Annual and Sustainability Report 2023

Hexatronic Group

Fiber is all around

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.

1,961
Employees

37
Operating entities

HQ in Sweden

Focus areas:

Fiber Solutions
Harsh Environment
Data Center
Wireless

Key markets:

North America
Germany
United Kingdom
Nordics

Every care has been taken to the translation of this Annual Report. In the event of discrepancies, the Swedish original will supersede the English translation.

Growth in new strategic focus areas compensated for a weaker market in Fiber Solutions

2023 was a year of extremes. In the year's first half, we reported the strongest sales figures ever, achieving an organic sales growth of 15 percent and an EBITA margin of 17.6 percent. In the second half of the year, we navigated a challenging market in Fiber Solutions, primarily driven by a macro environment with higher interest rates and cost inflation, impacting the willingness to invest. We responded to the weaker demand by working down inventory levels and taking a difficult but necessary decision to initiate a cost reduction program. We have also made important acquisitions in the strategic focus areas of Harsh Environment and Data Center to strengthen our diversification further. Overall, this resulted in a strong operating cash flow, sales growth of 24 percent, and an EBITA margin of 15.1 percent for the financial year 2023.

Continued diversification through expansion into new strategic focus areas provides the basis for continued growth and resilience.

A challenging but active year for Fiber Solutions

We had a strong start to 2023, when many of our competitors experienced a challenging market, which is an important testament to our strong system offering and customer focus. While the second half of the year reflected a more challenging environment for us in Fiber Solutions, it is gratifying that we continue to grow our system sales in the strategic growth markets of North America, Germany, and the UK.

Over the past two years, we have made historically significant investments to expand our production capacity in Fiber Solutions. In 2023, the duct factory in Clinton, South Carolina was completed. In addition, the expansion of the duct factory in Ogden, Utah, was initiated. The plant is expected to be completed in the third quarter of 2024 and will open an important market for us in the western US. Moving forward, we expect to grow for several years without major investments in Fiber Solutions.

Good progress in the diversification journey

During the year, we implemented essential growth initiatives, not least in our new strategic focus areas, Harsh Environment and Data Center. For Harsh Environment, the focus is on application areas such as energy and defense, while the market for Data Centers is primarily driven by developments in AI and the need for increased data capacity. These two areas are, therefore, important complements to Fiber Solutions. During the fourth quarter, Harsh Environment and Data Center accounted for about one-third of the Group's sales.

During the year, we completed the acquisition of Rochester Cable and later acquired Fibron Cable, both active in the market for dynamic cables for harsh environments. The synergies between Rochester Cable and Fibron Cable include complementary production capabilities, improved utilization rates, and increased tendering capabilities, further strengthening the company's position in Harsh Environment. In Data Center, USNet, which operates in project management, installation, and rebuilding of data centers in the US, was acquired. The company complements the Group's existing company, DCS, in the US market.

New targets for our climate actions

All employees have been trained and signed our Code of Conduct. One of the major milestones of the year

was joining the Science Based Targets initiative (SBTi), which means we are committed to setting sufficiently ambitious targets to reduce our greenhouse gas emissions in line with the latest climate science and the Paris Agreement's goal of limiting global warming to 1.5 degrees Celsius. In 2023, we also presented the first Hexatronic Sustainability Award to Hexatronic Cables & Interconnect and homeway, marking a substantial milestone in our efforts to celebrate and share inspiration from sustainability initiatives driven by our Group subsidiaries.

Strong financial position and cash flows

Despite a weaker market in Fiber Solutions in the second half of the year, cash flow from operating activities amounted to MSEK 944 for the year. These reassuring figures confirm the success of our efforts to gradually reduce our working capital. As a result, we have maintained a solid financial position during the year. Our leverage ratio, measured in interest-bearing net debt (i.e., excluding IFRS 16) in relation to pro forma EBITDA on a rolling 12-month basis, amounted to 1.4x. This continues to give us important financial flexibility in our growth journey.

Well-positioned for the future

Fiber optic networks are a critical infrastructure, and deployment rates are still low in our strategic growth markets of the US, Germany, and the UK. Therefore, we see underlying solid structural drivers supporting the deployment globally. We estimate a gradual increase in market demand for Fiber Solutions during the second half of 2024. We expect market demand in Harsh Environment and Data Center to be strong in 2024. As stated earlier, our investment and acquisition rate will be lower in 2024 and primarily focused on Harsh Environment and Data Center.

Backed by major capacity investments, a competitive system offering, and wide geographical differentiation, we are well-positioned for future growth when the market turns. The fact that we continue to expand our offer to new strategic focus areas, Harsh Environment and Data Center, both with underlying solid drivers, gives us further competitive advantages and diversification moving forward.

Welcome to join us on our growth journey!

Henrik Larsson Lyon
President and CEO, Hexatronic Group

Strengthened diversification

Challenging second half of the year within Fiber Solutions, and continued expansion in new areas summarizes 2023.

Pernilla Lindén, CFO, Hexatronic Group AB

8,150
SALES MSEK

15.1%
EBITA MARGIN

Financial summary

	2023	2022
Net sales, MSEK	8,150	6,574
Earnings before interest, taxes and amortization of intangible assets (EBITA), MSEK	1,234	1,090
EBITA margin, %	15.1	16.6
Operating result (EBIT), MSEK	1,122	1,028
Net earnings, MSEK	846	793
Total assets, MSEK	8,733	7,388
Cash flow from operating activities, MSEK	944	670
Earnings per share after dilution, SEK	4.17	3.89

Challenging second half of the year within Fiber Solutions, and continued expansion in new areas summarizes 2023. With acquisitions during the year, we have continued to grow our businesses in Harsh Environment and Data Center to further strengthen our diversification, which on a rolling 12-month basis (proforma) amounts to almost 25 percent of our revenue.

The year in brief

Investments

- In March 2023, 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 half of 2024.

Significant orders

- In April 2023, Hexatronic signed an one-year Strategic partner agreement, with extension possibilities, with a network operator in the US to a value of 20 MUSD. The agreement covers the complete end-to-end Hexatronic Fiber-to-the-home (FTTH) passive system solution.

Acquisitions

- On March 3rd 2023, Hexatronic completed the acquisition of Rochester Cable in the US after having received regulatory approval.
- On August 18th 2023, Hexatronic completed the previously announced acquisition of Fibron BX in the UK. Fibron BX is a leading OEM manufacturer of electro-optic cables for harsh environments which strengthens the company's position in the Harsh Environment market.
- On September 1st 2023, Hexatronic acquired ATG Technology Group Limited, a strategic acquisition of a distributor within fiber optic solutions in the New Zealand market.
- On October 1st 2023, Hexatronic acquired USNet and strengthens its position in the US data center market with a broader range of services and cross-selling opportunities.

Other

- In February 2023, Hexatronic adjusted the profitability target to an EBITA margin of 15 percent to 17 percent over a business cycle. The previous set profitability target was at least 12 percent EBITA margin over a business cycle.
- In September 2023, Hexatronic provided an update due to softer market conditions primarily in the US and Germany, and foresees a negative organic sales growth during the second half of 2023. The EBITA margin is expected to be in line with the financial target of 15–17 percent during the second half of 2023.
- In November 2023, Hexatronic entered into a new senior term loan facility agreement of MSEK 500 with its existing lenders.
- In November 2023, Hexatronic downgraded short-term outlook and expects that the EBITA margin, excluding restructuring costs, will amount to 12–14 percent for the second half of 2023. Furthermore, the company initiated a cost savings program that is expected to result in annual savings of approximately MSEK 90.

Events since the end of the period

- Board of Directors proposes to the Annual General Meeting that no payment of dividend will be made for the financial year 2023.
- The Nomination Committee in Hexatronic Group AB (publ) has informed the company that they intend to propose that Magnus Nicolin shall be elected as the new Chairman of the Board at the Annual General Meeting on 7 May 2024. Anders Persson has informed the Nomination Committee that he intends to step down from his position as Chairman if the Nomination Committee finds a suitable candidate for the position.

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 percent over a business cycle.
- EBITA margin (earnings before amortisation of intangible assets) of 15-17 percent over a business cycle.

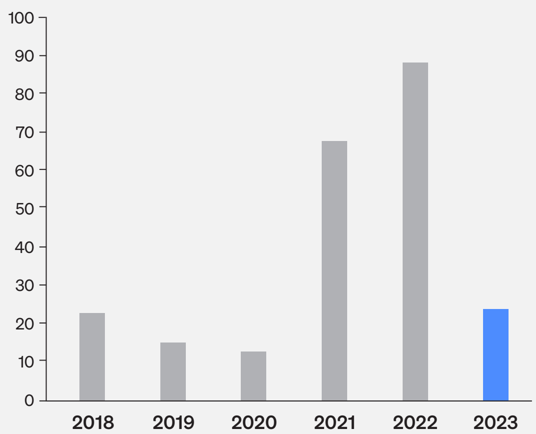
Our sustainability targets

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 three prioritized sustainability areas Planet, People and Ethics.

Our 2030 targets include:

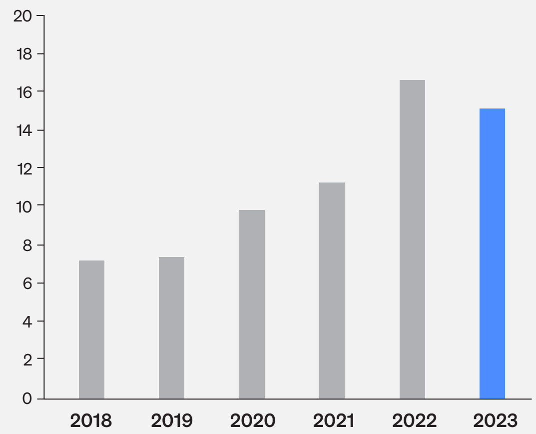
- Continue to maintain strong business ethics.
- Become a climate neutral business within our own operations, and declare the climate footprint for most of our products.
- Secure a sustainable supply chain with regard to the environment, human rights, fair employment conditions, a good working environment, 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, %

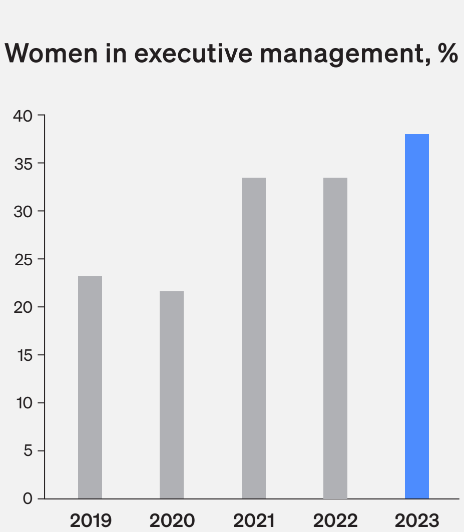


Target: at least 20% over a business cycle

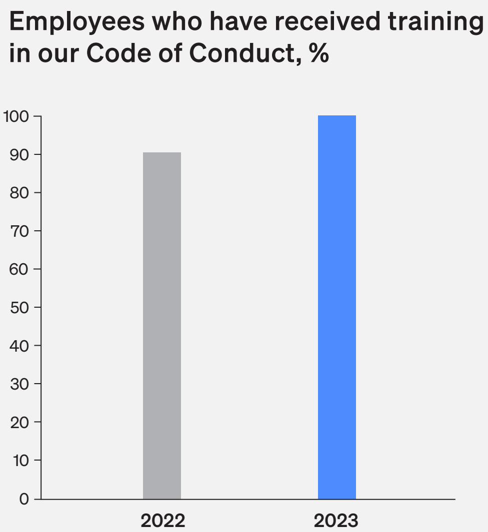
EBITA margin, %



Target: 15-17% over a business cycle



Target 2023: 30%



Target 2023: 100%

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, future proof 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). Labor cost accounts for more than 80 percent of the total deployment project 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

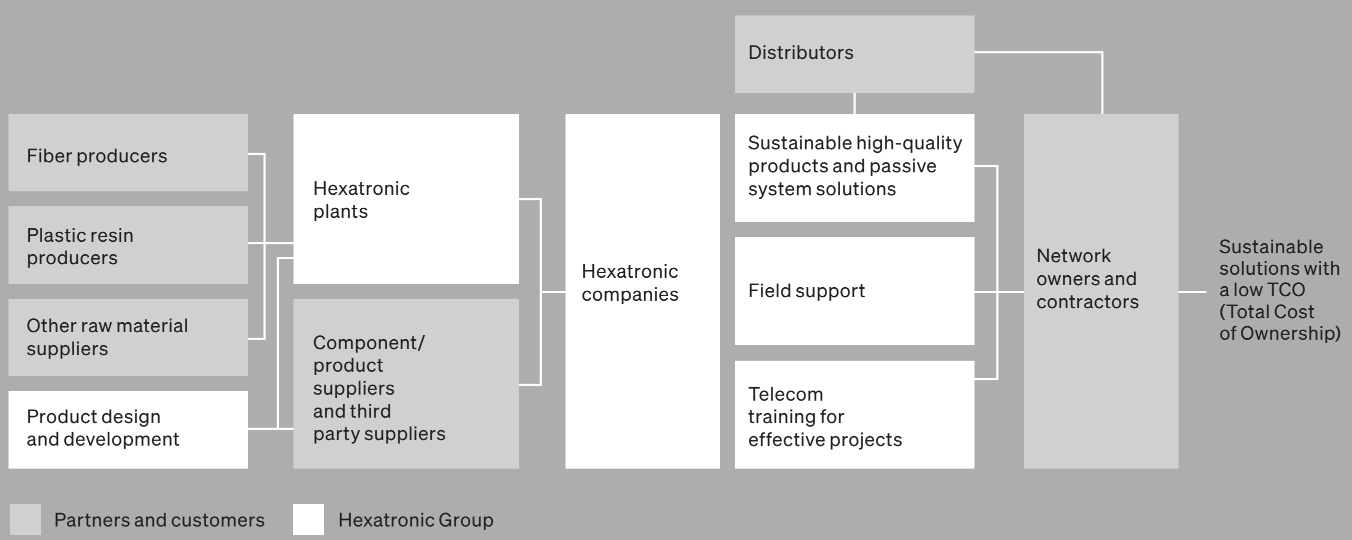
Design and product development are pivotal aspects of our operation. Our strong presence in customer projects, in which field support plays a vital part, provides valuable, relevant input to the development processes.

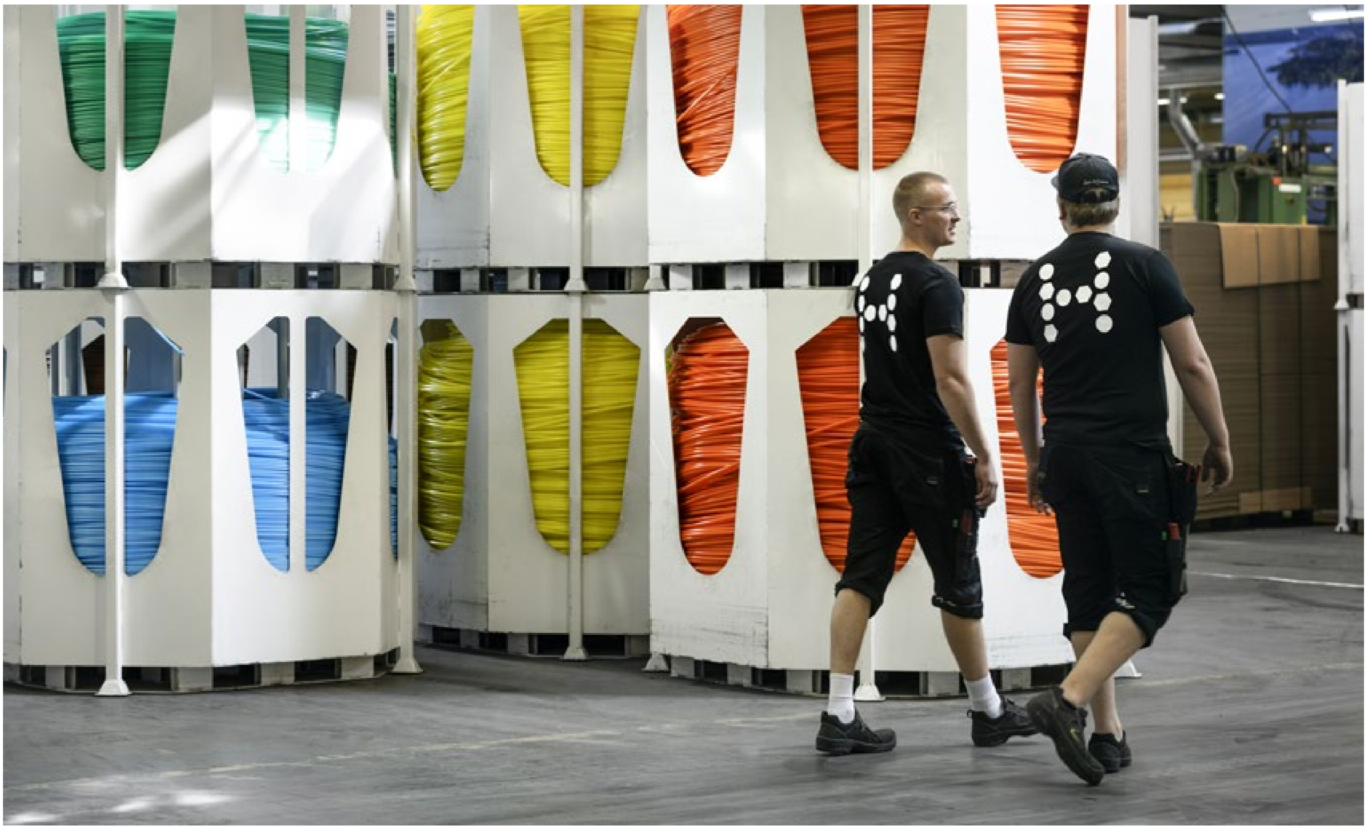
In-house development also allows us to put extra emphasis on creating products with a low environmental impact. We design products and assemble them into high-quality systems with a long lifespan. Our ambition is to always offer products that are easy and efficient to install.

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 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' 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

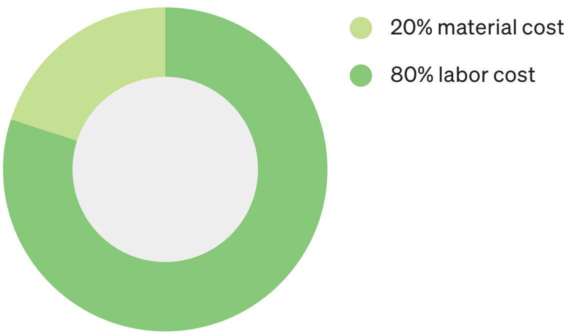
Hexatronic offers field support, which means practical support at the project sites. This could for instance be hands-on guidance, support in challenging situations, problem-solving or advising on appropriate solutions.

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 aim to grow our business in Harsh Environment and Data Center substantially in the coming years.

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**
- **Harsh Environment**
- **Data Center**
- **Wireless**

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 three prioritized sustainability areas in our work.


STINGRAY
Instructions

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, Data Center and Wireless.

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

The new digital landscape demands increased data volumes. Fiber networks have become the backbone of the world. 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 compact design of nano cables and 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.

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. 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 knowing 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

In today's world, connectivity is critical, even in the most demanding environments. Fiber solutions are often preferred due to their lighter weight, higher data transfer capability, and inherent ruggedness to operate in extreme conditions. Industrial companies increasingly adopt fiber connections to monitor and optimize data transfer, and many sectors want to exploit the benefits of fiber optical sensing systems. Our customers are technology leaders operating globally within the defense, naval, aerospace, oil and gas, energy generation, offshore, industrial, and broadcast markets.

Extreme temperatures, pressure, moisture, sand and dust, shock, and vibration are some of the challenges faced in harsh environments. These conditions can be due to location in arduous climates or created by the industrial process and customized solutions are essential to ensure efficient connectivity.

Our services include advanced sensor systems for control and monitoring, robust industrial connectorized solutions for secure information transfer, armored working cables, electro optical cables for energy and data transmission for the offshore industry. In almost all our working cables, we have built-in fibers enabling divers and ROVs (Remotely Operated Vehicles) to transmit high-quality live feed from deep below sea level.

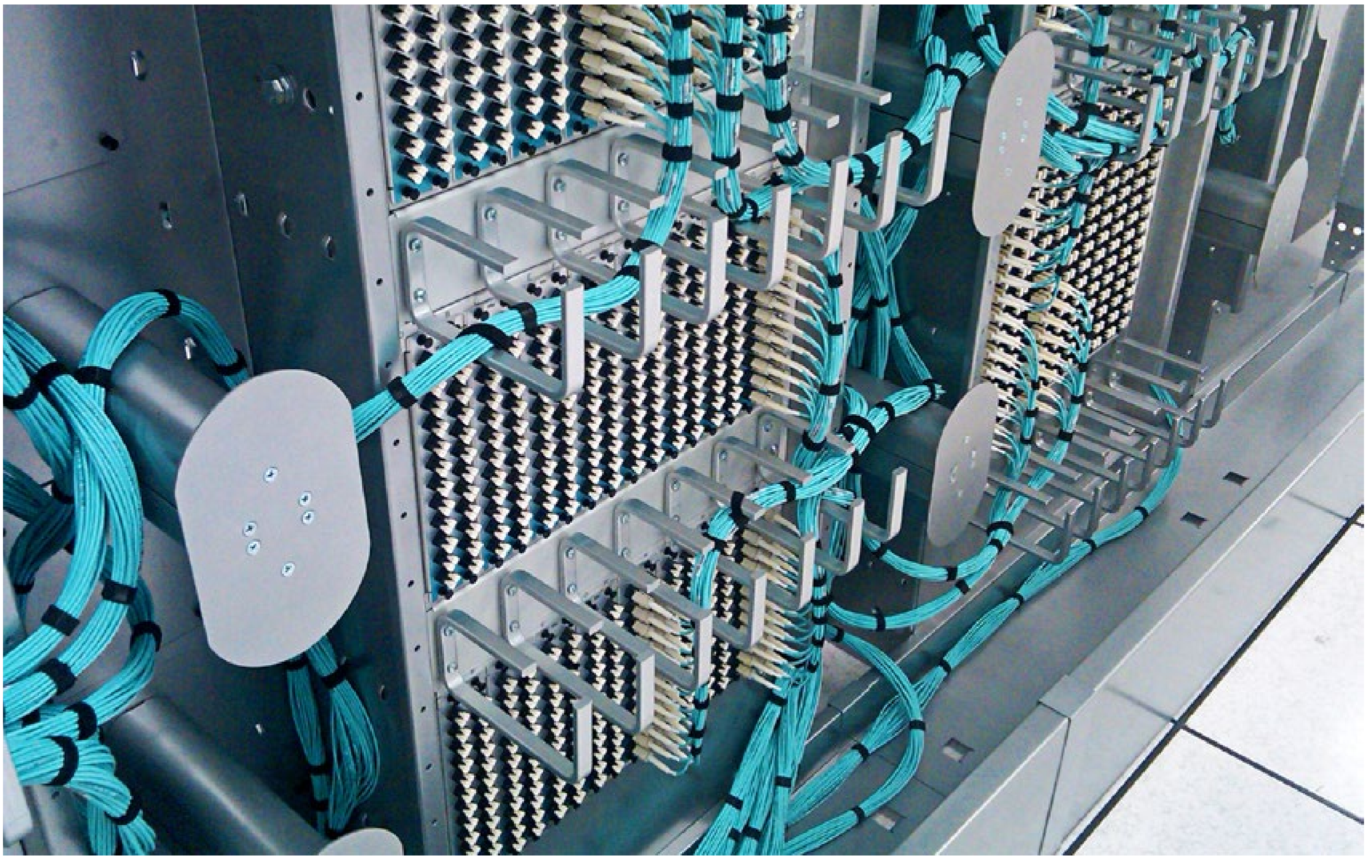
Several companies within Hexatronic Group provide optical solutions for harsh environments. The collective expertise and specialized products from Hexatronic Norway, Hexatronic Rochester Cable, Fibron Cable, Proximion and TechOptics provide a solid foundation to serve customers with tailored solutions for their specific requirements. We operate at the leading-edge of technology, working closely with our customers in 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 inert to external environmental factors, has a far higher resolution, a smaller foot-print, and a lower weight. Our customers are keen to exploit significant opportunities to increase the efficiency afforded by our fiber optical sensing systems to monitor, analyze, and optimize their industrial processing and control.

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, individually or simultaneously.



Data Center

High-density solutions for data centers

The move to the cloud, the demand for Software as a Service solutions, Artificial Intelligence, and digitalization 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, a distributed computing bringing data storage and computation closer to the network's edge, where data is generated and consumed. Edge computing reduces the amount of data needed to be transmitted over long distances, improving the speed and reliability of data-intensive applications.

The need for increased energy efficiency also drives data center design and build-out development. 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 cables and cable assemblies, cable management solutions, and hot and cold aisle containment, design, planning, and installation of data centers. On-site managed services ensure that our customers can maintain operational quality and uptime.

Data Center Systems (DCS) with USNet, 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 and USNet provide design, installation, and project management services. Our extensive know-how in fiber solutions and our companies specializing in data centres offer a comprehensive system solution. The customers range from hyperscale, cloud services, and co-location providers to large enterprise data centers.

Wireless

Wireless solutions for coming generations

The landscape of wireless communication is growing rapidly, driving the demand for advanced wireless solutions tailored to last for the coming generations. Wireless communication is central in our daily lives, and as our online habits continue to evolve, so does the need for increased bandwidth.

Hexatronic's wireless solutions seamlessly complement Fiber to the Home (FTTH) by extending connectivity to rural areas and places where infrastructure rollout faces delays. The ongoing densification of small cells is one way to show that we will stay ahead of the curve, with expectations of further expansion in the next few years.

Hexatronic offers comprehensive solutions for installing wireless systems, including distribution and termination hubs, installation products, and customizable cable solutions. The portfolio spans Fiber to the Antenna (FTTA), microsites, and passive products designed for mobile backhaul. A prime example is Hexatronic's robust hybrid cables for FTTA, combining fiber and power to significantly streamline installation processes and enhance efficiency.

