5**	0	0	0
	Employee Satisfaction Index	**	71	**	**71**	72	74	76
	Employee Loyalty Index	**	81	**	**79**	82	84	86
Diversity and gender equality SDG: 5.1, 5.5, 8.5, 10.2 GC: Principle 6	Percentage of women	29	24	30	**29**	>30	>35	>40
	Percentage of women managers	27	24	31	**26**	>30	>35	>40
	Percentage of women in Executive Management	20	18	33	**33**	>30	>35	>40
	Number of confirmed instances of discrimination	1	2	0	**0**	0	0	0
	Percentage of employees who have had a performance review	96	98	87	**97**	100	100	100
	Percentage of employees who deem Hexatronic a gender equal and inclusive workplace	**	91	**	**88**	95	97	100
	Equal Pay Index [8]	**n/a**	n/a	**n/a**	**94**	93	95	100
Social involvement SDG: 3.4, 4.3, 4.4, 4.5, 4.7, 8.6, 10.2, 12.8, 13.3 GC: Principles 6, 8	Percentage of employees who find that Hexatronic is making a positive difference in society, %	**	n/a	**	**63**	75	80	100
	Number of young people and adults far from the job market who have gone into permanent employment or studies, at least six months.[9]	156	357	130	**243**	*	*	*

1) Based on total purchase volume of direct materials and transport.
2) Includes production of duct and cable
3) The increase is primarily because new companies acquired during the previous year are included in the figure, whereas they are not included in historical figures.
4) Market-based method used.
5) The emission increase is primarily related to increased production in plants in the US and newly acquried companies, which are not included in historical figures.
6) Figure includes companies with more than 15 employees and the two companies Hexatronic AS and Smart Awards.
7) Number of work-related accidents with more than 24 hours absence, divided by total number of hours worked x 200,000.
8) Includes the companies Edugrade, Data Center Systems, Hexatronic Cables & Interconnect Systems, Hexatronic Fiberoptic, Hexatronic UK och Proximion.
9) After completing training via Hexatronic's training companies.

* No target set in the Roadmap 2030.

** No survey conducted. The employee survey is conducted every second year

n/a = no data available

Renewable energy and higher energy efficiency

During the year, the Group's total energy use has increased by 52% compared to 2021, and our indirect emissions of greenhouse gases from energy use, scope 2, by 25%. The main reason is expanded operations in the USA, which currently does not buy renewable electricity and to some extent our newly acquired companies. In order to buck this negative trend, our American company Blue Diamond Industries has during the year looked into the possibility of buying renewable energy certificates. If this happens, as a Group we would be able to reduce our scope 2 emissions by almost 90% on 2022, and to increase the percentage of renewable energy from just under 40% to 80%, thereby getting closer to our objective of a climate-neutral operation by 2030. We managed to achieve our two intensity targets related to energy consumption and scope 1 and 2 emissions. The Group's energy intensity/MSEK sales decreased by over 25% in 2022 compared to 2021. The scope 1-2 climate intensity/MSEK sales decreased by 42% in comparison to the previous year.

EU taxonomy for sustainable activities

Introduction to the EU Taxonomy

The EU Taxonomy Regulation EU 2020/852 (EU Taxonomy) is a classification system for sustainable economic activities in relation to the European Union's environmental objectives. Hexatronic Group is covered by the EU directive on non-financial reporting and must report the extent to which the taxonomy covers Hexatronic Group, and the proportion of the part covered that is taxonomy aligned. In the absence of regulatory guidance in many respects, we have found that there is a wide scope for interpretation in several parts of the taxonomy. We have therefore considered it necessary to make our own internal assessments. We have concluded that our economic activities linked to how we generate turnover are not covered by the delegated act for the climate objectives "Climate change mitigation" and "Climate change adaptation", thereby our share of turnover covered by the taxonomy is zero. We maintain an ongoing dialogue with the industry organization Europacable and several different experts in the field. A certain proportion of capital and operating expenditure is either attributable to purchases from suppliers whose activities are covered by the taxonomy or to individual measures that enable us to become low-carbon or lead to reduced greenhouse gas emissions. Our disclosures for 2022 are based on our current interpretation of the rules and may change in the future based on new regulatory guidance.

Our economic activities

In 2022, Hexatronic reviewed whether there could be capital expenditures or operating expenditures attributable to purchases from suppliers whose activities are covered by the taxonomy or individual measures. The following economic activities have been identified: 7.3 Installation, maintenance, and repair of energy-efficient equipment, 7.6 Installation, maintenance, and repair of renewable energy technologies, and 7.7 Acquisition and ownership of buildings.

Accounting principles

Turnover

Turnover from the sale of products and services and other operating income, which corresponds to Hexatronic's total net turnover and a portion of other operating income (onward-invoiced freight). See Consolidated statement of comprehensive income, page 86 and note 7 Other operating income, page 107. The taxonomy covers no part of the turnover.

Capital expenditure

Capital expenditure is the purchase or processing of tangible and intangible assets, excluding goodwill, during the year and increase through business acquisitions. Total capital expenditure is presented in Note 17, Note 18, and Note 19 on page 116-119 in our 2022 Annual Report.

Capital expenditure included in the numerator consists of 7.7 Acquisition and ownership of buildings, which includes buildings from our acquired companies during the year as well as new leasing contracts for premises, 7.3 Installation, maintenance, and repair of energy-efficient equipment, such as new heat recovery chiller, and 7.6 Installation, maintenance, and repair of renewable energy technologies, such as heat pump maintenance.

As the taxonomy covers no turnover, all investments consist of either purchases from suppliers whose activities are covered by the taxonomy or individual measures. We have not been able to assess whether these suppliers meet the criteria for being taxonomy aligned. Purchases from suppliers can only be taxonomy aligned if it can be verified that each supplier has carried out a taxonomy-aligned activity. Assessment of whether an activity is taxonomy-aligned also includes assessments of criteria for not significantly harming other environmental objectives (DNSH) and criteria for minimum safeguards. In 2022, it has not been possible to obtain this information from our suppliers. Furthermore, none of the individual measures have been assessed as aligned with the taxonomy as all processes required by the taxonomy is not yet fully quality assured. None of the investments covered by the taxonomy have been assessed as aligned with the taxonomy for 2022. We are working on developing processes for this.

Operating expenditure

Operating expenditure is defined in the EU taxonomy as direct non-capitalized costs related to research and development (R&D), building renovations, short-term leases, maintenance and repairs, and direct costs related to the maintenance of the assets. This report only includes repairs, maintenance, and short-term leases, as the other areas are considered immaterial. These operating expenses are recognized as part of other external costs in the consolidated statement of operations; see page 86 and line 5.

Operating expenditure included in the numerator consists of 7.3 Installation, maintenance, and repair of energy-efficient equipment, which includes LED lightning, and 7.6 Installation, maintenance, and repair of renewable energy technologies, which includes the leasing of battery-powered trucks.

As no turnover is covered by the taxonomy, operating expenditure consists of either purchases from suppliers whose activities are covered by the taxonomy or individual actions. As described for capital expenditure above, none of this expenditure has been assessed as taxonomy aligned. We are working on developing processes for this.

Proportion of Taxonomy-aligned economic activities

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities				Substantial contribution criteria						DNSH criteria (Do No Significant Harm)										
Economic activities	**Code(s)**	**Absolute turnover**	**Proportion of turnover**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Minimum safeguards**	**Taxonomy-aligned proportion of turnover, year 2022**	**Taxonomy-aligned proportion of turnover, year 2021**	**Category (enabling activity)**	**Category (transitional activity)**
		[MSEK]	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Y/N	Y/N
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of eligible Taxonomy-aligned activities (A.1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Turnover of Taxonomy-eligible not but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		-	-														-	-	-	-
Total (A.1 + A.2)		-	-														-	-	-	-

B. TAXONOMY NON-ELIGIBLE ACTIVITIES			
Turnover of non-eligible activities (B)		6,606.7	100%
Total (A + B)		6,606.7	100%

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities				Substantial contribution criteria						DNSH criteria (Do No Significant Harm)										
Economic activities	**Code(s)**	**Absolute CapEx**	**Proportion of CapEx**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Minimum safeguards**	**Taxonomy-aligned proportion of CapEx, year 2022**	**Taxonomy-aligned proportion of CapEx, year 2021**	**Category (enabling activity)**	**Category (transitional activity)**
		[MSEK]	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Y/N	Y/N
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
CapEx of eligible Taxonomy-aligned activities (A.1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Acquisition and ownership of buildings	7.7	121.5	15.5%																	
Installation, maintenance, and repair of energy-efficient equipment	7.3	2.1	0.3%																	
Installation, maintenance, and repair of renewable energy technologies	7.6	2.0	0.3%																	
CapEx of Taxonomy-eligible not but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		125.6	16.0%														-	-	-	-
Total (A.1 + A.2)		125.6	16.0%														-	-	-	-

B. TAXONOMY NON-ELIGIBLE ACTIVITIES			
CapEx of non-eligible activities (B)		658.3	84.0%
Total (A + B)		783.9	100.0%

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities				Substantial contribution criteria						DNSH criteria (Do No Significant Harm)										
Economic activities	**Code(s)**	**Absolute OpEx**	**Proportion of OpEx**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Minimum safeguards**	**Taxonomy-aligned proportion of OpEx, year 2022**	**Taxonomy-aligned proportion of OpEx, year 2021**	**Category (enabling activity)**	**Category (transitional activity)**
		[MSEK]	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Y/N	Y/N
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of eligible Taxonomy-aligned activities (A.1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Installation, maintenance, and repair of energy-efficient equipment	7.3	0.3	0.9%																	
Installation, maintenance, and repair of renewable energy technologies	7.6	0.1	0.3%																	
OpEx of Taxonomy-eligible not but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.4	1.2%														-	-	-	-
Total (A.1 + A.2)		0.4	1.2%														-	-	-	-

B. TAXONOMY NON-ELIGIBLE ACTIVITIES			
OpEx of non-eligible activities (B)		31.1	98.8%
Total (A + B)		31.5	100.0%

Auditor's statement on the statutory Sustainability Report

To the general meeting of shareholders in Hexatronic Group AB, corporate identity number 556168-6360

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory Sustainability Report for the year 2022 on pages 36–63 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12: The auditor's opinion regarding the statutory Sustainability Report. This means that our examination of the statutory Sustainability Report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory Sustainability Report has been prepared.

Gothenburg, 4 April 2023
Öhrlings PricewaterhouseCoopers AB
Johan Malmqvist
Authorised Public Accountant

Board of Directors' Report

The Board of Directors and CEO of Hexatronic Group AB (publ), based in Gothenburg, Sweden, hereby submit the Annual Report for the 2022 financial year for the Parent Company and Group.

Hexatronic is a Group mainly specialised in fiber optic communication, that delivers products and solutions for optical fiber networks, and supplies a complete range of passive infrastructure.

Sales

Net sales during the financial year amounted to MSEK 6,574.0 (3,491.6). Sales increased by 88% for the Group compared to the previous financial year.

The growth in the Group's net sales compared to the previous financial year consists of: organic growth amounted to 53 %, acquisitions and structural changes amounted to 28%, and exchange rate effects amounted to 7%.

Results for the financial year

Earnings before amortisation of intangible assets (EBITA) amounted to MSEK 1,089.9 (393.8), which equates to an EBITA margin of 16.6% (11.3%).

The operating result (EBIT) amounted to MSEK 1,027.6 (355.1), which equates to an EBIT margin of 15.6% (10.2%).

Net financial income/expense during the financial year amounted to MSEK -11.0 (-23.0), of which net interest income/expense amounted to MSEK -35.8 (-18.3), realised and unrealised exchange rate differences to MSEK -5.0 (-2.7) and other financial income and expense to MSEK 29.8 (-1.9). Revaluation of additional purchase consideration related to acquisitions affects other financial items by MSEK 33.8.

Profit for the year totalled MSEK 793.0 (252.4).

Financial position and liquidity

The Group's financial position and liquidity remain strong. Liquid assets on 31 December 2022 totalled MSEK 552.0 (675.1).

The Group's borrowing on 31 December 2022 totalled MSEK 1,910.6, of which MSEK 1,810.6 is long-term borrowing. During the financial year, new loans amounting to MSEK 790.9 were raised in connection with the acquisitions, while repayments totalled MSEK 463.6.

Cash flow from operating activities during the financial year amounted to MSEK 669.5 (104.7), including a change in working capital of MSEK -522.2 (-358.6). The change in working capital is primarily explained by the Group's growth but also by increased capital tied up through strategically increased inventory.

Cash flow from investing activities during the financial year amounted to MSEK -1,103.7 (-1,154.3). The investments mainly concern new production lines at the plants in the US, Austria and Sweden, and corporate acquisitions during the financial year.

Cash flow from financing activities during the year amounted to MSEK 270.6 (1,511.0).

Company changes and investments

Investments

Investments during the financial year mainly comprised acquisitions of new businesses and investments to increase production capacity in the US, Austria and Sweden.

The acquisition of homeway GmbH ("homeway")

The acquisition of homeway GmbH took place as a share transfer, see Note 36. The acquisition was completed on 1 September 2022 and has subsequently been consolidated. homeway is a German company that provides a complete in-house multimedia system for home networking over fiber, LAN, coax, power cable and Wi-Fi. Hexatronic acquired 82% of the company and has an option to acquire the remaining outstanding shares.

Multi-year comparison, Group

MSEK	2022	2021	2020	2019	2018
Net sales	6,574.0	3,491.6	2,080.8	1,842.3	1,597.8
Result before tax	1,016.6	332.1	164.9	91.0	81.8
Result before tax as a percentage of net sales	15.5%	9.5%	7.9%	4.9%	5.1%
Total assets	7,388.4	4,715.2	1,953.3	1,497.9	1,303.1
Equity asset ratio	38.0%	34.9%	33.3%	38.3%	37.9%

The purchase price amounted to MEUR 7.2, of which MEUR 6.3 was paid in cash and MEUR 0.9 through newly issued shares in Hexatronic. There may be a possible additional purchase price of maximum MEUR 6.2.
The acquisition was financed through a combination of a targeted new share issue and existing cash. The non-cash issue comprised 88,429 newly issued shares in Hexatronic.

The acquisition of Impact Data Solutions ("IDS Group")

The acquisition of IDS Group took place as a share transfer, see Note 36. The acquisition was completed on 3 October 2022 and has subsequently been consolidated. IDS Group is based in the UK and offers consultation, design, and installation of fiber, copper, and containment solutions to support data center and colocation projects. Hexatronic acquired 90% of the company and has an option to acquire the remaining outstanding shares. The purchase price amounted to MGBP 18.5, of which MGBP 15 was paid in cash at completion and thereafter an estimated additional purchase price of MGBP 3.5 has been paid out. The acquisition was financed through a senior bank loan.

The acquisition of KNET CO., LTD ("KNET")

The acquisition of KNET took place as a share transfer, see Note 36. The acquisition was completed on 1 December 2022 and has subsequently been consolidated. KNET is a global leader and pioneer in the development and manufacturing of microduct solutions for the telecommunication industry.

The purchase price amounted to MUSD 48 and was paid in cash. There may be a possible additional purchase price that can be maximum MUSD 36. The acquisition was financed through a senior bank loan.

Legal processes

We have not had any significant legal processes during the year.

The Group's financial goals

Profitability

Earnings before amortisation of intangible assets (EBITA) shall be at least 12% over a business cycle. The EBITA margin for 2022 was 16.6%.

The Board of Directors has adjusted the profitability target as of 2023, with earnings before amortisation of intangible assets (EBITA) shall be 15-17 % over a business cycle.

Growth

The Group shall have an annual growth of at least 20% over a business cycle. Growth in 2022 was 88% compared to the previous financial year.

Outlook for the upcoming accounting year

The Group will continue to work with its customers and upcoming projects, where the Group's added value as a competent systems and product supplier constitutes a competitive edge. The Group's largest and predominant area is Fiber Solutions which includes systems and products for broadband communication, but we also have business within Harsh Environment, Wireless and Data Center.

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 evaluated. Going forward there will be an increased focus on acquiring companies within Harsh Environment, Wireless and Data Center. The Group does not prioritize acquisitions in which cost synergies need to be harnessed to achieve a good return on the acquisition investment.

The Russian invasion of Ukraine has a very minor direct impact on Hexatronic, but it may affect us through increased commodity prices and higher energy

Multi-year comparison, Parent Company

MSEK	2022	2021	2020	2019	2018
Net sales	67.2	18.7	18.6	19.0	27.2
Result after financial items	122.0	-23.2	-55.1	-64.3	-34.2
Result after financial items as a percentage of net sales	181.5%	-124.1 %	-296.6 %	-338.9%	-125.7%
Total assets	4,032.1	2,966.8	1,296.9	896.3	787.6
Equity asset ratio	27.7%	31.6%	20.4%	25.0%	25.1%

prices which to the greatest extent possible will be handled through price increases towards the customer. In the event of a potential recession, we expect some adverse impact on our business.

Sustainability Report

In accordance with chap. 6, §11 of Sweden's Annual Accounts Act, Hexatronic Group AB has chosen to produce its Sustainability Report as a separate report from the Annual Report. The Sustainability Report can be found on pages 36-62 of this printed document.

The sustainability report includes the parent company Hexatronic Group AB and the subsidiaries that were active within the group throughout 2022 and has more than six employees. The companies that were acquired or was formed in 2022 are only included in limited scope in this sustainability reportand are not included in those key figures presented on the pages 58-59.

Environment

Environmental impact

The Group has operations in the following companies that require notification under the Environmental Code.

Hexatronic Cables & Interconnect Systems AB, with operations in Hudiksvall, has had a licence from the county administrative board in accordance with the Environmental Code since 15 January 2001 with a change in terms for noise from 5 April 2005. Industry codes: 31.60 and 63.10.

The licence has limits for permitted production volumes of cable as well as conditions relating to emissions to air and water, waste and chemical management, and noise. The conditions are monitored annually and reported to Hudiksvall Municipality's Norrhälsinge environmental department, which is the supervisory body. The company also engages in good, regular dialogue with the environmental department to discuss and follow up any environmental issues the company is working on. The environmental conditions are deemed to have been met, however the operation has initiated a new licence process because the forecast production volumes have increased dramatically. The results of other measurements carried out fall within the guidelines linked to the licence.

Environmental management

The operation in Hudiksvall has had ISO 14001 environmental certification since 1997. It is also certified for quality to ISO 9001, and health and safety to ISO 45001. A follow-up review was conducted by Intertek in May 2022 and no deviations were noted.

Waste, transport and energy consumption are important environmental aspects for the company.

The Swedish companies are covered by the Act (2014:266) on Energy Audits in Large Enterprises. The first part of the energy audit was reported in 2021 and the rest in 2022, which means that the requirement for the current four-year period has been met.

The audit is part of the operation's active work to save energy, which has been ongoing for several years and leads to lower energy consumption.

The Board's proposed guidelines for remuneration to senior executives and Board Members

Scope

These guidelines encompass the Executive Management of Hexatronic Group AB (publ) ('Hexatronic') and the company's Board Members to the extent that remuneration, other than that de-cided at the AGM, is paid to Board Members. Executive Management refers to the CEO, Deputy CEO, CFO and other members of the Executive Management. Other members of the Executive Management refers

Key figures for the Group

MSEK	2022	2021	2020	2019	2018
Growth in net sales	88%	68%	13%	15%	23%
EBITA margin	16.6%	11.3%	9.8%	7.4%	7.2%
Operating margin	15.6%	10.2%	8.5%	5.8%	5.8%
Equity asset ratio	38.0%	34.9%	33.3%	38.3%	37.9%
Earnings per share before dilution (SEK)	3.95	1.32	0.68	0.36	0.33
Earnings per share after dilution (SEK)	3.89	1.29	0.67	0.36	0.32
Result per employee (SEK thousand)	556	251	187	114	115
Quick asset ratio %	95%	97%	91%	88%	95%
Average number of employees	1,430	1,007	678	588	517
Number of shares at period end	203,026,610	199,826,650	188,307,150	185,919,125	182,559,125
Average number of shares before dilution	201,151,897	191,749,640	187,400,815	185,639,125	181,394,700
Average number of shares after dilution	203,996,888	195,491,130	187,816,610	186,086,680	183,381,200

to people who are part of the management team and managers who are directly subordinate to the CEO. In the company's case, the managers who are directly subordinate to the CEO are the Deputy CEO, CFO, Logistics Director, Business Development Director, Digital Marketing Officer and Presidents of subsidiaries.

The guidelines are prospective and shall be applied to remuneration that is agreed, and to changes made to already agreed remuneration, after the guidelines are adopted by the 2023 AGM. The guidelines do not cover remuneration decided by the general meeting of shareholders.

As regards employment conditions that comply with rules that are not Swedish, appropriate adaptations may be made to follow mandatory such rules or set local practices, whereby the overall objectives of these guidelines are met as far as possible.

Promoting the company's business strategy, long-term interests and sustainability

The company strives for greater global presence, where Hexatronic's products and solutions are connected in more and more systems. The company's business concept is with smart, reliable product and system solutions for passive fiber infrastructure to accelerate the digital transformation for the benefit of businesses, individuals and society at large.

Successful and sustainable implementation of the company's business strategy in the long run requires the company to be able to recruit and retain qualified employees. For this the company must be able to offer competitive remuneration. These guidelines make it possible to offer senior executives a competitive total remuneration package.

Variable cash payments covered by these guidelines should also aim to promote the company's business strategy and long-term interests, including its sustainability.

Remuneration to senior executives

Forms of remuneration etc.

Hexatronic shall offer total compensation at market rates to facilitate the recruitment and retention of qualified senior executives. Remuneration from Hexatronic should be based on the principles of performance, competitiveness and fairness. Remuneration to senior executives shall comprise fixed remuneration, variable remuneration, share and share price-based incentive programmes, pension and other benefits. Variations in the remuneration principles are permitted where they are justified by local conditions.

Fixed remuneration shall take into account the individual's experience and areas of responsibility. Fixed salaries shall be reviewed annually. Variable remuneration may be up to 50% of the annual fixed salary for members of the Executive Management. Variable cash payments covered by these guidelines should aim to promote the company's business strategy and long-term interests, including its sustainability, by having a clear link to the business strategy or promoting the senior executive's long-term development, for example.

It must be possible to measure whether or not the criteria for variable cash payments have been met over a period of one year. Variable remuneration shall be linked to pre-determined, quantifiable criteria, established with the aim of promoting the company's long-term value creation. When the measurement period for meeting the criteria for variable cash payments has ended, it must be judged/established to what extent the criteria have been met. The Remuneration Committee is responsible for the assessment regarding variable cash payment to the CEO. As regards variable cash payments to other senior executives, the CEO is responsible for the assessment. Financial goals shall be assessed based on the latest financial information published by the company.

Pension

For the CEO and other senior executives, pension benefits shall be based on how much is paid in, i.e. the pensions are defined contribution plans.

The pension contributions for the CEO's defined contribution pension can be up to 30% of the pensionable salary. The retirement age for other senior executives varies between 60 and 67 years and the pension contribution can be up to 30% of the pensionable salary. Variable cash payments shall not be pensionable.

Other benefits may include life assurance, health insurance and car benefits, for example. Such benefits shall not account for a material portion of the total remuneration.

Cash payment

Additional cash payments may be made in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and are only made at an individual level, either with the aim of recruiting or retaining senior executives, or as remuneration for extraordinary work efforts beyond the person's regular work duties. Such remuneration shall be professionally motivated, proportionate to the individual's fixed salary and shall not be paid more than once a year per individual. Decisions about such remuneration shall be made by the Board on the proposal of the Remuneration Committee.

In addition the AGM can, if agreed, offer long-term incentive programmes, such as share or share price-related remuneration or incentive programmes. Such long-term incentive programmes are agreed by the general meeting of share holders and are therefore not covered by these guidelines.

Criteria for paying variable remuneration etc.

Variable remuneration shall be linked to pre-determined, quantifiable criteria that may be financial or non-financial. It must be possible to measure whether or not the criteria for short-term variable remuneration have been met over a period of one year. The criteria may also comprise individually adapted quantitative or qualitative goals. The criteria for both short-term and long-term variable remuneration shall be structured so that they promote the company's business strategy and long-term interests, including its sustainability, by having a clear link to the business strategy or promoting the senior executive's long-term development, for example.

When the measurement period for meeting the criteria for variable remuneration has ended, it must be established to what extent the criteria have been met. The Remuneration Committee is responsible for carrying out this assessment.

As regards financial goals, the assessment shall be based on the latest financial information published by the company.

