

# Hexatronic Group AB (publ)

Interim Report January – June 2020



## Key ratio

	2020	2019		2020	2019	
MSEK	Q2	Q2	Δ %	Jan-Jun	Jan-Jun	Δ %
Net sales	509.3	484.9	5%	946.7	906.0	4%
EBITA	53.6	39.8	35%	75.8	61.1	24%
EBITA margin	10.5%	8.2%		8.0%	6.7%	
Operating result (EBIT)	46.6	31.1	50%	61.9	45.5	36%
Net earnings	33.1	20.2	64%	42.0	25.3	66%
Earnings per share after dilution, SEK	0.88	0.54	63%	1.12	0.68	65%
Cash flow from operating activities	12.2	5.4	126%	67.9	36.2	88%
Liquid assets	74.9	84.9	-12%	74.9	84.9	-12%

## Events during the quarter

- Hexatronic signed a strategic supply agreement with KCOM in the UK worth up to MSEK 40.
- Hexatronic acquired the UK-based fiber optic company Tech Optics Ltd.
- Hexatronic won submarine cable orders totalling MSEK 40.
- Based on the very uncertain situation in the world, the Board decided to withdraw the previously announced dividend proposal.

## Events since the end of the period

- Hexatronic acquired the US-based fiber optic training company The Light Brigade Inc.
- Hexatronic estimated the negative sales effect in the second quarter, because of the COVID-19 pandemic, to be approximately MSEK 40-50 but an increased profitability.

## COMMENTS FROM THE CEO

### Strong profitability and strategic acquisitions

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Profitability (EBITA) increased during the quarter to 10.5 percent, an increase of 35 percent on the same period last year. This good profitability means that we are clearly approaching our goal of at least 9 percent on a rolling 12-month basis. The operating result and earnings per share also improved considerably at 50 percent and 63 percent respectively compared to the same period last year. The higher profitability is primarily due to a high gross margin and good capacity utilisation in our factories.

During the second quarter and just after its end, we made two minor strategic acquisitions: Tech Optics in the UK and Light Brigade in the USA. The companies are well established on their markets and have a long history, with more than 30 years in fiber optics. Tech Optics consolidates our position in fiber optic solutions for demanding sectors such as defence, oil and gas. The acquisition of Light Brigade, which was completed on 1 August, means that the Group now includes North America's leading training company in fiber optics. The acquisition strengthens our position as a Group that offers complete system solutions and enables us to offer more training in our Fiber to the Home (FTTH) systems.

Growth on our strategic markets remained strong during the second quarter. In Europe, excluding Sweden, we grew organically by 13 percent, primarily driven by strong growth in the UK. We are continuing to grow in North America where organic growth was 9 percent. Altogether the Group's sales grew by 5 percent during the quarter. In the prevailing circumstances with the adverse effects of COVID-19, we are satisfied with the sales growth during the quarter.

We judge that COVID-19 had a negative impact on sales of around 10 percent during the quarter. Most of our companies have been affected to some extent. Our operation in New Zealand essentially closed for a month, resulting in a corresponding loss of sales. Our training companies, which work extensively with practical training, were severely impacted. The new factory in Texas is up and running, although not to the extent we were hoping. This is due to difficulties recruiting enough operators due to the ongoing pandemic.

The effects of COVID-19 have begun gradually decreasing during the quarter. We do, however, anticipate continued negative impact during the third quarter. In what remains a very uncertain situation, we currently believe that the effects will be less in the third quarter than in the second.

The order book has continued to develop positively, and we entered the third quarter with an order book that was 22 percent higher organically than at the same point last year.

Despite the ongoing pandemic, we remain positive in our outlook on the market. We believe that the need for robust networks with high capacity will increase due to the dramatic increase in distance working and the higher demand for online meetings.

Thank you for joining us on this journey.

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



## Net sales and earnings

### The second quarter (1 april – 30 June 2020)

The Group's net sales for the second quarter of 2020 increased 5 percent to MSEK 509.3 (484.9), mainly as a result of organic growth. The exchange-rate effects was marginal during the second quarter compared to the same quarter last year.

Analysis of change in net sales (MSEK)	Q2		Q2	
	2020	(%)	2019	(%)
Year-earlier quarter	484.9	-	411.6	-
Organic growth	24.1	5%	7.4	2%
Acquisitions and structural changes	2.3	0%	55.5	13%
Exchange-rate effects	-2.0	0%	10.4	3%
<b>Current quarter</b>	<b>509.3</b>	<b>5%</b>	<b>484.9</b>	<b>18%</b>

The Group's net sales on its strategic growth markets of the UK, Germany and North America continued to grow during the quarter.

Geographical net sales (MSEK)	Q2 2020	Allocation (%)	Growth (%)
Sweden	154.3	30%	3%
Rest of Europe	168.1	33%	13%
North America	127.5	25%	9%
Rest of the world	59.5	12%	-14%
<b>Total</b>	<b>509.3</b>	<b>100%</b>	<b>5%</b>

EBITA rose 35 percent to MSEK 53.6 (39.8) in the quarter. The EBITA margin amounted to 10.5 percent (8.2).

Net financial items during the quarter amounted to -3.2 MSEK (-3.9), whereof net interest amounted to -2.6 MSEK (-3.2), unrealised foreign exchange differences to -0.3 MSEK (-0.2) and other financial items to -0.4 MSEK (-0.5).