Microsites, a crucial element in the wireless communication ecosystem, benefit from Hexatronic's innovative InOne hybrid cable, featuring air-blown technology for a smart and efficient solution. Recognizing that wireless communication heavily relies on fiber networks, Hexatronic plays a pivotal role in enabling the expansion of mobile backhaul networks. Our fiber solutions enable the enhancement of network capacity within existing duct infrastructure.

We are dedicated to empowering installation companies, operators, and network owners with the knowledge and skills essential for thriving in the dynamic landscape of wireless communication. Edugrade, a subsidiary, provides instructional courses for FTTA installation, while Mpirical delivers theoretical education in wireless technology.


Hexatronic

Growth markets in the spotlight

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

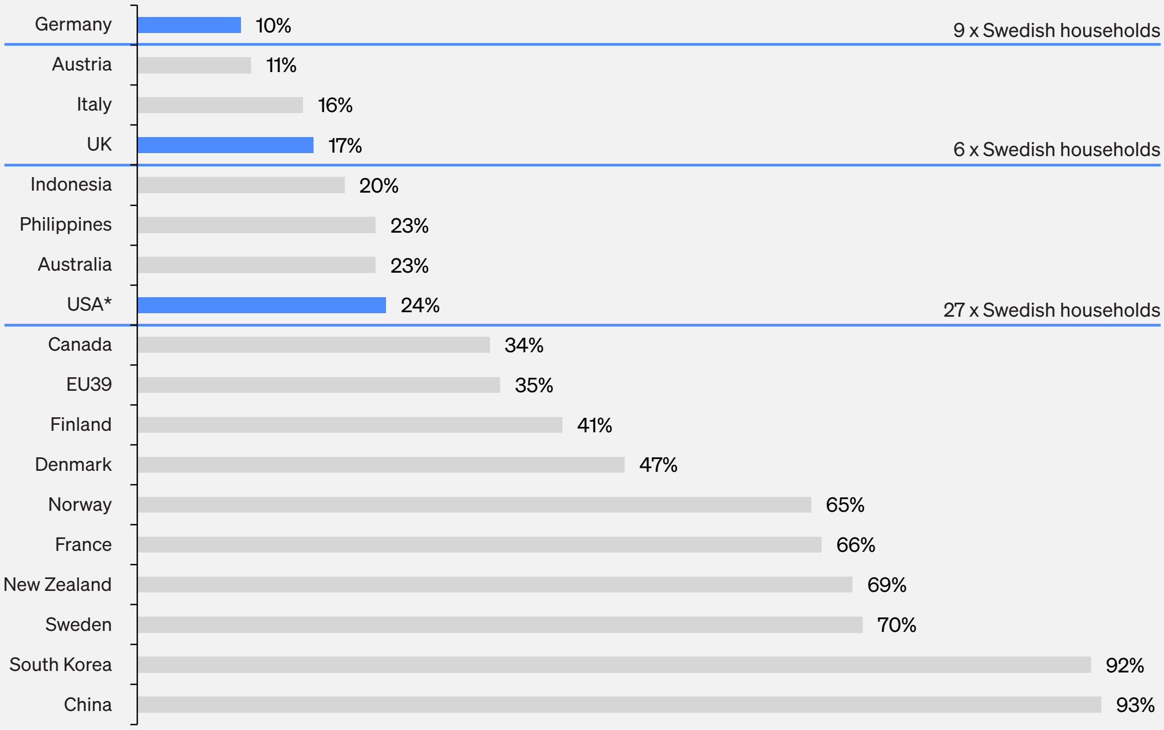
All the strategic growth markets present major opportunities

Our strategic emerging markets are selected on the basis of their maturity, competitive situation and local attitudes towards technology and quality. All of the strategic emerging markets present great opportunities, particularly in fiber solutions.

A common denominator of the emerging markets is that large investments are planned to expand the fiber optic infrastructure. Given the scale of the planned programs, deployment is expected to continue for many years to come.

The need for a high deployment rate creates demand for solutions that contribute to an efficient roll-out. In addition to locally adapted systems, training is a key factor in the effectiveness of projects. With the right knowledge and training, companies and staff involved in network design, installation and operation are best placed to get the job done quickly and correctly. This helps to reduce commissioning time and improve 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.

Share of households subscribing to a service through FTTH/B



Penetration rate

FTTH Council FTTH/B Market Panorama and Global ranking data on penetration rate from September 2023.
Fiber penetration rate is defined as the FTTH/B subscribers as a portion of the total households.
* Data from Fiber Broadband Association, December 2023

What drives the market?

Our society is evolving fast, and it is hard to predict the future. Are we shifting into an era of AI applications 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.

Fiber To The Home (FTTH)

A well-functioning fiber optic network is a must in modern society. It became clear during the pandemic, and even after, that many people continue to work from home. This has highlighted the urgency of replacing low-capacity copper networks with fiber connections to facilitate online meetings, gaming and streamed video etc from home.

While some countries have good coverage of connected households, many need to catch up and accelerate deployment. Various reports and national forecasts show continued strong demand for FTTH in Hexatronic's strategic growth markets (North America, UK and Germany) until 2030 and likely 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 AI applications, and the increased use of sensors and IoT devices all boost data volumes. There are also other trends driving this development. For example, artificial intelligence and machine learning require large amounts of data to be trained and improve inaccuracies. Moreover, companies are collecting and storing more data than ever to gain insights and make better decisions. Increased data volumes are driving investment in fiber networks, and the emerging need for data centers is a clear indicator. These include hyperscale and co-location facilities as well as emerging needs for edge computing.

Smart cities

Digitalization is progressing in all parts of society, and significant changes are expected in the years to come. There has long been talk of a higher quality of life, improved security and efficiency gains 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 truck 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 trucks that 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.

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 between countries, the objective is always to speed up the expansion of fiber networks.

One positive development at the end of 2018 was the European Commission's decision to adopt a new European Electronic Communications Code (EECC), followed by the The Digital Decade programme which came into force in January 2023. The European Parliament, Member States and the European Commission have jointly set concrete objectives and targets for 2030 in four key areas in the strategic vision for the development of the digital economy.

These targets are: to improve citizens' digital skills, to enhance the use of new technologies and to further advance the EU connectivity, as well as to make public services and administration available online.

These objectives clearly show the importance of a robust communications infrastructure and will drive investment in the deployment of fiber optic networks.

Nordics

Positive impact of 5G and connectivity

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 86 percent. In sparsely populated areas, the figure is about 50 percent.

After a few years of cautious development in the Norwegian market, the expansion rate took off in 2021 and 2022, and remained unchanged in 2023. Overall, the FTTH market in Norway is well-developed and has a high penetration level, and the focus for the coming years will be on the more rural areas, similar to the Swedish market.

The Finnish market started later than both Norway and Sweden. One possible explanation is that they have focused more on building mobile solutions. The need for a widespread fixed fiber network therefore only arose when the demand for higher speeds increased. The Finnish market is in a growth phase, and continued expansive development is anticipated with positive indications for 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 driving force for fiber deployment in the Nordic region is the establishment of data centers. Easy access to electricity, a well-developed fiber infrastructure, and a smaller carbon footprint than many other countries bring significant benefits to the Nordics.

5G expansion will also require reinforcement of the Nordic core networks and fiber connections to the antennas that make up 5G.

The Nordic region is Hexatronic's home market, which gives us a strong position. We will continue to focus on the market where we once started our journey.

Germany

Investment programs drive growth ahead

After several years of high growth rates in the FTTH network, the German market saw a slowdown in 2023. However, with 40 percent of homes passed out of 41 million households, and only 10 percent subscribing to a service over fiber, Germany has vast potential as a market. It is therefore expected that the market will pick up again during 2024, and the second half of the year is anticipated to show growth.

Both privately financed projects and projects financed by subsidies from several government investment programs are driving fiber deployment in Germany, leading to growth in the coming years. Achieving the German government's ambitious goal of providing gigabit internet access to all Germans by 2030 is challenging. The two main reasons are lack of resources in installation and qualified personnel in planning.

Deutsche Telekom, historically a significant investor in the copper network, has in recent years focused on 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 furthermore driving the build-out in rural areas.

The extensive federal program for developing high-performance fiber networks has a total funding budget of EUR 3 billion per year, and there are also funds available from local authorities. Together with private investments, this will drive growth ahead.

Through acquisitions and organic growth, Hexatronic has, in recent years, established itself as a leading FTTH solution provider in Germany. Hexatronic is with our efficient system solutions for fiber networks well positioned to tap into planned growth in Germany.

The UK

Increased focus on connecting homes

2023 was another strong year for 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 continued growth also in 2024.

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, Hyperoptic and Zzoomm. Regionally and locally, they are challenged by more than 100 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 2023, 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 14 million, relating to the expansion rate in 2023–2028. (FTTH Council Forecast)

The UK government's National Infrastructure Strategy of November 2020 stipulates a target of at least 85 percent gigabit-capable broadband coverage by 2025.

The government notes that private investment will primarily finance the broadband infrastructure. To reach households in rural areas, GBP 5 billion has been ear-marked up to 2025. The aim is to deliver gigabit-capable broadband coverage to the 20 percent 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 major difficulties lie in the very rapid buildout, which require efficient solutions to make installations smooth while ensuring high network quality. A shift in the market during 2023 was the increased focus on connecting homes, which demanded a different product range than was used in the initial phases, and that has to be quick and easy to install to make the connections profitable.

Hexatronic has a strong position in the UK market, providing our complete solutions and installation training. R&D works closely with our customers' technology teams to develop solutions that can speed up the deployment of high quality networks, such as pre-connected air-blown cables, improved cabinet solutions, and a wide range of innovative fiber cables.

North America

A huge market with great potential

The North American market is huge and major investments are planned ahead. There is great potential with the US market being roughly the size of Europe's. 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 24 percent 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 broadband network expansion to improve internet access, primarily in rural areas.

Whereas 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 2023, 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 percent savings of the network lifetime cost. We are continuously investing in capacity and organization to meet a growing demand in the market. Our positive and solution-oriented company culture has also become a competitive advantage.

The major infrastructure investments, including upgrades to power grids, roads and bridges, are also estimated to boost the market for the type of pipes that Blue Diamond Industries produces. Hexatronic is well positioned to continue to benefit from long-term market trends in North America.

Growing on all strategic growth markets

Independent, entrepreneurial companies
Hexatronic has 1,961 employees* in 37 operating entities plus the parent company. Flexibility and freedom with responsibility and a collaborative environment 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 offers active support through group-wide functions contributing to the subsidiaries' efficiency and profitability such as marketing, legal affairs, accounting, finance, treasury, business development, sustainability and supply chain.

The Group comprises 37 operating entities supported by the parent company Hexatronic Group AB, with its registered office in Gothenburg.

Companies acquired 2023

USA
Rochester Cable

United Kingdom
Fibron Cable

New Zealand
ATG Technology Group

USA
USNet

* Number of employees in the Group as of 31 December 2023.

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.

We strive to primarily strengthen and broaden our offering through acquisitions within Wireless, Harsh Environment, and Data Center, areas where we see good opportunities ahead. 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.

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

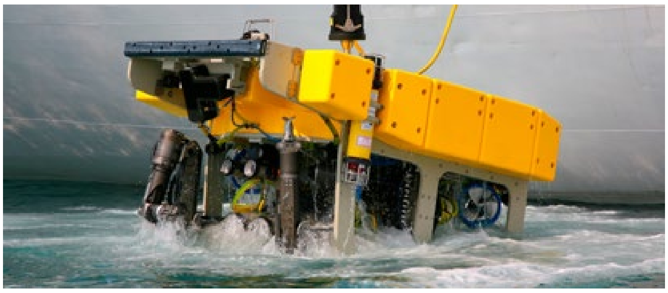
Rochester Cable

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 148 employees in Culpeper, Virginia, where the 40,000 square meters production site is located.

In October 2022, 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.



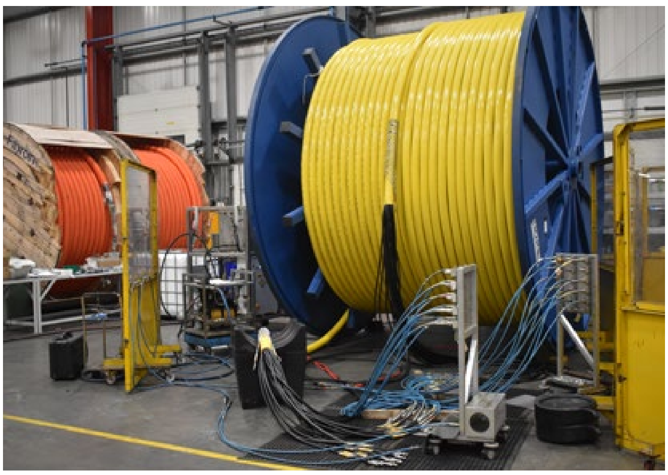
Fibron Cable

Strengthening Hexatonic's position in Harsh Environments

Fibron Cable, acquired in September, is a leading original equipment manufacturer of electro-optical cables from Rubicon Partners within harsh environments. Fibron Cable's diverse portfolio delivers across sectors such as traditional energy markets, including renewables (wave, tidal & wind), Remote Operated Vehicles, defense, and diving. Their extensive global customer base complements Hexatronic's existing portfolio.

This strategic acquisition allows for further diversification of Hexatronic's business and increased opportunities within Harsh Environment markets. The agreement presents numerous synergies with Hexatronic Rochester Cable, one of the Hexatronic subsidiaries within Harsh Environments, including complementary production capabilities, improved utilization, expanded tender bidding ability, and enhanced economies of scale.

Additionally, Fibron Cable's expertise in custom umbilical cables and proficiency in global project sales add significant value to Hexatronic's capabilities. Hexatronic's capabilities.



ATG Technology Group

Opportunity for expansion in the New Zealand market

ATG Technology Group, acquired in September, is a New Zealand fiber industry player. Spanning optical cable, fiber connectivity, hand tools, fusion splicers and test and measurement, ATG aligns with Hexatronic's growth roadmap as it serves as a complementary add-on to OSA, a current company within the Hexatronic umbrella with operations in Australia. OSA and ATG currently share a number of supply partners, with the acquisition expanding ATG's range to include more of OSA's partners and technology solutions.

> Joining the Hexatronic Group will allow us to expand our offering to service our existing and new customers further.

Chris Fitzpatrick, CEO of ATG.

USNet

Strengthening Hexatonic's position in the US in the US data center market

USNet, a US-based company that offers installation, project management, decommissioning, and relocation services nationwide for large-scale data center customers. The US is Hexatronic's largest market and one of the company's strategic growth markets. The acquisition of USNet allows for additional diversification of Hexatronic's business and increased opportunities within the growing market for data centers.

The acquisition further strengthens Hexatronic's position in the US data center market through broader service offerings and the possibility of providing cross-selling opportunities to national and international clients together with Data Center Systems, a current company within Hexatronic Group.

Increased trading volume and more shareholders

Share Price Trend

During financial year 2023, the share price has fluctuated between a minimum of SEK 17.25 on November 21 2023, and a maximum of SEK 144.9 on January 2 2023. The closing share price at the end of the financial year was SEK 27.32.

Trading volumes

A total of 1,050,919,447 shares were trade to a total value of SEK 42,266,933,123. On average during the financial year, 4,186,930 shares were traded per trading day.

Ownership structure

The number of shareholders in Hexatronic Group AB (publ) amounted to 65,692 as of 31 December 2023, including known registrations made after the closing date but attributable to the financial year 2023. Top 10 largest shareholders owned 43.1 percent of the capital and 43.7 percent of the votes. Foreign ownership accounted for 26.9 percent of the capital and 27.1 percent of the votes. (Source: Monitor of Modular Finance AB).

Number of shares

The number of shares on December 31, 2023, totaled 205,323,650 of which 203,026,610 is ordinary shares and 2,297,040 shares in serie C. Each share has a share capital ratio 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 Article 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 of Directors proposes that no payment of dividend will be made for the financial year 2023. The Board of Directors will assess annually whether to propose a dividend or reinvestment of the profit into the operations.

Authorization

During the financial year, the following share issue and repurchase has been carried out:

- The AGM resolved on a directed issue related to long-term incentive program 2023 (LTIP 2023) of not more than 261,071 convertible shares of series C.
- The Board of Directors, with the authorization from the AGM on May 9, 2023, decided to repurchase a maximum of 1,200,000 of the company's common stock. The purpose of the repurchase program was to reduce dilution for outstanding share-based incentive program and for payment of potential future corporate acquisitions.

At the AGM on May 9, 2023, the Board of Directors was authorized to make decisions until the next AGM on new share issues and/or warrants and/or convertibles amounting up to 10 percent of the registered share capital.

The Board of Directors also authorized to take decision, on one or more occasions, until the next AGM, on the repurchase of own shares or to transfer own shares held by the company at the time of decision on transfer. The company may repurchase as many shares as to a maximum of 10 percent of all shares in the company.

Investor relations

IR work is characterized 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, telephone conferences in connection with release of quarterly reports, 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 email.

During 2023, press releases were mainly issued for acquisitions, strategic important partner agreements, and guidance regarding preliminary sales and earnings. On the website, the general information on the IR pages is updated in connection with each quarter end.

To reduce the risk of information leakage and of stakeholders being suspected of having gained access to inside information, Hexatronic observes a so-called silent period during which the Company and its representatives avoid participating in personal meetings with representatives of the capital market and refrain from answering questions or commenting on financial developments. Hexatronic Group's silent period starts when the reporting period ends or 30 days prior to the date the interim report or year-end report is scheduled to be published, whichever is earlier, and lasts until the publication of the interim report or year-end report.

Ten largest shareholders 31 December 2023

Shareholder	No. of ordinary shares	Votes %
Handelsbanken Funds	14,802,194	7.3%
AMF Pension & Funds	14,064,491	7.0%
Accendo Capital	12,207,134	6.0%
Jonas Nordlund, privately and corporately	11,062,562	5.5%
Chirp AB	8,929,360	4.4%
Vanguard	7,159,916	3.5%
Avanza Pension	6,330,753	3.1%
Third AP fund	5,895,481	2.9%
Henrik Larsson Lyon	4,103,680	2.0%
Bank of Norway	3,975,316	2.0%
Top 10 shareholders, total	**88,530,887**	**43.7%**
Other shareholders	114,495,723	56.3%
Total outstanding shares	**203,026,610**	**100.0%**

Distribution of number of ordinary shares 31 December 2023

Holding	No. of known shareholders	No. of ordinary shares	% of votes	% of capital
1 - 1,000	56,486	10,833,413	5.3%	5.3%
1,001 - 5,000	7,028	16,275,717	8.0%	7.9%
5,001 - 10,000	1,120	8,227,949	4.1%	4.0%
10,001 - 20,000	561	7,976,956	3.9%	3.9%
20,000 -	497	163,017,383	80.3%	80.5%
Anonymous ownership		-3,304,808	-1.6%	-1.6%
Total	**65 692**	**203 026 610**	**100,0%**	**100,0%**

Hexatronic as an investment

Continued high potential in strategic key markets

There is a structural need for fiber optic infrastructure in Hexatronic's strategic key markets where penetration rates are still relatively low. The penetration rates in Germany (10 percent), the UK (17 percent) and the US (24 percent) indicate a sustained market potential going forward. At the same time, the number of households in these markets is significantly higher than in Sweden, which is considered a more mature market with a penetration rate of around 70 percent. Germany has more than 9 times as many households as Sweden, the UK has 6 times as many and the US has 27 times as many. According to FTTH Council Europe and RVA's forecasts, 120 million households in Germany, the UK and the US are predicted to have access to fiber optic connectivity by 2028.

Furthermore, there are several government initiatives in Hexatronic's strategic growth markets that are expected to support continued expansion of fibre optic infrastructure in the coming years.

Proven ability to grow with profitability

Hexatronic has successfully generated organic growth over time. The growth is driven by strategic investments in production capacity and a unique system offering, but also by successful partnerships with customers and by providing additional services such as field support and training. Through acquisitions, the company has entered new and growing geographies, acquired local production and offerings, and important platforms in new growth areas. As a testament to the company's growth profile and prudent capital allocation strategy, Hexatronic has, in the last five years:

- Increased its revenue in average an annual 39 percent.
- Grown EBITA in average by an annual 61 percent and reached an EBITA-margin of 15.1 percent for the full year 2023.
- Increased its earnings per share after dilution by an annual 68 percent.

A unique system offering within Fiber Solutions

Hexatronic offers a unique system offering to customers. This offering ensures significant competitive advantages for Hexatronic, as the company provides the entire product range needed by customers, creating efficiency in installation but also support throughout the entire process – from design to installation.

Through in-house product development and production, Hexatronic gains even greater product knowledge and ensures quality as well as compatibility. Hexatronic also provides training, certification, and field support. For customers, this translates to the lowest possible total cost of ownership ("TCO"), and for Hexatronic, it results in competitive advantages that enables higher pricing. This has established a strong position for Hexatronic in the company's strategic markets spanning across Europe, North America, and APAC.

Expansion within new business areas provides additional growth avenues and diversification

In line with a growing use of fiber for different applications, Hexatronic has expanded its operations into new strategic focus areas; Harsh Environment, Data Center and Wireless.

Through expansion into new business areas, Hexatronic can meet the demand of new target groups and segments, enter new market drivers, creating additional growth potential while diversifying the company's revenue base and enhancing resilience.

Furthermore, this provides an increasingly differentiated revenue split, where Fiber Solutions accounted for roughly two thirds of sales in the fourth quarter of 2023 and the other growth areas accounted for one third.

Group-wide support enables improved operational and sustainable excellence

Hexatronic consists of 37 operating units with a total of approximately 2,000 employees. Operational units are incorporated under the Hexatronic brand as a starting point, but local brands may be retained where strategically relevant. This creates an efficient, decentralized

model and with a strong go-to-market strategy. At the same time, the company drives operational excellence by coordinating sourcing and production to achieve economies of scale and the best possible products. Furthermore, processes and workflows are streamlined through a common view and digitalization platform. Hexatronic also has an extensive sustainability agenda and we have committed to the Science Based Targets initiative ("SBTi"), meaning that all the company's operating units operate according to the same agenda to support the sustainable development of the Group.

Strategic M&A to improve geographic presence, expand business areas and strengthen offering

Hexatronic has demonstrated a successful acquisition strategy aimed at expanding its geographical footprint, entering new business areas, enhancing the product offering, and adding local production capacity. In the last five years, the company has completed 20 acquisitions, generating:

- Expansion into 9 new geographical markets.
- Additional revenue in new business areas accounted for almost a third of Group sales in the fourth quarter.

Through these acquisitions, the company has also significantly strengthened its production capacity, creating economies of scale demonstrated by margin development from 7.4 percent EBITA margin in 2019 to 15.1 percent in 2023. Furthermore, new acquisitions have added to the Group's product offering, thereby fostering long-term competitiveness.

About the Sustainability Report
This is the Group's sixth Sustainability Report in accordance with the requirements of the Swedish Annual Accounts Act, ch. 6, §12. The Sustainability Report relates to the 2023 financial year and is on pages 36-63.

The Sustainability Report encompasses the Parent Company Hexatronic Group AB and its subsidiaries. Companies acquired or formed during 2023 and companies with less than six employees are excluded in the key metrics.

Sustainability Report

Sustainability Report 2023

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

As we reflect on the past year, we are proud to share our commitment to sustainability and the significant progress we have made. In 2023, we took bold steps by linking executive pay to our sustainability targets and committing to set science based targets.

The strategic move to link executive pay to our sustainability targets not only reinforces our dedication to responsible business practices, but also ensures that our leadership team is actively invested in achieving our sustainability objectives.

In addition to executive pay alignment, we are thrilled to have joined the Science Based Targets initiative (SBTi) and committed to setting ambitious targets to reduce our greenhouse gas emissions in line with the latest climate science. The targets are rooted in rigorous scientific analysis and provide a clear roadmap for reducing our greenhouse gas emissions, conserving resources and contributing to a more resilient future.

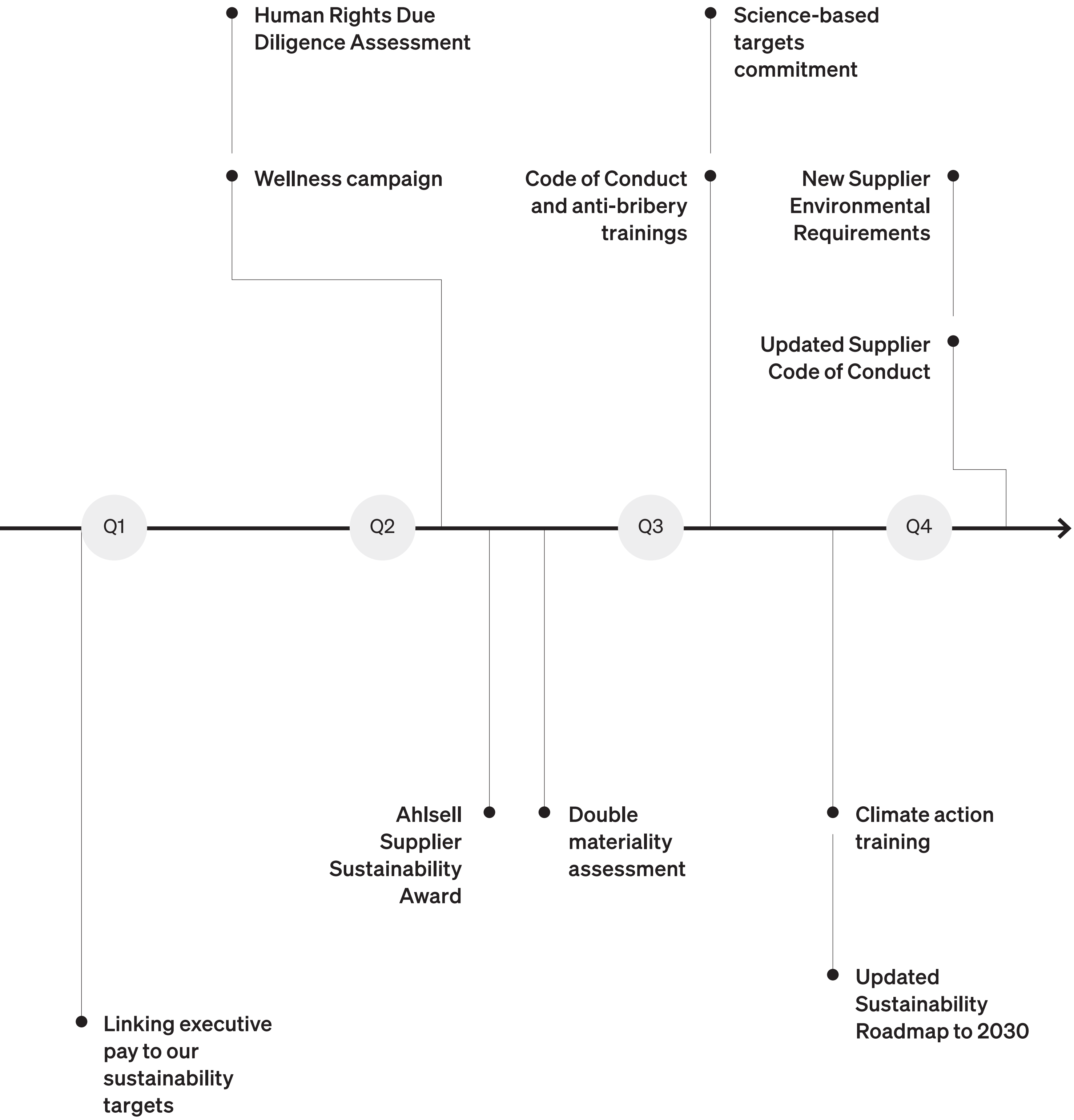
During the year we also completed a double materiality assessment, which is an important step as we prepare for the implementation of the EU Corporate Sustainability Reporting Directive (CSRD).