By law or in accordance with agreements and subject to the resulting limitations, the Board shall be able to wholly or partially reclaim variable remuneration paid out on false grounds.

Remuneration to Board Members

Remuneration to Board Members for their work on Hexatronic's Board of Directors is determined by the general meeting of shareholders. Board Members are only entitled to receive such fees as agreed by the general meeting of shareholders. Additional remuneration may, however, be paid for services carried out by Board Members for Hexatronic within their respective areas of expertise, provided that said service is outside of what is considered to be the normal assignment for Board Members. Such remuneration shall be at market rates and settled in a consultancy agreement approved by the Board.

Terms of employment

Salary and terms of employment for employees

When drafting the Board's proposal for these remuneration guidelines, the salary and terms of employment for the company's employees were taken into account by using information about employees' total remuneration, components of the remuneration, increases in remuneration and the rate of increase over time as part of the basis for the Remuneration Committee and Board's decision when evaluating the fairness of the guidelines and the resulting limitations.

Termination of employment

A notice period of six (6) months shall apply if the CEO resigns. No severance pay shall be forthcoming.

If employment is terminated by the company, the notice period for the CEO may be up to twelve (12) months. Severance pay is only paid from the CEO's 50th birthday and then amounts to one month's salary for each year over 50 when the CEO is given notice. For example, if the CEO is given notice at the age of 51, the severance pay will amount to one (1) month's salary, and at the age of 52 it amounts to two (2) months' salary, etc.

No deductions are made from severance pay for other income.

There is a mutual period of notice of a minimum of three (3) and a maximum of twelve (12) months between the company and other senior executives. No severance pay shall be forthcoming.

Furthermore, remuneration for restraint of-trade obligations will be paid to the CEO and other senior executives alike when employment is terminated with the aim of compensating for any loss of income.

For the CEO, such remuneration is only paid to the extent that they are not entitled to severance pay.

The remuneration shall be the difference between the fixed cash salary at the time of termination and any lower income earned in the new business, but up to 60% of the fixed cash salary. Remuneration shall be paid for the time the restraint-of-trade obligation applies, which shall be up to 6 months after termination of employment.

Decision-making process, changes and deviations etc.

The decision-making process for establishing, reviewing and implementing the guidelines.

The entire Board constitutes the Remuneration Committee. The Committee's duties include drafting the Board's decisions on proposed guidelines for remuneration to senior executives.
The Board shall draw up proposals for new guidelines at least every four years and present the proposal at the AGM for a decision. The guidelines shall apply until new guidelines have been adopted by the general meeting of shareholders. The Remuneration Committee shall also monitor and evaluate programmes for variable remuneration for the Executive Management, the application of the guidelines for remuneration to senior executives, as well as applicable remuneration structures and remuneration levels in the company. The members of the Remuneration Committee are independent of the company and Executive Management. When the Board deals with and decides on remuneration related issues, the CEO or other members of the company management are not present to the extent that they are affected by the issues.

Deviating from the guidelines

The Board may temporarily deviate from the guidelines, wholly or partially, in individual cases, if there are special reasons for doing so and a deviation is necessary in order to satisfy the company's long-term interests, including its sustainability, or to safeguard the company's financial strength. As stated above, the Remuneration Committee's duties include drafting the Board's decisions on remuneration issues, which includes decisions on deviating from the guidelines.

Parent Company

The Parent Company's operation focuses entirely on Group-wide services in management, economics, finance, IR, business development, IT, sustainability, communication/marketing and logistics.

The Parent Company's net sales during the financial year amounted to MSEK 67.2 (18.7) and result for the year amounted to MSEK 139.7 (45.6).

Net financial income/expense was MSEK 196.5 (44.9) and liquid assets amounted to MSEK 41.8 (375.0) at year-end. The number of employees was 18 (16) at year-end. The Parent Company does not run any of its own operations and its risks can mainly be attributed to the operations in its subsidiaries.

The Board's proposed dividend

As the Board of Directors proposes that the AGM on 9 May 2023 decides on a dividend of SEK 0.10 per share, the Board must hereby submit the following statement in accordance with chap. 18 §4 of Sweden's Companies Act.

The Board finds that full coverage exists for the Parent Company's restricted equity after the proposed dividend. The Board also finds that the proposed dividend is justifiable taking into account the parameters stated in chap. 17 §3, second and third paragraphs of Sweden's Companies Act.

The Board would thereby like to draw attention to the following. The proposed dividend reduces the Parent Company’s equity ratio from 27.7% to 27.3% and the Group’s equity ratio from 38.0% to 37.8%, calculated on 31 December 2022.

The Board considers this equity ratio to be satisfactory taking into account the industry in which the Group operates. In the Board’s view, the proposed dividend will not affect the Parent Company and Group’s ability to meet their payment obligations, and the Company and the Group are well prepared to manage changes relating to liquidity and unexpected events. The Board considers that the Company and the Group have a basis for taking future business risks and bearing possible losses too.

The proposed dividend is not expected to have an adverse impact on the Company and Group’s ability to make further commercially motivated investments in line with the Board’s plans.

In addition to that stated above, the Board has considered other known circumstances that may be important to the Company’s and Group’s financial position. No circumstances have emerged during this process to prevent the proposed dividend from appearing to be justifiable. The Board’s assessment is that the Company and Group will have sufficient equity after the proposed dividend in relation to the nature, scope and risks of the operation.

The following funds are at the Parent Company’s disposal	**SEK**
Share premium reserve	920,256,195
Result brought forward	53,691,803
Result for the year	139,745,146
Total	**1,113,693,144**

The Board of Directors proposes that the profits be appropriated as follows:	**SEK**
SEK 0.10 per share to be distributed to shareholders [1]	20,302,661
To be transferred to result carried forward	1,093,390,483
Total	**1,113,693,144**

1) The proposed record date for dividends is 11 May 2023.

Board of Directors



	Anders Persson	Erik Selin	Helena Holmgren
Position	Chairman of the Board since 2016, Board Member and a member of the Remuneration Committee.	Board Member and a member of the Remuneration Committee.	Board Member, Chair of the Audit Committee and a member of the Remuneration Committee.
Member since	2014	2014	2020
Year of birth	1957	1967	1976
Education	MSc in Engineering Physics from Chalmers University of Technology, Gothenburg.	High School Economics.	MBA, Lund University and MBA, University of Ottawa.
Other assignments	Board Chairman of Coloreel AB and Board Member of Ferroamp Elektronik AB.	Board Chairman of K-Fast Holding AB, Brinova Fastigheter AB and CollectorBank AB. Board Member and President of Fastighets AB Balder. Board Member of Neudi & Co and Hedin Mobility Group.	Board Member of Profoto and ProGlove.
Shares	255,000 shares. Independent of the company, the company management and major shareholders.	8,929,360 shares via part ownership of Chirp AB. Independent of the company, the company management and major shareholders.	15,000 shares. Independent of the company, the company management and major shareholders.



	Charlotta Sund	Jaakko Kivinen	Per Wassén
Position	Board Member and a member of the Remuneration Committee.	Board Member and a member of the Audit Committee and Remuneration Committee.	Board Member and a member of the Remuneration Committee.
Member since	2022	2018	2021
Year of birth	1963	1970	1961
Education	MSc in Industrial Economics.	MSc in Economics, Helsinki School of Economics and MBA, University of South Carolina.	MSc in Engineering Physics, Chalmers University of Technology, and MSc in Economics, School of Business, Economics and Law at the University of Gothenburg.
Other assignments	CEO Tekniska verken in Linköping AB. Board member Enea Aktiebolag. Board member Tekniska verken Group.	Advisor to Accendo Capital.	Board Member of GU Ventures AB, Board Member of Impact Coatings AB (publ) and Chairman of ES Energy Save Holdings AB (publ).
Shares	250 shares Independent of the company, the company management and major shareholders.	40,500 shares. Independent of the company, the company management and major shareholders.	15,000 shares. Independent of the company, the company management and major shareholders.

According to the Hexatronic Group Articles of Association, the Board of Directors shall comprise a minimum of three and a maximum of nine Board Members. The Hexatronic Board currently comprises six Board Members. The company's non-management CEO is not a member of the Board. The Board is domiciled in Västra Götaland County, Gothenburg Municipality. The Board Members have been elected to serve until the end of the 2023 AGM. The shareholdings given for each person above were true as of 31 December 2022.

Executive Management




	Henrik Larsson Lyon	Pernilla Lindén	Martin Åberg	Tomas Jendel
Position	CEO, Hexatronic Group AB	CFO, Hexatronic Group AB	Deputy CEO, Hexatronic Group AB	CTO, Hexatronic Group AB
Member since	2014	2021	2014	2020
Year of birth	1966	1969	1981	1973
Education	BSc in Business Administration.	BSc in Business Administration.	MSc in Engineering Physics, MSc in Business, also a Chartered Financial Analyst, IFL, Stockholm School of Economics.	MSc and Lic. Eng. in Vehicle Engineering.
Shares	4,057,180 shares.	15,280 shares.	8,929,360 shares via part ownership of Chirp AB and 49,000 shares owned privately.	3,900 shares.





	Anna Bailey	Lise-Lott Schönbeck	Magnus Angermund	Christian Priess	Håkan Bäckström
Position	Supply Chain Director, Hexatronic Group AB	DMO, Hexatronic Group AB	Head of Northern Europe, Hexatronic Group AB	Head of Central Europe, Hexatronic Group AB	CEO, Hexatronic Cables & Interconnect Systems AB
Member since	2016	2020	2021	2019	2017
Year of birth	1969	1972	1968	1970	1966
Education	MSc in Industrial Economics.	MSc in Engineering Physics and Chemistry.	High School Electrical/ Telecom Engineering, IHM, IFL Executive Management Program.	MSc International Business, IMD MBA.	MSc in Mechanical Engineering, focus on industrial economics, also Managing Industrial Operations (IMOP).
Shares	51,000 shares.	3,635 shares and 30,000 warrants.	168,410 shares.	50,000 shares, 140,000 warrants.	363,524 shares.

The Group's Executive Management holds monthly meetings.
The shareholdings given for each person above were true as of February 1, 2023.

Risks and risk management

Like all business activities, Hexatronic's operations are associated with risks of various kinds. Continuously identifying and assessing risks is a natural and integral part of the operation, enabling the company to control, mitigate and manage prioritized risks in a proactive manner.

The Group's ability to map and prevent risks minimises the risk of unforeseeable events occurring and having a negative impact on the operation. The goal of risk management is not necessarily to eliminate the risk, but rather to secure our business goals with a balanced risk portfolio. Another purpose of risk assessment is to increase the whole organization's risk awareness, both among operational decision-makers and Board Members.

Hexatronic's Board of Directors has the ultimate responsibility for the company's risk management. Risks related to business development and long-term strategic planning, as well as the Group's work on sustainability issues and related risks, are managed by the Executive Management and finally prioritized by the Board. The Group's central finance func- tion is responsible for prioritizing and managing financial risks as well as securing that the Group has adequate insurance coverage for risks that can be insured. For a more detailed explanation of the financial risks, please see Note 3.

The Group's code of con- duct and key governance policies form the basis of the ongoing operational risk management, which is managed at all levels in the organization.

The risk management process within Hexatronic identifies relevant risks for further classification and prioritization. The whole organization is involved in the risk management process, from entity level to the Group Board of Directors. Hexatronic has divided identified risks into operational risks, market risks and financial risks.

Sustainability risks are integrated in all the risk areas and are also described further in Hexatronic's sustainability report.

Operational risks

Risks with potential negative impact on our operational capabilities both in the short term and long term. Operational risks are a part of the daily work and are managed by the operational entities.

Market risks

Market risks are risks that affect our industry or market as a whole. These risks could for example be connected to political- or legal regulations, general trends or macroeconomic factors.

Financial risks

Risks connected to Hexatronic's financing of the business as well as risks associated with the financial markets such as currency, commodity and interest rate risk.

Overview of risk management process

Hexatronic's risk management process starts at entity level , where risks are identified, classified and rated. This process is performed according to a template set by the Group where the overall risk areas have been broken down in several risk categories.

The risk evaluations from the entities serve as a base for the local risk management but are also aggregated to a group analysis and Group management will prioritize and identify the risks that are of most significant importance for the strategic plan. The aggregated risk-analysis is reviewed and approved by the Board and is thereafter an integrated part of the strategic work such as budget process och business plans.

Risk management within Hexatronic including mitigating plans and actions is reported to the Board on an on-going basis.

Operational risks

Operational risks are closer to the company in terms of its ability to influence them. This is also why in several cases, risk management is dealt with via internal regulations with policies, guidelines and instructions. Operational risks are part of the day-to-day work and are managed by the operational units.

Risks	Risk management
Customer structure	
Too high dependence on large customers. There is a risk that large customers choose alternative suppliers. The Group's three largest customers together account for roughly 16% of the Group's sales.	The Group has continued to broaden its customer structure as it becomes more international. Dependence on the largest customers is gradually decreasing as the Group gains more customers from acquisitions, and due to a sharper focus on customer orientation and system solutions.
Product responsibility, intellectual property rights and legal disputes	
Hexatronic's system solutions and products are vital components in customers' products. Faults could lead to worsened customer relations and claims for legal damages. Hexatronic's intellectual property rights risk being infringed upon. There is also a risk that Hexatronic's products infringe upon the intellectual property rights of others.	Intellectual property rights are monitored and controlled in consultation with external advisors. The provision for future guarantee obligations is assessed continuously. The Group has adequate insurance cover, and every company in the Group has its own standard insurance solutions in place. This work is carried out in consultation with external advisors.
Serious disruption to production	
Damage at production plants, caused for instance by fire or an interrup tion in some part of the production process, can have negative conse quences, whether from direct damage to property or from interruptions that affect the company's ability to deliver on its commitments to customers. This in turn could cause customers to choose another supplier.	Risk assessment and auditing take place both internally and in consultation with external advisors. The Group has adequate insurance cover, and every company in the Group has its own standard insurance solutions in place.
Acquisition and integration	
Making an acquisition entails a risk. It could have an adverse impact on the acquired company's relations with customers, suppliers and key persons, and on sustainability-related issues. There is also a risk that integration processes could be more costly or more time consuming than expected, and that acquisition synergies fail to materialise, whether in part or in full.	All potential acquisitions and their operations are closely scrutinised before an acquisition is made. There are well-established processes and structures for pricing, acquiring and integrating acquired companies. In the acquisition contract, the Group strives to attain the necessary guarantees to mitigate the risk of unknown obligations.
Key personnel/skills	
The ability to attract and retain qualified personnel and senior executives is absolutely crucial to Hexatronic's continued survival. Hexatronic is particularly dependent on senior executives and on certain personnel in the development, purchasing and sales departments. If Hexatronic cannot attract or retain qualified personnel, this could adversely affect its operations, results and financial position.	Hexatronic is an attractive employer with low rates of sick leave and personnel turnover. By promoting career development and other development opportunities for individual employees, and by offering competitive market rates of pay, the Group assures its ability to attract the right human resources, and to retain them long-term because they enjoy and can thrive in Hexatronic's corporate environment.
Serious working environment accident	
Working environment accidents can lead to employees being seriously or in the worst case fatally injured. This can lead to personal and human disasters. It can also lead to loss of production, a lack of skills, financial penalties, damage to the brand and lower profits.	A safe working environment is a prioritized sustainability issue. Systematic health and safety work in accordance with the companies' management systems and prevailing legislation helps to minimise this risk.

Risks	Risk management
Serious environmental accident	
Serious environmental incidents linked to Hexatronic's operations can have significant effects on the local environment, and can lead to financial penalties and a damaged brand. The Group's responsibility for environmental damage, whether known or unknown, could have a negative impact on the Group's operations, results and financial position.	Systematic environmental work in accordance with the companies' management systems and prevailing legislation helps to minimise the risk of environmental accidents. Also see 'Acquisition and integration'.
Natural disasters	
Extreme climate-related weather events such as hurricanes, floods and wildfires could lead to disruptions to production and damage to the Group's property and that of critical suppliers. This could have an adverse impact on Hexatronic's results and financial position.	See 'Serious disruption to production' above and also the climate scenario analysis in our sustainability report.
Shortcomings in gender equality and diversity, and discrimination	
Shortcomings in gender equality and diversity, and discrimination can lead to a negative corporate culture, a high rate of personnel turnover, personal suffering and lower profitability.	Diversity and gender equality is a prioritized sustainability area. Hexatronic's diversity and gender equality policy, and an action plan against discrimination and degrading treatment, as well as regular training/information, aim to minimise the risks.
Serious deviation from the Code of Conduct for suppliers	
Hexatronic's Code of Conduct for suppliers has been produced to ensure a sustainable supply chain, and is based on the UN Global Compact's ten principles for responsible enterprise. The discovery of a serious deviation from the code could lead to damage to nature or personal injury, damage to the brand and a decline in customer loyalty.	Achieving a sustainable supply chain is a prioritized sustainability issue. To minimise the risk of non-compliance with Hexatronic's Code of Conduct for suppliers, there is ongoing dialogue and follow-up and evaluation of our suppliers.
Human trafficking	
The risk of human trafficking is primarily linked to suppliers in high-risk countries. One general risk area in business is the occurrence of purchasing sex on business trips, and at trade fairs and conferences. The link to trafficking can lead to crime against human rights, damage to the brand, corruption and a negative impact on the financial results.	For information about how we deal with this issue, refer to Hexatronic Group – Modern Slavery Act Statement and our internal Code of Conduct.
Bribery and corruption	
The primary risk areas linked to bribery and corruption in Hexatronic's operations can be found in functions such as sales, purchasing and corporate entertainment. Serious fraud can lead to a negative effect on profits, damage to the brand and a loss of market share.	Strong business ethics is a prioritized sustainability issue. The Group's internal Code of Conduct and the Code of Conduct for suppliers, the Business Code of the Swedish Anti-Corruption Institute, and ongoing dialogue regarding risks and ethical dilemmas all contribute to minimising the risks. A whistleblower system is in place to enable people to highlight serious anomalies, anonymously.
Information and IT	
Hexatronic relies on IT systems for its daily operations. Disruptions caused by errors or cyber-attacks could have a negative effect on production and other important business areas. Disruptions in the financial systems may affect the company's ability to report results. Data breaches may lead to unauthorized access, information leakage or loss of data.	Data security is of high priority to Hexatronic and is an area where investments are being made. Hexatronic believes that a key factor when it comes to cyber security is to educate its employees. Hexatronic has a governing framework for IT and cyber security that is adopted by the Board of Directors and Group management.

Market risks

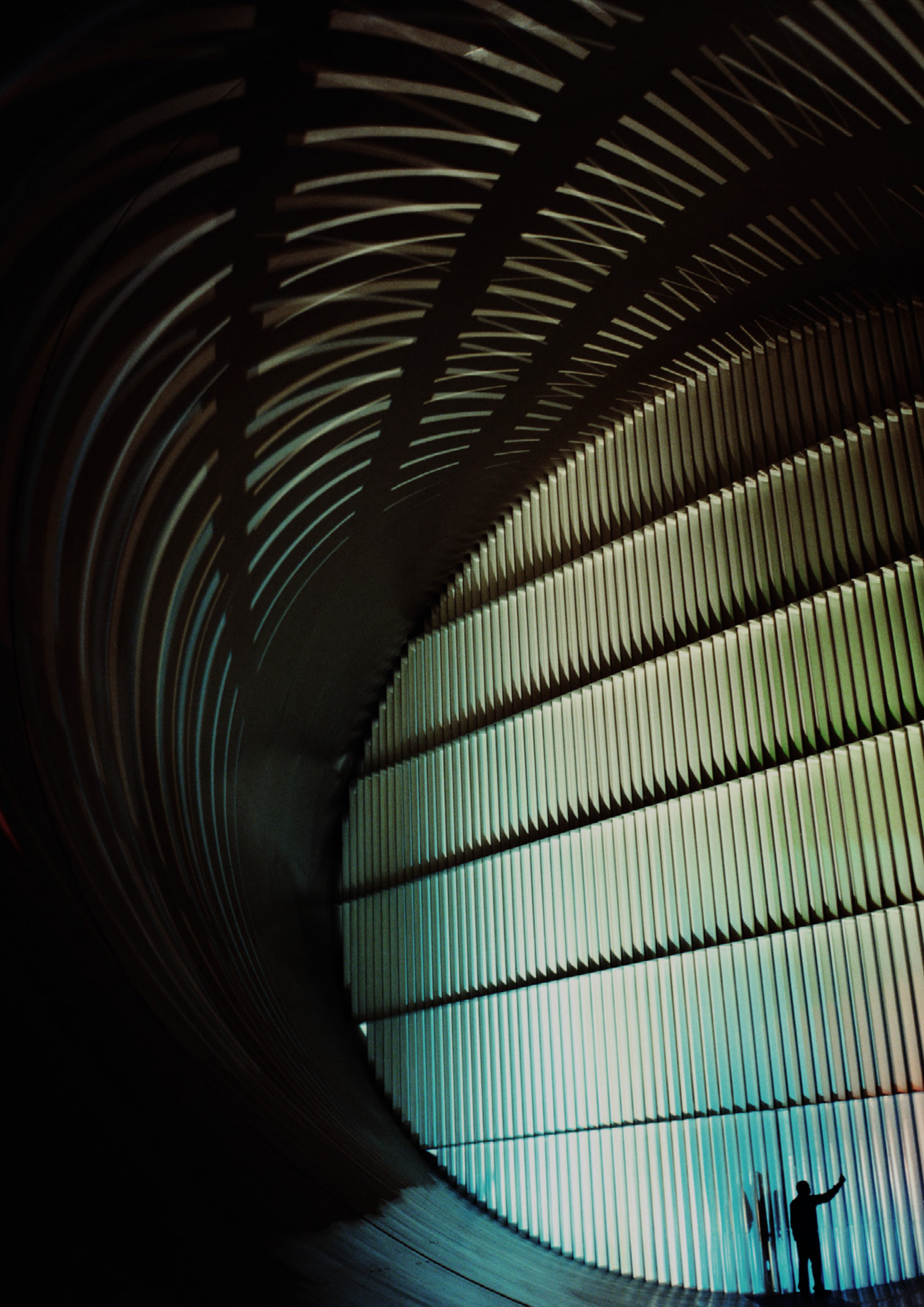
Market risks are risks that affect our industry or market as a whole. These risks could for example be connected to polictical- or legal regulations, general trends or macroeconomic factors.

Risks	Risk management
Products	
Parts of Hexatronic are dependent on the organization's ability to develop and market new products and services in line with the rest of the market. There are risks linked to the Group's ability to develop new products and services, and to commercialise them successfully. An inability to adapt the operation to technological shifts could cause the Group's products and services to become obsolete, which could have an adverse impact on sales and Group profits, thereby also increasing development costs.	Close cooperation with the largest customers and potential customers in the field of product development is tremendously important. Hexatronic is constantly developing its offering so that it can offer more complete system deliveries in the future, primarily based on in-house development, production, and innovative Swedish design and quality. The company believes that this will facilitate longer-lasting customer relations and higher margins, while also helping the Group's other partners to become more competitive.
Competitors	
Hexatronic conducts its business on a competitive market. This entails an ever-present risk that customers may prefer a competitor's products above the ones that Hexatronic currently offers and will offer in the future. Increased competition can also impact negatively on Hexatronic's margins.	Hexatronic has a strong position on the market for fiber optic communication solutions. Hexatronic has a competitive edge thanks to in-house product development and manufacturing, as well as sales of system solutions.
The economy in general	
Hexatronic is dependent on macroeconomic conditions, as well as the growth and financial development of its largest customers. A general decline in the economy would primarily have consequences for customers' willingness to invest, and this in turn could lead to weaker sales of Hexatronic's products and services.	Hexatronic's increasingly broad customer base reduces the Group's risk of being affected by a weak economic trend in individual regions or areas around the world.
An increasingly uncertain world	
Geopolitical instability could impact adversely on Hexatronic's operations, results and financial position. The consequences of these events could mean closed national borders and, therefore, worse delivery opportunities both from suppliers and to customers.	As a supplier to the telecom industry, Hexatronic's operations are deemed to be critical in several parts of the world. The choice of suppliers and distribution chains is central here in minimising the risk linked to greater uncertainty in the wider world.
Stakeholders' climate requirements	
Investors and customers are increasingly demanding powerful efforts to reduce emissions of greenhouse gases along the entire supply chain. If Hexatronic is unable to live up to these expectations, this could in the long run lead to poorer customer relations and lower competitiveness, and to lost customer contracts in the longer term.	Low climate impact is a prioritized sustainability area. By auditing our emissions, drafting a plan for how Hexatronic can contribute to the 1.5°C target and maintaining a dialogue with customers, suppliers and personnel, we will reduce our emissions.

