

Hexatronic Group AB (publ)

Interim report January – June 2023

Continued growth, improved profitability and cash flow

Second quarter (April 1 – June 30, 2023)

- Net sales increased by 36 percent to MSEK 2,258 (1,662). Organic growth amounted to 7 percent.
- EBITA increased by 45 percent to MSEK 405 (278), corresponding to an EBITA margin of 17.9 percent (16.8).
- Operating profit (EBIT) increased by 43 percent to MSEK 377 (264), corresponding to an operating margin of 16.7 percent (15.9).
- Net profit increased by 37 percent to MSEK 259 (189).
- Earnings per share after dilution amounted to SEK 1.27 (0.93).
- Cash flow from operating activities amounted to MSEK 348 (176).

Events during the quarter

- Hexatronic signs agreement with new network operator in the US to a value of 20 MUSD.
- Hexatronic has signed an agreement to acquire Fibron, a leading OEM manufacturer of electro-optical cables for harsh environments, thereby strengthening the opportunities in the Harsh Environment market.
- Hexatronic initiated and completed a repurchase program of its own shares with support from the authorization from the annual general meeting on May 9, 2023. Within the framework of the program, all 1,200,000 ordinary shares were repurchased.
- Hexatronic initiates the share savings program (LTIP 2023) decided by the Annual General Meeting on May 9, 2023.

Events since the end of the quarter

- No significant events occurred after the end of the quarter.

Key ratio for the Group

	Q2			Jan-Jun			RTM	Full year
	2023	2022	Δ %	2023	2022	Δ %	2022/23	2022
MSEK								
Net sales	2,258	1,662	36%	4,373	3,050	43%	7,897	6,574
EBITA	405	278	45%	769	463	66%	1,397	1,090
EBITA-margin	17.9%	16.8%		17.6%	15.2%		17.7%	16.6%
Operating result (EBIT)	377	264	43%	717	435	65%	1,309	1,028
Net earnings	259	189	37%	483	309	56%	968	793
Earnings per share after dilution, SEK	1.27	0.93	36%	2.36	1.52	55%	4.72	3.89
Cash flow from operating activities	348	176		376	123		923	670
Liquid assets	677	317	114%	677	317	114%	677	552

Continued growth, improved profitability and cash flow

Hexatronic continued to grow during the second quarter. Sales increased by 36 percent, with 7 percent attributed to organic growth, and the EBITA margin expanded to 17.9 percent, surpassing our long-term targets of at least 20 percent sales growth and an EBITA margin within the range of 15-17 percent. At the same time, cash flow from operating activities developed positively due to reducing our inventories, and increased to SEK 348 million in the quarter.

North America continued to develop well and reached a sales growth of 58 percent driven by duct sales in Blue Diamond Industries and sales of our FTTH systems in the US and Canada. The factory in Clinton, South Carolina is gradually increasing its production and, as before, is expected to be fully operational in the latter part of the third quarter. The investment in a fourth duct factory in Ogden, Utah is proceeding according to plan and production is expected to start at the beginning of the third quarter of next year.

During the quarter, President Joe Biden announced the start of the Broadband Equity, Access and Deployment (BEAD) program in the United States, which is part of the Infrastructure Investment & Jobs Act (IIJA) passed in November 2021. It is a USD 42.5 billion federal investment to provide high-speed broadband access in areas with no or poor broadband access. The assessment is that these subsidies will begin to show effect in 2024. At the same time, we believe that IIJA will have a positive effect on demand for duct in the US over the next 7-8 years.

Europe, excluding Sweden, also developed well with growth of 47 percent, mainly driven by growth in the UK and Germany.

Sales in Sweden decreased by 28 percent as a natural consequence of a couple of large submarine cable projects delivered in the second quarter of last year and affecting the comparison. The underlying market was stable.

Sales in APAC grew by 7 percent, mainly due to the acquisition of KNET, which was consolidated from December 1, 2022.

Increased demand and the fact that the pandemic and the war in Ukraine created major problems in the supply chains meant that many customers secured their needs by placing orders with more forward planning. In recent years, our order book has increased from about two months of sales to about five months in 2022. Today, when supply chains

function normally, we see a change in customer behavior. In the second quarter, we have an order book about three months of sales and we expect it to decrease during the year to about two months of sales, which was normal before the pandemic. Above all, the normalized customer behavior, but also to some extent a softer market, meant a negative organic growth of the order book of 29 percent compared to the corresponding quarter last year.

In line with our focus, cash flow improved during the quarter. Improved profitability and active efforts to reduce our inventories resulted in a positive cash flow from operating activities of SEK 348 million. We have continued focus on reducing our inventories during the second half of the year.

During the quarter, we entered into a binding agreement to acquire Fibron in the UK. Fibron, like Rochester Cable, produces electro-optical cables for harsh environments and will be part of our business area Harsh Environment (fiber optic solutions for harsh environments), strengthening our position in Harsh Environment and providing further diversification. We also see several synergies with Rochester Cable through, among other things, complementary production capabilities, improved utilization rates and increased tendering capabilities.

During the quarter, we noted that growth in several of our geographical markets where we operate has been affected by increased interest rates and inflation, which means that customers have been more cautious in their investment decisions. Therefore, our assessment is that several of the markets will have lower or no growth in the second half of the year. We believe the lower growth rate is temporary as there is a significant structural need to expand and strengthen communication networks in many countries. Through our geographical spread, our diversification and the acquisitions we have made, we are well-positioned to continue to grow in the second half of the year, although at a lower rate than in the first half of the year.

Welcome to join us on our growth journey.