Together, we are driving digitalization forward to connect people, businesses and societies globally. Improved connectivity can reduce the impact on the planet and enable a just transition.

Pernilla Eriksson, Head of Sustainability, Hexatronic Group

We strive to share new perspectives and reform the way we do things. We are dedicated to collaborating closely within the Group, with business partners, and through membership organizations and other invested parties to implement impactful strategies and actions, enabling us to decrease emissions throughout our value chain. Engagement and understanding are essential to bring about change, and change is at the heart of sustainability.

Important milestones 2023



Our commitments

When we work together, we make progress. We are proud and active members of several national, European and global sustainability organizations.

As a participant in the Global Compact, we commit to follow the Ten Principles of the United Nations (UN) Global Compact and contribute to Agenda 2030. Each sustainability focus area with related goals and metrics is connected to the Sustainable Development Goals and to the Ten Principles. These linkages are vizualised in the table on pages 58-59.

We are committed to facilitate digitalization and drive sustainability in our field as a member of the FTTH Sustainability Committee, which compiles best practices in the deployment of fiber networks and drives climate action in the FTTH value chain.

Our devotions

- The Ten Principles of the UN Global Compact
- The Sustainable Development Goals
- Science-based targets
- The Swedish Anti-Corruption Institute
- FTTH Sustainability Committee
- Europacable's Sustainability Committee
- Nasdaq ESG Transparency Partner since 2021

MSCI ESG RATINGS AA

CCC	B	BB	BBB	A	AA	AAA

In 2023, Hexatronic Group received a rating of AA in the MSCI ESG Ratings assessment. * MSCI ESG Ratings aim to measure a company's management of financially relevant environmental, social and gonvernance (ESG) risks and opportunities. The ESG Ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC).

Our focus areas

Our three sustainability focus areas are Planet, People and Ethics. These areas form the basis of our 2030 Sustainability Roadmap. In order for us to succeed, we make sure that sustainability is an integrated part of our business, that our company culture leads the way, that we engage and collaborate to find the best solutions and that we increase awareness through training, communication and sharing best practice.

Read more about our targets, activities and progress 2023 within each area on the following pages.

Planet
We reduce our environmental impact and contribute to a circular economy for present and future generations.

People
We create a working climate where everyone feels valued, has a sense of belonging, and is given opportunities to succeed and grow.

Ethics
How we do business is just as important as the results we achieve.

Sustainability governance

Making progress and moving forward on our sustainability journey is all about teamwork – from setting the strategic direction to monitoring local actions and setting targets. Key policies and an effective governance structure ensures that our sustainability activities are aligned.

Group level policy documents:

- Sustainability policy
- Code of Conduct – internal and suppliers
- Anti-corruption policy
- Diversity and Gender equality policy
- Whistleblower policy
- Tax policy
- Governing framework for IT and cyber security
- Sustainability Roadmap

The sustainability governance structure consists of the following bodies:

Board of Directors

Sets the strategic direction. Oversees the performance of the sustainability matters. Approves the annual sustainability report.

ESG Board Champions

CEO

Global Management Team

Implements the strategic direction and manages the operations of the company on sustainability matters. Manage and oversee impacts, risks and opportunities. Assess material sustainability topics.

Business and Sustainability Strategy

Sustainability Steering Committee

Leads and coordinates the sustainability work across the company.

Group Sustainability Organization

Executes actions to deliver in line with the roadmap and strategy.
Supports progress on prioritized sustainability areas, including business ethics, climate action, sustainable supply chain, health and safety, diversity and gender equality.

Group Sustainability Team

Sustainability Roadmap

- Low Climate Impact Action Team
- Sustainable Supply Chain Action Team
- Diversity, Health & Safety Action Team
- Strong Business Ethics Action Team

Operational entities

Local sustainability ownership and actions to deliver in line with the roadmap and strategy.
Executes the sustainability policies, targets and actions in their respective areas of activity.

Sustainability in our business model

Hexatronic's business model is centered around world-class connectivity solutions that create development opportunities for people and societies across the world. Together with our stakeholders, we are a part of a transition towards a more sustainable future.

With in-house product design, innovation and manufacturing, we can put extra emphasis on creating products with a low environmental impact. It is in our DNA to conserve resources and make high-quality, durable products with a long life-span. Examples include providing network solutions with higher packaging density and less material consumption. This positively influences the environmental impact throughout the entire product life cycle.

In Europe, the manufacturing sites run on renewable electricity, contributing to lowering our environmental footprint.

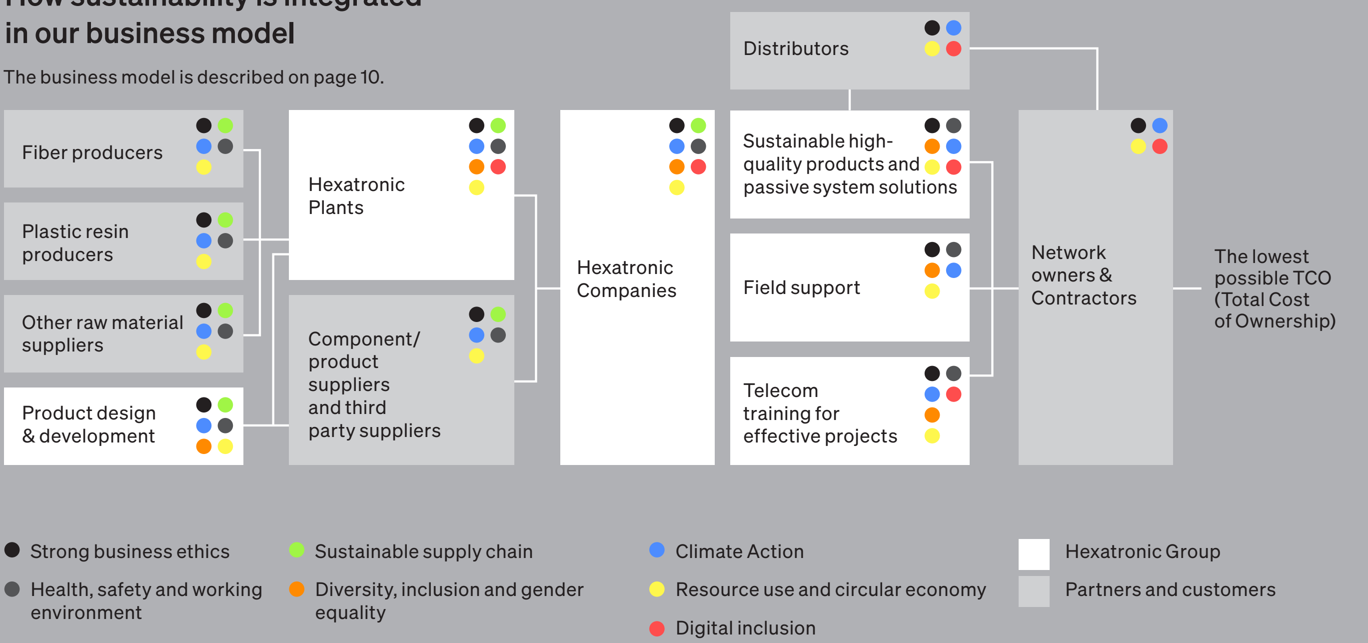
Purchase of raw materials and components represents our major carbon footprint, falling into the category Purchased goods and services in Scope 3. Therefore, we make efforts to lower the environmental impact by developing products with a compact design and using less virgin material. As an example, Hexatronic Microduct Eco, a new line of microducts was launched during 2023 with a minimum of 51 percent quality controlled recycled or reused material.

During 2023, the Supplier Code of Conduct and Environmental Requirements were updated. The areas of disclosing environmental data, human rights and supplier management were especially enhanced, and we expect our suppliers to perform their own supplier due diligence.

In our operations, employee well-being, health and safety are highly prioritized areas. 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 climate action permeate our entire 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.

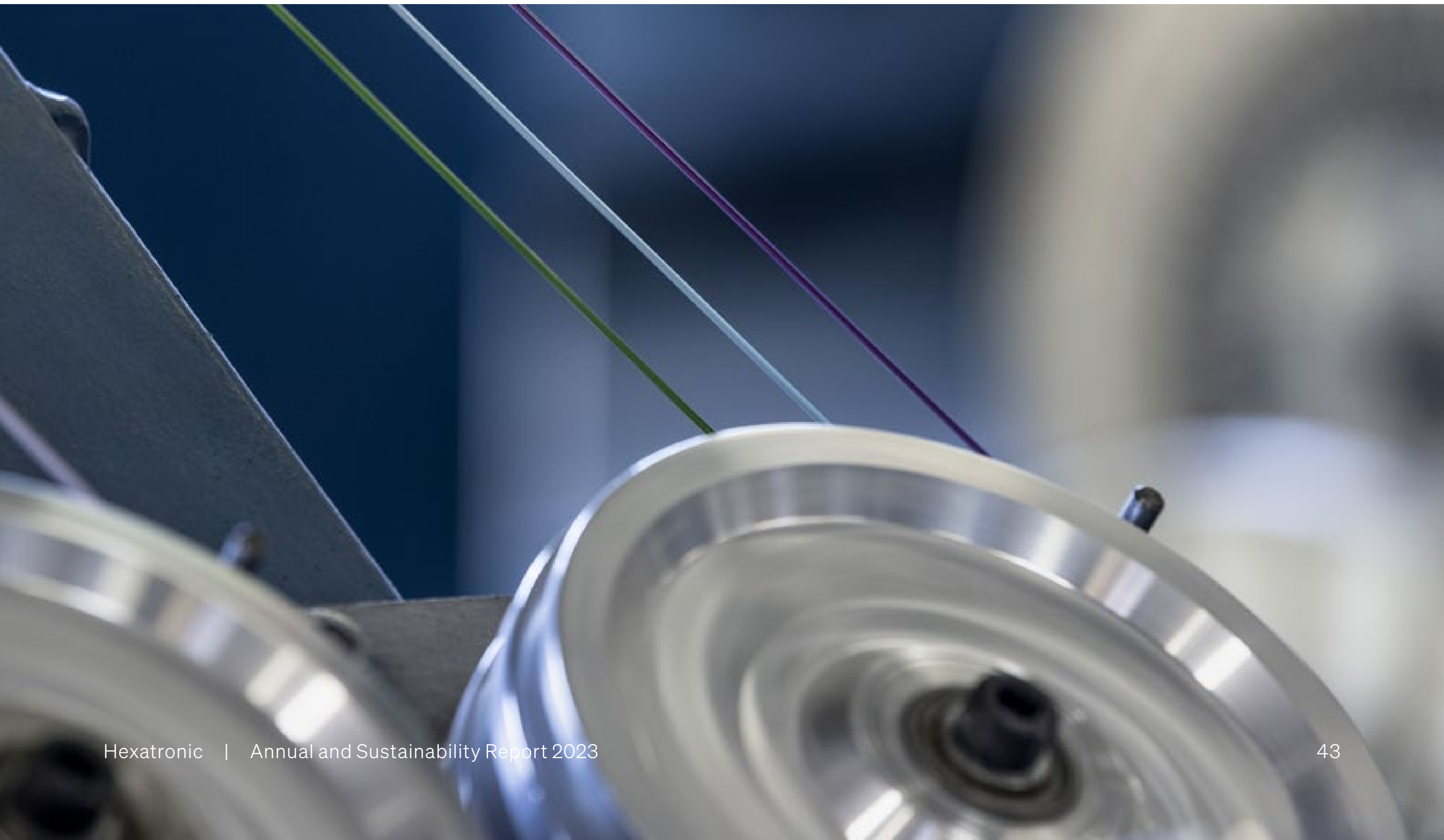
How sustainability is integrated in our business model

The business model is described on page 10.



Our solutions contribute to building the digital infrastructure, which is an essential enabler for solving many of today's sustainability challenges. An example of this is when our solutions contribute to cleantech energy projects, such as wind farm projects. We are adopting measures that speed up the installation of fiber networks, resulting in significant cost savings and less energy consumption. Thereby, our customers can secure access to more end-users, thus contributing to a positive impact on societal development, and digital inclusion, while enabling solutions and clean technologies to mitigate climate change.

Our offering consists of high-quality solutions, qualified field support and training opportunities. It is based on our customers' main challenge: to manage efficient and successful projects that result in robust, future-proof and long-lasting networks.



Double Materiality Assessment

Hexatronic Group has during 2023 completed a double materiality assessment, where relevant sustainability topics were identified. This assessment is an important step as we are preparing for the EU Corporate Sustainability Reporting Directive (CSRD). Our existing material topics were validated, and new topics were evaluated based on impact, opportunities and risks in the area of sustainability. The risks include 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 70-75.

Process for deciding material topics:

- Stakeholder dialogue, including interviews, surveys, and recurring engagement. Our stakeholders include employees, customers, investors and owners, business partners, suppliers, society and industry organizations.
- Identification of sustainability topics, based on environmental, social, and governance issues related to business activities, products, services, and geographical presence across the value chain.
- Double materiality assessment, from both a financial (outside-in) perspective and an impact (inside-out) perspective.
- Strategic business planning, and integration of the material topics.
- Monitoring, including regular data collection and analysis, stakeholder feedback mechanisms, and periodic reviews of the double materiality assessment.

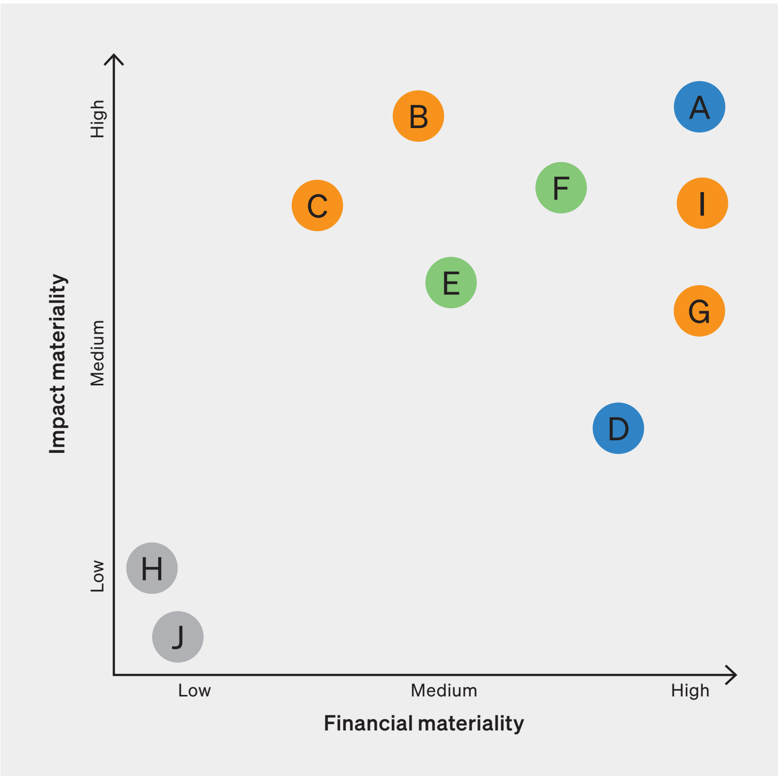
The topics covered environmental, social, and governance (ESG) issues that are related to the organization's business activities, products, services, and geographical presence across the value chain. Relevant sustainability impacts, risks and opportunities were identified through collection of data across multiple sources. These sources included internal information, external reports, stakeholder dialogues, benchmarks, trends, surveys, expert opinions and sustainability topics covered in topical European Sustainability Reporting Standards (ESRS). When assessing each topic, aspects such as specific activities, business relationships, geographies and different time horizons (short-term, medium-term, or long-term) were considered.

Hexatronic Group Management Team together with the Head of Sustainability assessed impact and financial materiality, in order to determine the material actual and potential impacts, risks and opportunities. The impact assessment included judgement of severity and likelihood for potential and actual negative and positive impacts on people and the environment, from an inside-out perspective. Thresholds for impact materiality were decided, and input from the human rights due diligence assessment, including our salient human rights risks, was included. In the Financial materiality assessment, sustainability risks and opportunities were assessed based on their likelihood of occurrence and the potential magnitude of their financial effects in the short-, medium-, and long-term. Thresholds for likelihood and magnitude were decided and input from the risk management process was included. The result from the double materiality assessment can be seen on the next page, with the outcome from the impact materiality assessment on the y-axis and the outcome from the financial assessment on the x-axis.

The material topics are the most significant sustainability areas for our business and form the basis of our priorities in our Sustainability Roadmap.

The evolution of material issues will be monitored in a dynamic way to ensure that they remain relevant and reflect the changing context and stakeholder expectations.

Result Double Materiality Assessment



A. Business ethics
B. Health, safety and working environment
C. Diversity, inclusion and gender equality
D. Supply chain management
E. Climate change
F. Resource use and circular economy
G. Cyber security
H. Biodiversity
I. Digital inclusion
J. Water use

- Material topics covered in section Planet on page 46.
- Material topics covered in section People on page 52.
- Material topics covered in section Ethics on page 54.
- Non-material topics

Planet

We are committed to reduce greenhouse gas emissions in line with the latest climate science and the Paris Agreement's goal of limiting global warming to 1.5°C above pre-industrial levels. During 2023, we joined the Science Based Targets initiative and committed to set near-term science-based emissions reduction targets.

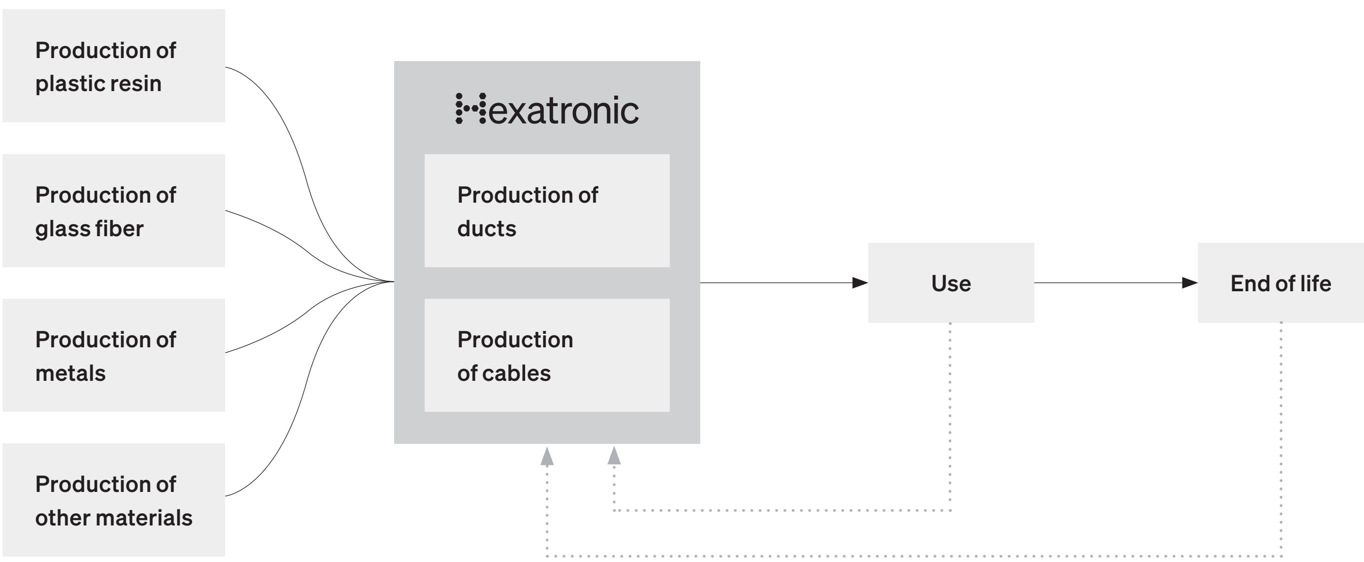
Our product life cycles

- Our main products are ducts and cables, which account for most sales and material flows.
- Ducts and cables are made from plastic resin (mainly from fossil oil and some recycled plastics), glass fiber strands, and metals.
- The production process involves transforming plastic granulates into ducts or cables through extrusion, using electricity as the main energy source.
- Waste is generated during product change, over-production, or production malfunctions.
- Ducts and fiber cables are passive products, requiring no maintenance or energy during use. They generate waste during installation in form of trimmings.
- At the end of life, plastic material and metals can be recycled into new ducts and cables. Glass can also be recycled.
- Other product categories are cabinets and a wide range of components and electronic devices.
- The environmental impact of these other products is different from ducts and fiber optic cables, but their contribution to the overall environmental impact is lower due to lower production volumes.

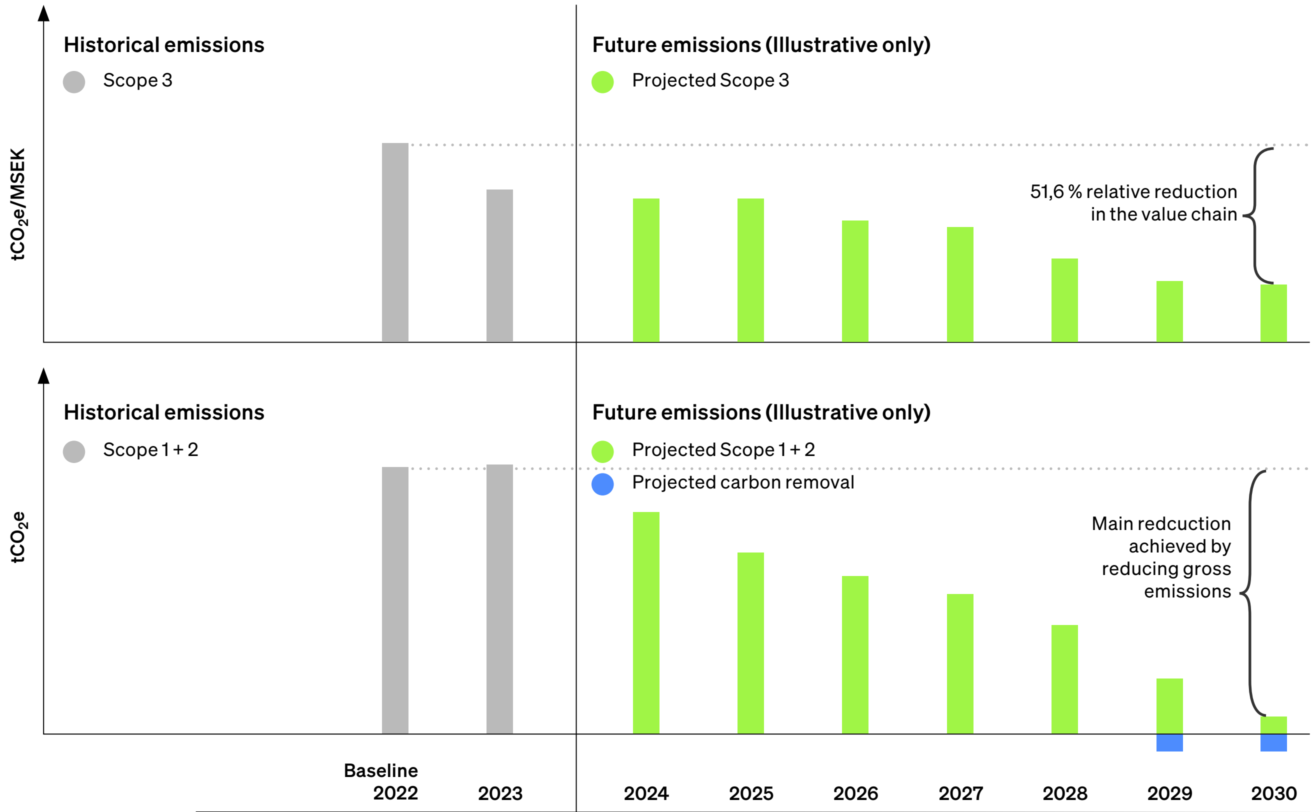
Our ambitions

- **Climate neutrality**
  To have climate neutral operations (Scope 1 and 2) by 2030, by using climate neutral energy and neutralize residual emissions.
- **Eco design**
  To develop our products with eco design in mind, including a long lifetime, low carbon footprint and high recyclability.
- **Transparency**
  To calculate the product carbon footprint of our products produced in-house and share with our customers upon request.

Example of major product flows



Progress towards climate neutrality and science-based targets



	Baseline 2022	2023
Scope 1+2 emissions, tCO_2e	12,868	13,078
Scope 3 emissions, tCO_2e/MSEK	63.6	38.8

How we get there – our own operations

- Increase the use of climate neutral energy in our facilities and production sites.
- Energy efficiency, e.g. use excess heat from production to heat facilities.
- Transition to electric, hybrid and/or biofuels for internal logistics vehicles, stationary equipment and company cars. E.g. electrification of vehicle fleets and forklifts, replacing natural gas boilers and furnaces with heat pumps.
- Embedding circularity into our operations, product design, packaging and logistics services, e.g. drum return programs.
- Product design with less material consumption, increase recycled, reused and/or renewable materials in our products and packaging.
- Circular water use, e.g. with closed water cooling systems.
- High resource efficiency across our operations.