Net earnings for the quarter amounted to MSEK 33.1 (20.2) and earnings per share after dilution, increased by 63 percent and amounted to SEK 0.88 SEK (0.54). tax for the period was MSEK 10.3 (7.0) which means the average effective tax rate for the Group was 23.8 percent (25.9) for the quarter.

### The period (1 January – 30 June 2020)

The Group's net sales for the period January-June 2020 increased 4 percent to MSEK 946.7 (906.0), mainly as a result of organic growth.

Analysis of change in net sales (MSEK)	Jan-Jun 2020		Jan-Jun 2019	
		(%)		(%)
Year-earlier period	906.0	-	750.8	-
Organic growth	30.0	3%	10.2	1%
Acquisitions and structural changes	2.3	0	118.6	16%
Exchange-rate effects	8.4	1%	26.4	4%
<b>Current period</b>	<b>946.7</b>	<b>4%</b>	<b>906.0</b>	<b>21%</b>

The Group's net sales on its strategic growth markets of the UK, Germany and North America continued to grow during the period January-June.

Geographical net sales (MSEK)	Jan-Jun 2020	Allocation (%)	Growth (%)
Sweden	272.6	29%	-2%
Rest of Europe	319.2	34%	15%
North America	233.8	25%	13%
Rest of the world	121.0	13%	-15%
<b>Total</b>	<b>946.7</b>	<b>100%</b>	<b>4%</b>

EBITA rose 24 percent to MSEK 75.8 (61.1) during the period. The EBITA margin amounted to 8.0 percent (6.7).

Net financial items during the period amounted to -5.9 MSEK (-8.7), whereof net interest amounted to -5.0 MSEK (-6.3), unrealised foreign exchange differences to -0.1 MSEK (-1.7) and other financial items to -0.7 MSEK (-0.7).

Net earnings during the period amounted to MSEK 42.0 (25.3) and earnings per share after dilution, increased by 65 percent and amounted to SEK 1.12 SEK (0.68). Tax for the period was MSEK 14.0 (11.5) which means the average effective tax rate for the Group was 25.1 percent (31.1) during the period.

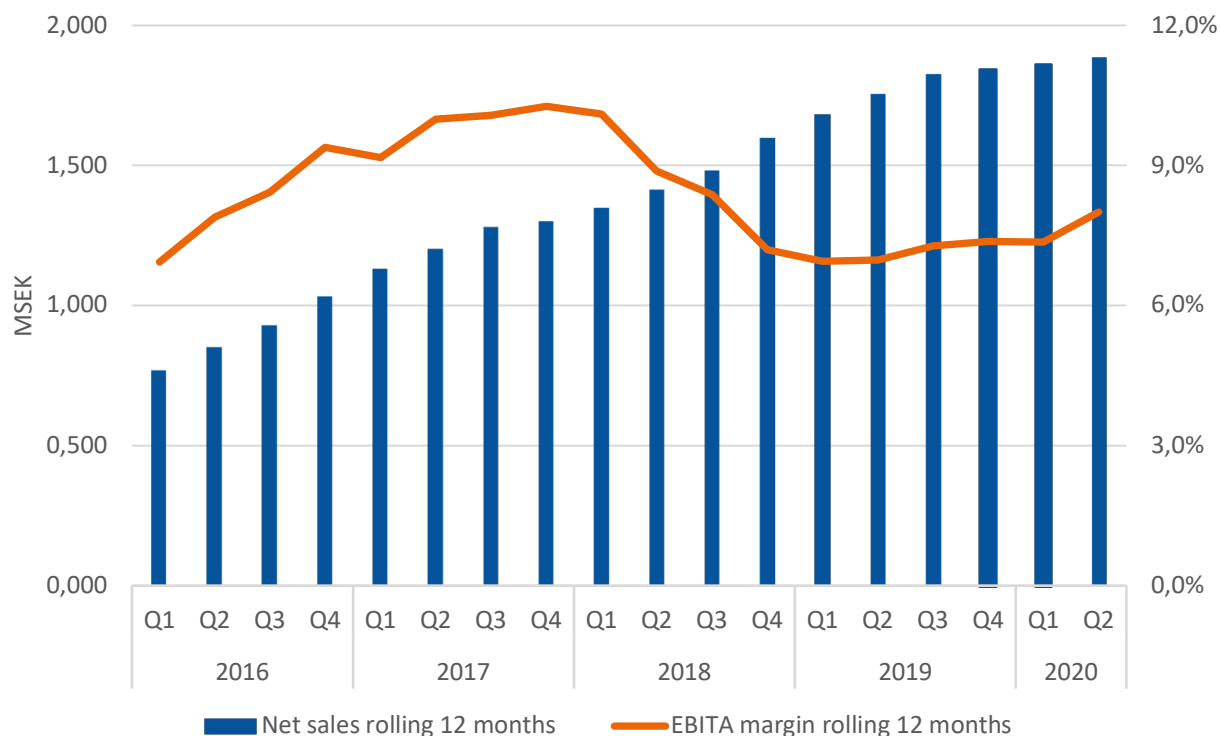
### Cash flow and investments

Cash flow from operating activities in the quarter amounted to MSEK 12.2 (5.4), including a change in working capital of MSEK -22.1 (-34.8).

Cash flow from operating activities during the period January-June amounted to MSEK 67.9 (36.2), including a change in working capital of MSEK -26.9 (-49.0).

Investments during the period January-June amounted to MSEK 71.2 (29.8). This is mainly related to an investment in a new production facility in the US and payments of additional purchase price related to the acquisitions of Blue Diamond Industries and Opternus.