Financial risks

Management of financial risks at Hexatronic is centralised to the Group's treasury department, which conducts its business within set risk mandates and limits. Risks are managed according to guidelines in the Group's policies and regulations within each specific area. All policies and regulations regarding financial risks are updated and adopted annually by the Board of Directors.

Risks	Risk management
Foreign exchange and interest rate risk	
Fluctuations in exchange rates run the risk of burdening Hexatronic's financial situation, profitability and cash flow. Hexatronic is affected by exchange rate fluctuations through transaction exposure and translation exposure. The Group has income and expenses primarily in SEK, USD, EUR, NZD, GBP, NOK and AUD, and also to a lesser extent in other currencies. Interest rate risk refers to the risk that Group interest costs increase due to changes in market rates.	In order to minimise foreign exchange exposure, the Group works proactively on its foreign exchange risks. Some sales are hedged via foreign exchange clauses, sold on in the original currency or hedged by buying and selling in the same currency. Hexatronic has a cash pool which includes the majority of the Group's companies. This means that exchange surpluses in various currencies can be used by the different Group companies in the cash pool without any currency exchange having to take place. The interest rate risk is managed through flexibility in credit agreements and an active liquidity management.
Raw material price risk	
Raw material price risk refers to ongoing fluctuations in the price of input goods from suppliers, and the effect this may have on Group finances. For the Hexatronic Group, fluctuations in the price of plastics and fiber are a main source of risk in this area.	Raw material price risk is managed through long-term supplier relations and contracts with secured volumes.
Refinancing and liquidity risk	
Refinancing risk refers to the risk of Hexatronic not being able to refinance its operations at the required time, or that such refinancing is only available on far less favourable terms. Liquidity risk is the risk that Hexatronic is unable to meet its payment obligations due to a lack of liquid funds.	The central finance function continuously monitors Hexatronic's finances to ensure that it can meet the binding key figures linked to the company's loan facilities. The Group's policy is to minimise the borrowing requirement by centralising surplus liquid funds via the Group's cash pool.
Credit risk	
Financial credit risk refers to the possibility that a party in a transaction with a financial instrument may not be able to meet its obligation. Operational credit risk refers to that the Group does not receive payment for accounts receivable.	The Group Treasury policy contains high credit rating requirements for financial counterparts. The Group's customers are primarily large, wellestablished companies with good solvency, spread across several geographic markets. In order to mitigate the risks, the company's finance instructions contains guidelines and regulations for credit checking new customers, payment terms, and processes and procedures for dealing with unpaid receivables.



Corporate governance report

Corporate governance report

Hexatronic Group's corporate governance is mainly regulated by the Swedish Companies Act and other Swedish legislation, by Nasdaq Stockholm's rules for issuers, the EU's market abuse regulation and the Swedish Corporate Governance Code ('the Code').

The Code, which can be viewed at www.bolagsstyrning.se, applies to all Swedish companies whose shares are admitted for trading on a regulated market in Sweden. Hexatronic Group has applied the Code as of 18 December 2015, when the Hexatronic Group's shares were admitted for trading on Nasdaq Stockholm. The Corporate Governance Report for 2022 describes Hexatronic Group's corporate governance, management and administration, as well as its internal control for financial reporting.

Regulatory compliance

External control systems

The external control systems that provide the framework for Hexatronic Group's corporate governance mainly comprise the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's rules, the Swedish Corporate Governance Code, the EU's market abuse regulation as well as other applicable regulations and legislation.

Internal control systems

The Articles of Association adopted by the AGM and the documents adopted by the Board of Directors regarding the formal work plan for the Board of Hexatronic Group, instructions for the CEO, instructions for financial reporting and instructions for the Remuneration Committee and Audit Committee constitute the most important internal control systems. In addition, the Group has a number of policies and instructions with rules and principles for the Group's operations and employees.

Deviations from the Code

Companies are not obliged to comply with all of the rules in the Code at all times, instead they may choose alternative solutions which they deem to be better suited to their circumstances provided that they report all deviations, describe the alternative solution and explain the reason for the deviation in the Corporate Governance Report (in accordance with the principle of 'comply or explain'). The company does not deviate from the Code in any respect.

General meeting of shareholders

Under the Swedish Companies Act (2005:551), general meetings of shareholders are the company's highest decion-making body and shareholders can exercise their voting right at these meetings. Shareholders who are entered into the share register on the record day and have registered to attend the general meeting by the deadline stated in the notice to attend are entitled to participate in the meeting, either in person or through a representative. Decisions at general meetings of shareholders are usually made using a simple majority.

For certain issues, however, the Swedish Companies Act requires a minimum attendance for a quorum, or qualified majority voting. An Annual General Meeting (AGM) must be held within six months of the close of the financial year. Hexatronic Group's AGM is usually held in May.

The AGM decides on a number of mandatory issues in accordance with the Companies Act and Articles of Association, such as electing Board Members and the Chairman of the Board, electing auditors and deciding whether or not to adopt the income statement and balance sheet and approve the proposed appropriation of profits, and assessing whether the Board Members and CEO should be granted discharge from liability vis-à-vis the company. The AGM also decides, where appropriate, whether to adopt the principles for the Nomination Committee's appointments and work, and it decides on principles for remuneration and employment terms for the CEO and other senior executives. Shareholders can ask questions about the company and its results for that year at the AGM. Extraordinary general meetings may also be held in addition to the AGM.

The company's AGMs are held in Gothenburg every calendar year before the end of June. According to the Articles of Association, the notice to attend the AGM shall be announced in the publication "Post- och Inrikes Tidningar" and on the company's website. An announcement that the notice to attend has been published shall appear in "Dagens Industri" at the same time. The Articles of Association have no special rules on appointing or dismissing Board Members or on amending the Articles of Association.

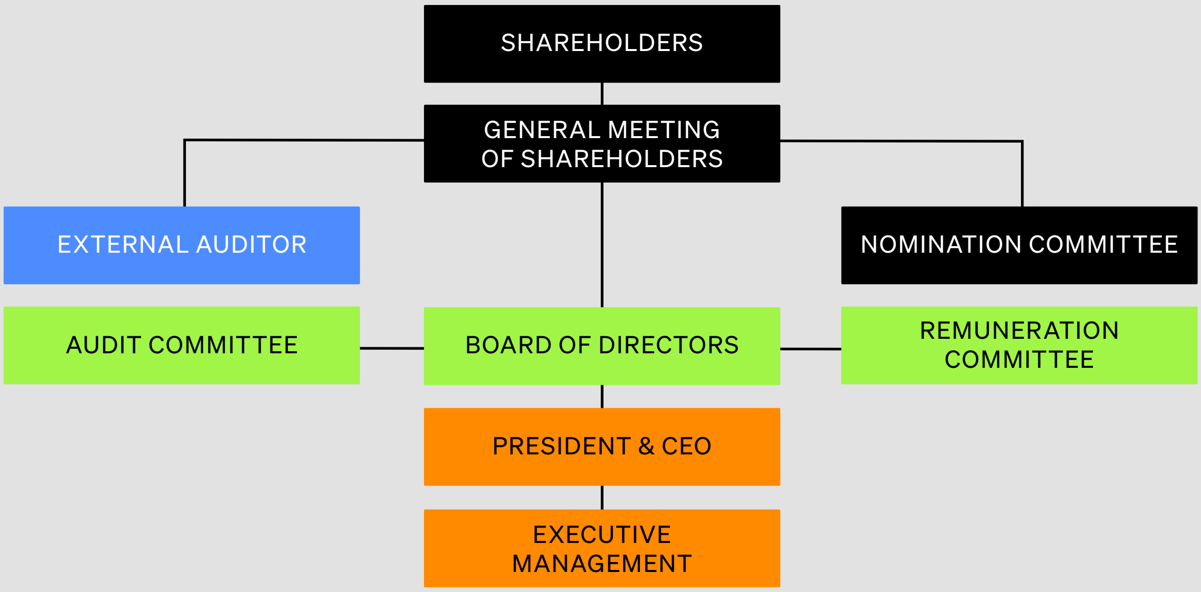
To see the Articles of Association in full, please visit group.hexatronic.com.

Shareholders

Hexatronic Group's share was listed on the Nasdaq Stockholm Small Cap exchange on 18 December 2015. On 3 January 2022, the share was moved up to Nasdaq Stockholm Large Cap. The share capital on 31 December 2022 amounted to MSEK 2.1, divided between 205 062 579 shares; 203 026 610 of these were ordinary shares and 2 035 969 were Class C shares. Class C shares carry one-tenth of a vote. The number of shareholders on 31 December 2022 was 49 014. The biggest shareholders on this date were Swedbank Robur (6,5%), AMF Pension & Fonder (6,4%), Accendo Capital (6.4%) ,Jonas Nordlund privately and via company (6,0%), and Handelsbanken Fonder(4,6%).

Further information about the share and shareholders is available on the company's website.

Hexatronic Group's corporate governance structure



Annual general meetings

Decisions at the 2022 AGM

The following decisions were made at the AGM on 5 May 2022:

- The AGM adopted the annual accounts, appropriation of profits and discharge from liability for the Board and CEO.
- Re-election of Board Members: Anders Persson, Jaakko Kivinen, Erik Selin, Helena Holmgren and Per Wassén. New election of Board Members: Charlotta Sund.
- Re-election of Anders Persson as Chairman of the Board.
- Election of registered public accounting firm Öhrlings PricewaterhouseCoopers as the company's audit firm with authorised public accountant Johan Malmqvist as the auditor in charge.
- To establish a performance-based long-term incentive plan (LTIP 2022) for senior executives and other key personnel within the Group who are resident in Sweden, and to issue a maximum of 70,000 Class C shares for delivery of any performance shares under LTIP 2022, and to secure any social expenses which may arise under LTIP 2022.
- To establish a long-term incentive programme (Warrant Programme 2022 to offer to senior executives and certain key personnel within the Group who are resident in and outside of Sweden through a targeted issue of a maximum of 120,000 warrants.
- The Board was authorised to make decisions on acquisitions and the transfer of a maximum of one-tenth of the company's own shares in accordance with the Board's proposal.
- The Board was authorised to decide, on one or more occasions and with or without the shareholders' preferential right, on the new issue of shares, warrants and/or convertibles amounting to up to 10 per cent of the registered share capital in the company.
- The remuneration report prepared by the Board was approved.
- The entire minutes from the 2022 AGM can be found at group.hexatronic.com.

The 2023 AGM

The 2023 AGM will be held on Tuesday 9 May 2023. For further information, visit the Hexatronic Group website (group.hexatronic.com).

Nomination Committee

The Nomination Committee shall comprise four members and the Chairman of the Board shall be co-opted onto the Committee. The members shall be appointed by the company's four largest shareholders in terms of number of votes at the end of August, on the basis of a list of registered shareholders provided by Euroclear Sweden AB and other reliable information obtained by the company. Should the Chairman of the Board directly or indirectly be one of the four largest shareholders, the Chairman shall decline to nominate a member for the Nomination Committee.

Should shareholders decline to appoint members, the right to nominate members shall transfer to the shareholder with the next highest number of votes.

The Chair of the Nomination Committee shall be the largest shareholder in terms of votes at the time the Committee is appointed, unless the Nomination Committee agrees otherwise, and may not be the Chairman of the Board or another Board Member.

Should a member leave the Nomination Committee before its work is complete, the Committee shall appoint a new member in line with the above principles, but on the basis of Euroclear Sweden AB's printout of the share register as soon as possible after the member leaves their post.

Changes to the composition of the Nomination Committee shall be published immediately. Prior to the AGM, the Nomination Committee is tasked with proposing a Chairman of the Board and other Board Members, producing a reasoned opinion regarding the proposal, suggesting fees and other remuneration for Board assignments for each of the Board Members (including any remuneration for committee work), drawing up proposals for auditors and their fees and for someone to be Chair at the AGM and (where appropriate) proposing changes to Nomination Committee appointments. Furthermore, the Nomination Committee shall also judge the independence of the Board Members in relation to the company and major shareholders.

The composition of the Nomination Committee for the AGM is usually published on the company's website at least six months before the meeting. No remuneration shall be paid to members of the Nomination Committee. The company shall pay necessary and reasonable expenses that the Nomination Committee may incur within the framework of its work. The Nomination Committee's term of office shall end when the subsequent Nomination Committee has been announced.

Composition of the nomination committee

Name	Representing	% of votes on 31 December 2022
Angelica Hanson	AMF Pension & Fonder	6.4%
Mark Shay	Accendo Capital	6.4%
Jonas Nordlund	Himself	6.0%
Staffan Ringvall	Handelsbanken Fonder	4.6%

Nomination Committee ahead of the 2023 AGM

The composition of the Nomination Committee is published on the Hexatronic Group website group.hexatronic.com.

The Nomination Committee in the run-up to the 2023 AGM comprises Jonas Nordlund (representing: himself), Staffan Ringvall (Handelsbanken Fonder), Mark Shay (Accendo Capital), Angelica Hanson (AMF Pension & Fonder) and Anders Persson (Chairman of the Board of Hexatronic Group) as a co-opted member. Staffan Ringvall (Handelsbanken Fonder) is Chairman of the Nomination Committee. The Nomination Committee has had four minuted meetings between the 2022 AGM and the date the Annual Report was submitted. As a basis for its proposals ahead of the 2023 AGM, the Nomination Committee has assessed whether the current composition of the Board is appropriate and meets the requirements placed on the Board as a result of the company's operations, position and general circumstances. The Nomination Committee has interviewed the company's Board Members and discussed the primary requirements that should be set for Board Members including the requirement for independent members, taking into account the number of Board assignments each member has in other companies.

When it comes to the composition of the Board, the diversity policy, along with relevant goals relating to this, has been applied as stipulated in rule 4.1 of the Corporate Governance Code, which has resulted in the Nomination Committee proposal to the AGM regarding the election of Board Members.

Board of Directors

Composition in 2022

The Board is tasked with managing the company's affairs on behalf of shareholders. According to the Articles of Association, Hexatronic Group's Board shall comprise a minimum of three and a maximum of nine members elected by the AGM for a term of office up to the end of the next AGM. There are no representatives of the Executive Management on the Board. Hexatronic Group's CEO and CFO sometimes participate in Board meetings, during which the CFO acts as the secretary for the Board. Other office personnel in the company take part in Board meetings to report on specific issues.

Independence of the Board

Under the Code, the majority of Board Members elected at the AGM shall be independent of the company and its management. The Board Members' positions regarding independence are shown in the Board composition table. All current Board Members are independent of the company and its management. All of the members are also independent of the company's major shareholders. The company therefore meets the Code's requirements on independence.

The Chairman of the Board's responsibilities

The Chairman of the Board leads and controls the Board's work and ensures that the activities are carried out efficiently. The Chairman of the Board ensures that the company complies with the Swedish Companies Act and other applicable laws and regulations, and that the Board is given the necessary training and improves its knowledge of the company. The Chairman monitors the business in close dialogue with the CEO, communicates shareholders' views to other Board Members and acts as a spokesperson for the Board. Furthermore, the Chairman of the Board is responsible for providing other Board Members with information and data to make decisions, and for ensuring that the Board's decisions are implemented. The Chairman is also responsible for ensuring that annual evaluations of the Board's work are carried out.

The Board's responsibilities and work

The Board's duties are primarily regulated in the Swedish Companies Act and the Code. The Board's work is also regulated by the formal work plan, which is adopted annually by the Board. The formal work plan sets out the division of responsibilities between the Board, the Chairman of the Board and CEO and specifies procedures for the CEO's financial reporting. The Board also approves instructions for the Board's committees.

The Board's duties include drawing up strategies, business plans and budgets; submitting interim reports and accounts and approving policies and guidelines. The Board shall also monitor financial developments, safeguard the quality of financial reporting and control functions, and also evaluate the company's operations based on the goals and guidelines established by the Board. Ultimately the Board also makes decisions about major investments as well as organizational and operational changes in the company. The Chairman of the Board shall monitor the company's results in close collaboration with the CEO, and chair Board meetings. The Chairman of the Board is also responsible for ensuring that the Board evaluates its work annually and has sufficient information to carry out its work effectively. During the financial year, the Board had 18 Board meetings, 7 of which were per capsulam.

All of the Board meetings follow an agenda that has been set in advance. Attendance at the meetings is reported in the table further down. In 2022, the Board mainly dealt with issues relating to the operations, acquisitions, financing, investments and other ongoing legal issues relating to reporting and the company.

The Board's committees

The Board has two committees: the Remuneration Committee and the Audit Committee. The topics discussed at the committee meetings are reported either in writing or verbally. Each committee's work is carried out in accordance with written instructions and a formal work plan issued by the Board.

Remuneration Committee

The Remuneration Committee is tasked with preparing issues relating to remuneration and other terms of employment for the CEO and other senior executives. This work includes proposing guidelines for dividing between fixed and variable remuneration and the relationship between results and compensation, the main terms for bonus and incentive programmes, terms for other benefits, pensions, notice periods and severance pay, as well as drawing up proposals for individual compensation packages for the CEO and other senior executives. The Remuneration Committee shall also monitor and evaluate the outcome of the variable remuneration and how the company complies with the guidelines for remuneration adopted by the AGM. The Remuneration Committee comprises the whole of the Board of Directors.

Audit Committee

The Audit Committee is primarily tasked with ensuring that the Board's monitoring responsibilities are carried out regarding internal control, audits, internal audits, risk management, reporting and financial reporting, as well as preparing certain reporting and audit issues. The Audit Committee shall also review the processes and procedures for reporting and financial control. In addition, the Audit Committee shall monitor the auditor's impartiality and independence, evaluate the audit work and discuss coordination between external audits and internal work on internal control issues with the auditor. The Audit Committee shall also assist the company's Nomination Committee in drawing up proposals for auditors and recommendations for auditor fees.

The Audit Committee at Hexatronic Group comprises two members: Helena Holmgren (Chair) and Jaakko Kivinen. The Audit Committee meets the requirements on accounting and audit expertise as stipulated in the Swedish Companies Act. Audit Committee meetings and attendance are shown in the table with board meetings.

Present (total number of meetings)

Member	Elected	Born	Board of Directors	Remuneration Committee	Audit Committee	Independent of the company	Independent of major shareholders	Fees [3]	Audit Committee fees [3]
Anders Persson (Chairman)	2014	1957	18 (18)	3 (3)		Yes	Yes	600,000	-
Erik Selin	2014	1967	17 (18)	3 (3)		Yes	Yes	275,000	-
Jaakko Kivinen	2018	1970	18 (18)	3 (3)	4 (4)	Yes	Yes	275,000	55,000
Frida Westerberg [1]	2020	1975	5 (18)	2 (3)		Yes	Yes	-	-
Helena Holmgren	2020	1976	18 (18)	3 (3)	4 (4)	Yes	Yes	275,000	85,000
Per Wassén	2021	1961	17 (18)	3 (3)		Yes	Yes	275,000	-
Charlotta Sund [2]	2022	1963	12 (18)	1 (3)		Yes	Yes	275,000	-

1) Left position as Board Member at the AGM on May 5 2022.
2) Elected Board Member at the AGM on May 5 2022.
3) Fee decided for work from the 2022 AGM to the 2023 AGM.

Evaluation of the Board's work in 2022

The Chairman of the Board is responsible for evaluating the Board's work and all of the board members have taken part in a survey. The results of the evaluation have been presented and discussed, in both the Board and the Nomination Committee. The evaluation focused on the Board's work in general and on the work of the members, Chairman and CEO.

Auditor

The auditor is appointed at the AGM each year. The auditor reviews the company's and subsidiaries' financial reports and accounts as well as the Board and CEO's administration. The auditor participates in the Board meeting that deals with the year-end report. At that Board meeting, the auditor runs through, for example, the financial information and discusses the audit with the Board Members without the CEO and other senior executives present.

The auditor stays in contact with the Chairman of the Board, Audit Committee and Executive Management. Hexatronic Group's auditor shall review the Annual Report and consolidated financial statements for Hexatronic Group AB, as well as the administration of the Board and CEO. The auditor follows a review plan, which is discussed with the Audit Committee. Reporting has partly taken place during the course of the audit to the Audit Committee and partly when the year-end report is approved in its entirety for the Board. The auditor shall also participate in the AGM where he/she describes the audit work and findings in an auditor's report. In addition to the audit, the auditor has had certain audit-related consultancy assignments during the year, which have primarily related to tax consultancy and consultancy on accounting issues.

Öhrlings PricewaterhouseCoopers AB is responsible for auditing all of the Swedish subsidiaries in the Group and monitors the audits of other companies as part of the audit for the Group.

Öhrlings PricewaterhouseCoopers AB has been the company's auditor since 2013/14. Johan Malmqvist is the auditor in charge.

CEO and other senior executives

The CEO is subordinate to the Board and responsible for the company's ongoing administration and day-to-day operations. The division of work between the Board and CEO is set out in the formal work plan for the Board and instructions for the CEO. The CEO is also responsible for preparing reports and compiling information from management ahead of Board meetings and reports back on material at the Board meetings. In accordance with the instructions for financial reporting, the CEO is responsible for financial reporting in Hexatronic Group and, as a result, must ensure that the Board is given sufficient information to be able to continuously evaluate the financial position of the company and Group.

The CEO keeps the Board updated about developments in Hexatronic Group's operations, sales development, Hexatronic Group's results and financial position, its liquidity and credit situation, important business events as well as any other event, circumstance or relationship that could be considered to be of material importance to the company's shareholders. Information about remuneration, share-related incentive programmes and terms of employment for the CEO and other senior executives can be found on the company's website.

Internal control

The Board's responsibility for internal control is regulated in the Swedish Companies Act, the Annual Accounts Act (1995:1554) and the Code. Information on the most important elements of the company's systems for internal control and risk management relating to financial reporting shall be included in the company's Corporate Governance Report each year. The procedures for internal control, risk assessment, control activities and monitoring with respect to financial reporting have been designed to ensure reliable, comprehensive financial reporting and external financial reporting in accordance with IFRS, applicable laws and regulations and other requirements on companies listed on Nasdaq Stockholm. This work involves the Board, Audit Committee, Executive Management and other personnel.

Control environment

The Board has established instructions and steering documents with the aim of regulating the division of roles and responsibilities between the CEO and the Board. The way in which the Board monitors and ensures the quality of the internal control is set out in the Board's formal work plan and Hexatronic Group's finance policy. The control environment also includes the Board evaluating the operations' performance and results via monthly and quarterly report packages, which contain outcomes, budget comparisons, forecasts, operational objectives, strategic plans, investments, assessments and evaluations of financial risks as well as analyses of important

Remuneration to auditors in 2022

Name	MSEK
PWC	
Audit engagement	5.2
Audit business in addition to audit engagement	0.5
Tax consultancy	0.1
Other services	1.2
Total	**6.9**

financial and operational key metrics. Responsibility for presenting the report package to the Board, along with responsibility for maintaining an effective control environment and the ongoing work on risk assessment and internal control with regard to financial reporting, is delegated to the CEO. However, the Board is ultimately responsible for this.

Information and communication

The company's steering documents for financial reporting chiefly comprise guidelines, policies and manuals, which are continuously updated and communicated to the employees concerned via relevant information channels. As regards external communications, there is an information policy with guidelines on how to publish information externally. The aim of the policy is to ensure that the company fulfils its requirements to provide the market with accurate and complete information.

Monitoring, evaluation and reporting

The Board continuously evaluates the information provided by the Executive Management. It also receives regular updates about Hexatronic Group's development between Board meetings. Hexatronic Group's financial position, strategies and investments are discussed at each Board meeting.

The Board is also responsible for monitoring internal control and assessing the Group's risk management. This work includes, for example, ensuring that measures are taken to manage any shortcomings and monitoring proposed measures brought up in connection with the external audit.

Internal audit

In accordance with the Swedish Corporate Governance Code, an evaluation shall be carried out during the year to examine the need for a special review function to ensure compliance with established principles, standards and other applicable laws relating to financial reporting

Taking into account the work carried out on internal control, the Board judged that there is not currently any need to introduce a special review function (internal audit function).