These levers are also applicable to many of our suppliers.

How we get there – our value chain

- Request strategic suppliers to declare their product carbon footprint and work towards the 1.5°C target.
- Support suppliers to reduce their product carbon footprint.
- Evaluate carbon footprint of purchased materials and products prior to sourcing decision.
- Optimization of pack sizes and drums, coordinating product deliveries, improving forecasting, and establishing local production to reduce goods transport.
- Use low-carbon transport alternatives.
- Partnering with strategic organizations on ecosystem health.
- Phasing in novel products that use less resources, and materials with lower carbon footprints.

Impact, risks and opportunities

Climate change, resource use and circular economy have been identified as material topics. We are commited to reduce our environmental impact and contribute to a circular economy. We want to be part of the solution, to make a positive difference for ourselves, our stakeholders, societies, and the planet.

Clean technologies – Climate neutral electricity is a key decarbonization lever, since most of our processes are electrified and most of our Scope 1 and 2 greenhouse gas (GHG) emissions come from production of electricity. Increasing the share of climate neutral electricity is a great opportunity to decrease our GHG emissions.

Low carbon footprint products – Customers are looking for products that answer to their, as well as their customers', needs to reach their climate targets. In the long-term we can achieve a steady-state where we utilize renewable materials and high shares of closed-loop recycling of our own and others products. We aim to innovate novel products that use less resources with lower carbon footprints, at maintained or even improved product function.

Stakeholders requirements – Stakeholders requirements on climate action are becoming increasingly important in decision making. By decreasing our planetary impact and addressing customer and investor expectations, we also gain a competitive edge.

Green financing – Climate targets and successful progress, tracking and communication, provides opportunities in green financing.

Our progress 2023

- Launch of an annual process for climate transition aimed at reaching our climate targets.
- Commitment to set near-term science based targets.
- Introduction of Hexatronic Cables & Interconnect Systems eco-ducts, with 30–70 percent reduced carbon footprints than the standard duct, with an increased share of recycled content.
- Switch to 100 percent renewable electricity in our plant in Neulengbach.
- Optimized package sizes on our high volume series of air-blown fibers, to reduce GHG emissions from transports to customers.
- Development of a new WiFi access point device that consumes less electricity.
- Optimization of outbound transports that allow for loading more reels on the trucks.
- Investments in energy reduction of our production lines.
- Local drum return programs.
- A circular pilot program was initiated to collect excess ducts in downstream activities.
- Smart Awards gained approval for the sustainability practitioner apprenticeship standard, to help develop skills and careers related to sustainability.
- Packaging material was eliminated at several sites.
- Sustainability initiatives across the Group was nominated to the internal competition Sustainability Award 2023, aimed to acknowledge initiatives with substantial sustainability impact.

Our policies

- Sustainability Roadmap
- Sustainability policy
- Supplier environmental requirements

Climate scenarios

We are continously working to predict risks to be able to prepare for handling them. Two climate scenarios have been 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 GHG emissions around 2050.

- In the best case a 50 percent chance of limiting global warming to below 1.5˚C by the end of the century.
- Relatively low physical risks but high transition factors, 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 transition factors but high physical risks, such as water stress, acute wind-related hazards such as storms, heat waves etc.

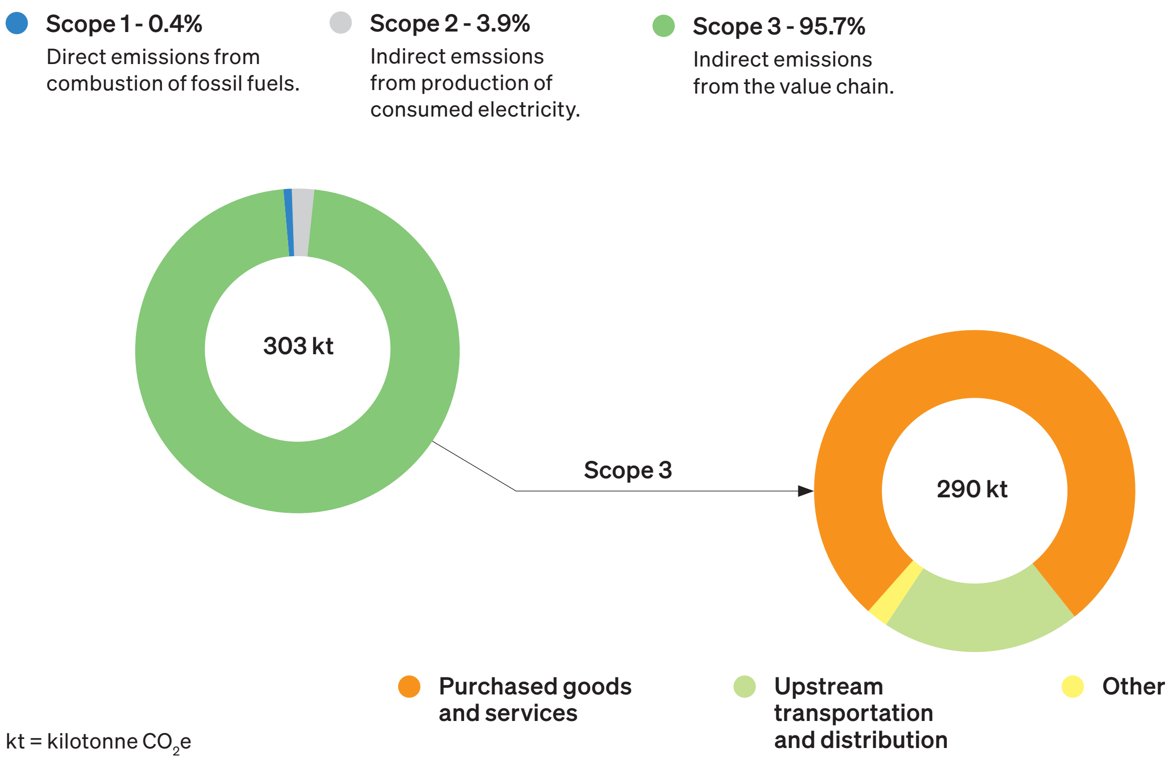
The two scenarios are influenced by NGFS (Network for Greening the Financial System) Climate Scenarios, IEA (International Energy Agency) Global Energy and Climate Model, and IPCC (Intergovernmental Panel on Climate Change) climate system scenarios.

We consider the impacts of climate change when evaluating new investments, and our due diligence process for acquisitions has been updated during the reporting period to better accomodate for this. 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 on page 70.

Risk analysis

		Potential impact on business, strategy and financial planning			
Scenario, factor	**Risk**	**Short (1 yr)**	**Medium (2-5 yr)**	**Long (5-25 yr)**	**Risk management**
Net zero, Transitional	Increased pricing of GHG emissions, due to policies.	Low	Medium	High	Reduce our GHG emissions in line with our targets.
Net zero, Transitional	Carbon compensation/offset. Increased costs.	Low	Low	High	Reduce our GHG emissions in line with our targets, and minimize reliance on carbon offsets.
Net zero, Transitional	Higher purchasing costs and shortage of renewable energy and raw materials with low carbon footprint. Higher costs for material and energy efficient equipment.	Medium	Medium	High	Improving energy efficiency. Strategic purchasing of renewable electricity and materials. Balance increased costs with premium prices for products with lower carbon footprints. Further develop decarbonization process. Investigate other measures.
Current policies, Physical	Supply chain disruption risks, caused by severe weather events. Risk of raw material and product shortage, and higher price volatility. Labor at reduced productivity, damage of physical assets, increased insurance premiums. Climate hazards and indirect effects such as political instability, pandemics etc.	Low	Medium	High	Do our part and reduce our emissions in line with our targets. Improve the process for climate scenario analysis of suppliers and our own sites. Strengthen due diligence efforts. Take preventive measures per site.

An overview of our GHG emissions



kt = kilotonne CO_2e

Accounting methodology, method and data quality

Governance – The performance against the targets is reported at least once per year, and twice per year by the manufacturing companies. The reporting is facilitated by the digital sustainability reporting platform used by the Group. The result is analyzed and monitored by the Group sustainability steering committee and presented to the Board.

Overall GHG emissions scope – The methodology for our calculations is according to the Greenhouse Gas Protocol corporate standard. The major part of our GHG emissions are in Scope 3, mainly in the category Purchased goods and services, followed by Upstream Transportation and distribution. In Scope 1 and 2, most of our GHG emissions come from use of electricity. Scope 1 includes all direct emissions, e.g. on-site combustion of fuels and leakage of refrigerants, as well as combustion in company vehicles used for business travel. Scope 2 includes purchased electricity, cooling, steam and heating.

The market-based method is applied for accounting GHG emissionsfrom consumed electricity and to follow up progress towards set targets. The level of accuracy is high regarding purchased electricity with certificates. When emission factors for the residual mix on the market is not available, the average market mix is used instead. Scope 3 categories include category 1 Purchased Goods and Services, Category 3 Fuel- and Energy-Related Activities, Category 4 Upstream Transportation and Distribution, Category 6 Business Travel, and Category 9 Downstream Transportation and Distribution. Scope 3 category purchased goods and services results are based partly on upstream value chain data, e.g. procurement of plastics and other raw materials.
The accuracy is low, since mainly generic data is used for this category. To increase data accuracy from the value chain GHG emissions, there are planned activities to gradually replace generic data with primary data from prioritized suppliers. The organizational boundary is financial control, and there is no spatial or temporal boundary.

The covered GHGs are carbon dioxide (CO_2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF6). The consistency of the targets with the GHG boundaries has been ensured by screening emissions by using the Scope 3 screening tool , Scope 3 Evaluator.

Key metrics	Description and progress	Baseline 2022	Result 2023	Goal 2030
Scope 1 GHG emissions, tCO_2e	Company reporters collect and report Scope 1 and 2 data, e.g. energy consumption data, in the sustainability reporting platform. The increase is mainly due to increased production.	962*	1,125	558
Scope 2 GHG emissions (Market-based), tCO_2e		11,906*	11,953	6,905
Scope 3 GHG emissions, category 1, 3, 4, 6, 9 tCO_2e	Company reporters collect and report value chain data, e.g. purchase data, in the sustainability reporting platform. Service providers are excluded. The decrease of Scope 3 emissions in 2023 is mainly due to lower GHG emissions from purchased goods in 2023.	417,714*	289,701	
Climate intensity, Scope 3, tCO_2e/MSEK Sales		64*	39	31
Climate neutral operations [%]	The share of consumed energy that is climate neutral (renewable and nuclear sources), out of total consumption of consumed energy. Our goal is climate neutral operations by 2030, Scope 1 and 2, by using climate neutral energy and neutralizing residual emissions.	32*	32	100
Share of sales volume of in-house produced products with calculated carbon footprints, %	The share of sales volume from ducts and cables produced in-house with calculated carbon footprints, out of the total sales volume in monetary value.	61	59	100
Recycled, reused or renewable materials in products produced in-house, %	Company reporters collect and report data on total recycled material from external source, total recycled material from internal source, and total input material, in the sustainability reporting platform.	13	10	25

* The new base year 2022 has been updated compared to previous published results, due to improved data quality, method improvements, and emissions added from the companies acquired during 2022 that had a material impact on the base year figure.

People

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.

Our ambitions

- **Employee well-being**
  We are committed to creating a great workplace with zero harm to any of us and promoting a healthy work-life balance.
- **Employee development**
  To attract and develop a diverse and talented workforce with regular performance and career development reviews.
- **Employee equality**
  To have equal pay, a high degree of diversity, and create an inclusive environment with opportunities to succeed and grow.

How we get there

- Systematic work focusing on workplace safety and investigating the root cause of all risks, near misses and take corrective actions.
- Systematic work focusing on inclusion, work-life balance, and well-being.
- Including diversity and gender equality in processes like recruitment, hiring, pay, rewards, development and promotion.
- Conducting gender pay gap analysis to ensure all employees are paid equally for the same work.
- Ensuring that our Diversity and Gender Equality policy is known and respected.
- Offering training in gender equality, diversity and inclusion from a business and leadership perspective.
- Developing talent recruiting practices and programs to attract a diverse pool of candidates and create new entry pathways into our workforce.

Impact, risks and opportunities

We have identified employee health, safety and well-being as one of our material topics, as well as inclusion 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. To us, creating a great workplace is about systematic work to ensure a safe working environment, work-life balance, and well-being.

Skilled personnel – By promoting career development and other development opportunities for individual employees, the Group assures its ability to attract skilled human resources, and to retain them long-term. Ambitious sustainability targets, making good progress and successful communication thereof enables us to continue attracting a talented workforce.

Health and Safety – We identify and manage health and safety risks, and we investigate the root cause to take corrective actions and to continously improve. We also work actively towards our 2025 target that 75 percent of our employees should be covered by a health and safety management system.

Gender equality and diversity – By promoting diversity and inclusion, we want to reduce the risk of negative effects such as discrimination and prejudice, and ensure equal access to opportunities and resources for all. From a human rights perspective, knowledge of the value of diversity is fundamental. Hexatronic's diversity and gender equality policy, our actions against discrimination and degrading treatment, as well as regular training, aim to minimize the risks of shortcomings in gender equality and diversity. We have a zero-tolerance policy toward all types of discrimination and harassment and actively work towards our 2030 target of minimum 40 percent gender equality.

Read more about our operational and market risks and our risk management on page 72–74.

Our Progress 2023

- Sustainability weeks focusing on health and well-being, including team activities across the Group to raise awareness and focus on employee well-being.
- Top management competence buildning on the value of diversity, inclusion, and on including gender equality in recruitment processes.
- Updated gender pay gap analysis.
- Human Rights Due Diligence Assessment.
- Participation in Human Right Accelerator Program organized by the United Nations Global Compact.

Our policies

- Diversity and gender equality policy
- Code of conduct
- Sustainability policy
- Whistleblowing policy

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. As stated in our Code of Conduct, our employees are expected to act on any form of discrimination and treat others with respect, dignity, and consideration. We make sure the workplace is safe and provide and use safety equipment as required.

People working for or with Hexatronic Group are entitled, without the risk of reprisal, to report any concerns about serious misconduct by using the whistleblowing function available at https://group.hexatronic.com/en/sustainability. This can be done anonymously.

Key metrics	Description and progress	Baseline 2022	Result 2023	Goal 2030
Employees covered by a Health and Safety Management system* [%]	Company reporters collect and report the number of employees covered, compared to total number of employees. The increase is due to several companies implementing health and safety management systems during 2023.	32	62	90
Employee absence due to sick leave [%]	The share of sick leave out of total working time. Company reporters collect and report total hours of sick leave, and total number of working hours for the own workforce, including overtime, in the sustainability reporting platform. Identified data gaps, since a few non-European countries do not measure this in the same way.	3.1	2.5	Max. 3%
Number of work-related accidents	The number of work-related accidents with more than 24 hours absence, divided by total number of hours worked, multiplied by 200,000. Company reporters collect and report number of injuries, and total number of working hours for the own workforce, including overtime, in the sustainability reporting platform. Continuous improvements for increased health and safety has resulted in a decreased number of work-related accidents.	3.5	1.5	0
Employees who have had an annual performance and career development review [%]	Company reporters collect and report number of employees that had a review, compared to total number of employees that should have a review, in the sustainability reporting platform.	97	92	100
Confirmed instances of discrimination	Company reporters collect the information and report in the sustainability reporting platform. The information also includes any reported cases in our Whistleblowing function.	0	0	0
Equal Pay Index**	Weighted average gender pay gap. Roles that are comparable in terms of skills, responsibilities, and working conditions are categorized into groups. Data collection on gender, pay and other contractual terms and conditions for the identified roles, to identify any discrepancies in pay between genders in comparable roles. The result in 2023 is based on data from seven of the companies. In the coming years, more companies are planned to be included	94	92	100
Gender equality (all employees) [%]	Company reporters collect and report number of males, females, non-binary and total employees, in the sustainability reporting platform. The main reason behind the decrease in gender equality during 2023, is due to inclusion of new companies acquired during 2022.	29	26	Min. 40%

* Based on legal requirements and/or recognized standards or guidelines, such as ISO 45001 or similar, which has been internally audited and/or audited or certified by an external party.

** Includes the companies Edugrade, Data Center Systems, Hexatronic Cables & Interconnect Systems, Hexatronic Fiberoptic, Hexatronic UK, Proximion and Hexatronic head office.

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. How we do business is just as important as the results we achieve.

Our ambitions

- **Strong business ethics**
  We have zero tolerance for bribery and corruption and commit to conduct our operations honestly, transparently and ethically, internally as well as externally.
- **Code of Conduct**
  All employees sign our Code of Conduct and receive training on an annual basis. Employees in selected positions are educated on anti-bribery and corruption.
- **Sustainability screened suppliers**
  We screen our direct material and transport suppliers based on our supplier sustainability requirements.

How we get there

- Ensuring that the Code of Conduct is known and respected through recurring training.
- Performing regular risk analysis and internal and external control mechanisms.
- Ensuring responsible governance and board oversight of ESG risks.
- Adopting sustainability performance measures in executives' compensation program.
- Ensuring internal and external due diligence of existing procedures, training, and control mechanisms, incl. due diligence processes of intermediaries.
- Collaborating with business partners on relevant sustainability issues.
- Requiring our suppliers to adhere to and comply with our supplier requirements and evaluate the compliance by doing regular assessments and audits.
- Ensuring sustainability competence among purchasing positions and use sustainability as a criteria in the sourcing process.
- Conducting our business by the Ten Principles of the United Nations Global Compact, where principle ten relates to anti-corruption.
- Membership in the Swedish Anti-Corruption Institute and the UN Global Compact.

Impact, risks and opportunities

We have identified business ethics as one of our material topics. A lack of trust would hurt our business, whereas a high trustworthiness means new business opportunities.

Supply chain management is another material topic. During 2023, we updated our Supplier Code of Conduct to strengthen the areas of supply chain due diligence and human rights. We regularly evaluate the compliance of our Code through assessments, audits, and supplier dialogues and work together with our business partners to secure a sustainable supply chain.

Business ethics – We recurrently assess bribery and corruption risks, and investigate compliance with internal and external audits. To manage these risks, we also educate our employees, and discuss ethical dilemmas related to business conduct. This is an important activity to empower our employees to identify, mitigate and report potential risks.

Data security – Hexatronic has a governing framework for IT and cyber security to identify risks and manage data security. Employees are recurrently educated in IT and cyber security.

Supplier Code of Conduct compliance – We identify and manage risk of non-compliance to Hexatronic's supplier requirements, by assessments, supplier dialogues and collaborations. Our environmental requirements and Supplier Code of Conduct are a part of the supplier agreements. We expect our suppliers to carry out due diligence activities to ensure they are operating responsibly, respecting both human rights and decent working conditions. 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. A key to progress is to have the right competence in purchasing positions, achieved by investing in capabilities and relevant training for the purchasing organization.

Modern slavery and human rights – Hexatronic commits to preventing all forms of modern slavery, servitude, forced labor, and human trafficking. We assess our salient human rights issues in our human rights due diligence assessment. The risk of human trafficking is primarily linked to global supply chains. Securing a responsible supply chain is vital in our strategy to deliver value to our customers and contribute to sustainable development. We therefore want to work with suppliers who share our values when it comes to sustainability and ethics. Every year, we state our efforts to prevent modern slavery in our business and supply chains in our Modern Slavery Act Statement. It is available in full via the Sustainability section on our website: group.hexatronic.com/en/sustainability.

Read more about our operational and market risks and our risk management on page 72-74.

Our progress 2023

- The sustainability targets linked to executive pay included environmental, social and governance targets within our focus areas Planet, People and Ethics.
- Employee Ethics and Code of Conduct training, either online or classroom training. Employees were educated in our values, ethics and integrity, environmental health and safety, managing harassment in the workplace and how to report misconduct.
- Employees in selected positions were educated on anti-bribery and anti-corruption.
- Strengthened procedures around sanctions lists.
- Recurring training in cyber security.
- Development of ESG supplier risk tool.
- Updated Supplier Code of Conduct with enhanced supplier expectations related to paying a living wage, supply chain management and due diligence. We expect our suppliers to conduct their own human rights due diligence assessment, as well as following the OECD Due Diligence Guidance.
- Supplier assessments to drive and ensure compliance to our requirements, including our Supplier Code of Conduct.

Our policies

- Code of conduct
- Sustainability policy
- Anti-corruption policy
- Tax policy
- Supplier Code of Conduct
- Whistleblowing policy
- Governing framework for IT and cyber security

Our policies form the foundation of our work on business ethics. Our Code of Conduct, Sustainability policy, Anti-corruption policy and Whistleblowing 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 how we 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. Moreover, business ethics is an essential part of our Supplier Code of Conduct included in our supplier agreements. Our Tax policy provides an important basis for being a transparent and a trustworthy business partner.

Hexatronic Group provides a whistleblowing function and a policy 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.

Key metrics	Description and progress	Baseline 2022	Result 2023	Goal 2030
Employees who have signed the internal Code of Conduct [%]	Company reporters collect and report the number of employees who have signed the Code of Conduct, compared to total number of employees. During 2023, all employees signed our internal Code of Conduct.	97	100	100
Employees who have completed internal Code of Conduct training [%]	Company HR responsible report the information about classroom training to production workers. The information related to non-production workers is exported from the online training platform. During 2023, our employees completed training in our Code of Conduct , either online or via classroom training.	91	100	100
Selected positions who have completed Anti-corruption training [%]	The information is exported from the online training platform. During 2023, close to all employees in selected positions completed training in Anti-corruption.	97	99	100
Number of confirmed instances of corruption	Information is collected from reported cases from our Whistleblowing function and from management.	0	0	0
Spend from sustainability approved suppliers [% of purchased volume]	Share of spend from suppliers that have been sustainability approved, out of total spend, from direct material suppliers. Suppliers are evaluated based on compliance to our requirements set out in our Supplier Code of Conduct and Environmental Requirements. After an initial risk screening, selected suppliers are assessed or audited. The suppliers respond to questions related to environmental impact, human rights, fair employment conditions, a good working environment, anti-corruption and supply chain management. The responses are complemented with relevant documentation. In the evaluation phase, the suppliers are scored on each topic and can be asked to clarify and/or complement the material, or take corrective actions, in order to be approved.	41	35	90


Hexatronic
Field Support

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 (2025) and long-term goals (2030) have been formulated.

The key metrics include the parent company Hexatronic Group AB and its subsidiaries with more than six employees, that were active within the group during the entire 2023. Companies acquired in 2023 will be incorporated into the key figures in 2024 as procedures and processes are established

Link to 2030 Agenda and the Global Compact

Each sustainability area is connected to the Agenda 2030 , the Sustainable Development Goals (SDG), and the UN Global Compact (GC) Ten Principles for sustainable business.

Prioritized sustainability areas/SDG and GC	Key metric	2022	2023	Goal 2025	Goal 2030
Business ethics SDG: 5.2, 16.5 GC: Principles 1, 5, 10	Percentage of employees who have signed the internal Code of Conduct	97	**100**	100	100
	Percentage of employees who have received training in our Code of Conduct	91	**100**	100	100
	Percentage of salaried employees who have completed training in Anti-corruption	97	**99**	100	100
	No. of confirmed instances of corruption	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 GC: Principles 1–10	Number of audits conducted relating to sustainability	6	**4**	*	*
	Percentage of purchased volume from sustainability approved suppliers [1]	41	**35**	60	90
Climate Action SDG: 7.2, 7.3, 8.4, 9.4, 12.2, 12.4, 12.5, 12.8, 13.1, 13.3 GC: Principles 7–9	Scope 1 GHG emissions, tCO_2e	962 [10]	**1,125** [2]	*	558
	Scope 2 GHG emissions (Market-based), tCO_2e	11,906 [10]	**11,953** [2]	*	6 905
	Scope 3 GHG emissions, tCO_2e	417,714 [10]	**289,701** [3]	-	-
	Total GHG emissions (Market-based), tCO_2e	430,582 [10]	**302,779**	-	-
	Climate intensity, scope 3, tCO_2e/MSEK Sales	64 [10]	**39** [11]	*	31
	Direct energy consumption, MWh	58,315 [10]	**56,859**	*	*
	Energy intensity, MWh/MSEK sales	9 [10]	**8**	7	6
	Climate neutral operations, % [9]	32 [10]	**32**	*	100
	Share of sales volume of in-house produced products with calculated carbon footprints, % [4]	61	**59**	100	100
	Recycled, reused or renewable materials in products produced in-house, %	13	**10**	*	25

Prioritized sustainability areas/SDG and GC	Key metric	2022	2023	Goal 2025	Goal 2030
Health, safety and working environment SDG: 3.4, 3.5, 3.9, 8.8	Employees covered by a Health and Safety Management system [5]	32	**62**	75	90
	Sick leave, % [6]	3.1	**2.5**	3	3
	Work-related accidents with absence, frequency [7]	3.5	**1.5**	0	0
	Employee Satisfaction Index	71	**	74	76
	Employee Loyalty Index	79	**	84	86
Diversity, inclusion and gender equality SDG: 5.1, 5.5, 8.5, 10.2 GC: Principle 6	Percentage of women	29	**26**	>35	>40
	Percentage of women managers	26	**27**	>35	>40
	Percentage of women in Executive Management	33	**38**	>35	>40
	Number of confirmed instances of discrimination	0	**0**	0	0
	Percentage of employees who have had a performance review	97	**92**	100	100
	Percentage of employees who deem Hexatronic a gender equal and inclusive workplace	88	**88**	97	100
	Equal Pay Index [8]	94	**92**	95	100
ISO certified management system	ISO 14001 certified companies in the Group, %	43	**35**	*	*
	ISO 9001 certified companies in the Group, %	65	**57**	*	*

1 Based on total purchase volume of direct materials.

2 The increase is mainly due to increased production in USA.

3 The decrease of Scope 3 emissions in 2023 is mainly due to lower GHG emissions from purchased goods in 2023.

4 Includes production of duct and cable.

5 Based on legal requirements and/or recognized standards or guidelines, such as ISO 45001 or similar, which has been internally audited and/or audited or certified by an external party. The increase is due to several companies implementing health and safety management systems during 2023.

6 Identified data gaps, since some non-European countries do not measure this in the same way.

7 Number of work-related accidents with more than 24 hours absence, divided by total number of hours worked x 200,000. Continuous improvements for increased health and safety has resulted in decreased number of work-related accidents.