Henrik Larsson Lyon

President and CEO Hexatronic Group AB (publ)



Net sales and earnings

Second quarter (April 1 – June 30, 2023)

Net sales and growth

The Group's net sales during the second quarter increased by 36 percent to MSEK 2,258 (1,662). The organic growth in the quarter amounted to 7 percent and is primarily attributable to the development in the strategic growth markets of Great Britain, Germany and North America. Growth from acquisitions and structural changes amounted to 23 percent and is attributable to IDS, homeway, KNET and Rochester Cable. The exchange rate effects during the quarter amounted to 5 percent and are mainly driven by the weakening of SEK in relation to USD, GBP and EUR. The highest growth was achieved in North America, where sales grew by 58 percent in the quarter, which is explained by the duct sales in Blue Diamond Industries and the sale of our FTTH system in the USA and Canada. The growth in Sweden amounted to -28 percent as a natural consequence of a couple of large submarine cable projects delivered in the second quarter last year and affecting the comparison. Sales in APAC grew by 7 percent, which is primarily a result of the acquisition of KNET, which was consolidated as of December 1, 2022.

Analysis of change in net sales (MSEK)	Q2		Q2	
	2023	(%)	2022	(%)
Previous year's quarter	1,662	-	782	-
Organic growth	120	7%	466	60%
Acquisitions and structural changes	386	23%	365	46%
Exchange-rate effects	90	5%	49	6%
Current quarter	2,258	36%	1,662	112%

Geographical net sales (MSEK)	Q2	Allocation	Growth
	2023	(%)	(%)
Sweden	176	8%	-28%
Rest of Europe	1,099	49%	47%
North America	828	37%	58%
APAC and Rest of the world	156	7%	7%
Total	2,258	100%	36%

EBITA

EBITA increased 45 percent to MSEK 405 (278) in the quarter. The EBITA margin amounted to 17.9 percent (16.8). The improvement in margins is primarily an effect of both higher gross margin and lower operating costs in relation to revenue.

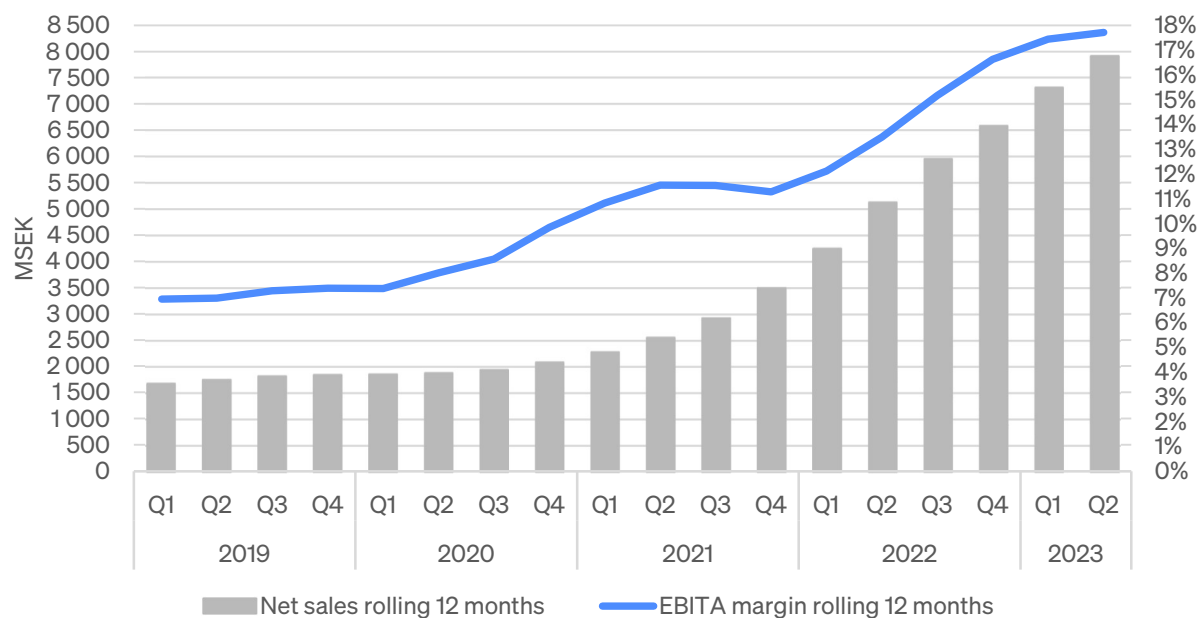
Financial items

Net financial items during the quarter amounted to MSEK -36 (-13), whereof net interest amounted to MSEK -51 (-7), realised and unrealised foreign exchange differences to MSEK 14 (-1) and other financial items to MSEK 1 (-5). Other financial items include revaluation of the additional purchase price of MSEK 2.

Result

Net earnings for the second quarter amounted to MSEK 259 (189) and earnings per share after dilution, increased by 36 percent and amounted to SEK 1.27 (0.93). Tax for the quarter was MSEK -82 (-63) which means the average effective tax rate for the Group was 24.1 percent (25.2) for the quarter.

Net sales (MSEK) and EBITA margin (%) since 2019, rolling 12 months



Cash flow and investments

Cash flow from operating activities during the quarter amounted to MSEK 348 (176), including a change in working capital of MSEK 38 (-136). The positive change in working capital is mainly explained by actively reduced inventory, offset by reduced accounts payable as a consequence of less purchases, and increased accounts receivable as a result of the group's growth.

During the quarter, cash flow from investing activities amounted to MSEK -208 (-138). Investments in intangible and tangible fixed assets amounted to MSEK -198 (-138), mainly driven by capacity investments in Sweden and the USA. Cash flow from business combinations after deduction of acquired liquid assets amounted to MSEK -10 (0).

During the quarter, cash flow from financing activities amounted to MSEK -4 (12), which mainly relates to borrowings MSEK 160, amortization of loan MSEK -51, repurchase of shares MSEK -81, and dividends paid MSEK -20.

Total cash flow for the period was MSEK 136 (51).