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



## Liquidity and financial position

### The Group's net debt

Net debt totalled MSEK 324.0 at the end of the reporting period compared to MSEK 318.9 as per 31 December 2019.

### Available funds

Available funds on 30 June 2020, including unutilised overdraft facilities, amounted to MSEK 192.9 (171.8).

### Equity

Equity amounted to MSEK 624.6 on 30 June 2020 (574.4), which equated to SEK 16.65 per outstanding share before dilution at the end of the reporting period.

### The Group's financial goals

#### 9 percent EBITA margin

Earnings before amortisation of intangible assets (EBITA) should be at least 9 percent on a rolling 12-month basis. The EBITA margin on a rolling 12-month basis on 30 June 2020 was 8.0 percent (7.0).

#### 20 percent annual growth

The Group shall grow more than its market organically. Annual growth of at least 20 percent.

The growth will be both organic and acquisition driven. Growth during the quarter year was 5 percent. Growth on a rolling 12-month basis was 7 percent (24).

### Customers

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

### Employees

There were 665 (596) employees in the Group on 30 June 2020. The increase is mainly related to production personnel in Sweden and North America.

### Parent Company

The Parent Company's main business consists of performing Group-wide services. Revenue for the period amounted to MSEK 9.2 (9.9) and the result for the quarter was MSEK -25.0 (-29.4).

### Ownership structure

The company's share is listed in the Mid cap segment on Nasdaq Stockholm. At the end of the period the share capital amounted to MSEK 1.9.

Class of shares	Number of shares	Number of votes	Percentage of capital	Percentage of votes
Ordinary share, 1 vote per share	37,508,930	37,508,930	99.0%	99.9%
Class C share, 1/10 vote per share	360,000	36,000	1.0%	0.1%
<b>Total number of shares before repurchases</b>	<b>37,868,930</b>	<b>37,544,930</b>	<b>100%</b>	<b>100%</b>
Repurchased class C shares	-360,000		1.0%	0.1%
<b>Total number of shares after repurchases</b>	<b>37,508,930</b>			

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

Outstanding warrant programme	Number of warrants	Corresponding number of shares	Proportion of total shares	Exercise price	Expiration period
Warrant programme 2018/2021	578,000	578,000	1.5%	82.20	15 May - 15 Jun 2021
Warrant programme 2019/2022	357,500	357,500	0.9%	66.73	15 May - 15 Jun 2022
Warrant programme 2020/2023	290,000	290,000	0.8%	63.00	15 May - 15 Jun 2023
<b>Total</b>	<b>1 225,500</b>	<b>1 225,500</b>			

In addition to above warrant programmes, a decision was made in 2019 to introduce a long-term, performance-based incentive plan (LTIP 2019) for 11 senior executives in the Group who are resident in Sweden. At the time of this report, the participants have invested in a total of 48,640 savings shares.

Under the LTIP, for each acquired Hexatronic share (savings share), participants can receive 4–6 shares in Hexatronic (performance shares) free of charge, assuming achievement of certain performance targets. To qualify for performance shares, participants must acquire and retain a number of Hexatronic shares for the



whole of the three-year vesting period and must, with some exceptions, remain in employment during the same period. In addition to the above conditions, performance shares also require certain performance targets to be met, linked to the development of the per-share earnings, the Group's growth and the growth in EBITA during the vesting period.

The targets relate to the 2019, 2020 and 2021 financial years. Hexatronic has judged that all the above conditions are non-market related conditions under IFRS 2.

The company's market value at the end of the period was MSEK 1,980. The number of shareholders at period end, 8,750, is based on data from Euroclear.

The shareholder structure of Hexatronic Group AB (publ) on 30 June 2020 is shown in the table below.

Shareholder	No. of ordinary shares	Votes %
Accendo Capital	3,756,012	10.0%
Handelsbanken Funds	3,673,630	9.8%
Jonas Nordlund, privately and corporately	3,003,000	8.0%
Länsförsäkringar Funds	1,956,827	5.2%
Martin Åberg and Erik Selin via Chirp AB	1,785,872	4.8%
AMF Insurance & Funds	1,321,279	3.5%
Swedbank Robur, West Fund	1,309,572	3.5%
Fondita Nordic Micro Cap	1,158,795	3.1%
Avanza Pension - Insurance Company	951,476	2.5%
Consensus Asset Management	877,143	2.3%
Other shareholders	17,715,324	47.2%
<b>Total outstanding shares</b>	<b>37,508,930</b>	<b>100.0%</b>

## Sustainability

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Together with our employees, customers, and suppliers, Hexatronic wants to contribute to a more sustainable society. The Hexatronic Group focuses on the following nine sustainability areas: high business ethics, sustainable supply chain, stable profitability, low climate impact, environmentally sound products, high resource efficiency, diversity and gender equality, good working environment, health and safety and social involvement.

In 2019, Hexatronic Group was ranked among the top 5 percent of the stock exchange's most sustainable companies linked to anti-corruption and the top 25 percent linked to Agenda 2030. In 2019, we became a supporting member of the Swedish Anti-Corruption Institute and a member of the Global Compact.

In 2020, special focus will be on developing and improving the Group in the areas of low climate impact, sustainable supply chain and diversity and gender equality. In addition, a sustainability roadmap 2030 will be drawn up.