8 Weighted average gender pay gap. Includes the companies Edugrade, Data Center Systems, Hexatronic Cables & Interconnect Systems, Hexatronic Fiberoptic, Hexatronic UK, Proximion and Hexatronic head office.

9 By using climate neutral energy and neutralize residual emissions. Includes Scope 1 and 2.

10 The new base year 2022 has been updated compared to previous published results, due to improved data quality, method improvements, and emissions added from the companies acquired during 2022 that had a material impact on the base year figure.

11 Sales excludes companies acquired during 2023, since their GHG emissions are not included in the Sustainability Report.

* No target set

** No survey conducted

n/a No data available

\- Target not applicable

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. Based on our own internal assessments, we have concluded that our economic activities linked to how we generate turnover are not affected by the new environmental objectives. We have assessed the new environmental objective, Transition to a circular economy, and have concluded that our type of business is not covered.

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 2023 are based on our current interpretation of the rules and may change in the future based on new regulatory guidance.

Our economic activities

In 2023, 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: 6.5 Transport by motorbikes, passenger cars and light commercial vehicles, 7.3 Installation, maintenance, and repair of energy-efficient equipment, 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings, 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings, 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 net turnover. 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 2023 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 installation of LED lighting in buildings and production facility, 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings.

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. None of the individual measures have been assessed as aligned with the taxonomy.

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.

Operating expenditure included in the numerator consists of 7.3 Installation, maintenance, and repair of energy-efficient equipment, which includes installation of energy-efficient doors, and 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings.

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.

Proportion of Taxonomy-aligned economic activities

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023				Substantial Contribution Criteria						DNSH criteria (Do No Significant Harm)									
Economic activities	**Code**	**Tturnover**	**Proportion of turnover year 2023**	**Climate Change Mitigation**	**Climate Change Adaptation**	**Water**	**Pollution**	**Circular Economy**	**Biodiversity**	**Climate Change Mitigation**	**Climate Change Adaptation**	**Water**	**Pollution**	**Circular Economy**	**Biodiversity**	**Minimum Safeguards**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2022**	**Category enabling activity**	**Category transitional activity**
		[MSEK]	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	-		
Of which Enabling		-	-	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	-	E	
Of which Transitional		-	-	-						Y	Y	Y	Y	Y	Y	Y	-		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
			EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Turnover of Taxonomy- eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		-	-	-	-	-	-	-	-								-		
A. Turnover of Taxonomy eligible activities (A1+A2)		-	-	-	-	-	-	-	-								-		

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
Turnover of Taxonomy-non-eligible activities		8,150	100%
TOTAL		8,150	100%

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	**Code**	**CapEx**	**Proportion of CapEx, year 2023**	**Climate Change Mitigation**	**Climate Change Adaptation**	**Water**	**Pollution**	**Circular Economy**	**Biodiversity**	**Climate Change Mitigation**	**Climate Change Adaptation**	**Water**	**Pollution**	**Circular Economy**	**Biodiversity**	**Minimum Safeguards**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year 2022**	**Category enabling activity**	**Category transitional activity**
		[MSEK]	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	-		
Of which Enabling		-	-	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	-	E	
Of which Transitional		-	-	-						Y	Y	Y	Y	Y	Y	Y	-		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Acquisition and ownership of buildings	CCM 7.7	212.1	18%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								16%		
Installation, maintenance, and repair of energy-efficient equipment	CCM 7.3	3.7	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Installation, maintenance and repair of charging stations for electric vehicles in buildings	CCM 7.4	0,6	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Installation, maintenance, and repair of renewable energy technologies	CCM 7.6	-	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
CapEx of Taxonomy- eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		216.3	19%	19%	-	-	-	-	-								16%		
A. CapEx of Taxonomy eligible activities (A1+A2)		216.3	19%	19%	-	-	-	-	-								16%		

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
CapEx of Taxonomy-non-eligible activities		937.1	81%
TOTAL		1, 153.4	100%

Template: Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	**Code**	**OpEx**	**Proportion of OpEx, year 2023**	**Climate Change Mitigation**	**Climate Change Adaptation**	**Water**	**Pollution**	**Circular Economy**	**Biodiversity**	**Climate Change Mitigation**	**Climate Change Adaptation**	**Water**	**Pollution**	**Circular Economy**	**Biodiversity**	**Minimum Safeguards**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year 2022**	**Category enabling activity**	**Category transitional activity**
		[MSEK]	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	-		
Of which Enabling		-	-	-	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	-	E	
Of which Transitional		-	-	-						Y	Y	Y	Y	Y	Y	Y	-		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	13.6	23%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Installation, maintenance, and repair of energy-efficient equipment	CCM 7.3	0.1	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1%		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	0.2	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Installation, maintenance, and repair of renewable energy technologies	CCM 7.6	0.0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
OpEx of Taxonomy- eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		14.0	23%	23%	-	-	-	-	-								1%		
A. OpEx of Taxonomy eligible activities (A1+A2)		14.0	23%	23%	-	-	-	-	-								1%		

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
OpEx of Taxonomy-non-eligible activities		46.5	77%
TOTAL		60.5	100%

Nuclear and fossil activities are not applicable to Hexatronic Group

	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No

	Nuclear and fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

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 2023 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, 10 April 2024
Öhrlings PricewaterhouseCoopers AB
Johan Malmqvist
Authorized 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 2023 financial year for the Parent Company and the Group.

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

Net Sales

Net sales during the financial year amounted to MSEK 8,150 (6,574). The Group's net sales for the full year increased by 24% compared to the previous financial year.

Net sales for the full year decreased organically by -3% and are mainly driven by a weaker market in Sweden, while the strategic growth markets of the UK, Germany and North America are in line or slightly below the previous year. Growth from acquisitions amounted to 22% and is attributable to IDS, homeway, KNET, Rochester Cable, Fibron, ATG and USNet. Currency effects for the full year amounted to 4% and are primarily attributable to the weakening of the SEK in relation to the USD, GBP and EUR.

Results for the financial year

Earnings before amortisation of intangible assets (EBITA) amounted to MSEK 1,234 (1,090), corresponding to an EBITA margin of 15.1% (16.6).

The operating result (EBIT) amounted to MSEK 1,122 (1,028), corresponding to an EBIT margin of 13.8% (15.6).

Net financial income/expense during the financial year amounted to MSEK -1 (-11), of which net interest income/expense amounted to MSEK -159 (-36), realised and unrealised exchange rate differences to MSEK -12 (-5) and other financial income and expense to MSEK 171 (30). Other financial items include revaluation of additional purchase considerations and acquistion options of MSEK 179 (34).

Net earnings for the full year amounted to MSEK 846 (793).

Financial position and liquidity

The Group's financial position and liquidity remain strong. Available funds on December 31, 2023, including unutilized credit facilities, amounted to MSEK 1,732 (2,150).

The Group's net debt amounted to MSEK 2,678 on December 31, 2023, split between borrowings of MSEK 2,924 (1,911), lease liabilities of MSEK 567 (440), and offset by liquid assets of MSEK 813 (552).

Cash flow from operating activities during the financial year amounted to MSEK 944 (670), including a change in working capital of MSEK -156 (-522). In line with our plan, inventory has decreased during the year. Simultaneously, cash flow has been negatively affected by a decrease in accounts payable.

Cash flow from investing activities during the financial year amounted to MSEK -1,426 (-1,104). The investments in tangible and intangible assets amounted to MSEK -518 (-479), mainly driven by capacity investments in Sweden and in the US. The cash flow effect from business combinations after deduction of acquired cash and cash equivalents amounted to MSEK -907 (-625), and mainly relates to acquistion of Rochester Cable, Fibron, ATG and USNet.

Cash flow from financing activities during the year amounted to MSEK 769 (271), which mainly refers to borrowings of MSEK 1,635 (791) linked to business combinations, investments and refinancing, amortization of loans MSEK -688 (-464), amortization of lease liabilities MSEK -92 (-74), repurchase of shares MSEK -81 (-) and dividends MSEK -20 (-20).

Acquisitions and investments

Investments

Investments during the financial year mainly refers to business combinations and capacity investments in Sweden and the US.

Acquisition of Rochester Cable

Hexatronic Group completed the asset purchase agreement to acquire all business activity of Rochester Cable ("Rochester") from TE Connectivity Corporation to a fixed purchase consideration of MUSD 55 on a debt free basis (excluding ND/WC adjustments of MUSD -4.5). The acquisition was completed on

Multi-year comparison, Group

MSEK	2023	2022	2021	2020	2019
Net sales	8,150	6,574	3,491	2,081	1,842
Result before tax	1,121	1,017	332	165	91
Result before tax as a percentage of net sales	13.8%	15.5%	9.5%	7.9%	4.9%
Total assets	8,733	7,388	4,715	1,953	1,498
Equity asset ratio	39.4%	38.0%	34.9%	33.3%	38.3%

March 3, 2023 and has subsequently been consolidated. Rochester is one of the main designers and manufacturers of harsh environment electrooptical cables in the US.

Acquisition of Fibron BX, LTD

Hexatronic Group acquired 100% of the share capital of Fibron BX ("Fibron") on August 18, 2023, for a fixed purchase consideration of MGBP 25 on a debt free basis (excluding ND/NWC adjustment of MGBP -5.5), and a contingent purchase consideration calculated at net present value of maximum MGBP 7. Fibron is a leading OEM manufacturer of electro-optic cables for harsh environment and strengthens the company's position in the Harsh Environment market.

Acquisition of ATG Technology Group Limited

Hexatronic Group acquired 100% of the share capital of ATG Technology Group Limited ("ATG") on September 1, 2023, for a purchase consideration of MNZD 0.9. ATG is a strategic acquisition of a distributer within fiber optic solutions in the New Zealand market.

Acquisition of USNet

Hexatronic Group acquired 95% of the share capital of USNet on October 1, 2023, for a fixed purchase consideration (excluding ND/NWC adjustment) of MUSD 5.5, and a contingent purchase consideration calculated at net present value of maximum MUSD 0.9.

USNet is a US based company that offers installations, project management, de-commissioning and relocation services across the country for large-scale data center customers.

The acquisition of USNet includes a put/call option to acquire the remaining 5% of the share capital after 2027. Both parties have the right to exercise the option and it is considered likely that the option will be exercised, hence the acquisition is recognized at 100% with no non-controlling interest.

Legal processes

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

The Group's financial goals

Profitability

The EBITA margin (earnings before amortization of intangible assets) should be 15-17% over a business cycle. The EBITA margin for 2023 was 15.1%.

Growth

The Group shall have an annual growth of at least 20% over a business cycle. Growth in 2023 was 24% 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, Data Center and Wireless.

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, Data Center and Wireless. The Group does not prioritize acquisitions in which cost synergies need to be harnessed to achieve a good return on the acquisition investment.

Sustainability Report

In accordance with chap. 6, §11 of Sweden's Annual Accounts Act, Hexatronic Group AB (publ) has chosen to produce its Sustainability Report as a separate report from the Annual Report. The Sustainability Report can be found on pages 38-63 of this document.

The sustainability report covers the parent company Hexatronic Group AB and its subsidiaries. The companies acquired or formed during 2023 and companies with less than six employees are not included in the key figures presented on pages 58-59.

Multi-year comparison, Parent Company

MSEK	2023	2022	2021	2020	2019
Net sales	121	67	19	19	19
Result after financial items	-40	122	-23	-55	-64
Result after financial items as a percentage of net sales	-33%	182%	-124%	-297%	-339%
Total assets	5,060	4,032	2,967	1,297	896
Equity asset ratio	19.9%	27.7%	31.6%	20.4%	25.0%

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.

All environmental conditions are deemed to be complied with, except for the current requirement for maximum production volume. As a result, a new permit process is underway. Other measurements carried out show that the prescribed guideline values linked to the permit are undercut. Other measurements carried out show that the prescribed guideline values linked to the permit fall within the guidelines.

Environmental management

The operation in Hudiksvall has been certified according to ISO 14001 since 1997. It is also certified according to quality, ISO 9001, and occupational health and safety, ISO 45001. A follow-up audit was carried out by Intertek in April 2023 and no major deviations were noted. Significant environmental aspects for the company are transport, raw materials and storm water emissions. The Swedish companies are covered by the (2014:266) on Energy Audit in Large Enterprises. The last one was reported in 2022, which means that the requirement for current four-year period is fulfilled. The survey is part of the organisation's active work with energy savings which has been ongoing for several years and leads to reduced 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 decided 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 to people who are part of the management team and managers who are directly subordinate to the CEO. Managers who are directly subordinate to the CEO are the Deputy CEO, CFO, CTO, Sourcing & Supply Director, CMO, Head of Central Europe and Head of Northern Europe.

The guidelines are forward-looking and shall be applied to remuneration that is agreed, and to changes made to already agreed remuneration, after the adoption of guidelines by the Annual General Meeting in 2024. The guidelines do not cover remuneration decided by the Annual General Meeting.

With regard to employment conditions that are subject to rules other than

Key figures for the Group

MSEK	2023	2022	2021	2020	2019
Growth in net sales	24%	88%	68%	13%	15%
EBITA margin	15.1%	16.6%	11.3%	9.8%	7.4%
Operating margin	13.8%	15.6%	10.2%	8.5%	5.8%
Equity asset ratio	39.4%	38.0%	34.9%	33.3%	38.3%
Earnings per share before dilution (SEK)	4.18	3.95	1.32	0.68	0.36
Earnings per share after dilution (SEK)	4.17	3.89	1.29	0.67	0.36
Net sales per employee (SEK thousand)	4,211	4,598	3,467	3,069	3,133
Result per employee (SEK thousand)	438	556	251	187	114
Quick asset ratio %	139%	95%	97%	91%	88%
Cash flow from operating activities	944	670	105	250	174
Average number of employees	1,935	1,430	1,007	678	588
Number of shares at period end before dilution	203,026,610	203,026,610	199,826,650	188,307,150	185,919,125
Average number of shares before dilution	203,026,610	201,151,897	191,749,640	187,400,815	185,639,125
Average number of shares after dilution	203,454,005	203,996,888	195,491,130	187,816,610	186,086,680

Swedish, appropriate adjustments may be made to comply with such mandatory rules or established local practice, whereby the overall purpose of these guidelines, as far as possible, shall be met.

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 pricebased 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 predetermined, 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/determined to what extent the criteria have been met. The Remuneration Committee is responsible for the assessment regarding variable cash payment to the CEO. With regards to variable cash payments to other senior executives, the CEO is responsible for the assessment. Financial targets shall be assessed based on the most recent financial information published by the company.

Pension

For the CEO and other senior executives, defined contribution plans should be used for pension benefits.

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 Annual General Meeting may, if so resolved, offer long-term incentive programmes, such as share or share price-related remuneration or incentive programmes. Such long-term incentive programmes are decided by the Annual General Meeting and are therefore not covered by these guidelines.

Criteria for paying variable remuneration etc.

Variable remuneration shall be linked to pre-determined, quantifiable criteria, which may be financial or non-financial. The fulfilment of the criteria for payment of short-term variable remuneration shall be measurable over a period of one year. The criteria may also consist of individualized quantitative or qualitative targets. 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, for example, having a clear link to the business strategy or promoting the senior executive's long-term development.

Once the measurement period for fulfilment of the criteria for payment of variable remuneration has ended, the extent to which the criteria have been met shall be determined. The Remuneration Committee is responsible for this assessment. Financial targets shall be assessed based on the most recent financial information published by the company.

The Board shall have the possibility, by law or in accordance with agreements and with the limitations that may result therefrom, to reclaim, in whole or in part, variable remuneration paid on false grounds.

Remuneration to Board Members

Remuneration to Board Members of Hexatronic Group is determined by the Annual General Meeting. Board Members are only entitled to receive such remuneration as decided by the Annual General Meeting. However, additional remuneration may be paid for services carried out by

Board Members for Hexatronic within their respective areas of expertise, provided that the service performed is outside of what can be considered as normal assignment for Board Members. Such remuneration shall be at market rates and regulated in a consultancy agreement approved by the Board.

Terms of employment

Salary and terms of employment for employees

When preparing the Board's proposal for these remuneration guidelines, the salary and employment conditions for the company's employees has been taken into account. By including information on the employees' total remuneration, components of the remuneration, increase in remuneration and the rate of increase over time, the Remuneration Committee and Board has used this information as part of the basis when evaluating the fairness of the guidelines and limitations resulting from them.

Termination of employment

If the CEO resigns, a notice period of six (6) months shall apply and no severance package will be paid out.

Upon termination by the company, the notice period for the CEO may be a maximum of twelve (12) months. Severance package is only paid from the time the CEO reaches the age of 50 years old, with one month's salary for each year over 50 years at the time of termination. For example, if the CEO is given notice at the age of 51, the severance package will amount to one (1) month's salary, and at the age of 52 it amounts to two (2) months' salary, etc.

The severance package is not deducted from any 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, and no severance package will be paid.

Furthermore, compensation for commitment of a non-competition obligation may be paid to the CEO and other senior executives upon termination of employment. This compensate 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 salary at the time of termination, with deduction for a potentially lower salary in the new employment, but not more than 60% of the fixed salary. Remuneration shall be paid during the period of the non-compete obligation applies, which shall be no more than 6 months after termination of employement.

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 tasks include preparing the Board's decisions on proposed guidelines for remuneration to senior executives. The Board shall prepare proposals for new guidelines at least every four years and present the proposal at the Annual General Meeting. The guidelines shall apply until new guidelines have been adopted by the Annual General Meeting. 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 current remuneration structures and remuneration levels in the company. The members of the Remuneration Committee are independent of the company and Executive Management. During discussion and decision of renumeratoin related areas, 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 occasionally depart from the guidelines, wholly or partially, 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 ensure the company's financial strength. As stated above, the Remuneration Committee's duties include preparing the Board's decisions on remuneration matters, 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 121 (67) and result for the year amounted to MSEK -58 (140).

Net financial income/expense was MSEK 22 (197) and liquid assets amounted to MSEK 173 (42) at the end of the year. The Parent Company works actively with the financing structure in both the Parent Company and the Group, to optimise the financial flows in the Group. Dividends from subsidiaries are regularly performed to secure financing in the Parent Company.

The number of employees was 27 (22) at the end of the year. 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

Board of Directors proposes to the Annual General Meeting on May 7, 2024 that no payment of dividend will be made for the financial year 2023.

The following funds are at the Parent Company's disposal	SEK
Share premium reserve	936,006,195
Result brought forward	102,183,707
Result for the year	-57,522,575
Total	**980,667,327**

The Board of Directors proposes that the profits be appropriated as follows:	SEK
SEK 0 per share to be distributed to shareholders	-
To be transferred to result carried forward	980,667,327
Total	**980,667,327**


Hexatronic
Hexatronic

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 minimizes 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 function 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 conduct 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.

The strategic risk management mapping and follow-up is supported by the operational risk management where risks are followed up at monthly meetings with the entities and where risks are presented as part of the CEO update at every board meeting. Training activities and internal control activities, such as self-assessment, are also supporting the on-going risk management work.

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 strategic 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 11% 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.
Serious disruption to production Damage at production plants, caused for instance by fire or an interruption in some part of the production process, can have negative consequences, 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 materialize, whether in part or in full.	All potential acquisitions and their operations are closely scrutinized before an acquisition is made. There are well-established processes 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 long-term success. Hexatronic is particularly dependent on senior executives and on certain personnel in the development, purchasing and sales departments. Shortcomings in corporate culture, gender equality and diversity, and discrimination can lead to a negative corporate culture, and affect Hexatronic's ability to retain and attract personnel. 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. Hexatronic prioritizes building favorable conditions for employees to develop within the Group and to enjoy their work. The Group's acquisition strategy includes ensuring that key individuals in the acquired companies are highly motivated to continue running their companies independently within the Group. Hexatronic is also working actively with diversity and gender equality and has adopted a gender equality policy, an action plan against discrimination and degrading treatment. Hexatronic also arranges training activities in this area on a regular basis.
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 area within the Group. Systematic health and safety work in accordance with the companies' management systems and prevailing legislation helps to minimize this risk.

Risks	Risk management
Business ethics risk High ethical standards, respect for human rights and labor laws are the foundation for a strong and sustainable business. The risk of bribery and corruption in functions such as sales, purchasing and corporate entertainment or the risk of investing in companies with insufficient ethical business conduct, poor working conditions or non-compliance and regulations in this area, all carry a reputational risk and can lead to a negative effect on profits, damage to the brand and a loss of market share.	Strong business ethics is prioritized for Hexatronic. The Board has adopted a framework with policies on anti-corruption, trade compliance, a modern slavery act statement and a Code of Conduct for Hexatronic's suppliers and an internal Code of Conduct. All companies within the group are obliged to comply with these policies. Acquired companies receive training on these policies when they become part of the Hexatronic group. Preventive measures include regular risk assessments, regular training to strengthen awareness and knowledge of practical implications and ongoing evaluation of our suppliers. Hexatronic also has a whistleblower system is in place to enable people to highlight anomalies, anonymously.
Regulatory risk The risk that Hexatronic or a Hexatronic subsidiary fails to comply with rules and regulations such as the Market Abuse Regulation, trade sanctions, export control regulations, provisions on sanctions or work environment requirements, the General Data Protection Regulation (GDPR), which may lead to costs and reputational damage.	Hexatronic has several policies and internal processes to ensure that all requirements on the Group are met. Hexatronic regularly provide training for its group companies on compliance such as anti-corruption, trade sanctions and export control and insider trading.
Quality control and product liability Hexatronic's system solutions and products are vital components in customers' products and the cost for replacing defect Hexatronic components may be considerable and could lead to substantial claims for damages. Thus, there is a risk of disputes with customers, suppliers and other business partners	Hexatronic is continuously working on ensuring quality in components purchased from suppliers and in products manufactured by Hexatronic. Disputes are followed up on a quarterly basis and any significant disputes are followed up by the Audit Committee. The provision for future guarantee obligations is assessed continuously. Disputes are carefully evaluated in order to ensure that Hexatronic, where appropriate, takes responsibility. In addition, Hexatronic ensures that the Group has adequate insurance cover.
Intellectual property rights There is a risk that Hexatronic's intellectual property rights are being infringed upon by competitors. 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 Group has adequate insurance cover, and the risk analysis is carried out in consultation with external advisors.
Information and IT Hexatronic relies on IT systems for its daily operations. Disruptions caused by errors security incidents, cyber attacks, hacking or data leakage may have a direct impact on the operations of Hexatronic and its subsidiaries. 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 political- or legal regulations, general trends or macroeconomic factors.

Risks	Risk management
Innovation and technology risk	
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 commercialize 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.
Competition	
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 and market	
Hexatronic is dependent on macroeconomic conditions, as well as the growth and financial development of its largest customers. A general decline in the economy and increased interest rates 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 increasing diversification makes the Group less sensitive to economic fluctuations in sectors and geographical regions around the world. Hexatronic strives to continuously diversify the Group's business and to align expenses with specific conditions.
Political and Geopolitical risk	
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 minimizing the risk linked to greater uncertainty in the wider world.
Environmental and climate-related risk	
Risks related to environmental factors continue to grow in importance at the same time as regulatory activity and reporting requirements are increasing. This includes for example risk for environmental incidents linked to Hexatronic's operations, climate-related weather events such as hurricanes, floods and wildfires could lead to disruptions to production and resource scarcity and increased operating and capital costs due to more frequent damage to our operations. Investors and customers are also increasingly demanding powerful efforts to reduce environmental impact. An inability to meet such demands can also affect sales.	Systematic environmental work in accordance with the companies' management systems and prevailing legislation helps to minimize the risk of environmental incidents. Hexatronic has also made a climate scenario analysis, see the sustainability report. Furthermore, reducing Hexatronic's 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, Hexatronic is working towards reducing the group's 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 minimize 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 favorable 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 minimize the borrowing requirement by centralizing 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

The purpose of Hexatronic Group's corporate governance is to create a good decision making system and a proper distribution of responsibilities between the different company bodies, with the purpose of driving growth and good governance.

Hexatronic Group is a Swedish limited liability company, publicly traded on Nasdaq Stockholm.

The corporate governance principles adhered to by Hexatronic Group are based on Swedish law, mainly the Swedish Companies Act and the Swedish Annual Accounts Act (Sw. årsredovisningslagen) the Swedish Corporate Governance Code ('the Code'), Nasdaq Stockholm's rulebook for issuers, the EU's market abuse regulation as well as other relevant laws and regulations.

The Code 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 2023 describes Hexatronic Group's corporate governance, management and administration, as well as its internal control for financial reporting.

The Articles of Association adopted by the AGM and the rules of procedures for the Board, set out the principles on governance of the Board and its committees and includes the instructions for the CEO, instructions for financial reporting and instructions for the Remuneration Committee and Audit Committee. These documents constitute the most important internal steering documents. 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

The Code is based on the "comply or explain" principle, meaning that companies are not obliged to at all times apply every rule in the Code, but are allowed the freedom to 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. 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 decisionmaking 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.

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. Hexatronic Group's AGM is usually held in May. 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.

Simultaneously, an announcement with information that the notice has been issued shall be published in Dagens Industri. The Articles of Association have no special rules on appointing or dismissing Board Members or on amending the Articles of Association.