Consolidated statement of comprehensive income

Amounts in MSEK	Note	FINANCIAL YEAR 2022	2021
Operating income			
Net sales	5, 6, 15	6,574.0	3,491.6
Other operating income	7	56.5	33.2
Total		**6,630.5**	**3,524.8**
Operating expenses			
Raw materials and consumables		-3,704.6	-1,957.6
Other external expenses	8, 18	-734.7	-413.6
Personnel costs	10	-955.1	-661.3
Other operating expenses		-0.6	-2.9
Depreciation of tangible assets	18, 19	-145.6	-95.6
Earnings before interest, taxes and amortisation (EBITA)		**1,089.9**	**393.8**
Amortisation of intangible assets	17	-62.2	-38.7
Operating result		**1,027.6**	**355.1**
Financial income	11	56.3	0.1
Financial expenses	12, 15	-67.3	-23.1
Net financial income and expense		**-11.0**	**-23.0**
Earnings before taxes (EBT)		**1,016.6**	**332.1**
Income tax	13	-223.7	-79.7
Net result for the year		**793.0**	**252.4**
Attributable to:			
Parent Company shareholders		794.5	253.1
Non-controlling interest		-1.6	-0.7
Net result for the year		**793.0**	**252.4**
Other comprehensive income:			
Items which can later be recovered in the income statement			
Translation difference		293.1	97.5
Total comprehensive income for the year		**1,086.0**	**349.9**
Attributable to:			
Parent Company shareholders		1,085.9	350.6
Non-controlling interest		0.1	-0.7
Total comprehensive income for the year		**1,086.0**	**349.9**
Earnings per share before dilution (SEK)	14	3.95	1.32
Earnings per share after dilution (SEK)	14	3.89	1.29

The notes on pages 98 to 135 are an integral part of the Annual Report and consolidated financial statements.

Consolidated balance sheet

Amounts in MSEK	Note	31/12/2022	31/12/2021
ASSETS			
Non-current assets			
Intangible assets			
Capitalised development expenditure	17	34.6	15.4
Goodwill	17	2,042.4	1,064.5
Customer relations	17	326.6	249.9
Trademarks	17	87.2	55.5
Total intangible assets		**2,490.8**	**1,385.2**
Tangible assets			
Lands and buildings	19	245.2	178.0
Plant and machinery	19	830.5	414.3
Equipment, tools, fixtures and fittings	19	129.3	95.1
Total tangible assets		**1,205.0**	**687.3**
Right-of-use assets	18	424.7	384.5
Financial assets			
Other non-current receivables		3.8	1.8
Total financial assets		**3.8**	**1.8**
Total non-current assets		**4,124.4**	**2,458.9**
Current assets			
Inventories			
Raw materials and consumables		308.8	268.6
Products in progress		46.7	46.6
Finished goods and goods for resale		1,240.6	613.6
Total inventories		**1,596.1**	**928.8**
Current receivables			
Accounts receivable	23	1,018.2	597.3
Other receivables	24	22.9	19.0
Prepaid expenses and accrued income	25	74.8	36.1
Total current receivables		**1,115.9**	**652.4**
Liquid assets	26	552.0	675.1
Total current assets		**3,264.0**	**2,256.3**
TOTAL ASSETS		**7,388.4**	**4,715.2**

The notes on pages 98 to 135 are an integral part of the Annual Report and consolidated financial statements.

Consolidated balance sheet, contd.

Amounts in MSEK	Note	31/12/2022	31/12/2021
EQUITY AND LIABILITIES			
Equity	27		
Share capital		2.1	2.0
Other capital contributions		938.3	904.5
Reserves		324.7	33.3
Net result brought forward, including net result for the year		1,503.1	702.4
Total equity related to Parent Company shareholders		**2,768.2**	**1,642.1**
Non-controlling interest		37.0	5.4
Total equity		**2,805.1**	**1,647.5**
Non-current liabilities			
Lease liabilities	18	371.8	332.4
Liabilities to credit institutions	30	1,810.6	1,258.7
Deferred tax liabilities	20	212.5	104.8
Other liabilities	31	429.8	162.0
Total non-current liabilities		**2,824.6**	**1,858.0**
Current liabilities			
Lease liabilities	18	68.0	61.4
Liabilities to credit institutions	30	100.0	274.3
Provisions	29	13.6	4.1
Accounts payable		787.7	505.1
Current tax liabilities		107.9	29.7
Other liabilities	31	330.2	119.2
Accrued expenses and deferred income	32	351.2	215.9
Total current liabilities		**1,758.6**	**1,209.7**
TOTAL EQUITY AND LIABILITIES		**7,388.4**	**4,715.2**

The notes on pages 98 to 135 are an integral part of the Annual Report and consolidated financial statements.

Consolidated statement of changes in equity

Amounts in MSEK	Note	Share capital	Other contributed capital	Reserves	Result brought forward, including result for the period	Total	Non-controlling interest	Total equity
Balance brought forward as of 1 January 2021		**1.9**	**249.0**	**-64.2**	**462.8**	**649.5**	**0.0**	**649.5**
Net result for the year		-	-	-	253.1	**253.1**	-0.7	**252.4**
Other comprehensive income for the year		-	-	97.5	-	**97.5**	-	**97.5**
Total comprehensive income		**0.0**	**0.0**	**97.5**	**253.1**	**350.6**	**-0.7**	**349.9**
New shares related to employee stock option programme		0.0	46.3	-	-	**46.3**	-	**46.3**
Employee stock option programme		-	3.1	-	-	**3.1**	-	**3.1**
Share-based remuneration		0.0	-	-	5.3	**5.3**	-	**5.3**
New share issue relating to business acquisitions		0.0	66.4	-	-	**66.4**	-	**66.4**
New share issue		0.1	539.7	-	-	**539.7**	-	**539.7**
Dividends paid		-	-	-	-18.9	**-18.9**	-	**-18.9**
Non-controlling interest on acquisition of subsidiary		-	-	-	-	**0.0**	6.1	**6.1**
Total transactions with shareholders, reported directly in equity		**0.1**	**655.4**	**0.0**	**-13.6**	**642.0**	**6.1**	**648.1**
Balance carried forward as of 31 December 2021		**2.0**	**904.5**	**33.3**	**702.4**	**1,642.1**	**5.4**	**1,647.5**
Balance brought forward as of 1 January 2022		**2.0**	**904.5**	**33.3**	**702.4**	**1,642.1**	**5.4**	**1,647.5**
Net result for the year		-	-	-	794.5	**794.5**	-1.6	**793.0**
Other comprehensive income for the year		-	-	291.4	-	**291.4**	1.7	**293.1**
Total comprehensive income		**0.0**	**0.0**	**291.4**	**794.5**	**1,085.9**	**0.1**	**1,086.0**
New shares related to employee stock option programme		0.0	20.0	-	-	**20.0**	-	**20.0**
Employee stock option programme		-	4.0	-	-	**4.0**	-	**4.0**
Share-based remuneration		0.0	-	-	8.6	**8.6**	-	**8.6**
New share issue relating to business acquisitions		0.0	9.9	-	-	**9.9**	-	**9.9**
Sales of shares linked to incentive programme		-	-	-	17.4	**17.4**	-	**17.4**
Dividends paid		-	-	-	-20.0	**-20.0**	-	**-20.0**
Non-controlling interest on acquisition of subsidiary		-	-	-	-	**-**	31.6	**31.6**
Total transactions with shareholders, reported directly in equity		**0.0**	**33.9**	**0.0**	**6.0**	**39.9**	**31.6**	**71.5**
Balance carried forward as of 31 December 2022		**2.1**	**938.3**	**324.7**	**1,503.1**	**2,768.2**	**37.0**	**2,805.1**

The notes on pages 98 to 135 are an integral part of the Annual Report and consolidated financial statements.

Consolidated statement of cash flows

Amounts in MSEK	Note	31/12/2022	31/12/2021
Operating activities			
Operating result		1,027.6	355.1
Items not affecting cash flow	34	346.0	201.2
Interest received		2.0	0.1
Interest paid		-31.9	-22.9
Income tax paid		-152.0	-70.0
Cash flow from operating activities before changes in working capital		**1,191.7**	**463.4**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories		-610.3	-372.6
Increase (-)/decrease (+) in accounts receivable		-239.4	-169.9
Increase (-)/decrease (+) in other operating receivables		37.9	-18.1
Increase (+)/decrease (-) in accounts payable		200.3	189.7
Increase (+)/decrease (-) in other operating liabilities		89.4	12.3
Cash flow from changes in working capital		**-522.2**	**-358.8**
Cash flow from operating activities		**669.5**	**104.7**
Investing activities			
Acquisition of intangible assets	17	-17.2	-2.3
Acquisition of tangible assets	19	-461.8	-200.0
Acquisition of subsidiaries after deduction of acquired liquid assets		-624.7	-952.2
Change in financial assets		0.0	0.2
Cash flow from investing activities		**-1,103.7**	**-1,154.3**
Financing activities	35		
Borrowings	35	790.9	1,080.0
Amortisation of loans	35	-463.6	-83.3
Amortisation of lease liabilites	35	-74.2	-53.3
Share issue	27	20.0	586.5
Sale of shares linked to incitament programme		17.4	-
Dividends paid		-20.0	-18.9
Cash flow from financing activities		**270.6**	**1,511.0**
Cash flow for the year	26	**-163.6**	**461.4**
Liquid assets at the start of the year		675.1	212.3
Exchange rate difference in liquid assets		40.4	1.3
Liquid assets at the end of the year		**552.0**	**675.1**

The notes on pages 98 to 135 are an integral part of the Annual Report and consolidated financial statements.

Parent Company income statement

Amounts in MSEK	Note	FINANCIAL YEAR 2022	2021
Operating income			
Net sales	6, 15	67.2	18.7
Total operating income		**67.2**	**18.7**
Operating expenses			
Other external expenses	8	-77.9	-44.5
Personnel costs	10	-62.2	-41.5
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**-73.0**	**-67.3**
Depreciation and amortisation of tangible- and intangible assets	17, 19	-1.5	-0.8
Operating result		**-74.4**	**-68.2**
Result from financial items			
Interest income and similar items	11	209.3	51.4
Interest income from Group companies		21.9	8.5
Interest expenses and similar items	12	-34.8	-14.9
Interest expenses to Group companies		0.0	0.0
Total result from financial items		**196.4**	**45.0**
Result after financial items		**122.0**	**-23.2**
Appropriations			
Provision for tax allocation reserve		-11.3	-7.9
Return from tax allocation reserve		6.0	1.4
Group contributions		30.0	80.0
Total appropriations		**24.7**	**73.5**
Result before tax		**146.7**	**50.3**
Income tax	13	-7.0	-4.7
Result for the year		**139.7**	**45.6**

No items in the Parent Company have been recognised as other comprehensive income, which is why total comprehensive income tallies with result for the year.

The notes on pages 98 to 135 are an integral part of the Annual Report and consolidated financial statements.

Parent Company balance sheet

Amounts in MSEK	Note	31/12/2022	31/12/2021
ASSETS			
Non-current assets			
Intangible assets			
Capitalised development expenditure	17	8.0	3.5
Total intangible assets		**8.0**	**3.5**
Tangible assets			
Equipment, tools, fixtures and fittings	19	0.5	0.4
Total tangible assets		**0.5**	**0.4**
Financial assets			
Participations in Group companies	21	2,741.9	1,536.5
Receivables from Group companies		957.4	847.1
Total financial assets		**3,699.3**	**2,383.6**
Total non-current assets		**3,707.8**	**2,387.5**
Current assets			
Current receivables			
Receivables from Group companies		266.3	201.4
Other receivables	24	9.8	0.1
Prepaid expenses and accrued income	25	6.3	2.8
Total current receivables		**282.5**	**204.3**
Liquid assets	26	41.8	375.0
Total current assets		**324.3**	**579.3**
TOTAL ASSETS		**4,032.1**	**2,966.8**

The notes on pages 98 to 135 are an integral part of the Annual Report and consolidated financial statements.

Parent Company balance sheet, contd.

Amounts in MSEK	Note	31/12/2022	31/12/2021
EQUITY AND LIABILITIES			
Equity	27		
Restricted equity			
Share capital		2.1	2.0
Statutory reserve		0.0	0.0
Total restricted equity		**2.1**	**2.0**
Non-restricted equity			
Share premium reserve		920.3	890.4
Result brought forward		53.7	0.1
Result for the year		139.7	45.6
Total non-restricted equity		**1,113.7**	**936.1**
Total equity		**1,115.8**	**938.1**
Untaxed reserves			
Tax allocation reserve		29.0	23.7
Total untaxed reserves		**29.0**	**23.7**
Non-current liabilities			
Liabilities to credit institutions	30	1,797.5	1,258.7
Other liabilities	31	413.4	117.5
Total non-current liabilities		**2,210.9**	**1,376.3**
Current liabilities			
Liabilities to credit institutions	30	100.0	274.3
Accounts payable		18.2	11.8
Liabilities to Group companies		367.1	281.5
Current tax liabilities		3.0	3.7
Other liabilities	31	150.3	33.5
Accrued expenses and deferred income	32	38.0	24.0
Total current liabilities		**676.5**	**628.8**
TOTAL EQUITY AND LIABILITIES		**4,032.1**	**2,966.8**

The notes on pages 98 to 135 are an integral part of the Annual Report and consolidated financial statements.
See Note 33 for information on pledged assets and contingent liabilities.

Parent Company statement of changes in equity

Amounts in MSEK	Restricted equity: Share capital	Restricted equity: Statutory reserve	Non-restricted equity: Share premium reserve	Non-restricted equity: Result brought forward and result for the year	Total equity
Balance brought forward as of 1 January 2021	**1.9**	**0.0**	**238.0**	**10.3**	**250.3**
Comprehensive income					
Result for the year	-	-	-	45.6	**45.6**
Total comprehensive income	**0.0**	**0.0**	**0.0**	**45.6**	**45.6**
New shares related to employee stock option programme	0.0	-	46.3	-	**46.3**
Employee stock option programme	-	-	-	3.2	**3.2**
Share-based remuneration	-	-	-	5.4	**5.4**
New share issue relating to business acquisitions	0.0	-	66.4	-	**66.4**
Share issue	0.1	-	539.7	-	**539.7**
Dividends paid	-	-	-	-18.9	**-18.9**
Total transactions with shareholders, reported directly in equity	**0.1**	**0.0**	**652.4**	**35.3**	**687.8**
Balance carried forward as of 31 December 2021	**2.0**	**0.0**	**890.4**	**45.6**	**938.1**
Balance brought forward as of 1 January 2022	**2.0**	**0.0**	**890.4**	**45.6**	**938.1**
Comprehensive income					
Result for the year	-	-	-	139.7	**139.7**
Total comprehensive income	**-**	**-**	**-**	**139.7**	**139.7**
New shares related to employee stock option programme	0.0	-	20.0	-	**20.0**
Employee stock option programme	-	-	-	2.0	**2.0**
Share-based remuneration	0.0	-	-	8.6	**8.6**
New share issue relating to business acquisitions	0.0	-	9.9	-	**9.9**
Sale of shares linked to incitament programme	-	-	-	17.4	**17.4**
Dividends paid	-	-	-	-20.0	**-20.0**
Total transactions with shareholders, reported directly in equity	**0.0**	**0.0**	**29.9**	**8.1**	**38.0**
Balance carried forward as of 31 December 2022	**2.1**	**0.0**	**920.3**	**193.4**	**1,115.8**

The notes on pages 98 to 135 are an integral part of the Annual Report and consolidated financial statements.

Parent Company statement of cash flows

Amounts in MSEK	Note	FINANCIAL YEAR 2022	2021
Operating activities			
Operating result		-74.4	-68.2
Items not affecting cash flow	34	16.4	4.1
Dividends received		118.2	27.6
Interest received		22.9	9.2
Interest paid		-34.1	-14.7
Income tax paid		-7.7	-1.4
Cash flow from operating activities before changes in working capital		**41.3**	**-43.2**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in other operating receivables		-48.2	-625.3
Increase (+)/decrease (-) in accounts payable		6.4	7.0
Increase (+)/decrease (-) in other operating liabilities		67.8	-130.7
Cash flow from changes in working capital		**26.0**	**-749.0**
Cash flow from operating activities		**67.3**	**-792.2**
Investing activities			
Acquisition of subsidiaries		-759.7	-429.3
Long-term lending to subsidiaries		-16.5	-
Acquisition of intangible assets	17	-5.9	-2.2
Acquisition of tangible assets	19	-0.3	-0.3
Cash flow from investing activities		**-782.3**	**-431.7**
Financing activities			
Borrowings	35	790.9	1,080.0
Amortisation of loans	35	-426.5	-83.3
Dividends paid		-20.0	-18.9
Share issue		-	539.8
Sale of shares linked to incitament programme		17.4	-
New shares related to employee stock option programme		20.0	46.3
Cash flow from financing activities		**381.8**	**1,563.9**
Cash flow for the year	26	**-333.2**	**340.0**
Liquid assets at the start of the year		375.0	35.0
Liquid assets at the end of the year		**41.8**	**375.0**

The notes on pages 98 to 135 are an integral part of the Annual Report and consolidated financial statements.


PLAZA
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Notes

Note 1 General information

The consolidated financial statements encompass the parent company Hexatronic Group AB (the Parent Company) with corporate identity number 556168-6360 and its subsidiaries (the Group). The Parent Company is a limited company registered in Sweden and based in Gothenburg at the address Sofierogatan 3A, SE-412 51 Gothenburg, Sweden.

On 4 April 2023, the Board of Directors approved these financial statements for publication.

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

Note 2 Summary of key accounting policies

The most important accounting policies used in these consolidated financial statements are stated below. These policies have been applied consistently for all of the years presented, unless otherwise stated.

2.1 Grounds for preparing the reports

The consolidated financial statements for the Hexatronic Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by IFRIC as adopted by the EU, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act.

The consolidated financial statements have been prepared in accordance with the cost method with the exception of financial assets/liabilities measured at fair value through profit or loss.

The Parent Company's financial statements have been prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. The application of RFR 2 means that in its annual 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, the Swedish Act on Safeguarding Pension Commitments etc., and with regard to the relationship between accounting and taxation. If the Parent Company applies different accounting policies to the Group, this is stated separately at the end of this note.

Preparing financial statements in accordance with IFRS requires the use of some important accounting estimates. Furthermore, the management is required to make certain assessments when applying the Group's accounting policies, see Note 4.

2.1.1 Changes to accounting policies and disclosures

New standards and interpretations that have yet to be applied by the Group

None of the IFRS or IFRIC interpretations that have been published but have yet to come into effect are expected to have a material effect on the Group.

The changes to standards that are applicable from 1 January 2022 had no impact on the amounts reported in the comparative period and have not had any material effect on the current period.

2.2 Consolidated financial statements

2.2.1 Fundamental accounting policies

Subsidiaries

A subsidiary is any company (including structured entities) over which the Group has a controlling influence. The Group has control over a company when it is exposed to or has the right to a variable return from its holding in the company and is able to influence the return through its influence in the company.

Subsidiaries are included in the consolidated financial statements from the date the controlling influence passes to the Group. They are excluded from the consolidated financial statements from the date the controlling influence ceases.

The acquisition method is used to recognise the Group's business combinations. The purchase price for the acquisition of a subsidiary comprises the fair value of the transferred assets, liabilities to the former owners of the acquiree incurred by the Group and the shares issued by the Group. The purchase price also includes the fair value of all liabilities that result from any agreement regarding contingent consideration. Identifiable acquired assets and assumed liabilities in a business combination are initially measured at fair value on the acquisition date. For each acquisition, i.e. on a transaction-by-transaction basis, the Group decides whether or not non-controlling interests (NCIs) in the acquiree are measured at fair value or at the NCI's proportionate share of the carrying amount of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as they arise.

Any contingent consideration to be transferred by the Group is measured at fair value on the acquisition date. Subsequent changes in the fair value of a contingent consideration classified as a liability are recognised in the financen net in profit or loss in accordance with IFRS 9.

Goodwill is initially measured as the amount by which the total purchase price and any fair value for an NCI on the acquisition date exceeds the fair value of identifiable net assets acquired. If the purchase price is lower than the fair value of the acquiree's net assets, the difference is recognised directly in profit or loss.

Intra-Group transactions, balance sheet items, and income and expenses relating to transactions between Group companies are eliminated. Gains and losses that result from intra-Group transactions and are recognised in assets are also eliminated. The accounting policies for subsidiaries have been modified, if appropriate, to guarantee consistent application of the Group's policies.

2.3 Segment reporting

Operating segments are reported consistently with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocating resources and assessing the performance of the operating segments. In the Group, this function has been identified as the President and CEO who makes strategic decisions. Group management has established operating segments based on the information processed by the CEO and used as a basis for allocating resources and evaluating performance. The majority of the external revenue is generated through the sale of fiber optic communication solutions, whereby only one area has been identified. There is no further follow-up of results per service area, geographical area, or other segmental division, which is why the assessment is that the Group's operations consist of only one operating segment.

2.4 Translating foreign currencies

Functional currency and presentation currency

The various entities in the Group have their local currency as their functional currency because the local currency has been defined as the currency used in the primary economic areas in which each entity mainly operates. The Swedish krona (SEK) has been used in the consolidated financial statements; it is the Parent Company's functional currency and the Group's presentation currency.

Transactions and balance sheet items

Transactions in foreign currencies are translated to the functional currency using the exchange rates in force on the transaction date. Currency gains and losses that arise from payments for such transactions and from translating monetary assets and liabilities in foreign currencies at the closing rate of exchange are recognised in operating profit in the income statement.

Long-term loans to foreign operations, where regulation is not planned or not expected to take place in the foreseeable future, is considered to form part of the company's net investment in the foreign operations. Exchange rate differences that arise in relation to these loans are reported in other comprehensive income in the company's consolidated accounts.

Translating foreign Group companies

The results and financial position for all Group companies with a functional currency other than the presentation currency are translated into the Group's presentation currency. Assets and liabilities for each of the balance sheets are translated from the foreign business's functional currency into the Group's presentation currency, the Swedish krona, at the closing rate of exchange. Income and expenses for each of the income statements are translated into Swedish kronor at the average exchange rate on each transaction date. Goodwill and fair value adjustments arising at acquisition of a foreign operation is treated as assets and liabilities of this business and are recalculated to the balance sheet date exchange rate. Translation differences that arise from translating currencies for foreign businesses are recognised in other comprehensive income.

2.5 Intangible assets

Capitalised development expenditure

Capitalised development expenditure refers to the development of IT-systems and fiber optic products. Development costs directly attributable to the development of fiber optic products are recognised as intangible assets when it is probable that the expected future economic benefits attributable to the asset will accrue to the company, if the cost of the asset can be calculated reliably and when the following criteria are met:

- It is technically feasible to complete the asset so that it can be used,
- The company intends to complete the asset and to use or sell it,
- There are opportunities to use or sell the asset,
- It can be shown how the asset generates probable future economic benefits,
- Adequate technical, economic and other resources are available to complete the development and use or sell the asset, and
- The expenditure attributable to the asset during its development can be calculated reliably.

Intangible assets are recognised at cost less accumulated amortisation and any write-down. The cost of an internally generated intangible asset is the sum of the expenditure that arises from the date the intangible asset first meets the above-mentioned criteria for capitalisation.

Directly attributable expenditure that is capitalised includes expenses for employees.

Amortisation begins when the asset can start being used. The useful life is assessed based on the period the expected benefits are estimated to accrue to the company. The useful life is estimated to be 5–10 years and amortisation is linear over this period.

Expenditure on development that does not meet the above criteria is expensed as it is incurred. Expenditure on development that was previously expensed, is not recognised as an asset in subsequent periods.

Trademarks and customer relations

Trademarks and customer relations acquired through a business combination are measured at fair value on the acquisition date. Trademarks and customer relations have an estimable useful life and are recognised at cost less accumulated amortisation and any write-down. Amortisation is carried out linearly so as to spread the cost for trademarks and customer relations over their estimated useful life of 3–10 years.

Goodwill

Goodwill arises during the acquisition of subsidiaries and refers to the amount by which the purchase price plus the fair value of an NCI in the acquiree exceeds Hexatronic's share in the fair value of identifiable assets, liabilities and contingent liabilities in the acquiree.

To test for a write-down requirement, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is allocated shall represent the lowest level in the Group at which the goodwill in question is monitored for internal management purposes. Goodwill is monitored per cash-generating unit.

Goodwill is tested for a write-down requirement annually or more frequently if changes in circumstances indicate a possible impairment. The carrying amount of goodwill is compared with the recoverable amount, which is the higher of an asset's value in use and its fair value less costs of disposal.

2.6 Property, plant and equipment

Property, plant and equipment are recognised at cost less depreciation and any write-down. The cost includes expenses that can be directly attributed to the acquisition of the asset.