The period (January 1 – June 30, 2023)

Net sales and growth

The Group's net sales during the period January-June increased by 43 percent to MSEK 4,373 (3,050). Organic growth amounted to 15 percent and, like the quarter, is mainly driven by the strategic growth markets of Great Britain, Germany and North America. The growth from acquisitions and structural changes amounted to 23 percent and is attributable to IDS, homeway, KNET and Rochester Cable. The exchange rate effects during the period amounted to 6 percent and are primarily attributable to the weakening of the SEK in relation to the USD, GBP and EUR. Highest growth was achieved in North America, which is explained by the duct sales in Blue Diamond Industries and the sale of our FTTH system in the USA and Canada, where the company continues to experience good demand. Growth in Sweden was negative in the period as a natural consequence of a couple of larger submarine cable projects that were delivered during the corresponding period last year and affecting the comparison. Sales in APAC grew by 14 percent, which is primarily a result of the acquisition of KNET, which is consolidated from December 1, 2022.

Analysis of change in net sales (MSEK)	Jan-Jun 2023		Jan-Jun 2022	
	2023	(%)	2022	(%)
Previous year's quarter	3,050	-	1,417	-
Organic growth	455	15%	932	66%
Acquisitions and structural changes	700	23%	616	43%
Exchange-rate effects	168	6%	86	6%
Current quarter	4,373	43%	3,050	115%

Geographical net sales (MSEK)	Jan-Jun 2023	Allocation (%)	Growth (%)
Sweden	354	8%	-11%
Rest of Europe	2,097	48%	51%
North America	1,579	36%	65%
APAC and Rest of the world	342	8%	14%
Total	4,373	100%	43%

EBITA

EBITA increased 66 percent to MSEK 769 (463) in the period. The EBITA margin amounted to 17.6 percent (15.2). The improvement in margins is primarily an effect of both higher gross margin and lower operating costs in relation to revenue.

Financial items

Net financial items during the period amounted to MSEK -77 (-22), whereof net interest amounted to MSEK -79 (-13), realised and unrealised foreign exchange differences to MSEK 15 (-1) and other financial items to MSEK -12 (-8). Other financial items include a revaluation of additional purchase price of MSEK -8.

Result

Net earnings for the period amounted to MSEK 483 (309) and earnings per share after dilution, increased by 55 percent and amounted to SEK 2.36 (1.52). Tax for the period was MSEK -157 (-104) which means the average effective tax rate for the Group was 24.5 percent (25.3) for the period.

Cash flow and investments

Cash flow from operating activities during the period amounted to MSEK 376 (123), including a change in working capital of MSEK -302 (-371). The negative change in working capital is mainly explained by increased accounts receivable as a result of the group's growth compared to the previous year.

During the period, cash flow from investing activities amounted to MSEK -931 (-184). Investments of intangible and tangible assets amounted to MSEK -325 (-184). Investments in intangible and tangible fixed assets amounted to MSEK -198 (-138) mainly driven by capacity investments in Sweden and the USA. Cash flow from business combinations after deduction of acquired liquid assets amounted to MSEK -606 (0) and refers to the acquisition of Rochester Cable and payment of additional purchase price.

During the period, cash flow from financing activities amounted to MSEK 657 (-316), which refers to borrowings of MSEK 835 mainly linked to acquisitions and investments, amortization of loan MSEK -51, repurchase of shares MSEK -81, and dividends paid MSEK -20.

Total cash flow for the period was MSEK 102 (-376).

Liquidity and financial position

The Group's net debt

The Group's net debt amounted to MSEK 2,519 at the end of the reporting period compared to a net debt of MSEK 1,798 as of December 31, 2022. Debt ratio (net debt / EBITDA (pro forma), R12) as of June 30, 2023 was 1.5, compared to 1.3 as of December 31, 2022.

The Group's interest-bearing net debt, which corresponds to total net debt excluding lease liabilities, amounted to MSEK 2,087 as of June 30, 2023 compared to MSEK 1,359 on December 31, 2022.

Available funds

Available funds on June 30, 2023 including unutilized credit facilities, amounted to MSEK 1,384, compared to MSEK 2,150 as per December 31, 2022.

Equity

Equity as of June 30, 2023 amounted to MSEK 3,378, which corresponded to SEK 16.64 per outstanding share before dilution at the end of the reporting period, compared to MSEK 2,805 as of December 31, 2022.

The market

As data volumes continue to rise, the need for fiber network investment has become increasingly apparent. Data centers, including hyper-scale and co-location facilities, are emerging as key indicators of this trend, along with the need for edge computing where the data needs to be closer to users.

Technological advancements are accelerating rapidly, and our society is rapidly evolving. We can't predict the future, but we know we're moving towards a more online and interconnected world. This drives the rollout of high-performance communication networks, as individuals, companies, and communities require reliable and fast internet connections to thrive.

Today, a well-functioning fiber optic network is essential. The world's fiber network comprises international transport networks that link national and regional networks, backbone networks, and access networks (such as FTTH). The need for these transport networks constantly increases as new networks are established and existing ones are enhanced.

The expansion of 5G is expected to gather momentum in the coming years. 5G has many applications and can improve mobile telephony and broadband experiences. Additionally, industrial applications of 5G will create opportunities for streamlining and optimizing production processes. With the installation and densification of 5G antennas, there will be an increased demand for fiber. Many networks currently being built for FTTH are also being prepared for 5G, allowing for the installation of extra ducts to increase the number of fiber cables. This trend is creating a need for efficient installation solutions, trained personnel, and new applications for fiber optics.

Market Panorama, an annual report from the FTTH Council Europe, shows that the growth in the number of users between September 2021 and September 2022 in the EU27 including the UK, was 18 percent and that the Penetration rate (number of FTTH users/number of households in the country) in Germany and the UK remains at low levels with 7.0% and 11.1% respectively, compared to the EU average of 49.4 % and Sweden with 67.5%. Several reports and national forecasts show a continued strong demand for FTTH in Hexatronic's strategic growth markets (the UK, North America, and Germany) until 2028-2030, and likely beyond.