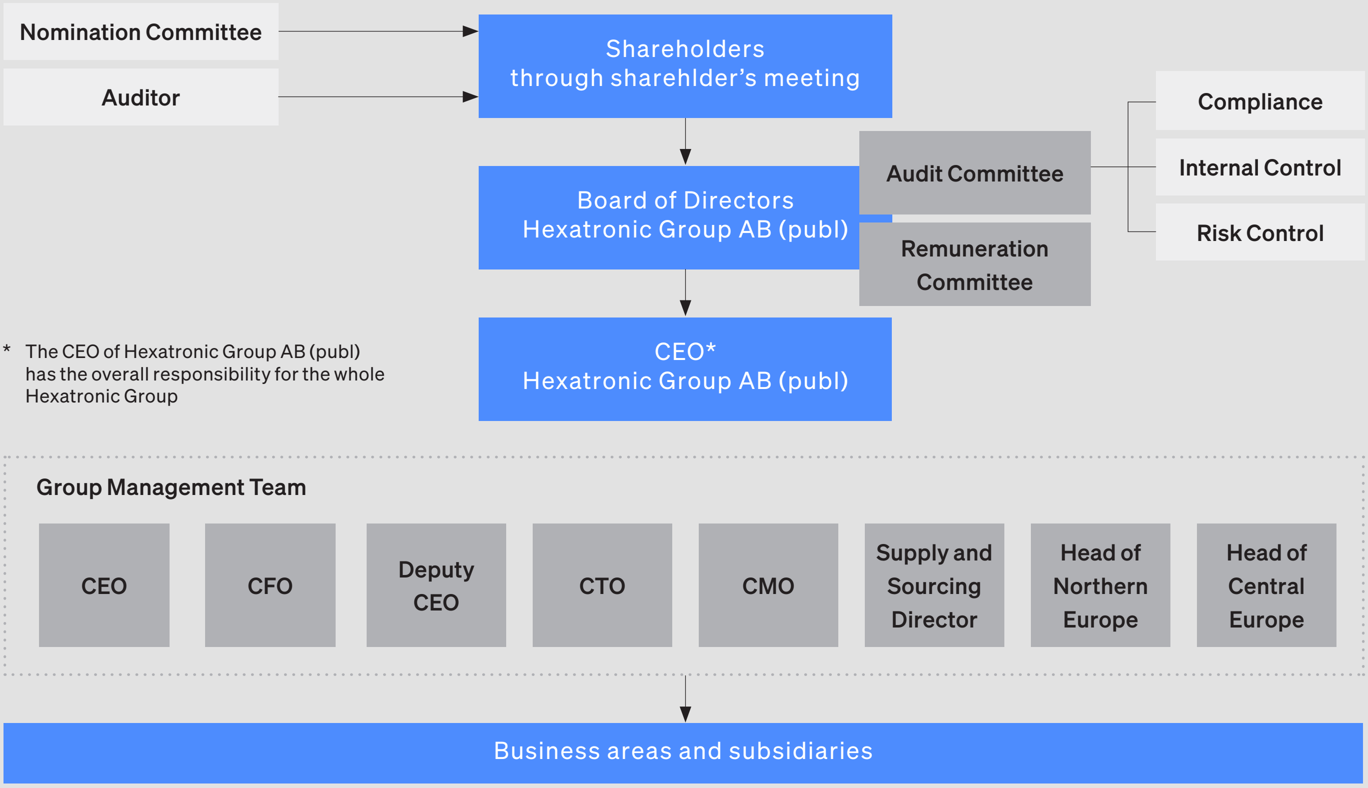
To see the Articles of Association in full, please visit group.hexatronic.com.

Number of shareholders and ownership structure

Hexatronic Group's share was listed on the Nasdaq Stockholm Small Cap exchange on 18 December 2015 and in 2022, the share was moved to the segment Large Cap. On 2 January 2024, the share was moved to the segment Mid Cap. The share capital on 31 December 2023 amounted to SEK 2,053,236.50, divided between 205,323,650 shares; 203 026 610 of these were ordinary shares and 2 297 040 were Class C shares. Class C shares carry one-tenth of a vote. The number of shareholders on 31 December 2023 was 65 692.

The biggest shareholders on this date were Handelsbanken Fonder (7.3%), AMF Pension & Fonder (7.0%), Accendo Capital (6.0%), Jonas Nordlund privately and via company (5.5%), and Chirp AB (4.4%).

Hexatronic Group's corporate governance structure



* The CEO of Hexatronic Group AB (publ) has the overall responsibility for the whole Hexatronic Group

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

Annual general meetings

Decisions at the 2023 AGM

The following decisions were made at the AGM on May 9, 2023:

- 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,Per Wassén and Charlotta Sund.
- Re-election of Anders Persson as Chairman of the Board.
- Re-election of registered public accounting firm Öhrlings Pricewater-house-Coopers 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 2032) for senior executives and other key personnel within the Group who are resident in Sweden, and to issue a maximum of 261,071 Class C shares for delivery of any performance shares under LTIP 2023, and to secure any social expenses which may arise under LTIP 2023.
- To establish a long-term incentive programme (Warrant Programme 2023 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 441,000 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 for financial year 2022 prepared by the Board was approved.
- The entire minutes from the 2023 AGM can be found at group.hexatronic.com.

The 2024 AGM

The 2024 AGM will be held on Tuesday May 7, 2024. For further information, visit the Hexatronic Group website (group.hexatronic.com).

Nomination Committee

Under the Code, a company listed on Nasdaq Stockholm shall have a Nomination Committee. In accordance with the instruction adopted by Hexatronic Group's AGM, the Nomination Committee shall include four members appointed by each of the four largest shareholders in terms of voting rights as of August 31, 2023, which desire to appoint a member. In addition, the Chair of the Board of Hexatronic Group shall be included as an adjunct member. Should the Chairof the Board directly or indirectly be one of the four largest shareholders, the Chair 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 Chair 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.

The Nomination Committee is obliged to perform its tasks according to the Code. The composition of the Committee meets the requirements concerning the independence of the Committee. The AGM documents related to the Nomination Committee are published on Hexatronic Group's website. Prior to the AGM, the Nomination Committee is tasked with proposing a Chair 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 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.

Nomination Committee ahead of the 2024 AGM

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

The Nomination Committee for 2024

AGM is based on the ownership structure as of August 31, 2023 and was announced in a press release on October 20, 2023.

The nomination Committee's members are:

- Mark Shay, Accendo Capital, Chairman
- Staffan Ringvall, Handelsbanken Fonder
- Angelica Hanson, AMF Pension & Fonder
- Oscar Bergman, Swedbank Robur
- Anders Persson, Chairman of the Board of Hexatronic Group, adjunct member

The Nomination Committee has had 4 minuted meetings between the 2023 AGM and the date the Annual Report was submitted. As a basis for its proposals ahead of the 2024 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 assign ments each member has in other companies.

When it comes to the composition of the Board, the diversity policyhas been applied as stipulated in rule 4.1 of the Code, which has resulted in the Nomination Committee proposal to the AGM regarding the election of Board Members

Board of Directors

The Board of Directors, which is the highest decision-making body after the General Meeting, bears ultimate responsibility for Hexatronic Group's organisation, management and control of the Company's financial conditions. The Board of Directors shall further ensure that the Company applies the Code and complies with applicable laws and regulations, Nasdaq Stockholm's rulebook for issuers, the Company's Articles of Association and the rules of procedures for the Board.

Composition in 2023

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, Deputy CEO and CFO usually participate in the Board meetings, during which the CFO acts as the secretary for the Board. Other office personnel in the company participate in Board meetings to report on specific matters.

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 Chair man 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 work of the Board follows an annual plan in order to allow the Board to address matters within the scope of its responsibility on a yearly basis. The annual plan is adopted annually by the Board. The annual plan sets out the division of responsibilities between the Board, the Chair of the Board and CEO and specifies the CEO's financial reporting. The Board also approves instructions for the Board's committees.

The Board's duties include setting 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.

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 2023, the Board mainly dealt with issues relating to the operations, acquisitions, financing, investments and other ongoing legal issues relating to reporting and the company.

Board meetings

In accordance with the rules of procedures for the Board, the Board is expected to meet six to ten times per year at venues to be agreed by the Board. The Board has held thirteen (13) meetings during 2023, of which five (5) were per capsulam.

The table on page 81 shows the Board members' attendance to the Board meetings.

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 an annual 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 Board has assigned an Audit Committee to oversee corporate governance, financial reporting, ESG (Environmental, Social and Governance) reporting and risks and compliance with external and internal regulations.

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 has held four (4) meetings during 2023. Audit Committee meetings and attendance are shown in

Present (total number of meetings)

Member	Elected	Born	Board of Directors	Remuneration Committee	Audit Committee	Independent of the company	Independent of major shareholders	Fees [1]	Audit Committee fees [1]
Anders Persson (Chairman)	2014	1957	13 (13)	2 (2)		Yes	Yes	750,000	-
Erik Selin	2014	1967	11 (13)	2 (2)		Yes	Yes	350,000	-
Jaakko Kivinen	2018	1970	13 (13)	2 (2)	4 (4)	Yes	Yes	350,000	75,000
Helena Holmgren	2020	1976	13 (13)	2 (2)	4 (4)	Yes	Yes	350,000	125,000
Per Wassén	2021	1961	13 (13)	2 (2)		Yes	Yes	350,000	-
Charlotta Sund	2022	1963	13 (13)	2 (2)		Yes	Yes	350,000	-

1) Fee decided for work from the 2023 AGM to the 2024 AGM.

the table with board meetings.
The Audit Committee at Hexatronic Group comprises two members: Helena Holmgren (Chair) and Jaakko Kivinen. The Audit Committee complies with the Swedish Companies Act's and the Code's requirements for independence as well as accounting and audit competence.

Evaluation of the Board's work in 2023

The Board, through an external provider, conducts an annual survey of its work performed during the year. 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 accounting related matters and tax consultancy. 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 rules of procedure for the Board and follows the Swedish Companies Act. 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.

The CEO leads the work of the Group Management Team ('GMT'), which is responsible for the overall business development and operations of Hexatronic Group. In addition to the CEO, the GMT consists of the CFO, Deputy CEO, CTO, CMO, Supply & Sourcing Director, Head of Northern Europe and Head of Central Europe. The GMT's role is to assist the CEO in the operation of Hexatronic Group's business. The GMT has monthly meetings.

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

Remuneration to auditors in 2023

Name	MSEK
PWC	
Audit engagement	6
Audit business in addition to audit engagement	1
Tax consultancy	0
Other services	0
Total	**7**

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 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).

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.	High School Economics.	MSc in Business and Administration, Lund University, MBA University of Ottawa.
Other assignments	Board Chairman of Coloreel Group AB and Board Member of Ferroamp AB (publ) and Plejd AB.	Board Chairman of K-Fast Holding AB, Brinova Fastigheter AB, Swedish Logistic Property AB and Norion Bank AB. Board Member and President of Fastighets AB Balder. Board Member of Neudi & Co and Hedin Mobility Group.	Partner at Navigio AB, Board Member of Profoto Holding AB (publ), ProGlove GmbH.
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 Engineering & Management, Linköping University.	MSc in Economics, Helsinki School of Economics and MBA, University of South Carolina.	MSc in Engineering Physics, Chalmers University of Technology, and BSc in Business Administration and Economics, School of Business and Economics and Law, University of Gothenburg.
Other assignments	CEO SSC, Swedish Space Corporation. Board member Enea Aktiebolag (publ).	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). Member of Royal Swedish Academy of Engineering Sciences (IVA).
Shares	550 shares Independent of the company, the company management and major shareholders.	46,500 shares. Independent of the company, the company management and major shareholders.	50,000 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 2024 AGM. The shareholdings given for each person above were true as of March 31, 2024.

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, Karlstad University.	BSc in Business Administration and Economics, School of Business and Economics and Law, University of Gothenburg.	MSc in Engineering Physics, Uppsala University, MSSc in Business, Uppsala University, also a Chartered Financial Analyst, IFL, Stockholm School of Economics.	MSc and Lic. Eng. in Vehicle Engineering, Royal Institute of Technology (KTH).
Other assignments	Director Scandinova Systems AB			
Shares	4,103,680 shares.	20,741 shares, 770 shares owned by related parties.	8,929,360 shares via part ownership of Chirp AB and 79,000 shares owned privately.	5,340 shares.




	Anna Bailey	Lise-Lott Schönbeck	Magnus Angermund	Christian Priess
Position	Sourcing and Supply Director, Hexatronic Group AB	CMO, Hexatronic Group AB	Head of Northern Europe, Hexatronic Group AB	Head of Central Europe, Hexatronic Group AB
Member since	2016	2020	2021	2019
Year of birth	1969	1972	1968	1970
Education	MSc in Industrial Engineering and Management, Chalmers University of Technology.	MSc in Engineering Physics and Chemistry, Chalmers University of Technology.	High School Electrical/Telecom Engineering, IHM, IFL Executive Management Program.	MSc International Business, Aarhus School of Business, MBA IMB.
Shares	59,200 shares.	28,235 shares.	173,890 shares.	100,000 shares, 99,000 warrants.

The Group's Executive Management holds monthly meetings.
The shareholdings given for each person above were true as of March 31, 2024.
Other assignments are listed only for the CEO in accordance with the Swedish Corporate Governance Code.

Consolidated statement of comprehensive income

		FINANCIAL YEAR	
Amounts in MSEK	**Note**	**2023**	**2022**
Operating income			
Net sales	5, 6, 15	8,150	6,574
Other operating income	7, 15	90	56
Total		**8,240**	**6,630**
Operating expenses			
Raw materials and consumables		-4,646	-3,705
Other external expenses	8, 18	-925	-735
Personnel costs	10	-1,147	-955
Other operating expenses	7, 15	-60	-1
Depreciation of tangible assets	18, 19	-228	-146
Earnings before interest, taxes and amortisation (EBITA)		**1,234**	**1,090**
Amortisation of intangible assets	17	-113	-62
Operating result		**1,122**	**1,028**
Financial income	11	185	56
Financial expenses	12, 15	-186	-67
Net financial income and expense		**-1**	**-11**
Earnings before taxes (EBT)		**1,121**	**1,017**
Income tax	13	-275	-224
Net result for the year		**846**	**793**
Attributable to:			
Parent Company shareholders		848	795
Non-controlling interest		-2	-2
Net result for the year		**846**	**793**
Other comprehensive income:			
Items which can later be recovered in the income statement			
Translation difference		-196	293
Hedging of net investments		69	-
Tax attributable to items that can be returned to the income statement		-14	-
Total comprehensive income for the year		**704**	**1,086**
Attributable to:			
Parent Company shareholders		706	1,086
Non-controlling interest		-2	0
Total comprehensive income for the year		**704**	**1,086**
Earnings per share before dilution (SEK)	14	4.18	3.95
Earnings per share after dilution (SEK)	14	4.17	3.89

The notes on pages 98 to 136 are an integral part of the Annual Report and consolidated financial statements.

Consolidated balance sheet

Amounts in MSEK	Note	31/12/2023	31/12/2022
ASSETS			
Non-current assets			
Intangible assets			
Capitalised development expenditure	17	37	35
Goodwill	17	2,474	2,042
Customer relations	17	394	327
Trademarks	17	74	87
Total intangible assets		**2,978**	**2,491**
Tangible assets			
Lands and buildings	19	359	245
Plant and machinery	19	1,231	831
Equipment, tools, fixtures and fittings	19	146	129
Total tangible assets		**1,736**	**1,205**
Right-of-use assets	18	543	425
Financial assets			
Other non-current receivables		5	4
Total financial assets		**5**	**4**
Total non-current assets		**5,263**	**4,124**
Current assets			
Inventories			
Raw materials and consumables		402	309
Products in progress		66	47
Finished goods and goods for resale		925	1,241
Total inventories		**1,393**	**1,596**
Current receivables			
Accounts receivable	23	1,124	1,018
Other receivables	24	25	23
Prepaid expenses and accrued income	25	116	75
Total current receivables		**1,265**	**1,116**
Liquid assets	26	813	552
Total current assets		**3,470**	**3,264**
TOTAL ASSETS		**8,733**	**7,388**

The notes on pages 98 to 136 are an integral part of the Annual Report and consolidated financial statements.

Consolidated balance sheet, contd.

Amounts in MSEK	Note	31/12/2023	31/12/2022
EQUITY AND LIABILITIES			
Equity	27		
Share capital		2	2
Other capital contributions		959	938
Reserves		129	325
Hedging reserve		54	-
Net result brought forward, including net result for the year		2,258	1,503
Total equity related to Parent Company shareholders		**3,402**	**2,768**
Non-controlling interest		35	37
Total equity		**3,438**	**2,805**
Non-current liabilities			
Lease liabilities	18	476	372
Liabilities to credit institutions	30	2,774	1,811
Deferred tax liabilities	20	248	213
Other liabilities	31	304	430
Total non-current liabilities		**3,803**	**2,825**
Current liabilities			
Lease liabilities	18	91	68
Liabilities to credit institutions	30	150	100
Provisions	29	59	14
Accounts payable		510	788
Current tax liabilities		88	108
Other liabilities	31	249	330
Accrued expenses and deferred income	32	347	351
Total current liabilities		**1,493**	**1,759**
TOTAL EQUITY AND LIABILITIES		**8,733**	**7,388**

The notes on pages 98 to 136 are an integral part of the Annual Report and consolidated financial statements.

Consolidated statement of changes in equity

Amounts in MSEK	Share capital	Other contributed capital	Reserves	Hedging reserve	Result brought forward, including result for the period	Total	Non-controlling interest	Total equity
Balance brought forward as of 1 January 2022	**2**	**904**	**33**	**0**	**703**	**1,642**	**5**	**1,648**
Net result for the year	-	-	-	-	795	**795**	-2	**793**
Other comprehensive income for the year	-	-	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 share issue relating to business acquisitions	0	10	-	-	-	**10**	-	**10**
Sales of shares linked to incentive programme	-	-	-	-	17	**17**	-	**17**
Dividends paid	-	-	-	-	-20	**-20**	-	**-20**
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	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**
Net result for the year	-	-	-	-	848	**848**	-2	**846**
Other comprehensive income for the year	-	-	-196	54	-	**-142**	0	**-142**
Total comprehensive income	**0**	**0**	**-196**	**54**	**848**	**706**	**-2**	**704**
New shares related to employee stock option programme	-	16	-	-	-	**16**	-	**16**
Employee stock option programme	-	5	-	-	-	**5**	-	**5**
Share-based remuneration	0	-	-	-	8	**8**	-	**8**
Repurchase of shares	-	-	-	-	-81	**-81**	-	**-81**
Dividends paid	-	-	-	-	-20	**-20**	-	**-20**
Total transactions with shareholders, reported directly in equity	**0**	**21**	**0**	**0**	**-93**	**-72**	**0**	**-72**
Balance carried forward as of 31 December 2023	**2**	**959**	**129**	**54**	**2,258**	**3,402**	**35**	**3,438**

The notes on pages 98 to 136 are an integral part of the Annual Report and consolidated financial statements.

Consolidated statement of cash flows

Amounts in MSEK	Note	31/12/2023	31/12/2022
Operating activities			
Operating result		1,122	1,028
Items not affecting cash flow	34	409	346
Interest received		8	2
Interest paid		-156	-32
Income tax paid		-282	-152
Cash flow from operating activities before changes in working capital		**1,100**	**1,192**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories		329	-610
Increase (-)/decrease (+) in accounts receivable		26	-239
Increase (-)/decrease (+) in operating receivables		-4	38
Increase (+)/decrease (-) in accounts payable		-391	200
Increase (+)/decrease (-) in other operating liabilities		-116	89
Cash flow from changes in working capital		**-156**	**-522**
Cash flow from operating activities		**944**	**670**
Investing activities			
Acquisition of intangible assets	17	-9	-17
Acquisition of tangible assets	19	-510	-462
Acquisition after deduction of liquid assets		-907	-625
Change in financial assets		0	0
Cash flow from investing activities		**-1,426**	**-1,104**
Financing activities			
Borrowings	35	1,635	791
Amortisation of loans	35	-688	-464
Amortisation of lease liabilites	35	-92	-74
New share issues	27	0	20
Sale of shares		0	17
Repurchase of shares	27	-81	0
New shares related to employee stock option programme		16	0
Dividends paid		-20	-20
Cash flow from financing activities		**769**	**271**
Cash flow for the year		**288**	**-164**
Liquid assets at the start of the year		552	675
Exchange rate difference in liquid assets		-28	40
Liquid assets at the end of the year	26	**813**	**552**

The notes on pages 98 to 136 are an integral part of the Annual Report and consolidated financial statements.

Parent Company income statement

Amounts in MSEK	Note	FINANCIAL YEAR 2023	2022
Operating income			
Net sales	6, 15	121	67
Total operating income		**121**	**67**
Operating expenses			
Other external expenses	8	-122	-78
Personnel costs	10	-59	-62
Other operating expenses		0	-
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**-60**	**-73**
Depreciation and amortisation of tangible- and intangible assets	17, 19	-3	-2
Operating result		**-62**	**-74**
Result from financial items			
Interest income and similar items	11	125	209
Interest income from Group companies		56	22
Interest expenses and similar items	12	-159	-35
Interest expenses to Group companies		0	0
Total result from financial items		**22**	**197**
Result after financial items		**-40**	**122**
Appropriations			
Provision for tax allocation reserve		-	-11
Return from tax allocation reserve		-	6
Group contributions		-17	30
Total appropriations		**-17**	**25**
Result before tax		**-58**	**147**
Income tax	13	-	-7
Result for the year		**-58**	**140**

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

The notes on pages 98 to 136 are an integral part of the Annual Report and consolidated financial statements.

Parent Company balance sheet

Amounts in MSEK	Note	31/12/2023	31/12/2022
ASSETS			
Non-current assets			
Intangible assets			
Capitalised development expenditure	17	6	8
Total intangible assets		**6**	**8**
Tangible assets			
Equipment, tools, fixtures and fittings	19	1	1
Total tangible assets		**1**	**1**
Financial assets			
Participations in Group companies	21	3,539	2,742
Receivables from Group companies		879	957
Total financial assets		**4,418**	**3,699**
Total non-current assets		**4,425**	**3,708**
Current assets			
Current receivables			
Receivables from Group companies		450	266
Current tax receivables		1	-
Other receivables	24	2	10
Prepaid expenses and accrued income	25	8	6
Total current receivables		**462**	**282**
Liquid assets	26	173	42
Total current assets		**635**	**324**
TOTAL ASSETS		**5,060**	**4,032**

The notes on pages 98 to 136 are an integral part of the Annual Report and consolidated financial statements.

Parent Company balance sheet, contd.

Amounts in MSEK	Note	31/12/2023	31/12/2022
EQUITY AND LIABILITIES			
Equity	27		
Restricted equity			
Share capital		2	2
Statutory reserve		0	0
Total restricted equity		**2**	**2**
Non-restricted equity			
Share premium reserve		936	920
Result brought forward		102	54
Result for the year		-58	140
Total non-restricted equity		**981**	**1,114**
Total equity		**983**	**1,116**
Untaxed reserves			
Tax allocation reserve		29	29
Total untaxed reserves		**29**	**29**
Non-current liabilities			
Liabilities to credit institutions	30	2,760	1,798
Other liabilities	31	282	413
Total non-current liabilities		**3,042**	**2,211**
Current liabilities			
Liabilities to credit institutions	30	150	100
Accounts payable		16	18
Provisions		5	-
Liabilities to Group companies		668	367
Current tax liabilities		-	3
Other liabilities	31	146	150
Accrued expenses and deferred income	32	21	38
Total current liabilities		**1,006**	**676**
TOTAL EQUITY AND LIABILITIES		**5,060**	**4,032**

The notes on pages 98 to 136 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 2022	**2**	**0**	**890**	**46**	**938**
Comprehensive income					
Result for the year	-	-	-	140	**140**
Total comprehensive income	**-**	**-**	**-**	**140**	**140**
New shares related to employee stock option programme	0	-	20	-	**20**
Employee stock option programme	-	-	-	2	**2**
Share-based remuneration	0	-	-	9	**9**
New share issue relating to business acquisitions	0	-	10	-	**10**
Sale of shares linked to incitament programme	-	-	-	17	**17**
Dividends paid	-	-	-	-20	**-20**
Total transactions with shareholders, reported directly in equity	**0**	**-**	**30**	**8**	**38**
Balance carried forward as of 31 December 2022	**2**	**0**	**920**	**193**	**1,116**
Balance brought forward as of 1 January 2023	**2**	**0**	**920**	**193**	**1,116**
Comprehensive income					
Result for the year	-	-	-	-58	**-58**
Total comprehensive income	**-**	**-**	**-**	**-58**	**-58**
New shares related to employee stock option programme	-	-	16	-	**16**
Employee stock option programme	-	-	-	1	**1**
Share-based remuneration	0	-	-	8	**8**
Repurchase of shares	-	-	-	-81	**-81**
Dividends paid	-	-	-	-20	**-20**
Total transactions with shareholders, reported directly in equity	**0**	**-**	**16**	**-91**	**-76**
Balance carried forward as of 31 December 2023	**2**	**0**	**936**	**45**	**983**

The notes on pages 98 to 136 are an integral part of the Annual Report and consolidated financial statements.

Parent Company statement of cash flows

Amounts in MSEK	Note	FINANCIAL YEAR 2023	2022
Operating activities			
Operating result		-62	-74
Items not affecting cash flow	34	6	16
Dividends received		54	118
Interest received		37	23
Interest paid		-156	-34
Income tax paid		-4	-8
Cash flow from operating activities before changes in working capital		**-125**	**41**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in other operating receivables		-178	-48
Increase (+)/decrease (-) in accounts payable		-2	6
Increase (+)/decrease (-) in other operating liabilities		277	68
Cash flow from changes in working capital		**97**	**26**
Cash flow from operating activities		**-28**	**67**
Investing activities			
Acquisition of subsidiaries		-926	-760
Long-term lending to subsidiaries		-198	-133
Repayment of long-term lending to subsidiaries		276	117
Acquisition of intangible assets	17	-1	-6
Acquisition of tangible assets	19	0	0
Cash flow from investing activities		**-849**	**-782**
Financing activities			
Borrowings	35	1,635	791
Amortisation of loans	35	-552	-427
Dividends paid		-20	-20
Repurchase of shares		-81	-
Sale of shares linked to incitament programme		-	17
New shares related to employee stock option programme		16	20
Cash flow from financing activities		**998**	**382**
Cash flow for the year		**121**	**-333**
Liquid assets at the start of the year		42	375
Exchange rate difference in liquid assets		10	-
Liquid assets at the end of the year	26	**173**	**42**

The notes on pages 98 to 136 are an integral part of the Annual Report and consolidated financial statements.


PLAZA
CASINO

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 10 April 2024, 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 2023 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 external revenue is generated through the sale of Fiber Solutions. Additionally, the group operates in the areas of Harsh Environment, Data Center, and Wireless, where the strategy going forward is to grow these areas through well-planned investments and acquisitions of new promising companies. These areas are not considered extensive enough to be treated and reported as separate segments. There is no further breakdown of results per service area, geographical region, 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 3–10 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. The net selling price is the estimated selling price in the ongoing operations, minus estimated costs necessary to achieve a sale.

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.

Hedging foreign currency risk in net investments abroad

Beginning in 2023, hedging of currency risk was introduced for foreign operations (net assets including goodwill). The investments are hedged using currency borrowings. For derivative instruments or other financial instruments that meet the requirements for hedge accounting under the method of hedging the net investment in foreign operations, the effective portion of the value changes is recognized in other comprehensive income. Accumulated value changes from hedging the net investment in foreign operations are reclassified from equity to profit and loss when the foreign operation is disposed of, either in whole or in part.