Additional expenses are added to the asset's carrying amount or recognised as a separate asset, depending on which is suitable, only if it is probable that the future economic benefits associated with the asset will accrue to the Group and the asset's cost can be measured reliably. The carrying amount for a replacement part is derecognised from the balance sheet. All other forms of repair and maintenance are recognised as costs in the income statement during the period they are incurred.

Depreciation is carried out linearly as follows:
Buildings 15–30 years
Plant and machinery 3–10 years
Equipment, tools, fixtures and fittings 3–10 years

The assets' residual values and useful lives are tested at the end of each reporting period and adjusted if necessary. An asset's carrying amount is immediately written down to its recoverable amount if it is higher than its assessed recoverable amount.

Gains and losses from disposing of property, plant and equipment are determined through a comparison of the sales proceeds and the carrying amount, and recognised in other operating income or other operating expenses in the income statement.

2.7 Write-downs of non-financial non-current assets

Intangible assets that have an indefinite useful life or are not ready for use are not amortised but tested annually for any write-down requirement. Assets that are amortised are tested for impairment at any time that events or changes in circumstances indicate that the carrying amount may not be recoverable. A write-down is carried out equal to the difference between the asset's carrying amount and its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. When assessing the write-down requirement, assets are grouped at the lowest levels where there are separate identifiable cash flows (cash-generating units). Tests for reversal should be carried out for assets other than financial assets that have previously been written down every balance sheet date. Previous write-downs of goodwill are not reversed.

2.8 Inventories

Inventories are measured at the lower of cost and net selling price. The cost is determined using the first-in, first-out method (FIFO). The cost for semi-finished and finished goods made internally comprises direct production costs and a reasonable share of indirect production costs.

2.9 Financial instruments – general

There are financial instruments in many different balance sheet items. These are described below.

Hexatronic distributes its financial instruments in the following categories in accordance with IFRS 9: amortised cost and fair value via the income statement. The classification is based on the nature of the asset's cash flows and on the business model to which the asset is subject.

Financial assets measured at amortised cost

Interest-bearing assets (debt instruments) held for the purpose of collecting contractual cash flows, where these cash flows consist solely of principal amount and interest, are measured at amortised cost. The carrying amount of these assets is adjusted for any expected credit losses recognised (see impairment testing paragraph below). Interest income from these financial assets is recognised using the effective interest method and recognised as financial income. The Group's financial assets, which are measured at amortised cost, consist of accounts receivable, other receivables and liquid assets.

Financial liabilities measured at fair value via the income statement

Financial liabilities measured at fair value via the income statement consist of additional purchase prices and acquisition options during business combinations. Financial liabilities measured at fair value via the income statement are also recognised in subsequent periods at fair value, and the change in value is recognised in the finance net in the profit for the year. Liabilities in this category are classified as current liabilities if they fall due within 12 months of the balance sheet date. If they fall due more than 12 months after the balance sheet date, they are classified as non-current liabilities.

Financial liabilities at amortised cost

The Group's other financial liabilities are classified as measured at amortised cost using the effective interest method. Financial liabilities at amortised cost consist of liabilities to credit institutions, accounts payable, other current liabilities and accruals. Borrowing is initially recognised at fair value, net after transaction costs. Borrowing is then recognised at amortised cost and any difference between the amount received (net after transaction costs) and the repayment amount is recognised in the statement of comprehensive income distributed over the loan period, with application of the effective interest method.

Borrowing is classified as current in the balance sheet if the company does not have an unconditional right to postpone the settlement of the liability for at least 12 months after the reporting period. Dividends paid are recognised as a liability after the general meeting of shareholders has approved the dividend. Accounts payable and other operating payables have short expected maturities and are measured without discount at nominal amounts.

Derecognition of financial instruments

Purchases and sales of financial assets are recognised on the trade date. Financial assets are derecognised from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has substantially transferred all of the risks and rewards associated with ownership of the asset.

Gains and losses that arise from derecognition from the balance sheet are entered directly in income under net sales, financial items as well as through other comprehensive income.

Financial liabilities are derecognised from the balance sheet when the obligations have been settled or annulled, or have expired in some other way. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the remuneration paid, including transferred assets that are not cash or assumed liabilities, is recognised in the statement of comprehensive income.

If the terms of a financial liability are renegotiated, and not derecognised from the balance sheet, a gain or loss is recognised in the statement of comprehensive income. The gain or loss is recognised as the difference between the original contractual cash flows and the modified cash flows discounted to the original effective rate.

Impairment testing of financial assets

On each reporting occasion, the Group assesses the future expected credit losses associated with assets recognised at amortised cost based on forward-facing information. The Group reports a credit reserve for expected credit losses on each reporting date.

For accounts receivable the Group applies the simplified approach to credit reserves, i.e. the reserve will correspond to the expected loss over the entire life span of the account receivable. In order to measure the expected credit losses, accounts receivable have been grouped based on the allocated credit risk characteristics and overdue days. The Group uses forward-looking variables for expected credit losses. Expected credit losses are recognised in the consolidated statement of comprehensive income under other external expenses.

The Group uses the general model for calculating future expected credit losses for intra-Group receivables, other non-current receivables and other receivables. The expected losses are not judged to be of material value and therefore no further explanation of the general model has been made.

Offsetting of financial instruments

Financial assets and liabilities are offset and recognised with a net amount in the balance sheet, only when there is a legal right to offset the reported amounts and an intention to settle them with a net amount or to realise the asset and settle the liability simultaneously.

2.10 Provisions

Provisions in the balance sheet refer to warranty provisions. These provisions are recognised when the Group has a legal or informal obligation as a result of previous events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been calculated reliably. No provisions are made for future operating losses.

2.11 Current and deferred tax

The tax expense for the period encompasses current and deferred tax. The current tax expense is calculated on the basis of tax rules that have been decided or virtually decided on the balance sheet date in the countries in which the Parent Company and its subsidiaries operate and generate taxable income.

Deferred tax is recognised, in accordance with the balance sheet method, on all temporary differences that arise between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is calculated by applying tax rates that have been decided or announced on the balance sheet date and are expected to apply when the relevant deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets on loss carry-forwards are recognised to the extent that it is likely that future tax surpluses will be available, against which deficits can be used.

Deferred tax assets and liabilities are offset when there is a legal offset right for current tax assets and tax liabilities, the deferred tax assets and liabilities refer to taxes charged by a single tax authority and refer either to the same tax subject or different tax subjects and there is an intention to settle the balances through net payments.

2.12 Remuneration to employees

Pension obligations

The Group has both defined benefit and defined contribution plans. The defined benefit plans consist of ITP 2 plans (see below for a more detailed description). A defined contribution plan is a pension plan whereby the Group pays fixed contributions to a separate legal entity. The Group does not have any legal or informal obligations to pay further contributions if the legal entity does not have sufficient assets to make all payments to employees relating to the employees' service in the current or earlier periods.

With defined contribution plans, the Group pays contributions into publicly or privately managed pension insurance plans on an obligatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they fall due for payment. Prepaid contributions are recognised as an asset to the extent that the Group may benefit from a cash repayment or decrease in future payments.

In parts of the Group, salaried employees in Sweden are part of an ITP 2 plan. The ITP 2 plan's defined benefit pension obligations for retirement and survivor pension are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 3 Classification of ITP plans financed through insurance in Alecta, this is a defined benefit plan encompassing multiple employers. The company has not had access to information for the period that would enable it to recognise its proportionate share of the plan's obligations, plan assets and costs, which means it has not been possible to recognise the plan as a defined benefit plan. The ITP 2 plan secured through insurance in Alecta is therefore recognised as a defined contribution plan. Premiums for the defined benefit retirement and survivor pension are calculated individually and depend on factors such as salary, previously earned pension and the expected remaining period of service.

Remuneration upon termination of employment

Remuneration upon termination of employment is paid when an employee's employment is terminated by the Group before the normal retirement age or when an employee accepts voluntary redundancy in exchange for remuneration. The Group recognises remuneration upon termination of employment when it is demonstrably obliged to terminate employment in accordance with a detailed formal plan without an opportunity to cancel. In cases where the company has made an offer to encourage voluntary redundancy, severance pay is calculated based on the number of employees who are expected to accept the offer. Benefits that are due more than 12 months after the end of the reporting period are discounted to the present value.

Performance-based incentive programmes

The Group has established incentive programmes whereby for each acquired Hexatronic share (savings share), participants can receive 2–6 shares (performance shares) in Hexatronic free of charge. To qualify for performance shares participants must, in addition to meeting certain performance-based targets, acquire and retain a number of Hexatronic shares for the whole of the threeyear vesting period and must, with certain exceptions, remain in employment during the same period.

The fair value per performance share is established when the programme is agreed. The number of performance shares expected to be earned with regard to the terms of remaining in employment and the performance terms, together with the fair value per share, forms the basis for the total cost recognised over the three-year vesting period. The cost is allocated linearly over the vesting period and is updated at each reporting occasion with regard to the expected number of earned shares, related to the service and performance terms. As it is an equity-regulated program the cost is reported as employee benefit expense with a corresponding entry in result carried forward.

Costs for social security contributions for the incentive programme are recognised in a corresponding way but with a contra entry as a liability instead of in equity, and with an ongoing revaluation based on the shares' fair value at each reporting occasion.

2.13 Revenue recognition

Income from the Group's ordinary operations consists of the sale of goods and services. The Group's sales mainly consist of goods. The goods are taken up as revenue when control is transferred to the customer on one specific occasion. Indicators such as transfer of ownership and risks, customer acceptance, physical access and rights to issue invoices are taken into account. The sale is recognised net after discounts and other variable remuneration only to the extent that it is highly unlikely to be reversed.

The sales identified over time (service) consist of training, the scope of which in relation to the Group's total revenue is assessed as being of negligible value and therefore recognised on one specific occasion.

2.14 Government support

Government grants are recognised at fair value when it is reasonably certain that the grant will be received and that the Group will meet the terms associated with the grant. Government grants for costs are allocated to periods and recognised in the income statement as Other revenue over the same periods as the costs that the grants are intended to cover.

2.15 Interest income

Interest income is recognised as revenue using the effective interest method. When the value of a receivable in the category financial assets measured at amortised cost has decreased, the Group reduces the carrying amount to the recoverable amount, which comprises the estimated future cash flow, discounted by the original effective rate for the instrument, and continues unwinding the discount as interest income. Interest income on written-down loan receivables and accounts receivable is recognised at the original effective rate.

2.16 Leases

The Group's leases primarily comprise right-of-use assets regarding leased premises. The leases are recognised as right-of-use assets with a corresponding 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.

In order to calculate the right-of-use asset and corresponding lease liability, lease payments have been discounted by the interest rate implicit in the lease if this interest rate can easily be established, otherwise the Group's incremental borrowing rate is used.

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.

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 recognised in the respective period.

The Group's lease liabilities are entered at the present value of the Group's lease fees. 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.

In 2022, the adjustments relating to additional right-of-use assets amounted to MSEK 102.

2.17 Cash flow statement

The cash flow statement is prepared using the indirect method. The recognised cash flow only includes transactions that involved inward and outward payments.

2.18 The Parent Company's accounting policies

The Parent Company applies different accounting policies to the Group in the cases stated below.

Formats

The income statement and balance sheet comply with the format in the Swedish Annual Accounts Act. The statement of changes in equity follows the Group's format but has to contain the columns specified in the Swedish Annual Accounts Act. Furthermore this means differences in terms, compared with the consolidated financial statements, mainly regarding financial income and expenses, and equity.

Participations in subsidiaries

Participations in subsidiaries are recognised at cost less any write-down. The cost includes acquisition-related costs and any additional purchase prices.

If there is an indication that participations in subsidiaries have decreased in value, the recoverable amount is calculated. If this is less than the carrying amount, a write-down is carried out. Write-downs are recognised in result from participations in Group companies.

Group contributions

Group contributions from the Parent Company to subsidiaries and vice versa are recognised as appropriations.

Leases

The parent company has chosen not to apply IFRS 16 Leases, but has instead chosen to apply RFR 2 IFRS 16 Leasing Agreements p. 2-12, which means that all leasing fees are reported as a cost linearly over the leasing period.

Financial instruments

IFRS 9 is not applied in the Parent Company, and financial instruments are measured and recognised based on the cost in accordance with the Swedish Annual Accounts Act.

Note 3 Financial risk management

3.1 Financial risks

Through its operation the Group is exposed to various financial risks such as market risk (foreign exchange risk and interest risk), credit risk, as well as cash flow and liquidity risk. The Group's overall risk management policy focuses on unpredictability on the financial markets and strives to minimise potential unfavourable effects on the Group's financial results.

Risk management is handled centrally by the Parent Company Hexatronic Group AB and is the responsibility of the President/CEO and CFO, in accordance with policies established by the Board of Directors. The President/CEO and CFO authorise the risk management measures implemented in accordance with the policy, and the Presidents of the respective subsidiaries have operational responsibility for ensuring compliance with the policy in day-to-day work. The Board prepares written policies both for the overall risk management and for specific areas.

Foreign exchange risk

Foreign exchange risk refers to the risk that exchange rate movements will have an adverse effect on the income statement, balance sheet and cash flow. Furthermore, changes in exchange rates affect the comparability of Hexatronic's results from period to period. Hexatronic's operations mainly operate internationally, and sales, costs and net assets are therefore denominated in a series of different currencies.

Transaction exposure

Sales and purchases of goods and services in currencies other than the respective subsidiary's functional currency lead to transaction exposure. Transaction exposure within the Group is mainly concentrated in European subsidiaries that make external purchases in EUR and USD where neither of these currencies are the company's accounting currency. Internal flows are optimized as far as possible to reduce transaction exposure, i.e. by managing the currency for internal invoicing flows. Contract currency clauses and matching of external currency flows are other measures taken to mitigate transaction exposure.

Translation exposure

Translation exposure – income statement
The Group's operating income and expenses largely arise in subsidiaries outside of Sweden. Changes in exchange rates therefore impact on the Group's results when the income statements of these subsidiaries are translated into SEK.

The tables below show the operating result per currency reported in the functional currency, and the impact a 10% change in each exchange rate against the SEK would have on the Group's operating result in MSEK. In addition to the currencies in the table, the Group has small flows in Chinese yuan (CNY), Danish kroner (DKK) and Indonesian rupiah (IDR).

Operating result by currency

Currency (millions)	2022	2021
USD	54.5	10.8
EUR	15.2	7.9
GBP	10.1	5.7
AUD	5.2	3.9
NOK	33.6	28.6
CAD	2.8	0.0
NZD	2.1	2.7
KRW	1,783	-

Estimated effect on the Group's operating result

SEK +10% compared with:	Currency flows, net	
Currency (millions)	2022	2021
USD	-55.0	-9.8
EUR	-16.2	-8.1
GBP	-12.6	-7.0
AUD	-3.6	-2.5
NOK	-3.5	-2.9
CAD	-2.2	-0.0
NZD	-1.3	-1.7
KRW	-1.4	-

Translation exposure – balance sheet
Translation exposure arises during Group consolidation when the net assets in the Group's units are translated into SEK.

Foreign net assets/liabilities in the Group are divided into the following currencies:

Currency (millions)	2022	2021
EUR	68.8	67.3
NOK	62.8	67.1
USD	19.4	55.5
AUD	25.9	27.5
KRW	97,751.7	-
GBP	30.8	23.0
NZD	13.6	11.8

Estimated effect on the Group's foregin net assets/liabilites

SEK +10 % compared with	Valutaflöden, netto	
SEK (millions)	2022	2021
EUR	-76.5	-68.9
NOK	-6.6	-6.9
USD	-20.2	-50.2
AUD	-18.4	-18.0
KRW	-80.8	-
GBP	-38.7	-28.0
NZD	-9.0	-7.3

Interest risk in borrowing

The Group's interest risk arises through long-term borrowing. A Board decision is required to raise new loans that exceed granted credit. Hexatronic does not generally use derivative instruments to adjust underlying interest exposure. By the of 2022, the Group's borrowing was in SEK, EUR, USD and GBP at variable interest rates. The borrowing amounted to MSEK 1,120, MEUR 8, MUSD 53 and MGBP 11.

Simulations show that a 1 % change in interest rates would increase or decrease the financial net by MSEK 18,1 (15,2).

Credit risk

Credit risk is managed at Group level, with the exception of credit risk relating to outstanding accounts receivable. Each Group company is responsible for monitoring and analysing the credit risk for each new customer before offering standard payment and delivery terms. The use of credit limits is monitored regularly

Financial credit risk arises through liquid assets, derivative instruments, and balances at banks and financial institutions. The risk is managed through high requirements on counterparty credit worthiness as outlined in the Group Treasury policy. Hexatronic cooperates with wellknown Nordic banks with at least an A rating accordting to the credit assessment of Standard & Poors.

Cash flow and liquidity risk

Cash flow forecasts are prepared by ther operating companies and aggregated at group level. The treasury department carefully monitors the Group's liquidity position to ensure that the Group has sufficient cash and unutilized credit facilities to meet the needs of the operating activities and keep an adequate liquidity reserve.

The ambition of the group is to have an active liquidity management with concentration and netting of cash as far as possible. The group cash pool operates 6 currencies and is netting liquidity flows per currency in real time.

Any surplus liquidity in the Group may only be invested in interest-bearing accounts. On the balance sheet date, the company had liquid assets of MSEK 552.0 (675.1) which can quickly be converted into cash to manage the liquidity risk.

The table below analyses the Group's financial liabilities, divided according to the time remaining on the balance sheet date until the contractual due date. The amounts in the table are the contractual, undiscounted cash flows. Future cash flows in foreign currency have been calculated based on the exchange rate that was applied on the balance sheet date and future cash flows attributable to variable interest rates have been calculated based on the interest rate that applied on the balance sheet date.

Group

Group, 31 December 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Liabilities to credit institutions	190.0	190.0	1,800.0	-
Accounts payable	787.7	-	-	-
Other liabilities	330.2	51.5	477.5	18.8
Lease liabilities	68.0	65.6	179.8	126.7
Accrued expenses	115.0	-	-	-
Total	**1,490.9**	**307.1**	**2,457.3**	**145.5**

Group, 31 December 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Liabilities to credit institutions	274.3	216.6	1,038.7	-
Accounts payable	505.1	-	-	-
Other liabilities	95.3	110.7	35.1	-
Lease liabilities	61.4	61.1	161.4	109.9
Accrued expenses	52.1	-	-	-
Total	**988.2**	**388.4**	**1,235.2**	**109.9**

Parent Company

Parent Company, 31 December 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Liabilities to credit institutions	190.0	190.0	1,787.0	-
Accounts payable	18.2	-	-	-
Other liabilities	150.3	43.2	469.4	18.8
Total	**358.5**	**233.2**	**2,256.4**	**18.8**

Parent Company, 31 December 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Liabilities to credit institutions	274.3	216.6	1,038.7	-
Accounts payable	11.8	-	-	-
Other liabilities	56.5	71.9	27.0	-
Total	**342.6**	**288.5**	**1,065.7**	**-**

3.2 Managing capital

The Group's goal regarding capital structure is to secure the Group's ability to continue its operation so that it can continue to generate returns for its shareholders and benefit for other stakeholders, and maintain an optimal capital structure so as to keep the costs of capital down.

In order to maintain or adjust the capital structure, the Group can issue new shares or sell assets to reduce liabilities.

The Group assesses its capital in accordance with the agreed bank covenant, which are leverage and equity ratio. Leverage is defined as consolidated net debt in relation to adjusted EBITDA with some adjustmens made in accordance with the loan agreement. IFRS 16 does not affect the covenant calculation. The equity ratio is measured as equity in relation to total assets.

On 31 December 2022 the Group reported 1,05 as leverage and 39,9% as equity ratio (excluding IFRS 16), which well meet the stipulated bank covenants.

3.3 Calculating fair value

The table below shows financial instruments measured at fair value based on classification in the fair value hierarchy. The different levels are defined as follows:

- Quoted prices (not adjusted) on active markets for identical assets or liabilities (level 1).
- Observable data for the asset or liability other than quoted prices included in level 1, either directly (i.e. quoted prices) or indirectly (i.e. derived from quoted prices) (level 2).
- Data for the asset or liability that is not based on observable market data (i.e. non-observable data) (level 3).

Significant assumptions to calculate fair value have been made based on future forecasts that form the basis for the additional purchase price or the option in the each acquisition agreement.

The Group did not have any assets measured at fair value on 31 December 2022 or 31 December 2021.

Group, 31 December 2022	Level 1	Level 2	Level 3	Total
Liabilities				
Financial liabilities measured at fair value via the income statement				
Additional purchase price, Mpirical	-	-	25.1	25.1
Additional purchase price,Weterings	-	-	31.5	31.5
Additional purchase price, FOS & OSA	-	-	33.2	33.2
Additional purchase price, Rehau Telecom	-	-	33.4	33.4
Additional purchase price, Data Center Systems	-	-	18.8	18.8
Additional purchase price, homeway	-	-	58.5	58.5
Additional purchase price, KNET	-	-	300.2	300.2
Additional purchase price, Impact Data Solutions	-	-	43.5	43.5
Acquisition option, Impact Data Solution	-	-	42.9	42.9
Acquisition option, Qubix	-	-	34.0	34.0
Other	-	-	-	-
Total liabilities	**-**	**-**	**621.1**	**621.1**

Group, 31 December 2021	Level 1	Level 2	Level 3	Total
Liabilities				
Financial liabilities measured at fair value via the income statement				
Additional purchase price, Mpirical	-	-	36.5	36.5
Additional purchase price, Weterings	-	-	29.0	29.0
Additional purchase price, OSA and FOS	-	-	44.5	44.5
Additional purchase price, Rehau Telecom	-	-	61.4	61.4
Additional purchase price, Data Center Systems	-	-	24.4	24.4
Acquisition option, Qubix	-	-	30.4	30.4
Other	-	-	15.0	15.0
Total liabilities	**0.0**	**0.0**	**241.2**	**241.2**

Financial instruments in level 3

On 1 September 2022, the Group acquired 82% of the share capital in homeway Gmbh(see Note 36). The contingent consideration includes an additional purchase price that amounted to MSEK 54.8 in the acquisition analysis. The fair value of the agreed contingent consideration has been discounted.

On 1 October 2022, the Group acquired 90% of the share capital in Impact Data Solutions (see Note 36). The contingent consideration includes an additional purchase price that amounted to MSEK 43.2 in the acquisition analysis. The Group has an option to acquire the remaining 10% until 2029. The expected purchase price for the remaining 10% is recognised as a liability and totalled MSEK 42.5 on the acquisition date. The fair value of the acquistion option has been discounted.

On 1 December 2022, the Group acquired 100% of the share capital in KNET (see Note 36). The contingent consideration includes an additional purchase price that amounted to MSEK 293.0 in the acqui sition analysis. The fair value of the agreed contingent consideration has been discounted.

On 1 June 2021, the Group acquired 100% of the share capital in Mpirical Ltd (see Note 36). The contingent consideration includes an additional purchase price that amounted to MSEK 35.3 in the acquisition analysis. The fair value of the agreed contingent consideration has not been discounted because the discount effect is not deemed to be significant.

On 1 July 2021, the Group acquired 100% of the share capital in H. Weterings Galgeweg BV (see Note 36). The contingent consideration includes an additional purchase price that amounted to MSEK 28.8 in the acquisition analysis The fair value of the agreed contingent consideration has not been discounted because the discount effect is not deemed to be significant.

On 2 August 2021, the Group acquired 100% of the share capital in OSA and FOS (see Note 36). The contingent consideration includes an additional purchase price that amounted to MSEK 42.9 in the acquisition analysis The fair value of the agreed contingent consideration has not been discounted because the discount effect is not deemed to be significant.

On 1 October 2021, the Group entered into an asset deal for Rehau Group's telecommunication operation (see Note 36). The contingent consideration includes an additional purchase price that amounted to MSEK 61.1 in the acquisition analysis The fair value of the agreed contingent consideration has not been discounted because the discount effect is not deemed to be significant.

On 1 October 2021, the Group acquired 100% of the share capital in Data Center Systems (see Note 36). The contingent consideration includes an additional purchase price that amounted to MSEK 23.7 in the acquisition analysis. The fair value of the agreed contingent consideration has not been discounted because the discount effect is not deemed to be significant.

On 2 November 2020, the Group acquired 90% of the share capital in Qubix S.p.A. The Group has an option to acquire the remaining 10% in 2023. The expected purchase price for the remaining 10% is recognised as a liability and totalled MSEK 30.9 on the acquisition date. The fair value of the acquisition option has not been discounted because the discount effect is not deemed to be significant.

The calculation of fair value on 31 December 2022 affected profit by MSEK -33.8 (-6.0).