For more information about what Hexatronic has done and what is planned within the Group's sustainability work, please see Hexatronic's Annual Report 2019 on pages 24-37 and the website <https://hexatronicgroup.com/en/sustainability/>.

## The market

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The general transition to a more digital, sustainable society is continuing at an increasing rate, and this change is extensively dependent on a fast, reliable infrastructure for digital communication. There are many factors driving this transition and the increased need for connection, from altered behaviours such as increased work from home, online shopping, digital banking services, online gaming, HD TV, streaming services and VR/MR, to a higher degree of connectivity in industry and driverless vehicles. The common denominator for it all is reliable internet connection with increasing demands on short response times.

The world's fiber network consists of powerful international transport networks that link together national and regional networks, backbone networks, and finally access networks (FTTH, fiber-to-the-home) which reach out to individual households. Millions of homes around the world need to be connected to high-performance communication networks, which means that the international market for FTTH is continuing to develop positively. Market Panorama, an annual report by FTTH Council Europe conducted, shows that growth in subscribers between September 2018 and September 2019 was 5 percent in the Nordic countries, 40 percent in the UK and 42 percent in Germany. The 2017-2018 growth was 42 percent in New Zealand and 21 percent in North America.

Various reports and national forecasts indicate continued strong demand for FTTH on Hexatronic's strategic growth markets (the UK, North America and Germany) up to 2025–2030, and probably beyond as well.

## Other disclosures

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### Nature of operations

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

The Group develops, designs, manufactures, and sells its own products and system solutions in combination with products from leading partners around the world. The Group conducts its own business through established companies in Sweden, Norway, the UK, Germany, China, USA, and New Zealand.



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

#### Transactions with related parties

The Group rents premises from Fastighets AB Balder, in which the Group's board member Erik Selin has a significant influence. The rental contract has been entered under normal commercial conditions. The rent for the premises amounts to approximately MSEK 4.7 annually.

#### Significant risks and uncertainties

Like all business activities, Hexatronic's operation is associated with risks of various kinds. Continually identifying and assessing risks is a natural and integral part of the operation, enabling risks to be controlled, limited and managed proactively.

The Group's ability to map and prevent risks minimises the likelihood of unpredictable events having an adverse impact on the business. The aim of risk management is not necessarily to eliminate the risk, but rather to safeguard set business goals with a balanced risk portfolio. Mapping, planning and management of identifiable risks supports the management in making strategic decisions. Risk assessment also aims to increase the entire organisation's risk awareness.

Several risk areas have been identified in Hexatronic's risk management process. Hexatronic has divided identified risks into operational and environmental risks, market risks and financial risks.

A more detailed description of the Group's risks and risk management is provided in the Hexatronic Group Annual Report for 2019 on page 44-47.

#### Accounting policies

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

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

For full accounting policies, see the Annual Report for 2019.

#### Review

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

## Other information

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### Publication

This information comprises disclosures that Hexatronic Group AB (publ) must publish according to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, under responsibility of the contact persons named below, on 14 August 2020 at 07:00 CET.

### Financial calendar

Interim Report July-September 2020: 5 November 2020

Year-End Report 2020: 24 February 2021

Interim Report January-March 2021: 29 April 2021

### Annual General Meeting

The AGM will be held on 6 May 2021.

Please direct any questions to:

- Henrik Larsson Lyon, President and CEO, + 46 (0)70-650 34 00
- Lennart Sparud, CFO, + 46 (0)70-558 66 04

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

Gothenburg, 14 August 2020

Anders Persson  
Chairman

Erik Selin  
Board member

Jaakko Kivinen  
Board member

Malin Frenning  
Board member

Helena Holmgren  
Board member

Frida Westerberg  
Board member

Henrik Larsson Lyon  
President and CEO

## Consolidated income statement

(SEK thousand)	2020	2019	2020	2019	2019
	Q2	Q2	Jan-June	Jan-June	Full year
<u>Revenue</u>					
Net sales	509,336	484,875	946,667	905,962	1,842,266
Other operating income	4,526	1,039	6,476	2,262	14,043
	513,862	485,914	953,143	908,224	1,856,310
<u>Operating expenses</u>					
Raw materials and goods for resale	-279,748	-266,769	-522,888	-500,372	-1,022,632
Other external costs	-61,581	-68,039	-121,441	-126,374	-266,716
Personnel costs	-102,621	-94,300	-201,449	-187,469	-368,880
Other operating expenses	0	-695	0	-695	-1,294
Depreciation of tangible assets	-16,358	-16,278	-31,600	-32,240	-60,876
<b>Earnings before amortisation of intangible assets (EBITA)</b>	<b>53,553</b>	<b>39,834</b>	<b>75,765</b>	<b>61,075</b>	<b>135,911</b>
Amortisation of intangible assets	-6,926	-8,735	-13,864	-15,572	-29,501
<b>Operating result (EBIT)</b>	<b>46,627</b>	<b>31,099</b>	<b>61,901</b>	<b>45,503</b>	<b>106,410</b>
<u>Result from financial items</u>					
Financial income	0	41	106	82	285
Financial expenses	-3,198	-3,924	-5,981	-8,784	-15,664
<b>Result after financial items</b>	<b>43,429</b>	<b>27,216</b>	<b>56,025</b>	<b>36,800</b>	<b>91,031</b>
Income taxes	-10,320	-7,048	-13,922	-11,451	-23,965
<b>Net result for the period</b>	<b>33,109</b>	<b>20,168</b>	<b>41,986</b>	<b>25,349</b>	<b>67,066</b>
<b>Attributable to:</b>					
Parent Company shareholders	33,109	20,168	41,986	25,349	67,066
<b>Earnings per share</b>					
Earnings per share before dilution (SEK)	0.88	0.54	1.12	0.68	1.81
Earnings per share after dilution (SEK)	0.88	0.54	1.12	0.68	1.80
<b>Consolidated statement of comprehensive income</b>					
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>Q2</b>	<b>Q2</b>	<b>Jan-June</b>	<b>Jan-June</b>	<b>Full year</b>
Result for the period	33,109	20,168	41,553	25,349	67,066
<b>Items which can later be recovered in the income statement</b>					
Translation differences	-46,228	-3,386	-10,903	13,074	12,025
<b>Other comprehensive income for the period</b>	<b>-46,228</b>	<b>-3,386</b>	<b>-10,903</b>	<b>13,074</b>	<b>12,025</b>
<b>Comprehensive income for the period</b>	<b>-13,118</b>	<b>16,782</b>	<b>31,083</b>	<b>38,423</b>	<b>79,091</b>
<b>Attributable to:</b>					
Parent Company shareholders	-13,118	16,782	31,083	38,423	79,091