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 eneral 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 and restructuring reserves related to decided organizational changes. These provisions are recognised when the Group has a legal or informal obligation as a result of previous events, it is probable that an out-flow 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 2023, the adjustments relating to additional right-of-use assets amounted to MSEK 206.

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 the financial policy 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.

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)	2023	2022
USD	52	54
EUR	17	15
GBP	10	10
KRW	14,916	1,783
CAD	10	3
AUD	4	5
NOK	24	34
NZD	2	2

Estimated effect on the Group's operating result

SEK +10% compared with:	Currency flows, net	
Currency (millions)	**2023**	**2022**
USD	-55	-55
EUR	-20	-16
GBP	-13	-13
KRW	-12	-1
CAD	-8	-2
AUD	-3	-4
NOK	-2	-4
NZD	-2	-1

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)	2023	2022
EUR	71	69
KRW	111,064	97,752
USD	55	19
GBP	42	31
AUD	30	26
CAD	19	0
NZD	16	14
NOK	64	63

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

SEK +10 % compared with	Valutaflöden, netto	
SEK (millions)	**2023**	**2022**
EUR	-79	-77
KRW	-86	-81
USD	-55	-20
GBP	-53	-39
AUD	-20	-18
CAD	-15	0
NZD	-10	-9
NOK	-6	-7

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 2023, the Group's borrowing was in SEK, EUR, USD and GBP at variable interest rates. The borrowing amounted to MSEK 1,180, MUSD 107, MGBP 36 and MEUR 18.

Simulations show that a 1 % change in interest rates would increase or decrease the financial net by MSEK 29 (18).

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 according 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 pools 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 813 (552).

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 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Liabilities to credit institutions	350	2,810	14	-
Accounts payable	510	-	-	-
Other liabilities	249	24	336	19
Lease liabilities	114	109	257	180
Accrued expenses	126	-	-	-
Total	**1,349**	**2,943**	**607**	**200**

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	190	1,800	-
Accounts payable	788	-	-	-
Other liabilities	330	52	478	19
Lease liabilities	68	66	180	127
Accrued expenses	115	-	-	-
Total	**1,491**	**307**	**2,457**	**146**

Parent Company

Parent Company, 31 December 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Liabilities to credit institutions	350	2,810	-	-
Accounts payable	16	-	-	-
Other liabilities	146	14	316	19
Total	**512**	**2,824**	**316**	**19**

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	190	1,787	-
Accounts payable	18	-	-	-
Other liabilities	150	43	469	19
Total	**359**	**233**	**2,256**	**19**

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 2023 the Group reported 1.4 as leverage and 42.2% 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 the fair value of the additional purchase price or acquisition option have been made based on each purchase agreement, where gross profit margin or EBITDA margin are significant key ratios for the future projections.

The Group did not have any assets measured at fair value on 31 December 2023 or 31 December 2022.

Group, 31 December 2023	Level 1	Level 2	Level 3	Total
Liabilities				
Financial liabilities measured at fair value via the income statement				
Additional purchase price, FOS & OSA	-	-	19	19
Additional purchase price, Data Center Systems	-	-	9	9
Additional purchase price, homeway	-	-	50	50
Additional purchase price, KNET	-	-	184	184
Additional purchase price, Fibron Cable	-	-	89	89
Additional purchase price, USNet	-	-	9	9
Acquisition option, Impact Data Solutions	-	-	48	48
Acquisition option, Qubix	-	-	37	37
Acquisition option, USNet	-	-	13	13
Other	-	-	2	2
Total liabilities	**-**	**-**	**461**	**461**

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	25
Additional purchase price, Weterings	-	-	31	31
Additional purchase price, FOS & OSA	-	-	33	33
Additional purchase price, Rehau Telecom	-	-	33	33
Additional purchase price, Data Center Systems	-	-	19	19
Additional purchase price, homeway	-	-	59	59
Additional purchase price, KNET	-	-	300	300
Additional purchase price, Impact Data Solutions	-	-	44	44
Acquisition option, Impact Data Solution	-	-	43	43
Acquisition option, Qubix	-	-	34	34
Other	-	-	-	-
Total liabilities	**-**	**-**	**621**	**621**

Financial instruments in level 3

On 1 October 2023, the Group acquired 95% of the share capital in USNet. As part of the conditional purchase price, an additional purchase price of MSEK 10 is included in the acquisition analysis. The acquisition includes an option to acquire the remaining 5% until 2028. The expected purchase price for the remaining 5% is recognised as a liability and amounted to MSEK 14 at the time of acquisition. The fair value of the call/put option has been discounted.

On 18 August 2023, the Group acquired 100% of the share capital in Fibron BX. As part of the conditional purchase price, an additional purchase price is included, which in the acquisition analysis amounted to MSEK 98. The fair value of the contingent consideration agreement has not been discounted as the discounting effect is not considered significant.

On 1 December 2022, the Group acquired 100% of the share capital in KNET. As part of the conditional purchase price, an additional purchase price is included, which in the acquisition analysis amounted to MSEK 293. The fair value of the contingent consideration agreement has been discounted.

On 1 October 2022, the Group acquired 90% of the share capital in Impact Data Solutions Ltd. As part of the conditional purchase price, an additional purchase price is included, which in the acquisition analysis amounted to MSEK 43. The acquisition includes an option to acquire the remaining 10% until 2029. The expected purchase price for the remaining 10% is recognised as a liability and amounted to MSEK 43 at the time of acquisition. The fair value of the call/put option has been discounted.

On 1 September 2022, the Group acquired 82% of the share capital of homeway GmbH. As part of the conditional purchase price, an additional purchase price is included, which in the acquisition analysis amounted to MSEK 55. The fair value of the contingent consideration agreement has been discounted.

On 1 October 2021, the Group acquired 100% of the share capital in Data Center Systems. As part of the conditional purchase price, an additional purchase price is included, which in the acquisition analysis amounted to MSEK 24. The fair value of the contingent consideration agreement has not been discounted as the discounting effect is not considered significant.

On 2 August 2021, the Group acquired 100% of the share capital in OSA and FOS. As part of the conditional purchase price, an additional purchase price is included, which in the acquisition analysis amounted to MSEK 43. The fair value of the contingent consideration agreement has not been discounted as the discounting effect is not considered 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 2024. The expected purchase price for the remaining 10% is recognised as a liability and amounted to MSEK 31 at the time of acquisition. The fair value of the acquisition option has not been discounted as the discounting effect is not considered significant.

The calculation of the fair value as of 31 December 2023 resulted in a effect of MSEK 179 (34).

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 2024, the remaining 10 % of Impact Data Solutions Ltd until 2029 and the remaining 5 % of USNet after 2027. 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 1,393 (1,596) on 31 December 2023. The total obsolescence reserve amounted to MSEK 172 (133).

Note 5 Segments

Hexatronic is an innovative Swedish group with Fiber Solutions as its primary and leading component, encompassing systems and products for broadband communication. Additionally, the group operates in the areas of Harsh Environment, Data Center, and Wireless, where the strategy going forward is to grow these areas through well-planned investments and acquisitions of new promising companies. These areas are not considered extensive enough to be treated and reported as separate segments.

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. There is no further breakdown of results per service area, geographical region, or other segmental division, which is why the assessment is that the Group's operations consist of only one operating segment.

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	**2023**	**2022**	**2023**	**2022**
Product sales	7,606	6,381	-	-
Service sales	544	193	121	67
Total	**8,150**	**6,574**	**121**	**67**

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

	Breakdown of net sales		Non-current assets	
Group	**2023**	**2022**	**2023**	**2022**
Sweden	694	808	538	478
Rest of Europe	3,807	2,960	2,074	1,544
North America	2,964	2,226	1,648	1,012
APAC and rest of world	685	580	1,003	1,090
Total	**8,150**	**6,574**	**5,263**	**4,124**

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 2023 mounted to MSEK 424, MSEK 238 and MSEK 218 respectively. No single customer accounts for more than 10% of the Group's sales.

Income from the Group's three biggest customers in 2022 amounted to MSEK 474, MSEK 211 and MSEK 205 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 / - expenses

	Group	
Other operating income by income type	**2023**	**2022**
Onward-invoiced freight	6	33
Grants received	10	12
Capital gain from sale of equipment	0	6
Exchange rates differences	60	-
Other items	14	6
Total	**90**	**56**

Other operating expenses by expense type	Group 2023	2022
Exchange rates differences	-55	-
Other items	-5	-1
Total	**-60**	**-1**

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			
	2023	Of which PwC Sweden	2022	Of which PwC Sweden	2023	Of which PwC Sweden	2022	Of which PwC Sweden
PwC								
Audit engagement	6	3	5	3	2	2	2	2
Audit business in addition to audit engagement	1	0	1	0	0	0	0	0
Tax consultancy	0	-	0	-	-	-	-	-
Other services	0	0	1	-	0	0	-	-
Total	**7**	**4**	**7**	**3**	**2**	**2**	**3**	**3**
Other auditors								
Audit engagement	1	-	1	-	-	-	-	-
Total	**9**	**4**	**8**	**3**	**2**	**2**	**3**	**3**

Note 9 Transactions with related parties

Handelsbanken Funds owns 7.3%, AMF Pension & Funds owns 7.0%, Accendo Capital owns 6.0%, Jonas Nordlund owns (privately and via company) 5.5% of the shares in Hexatronic Group AB, and they are deemed to have significant influence over the Group. Ownership of the remaining 74.2% 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:

Sales of products and services	Group 2023	2022	Parent Company 2023	2022
Sales of Group-wide services to subsidiaries	-	-	121	67
Total	**0**	**0**	**121**	**67**

Purchases of products and services	Group 2023	2022	Parent Company 2023	2022
Rental agreement with Fastighets AB Balder	7	5	2	1
Purchases of services from subsidiaries	-	-	29	19
Total	**7**	**5**	**31**	**20**

Receivables and liabilities at the end of the period as a result of sales and purchases of products and services	Group		Parent Company	
	2023	2022	2023	2022
Receivables from related parties:				
- Receivables from Group companies	-	-	1,329	1,223
Total receivables from related parties	**0**	**0**	**1,329**	**1,223**
Liabilities to related parties:				
- Liabilities to Group companies:	-	-	668	367
Total liabilities to related parties	**0**	**0**	**668**	**367**

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.

In total, 100% (100%) of the Parent Company's sales are sales to Group companies and 23.8% (24.2) 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	2023	2022
Salaries and other remuneration	921	698
Social security contributions	137	169
Pension expenses - defined contribution plans	55	49
Group total	**1,112**	**917**

Salaries and other remuneration	2023		2022	
	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	34	6	40	6
of which bonuses	(2)	-	(7)	-
Other employees	886	49	658	44
Group total	**921**	**55**	**698**	**49**

Gender breakdown in the Group (incl. subsidiaries) for Board Members and other senior executives	2023		2022	
	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	8	3	9	3
Group total	**14**	**5**	**15**	**5**

Average number of employees by country	**2023** Average no. of employees	**2023** Of whom women	**2022** Average no. of employees	**2022** Of whom women
Sweden	28	17	20	11
Parent Company total	**28**	**17**	**20**	**11**
Subsidiaries				
USA	577	119	349	70
Sweden	432	124	417	109
UK	287	97	203	84
Germany	131	36	108	26
South korea	130	14	10	1
Austria	89	8	83	6
Australia	64	12	55	12
Estonia	54	45	59	49
Netherlands	47	4	44	4
New Zealand	32	3	28	2
Italy	23	7	21	7
Norway	13	1	13	1
Canada	10	3	5	1
Lithuania	5	1	4	1
Latvia	4	1	5	1
Finland	3	0	3	0
Denmark	3	0	2	0
Belgium	2	1	0	0
China	1	0	1	0
Subsidiaries total	**1,907**	**476**	**1,410**	**374**
Group total	**1,935**	**492**	**1,430**	**385**

Parent Company	**2023**	**2022**
Salaries and other remuneration	41	34
Social security contributions	8	22
Pension expenses – defined contribution plans	7	5
Parent Company total	**55**	**61**

Salaries and other remuneration	**2023** Salaries and other remuneration (of which bonuses)	**2023** Pension expenses	**2022** Salaries and other remuneration (of which bonuses)	**2022** Pension expenses
Board Members, CEO and other senior executives	19	4	19	3
of which bonuses	(1)	-	(4)	-
Other employees	22	3	42	1
Parent Company total	**41**	**7**	**61**	**5**

Gender breakdown in the Parent Company for Board Members and other senior executives	**2023**		**2022**	
	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	5	3	5	3
Parent Company total	**11**	**5**	**11**	**5**

Average number of employees by country	**2023**		**2022**	
	Average no. of employees	**Of whom women**	**Average no. of employees**	**Of whom women**
Sweden	28	17	20	11
Parent Company total	**28**	**17**	**20**	**11**

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 8 (6).

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 2023, Alecta's surplus in the form of the collective consolidation level was 157% (172).

Remuneration to senior executives

Guidelines

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

The Annual 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 eight people who together with the CEO make up the Executive Management. See pages 84-85 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 2023	Basic salary/ Board fee	Variable remuneration	Share-based remuneration	Other benefits	Pension expenses	Total
Anders Persson, Chairman of the Board	0.7	-	-	-	-	0.7
Helena Holmgren, Board Member	0.4	-	-	-	-	0.4
Erik Selin, Board Member	0.3	-	-	-	-	0.3
Jaakko Kivinen, Board Member	0.4	-	-	-	-	0.4
Charlotta Sund, Board Member	0.3	-	-	-	-	0.3
Per Wassén, Board Member	0.3	-	-	-	-	0.3
Henrik Larsson Lyon, CEO	5.8	0.6	1.7	0.1	1.7	9.8
Martin Åberg, Deputy CEO	3.8	0.3	1.0	0.1	1.1	6.2
Other senior executives (7 people)	14.4	0.8	2.6	0.7	3.2	21.8
Total	**26.6**	**1.6**	**5.3**	**0.9**	**6.0**	**40.3**

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.

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 12 and 30% 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, May 5, 2022,and May 9, 2023, 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, LTIP 2022, and LTIP 2023).

The three ongoing programmes encompass 43 people 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 earnings per share, the Group's growth and the EBITA margin 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 under the programme. The maximum cost for LTIP 2021, LTIP 2022 and LTIP 2023 programmes was estimated to be before the start of the programmes at approximately MSEK 25, MSEK 19 and MSEK 32 respectively, excluding social security contributions.

In 2023, a total of 38 participants in the LTIP 2023 programme purchased shares in Hexatronic Group AB, and the maximum right to performance shares amounted to 315,552 shares. As of December 31 2023, a total of 35 participants remain in the ongoing incentive programs.

No. of rights to shares	2023	2022
Outstanding rights to shares on 1 January	371,602	413,485
Allocated during the year	315,552	247,290
Earned during the year	-273,879	-289,173
Expired during the year	-124,717	-
Outstanding rights to shares on 31 December	**288,558**	**371,602**

Outstanding share rights on December 31, 2023 is 288,558 (371,602) of which CEO has 43,586 (73,900), Deputy CEO has 29,000 (43,700), other senior executives has 69,436 (109,875) and other employees 146,536 (144,129).

The fair value of the performance shares was determined when the programme was agreed. A reduction of the fair value with respect to expected dividends, has been made.

The recognised salary cost in 2023 for the programmes amounts to MSEK 8 (9), excluding social security contributions of MSEK -9 (20). Costs for social security contributions for the incentive programme are revaluated based on the shares' fair value at each reporting date.

The effect from incentive programme on earnings per share before and after dilution, see Note 14.

Note 11 Financial income/interest income and similar result items

	Group		Parent Company	
	2023	2022	2023	2022
Dividend	-	-	54	118
Exchange rate differences	-	-	71	91
Adjustment of additional purchase prices	179	55	-	-
Interest	6	1	0	0
Total	**185**	**56**	**125**	**209**

Note 12 Financial expenses/interest expenses and similar result items

	Group		Parent Company	
	2023	2022	2023	2022
Exchange rate differences	-12	-5	-	-
Adjustment of additional purchase prices	-	-21	-	-
Other interest expenses	-150	-30	-151	-29
Leasing interest expenses	-15	-7	-	-
Other financial expenses	-8	-4	-8	-6
Total	**-186**	**-67**	**-159**	**-35**

Note 13 Income tax

	Group		Parent Company	
	2023	2022	2023	2022
Current tax:				
Current tax on profit for the year	-245	-171	-	-7
Total current tax	**-245**	**-171**	**-**	**-7**
Deferred tax (Note 20)	-30	-53	-	-
Income tax	**-275**	**-224**	**-**	**-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	
	2023	2022	2023	2022
Earnings before taxes (EBT)	**1,121**	**1,017**	**-58**	**147**
Income tax calculated using national tax rates for profit in each country	-269	-222	12	-30
Tax effects of:				
- Non-deductible expenses	-48	-24	-23	-1
- Non-taxable income	39	18	11	24
- Tax on previous year's profit	0	-1	-	-
- Increase in loss carry-forward without equivalent capitalisation of deferred tax	-9	-3	-	-
- Use of loss carry-forward not previously recognised	12	8	-	-
Tax expense	**-275**	**-224**	**-**	**-7**

The weighted average tax rate is 24.5% (22.0%) for the Group and 0% (4.8%) for the Parent Company.

Note 14 Earnings per share

	2023	2022
Earnings per share before dilution (SEK)	4.18	3.95
Earnings per share after dilution (SEK) [1]	4.17	3.89

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	848	795
Weighted average number of ordinary shares before dilution	203,026,610	201,151,897
Weighted average number of ordinary shares after dilution [1]	203,454,005	203,996,888

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.

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.

Note 15 Exchange rate differences

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

	Group		Parent Company	
	2023	2022	2023	2022
Net sales	1	-10	-	-
Other operating income / -expenses, net (note 7)	5	-	-	-
Net financial income and expense (Note 11, 12)	-12	-5	71	91
Total exchange rate differences in the income statement	**-6**	**-15**	**71**	**91**

Note 16 Proposed appropriation of profits

The following funds are at the Parent Company's disposal	SEK
Share premium reserve	936,006,195
Result brought forward	102,183,707
Result for the year	-57,522,575
Total	**980,667,327**

The Board of Directors proposes that the profits be appropriated as follows:	SEK
SEK 0 per share to be distributed to shareholders	-
To be transferred to result carried forward	980,667,327
Total	**980,667,327**

Note 17 Intangible assets

Group	Capitalised development expenditure	Customer relations	Trademarks	Goodwill	Total
2022 financial year					
Opening carrying amount	15	250	56	1,065	1,385
Purchases/cultivation	17	-	-	-	17
Increase through business acquisitions	7	97	37	863	1,004
Translation differences	2	25	5	115	147
Amortisation	-6	-45	-11	-	-62
Closing carrying amount	**35**	**327**	**87**	**2,042**	**2,491**
As per 31 December 2022					
Cost	54	481	137	2,043	2,714
Accumulated amortisation and write-downs	-19	-154	-49	-1	-223
Carrying amount	**35**	**327**	**87**	**2,042**	**2,491**
2023 financial year					
Opening carrying amount	35	327	87	2,042	2,491
Purchases/cultivation	9	-	-	-	9
Increase through business acquisitions	5	168	-	518	692
Reclassification	-	-	-	7	7
Translation differences	0	-14	0	-93	-108
Amortisation	-12	-86	-14	-	-113
Closing carrying amount	**37**	**394**	**74**	**2,474**	**2,978**
As per 31 December 2023					
Cost	68	635	137	2,474	3,314
Accumulated amortisation and write-downs	-31	-240	-63	-1	-336
Carrying amount	**37**	**394**	**74**	**2,474**	**2,978**

Parent Company

During the 2023 financial year the Parent Company invested MSEK 1 (6) in capitalised development expenditure. Amortisation during the financial year amounted to MSEK 2 (1).

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 2023.

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 four separate CGUs to which goodwill can be allocated according to the table below:

2023	Opening carrying amount	Acquisitions	Sales	Write-down	Reclass-ification	Translation differences	Closing carrying amount
Group (excl. separate CGUs)	1,576	1	-	-	-6	-55	**1,516**
Qubix	149	-	-	-	-	0	**149**
Data Center Systems & Impact Data Solutions & USNet	318	73	-	-	13	-8	**396**
Rochester Cable and Fibron Cable	-	443	-	-	-	-30	**413**
Group total	**2,042**	**518**	**-**	**-**	**7**	**-93**	**2,474**

2022	Opening carrying amount	Acquisitions	Sales	Write-down	Reclass-ification	Translation differences	Closing carrying amount
Group (excl. separate CGUs)	569	101	-	-	-	52	**722**
Qubix	137	-	-	-	-	12	**149**
OSA & FOS	234	-	-	-	-	19	**253**
Data Center Systems & Impact Data Solutions	124	173	-	-	-	20	**318**
KNET	-	588	-	-	-	13	**601**
Group total	**1,065**	**863**	**-**	**-**	**-**	**115**	**2,042**

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 8% (9) for the Group (excluding separate CGUs), 2% (2) for Qubix, 6% (8) for Data Center Systems & Impact Data Solutions & USNet, and 7% (-) for Rochester Cable and Fibron Cable.

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 13.5% (15.6) 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	31/12/2023	31/12/2022
Property	543	425
Lease liabilities		
Current	91	68
Non-current	476	372
Total	**567**	**440**

Additional right-of-use assets in 2023 amounted to MSEK 206 (102).

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

	31/12/2023	31/12/2022
Depreciation of property	-86	-72
Interest expenses (included in financial expenses)	-15	-7
Expenditure attributable to short-term leases/leases for which the underlying asset is of low value (included in other external expenses)	-18	-8

The total cash flow relating to leases was MSEK -104 (-80) in 2023.

Note 19 Tangible assets

Group	Lands and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Total
2022 financial year				
Opening carrying amount	178	414	95	687
Purchases	31	401	30	462
Increase through business acquisitions	26	16	20	62
Sales and disposals	-2	-2	-1	-5
Translation differences	20	49	5	73
Depreciation	-7	-48	-20	-74
Closing carrying amount	**245**	**831**	**129**	**1,205**
As per 31 December 2022				
Cost	271	1,197	298	1,764
Accumulated depreciation and write-downs	-25	-366	-168	-559
Carrying amount	**245**	**831**	**129**	**1,205**
2023 financial year				
Opening carrying amount	245	831	129	1,205
Purchases	40	427	43	510
Increase through business acquisitions	94	120	6	220
Sales and disposals	-	-7	-1	-9
Translation differences	-8	-39	-1	-48
Depreciation	-12	-101	-29	-142
Closing carrying amount	**359**	**1,231**	**146**	**1,736**
As per 31 December 2023				
Cost	396	1,698	340	2,434
Accumulated depreciation and write-downs	-38	-467	-194	-698
Carrying amount	**359**	**1,231**	**146**	**1,736**

Parent Company

During the 2023 financial year the Parent Company invested MSEK 0 (0) in equipment. Depreciation of MSEK 0 (0) was carried out during the financial year.