Note 4 Important accounting estimates

Accounting estimates are continuously evaluated and based on past experience and other factors, including expectations of future events that are deemed reasonable under prevailing conditions.

Important estimates and assessments for accounting purposes

The Group makes estimates and assumptions about the future. By definition, the resulting accounting estimates rarely correspond to the actual outcome. The estimates and assumptions that pose a significant risk of material adjustments to the carrying amounts of assets and liabilities in the forthcoming financial year are dealt with as outlined below.

Impairment test for goodwill

Every year the Group examines whether there is a write-down requirement for goodwill, in accordance with the accounting policy described in Note 2. The recoverable amounts for cash-generating units have been determined by calculating value in use. Certain assumptions have to be made for these calculations. A more detailed description of the impairment test for goodwill, along with significant assumptions that form part of the model for this, can be found in Note 17.

Measurement of additional purchase prices

Additional purchase prices are recognised at fair value based on assessed outcomes of agreed clauses in the share transfer agreement at the time of acquisition. On each reporting occasion, the financial liability is measured at fair value and any changes are recognised in the income statement. Since the Group has made several acquisitions in recent years, the liability for additional purchase prices has become a significant assessment item.

Valuation of the acquisition option

The Group has an option to acquire the remaining 10% of Qubix in 2023 and the remaining 10 % of Impact Data Solutions Ltd until 2029. It is deemed likely that the option will be exercised, and the expected purchase price is recognised as a financial liability at fair value based on assessed outcomes of agreed clauses in the share transfer agreement at the time of acquisition. On each reporting occasion, the financial liability is measured at fair value and any changes are recognised in the income statement.

Warranty provision

The Group sets up provisions for warranty obligations based on past experience and individual assessment of transactions that may incur warranty costs.

Obsolescence reserves

If the net realisable value is lower than the cost, a value reserve is set up for obsolete stock. The Group applies a principle (obsolescence scale) whereby write-down is based on the length of time that a good has not moved. In the event of an obsolescence requirement in accordance with this principle, an individual assessment is made as to whether or not the good can be considered sellable.

The total stock value after obsolescence valuations was MSEK 1,596.1 (928.8) on 31 December 2022. The total obsolescence reserve amounted to MSEK 132.7 (62.9).

Note 5 Segments

Hexatronic is an innovative Swedish Group specialising in fiber communication. The Group delivers products and solutions for fiber optic networks, and supplies a complete range of passive infrastructure for telecom companies.

Operating segments are reported consistently with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocating resources and assessing the performance of the operating segments. In the Group, this function has been identified as the President and CEO who makes strategic decisions. Group management has established operating segments based on the information processed by the CEO and used as a basis for allocating resources and evaluating performance. The majority of the external revenue is generated through the sale of fiber optic communication solutions, whereby only one area has been identified. There is no further follow-up of results per service area, geographical area, or other segmental division, which is why the assessment is that the Group's operations only consist of one operating segment fiber optic communication solutions.

The operating segment is recognised in accordance with the same accounting policies as the Group.

Note 6 Breakdown of net sales

	Group		Parent Company	
Net sales by income type	**2022**	**2021**	**2022**	**2021**
Product sales	6,380.5	3,348.1	-	-
Service sales	193.5	143.5	67.2	18.7
Total	**6,574.0**	**3,491.6**	**67.2**	**18.7**

The Parent Company mainly receives service income from subsidiaries in the Group.

	Breakdown of net sales		Non-current assets	
Group	**2022**	**2021**	**2022**	**2021**
Sweden	808.3	603.1	477.9	424.5
Rest of Europe	2,940.2	1,540.7	1,399.1	1,093.3
North America	2,211.9	935.2	1,012.5	587.7
Rest of world	613.6	412.6	1,235.0	353.5
Total	**6,574.0**	**3,491.6**	**4,124.4**	**2,458.9**

Non-current assets refer to non-current assets other than financial instruments and deferred tax assets (there are no assets linked to post-employment benefits or rights in accordance with insurance agreements)

Income from the Group's three biggest customers in 2022 mounted to MSEK 473.7, MSEK 211.0 and MSEK 204.8 respectively. No single customer accounts for more than 10% of the Group's sales.

Income from the Group's three biggest customers in 2021 amounted to MSEK 291.3, MSEK 215.0 and MSEK 93.2 respectively. No single customer accounted for more than 10% of the Group's sales.

In essence, all of the above income has been accounted for at a given time.

Note 7 Other operating income

	Group	
Other operating income by income type	**2022**	**2021**
Onward-invoiced freight	32.7	12.1
Grants received	12.1	18.9
Capital gain from sale of equipment	5.7	0.9
Other items	6.0	1.3
Total	**56.5**	**33.2**

Note 8 Remuneration to auditors

Audit engagement refers to auditing the annual report and accounts as well as the administration of the Board of Directors and CEO, other work duties incumbent on the company's auditors, along with advice or other assistance caused by observations during such an audit or while carrying out other such work duties. Everything else comes under 'Other assignments'.

	Group				Parent Company			
	2022	Of which PwC Sweden	2021	Of which PwC Sweden	2022	Of which PwC Sweden	2021	Of which PwC Sweden
PwC								
Audit engagement	5.2	3.1	3.0	1.8	2.4	2.4	1.2	1.2
Audit business in addition to audit engagement	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Tax consultancy	0.1	-	0.3	0.1	-	-	0.1	0.1
Other services	1.2	-	0.6	-	-	-	0.0	0.0
Total	**6.9**	**3.4**	**4.2**	**2.2**	**2.7**	**2.7**	**1.6**	**1.6**
Other auditors								
Audit engagement	0.8	-	0.5	-	-	-	-	-
Total	**7.7**	**3.4**	**4.7**	**2.2**	**2.7**	**2.7**	**1.6**	**1.6**

Note 9 Transactions with related parties

Swedbank Robur Funds owns 6.5%, AMF Pension & Funds owns 6.4%, Accendo Capital owns 6.4%, Jonas Nordlund owns (privately and via company) 6.0% and Handelsbanken Funds owns 4.6% of the shares in Hexatronic Group AB, and they are deemed to have significant influence over the Group. Ownership of the remaining 70.2% of the shares is widely spread, with no individual having a holding of more than 5.0%. Other related parties are all of the subsidiaries within the Group, together with senior executives in the Group, i.e. the Board of Directors and Executive Management as well as natural and legal persons related to them. The following transactions have taken place with related parties:

	Group		Parent Company	
Sales of products and services	2022	2021	2022	2021
Sales of Group-wide services to subsidiaries	-	-	67.2	18.7
Total	**0.0**	**0.0**	**67.2**	**18.7**

	Group		Parent Company	
Purchases of products and services	2022	2021	2022	2021
Rental agreement with Fastighets AB Balder	5.4	5.3	1.3	1.3
Purchases of services from subsidiaries	-	-	18.9	11.2
Total	**5.4**	**5.3**	**20.2**	**12.5**

Receivables and liabilities at the end of the period as a result of sales and purchases of products and services	Group		Parent Company	
	2022	2021	2022	2021
Receivables from related parties:				
- Receivables from Group companies	-	-	1,223.7	1,048.5
Total receivables from related parties	**0.0**	**0.0**	**1,223.7**	**1,048.5**
Liabilities to related parties:				
- Liabilities to Group companies:	-	-	367.1	281.5
Total liabilities to related parties	**0.0**	**0.0**	**367.1**	**281.5**

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 on a business basis.

100% (100%) of the Parent Company's sales are sales to Group companies and 24.2% (25.1%) of the Parent Company's purchases are purchases from Group companies. Services are purchased and sold to subsidiaries on normal commercial conditions.

Remuneration to senior executives is detailed in Note 10.

Note 10 Remuneration to employees etc.

Group	2022	2021
Salaries and other remuneration	698.0	468.6
Social security contributions	169.2	139.3
Pension expenses	49.3	35.6
Group total	**916.5**	**643.5**

Salaries and other remuneration	2022		2021	
	Salaries and other remuneration (of which bonuses)	Pension expenses	Salaries and other remuneration (of which bonuses)	Pension expenses
Board Members, CEO and other senior executives	39.6	5.5	26.9	4.3
of which bonuses	(6.7)	-	(5.0)	-
Other employees	658.3	43.8	441.6	31.3
Group total	**698.0**	**49.3**	**468.6**	**35.6**

Gender breakdown in the Group (incl. subsidiaries) for Board Members and other senior executives	2022		2021	
	Number on balance sheet date	Of whom women	Number on balance sheet date	Of whom women
Board Members	6	2	6	2
CEO and other senior executives	9	3	9	3
Group total	**15**	**5**	**15**	**5**

Average number of employees by country	2022		2021	
	Average no. of employees	**Of whom women**	**Average no. of employees**	**Of whom women**
Sweden	20	11	15	9
Parent Company total	**20**	**11**	**15**	**9**
Subsidiaries				
Sweden	417	109	373	106
USA	349	70	221	35
UK	203	84	148	61
Germany	108	26	76	18
Austria	83	6	19	1
Estonia	59	49	55	44
Australia	55	12	25	6
Netherlands	44	4	21	2
New Zealand	28	2	27	3
Italy	21	7	14	7
Norway	13	1	11	1
South korea	10	1	0	0
Latvia	5	1	5	1
Lithuania	4	1	5	1
Canada	5	1	3	0
Finland	3	0	3	0
Denmark	2	0	1	0
China	1	0	1	0
Subsidiaries total	**1,410**	**374**	**1,007**	**287**
Group total	**1,430**	**385**	**1,022**	**296**

Parent Company	**2022**	**2021**
Salaries and other remuneration	34.4	21.6
Social security contributions	21.8	16.0
Pension expenses – defined contribution plans	4.8	3.0
Parent Company total	**60.9**	**40.6**

Salaries and other remuneration	2022		2021	
	Salaries and other remuneration (of which bonuses)	**Pension expenses**	**Salaries and other remuneration (of which bonuses)**	**Pension expenses**
Board Members, CEO and other senior executives	19.3	3.3	15.8	2.3
of which bonuses	(4.4)	-	(3.0)	-
Other employees	41.6	1.4	5.8	0.7
Parent Company total	**60.9**	**4.8**	**21.6**	**3.0**

Gender breakdown in the Parent Company for Board Members and other senior executives	**2022** **Number on balance sheet date**	**Of whom women**	**2021** **Number on balance sheet date**	**Of whom women**
Board Members	6	2	6	2
CEO and other senior executives	5	3	5	3
Parent Company total	**11**	**5**	**11**	**5**

Average number of employees by country	**2022** **Average no. of employees**	**Of whom women**	**2021** **Average no. of employees**	**Of whom women**
Sweden	20	11	15	9
Parent Company total	**20**	**11**	**15**	**9**

See Note 28 for information on current warrants.

Pensions

The Group has both defined benefit and defined contribution plans. The pension expense refers to the cost that affected result for the year.

Defined benefit pension plans

The Group has ITP 2 plans, which are defined benefit pension plans secured through insurance with Alecta. See Note 2.12 for further information on the accounting policies for these pension plans. The expected payments in the next reporting period for ITP 2 insurance policies signed with Alecta amount to MSEK 5.9 (8.5).

The collective level of consolidation comprises the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial methods and assumptions, which do not correspond to IAS 19. The collective level of consolidation is usually permitted to vary between 125 and 175%. If Alecta's collective consolidation level is below 125% or above 175%, measures shall be taken to create conditions that bring the consolidation level back within the normal interval. If the consolidation level is low, one possible measure is to increase the agreed price for subscribing to or expanding existing benefits. If the consolidation level is high, one possible measure is to reduce premiums. On 31 December 2022, Alecta's surplus in the form of the collective consolidation level was 172% (172%).

Remuneration to senior executives

Guidelines

Fees are paid to the Chairman and members of the Board of Directors, in accordance with decisions made at the general meeting of shareholders.

The general meeting of shareholders has decided on the following guidelines for remuneration to management.

Remuneration to the CEO and other senior executives comprises basic salary, variable remuneration, other benefits and financial instruments, etc. 'Other senior executives' refers to the nine people who together with the CEO make up the Executive Management. See pages 70-71 for the composition of the Executive Management.

The division between basic salary and variable remuneration shall be proportional to the officer's responsibilities and authority. For the CEO and other senior executives alike, variable remuneration can be up to 50% of their basic salary. Variable remuneration is based on outcomes relating to individually set goals.

Other benefits for the CEO and other senior executives form part of the overall remuneration.

Remuneration and other benefits 2022	Basic salary/ Board fee	Variable remuneration	Share-based remuneration	Other benefits	Pension expenses	Total
Anders Persson, Chairman of the Board	0.6	-	-	-	-	0.6
Helena Holmgren, Board Member	0.3	-	-	-	-	0.3
Erik Selin, Board Member	0.3	-	-	-	-	0.3
Jaakko Kivinen, Board Member	0.3	-	-	-	-	0.3
Charlotta Sund, Board Member [1]	0.2	-	-	-	-	0.2
Frida Westerberg, Board Member [2]	0.1	-	-	-	-	0.1
Per Wassén, Board Member	0.3	-	-	-	-	0.3
Henrik Larsson Lyon, CEO	4.8	2.4	1.9	0.1	1.4	10.6
Martin Åberg, Deputy CEO	3.1	0.9	1.0	0.1	0.9	6.0
Other senior executives (7 people)	13.1	3.4	5.7	0.5	3.2	25.9
Total	**23.0**	**6.7**	**8.6**	**0.7**	**5.5**	**44.5**

1) Elected Board Member at the AGM on May 5, 2022.
2) Left position as Board Member at the AGM on May 5, 2022.

Remuneration and other benefits 2021	Basic salary/ Board fee	Variable remuneration	Share-based remuneration	Other benefits	Pension expenses	Total
Anders Persson, Chairman of the Board	0.5	-	-	-	-	0.5
Helena Holmgren, Board Member	0.3	-	-	-	-	0.3
Erik Selin, Board Member	0.2	-	-	-	-	0.2
Jaakko Kivinen, Board Member	0.3	-	-	-	-	0.3
Frida Westerberg, Board Member	0.2	-	-	-	-	0.2
Per Wassén, Board Member [1]	0.2	-	-	-	-	0.2
Malin Frenning, Board Member [2]	0.1	-	-	-	-	0.1
Henrik Larsson Lyon, CEO	3.8	1.9	1.3	0.1	1.1	8.2
Martin Åberg, Deputy CEO	2.6	0.7	0.6	0.1	0.7	4.7
Other senior executives (7 people)	9.5	2.4	1.7	0.4	2.5	16.5
Total	**17.7**	**5.0**	**3.6**	**0.6**	**4.3**	**31.2**

1) Elected Board Member at the AGM on May 6, 2021.
2) Left position as Board Member at the AGM on May 6, 2021.

Pensions

The retirement age for the CEO is 65.

The CEO's pension contribution shall amount to 30% of the pensionable salary. Pensionable salary refers to fixed basic salary.

For other senior executives, the retirement age varies between 60 and 65 years. The pension agreement states that the pension contribution varies between 14 and 28% of the pensionable salary.

Severance pay

The CEO's employment contract includes a period of notice of six months on the part of the CEO and 12 months on the part of the Company, in addition to severance pay. The severance pay applies from the CEO's 50th birthday, and amounts to one month's salary (fixed) for each year of age above 50 when the CEO is given notice. This means, for example, that if the CEO is given notice at the age of 52, the severance pay will amount to two months' salary. No deductions are made from severance pay for other income. No severance pay shall be forthcoming if the CEO resigns.

There is a mutual period of notice of 3–12 months between the company and other senior executives. No severance pay has been agreed with other senior executives.

Performance-based incentive programme

At the AGMs on May 6, 2021 and May 5, 2022, a decision was made to introduce long-term, performance-based incentive programmes targeted at senior executives and other key people in the Group (LTIP 2021 and LTIP 2022).

The two ongoing programmes encompass up to 53 and 49 people respectively and entail the participants actively purchasing shares (known as savings shares) at market price and locking in the savings shares for a three-year period. For each savings share acquired by a participant, the participant is assigned up to 2–6 rights, which entitle the participant to receive additional ordinary shares in Hexatronic Group AB (known as performance shares) free of charge on a date set by the Board, approximately three years after the rights are assigned. To earn performance shares, the participant must remain in the employ of Hexatronic Group AB and continue to hold the purchased savings shares. In addition, certain performance targets must be met, linked to the development of the per-share earnings, the Group's growth and the growth in EBITA during the vesting period.

With the aim of ensuring delivery of shares, the company has issued shares (class C shares that can be converted into ordinary shares) which can be transferred to participants within the framework of the programme. The maximum cost for LTIP 2021 and LTIP 2022 was estimated before the start of the programmes at approximately MSEK 25 and MSEK 19 respectively, excluding social security contributions.

In 2022, a total of 35 participants in the LTIP 2022 programme purchased shares in Hexatronic Group AB, and the maximum entitlement to performance shares was therefore for 247,290 shares. On 31 December 2022, there were 35 participants remaining in the ongoing incentive programs.

No. of rights to shares	2022	2021
Outstanding rights to shares on 1 January	413,485	380,965
Allocated during the year	247,290	688,850
Earned during the year	-289,173	-629,710
Expired during the year	-	-26,620
Outstanding rights to shares on 31 December	**371,602**	**413,485**

Outstanding rights to shares on 31 December 2022 is 371,602 (413,485) of which CEO has 73,900 (98,560), Deputy CEO has 43,700 (54,200), other senior executives has 109,875 (137,240) and other employees 144,129 (123,487).

The fair value of the performance shares was established when the programme was agreed. There has been a decrease in the fair value with regard to expected dividend.
The recognised salary cost in 2022 for the programmes amounts to MSEK 8.6 (5.4), excluding social security contributions of MSEK 19.7 (20.5). Costs for social security contributions for the incentive programme are revaluated based on the shares' fair value at each reporting occasion.

The effect of share-based remuneration on basic and diluted earnings per share is shown in Note 14.

Note 11 Financial income/interest income and similar result items

	Group		Parent Company	
	2022	2021	2022	2021
Dividend	-	-	118.2	27.6
Exchange rate differences	-	-	91.1	23.8
Adjustment of additional purchase prices	55.3	-	-	-
Interest	1.0	0.1	0.0	-
Total	**56.3**	**0.1**	**209.3**	**51.4**

Note 12 Financial expenses/interest expenses and similar result items

	Group		Parent Company	
	2022	2021	2022	2021
Exchange rate differences	-5.0	-2.7	-	-
Adjustment of additional purchase prices	-21.4	-	-	-
Other interest expenses	-29.7	-13.7	-28.6	-13.0
Leasing interest expenses	-7.1	-4.8	-	-
Other financial expenses	-4.1	-1.9	-6.3	-1.9
Total	**-67.3**	**-23.1**	**-34.8**	**-14.9**

Note 13 Income tax

	Group		Parent Company	
	2022	2021	2022	2021
Current tax:				
Current tax on profit for the year	-170.9	-75.8	-7.0	-4.8
Total current tax	**-170.9**	**-75.8**	**-7.0**	**-4.8**
Deferred tax (Note 20)	-52.8	-3.9	-	0.1
Income tax	**-223.7**	**-79.7**	**-7.0**	**-4.7**

Income tax on profit for the year differs from the theoretical amount that would have emerged using a weighted average tax rate for profit in the consolidated companies as follows:

	Group		Parent Company	
	2022	2021	2022	2021
Earnings before taxes (EBT)	**1,016.6**	**332.1**	**146.7**	**50.3**
Income tax calculated using national tax rates for profit in each country	-221.6	-75.0	-30.2	-10.4
Tax effects of:				
- Non-deductible expenses	-24.5	-6.0	-1.1	-0.1
- Non-taxable income	18.1	4.1	24.4	5.7
- Tax on previous year's profit	-1.2	0.6	-	-
- Increase in loss carry-forward without equivalent capitalisation of deferred tax	-2.9	-7.9	-	-
- Use of loss carry-forward not previously recognised	8.4	4.5	-	-
Tax expense	**-223.7**	**-79.7**	**-7.0**	**-4.7**

The weighted average tax rate is 22.0% (24.0%) for the Group and 4.8% (9.3%) for the Parent Company.

Note 14 Earnings per share

	2022	2021
Earnings per share before dilution (SEK)	3.95	1.32
Earnings per share after dilution (SEK) [1]	3.89	1.29

Basic and diluted earnings per share related to Parent Company shareholders are calculated based on the following information:

Earnings related to Parent Company shareholders, MSEK	794.5	253.1
Weighted average number of ordinary shares before dilution	201,151,897	191,749,640
Weighted average number of ordinary shares after dilution [1]	203,996,888	195,491,130

1) Outstanding warrants create a dilutive effect when the discounted exercise price for the warrants is less than the average price for ordinary shares during the period. The dilutive effect of the warrant programmes is calculated in accordance with the prevailing dilution at the end of the period.

Before dilution

Basic earnings per share are calculated by dividing earnings related to Parent Company shareholders by a weighted average number of outstanding shares during the period. There have not been any bought-back shares held as own shares by the Parent Company during the period.

After dilution

Diluted earnings per share are calculated by dividing earnings related to Parent Company shareholders by a weighted average number of outstanding shares during the period. There have not been any bought-back shares held as own shares by the Parent Company during the period.

Note 15 Exchange rate differences

Exchange rate differences have been recognised in the income statement as follows:

	Group		Parent Company	
	2022	2021	2022	2021
Net sales (Note 6)	-9.9	-19.5	0.0	-2.7
Net financial income and expense (Notes 11, 12)	-5.0	-2.7	91.1	23.8
Total exchange rate differences in the income statement	**-14.9**	**-22.2**	**91.1**	**21.1**

Note 16 Proposed appropriation of profits

The following funds are at the Parent Company's disposal	SEK
Share premium reserve	920,256,195
Result brought forward	53,691,803
Result for the year	139,745,146
Total	**1,113,693,144**

The Board of Directors proposes that the profits be appropriated as follows:	SEK
SEK 0.10 per share to be distributed to shareholders	20,302,661
To be transferred to result carried forward	1,093,390,483
Total	**1,113,693,144**

Note 17 Intangible assets

Group	Capitalised development expenditure	Customer relations	Trademarks	Goodwill	Total
2021 financial year					
Opening carrying amount	6.5	88.8	63.5	389.5	548.4
Purchases/cultivation	2.3	-	-	-	2.3
Increase through business acquisitions	9.6	176.7	-	641.2	827.5
Translation differences	0.5	10.5	1.1	33.8	45.8
Amortisation	-3.4	-26.1	-9.2	-	-38.7
Closing carrying amount	**15.4**	**249.9**	**55.5**	**1,064.5**	**1,385.2**
As per 31 December 2021					
Cost	27.9	351.1	92.3	1,065.3	1,536.5
Accumulated amortisation and write-downs	-12.4	-101.2	-36.8	-0.8	-151.2
Carrying amount	**15.4**	**249.9**	**55.5**	**1,064.5**	**1,385.2**
2022 financial year					
Opening carrying amount	15.4	249.9	55.5	1,064.5	1,385.2
Purchases/cultivation	17.2	-	-	-	17.2
Increase through business acquisitions	6.8	97.3	37.4	862.5	1,004.0
Translation differences	1.7	24.6	5.0	115.4	146.6
Amortisation	-6.4	-45.2	-10.7	-	-62.2
Closing carrying amount	**34.6**	**326.6**	**87.2**	**2,042.4**	**2,490.8**
As per 31 December 2022					
Cost	53.7	480.6	136.5	2,043.2	2,713.9
Accumulated amortisation and write-downs	-18.9	-154.0	-49.3	-0.8	-223.0
Carrying amount	**34.6**	**326.6**	**87.2**	**2,042.4**	**2,490.8**

Parent Company

During the 2022 financial year the Parent Company invested MSEK 5.9 (2.2) in capitalised development expenditure. Amortisation during the financial year amounted to MSEK 1.4 (0.6).

Impairment test for goodwill

Goodwill is not written down on an ongoing basis; rather, the value is tested at least annually in accordance with IAS 36. The test was most recently performed in December 2022.