Acquisitions

Acquisitions during the quarter

During the quarter, Hexatronic entered into an agreement with Rubicon Partners to acquire Fibron BX, LTD ("Fibron"), a leading OEM manufacturer of electro-optical cables for harsh environments. The company is based in the UK, has 114 employees and reported an EBITDA result for 2022 of MGBP 4.3. The acquisition will further diversify Hexatronic's operations and strengthen the company's position in the Harsh Environment market.

The acquisition is subject to customary conditions of entry and regulatory approval under the National Security and Investment Act and is expected to close in the latter part of the third quarter of 2023.

Acquisitions during the year

Corporation/Company	Country	Consolidated from	Acquired share, %	EBITDA ¹⁾	Number of employees
Rochester Cable, Inc.	USA	2023-03-01	100%	Approx. 8 MUSD	152

¹⁾ Last reported full year

Sustainability

As a significant player in the global fiber network expansion sector, we recognize our pivotal role in achieving Agenda 2030 and adhering to the UN Global Compact's ten principles for sustainable enterprise. Collaborating with our employees, customers, and suppliers, we are committed to contributing to a more sustainable society.

At Hexatronic Group, we have chosen to focus on managing, developing, and improving six key areas of sustainability: Strong business ethics, Sustainable supply chain, Low climate impact, Diversity and gender equality, Social involvement, and Good health, safety, and working environment. Our Sustainability Roadmap guides us by outlining short-term (2-5 years) and long-term (10 years) objectives for each sustainability area, as well as identifying key activities to prioritize.

For further information on what Hexatronic has done and what sustainability work is planned by the Group, see Hexatronic's Annual and Sustainability Report 2022.

Other disclosures

Nature of operations

Hexatronic Group AB (publ) is an engineering group specialising in fibre communications. The Group delivers products and solutions for optical fibre networks and supplies a complete range of passive infrastructure for telecom companies, including related training.

The Group develops, designs, manufactures, and sells its own products and system solutions in combination with products from leading partners around the world. The Group conducts its own business through established companies in Sweden, Norway, Denmark, the UK, Germany, Netherlands, Belgium, Austria, Italy, Estonia, Latvia, Lithuania, China, New Zealand, Australia, South Korea, Indonesia, USA and Canada.

All amounts are presented in million Swedish kronor (MSEK) unless otherwise stated. The figures in parentheses refer to the previous year. Totals are based on integer numbers (kronor).

Customers

The Group's customers are mainly wholesalers, telecom operators, network owners, telecom companies, installers, and system houses.

Employees

There were 1,970 employees in the Group on June 30, 2023, to be compared with 1,696 employees as of December 31, 2022, and 1,361 employees as of June 30, 2022. The increase compared to the same period last year is mainly related to production personnel in Sweden, the UK and North America and the acquisitions of Impact Data Solutions Limited, homeway GmbH, KNET and Rochester Cable. Number of employees in acquired companies amounted to 357 people.

Parent company

The Parent Company's main business consists of performing Group-wide services. Revenue for the period January to June amounted to MSEK 62 (28) and the result after financial items was MSEK -109 (87). The change compared to the previous year is explained by negative currency effects on revaluations of receivables and liabilities in foreign currency.

Share structure

The company's share is listed in the Large Cap segment on Nasdaq Stockholm. At the end of the period the share capital amounted to MSEK 2.

Class of shares	Number of shares	Number of votes	Percentage of capital	Percentage of votes
Ordinary share, 1 vote per share	203,026,610	203,026,610	98.9%	99.9%
Class C share, 1/10 vote per share	2,297,040	229,704	1.1%	0.1%
Total number of shares before repurchases	205,323,650	203,256,314	100%	100%
Repurchased class C shares	-2,297,040		1.1%	0.1%
Total number of shares after repurchases	203,026,610			

Employee stock option programmes active at the time of this report's publication are:

Outstanding warrant programme	Number of warrantes	Corresponding Number of shares	Proportion of total Shares	Exercise price	Expiration period
Warrant programme 2021/2024	363,500	1,817,500	0.9%	37.93	15 May - 15 Jun -24
Warrant programme 2022/2025	502,500	502,500	0.2%	96.96	15 May - 15 Jun -25
Warrant programme 2023/2026	401,500	401,500	0.2%	96.20	15 May - 15 Jun -26
Total	1,267,500	2,721,500			

In addition to above warrant programmes, there are three ongoing long-term, performance-based incentive plans (LTIP 2021, 2022 and 2023) for 45 senior executives and other key employees in the Group who are resident in Sweden. The participants have invested 234,081 savings shares in total.

Under the LTIP, for each acquired Hexatronic share (savings share), participants can receive 2–6 shares in Hexatronic (performance shares) free of charge, assuming achievement of certain performance targets. To qualify for performance shares, participants must acquire and retain a number of Hexatronic shares for the whole of the three-year vesting period and must, with some exceptions, remain in employment during the same period. In

addition to the above conditions, performance shares also require certain performance targets to be met, linked to the development of the per-share earnings, the Group's growth and the growth in EBITA during the vesting period.

The targets relate to the 2021-2025 financial years. Hexatronic has judged that all the above conditions are non-market related conditions under IFRS 2.

The company's market value at the end of the period was MSEK 16 319. Based on data from Euroclear and subsequent known changes the number of shareholders was 68 646 at period end. The shareholder structure of Hexatronic Group AB (publ) on June 30, 2023 is shown in the table below.

Shareholder	No. of ordinary shares	Votes %
AMF Pension & Funds	16,830,611	8.3%
Swedbank Robur Funds	16,706,912	8.3%
Accendo Capital	12,207,134	6.0%
Handelsbanken Funds	11,545,161	5.7%
Jonas Nordlund, privately and corporately	11,499,062	5.7%
Chirp AB	8,929,360	4.4%
Vanguard	7,046,098	3.5%
Third AP fund	5,870,188	2.9%
Henrik Larsson Lyon	4,082,680	1.9%
Futur Pension	3,753,433	1.9%
Other shareholders	104,555,971	51.5%
Total outstanding shares	203,026,610	100.0%

Transactions with related parties

The Group rents premises from Fastighets AB Balder, in which the Group's board member Erik Selin has a significant influence. The rental contract has been entered under normal commercial conditions. The rent for the premises amounts to approximately MSEK 6.4 annually.