## Consolidated balance sheet

(SEK thousand)			
<b>Assets</b>		<b>30/6/2020</b>	<b>30/6/2019</b>
			<b>31/12/2019</b>
<b><u>Non-current assets</u></b>			
Intangible assets		423,469	446,308
Tangible assets		391,397	319,172
Financial assets		1,572	1,714
<b>Total non-current assets</b>		<b>816,438</b>	<b>767,194</b>
<b><u>Current assets</u></b>			
Inventories		360,733	375,247
Accounts receivable		328,426	292,749
Other receivables		3,185	2,750
Prepaid expenses and accrued income		29,900	24,680
Liquid assets		74,904	84,878
<b>Total current assets</b>		<b>797,147</b>	<b>780,305</b>
<b>TOTAL ASSETS</b>		<b>1,613,585</b>	<b>1,547,499</b>
			<b>1,497,856</b>
<b>Equity</b>		<b>624,569</b>	<b>531,921</b>
			<b>574,400</b>
<b><u>Non-current liabilities</u></b>			
Liabilities to credit institutions		306,465	326,858
Deferred tax		56,573	60,939
Non-current lease liabilities		129,982	135,461
<b>Total non-current liabilities</b>		<b>493,019</b>	<b>523,257</b>
<b><u>Current liabilities</u></b>			
Liabilities to credit institutions		57,000	56,907
Current lease liabilities		35,282	30,778
Overdraft facilities		35,415	72,217
Accounts payable		211,749	193,407
Provisions		3,000	3,000
Current tax liabilities		19,557	1,248
Other liabilities		53,982	66,246
Accrued expenses and deferred income		80,013	68,518
<b>Total current liabilities</b>		<b>495,997</b>	<b>492,321</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>		<b>1,613,585</b>	<b>1,547,499</b>
			<b>1,497,856</b>

## Consolidated statement of changes in equity

	Share capital	Other capital contributions	Reserves	Result brought forward, including result for the period	Total equity
<b>(SEK thousand)</b>					
<b>Balance brought forward as of 1 January 2019</b>	<b>1,826</b>	<b>205,787</b>	<b>5,905</b>	<b>280,897</b>	<b>494,415</b>
Result for the period	0	0	0	67,066	<b>67,066</b>
Other comprehensive income	0	0	12,025	0	<b>12,025</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>12,025</b>	<b>67,066</b>	<b>79,091</b>
New shares related to employee stock option programme	34	12,795	0	0	<b>12,828</b>
Employee stock option programme	0	2,186	0	0	<b>2,186</b>
Share-based remuneration	18	0	0	736	<b>754</b>
Dividend paid	0	0	0	-14,874	<b>-14,874</b>
<b>Total transactions with shareholders, reported directly in equity</b>	<b>52</b>	<b>14,981</b>	<b>0</b>	<b>-14,138</b>	<b>894</b>
<b>Balance carried forward as of 31 December 2019</b>	<b>1,877</b>	<b>220,768</b>	<b>17,930</b>	<b>333,825</b>	<b>574,400</b>
<b>Balance brought forward as of 1 January 2020</b>	<b>1,877</b>	<b>220,768</b>	<b>17,930</b>	<b>333,825</b>	<b>574,400</b>
Result for the period	0	0	0	41,986	<b>41,986</b>
Other comprehensive income	0	0	-10,903	0	<b>-10,903</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-10,903</b>	<b>41,986</b>	<b>31,083</b>
New shares related to employee stock option programme	15	15,854	0	0	<b>15,869</b>
Employee stock option programme	0	1,365	0	720	<b>2,085</b>
New share issue related to business acquisitions	1	1,132	0	0	<b>1,133</b>
<b>Total transactions with shareholders, reported directly in equity</b>	<b>16</b>	<b>18,350</b>	<b>0</b>	<b>720</b>	<b>19,087</b>
<b>Balance carried forward as of 30 June 2020</b>	<b>1,893</b>	<b>239,118</b>	<b>7,027</b>	<b>376,531</b>	<b>624,569</b>