In the case of acquisitions, goodwill is allocated to the Group's cash-generating units (CGUs). A CGU is the lowest level of assets for which separate cash flows can be identified. Hexatronic has five separate CGUs to which goodwill can be allocated according to the table below:

2022	Opening carrying amount	Acquisitions	Sales	Write-down	Translation differences	Closing carrying amount
Group (excl. separate CGUs)	569.3	101.4	-	-	51.6	**722.2**
Qubix	137.2	-	-	-	12.0	**149.2**
OSA and FOS	233.7	-	-	-	18.7	**252.7**
Data Center Systems & Impact Data Solutions	124.3	173.0	-	-	20.4	**317.7**
KNET		588.4	-	-	12.6	**600.7**
Group total	**1,064.5**	**862.5**	**-**	**-**	**115.4**	**2,042.4**

2021	Opening carrying amount	Acquisitions	Sales	Write-down	Translation differences	Closing carrying amount
Group (excl. separate CGUs)	189.4	294.8	-	-	18.3	**502.6**
Opternus	65.5	-	-	-	1.2	**66.7**
Qubix	134.6	-	-	-	2.5	**137.2**
OSA and FOS	0.0	225.3	-	-	8.4	**233.7**
Data Center Systems	0.0	120.7	-	-	3.6	**124.3**
Group total	**389.5**	**640.9**	**0.0**	**0.0**	**34.1**	**1,064.5**

The recoverable amount for a CGU has been established based on calculations of value in use. These calculations are based on estimated future cash flows before tax based on financial budgets that have been approved by the Executive Management and span a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate as stated below. The growth rate is not higher than the long-term growth rate for the fiber optic market in which the CGUs concerned operate. The operational risk is deemed to be similar between the cash-generating units, and therefore the same discount rate (WACC) has been used for all cash-generating units.

Important assumptions used to calculate value in use:

Average annual revenue growth for the first five years is 9% (7%) for the Group (excluding separate CGUs), 2% (2%) for Qubix, 8% (3%) for OSA and FOS, and 6%(9%) for Data Center Systems & Impact Data Solutions.

A weighted average growth rate of 2% (2%) has been used to extrapolate cash flows beyond the budget period for all cash-generating units. A discount rate of 15.6% (12.3%) before tax has been used to calculate the present value of estimated future cash flows for the cash-generating units.

The management has deemed that the annual revenue growth for the CGU over the five-year forecast period is an important assumption. The sales volume for each period is the main reason for the development of income and expenses. Annual revenue growth is based on previous results and management's expectations of market developments. The long-term growth rate used corresponds to the forecasts found in industry reports. The discount rates used are stated before tax and reflect specific risks that apply to the cash-generating units.

In the sensitivity analysis for the impairment test for goodwill, simulations of negative development of sales, EBITDA and WACC have been carried out. No reasonable possible change in important assumptions would cause the carrying amount to exceed the recoverable amount in any of the cash-generating units.

Note 18 Leases

Right-of-use assets	31/12/2022	31/12/2021
Property	424.7	384.5
Lease liabilities		
Current	68.0	61.4
Non-current	371.8	332.4
Total	**439.8**	**393.8**

Additional right-of-use assets in 2022 amounted to MSEK 101.5 (224.0).

Recognised amounts in the income statement
The following amounts related to leases are recognised in the income statement:

	31/12/2022	31/12/2021
Depreciation of property	-71.5	-53.3
Interest expenses (included in financial expenses)	-7.1	-4.8
Expenditure attributable to short-term leases/leases for which the underlying asset is of low value (included in other external expenses)	-8.0	-7.7

The total cash flow relating to leases was MSEK 79.6 (61.7) in 2022.

Note 19 Tangible assets

Group	Lands and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Total
2021 financial year				
Opening carrying amount	34.8	166.3	35.1	236.2
Purchases	4.6	157.1	45.3	207.0
Increase through business acquisitions	140.4	109.7	24.3	274.4
Sales and disposals	-0.7	0.3	-0.1	-0.5
Translation differences	3.1	8.9	0.4	12.4
Depreciation	-4.2	-28.1	-9.9	-42.2
Closing carrying amount	**178.0**	**414.3**	**95.1**	**687.3**
As per 31 December 2021				
Cost	193.5	731.1	242.6	1,167.2
Accumulated depreciation and write-downs	-15.5	-316.8	-147.5	-479.8
Carrying amount	**178.0**	**414.3**	**95.1**	**687.3**
2022 financial year				
Opening carrying amount	178.0	414.3	95.1	687.3
Purchases	30.8	400.7	30.3	461.8
Increase through business acquisitions	26.0	15.8	19.9	61.8
Sales and disposals	-2.3	-1.7	-1.0	-5.0
Translation differences	19.6	48.9	4.8	73.3
Depreciation	-6.8	-47.5	-19.7	-74.1
Closing carrying amount	**245.2**	**830.5**	**129.3**	**1,205.0**
As per 31 December 2022				
Cost	270.7	1,196.6	297.5	1,764.0
Accumulated depreciation and write-downs	-25.5	-366.0	-168.2	-558.9
Carrying amount	**245.2**	**830.5**	**129.3**	**1,205.0**

Parent Company

During the 2022 financial year the Parent Company invested MSEK 0.3 (0.3) in equipment. Depreciation of MSEK 0.1 (0.2) was carried out during the financial year.

Note 20 Deferred tax

Deferred tax liabilities are distributed as follows:

	Group		Parent Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Deferred tax liabilities				
Deferred tax liabilities to be settled after more than 12 months	189.7	97.2	-	-
Deferred tax liabilities to be settled within 12 months	22.8	7.6	-	-
Total deferred tax liabilities	**212.5**	**104.8**	**0.0**	**0.0**

Changes in deferred tax assets and liabilities during the year, without taking into account offsetting carried out within the same fiscal jurisdiction, are shown below:

Deferred tax liabilities	Intangible assets	Property, plant and equipment	Untaxed reserves	Other	Total
As per 31 December 2020	**36.0**	**-1.1**	**26.0**	**13.2**	**74.0**
Recognised in income statement	-0.9	0.4	4.2	0.2	3.9
Added through business acquisitions	30.1	-	-	-5.8	24.3
Recognised in Other comprehensive income	0.3	0.0	-	2.3	2.6
As per 31 December 2021	**65.5**	**-0.8**	**30.2**	**9.8**	**104.8**
Recognised in income statement	1.2	55.6	8.7	-12.7	52.8
Added through business acquisitions	33.0	-	-	12.7	45.7
Recognised in Other comprehensive income	5.7	3.5	-	-0.0	9.2
As per 31 December 2022	**105.4**	**58.3**	**38.9**	**9.8**	**212.5**

Deferred tax receivables are recognised as tax loss carry-forwards to the extent that it is likely that they can be absorbed through future taxable profits.

Note 21 Participations in Group companies

Parent Company	31/12/2022	31/12/2021
Opening cost	1,536.5	936.6
Acquisitions	1,199.1	584.9
Shareholders' contribution	8.1	7.3
Remeasurement of additional purchase prices/acquisition option	-0.5	7.7
Write-down	-1.4	-
Closing accumulated cost	**2,741.9**	**1,536.5**
Closing carrying amount	**2,741.9**	**1,536.5**

Parent Company

Company Corp. ID no.	Registered office	No./% of equity	31/12/2022	31/12/2021
Hexatronic Cables & Interconnect AB 556514-9118	Gothenburg, Sweden	1,000 100%	22.3	21.2
Proximion AB 556915-7323	Stockholm, Sweden	58,058 100%	61.4	60.0
Hexatronic Fiberoptic AB 556252-0352	Örebro, Sweden	1,000 100%	65.2	64.4
Hexatronic AS 998 804 795	Engelsviken, Norway	1,000 100%	10.4	10.2
Hexatronic (Tianjin) Trading Co., Ltd. 120 116 400 016 890	Tianjin, China	0 100%	2.0	2.0
Hexatronic US Inc. 475 193 577	Quitman, USA	100 100%	0.3	0.1
Hexatronic UK Ltd. 6329180	Gosport, UK	2,000 100%	18.3	17.9
Hexatronic New Zealand Ltd. 5937353	Porirua, New Zealand	1,000 100%	21.7	21.5
Edugrade AB 556985-3152	Hudiksvall, Sweden	2,000 100%	24.7	24.4
Blue Diamond Industries LLC. 20-1023457	Lexington, USA	544,445 100%	267.1	266.8
Hexatronic GmbH 111674	Frankfurt, Germany	25,000 100%	27.2	27.2
PQMS Ltd. 3696868	Bedworth, UK	95 100%	18.6	18.5
Gordon Franks Training Ltd. 8445268	Birmingham, UK	187,550 100%	-	1.4
Smart Awards Ltd. 9079735	Solihull, UK	100 100%	5.2	5.2
Edugrade AS 920926452	Oslo, Norway	100 100%	0.0	0.0
Opternus GmbH 4567	Bargteheide, Germany	37,500 100%	133.4	133.0
Opternus Networks GmbH 13610	Bargteheide, Germany	25,000 100%	-	-
Opternus Components GmbH 4934	Bargteheide, Germany	9,000 33%	-	-
Hexatronic Danmark ApS 40639101	Copenhagen, Denmark	400 100%	0.1	0.1
Tech Optics Ltd 6726737	Tonbridge, UK	13,050 100%	5.1	5.1
Tech Optics First Company Ltd 2257839	Tonbridge, UK	100,000 100%	-	-
The Light Brigade, Inc. 601232465	Kent, USA	50,000 100%	14.7	14.7
Hexatronic Australia Pty Ltd 643648122	Brisbane, Australia	100 100%	170.5	166.9

Contd. on next page

Company Corp. ID no.	Registered office	No./% of equity	31/12/2022	31/12/2021
Baltronic Group OÜ 11164070	Tallinn, Estonia	1 100%	57.5	57.5
Baltronic OÜ 10729558	Tallinn, Estonia	1 100%	-	-
Baltronic SIA 40003583738	Riga, Latvia	2,500 100%	-	-
Baltronic Vilnius UAB 1117679610	Vilnius, Lithuania	100 100%	-	-
Optobit AB 556709-8628	Stockholm, Sweden	6,000 100%	1.9	1.9
Hexatronic Canada, Inc. 2358854	Toronto, Canada	100 100%	-	-
Qubix S.p.A. 3575150283	Padua, Italy	270,000 90%	224.4	220.8
Hexatronic Security and Surveillance AB 559271-6921	Gothenburg, Sweden	375 75%	5.0	3.5
TK-Kontor-Freitag GmbH 18207	Neumünster, Germany	25,000 70%	19.1	19.0
Mpirical Ltd 4393797	Lancaster, UK	4,361 100%	116.4	127.9
H. Weterings Galgeweg B.V. 27273425	Gravenzande, Netherlands	18,000 100%	90.6	88.1
H. Weterings-Plastics B.V. 27219131	Gravenzande, Netherlands	16,382 100%	-	-
Hexatronic Österreich GmbH 548181 z	Neulengbach, Germany	35,000 100%	35.9	35.9
Hexatronic Property GmbH 548183 b	Neulengbach, Germany	35,000 100%	65.7	65.7
Hexatronic US Holding, Inc. 6243400	Wilmington, USA	1,000 100%	55.9	55.9
Data Center Systems, Inc. 800444772	Dallas, USA	100,000 100%	-	-
The Fibre Optic Shop Pty Limited 098 885 048	Brisbane, Australia	100 100%	-	-
Layer 1 Pty Ltd 155 675 568	Brisbane, Australia	200 100%	-	-
Optical Connections Pty Limited 098737930	Brisbane, Australia	1 100%	-	-
Optical Solutions (Sydney City) Pty Ltd 116 504 904	Brisbane, Australia	200 100%	-	-
Optical Solutions (Victoria) Pty Ltd 111 683 357	Brisbane, Australia	200 100%	-	-
Optical Solutions (WA) Pty Ltd 123 208 177	Brisbane, Australia	200 100%	-	-
Optical Solutions Australia (ACT) Pty Limited 126 872 400	Brisbane, Australia	200 100%	-	-

Continued on next page

Company Corp. ID no.	Registered office	No./% of equity	31/12/2022	31/12/2021
Optical Solutions Australia (Queensland) Pty Limited 102 444 806	Brisbane, Australia	1,000 100%	-	-
Optical Solutions Australia Pty Limited 098 737 949	Brisbane, Australia	1 100%	-	-
Apticom AB 559333-0938	Stockholm, Sweden	25,000 70%	1.0	0.0
Apticom Srl 0789 765 981	Gosselies, Belgium	5,000 70%	-	-
homeway GmbH HR B 35 42	Coburg, Germany	100,000 82%	137.2	-
Impact Data Solutions Ltd 07038550	London, England	2000 90%	278.2	-
Impact Data Solutions BV 55655858	Utrecht, the Netherlands	18,000 90%	-	-
KNET Co., Ltd 307-81-19772	Seoul, South Korea	2,500,000,000 100%	784.9	-
KNET Indonesia 03.064.666.5-014.000	Jakarta, Indonesia	2,253,250,000 100%	-	-
Total			**2,741.9**	**1,536.5**

Note 22 Financial instruments by category

Group **Assets in balance sheet**	Financial assets at amortised cost	Total
31 December 2022		
Accounts receivable	1,018.2	1,018.2
Other receivables	22.9	22.9
Liquid assets	552.0	552.0
Total	**1,593.1**	**1,593.1**
31 December 2021		
Accounts receivable	597.3	597.3
Other receivables	19.0	19.0
Liquid assets	675.1	675.1
Total	**1,291.4**	**1,291.4**

Group **Liabilities in balance sheet**	Financial liabilities at amortised cost	Liabilities measured at fair value through profit or loss	Total
31 December 2022			
Liabilities to credit institutions	1,910.6	-	1,910.6
Accounts payable	787.7	-	787.7
Other current liabilities	-	621.1	621.1
Accrued expenses	115.0	-	115.0
Total	**2,813.3**	621.1	**3,434.4**
31 December 2021			
Liabilities to credit institutions	1,529.6	-	1,529.6
Accounts payable	505.1	-	505.1
Other current liabilities	-	241.2	241.2
Accrued expenses	52.1	-	52.1
Total	**2,086.8**	**241.2**	**2,328.0**

Note 23 Accounts receivable

	Group		Parent Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Accounts receivable	1,038.5	604.5	-	0.0
Less: reserve for credit losses	-20.4	-7.2	-	-
Accounts receivable – net	**1,018.2**	**597.3**	**0.0**	**0.0**

On 31 December 2022, standard accounts receivable totalled MSEK 1,018.2 (597.3) for the Group. On 31 December 2022, standard accounts receivable totalled MSEK 0.0 (0.0) for the Parent Company. The fair value of accounts receivable corresponds to their carrying amount, which is why the discount effect is not significant.

No accounts receivable have been pledged as security for any liability. The total loss level on 31 December 2022 was 0.6% (0.1%), which is deemed insignificant. The expected loss level is therefore not recognised per category.

As per 31 December 2022	Not overdue	Past due <30 days	Past due >30 days <60 days	Past due >60 days <120 days	Past due >120 days	Total
Recognised amount for accounts receivable	718.1	225.0	46.8	21.1	27.6	1,038.5

As per 31 December 2021	Not overdue	Past due <30 days	Past due >30 days <60 days	Past due >60 days <120 days	Past due >120 days	Total
Recognised amount for accounts receivable	426.5	134.6	21.2	5.5	16.7	604.5

Changes in the reserve for credit losses during the financial year are specified below:

	2022	2021
As per 1 January	**7.2**	**8.1**
Increase in reserve for credit losses, change recognised in the income statement	8.2	1.9
Increase in reserve for credit losses through business acquisitions	11.4	0.0
Written-off accounts receivable during the year	-6.4	-1.8
Reversal of unused amount	-0.0	-1.0
As per 31 December	**20.4**	**7.2**

Provisions for the respective reversals of the reserve for credit losses are included under other external expenses in the income statement.

The carrying amounts, per currency, for accounts receivable and other receivables are as follows:

	Group		Parent Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
SEK	131.3	119.9	151.9	99.1
EUR	290.8	120.7	389.9	391.4
USD	400.2	202.4	380.5	259.0
GBP	124.6	84.3	99.2	75.7
AUD	52.3	44.9	202.4	217.4
Other currencies	18.9	25.1	0.0	6.0
Total	**1,018.2**	**597.3**	**1,223.9**	**1,048.5**

Note 24 Other receivables

	Group		Parent Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Supplier receivable	7.9	5.3	-	-
Other receivables	15.0	13.7	9.8	0.1
Total	**22.9**	**19.0**	**9.8**	**0.1**

Note 25 Prepaid expenses and accrued income

	Group		Parent Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Prepaid rent	13.0	8.8	0.5	0.4
Contract assets	19.2	10.2	-	-
Prepaid insurance	3.0	1.7	1.5	0.9
Prepaid marketing costs	4.3	2.0	3.0	0.9
Other	35.2	13.5	1.3	0.6
Total	**74.8**	**36.1**	**6.3**	**2.8**

Note 26 Liquid assets

	Group		Parent Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Bank balance	552.0	675.1	41.8	375.0
Total	**552.0**	**675.1**	**41.8**	**375.0**

Note 27 Share capital and other contributed capital

Group	No. of shares	Share capital	Other contributed capital	Total
As per 31 December 2020	**190,107,150**	**1.9**	**249.0**	**250.9**
Subscription for shares via warrant programme	2,815,000	0.0	46.3	46.3
Warrant programme	-	-	3.1	3.1
Share-based remuneration	1,500,000	0.0	-	0.0
New share issue relating to business combinations	2,454,500	0.0	66.4	66.4
New share issue	6,250,000	0.1	539.7	539.7
As per 31 December 2021	**203,126,650**	**2.0**	**904.5**	**906.5**
Subscription for shares via warrant programme	1,497,500	0.0	20.0	20.0
Warrant programme	-	-	4.0	4.0
Share-based remuneration	350,000	0.0	-	0.0
New share issue relating to business combinations	88,429	0.0	9.9	9.9
As per 31 December 2022	**205,062,579**	**2.1**	**938.3**	**940.4**

The company's share is listed on the Nasdaq Stockholm Large Cap.

On the balance sheet date, the share capital in Hexatronic Group AB (publ) amounted to SEK 2,050,629.79, distributed between a total of 205,062,579 shares, of which 203,026,610 ordinary shares and 2,035,969 class C shares. The quotient value of the shares is SEK 0.01. The ordinary shares have a voting power of one vote per share and the class C shares have a voting power of one-tenth of a vote per share.

All shares issued by the Parent Company are fully paid.

During the financial year, the following share issues have been carried out:

- Targeted share issue of MSEK 9.9 (October 2022) as part of a business combination.

At the AGM on May 5, 2022, the Board was authorised to acquire or transfer its own shares corresponding to up to 10% of existing shares before the next AGM in accordance with the Board proposal, and was also authorised to decide on the new issue of shares and/or warrants and/or convertibles amounting to up to 10% of the registered share capital.

The total number of shares before dilution from existing warrant programmes is 205,062,579 at the end of the financial year. See Note 28 for information on current warrant programmes.

Note 28 Share-related compensation

In all of the warrant programmes, the fair value of the allocated warrants is calculated using the Black & Scholes model. In all of the programmes, each warrant entitles the holder to one share. As a result of the division of shares (share split, ratio 5:1) which was decided on Hexatronics annual general meeting on May 5, 2022, one warrant gives the right to five shares for the programs that started in 2020 and 2021. Swedish participants pay market prices for warrants while foreign participants receive the warrants free of charge.

Existing warrant programmes on the balance sheet date:

In 2020 a warrant programme was issued regarding 345,000 warrants targeted at some of the Group's personnel, 285,000 of which were subscribed. At the time of issue the market value per warrant was SEK 1.39 and the strike price amounts to SEK 12.60. The redemption period is 15 May 2023 to 15 June 2023. The fair value of the warrant premium amounted to SEK 128.83 on 31 December 2022.

- In 2021 a warrant programme was issued regarding 475,000 warrants targeted at some of the Group's personnel, 393,500 of which were subscribed. At the time of issue the market value per warrant was SEK 3.63 and the strike price amounts to SEK 37.93. The redemption period is 15 May 2024 to 15 June 2024. The fair value of the warrant premium amounted to SEK 103.12 on 31 December 2022.
- During 2021, a decision was made to introduce a long-term, performance-based incentive programme (LTIP 2021) for 14 senior executives in the Group who are resident in Sweden. At the time of publication of the Annual Report, the participants have invested in a total of 114,290 savings shares.
- In 2022 a warrant programme was issued regarding 600,000 arrants targeted at some of the Group's personnel, 545,000 of which were subscribed. At the time of issue the market value per warrant was SEK 12.08 and the strike price amounts to SEK 96.96. The redemption period is 15 May 2025 to 15 June 2025. The fair value of the warrant premium amounted to SEK 57.24 on 31 December 2022.
- During 2022, a decision was made to introduce a long-term, performance-based incentive programme (LTIP 2022) for 35 senior executives in the Group who are resident in Sweden. At the time of publication of the Annual Report, the participants have invested in a total of 51,018 savings shares.

Warrants	2021	2022
Outstanding number of warrants on 1 January	**5,952,500**	**4,802,500**
Allocated during the year	1, 967,500	545,000
Earned during the year	-2,765,000	-1,497,500
Expired during the year	-352,500	-162,500
Outstanding rights to warrants on 31 December	**4,802,500**	**3,687,500**

*Warrants held by senior executives can be viewed on page 71.

Note 29 Provisions

Group	Warranty provisions	Other provisions	Total
As per 1 January 2021	3.0	-	3.0
Recognised in income statement:			
Provisions	1.1	-	1.1
Funds utilised	-	-	-
Unutilised funds that have been cancelled	-	-	-
As per 31 December 2021	**4.1**	**-**	**4.1**
As per 1 January 2022	**4.1**	**-**	**4.1**
Recognised in income statement:			
Provisions	6.5	3.7	10.2
Funds utilised	-0.7	-	-0.7
Unutilised funds that have been cancelled	-	-	-
As per 31 December 2022	**9.9**	**3.7**	**13.6**
Current portion	9.9	3.7	13.6
Total provisions	**9.9**	**3.7**	**13.6**

Closing warrant provisions are for any faults and shortcomings in deliveries to customers. The amount is expected to be according to the size of the provision.

Note 30 Borrowing

Group	Carrying amount 31/12/2022	Carrying amount 31/12/2021	Fair value 31/12/2022	Fair value 31/12/2021
Long-term				
Liabilities to credit institutions	1,810.6	1,255.3	1,810.6	1,255.3
Total long-term borrowing	**1,810.6**	**1,255.3**	**1,810.6**	**1,255.3**
Short-term				
Liabilities to credit institutions	100.0	274.3	100.0	274.3
Overdraft facilities	-	-	-	-
Total short-term borrowing	**100.0**	**274.3**	100.0	**274.3**
Total borrowing	**1,910.6**	**1,529.6**	**1,910.6**	**1,529.6**

Parent Company	Carrying amount 31/12/2022	Carrying amount 31/12/2021	Fair value 31/12/2022	Fair value 31/12/2021
Long-term				
Liabilities to credit institutions	1,797.5	1,255.3	1,797.5	1,255.3
Total long-term borrowing	**1,797.5**	**1,255.3**	**1,797.5**	**1,255.3**
Short-term				
Liabilities to credit institutions	100.0	274.3	100.0	274.3
Overdraft facilities	-	-	-	-
Total short-term borrowing	**100.0**	**274.3**	**100.0**	**274.3**
Total borrowing	**1,897.5**	**1,529.6**	**1,897.5**	**1,529.6**

Group

Liabilities to credit institutions

The Group's borrowing is in SEK, USD, GBP and EUR. The Group has during 2022 obtained new funding for growth through acquisitions and capex. Hexatronic has a syndicated facility with three Nordic banks which comprises both senior bank loans and revolving credit facilities.

Both the senior bank debt and the revolving credit facility mature in 2025 and have variable currency market rates. The interest margin is based on agreed covenant levels, which are reported quarterly. The margin will also depend on type of facility and currency and is currently in the range of 1,05-1,20% (1,30%)

The Group has an overdraft facility granted in SEK of MSEK 130 connected to the group cash pool. MSEK 0 (0) of the overdraft facility granted in SEK had been utilised on 31 December 2022.