Significant risks and uncertainties

Like all business activities, Hexatronic's operation is associated with risks of various kinds. Continually identifying and assessing risks is a natural and integral part of the operation, enabling risks to be controlled, limited and managed proactively. The Group's ability to map and prevent risks minimises the likelihood of unpredictable events having an adverse impact on the business. The aim of risk management is not necessarily to eliminate the risk, but rather to safeguard set business goals with a balanced risk portfolio. Mapping, planning and management of identifiable risks supports the management in making strategic decisions. Risk assessment also aims to increase the entire organisation's risk awareness.

Several risk areas have been identified in Hexatronic's risk management process. Hexatronic has divided identified risks into operational and environmental risks, market risks and financial risks. A more detailed description of the Group's risks and risk management is provided in the Hexatronic Group Annual Report for 2022 on page 72-77.

We assess that the market for fiber expansion is to some extent affected by increased inflation and increasing financing costs for those who invest in fiber networks. However, our assessment is that it has a less negative effect on our customers and sees continued positive development during the year with both existing and new customers choosing Hexatronic as their partner.

Accounting policies

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

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

For full accounting policies, see the Annual Report for 2022.

Review

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

Other information

Presentation of the interim report

Henrik Larsson Lyon, CEO of Hexatronic Group and Pernilla Linden, CFO of Hexatronic Group, will present the interim report in a telephone conference webcast today, August 15, 2023 at 10:00 CEST.

Länk till webbsändning:

<https://tv.streamfabriken.com/hexatronic-q2-2023>

Länk för anmälan till telefonkonferens:

<https://conference.financialhearings.com/teleconference/?id=5003250>

Publication

This information comprises disclosures that Hexatronic Group AB (publ) must publish according to the Swedish Securities Market Act. The information was submitted for publication, under responsibility of the contact persons named below, on 15 August 2023 at 07:00 CEST.

Financial calendar

Interim Report July-September 2023: October 27, 2023

Year-End Report 2023: February 9, 2024

Please direct any questions to:

- Henrik Larsson Lyon, President and CEO, + 46 (0)70-650 34 00
- Pernilla Lindén, CFO, + 46 (0)70-877 58 32

This is a translation of the Swedish version of the interim report. When in doubt, the Swedish wording prevails.

The Board of Directors and President hereby confirm that this interim report provides a true and fair overview of the business, financial position and results of the Parent Company and the Group and describes significant risks and uncertainty factors with which the Parent Company and the companies forming the Group are faced.

Gothenburg, August 15, 2023

Anders Persson
Chairman

Erik Selin
Board member

Helena Holmgren
Board member

Jaakko Kivinen
Board member

Per Wassén
Board member

Charlotta Sund
Board member

Henrik Larsson Lyon
President and CEO

Consolidated income statement

(MSEK)	2023 Q2	2022 Q2	2023 Jan-Jun	2022 Jan-Jun	2022 Full year
Revenue					
Net sales	2,258	1,662	4,373	3,050	6,574
Other operating income	22	17	46	28	56
Total	2,281	1,678	4,419	3,078	6,630
Operating expenses					
Raw materials and goods for resale	-1,263	-956	-2,433	-1,766	-3,705
Other external costs	-265	-180	-506	-337	-735
Personnel costs	-280	-228	-584	-445	-955
Other operating expenses	-13	-1	-22	-1	-1
Depreciation of tangible assets	-55	-35	-103	-68	-146
Earnings before amortisation of intangible assets (EBITA)	405	278	769	463	1,090
Amortisation of intangible assets	-27	-14	-52	-27	-62
Operating result (EBIT)	377	264	717	435	1,028
Result from financial items					
Financial items, net	-36	-13	-77	-22	-11
Result after financial items	341	252	639	414	1,017
Income taxes	-82	-63	-157	-104	-224
Net result for the period	259	189	483	309	793
Attributable to:					
Parent Company shareholders	259	189	483	310	795
Non-controlling interest	-1	0	-1	-1	-2
Net result for the period	259	189	483	309	793
Earnings per share					
Earnings per share before dilution (SEK)	1.28	0.94	2.38	1.55	3.95
Earnings per share after dilution (SEK)	1.27	0.93	2.36	1.52	3.89
	2023	2022	2023	2022	2022
Consolidated statement of comprehensive income	Q2	Q2	Jan-Jun	Jan-Jun	Full year
Result for the period	259	189	483	309	793
Items which can later be recovered in the income statement					
Translation differences	256	132	225	186	293
Hedging of net investments	-72	-	-72	-	-
Tax attributable to items that can be returned to the income statement	15	-	15	-	-
Other comprehensive income for the period	198	132	168	186	293
Comprehensive income for the period	457	321	651	495	1,086
Attributable to:					
Parent Company shareholders	456	321	649	495	1,086
Non-controlling interest	1	0	2	0	0
Comprehensive income for the period	457	321	651	495	1,086