Note 20 Deferred tax

Deferred tax liabilities are distributed as follows:

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Deferred tax liabilities				
Deferred tax liabilities to be settled after more than 12 months	222	190	-	-
Deferred tax liabilities to be settled within 12 months	27	23	-	-
Total deferred tax liabilities	**248**	**213**	**-**	**-**

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 2021	**66**	**-1**	**30**	**10**	**105**
Recognised in income statement	1	56	9	-13	53
Added through business acquisitions	33	-	-	13	46
Recognised in Other comprehensive income	6	3	-	0	9
As per 31 December 2022	**105**	**58**	**39**	**10**	**213**
Recognised in income statement	1	22	10	-2	30
Added through business acquisitions	15	-	-	-1	15
Recognised in Other comprehensive income	-3	-4	0	-2	-9
As per 31 December 2023	**118**	**76**	**49**	**6**	**248**

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	31/12/2023	31/12/2022
Opening cost	2,742	1,537
Acquisitions	815	1,199
Shareholders' contribution	120	9
Remeasurement of additional purchase prices/acquisition option	-138	-1
Write-down	0	-1
Closing accumulated cost	**3,539**	**2,742**
Closing carrying amount	**3,539**	**2,742**

Parent Company

Company Corp. ID no.	Registered office	No./% of equity	31/12/2023	31/12/2022
Hexatronic Cables & Interconnect AB 556514-9118	Gothenburg, Sweden	1,000 100%	31	22
Proximion AB 556915-7323	Stockholm, Sweden	58,058 100%	63	61
Hexatronic Fiberoptic AB 556252-0352	Örebro, Sweden	1,000 100%	66	65
Hexatronic AS 998 804 795	Engelsviken, Norway	1,000 100%	11	10
Hexatronic (Tianjin) Trading Co., Ltd. 120 116 400 016 890	Tianjin, China	0 100%	2	2
Hexatronic US Inc. 475 193 577	Quitman, USA	100 100%	0	0
Hexatronic UK Ltd. 6329180	Gosport, UK	2,000 100%	19	18
Hexatronic New Zealand Ltd. 5937353	Porirua, New Zealand	1,000 100%	22	22
Edugrade AB 556985-3152	Hudiksvall, Sweden	2,000 100%	25	25
Blue Diamond Industries LLC. 20-1023457	Lexington, USA	544,445 100%	267	267
Hexatronic GmbH 111674	Frankfurt, Germany	25,000 100%	27	27
PQMS Ltd. 3696868	Bedworth, UK	95 100%	19	19
Gordon Franks Training Ltd. 8445268	Birmingham, UK	187,550 100%	-	-
Smart Awards Ltd. 9079735	Solihull, UK	100 100%	5	5
Edugrade AS 920926452	Oslo, Norway	100 100%	-	-
Opternus GmbH 4567	Bargteheide, Germany	37,500 100%	134	133
Opternus Components GmbH 4934	Bargteheide, Germany	9,000 33%	-	-
Hexatronic Danmark ApS 40639101	Copenhagen, Denmark	400 100%	0	0
Tech Optics Ltd 6726737	Tonbridge, UK	13,050 100%	5	5
Tech Optics First Company Ltd 2257839	Tonbridge, UK	100,000 100%	-	-
The Light Brigade, Inc. 601232465	Kent, USA	50,000 100%	15	15
Hexatronic Australia Pty Ltd 643648122	Brisbane, Australia	100 100%	158	170

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Company Corp. ID no.	Registered office	No./% of equity	31/12/2023	31/12/2022
Hexatronic Baltic OÜ 11164070	Tallinn, Estonia	1 100%	57	57
Hexatronic OÜ 10729558	Tallinn, Estonia	1 100%	-	-
Hexatronic SIA 40003583738	Riga, Latvia	2,500 100%	-	-
Hexatronic UAB 1117679610	Vilnius, Lithuania	100 100%	-	-
Optobit AB 556709-8628	Stockholm, Sweden	6,000 100%	2	2
Hexatronic Canada, Inc. 2358854	Toronto, Canada	100 100%	93	-
Qubix S.p.A. 3575150283	Padua, Italy	270,000 90%	232	224
Hexatronic Security and Surveillance AB 559271-6921	Gothenburg, Sweden	375 75%	-	5
TK-Kontor-Freitag GmbH 18207	Neumünster, Germany	25,000 70%	19	19
Mpirical Ltd 4393797	Lancaster, UK	4,361 100%	90	116
H. Weterings-Galgeweg B.V. 27273425	Gravenzande, Netherlands	18,000 100%	-	91
H. Weterings-Plastics B.V. 27219131	Gravenzande, Netherlands	16,382 100%	68	-
Hexatronic Österreich GmbH 548181 z	Neulengbach, Germany	35,000 100%	36	36
Hexatronic Property GmbH 548183 b	Neulengbach, Germany	35,000 100%	66	66
Hexatronic US Holding, Inc. 6243400	Wilmington, USA	1,000 100%	56	56
Data Center Systems, Inc. 800444772	Dallas, USA	100,000 95%	-	-
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	31/12/2023	31/12/2022
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%	21	1
Apticom Srl 0789 765 981	Gosselies, Belgium	5,000 70%	-	-
homeway GmbH HR B 35 42	Coburg, Germany	100,000 82%	130	137
Impact Data Solutions Ltd 07038550	London, England	2000 90%	297	278
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%	691	785
KNET Indonesia 03.064.666.5-014.000	Jakarta, Indonesia	2,253,250,000 100%	-	-
KNET America 450982200	New Jersey, USA	1,000 100%	-	-
Rochester Cables 92-0753685	Delaware, USA	100 100%	436	-
Cypress Topco Limited 11694332	Hoddesdon, England	1,960,000 100%	379	-
Cypress Bidco Limtied 11694440	Hoddesdon, England	2 100%	-	-
Cypress Debtco Limited 11694517	Hoddesdon, England	2 100%	-	-
Cypress Midco Limited 11694553	Hoddesdon, England	2 100%	-	-
Fibron Cable 02094347	Hoddesdon, England	960 100%	-	-
Fibron LLC 84-3803662	Texas, USA	1 100%	-	-
Hexatronic Ranger Acquisition Company 2418620	Delaware, USA	8,000 95%	-	-
USNet 0801201254	Texas, USA	1,000,000 95%	-	-
ATG 902415	Porirua, New Zeeland	10,000 100%	-	-
Total			**3,539**	**2,742**

Note 22 Financial instruments by category

Group Assets in balance sheet	Financial assets at amortised cost	Total
31 December 2023		
Accounts receivable	1,124	1,124
Other receivables	25	25
Liquid assets	813	813
Total	**1,962**	**1,962**
31 December 2022		
Accounts receivable	1,018	1,018
Other receivables	23	23
Liquid assets	552	552
Total	**1,593**	**1,593**

Group Liabilities in balance sheet	Financial liabilities at amortised cost	Liabilities measured at fair value through profit or loss	Total
31 December 2023			
Liabilities to credit institutions	2,924	-	2,924
Accounts payable	510	-	510
Other current liabilities	-	461	461
Accrued expenses	126	-	126
Total	**3,560**	**461**	**4,021**
31 December 2022			
Liabilities to credit institutions	1,911	-	1,911
Accounts payable	788	-	788
Other current liabilities	-	621	621
Accrued expenses	115	-	115
Total	**2,813**	**621**	**3,434**

Note 23 Accounts receivable

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Accounts receivable	1,146	1,039	-	-
Less: reserve for credit losses	-22	-20	-	-
Accounts receivable – net	**1,124**	**1,018**	**-**	**-**

On 31 December 2023, accounts receivable totalled MSEK 1,124 (1,018) for the Group. On 31 December 2023, accounts receivable totalled MSEK 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 2023 was 0.1% (0.6%), which is deemed insignificant. The expected loss level is therefore not recognised per category.

As per 31 December 2023	Not overdue	Past due <30 days	Past due >30 days <60 days	Past due >60 days <90 days	Past due >90 days <180 days	Past due >180 days	Total
Recognised amount for accounts receivable	823	204	52	29	19	19	1,146

As per 31 December 2022	Not overdue	Past due <30 days	Past due >30 days <60 days	Past due >60 days <90 days	Past due >90 days <180 days	Past due >180 days	Total
Recognised amount for accounts receivable	718	225	47	15	18	15	1,039

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

	2023	2022
As per 1 January	**20**	**7**
Increase in reserve for credit losses, change recognised in the income statement	6	8
Increase in reserve for credit losses through business acquisitions	3	11
Written-off accounts receivable during the year	-7	-6
Reversal of unused amount	-	0
As per 31 December	**22**	**20**

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	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
SEK	76	131	234	152
EUR	264	291	478	390
USD	506	400	389	381
GBP	226	125	75	99
AUD	51	52	152	202
Other currencies	24	39	-	-
Total	**1,146**	**1,039**	**1,329**	**1,224**

Note 24 Other receivables

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Supplier receivable	1	8	-	-
Other receivables	24	15	2	10
Total	**25**	**23**	**2**	**10**

Note 25 Prepaid expenses and accrued income

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Prepaid rent	15	13	1	1
Contract assets	63	19	-	-
Prepaid insurance	4	3	0	1
Prepaid marketing costs	3	4	2	3
Other	31	35	6	1
Total	**116**	**75**	**8**	**6**

Note 26 Liquid assets

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Bank balance	813	552	173	42
Total	**813**	**552**	**173**	**42**

Note 27 Share capital and other contributed capital

Group	No. of shares	Share capital	Other contributed capital	Total
As per 31 December 2021	**203,126,650**	**2**	**904**	**906**
Subscription for shares via warrant programme	1,497,500	0	20	20
Warrant programme	-	-	4	4
Share-based remuneration	350,000	0	-	0
New share issue relating to business combinations	88,429	0	10	10
As per 31 December 2022	**205,062,579**	**2**	**938**	**940**
Subscription for shares via warrant programme	-	0	16	16
Warrant programme	-	-	5	5
Share-based remuneration	261,071	0	-	0
As per 31 December 2023	**205,323,650**	**2**	**959**	**961**

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

On the balance sheet date, the share capital in Hexatronic Group AB (publ) amounted to SEK 2,053,236.50 distributed between a total of 205,353,650 shares, of which 203,026,610 ordinary shares and 2,297,040 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 and repurchase of shares have been carried out:

- The Annual General Meeting on 9 May 2023 resolved on a directed share issue of a maximum of 261,071 shares of series C related to the long-term share savings programme (LTIP 2023).
- The board of directors resolved, based on the authorisation from the Annual General Meeting on May 9, 2023, to repurchase a maximum of 1,200,000 of the company's ordinary shares. The purpose of the repurchase programme was to reduce dilution of outstanding share-based incentive programmes and as payment of potential future acquisitions.

At the AGM on May 9, 2023, 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 205,323,650 at the end of the financial year. See Note 28 for information on current warrant programmes.

Note 28 Share-related compensation

Warrant programme
In all of the warrant programmes, the fair value of the allocated warrants is calculated using the Black & Scholes model. For the warrant programmes started in 2022-2023, each warrant entitles the holder to one share. As a result of the share split (share split, ratio 5:1) resolved at Annual General Meeting on May 5, 2022, one warrant gives the right to five shares for the program that started in 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 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 exercise date is 15 May 2024 to 15 June 2024. Since the share price as of 2023-12-31 is lower than the strike price for the warrant programme, the fair value of the option premium is SEK 0.
- In 2022 a warrant programme was issued regarding 600,000 warrants 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 exercise date is 15 May 2025 to 15 June 2025. Since the share price as of 2023-12-31 is lower than the strike price for the warrant programme, the fair value of the option premium is SEK 0.
- In 2023 a warrant programme was issued regarding 441,000 warrants targeted at some of the Group's personnel, 383,500 of which were subscribed. At the time of issue the market value per warrant was SEK 12.60 and the strike price amounts to SEK 96.20. The exercise date is 15 May 2026 to 15 June 2026. Since the share price as of 2023-12-31 is lower than the strike price for the warrant programme, the fair value of the option premium is SEK 0.

Warrants	2023	2022
Outstanding number of warrants on 1 January	**3,687,500**	**4,802,500**
Allocated during the year	383,500	545,000
Earned during the year	-1,250,000	-1,497,500
Expired during the year	-267,000	-162,500
Outstanding rights to warrants on 31 December	**2,554,000**	**3,687,500**

Share-savings programme
For information regarding ongoing share savings programme, se not 10 and paragraph - performance-based share savings programme.

Existing warrant programmes on the balance sheet date:
- During 2021, a decision was made to introduce a long-term, performance-based incentive programme (LTIP 2021) for 14 senior executives and other key employees 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 112,317 savings shares.
- During 2022, a decision was made to introduce a long-term, performance-based incentive programme (LTIP 2022) for 35 senior executives and other key employees 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 48,898 savings shares.
- During 2023, a decision was made to introduce a long-term, performance-based incentive programme (LTIP 2023) for 45 senior executives and other key employees 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 69,431 savings shares.

Note 29 Provisions

Group	Warranty provisions	Other provisions	Total
As per 1 January 2022	**4**	**-**	**4**
Recognised in income statement:			
Provisions	7	4	10
Funds utilised	-1	-	-1
Unutilised funds that have been cancelled	-	-	-
As per 31 December 2022	**10**	**4**	**14**
As per 1 January 2023	**10**	**4**	**14**
Recognised in income statement:			
Provisions	35	10	45
Acquisitions	3	-	3
Funds utilised	-	-2	-2
Unutilised funds that have been cancelled	-	-	-
As per 31 December 2022	**48**	**12**	**59**
Current portion	48	12	59
Total provisions	**48**	**12**	**59**

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 31/12/2023	Carrying amount 31/12/2022	Fair value 31/12/2023	Fair value 31/12/2022
Long-term borrowing				
Liabilities to credit institutions	2,774	1,811	2,774	1,811
Total long-term borrowing	**2,774**	**1,811**	**2,774**	**1,811**
Short-term borrowing				
Liabilities to credit institutions	150	100	150	100
Overdraft facilities	-	-	-	-
Total short-term borrowing	**150**	**100**	**150**	**100**
Total borrowing	**2,924**	**1,911**	**2,924**	**1,911**

Parent Company	Carrying amount 31/12/2023	Carrying amount 31/12/2022	Fair value 31/12/2023	Fair value 31/12/2022
Long-term borrowing				
Liabilities to credit institutions	2,760	1,798	2,760	1,798
Total long-term borrowing	**2,760**	**1,798**	**2,760**	**1,798**
Short-term borrowing				
Liabilities to credit institutions	150	100	150	100
Overdraft facilities	-	-	-	-
Total short-term borrowing	**150**	**100**	**150**	**100**
Total borrowing	**2,910**	**1,898**	**2,910**	**1,898**

Group

Liabilities to credit institutions

The Group's borrowing is in SEK, USD, GBP and EUR. The Group has during 2023 obtained new funding to increase flexibility. 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 1,10-1,40% (1,05-1,20%)

The Group has an overdraft facilities granted in SEK and USD of MSEK 130 and MUSD 5 connected to the group cash pools. MSEK 0 (0) of the overdraft facility granted in SEK had been utilised on 31 December 2023.

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	31/12/2023	Due	Interest rate
Senior bank loan	1,630	2025	Variable
Use of revolving credit	1,280	2025	Variable
Other bank loans	14	2028	Variable
Total borrowing	**2,924**		

Note 31 Other liabilities

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Liability, additional purchase prices/acquisition option	461	621	427	565
Employee withholding taxes	19	21	1	1
VAT liability	26	51	0	-2
Other current liabilities	47	67	-	-
Total	**553**	**760**	**428**	**564**
Of which long-term	304	430	282	413

Note 32 Accrued expenses and deferred income

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Accrued social security contributions	64	85	5	21
Accrued pay	80	67	3	8
Accrued holiday salaries	76	84	3	3
Accrued costs for purchases of goods	21	19	-	-
Contract liabilities	44	10	-	-
Other accrued expenses	62	86	9	6
Total	**347**	**351**	**21**	**38**

Note 33 Pledged assets and contingent liabilities

Hexatronic has no pledged assets or contingent liabilities.

Note 34 Items not affecting cash flow

	Group		Parent Company	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Depreciation/amortisation	340	208	3	2
Revaluation of incentive programmes	-12	45	-1	15
Change obsolescence reserve inventory	26	70	-	-
Other provisions	51	11	5	-
Exchange rate differences	0	2	-	-
Other	4	11	0	-
Total	**409**	**346**	**6**	**16**

Note 35 Change in liabilities

	31/12/2022	Cash flow		Items not affecting cash flow					31/12/2023
		Borrowings	Repayment by instalment	Reclassification	Additional lease liability	Increase through business acquisitions	Change in exchange rate	Costs of financing	
Group									
Non-current lease liabilities	**372**	-	-	-115	110	96	-3	15	**476**
Current lease liabilities	**68**	-	-92	115	-	-	-	-	**91**
Non-current liabilities to credit institutions	**1,811**	1,635	-588	-150	-	136	-69	-1	**2,774**
Current liabilities to credit institutions	**100**	-	-100	150	-	-	-	-	**150**
Overdraft facilities	**-**	-	-	-	-	-	-	-	**-**
	-								**-**
Parent Company	**-**								**-**
Non-current liabilities to credit institutions	**1,797**	1,635	-452	-150	-	-	-69	-1	**2,760**
Current liabilities to credit institutions	**100**	-	-100	150	-	-	-	-	**150**
Overdraft facilities	**-**	-	-	-	-	-	-	-	**-**

	31/12/2021	Cash flow		Items not affecting cash flow					31/12/2022
		Borrowings	Repayment by instalment	Reclassification	Additional lease liability	Increase through business acquisitions	Change in exchange rate	Costs of financing	
Group									
Non-current lease liabilities	**332**	-	-	-68	89	-	11	7	**372**
Current lease liabilities	**61**	-	-74	68	13	-	-	-	**68**
Non-current liabilities to credit institutions	**1,259**	791	-189	-100	-	51	-1	-	**1,811**
Current liabilities to credit institutions	**274**	-	-274	100	-	-	-	-	**100**
Overdraft facilities	**-**	-	-	-	-	-	-	-	**-**
									-
Parent Company									**-**
Non-current liabilities to credit institutions	**1,259**	791	-152	-100	-	-	-	3	**1,797**
Current liabilities to credit institutions	**274**	-	-274	100	-	-	-	-	**100**
Overdraft facilities	**-**	-	-	-	-	-	-	-	**-**

Note 36 Business acquisitions

Business acquisitions in 2023

On March 3, 2023, the Group completed the asset purchase agreement to acquire all business activity of Rochester Cable (”Rochester”) for a fixed purchase consideration of MUSD 55 on a debt free basis (excluding ND/NWC adjustment of MUSD -4.5).

On August 18, 2023, the Group acquired 100% of the share capital of Fibron XB Ltd (”Fibron”) for a fixed purchase consideration of MGBP 25 on a debt free basis (excluding ND/NWC adjustment of MGBP -5.5), and contingent purchase consideration calculated at net present value of maximum MGBP 7.

On September 1, 2023, the Group acquired 100% of the share capital of ATG Technology Group Limited (”ATG”) for a purchase consideration of MNZD 0.9.

On October 1, 2023, the Group acquired 95% of the share capital of USNet for a fixed purchase consideration (excluding ND/NWC adjustment) of MUSD 5.5, and contingent purchase consideration calculated at net present value of maximum MUSD 0.9. The acquisition of USNet includes a put/call option to acquire the remaining 5% after 2027. Both parties have the right to exercise the option and it is considered likely that the option will be exercised, hence the acquisition is recognized at 100% with no non-controlling interest. The expected purchase price for the remaining 5% is recognized as a liability with any changes in value through the income statement.

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	865
Contingent purchase consideration (not paid)	108
Holdback purchase consideration (not paid)	2
Option to buy remaining 5 % of USNet (not paid)	14
Total purchase price	**988**

Recognised amounts for identifiable acquired assets and taken-over liabilities	
Liquid assets	75
Tangible and intangible fixed assets	225
Customer contracts and Customer relations	168
Financial assets	-
Accounts receivables	173
Inventory	168
Other receivables	44
Financial liabilites	-132
Other payables	-251
Total identifiable net assets	**470**
Non-controlling interests	-
Goodwill	**518**

Acquisition-related costs of MSEK 23 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 combinations amounted to MSEK 790. Goodwill is attributable to the earning capacity that the companies are expected to bring.

Subject to the agreement of contingent purchase consideration, the Group will pay a maximum of MSEK 98 for Fibron based on EBITDA for the full year 2023 and MSEK 10 for USNet based on EBITDA for the full year 2023 and 2024.

The fair value of account receivables totals MSEK 173. Doubtful accounts receivables amount to MSEK 3 and are reserved.

The value of tax-deductible goodwill amounts to MSEK 158.

Since the acquisition date, net sales of MSEK 688 have been included in the consolidated income statement from the acquired companies during 2023. The acquired companies generated an EBITDA of MSEK 80 during the same period.

If the acquired companies had been consolidated from January 1, 2023, the consolidated income statement for the period January to December would have increased with net sales of MSEK 1,178 and EBITDA of MSEK 158.

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). On October 1, 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, for a fixed purchase consideration of MUSD 48 (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 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	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**

*Adjusted in Q1 and Q2, 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 receivables	185
Inventory	60
Other receivables	72
Financial liabilites	-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, 56 MSEK for Impact Data Solutions Ltd based on EBITDA for 2022 and maximum 390 MSEK for KNET based on EBITDA for 2023–2025. The conditional purchase price for Impact Data Solutions Ltd was paid during Q1 and Q2 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 ful 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 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%
Hexatronic Baltic OÜ	11164070	Tallinn, Estonia	100%
Hexatronic OÜ	10729558	Tallinn, Estonia	100%
Hexatronic SIA	40003583738	Riga, Latvia	100%
Hexatronic 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-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	95%
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%
KNET America	450982200	New Jersey, USA	100%
Rochester Cables	92-0753685	Delaware, USA	100%
Cypress Topco Limited	11694332	Hoddesdon, England	100%
Cypress Bidco Limtied	11694440	Hoddesdon, England	100%
Cypress Debtco Limited	11694517	Hoddesdon, England	100%
Cypress Midco Limited	11694553	Hoddesdon, England	100%
Fibron Cable	02094347	Hoddesdon, England	100%
Fibron LLC	84-3803662	Texas, USA	100%
Hexatronic Ranger Acquisition Company	2418620	Delaware, USA	95%
USNet	0801201254	Texas, USA	95%
ATG	902415	Porirua, New Zeeland	100%

Note 38 Events after the balance sheet date

The Board of Directors proposes to the Annual General Meeting that no dividend will be paid for the financial year 2023.

Hexatronic has decided to merge the two wholly-owned subsidiaries Hexatronic Cables & Interconnect System AB and Hexatronic Fiberoptic AB to form Hexatronic Sweden. The merger is in line with Hexatronic's strategy to have a strong local fibre-to-the-home company in our selected markets. Through the merger Hexatronic will offer a complete system offering, including training and support, to the Swedish market.

The Nomination Committee in Hexatronic Group AB (publ) has informed the company that they intend to propose that Magnus Nicolin shall be elected as the new Chairman of the Board at the Annual General Meeting on 7 May 2024. Anders Persson has informed the Nomination Committee that he intends to step down from his position as Chairman if the Nomination Committee finds a suitable candidate for the position.

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, MSEK, %	Full year 2023	Full year 2022
Net sales 2023	8,150	6,574
Exchange-rate effects	-294	-255
Acquisition driven	-1,454	-990
Comparable net sales	**6,402**	**5,329**
Net sales 2022	6,574	3,492
Organic growth	**-172**	**1,838**
Organic growth %	-3%	53%

Annual growth, rolling 12 months, %	Full year 2023	Full year 2022
Net sales rolling 12 months	8,150	6,574
Annual growth, rolling 12 months	**24%**	**88%**

Quick asset ratio, %	31/12/2023	31/12/2022
Current assets	3,470	3,264
Inventories	-1,393	-1,596
Current assets less inventories	2,077	1,668
Current liabilities	1,493	1,759
Quick asset ratio	**139%**	**95%**

Core working capital, MSEK	31/12/2023	31/12/2022
Inventories	1,393	1,596
Accounts receivable	1,124	1,018
Accounts payable	-510	-788
Core working capital	**2,008**	**1,827**

Net debt, MSEK	31/12/2023	31/12/2022
Non-current liabilities to credit institutions	2,774	1,811
Current liabilities to credit institutions	150	100
Overdraft facilities	-	-
Liquid assets	-813	-552
Interest-bearing net debt	**2,111**	**1,359**
Non-current lease liabilities	476	372
Current lease liabilities	91	68
Net debt	**2,678**	**1,798**

EBITDA and EBITDA (proforma) R12, MSEK	Full year 2023	Full year 2022
Operating result (EBIT), R12	1,122	1,028
Amortisation of intangible assets, R12	113	62
EBITA, R12	**1,234**	**1,090**
Depreciation of tangible assets, R12	228	146
EBITDA, R12	**1,462**	**1,235**
EBITDA (proforma), R12	**1,574**	**1,367**

Leverage ratio	Full year 2023	Full year 2022
Net debt	2,678	1,798
EBITDA (proforma), R12	1,574	1,367
Net debt / EBITDA (proforma), R12	**1.7**	**1.3**

The consolidated income statement and balance sheet will be presented at the AGM on May 7, 2024 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, 10 April 2024

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 10 April 2024

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 2023 except for the corporate governance statement on pages 77-85. The annual accounts and consolidated accounts of the company are included on pages 64-139 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 2023 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 2023 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 77-85. 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 2 942. 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 2024 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 1 393 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 1-36. 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 2023 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 2023 .

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

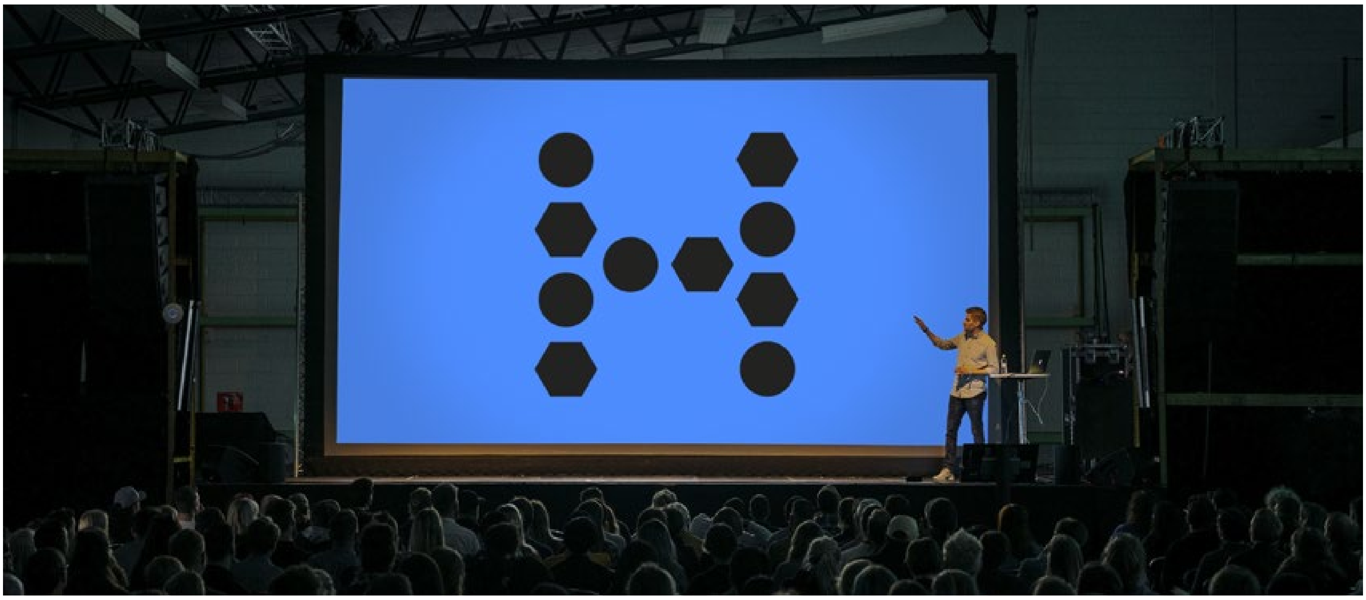
The Board of Directors is responsible for that the corporate governance statement on pages 77-85 has been prepared in accordance with the Annual Accounts Act.

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 the May 9th, 2023, and has been the company's auditor since the 18 December 2013.

Gothenburg April 10th 2024
Öhrlings PricewaterhouseCoopers AB
Johan Malmqvist
Authorized Public Accountant



Information to shareholders

Annual General Meeting(AGM)

The AGM will be held at 3.00 pm on 7 May 2024 at Elite Park Avenue Hotel, Kungsportsavenyn 36-38, in Gothenburg. The shareholders will also have the opportunity to exercise their voting rights by advance voting prior to the AGM. Information on the right to participate and on notification of participation, on how shareholders will be able to exercise their voting rights, and on proxies and assistants, can be found in the notice of the AGM. The notice to attend will be published in April. Information regarding the AGM can also be found on Hexatronic's website, www.group.hexatronic.com.

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

Subscribe to our press releases to make sure you get the latest information about Hexatronic Group. Subscribe at group.hexatronic.com/en/press-releases.

Financial calendar

Interim report January–March 2024	26 April 2024
AGM for the 2023 financial year	7 May 2024
Interim report April–June 2024	16 July 2024
Interim report July–September 2024	25 October 2024
Year-end report 2024	6 February 2025

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