## Consolidated statement of cash flows

(SEK thousand)	2020	2019	2020	2019	2019
	Q2	Q2	Jan-June	Jan-June	Full year
Operating result	46,627	31,099	61,901	45,503	106,410
Items not affecting cash flow	1,801	23,173	38,999	58,597	97,206
Interest received	-12	41	106	82	285
Interest paid	-5,736	-3,609	-6,677	-6,850	-16,090
Income tax paid	-8,341	-10,536	459	-12,065	-27,679
<b>Cash flow from operating activities before changes in working capital</b>	<b>34,338</b>	<b>40,167</b>	<b>94,787</b>	<b>85,266</b>	<b>160,132</b>
Increase (-)/decrease (+) in inventories	-23,285	4,424	-19,499	-40,966	-5,065
Increase (-)/decrease (+) in accounts receivable	-35,765	-13,821	-85,872	-30,975	19,361
Increase (-)/decrease (+) in operating receivables	5,285	4,597	-8,727	298	3,938
Increase (+)/decrease (-) in accounts payable	12,663	-28,015	48,220	19,635	-11,188
Increase (+)/decrease (-) in operating liabilities	18,986	-1,941	39,010	2,984	6,736
<b>Cash flow from changes in working capital</b>	<b>-22,116</b>	<b>-34,755</b>	<b>-26,867</b>	<b>-49,024</b>	<b>13,782</b>
<b>Cash flow from operating activities</b>	<b>12,222</b>	<b>5,412</b>	<b>67,920</b>	<b>36,242</b>	<b>173,915</b>
<b>Investing activities</b>					
Acquisition of tangible and intangible assets	-4,727	-14,747	-46,386	-29,089	-81,781
Acquisition of subsidiaries after deduction of acquired liquid assets	-14,634	0	-24,999	0	-13,809
Change in financial assets	83	-110	157	-700	-714
<b>Cash flow from investing activities</b>	<b>-19,278</b>	<b>-14,857</b>	<b>-71,228</b>	<b>-29,788</b>	<b>-96,304</b>
<b>Financing activities</b>					
Borrowings	0	0	0	0	20,000
Amortisation of loans	0	-27,611	-14,250	-27,611	-56,971
Amortisation of lease liabilities	-9,217	-8,779	-18,585	-17,488	-35,657
Changes in overdraft facilities	-8,798	72,217	-9,843	42,354	15,395
New share issues for the period	278	278	16,147	13,106	13,106
Dividends paid	0	-14,874	0	-14,874	-14,874
<b>Cash flow from financing activities</b>	<b>-17,736</b>	<b>21,231</b>	<b>-26,531</b>	<b>-4,512</b>	<b>-59,000</b>
<b>Cash flow for the period</b>	<b>-24,792</b>	<b>11,786</b>	<b>-29,838</b>	<b>1,942</b>	<b>18,610</b>
Liquid assets at the start of the period	97,004	73,282	103,762	84,621	84,621
Exchange rate difference in liquid assets	2,692	-190	980	-1,685	531
<b>Liquid assets at the end of the period</b>	<b>74,904</b>	<b>84,878</b>	<b>74,904</b>	<b>84,878</b>	<b>103,762</b>

## Key metric for the group

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>Q2</b>	<b>Q2</b>	<b>Jan-June</b>	<b>Jan-June</b>	<b>Full year</b>
Growth in net sales	5%	18%	4%	21%	15%
EBITA margin	10.5%	8.2%	8.0%	6.7%	7.4%
EBITA margin, 12 months rolling	8.0%	7.0%	8.0%	7.0%	7.4%
Operating margin	9.2%	6.4%	6.5%	5.0%	5.8%
Earnings per share before dilution (SEK)	0.88	0.54	1.12	0.68	1.81
Earnings per share after dilution (SEK)	0.88	0.54	1.12	0.68	1.80
Net sales per employee (SEK thousand)	791	815	1,522	1,565	3,133
Result per employee (SEK thousand)	51	34	68	44	114
Quick asset ratio	88%	82%	88%	82%	88%
Average number of employees	644	595	622	579	588
Number of shares at period end before dilution	37,508,930	37,183,825	37,508,930	37,183,825	37,183,825
Average number of shares before dilution	37,508,930	37,183,825	37,400,562	37,071,825	37,127,825
Average number of shares after dilution	37,508,930	37,193,920	37,404,764	37,157,620	37,217,336

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

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



## Parent Company income statement

(SEK thousand)	2020 Jan-June	2019 Jan-June
<b>Revenue</b>		
Net sales	9,221	9,889
	9,221	9,889
<b>Operating expenses</b>		
Other external costs	-18,450	-21,807
Personnel costs	-13,375	-13,289
Depreciation of tangible assets	-113	-107
<b>Operating result (EBITA)</b>	<b>-22,717</b>	<b>-25,315</b>
<b>Result from financial items</b>		
Interest income	2,124	589
Interest expenses	-4,375	-4,711
<b>Result after financial items</b>	<b>-24,968</b>	<b>-29,436</b>
Appropriations	0	0
<b>Result before tax</b>	<b>-24,968</b>	<b>-29,436</b>
Tax on profit for the period	4	0
<b>Net result for the period</b>	<b>-24,964</b>	<b>-29,436</b>