Consolidated balance sheet

(MSEK)	Note	2023-06-30	2022-06-30	2022-12-31
Assets				
Non-current assets				
Intangible assets		2,805	1,459	2,491
Tangible assets		2,094	1,290	1,630
Financial assets		6	2	4
Total non-current assets		4,905	2,750	4,124
Current assets				
Inventories		1,745	1,186	1,596
Account receivables		1,443	1,040	1,018
Other receivables		22	15	23
Prepaid expenses and accrued income		101	38	75
Liquid assets		677	317	552
Total current assets		3,988	2,595	3,264
TOTAL ASSETS		8,893	5,345	7,388
Equity				
Equity		3,378	2,148	2,805
Non-current liabilities				
Liabilities to credit institutions	4	2,613	1,155	1,811
Deferred tax		210	111	212
Non-current lease liabilities		362	360	372
Other non-current liabilities	5	477	163	430
Total non-current liabilities		3,661	1,789	2,825
Current liabilities				
Liabilities to credit institutions	4	152	100	100
Current lease liabilities		70	65	68
Overdraft facilities		-	-	-
Accounts payable		784	613	788
Provisions		13	5	14
Current tax liabilities		124	103	108
Other liabilities	5	270	195	330
Accrued expenses and deferred income		441	329	351
Total current liabilities		1,854	1,409	1,759
TOTAL EQUITY, PROVISION AND LIABILITIES		8,893	5,345	7,388

Consolidated statement of changes in equity

	Share Capital	Other capital contributions	Reserves	Hedging reserve	Result brought forward, including result for the period	Total	Non-controlling interests	Total equity
(MSEK)								
Balance brought forward as of 1 January 2022	2	904	33	0	703	1,642	5	1,648
Result for the period	-	-	-	-	795	795	-2	793
Other comprehensive income	-	-	291	-	-	291	2	293
Total comprehensive income	0	0	291	0	795	1,086	0	1,086
New shares related to employee stock option programme	0	20	-	-	-	20	-	20
Employee stock option programme	-	4	-	-	-	4	-	4
Share-based remuneration	0	-	-	-	9	9	-	9
New shares issue related to business acquisitions	0	10	-	-	-	10	-	10
Sale of shares linked to incentive program	-	-	-	-	17	17	-	17
Dividend paid	-	-	-	-	-20	-20	-	-20
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	0	32	32
Total transactions with shareholders, reported directly in equity	0	34	0	0	6	40	32	72
Balance carried forward as of 31 December 2022	2	938	325	0	1,503	2,768	37	2,805
Balance brought forward as of 1 January 2023	2	938	325	0	1,503	2,768	37	2,805
Result for the period	-	-	-	-	483	483	-1	483
Other comprehensive income	-	-	223	-57	-	165	2	168
Total comprehensive income	0	0	223	-57	483	649	2	651
New shares related to employee stock option programme	-	16	-	-	-	16	-	16
Employee stock option programme	-	2	-	-	-	2	-	2
Share-based remuneration	0	-	-	-	5	5	-	5
Repurchase of shares	-	-	-	-	-81	-81	-	-81
Dividend paid	-	-	-	-	-20	-20	-	-20
Total transactions with shareholders, reported directly in equity	0	18	0	0	-96	-78	0	-78
Balance carried forward as of 30 June 2023	2	956	547	-57	1,891	3,339	39	3,378

Consolidated statement of cash flow

(MSEK)	Note	2023 Q2	2022 Q2	2023 Jan-Jun	2022 Jan-Jun	2022 Full year
Operating result		377	264	717	435	1,028
Items not affecting cash flow	3	69	75	166	120	346
Interest received		2	0	3	0	2
Interest paid		-38	-7	-65	-13	-32
Income tax paid		-100	-20	-143	-49	-152
Cash flow from operating activities before changes in working capital		310	312	678	494	1,192
Increase (-)/decrease (+) in inventories		113	-66	50	-222	-610
Increase (-)/decrease (+) in accounts receivable		-46	-138	-299	-402	-239
Increase (-)/decrease (+) in operating receivables		-5	16	-20	4	38
Increase (+)/decrease (-) in accounts payable		-60	-9	-91	80	200
Increase (+)/decrease (-) in operating liabilities		36	61	58	168	89
Cash flow from changes in working capital		38	-136	-302	-371	-522
Cash flow from operating activities		348	176	376	123	670
Investing activities						
Acquisition of tangible and intangible assets		-198	-138	-325	-184	-479
Business combinations after deduction of acquired liquid assets		-10	0	-606	0	-625
Change in financial assets		0	0	0	0	0
Cash flow from investing activities		-208	-138	-931	-184	-1,104
Financing activities						
Borrowings		160	97	835	97	791
Amortisation of loans		-51	-50	-51	-377	-464
Amortisation of lease liabilities		-22	-19	-42	-36	-74
Changes in overdraft facilities		-6	-16	-	-	-
New share issues for the period		-	20	-	20	20
Sale of shares		-	-	-	-	17
Repurchase of shares		-81	-	-81	-	-
New shares related to employee stock option programme		16	-	16	-	-
Dividend paid		-20	-20	-20	-20	-20
Cash flow from financing activities		-4	12	657	-316	271
Cash flow for the period		136	51	102	-376	-164
Liquid assets at the start of the period		509	258	552	675	675
Exchange rate difference in liquid assets		32	8	23	18	40
Liquid assets at the end of the period		677	317	677	317	552

Key metric for the Group

	2023	2022	2023	2022	2023	2022
	Q2	Q2	Jan-Jun	Jan-Jun	Q2, R12	Full year
Growth in net sales	36%	112%	43%	115%	54%	88%
EBITA margin	17.9%	16.8%	17.6%	15.2%	17.7%	16.6%
EBITA margin, 12 months rolling	17.7%	13.5%	17.7%	13.5%	17.7%	16.6%
Operating margin	16.7%	15.9%	16.4%	14.3%	16.6%	15.6%
Equity asset ratio	38.0%	40.2%	38.0%	40.2%	38.0%	38.0%
Earnings per share before dilution (SEK)	1.28	0.94	2.38	1.55	4.77	3.95
Earnings per share after dilution (SEK)	1.27	0.93	2.36	1.52	4.72	3.89
Net sales per employee (SEK thousand)	1,171	1,243	2,338	2,248	4,655	4,598
Result per employee (SEK thousand)	134	141	258	228	570	556
Quick asset ratio	121%	100%	121%	100%	121%	95%
Average number of employees	1,929	1,337	1,871	1,357	1,697	1,430
Number of shares at period end before dilution	203,026,610	199,826,650	203,026,610	199,826,650	203,026,610	203,026,610
Average number of shares before dilution	203,026,610	199,826,650	203,026,610	199,826,650	202,751,875	201,151,897
Average number of shares after dilution	204,602,920	203,166,299	204,773,880	203,166,299	204,584,625	203,996,888

For definition of key metric, see the section Definition alternative key metrics.