The Group's exposure to borrowing, changes in interest rates and refinancing are as follows at the end of the reporting period:

Borrowing from credit institutions	31/12/2022	Due	Interest rate
Senior bank loan	1,296.2	2025	Variable
Use of revolving credit	601.3	2025	Variable
Other bank loans	13.1	2024-2028	Variable
Total borrowing	**1,910.6**		

Note 31 Other liabilities

	Group		Parent Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Liability, additional purchase prices/acquisition option	621.1	241.2	564.8	152.0
Employee withholding taxes	20.6	10.1	0.7	0.5
VAT liability	51.3	3.5	-1.8	-1.4
Other current liabilities	67.0	26.5	-	-
Total	**760.0**	**281.2**	**563.7**	**151.1**
Of which long-term	429.8	162.0	413.4	117.5

Note 32 Accrued expenses and deferred income

	Group		Parent Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Accrued social security contributions	85.4	62.6	21.1	12.3
Accrued pay	67.3	52.6	7.6	4.4
Accrued holiday salaries	83.5	48.7	2.9	2.3
Accrued costs for purchases of goods	19.2	17.6	-	-
Contract liabilities	10.0	10.8	-	-
Other accrued expenses	85.8	23.7	6.3	5.0
Total	**351.2**	**215.9**	**38.0**	**24.0**

Note 33 Pledged assets and contingent liabilities

	Group		Parent Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Pledged assets				
Chattel mortgages	-	157.4	-	0.1
Shares in subsidiaries	-	358.1	-	85.6
Total	**-**	**515.4**	**-**	**85.6**
Contract liabilities	None	None	None	None

In 2022, the group was refinanced and in connection with that, all pledges and securities that existed in earlier banking agreements were released

Note 34 Items not affecting cash flow

	Group		Parent Company	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Depreciation/amortisation	207.8	134.3	1.5	0.8
Revaluation of incentive programmes	45.2	28.5	14.9	3.3
Change obsolescence reserve inventory	69.8	-	-	-
Other provisions	10.5	-	-	-
Exchange rate differences	2.2	37.5	-	-
Other	10.5	0.9	-	-
Total	**346.0**	**201.2**	**16.4**	**4.1**

Note 35 Change in liabilities

		Cash flow		Items not affecting cash flow					
	31/12/2021	Borrowings	Repayment by instalment	Reclassification	Additional lease liability	Increase through business acquisitions	Change in exchange rate	Costs of financing	31/12/2022
Group									
Non-current lease liabilities	**332.4**	-	-	-68.0	89.1	-	11.3	7.1	**371.8**
Current lease liabilities	**61.4**	-	-74.2	68.0	12.8	-	-	-	**68.0**
Non-current liabilities to credit institutions	**1,258.7**	790.9	-189.2	-100.0	-	51.1	-0.9	-	**1,810.6**
Current liabilities to credit institutions	**274.3**	-	-274.3	100.0	-	-	-	-	**100.0**
Overdraft facilities	**0.0**	-	-	-	-	-	-	-	**-**
Parent Company									
Non-current liabilities to credit institutions	**1,258.7**	790.9	-152.2	-100.0	-	-	-	3.4	**1,797.5**
Current liabilities to credit institutions	**274.3**	-	-274.3	100.0	-	-	-	-	**100.0**
Overdraft facilities	**0.0**	-	-	-	-	-	-	-	**0.0**

		Cash flow		Items not affecting cash flow				
	31/12/2020	Borrowings	Repayment by instalment	Reclassification	Additional lease liability	Change in exchange rate	Costs of financing	31/12/2021
Group								
Non-current lease liabilities	**167.8**	-	-	-60.4	212.7	7.5	4.8	**332.4**
Current lease liabilities	**41.3**	-	-53.3	60.4	13.0	-	-	**61.4**
Non-current liabilities to credit institutions	**453.5**	1,080.0	-	-275.6	-	-	3.4	**1,258.7**
Current liabilities to credit institutions	**82.0**	-	-83.3	275.6	-	-	-	**274.3**
Overdraft facilities	**0.0**	-	-	-	-	-	-	**0.0**
Parent Company								
Non-current liabilities to credit institutions	**453.5**	1,080.0	-	-275.6	-	-	3.4	**1,258.7**
Current liabilities to credit institutions	**82.0**	-	-83.3	275.6	-	-	-	**274.3**
Overdraft facilities	**0.0**	-	-	-	-	-	-	**0.0**

Note 36 Business acquisitions

Business acquisitions in 2022

On September 1, the Group acquired 82 % of the share capital in homeway GmbH for a fixed purchase consideration of MEUR 7.2 and contingent purchase consideration calculated at net present value of maximum MEUR 5.1 (in total MSEK 132.2). In the acquisition of homeway, the group has chosen to report non-controlling interests at fair value. On October 1, the group acquired 90 % of the share capital in Impact Data Solutions Ltd for a purchase consideration of MGBP 18.5 (MSEK 230.8), of which 15 milion was paid in cash and an additional contingent purchase consideration estimated at MGBP 3.5. Finally, the group acquired 100 % of the share capital in KNET on December 1, for a fixed purchase consideration of MUSD 48 and contingent purchase consideration calculated at net present value of maximum MUSD 27.8 (in total MSEK 782.6).

The acquisition of Impact Data Solutions Ltd includes a put/call option to acquire the remaining 10 % until 2029. Both parties have the right to use the option and it is considered likely that the option will be exercised; hence the acquisition is reported at 100 percent with no non-controlling interest. The expected purchase price for the remaining 10 percent is recognized as a liability with any changes in value through profit or loss

The preliminary table below summarises the purchase price for the acquisitions and the fair value of the acquired assets and assumed liabilities recognized on the acquisition dates. The acquisition calculations are preliminary as the acquisition balances are not yet finalized and not yet finally audited. The acquisitions are reported aggregated, as none of the acquisitions have been deemed individually significant.

Preliminary Purchase price (MSEK)	
Liquid assets	734.1
Contingent purchase consideration (not paid)	391.0
Equity instruments (88,429 shares)	9.9
Holdback purchase consideration (not paid)	10.5
Option to buy remaining 10 % of Impact Data Solutions Ltd (Not paid)	42.6
Total purchase price	**1,188.1**

Recognised amounts for identifiable acquired assets and taken-over liabilities	
Liquid assets	111.9
Tangible assets	61.8
Customer contracts and Customer relations	97.3
Trademark	37.4
Other intangible assets	6.8
Financial assets	10.5
Accounts receivable	185.1
Inventory	60.1
Other receivables	67.9
Financial liabilites	-51.1
Other payables	-238.6
Total identifiable net assets	**349.2**
Non-controlling interests	-31.6
Goodwill	**870.5**

Acquisition-related costs of MSEK -11.4 are included in other external costs in the consolidated statement of comprehensive income for the 2022 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisitions amounted to MSEK 622. Goodwill is attributable to the added earning capacity the company is expected to bring. Subject to the agreements of conditional purchase price, the Group will pay a maximum MSEK 79.1 for homeway GmbH based on gross profit in the period 2022 – 2025, 43.2 MSEK for Impact Data Solutions Ltd based on EBITDA for 2022 and maximum 390 MSEK for KNET based on EBITDA for 2023–2025.

The fair value of accounts receivable totals MSEK 185.1 No accounts receivable is deemed to be doubtful.

No part of the goodwill is tax deductible.

Net sales of MSEK 109.7 have been included in the consolidated income statement from the acquired companies since the acquisition dates during 2022. The acquired companies generated an EBITDA of MSEK 19.6 in the same period. Had the acquired companies been consolidated from January 1, 2022 to December 31, 2022, the consolidated statement for full year would have shown increased net sales amounting to MSEK 908 and an EBITDA of MSEK 151.

Note 37 Group structure

Name	Corp. ID no.	Registered office	The Group's participating interest
Hexatronic Cables & Interconnect AB	556514-9118	Gothenburg, Sweden	100%
Proximion AB	556915-7323	Stockholm, Sweden	100%
Hexatronic Fiberoptic AB	556252-0352	Örebro, Sweden	100%
Hexatronic AS	998 804 795	Engelsviken, Norway	100%
Hexatronic (Tianjin) Trading Co., Ltd.	120 116 400 016 890	Tianjin, China	100%
Hexatronic US Inc.	475193577	Quitman, USA	100%
Hexatronic UK Ltd.	6329180	Gosport, UK	100%
Hexatronic New Zealand Ltd.	5937353	Porirua, New Zealand	100%
Edugrade AB	556985-3152	Hudiksvall, Sweden	100%
Blue Diamond Industries	20-1023457	Lexington, USA	100%
Hexatronic GmbH	111674	Frankfurt, Germany	100%
PQMS Ltd.	03696868	Bedworth, UK	100%
Gordon Franks Training Ltd.	08445268	Birmingham, UK	100%
Smart Awards Ltd.	09079735	Solihull, UK	100%
Edugrade AS	920926452	Oslo, Norway	100%
Opternus GmbH	4567	Bargteheide, Germany	100%
Opternus Networks GmbH	13610	Bargteheide, Germany	100%
Opternus Components GmbH	4934	Bargteheide, Germany	33%
Hexatronic Danmark ApS	40639101	Copenhagen, Denmark	100%
Tech Optics Ltd	6726737	Tonbridge, UK	100%
Tech Optics First Company Ltd	2257839	Tonbridge, UK	100%
The Light Brigade, Inc.	601232465	Kent, USA	100%
Hexatronic Australia Pty	643648122	Brisbane, Australia	100%
Baltronic Group OÜ	11164070	Tallinn, Estonia	100%
Baltronic OÜ	10729558	Tallinn, Estonia	100%
Baltronic SIA	40003583738	Riga, Latvia	100%
Baltronic Vilnius UAB	1117679610	Vilnius, Lithuania	100%
Optobit AB	556709-8628	Stockholm, Sweden	100%
Hexatronic Canada, Inc.	2358854	Toronto, Canada	100%
Qubix S.p.A.	03575150283	Padua, Italy	90%
Hexatronic Security and Surveillance AB	559271-6921	Gothenburg, Sweden	75%
TK-Kontor-Freitag	18207	Neumünster, Germany	70%
Mpirical Ltd	4393797	Lancaster, UK	100%
H. Weterings Galgeweg B.V.	27273425	Gravenzande, Netherlands	100%
H. Weterings-Plastics B.V.	27219131	Gravenzande, Netherlands	100%
Hexatronic Österreich GmbH	548181 z	Neulengbach, Germany	100%
Hexatronic Property GmbH	548183 b	Neulengbach, Germany	100%
Hexatronic US Holding, Inc.	6243400	Wilmington, USA	100%
Data Center Systems, Inc.	800444772	Dallas, USA	100%
The Fibre Optic Shop Pty Limited	098 885 048	Brisbane, Australia	100%

Name	Corp. ID no.	Registered office	The Group's participating interest
Layer 1 Pty Ltd	155 675 568	Brisbane, Australia	100%
Optical Connections Pty Ltd	098 737 930	Brisbane, Australia	100%
Optical Solutions (Sydney City) Pty Ltd	116 504 904	Brisbane, Australia	100%
Optical Solutions (Victoria) Pty Ltd	111 683 357	Brisbane, Australia	100%
Optical Solutions (WA) Pty Ltd	123 208 177	Brisbane, Australia	100%
Optical Solutions Australia (ACT) Pty Limited	126 872 400	Brisbane, Australia	100%
Optical Solutions Australia (Queensland) Pty Limited	102 444 806	Brisbane, Australia	100%
Optical Solutions Australia Pty Limited	098 737 949	Brisbane, Australia	100%
Apticom AB	559333-0938	Stockholm, Sweden	70%
Apticom Srl	0789 765 981	Gosselies,Belgium	70 %
homeway GmbH	HR B 35 42	Coburg, Germany	82%
Impact Data Solutions Ltd	07038550	London, England	90%
Impact Data Solutions BV	55655858	Utrecht, the Netherlands	90%
KNET co., Ltd	307-81-19772	Seoul, South Korea	100%
KNET Indonesia	03.064.666.5-014.000	Jakarata, Indonesia	100%

Note 38 Events after the balance sheet date

Hexatronic adjusted the profitability target to an EBITA-margin of 15% to 17% over a business cycle. The previously set profitability target was at least 12% EBITA-margin over a business cycle.

The Board of Directors will propose a dividend of 0.10 SEK (0.10) per share for the financial year 2022 to the Annual General meeting

On March 3, 2023, Hexatronic completed the previously announced acquisition of Rochester Cable – one of the main designers and manufacturers of harsh environment electro-optical cables in the U.S., from TE Connectivity Corporation for an enterprise value of 55 MUSD. The acquisition has been fully financed with a senior bank loan. The agreement broadens Hexatronic's offering within fiber optic submarine communication cables to include dynamic working cables that can transmit electrical signals and power. Product sales are mainly in the U.S. but also in the EMEA and APAC regions. The acquired business includes the land and buildings of the production sites and office buildings. As the acquisition is an asset purchase from existing operations, the work to determine the opening balances and any excess values is ongoing when the annual report is published. Preliminary purchase price analysis with fair value of acquired assets and assumed liabilities on the acquisition date will be reported in the interim report for January-March 2023.

Hexatronic has decided to invest in a new duct and pipe production facility in the Western USA. The investment of around 30 MUSD relates to production equipment and infrastructure for establishing the production plant. Production start is expected in the second quarter of 2024.

Reconciliation between IFRS and terms for key figures

In this Annual Report, Hexatronic presents certain financial measures that are not defined in accordance with IFRS, known as alternative performance measures. The Group considers that these measures provide valuable additional information to investors as they enable an evaluation of the company's results and position.

As not all companies calculate financial measures the same way, they are not always comparable with measures used by other companies. Investors should view these financial measures as a complement to, rather than a substitute for, financial reporting in line with IFRS.

Organic growth

Net sales 2022	6,574.0
Exchange rate effects	-254.7
Impact of acquisitions	-990.0
Comparable net sales	5,329.3
Net sales 2021	3,491.6
Increase in sales excluding exchange rate effects	2,827.7
Increase in sales excluding exchange rate effects, %	81%
Organic growth	1,837.7
Organic growth, %	53%

Organic growth is calculated as net sales for the year adjusted for acquisitions in relation to the previous year's net sales adjusted for acquisitions.

Average annual growth

Net sales 2022	6,574.0
Net sales 2021	3,491.6
Average annual growth	**88%**

Average annual growth is calculated as the Group's total sales during the period compared with the same period the previous year.

Quick asset ratio	31/12/2022	31/12/2021
Current assets	3,264.0	2,256.3
Inventories	-1,596.1	-928.8
Current assets – inventories	**1,667.9**	**1,327.5**
Current liabilities	1,758.6	1,209.7
Quick asset ratio	**95%**	**110%**

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

Core working capital	31/12/2022	31/12/2021
Inventories	1,596.1	928.8
Accounts receivable	1,018.2	597.3
Accounts payable	-787.7	-505.1
Core working capital	**1,826.5**	**1,021.0**

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

The consolidated income statement and balance sheet will be presented at the AGM on May 9, 2023 for adoption.

The Board of Directors and CEO confirm that the consolidated financial statements have been prepared in accordance with the IFRS international reporting standards adopted by the EU, and provide a true and fair overview of the Group's financial position and results. The Annual Report has been prepared in accordance with generally accepted accounting principles and provides a true and fair overview of the Parent Company's financial position and results.

The Board of Directors' Report for the Group and Parent Company provides a true and fair overview of the development of the business, financial position and results of the Group and the Parent Company, and describes significant risks and uncertainty factors with which the Parent Company and the companies forming the Group are faced.

Gothenburg, 4 April 2023

Anders Persson
Chairman of the Board

Erik Selin
Board Member

Charlotta Sund
Board Member

Helena Holmgren
Board Member

Jaakko Kivinen
Board Member

Per Wassén
Board Member

Henrik Larsson Lyon
CEO

Our auditor's report was submitted on 4 April 2023

Öhrlings PricewaterhouseCoopers AB

Johan Malmqvist
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Hexatronic Group AB (publ), corporate identity number 556168-6360.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Hexatronic Group AB (publ) for the year 2022 except for the corporate governance statement on pages 79-85. The annual accounts and consolidated accounts of the company are included on pages 64-137 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 79-85. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and evaluated the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key Audit Matters	Audit response to Key Audit Matter
Valuation of intangible assets As a result of the acquisitions in recent years, the group has acquired intangible assets such as customer relations, brands and goodwill to an amount of MSEK 2,456.2. The group evaluates annually or whenever there is an indication, if there is a need for impairment of the goodwill. Customer relations and brands are subject to amortisations and when there is an indication of impairment an impairment test is performed. The impairment test is performed by estimating the recoverable amount, which is the highest of the value in use and the fair value less costs to sell, which is compared with the book value of the assets within each cash generating unit. The impairment tests of goodwill and when applicable also other intangible assets, are essential in the audit because they represent significant amounts in the group's balance sheet and management have to make significant estimates and judgments about the future in the impairment tests. Refer to disclosures 2 and 17 for a description of these items.	The impairment test, which is based on a calculation of the value in use, has been subject to the following audit procedures: • A reconciliation of the cash flow forecasts against the approved budget for 2023 and the long-term business plan. • Assessment whether the valuation model is compliant with recognized valuation techniques. • Challenging management on the reasonability of the assumptions applied that have the largest impact on the impairment tests, including the long-term growth rate, the sustainable operating margin and the discount rate. • Challenging management's assumptions by performing sensitivity testing and evaluating the thresholds in the tests and the risk for potential impairments.
Valuation of inventory Inventory valuation is essential for our audit since the valuation is based on several estimates and judgments and the inventory balance of MSEK 1,596.1 represent a significant amount. An important assessment for management when determining the value of inventory, is to evaluate if the group can sell the inventory at a price higher than the acquisition cost, and to evaluate potential obsolescence in inventory. If the estimated sales value is lower than the acquisition cost, an allowance for inventory obsolescence is recorded. This allowance is calculated based on a policy for inventory valuation. The allowance is based on each inventory item's turnover ratio combined with an individual assessment of the specific product value. Refer to disclosures 2 and 4 for a description of these items.	To examine the group's allowance for inventory obsolescence, we perform the following audit procedures: • Assessment of whether the approved policy for inventory valuation gives a reasonable estimate of the actual inventory obsolescence. • Verify the mathematical accuracy of the calculated inventory allowance. • Evaluate management's positions when deviating from the approved model for inventory valuation and perform an individual assessment for allowance of specific products. • Analyse slow moving stock in inventory with assistance from data analytics and reconcile the outcome from these analyses to the actual inventory obsolescence. • Discuss with management to identify forecasted changes in future sales that could have an impact on inventory obsolescence.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-78. Other information also includes the remuneration report that we obtained prior to the date of this auditor´s report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

The auditor's audit of the administration of the company and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Hexatronic Group AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Hexatronic Group AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Hexatronic Group AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report has been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's examination of the corporate governance statement

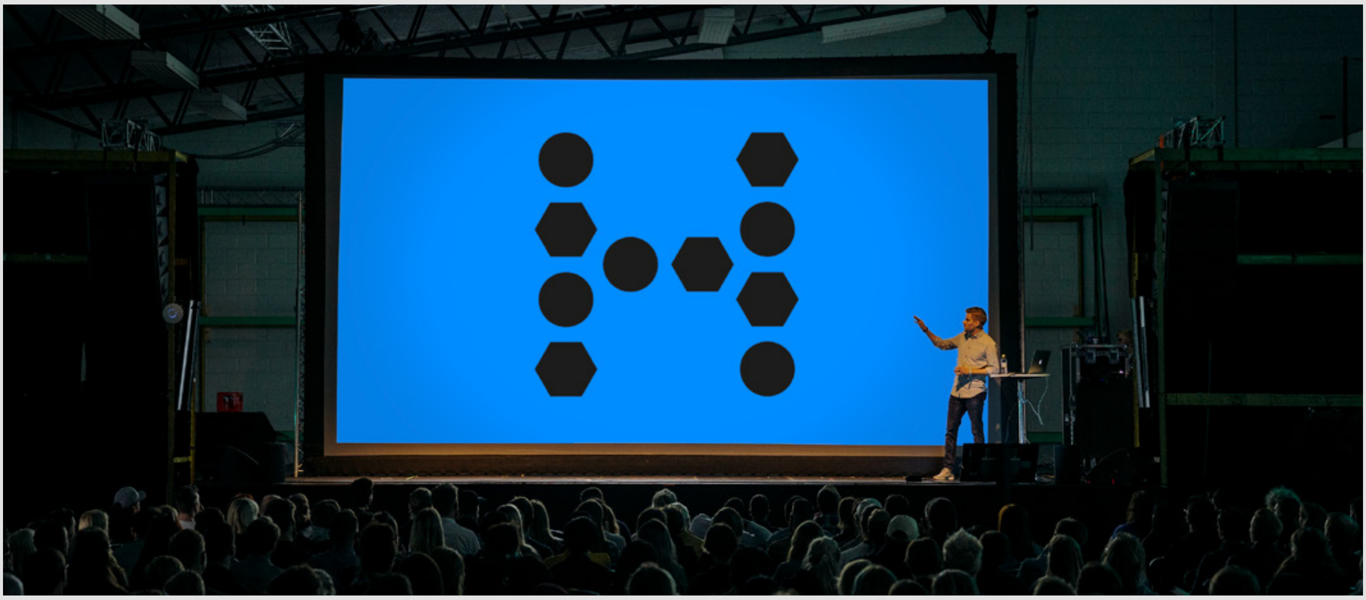
The Board of Directors is responsible for that the corporate governance statement on pages 79-85 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act/the Annual Accounts Act for Credit Institutions and Securities Companies/the Annual Accounts Act for Insurance Companies.

Öhrlings PricewaterhouseCoopers AB, Masthamnsgatan 1, 405 32 Gothenburg, was appointed auditor of Hexatronic Group AB by the general meeting of the shareholders on May 5th, 2022, and has been the company's auditor since the 18 December 2013.

Gothenburg April 4th 2023
Öhrlings PricewaterhouseCoopers AB
Johan Malmqvist
Authorized Public Accountant



The Annual General Meeting will be held at Världskulturmuseet in Gothenburg on 9 May 2023.

The AGM will be held at 3.00 pm on 9 May 2023 at Världskulturmuseet, Södra Vägen 54, 412 54 in Gothenburg. Shareholders who wish to participate in the AGM must be entered in the shareholders' register held by Euroclear Sweden AB by 28 April 2023 and have registered their participation in accordance with that stated in the notice to attend. The notice to attend will be published in April. Hexatronic will also offer shareholders the opportunity to vote in advance (postal voting) on the basis of temporary statutory rules. Visit the Hexatronic website at group.hexatronic.com for further information on rules on registration and voting etc.

Financial information

All financial information is published on Hexatronic's website: group.hexatronic.com. Financial reports can be ordered by e-mailing: ekonomi@hexatronic.com.

Press releases

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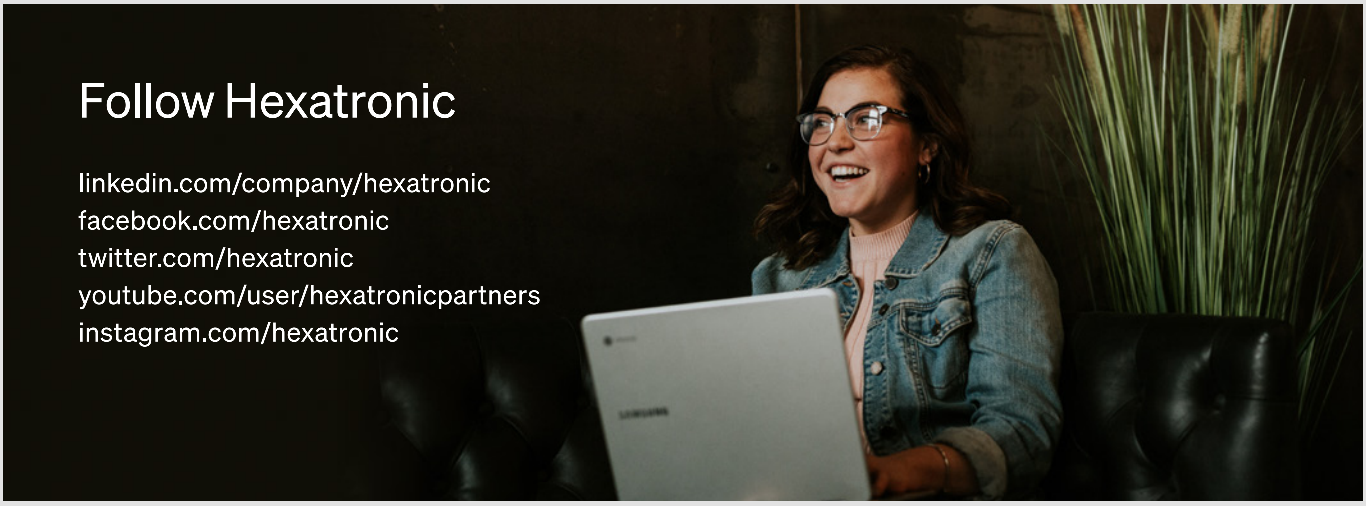
Financial calendar

Interim report January–March 2023	27 April 2023
AGM for the 2022 financial year	9 May 2023
Interim report April–June 2023	15 August 2023
Interim report July–September 2023	27 October 2023
Year-end report 2023	9 February 2024



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