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

## Parent Company balance sheet

(SEK thousand)	30/6/2020	30/6/2019	31/12/2019
<b>Assets</b>			
Intangible assets	1,550	0	388
Tangible assets	385	440	333
Financial assets	637,828	625,177	631,753
<b>Total non-current assets</b>	<b>639,763</b>	<b>625,617</b>	<b>632,473</b>
<b>Current receivables</b>			
Receivables from Group companies	245,088	158,722	257,463
Other receivables	3,480	2,714	2,262
Prepaid expenses and accrued income	3,784	4,728	4,118
<b>Total current receivables</b>	<b>252,351</b>	<b>166,164</b>	<b>263,843</b>
<b>Cash and bank balances</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total current assets</b>	<b>252,351</b>	<b>166,164</b>	<b>263,843</b>
<b>TOTAL ASSETS</b>	<b>892,114</b>	<b>791,781</b>	<b>896,316</b>
<b>Equity</b>	<b>203,669</b>	<b>171,034</b>	<b>210,390</b>
<b>Untaxed reserves</b>	<b>16,950</b>	<b>12,350</b>	<b>16,950</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	306,465	316,967	320,430
Deferred tax	0	0	4
<b>Total non-current liabilities</b>	<b>306,465</b>	<b>316,967</b>	<b>320,434</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	57,000	55,221	57,000
Overdraft facilities	35,415	72,217	45,258
Accounts payable	4,440	5,314	8,465
Liabilities to Group companies	254,213	114,470	200,084
Current tax liabilities	0	197	3,462
Other liabilities	7,810	36,981	29,270
Accrued expenses and deferred income	6,152	7,031	5,002
<b>Total current liabilities</b>	<b>365,030</b>	<b>291,430</b>	<b>348,541</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>892,114</b>	<b>791,781</b>	<b>896,316</b>

## Notes

### Note 1 Revenue

<b>January to June 2020</b>					
<b>Geographical markets</b>	<b>Sweden</b>	<b>Rest of Europe</b>	<b>North America</b>	<b>Rest of the world</b>	<b>Total</b>
Revenue from external customers	272,594	319,214	233,830	121,029	<b>946,667</b>
<b>Category</b>					
Goods	261,575	294,259	233,830	121,029	910,693
Services	11,019	24,955	0	0	35,974
<b>Total</b>	<b>272,594</b>	<b>319,214</b>	<b>233,830</b>	<b>121,029</b>	<b>946,667</b>
<b>Time for revenue recognition</b>					
At a given time	272,594	319,214	233,830	121,029	946,667
Over time	0	0	0	0	0
<b>Total</b>	<b>272,594</b>	<b>319,214</b>	<b>233,830</b>	<b>121,029</b>	<b>946,667</b>

<b>January to June 2019</b>					
<b>Geographical markets</b>	<b>Sweden</b>	<b>Rest of Europe</b>	<b>North America</b>	<b>Rest of the world</b>	<b>Total</b>
Revenue from external customers	277,827	278,662	207,440	142,033	<b>905,962</b>
<b>Category</b>					
Goods	259,209	245,628	207,440	142,033	854,310
Services	18,618	33,034	0	0	51,652
<b>Total</b>	<b>277,827</b>	<b>278,662</b>	<b>207,440</b>	<b>142,033</b>	<b>905,962</b>
<b>Time for revenue recognition</b>					
At a given time	277,827	278,662	207,440	142,033	<b>905,962</b>
Over time	0	0	0	0	0
<b>Total</b>	<b>277,827</b>	<b>278,662</b>	<b>207,440</b>	<b>142,033</b>	<b>905,962</b>

### Note 2 Pledged assets

<b>Pledged assets</b>	<b>Group</b>			<b>Parent Company</b>	
	<b>30/6/2020</b>	<b>30/6/2019</b>	<b>31/12/2019</b>	<b>30/6/2020</b>	<b>30/6/2019</b>
<i>Assets pledged for liabilities to credit institutions</i>					
Chattel mortgages	157,350	157,350	157,350	100	100
Shares in subsidiaries	312,074	307,869	269,517	83,132	82,504
<b>Total</b>	<b>469,424</b>	<b>465,219</b>	<b>426,867</b>	<b>83,232</b>	<b>82,604</b>

Note 3 Business acquisitions

**Tech Optics Ltd. ("Tech Optics")**

On 1 June 2020, the Group acquired 100% of the share capital in Tech Optics for MGBP 0.374.

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

<b>Purchase price as of 1 June 2020</b>	
Liquid assets	4,655
<b>Total purchase price</b>	<b>4,655</b>
<b>Recognised amounts for identifiable acquired assets and taken-over liabilities</b>	
Liquid assets	1,043
Tangible assets	0,277
Accounts receivable	0,141
Inventories	1,888
Other receivables	0,567
Accounts payable	-0,945
Other payables	-0,435
<b>Total identifiable net assets</b>	<b>2,536</b>
<b>Goodwill</b>	<b>2,119</b>

Acquisition-related costs of SEK 350 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2020 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to SEK -3,612 thousand. Goodwill is attributable to the added earning capacity the company is expected to bring.

The fair value of accounts receivable totals SEK 141 thousand. No accounts receivable is deemed to be doubtful.

Tech Optics net sales have been included in the consolidated income statement since 1 June 2020 and amount to SEK 2,320 thousand. Tech Optics also generated a net profit of SEK 477 thousand in the same period on group level.

Had Tech Optics been consolidated from 1 January 2020, the consolidated income statement for the period 1 January 2020 to 30 June 2020 would have shown increased net sales amounting to SEK 7,242 thousand and a net profit of SEK 34 thousand.