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

Parent Company income statement

(MSEK)	2023 Jan-Jun	2022 Jan-Jun
Revenue		
Net sales	62	28
	62	28
Operating expenses		
Other external costs	-64	-43
Personnel costs	-35	-26
Other operating expenses	0	-
Depreciation of tangible assets	0	0
	-38	-40
Earnings before amortisation of intangible assets (EBITA)		
Amortisation of intangible assets	-2	0
	-39	-41
Operating result (EBIT)		
Result from financial items		
Financial items, net	-70	128
	-109	87
Result after financial items		
Appropriations	-	-
	-109	87
Result before tax		
Income taxes	30	-3
	-79	84
Net result for the period		

Total comprehensive income is the same as net result for the period in the parent company since there is nothing accounted for as other comprehensive income.

Parent Company balance sheet

(MSEK)	2023-06-30	2022-06-30	2022-12-31
Assets			
Intangible assets	5	11	8
Tangible assets	1	0	1
Financial assets	4,156	2,486	3,699
Total non-current assets	4,161	2,498	3,708
Current receivables			
Receivables from Group companies	437	231	266
Current tax receivables	30	-	-
Other receivables	1	1	10
Prepaid expenses and accrued income	9	19	6
Total current receivables	477	250	282
Cash and bank balances	119	55	42
Total current assets	595	1,245	324
TOTAL ASSETS	4,757	2,803	4,032
Equity	957	1,026	1,116
Untaxed reserves	29	24	29
Non-current liabilities			
Liabilities to credit institutions	2,600	1,155	1,798
Other non-current liabilities	461	112	413
Total non-current liabilities	3,061	1,268	2,211
Current liabilities			
Liabilities to credit institutions	152	100	100
Accounts payable	8	8	18
Liabilities to Group companies	455	305	367
Current tax liabilities	-	5	3
Other liabilities	52	30	150
Accrued expenses and deferred income	42	37	38
Total current liabilities	710	485	676
TOTAL EQUITY, PROVISIONS AND LIABILITIES	4,757	2,803	4,032

Notes

Note 1 Revenue

January-June 2023					
Geographical markets	Sweden	Rest of Europe	North America	APAC/ Rest of the world	Total
Revenue from external customers	354	2,097	1,579	342	4,373
Category					
Goods	335	1,930	1,520	340	4,124
Services	19	167	59	3	248
Total	354	2,097	1,579	342	4,373
Time for revenue recognition					
At a given time	335	1,930	1,520	340	4,124
Over time	19	167	59	3	248
Total	354	2,097	1,579	342	4,373
January-June 2022					
Geographical markets	Sweden	Rest of Europe	North America	APAC/ Rest of the world	Total
Revenue from external customers	399	1,390	959	301	3,050
Category					
Goods	376	1,346	940	300	2,962
Services	23	44	19	2	88
Total	399	1,390	959	301	3,050
Time for revenue recognition					
At a given time	376	1,346	940	300	2,962
Over time	23	44	19	2	88
Total	399	1,390	959	301	3,050

Note 2 Business acquisitions

Acquisitions 2023

On March 3, 2023, the Group completed the asset purchase agreement to acquire all business activities of Rochester Cable for a fixed purchase price of MUSD 55 (excluding ND/NWC adjustment of MUSD -4.5).

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.

Preliminary Purchase price (MSEK)	
Liquid assets	529
Total purchase price	529
Recognised amounts for identifiable acquired assets and taken-over liabilities	
Tangible assets	165
Customer contracts and Customer relations	108
Accounts receivable	77
Inventory	142
Other payables	-104
Total identifiable net assets	387
Non-controlling interests	-
Goodwill	142

Acquisition-related costs of MSEK -12 are included in other external costs in the consolidated statement of comprehensive income for the 2023 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to MSEK 529. Goodwill is attributable to the added earning capacity the company is expected to bring.

The fair value of accounts receivable totals MSEK 77. Doubtful accounts receivable amount to MSEK 2 and are reserved.

The total value of goodwill is tax deductible.

Acquisitions 2022

On September 1, 2022, 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). On October 1, 2022, the group acquired 90 % of the share capital in Impact Data Solutions Ltd for a purchase consideration of MGBP 19.6 (MSEK 243.7). Finally, the group acquired 100 % of the share capital in KNET on December 1, 2022, for a fixed purchase consideration of MUSD 48 MUSD (excluding ND/NWC adjustment of MUSD -1.6) 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 used. The acquisition is therefore recognized at 100 % and no non-controlling interests have been entered. The expected purchase price for the remaining 10 percent is recognised 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	745
Contingent purchase consideration (not paid)	404
Equity instruments (88,429 shares)	10
Holdback purchase consideration (not paid)*	-
Option to buy remaining 10 % of Impact Data Solutions Ltd (not paid)	43
Total purchase price	1,201

*Has been regulated in Q1 2023

Recognised amounts for identifiable acquired assets and taken-over liabilities

Liquid assets	112
Tangible assets	62
Customer contracts and Customer relations	97
Trademark	37
Other intangible assets	7
Financial assets	7
Accounts receivable	185
Inventory	60
Other receivables	72
Financial liabilities	-51
Other payables	-239
Total identifiable net assets	349
Non-controlling interests	-32
Goodwill	883

Acquisition-related costs of MSEK -11 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 633. 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 for homeway GmbH based on gross profit in the period 2022 – 2025, MSEK 56 for Impact Data Solutions Ltd based on EBITDA for 2022 and maximum MSEK 390 for KNET based on EBITDA for 2023–2025. The conditional purchase price for Impact Data Solutions LTD was paid during Q1 2023.

The fair value of accounts receivable totals MSEK 185 No accounts receivable is deemed to be doubtful.

No part of the goodwill is tax deductible.

Net sales of MSEK 110 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 20 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 3 Items not affecting cash flow

(MSEK)	2023 Q2	2022 Q2	2023 Jan-Jun	2022 Jan-Jun	2022 Full year
Depreciation/amortisation	82	49	156	95	208
Revaluation of incentive programmes	-14	7	-3	7	45
Change obsolescence reserve inventory	3	14	14	14	70
Other provisions	2	1	2	1	11
Exchange rate differences	-4	3	-2	3	2
Other	0	2	-1	1	11
Total	69	75	166	120	346

Note 4 Liabilities to credit institutions

(MSEK)	2022-12-31	Cash flow		Items not affecting cash flow			2023-06-30
		Borrowings	Amortisation of loan	Reclass-ification	Currency effects	Cost of financing	
Non-current liabilities to credit institutions	1,811	835	-51	-52	72	-2	2,613
Current liabilities to credit institutions	100	-	-	52	-	-	152
Total	1,911	835	-51	0	72	-2	2,764

Note 5 Financial liabilities valued at fair value via the income statement

(MSEK)	2023-06-30	2022-06-30	2022-12-31
Additional purchase price	569	238	621

Reconciliation between IFRS and key metrics used

In this interim report, Hexatronic presents certain financial parameters that are not defined in IFRS known as alternative key metrics. The Group believes that these parameters provide valuable supplementary information for investors as they facilitate an evaluation of the company's results and position. Since not all companies calculate financial parameters in the same way these metrics are not always comparable with those used by other companies. Investors should see the financial parameters as a complement to rather than a replacement for financial reporting in accordance with IFRS.

Organic growth, MSEK, %	Q2 2023	Jan-Jun 2023	Full year 2022
Net sales	2,258	4,373	6,574
Exchange-rate effects	-90	-168	-255
Acquisition driven	-386	-700	-990
Comparable net sales	1,782	3,505	5,329
Net sales corresponding period previous year	1,662	3,050	3,492
Organic growth	120	455	1,838
Organic growth %	7%	15%	53%
Annual growth, rolling 12 months, %	Q2 2023	Q2 2022	Full year 2022
Net sales rolling 12 months	7,897	5,125	6,574
Annual growth, rolling 12 months	54%	101%	88%
Quick asset ratio, %	2023-06-30	2022-06-30	2022-12-31
Current assets	3,988	2,595	3,264
Inventories	-1,745	-1,186	-1,596
Current assets - inventories	2,244	1,409	1,668
Current liabilities	1,854	1,409	1,759
Quick asset ratio	121%	100%	95%
Core working capital, MSEK	2023-06-30	2022-06-30	2022-12-31
Inventories	1,745	1,186	1,596
Accounts receivable	1,443	1,040	1,018
Accounts payable	-784	-613	-788
Core working capital	2,405	1,613	1,827

Net debt, MSEK	2023-06-30	2022-06-30	2022-12-31
Non-current liabilities to credit institutions	2,613	1,155	1,811
Current liabilities to credit institutions	152	100	100
Overdraft facilities	-	-	-
Liquid assets	-677	-317	-552
Interest-bearing net debt	2,087	939	1,359
Non-current lease liabilities	362	360	372
Current lease liabilities	70	65	68
Total net debt	2,519	1,363	1,798

EBITDA and EBITDA (proforma) R12, MSEK	Q2 2023	Q2 2022	Full year 2022
Operating result (EBIT), R12	1,309	639	1,028
Amortisation of intangible assets, R12	87	51	62
EBITA, R12	1,397	691	1,090
Depreciation of tangible assets, R12	181	124	146
EBITDA, R12	1,578	815	1,235
EBITDA (proforma), R12	1,725	839	1,367

Debt ratio	Q2 2023	Q2 2022	Full year 2022
Total net debt	2,519	1,363	1,798
EBITDA (proforma), R12	1,725	839	1,367
Total net debt / EBITDA (proforma), R12	1.5	1.6	1.3

Definition alternative key metrics

Gross profit margin

Net sales minus raw materials and merchandise, as a percentage of net sales.

EBITDA (proforma), R12

Rolling 12 month reported EBITDA plus proforma acquired EBITDA, before entry.

EBITA

Earnings before amortisation of intangible assets.

EBITA margin

Earnings before amortisation of intangible assets as a percentage of net sales.

EBIT (operating result)

Earnings before interest and taxes.

Operating margin

Earnings before interest and taxes as a percentage of net sales.

Equity asset ratio

Total equity as a percentage of total assets.

Number of shares

Number of outstanding shares at the end of the period.

Organic growth

Changes in net sales excluding exchange-rate effects and acquisitions compared with the same period last year.

Acquisition-driven growth

Acquisition-driven growth is based on net sales from acquired operations during the following 12 months after the acquisition date.

Annual growth

Average annual growth is calculated as the Group's total net sales during the period compared to the same period last year.

Quick asset ratio

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

Core-working capital

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

Net debt

Interest-bearing liabilities, including lease liabilities, minus liquid assets.

Debt ratio

Net debt through EBITDA (proforma).

Average number of outstanding shares

Weighted average of the number of outstanding shares during the period.

Average number of outstanding shares after dilution

Number of outstanding shares at the end of the period plus the number of shares that would be added if all dilutive potential shares were converted.

Earnings per share before dilution

Earnings attributable to Parent Company shareholders as a percentage of average number of outstanding shares before dilution.

Earnings per share after dilution

Earnings attributable to Parent Company shareholders as a percentage of average number of outstanding shares after dilution.

Equity per share

Total equity divided by the number of shares at the end of the period.

Number of employees

Number of employees at the end of the period.

This is Hexatronic

Hexatronic Group AB (publ) 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.

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