## Reconciliation between IFRS and key metrics used

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

<b>Organic growth, SEK thousand, %</b>	<b>Q2 2020</b>	<b>Jan-Jun 2020</b>	
Net sales 2020	509,336	946,667	
Exchange-rate effects	1,951	-8,429	
Acquisition driven	-2,320	-2,320	
Comparable net sales	508,967	935,918	
Net sales 2019	484,875	905,962	
<b>Net sales increase cleared of exchange-rate effects</b>	<b>26,412</b>	<b>32,276</b>	
%	5%	4%	
<b>Organic growth</b>	<b>24,092</b>	<b>29,956</b>	
%	5%	3%	
<b>Annual growth, rolling 12 months, %</b>	<b>12 months</b>		
Net sales January-June 2020	946,667		
Net sales July-December 2019	936,304		
<i>Net sales rolling 12 months</i>	1,882,971		
Net sales January-June 2019	905,962		
Net sales July-December 2018	846,947		
<i>Net sales rolling 12 months</i>	1,752,909		
<b>Annual growth, rolling 12 months</b>	<b>7%</b>		
<b>Quick asset ratio, %</b>	<b>30/6/2020</b>	<b>30/6/2019</b>	<b>31/12/2019</b>
Current assets	761,182	780,305	709,312
Inventories	-360,733	-375,247	-339,346
<i>Current assets-inventories</i>	400,449	405,058	369,965
Current liabilities	457,464	492,321	421,114
<b>Quick asset ratio</b>	<b>88%</b>	<b>82%</b>	<b>88%</b>
<b>Core working capital, SEK thousand</b>	<b>30/6/2020</b>	<b>30/6/2019</b>	<b>31/12/2019</b>
Inventories	360,733	375,247	339,346
Accounts receivable	328,426	292,749	242,413
Accounts payable	-211,749	-193,407	-162,584
<b>Core working capital</b>	<b>477,410</b>	<b>474,589</b>	<b>419,176</b>

## Definition alternative key metrics

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### **EBITA**

Earnings before amortisation of intangible assets.

### **EBITA margin**

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

### **EBIT (operating result)**

Earnings before interest and taxes.

### **Operating margin**

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

### **Number of shares**

Number of outstanding shares at the end of the period.

### **Organic growth**

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

### **Annual growth**

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

### **Quick asset ratio**

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

### **Core working capital**

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

### **Average number of outstanding shares**

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

### **Average number of outstanding shares after dilution**

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

### **Earnings per share before dilution**

Earnings as a percentage of average number of outstanding shares before dilution.

### **Earnings per share after dilution**

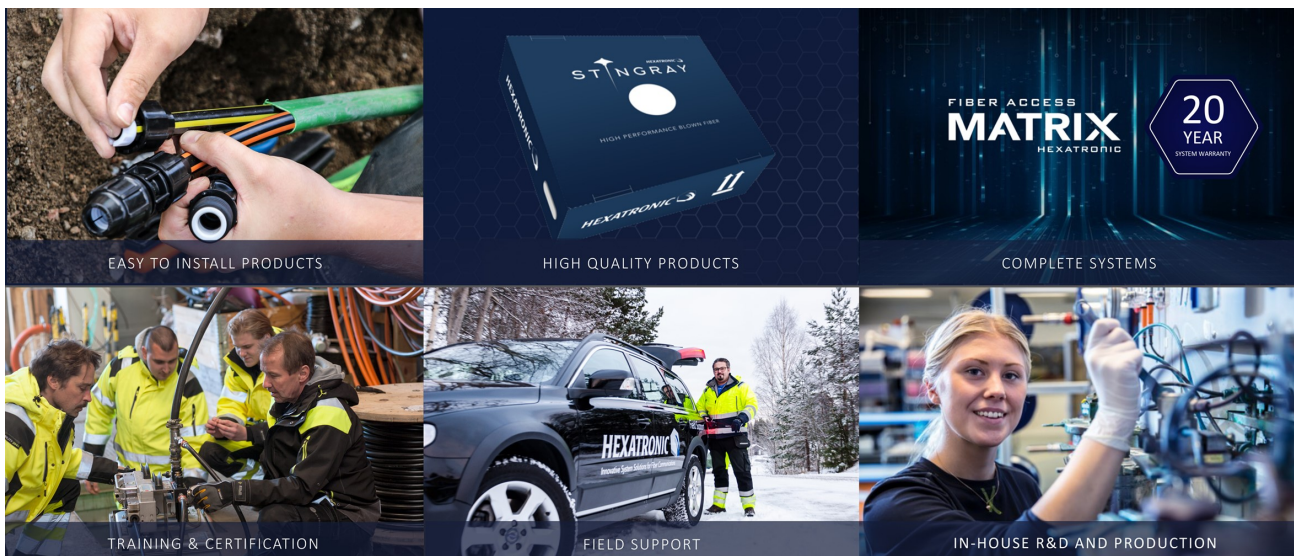
Earnings as a percentage of average number of outstanding shares after dilution.

### **Equity per share**

Equity divided by the number of shares at the end of the period.

### **Number of employees**

Number of employees at the end of the period.



## This is Hexatronic

Hexatronic Group AB (publ) is a group that develops, markets and delivers products, components and system solutions with the main focus on the fiber optic market. Hexatronic offers a wide range of innovative system and product solutions mainly for passive fiber optic infrastructure with global trademarks like Ribbonet®, Micronet™, Drytech™, Lightmate®, FibreHub™, Matrix, Viper, Stringray, Raptor, InOne and Wistom®. The Group has its headquarters in Gothenburg, Sweden and has sales offices and/or subsidiaries in Sweden, Norway, Finland, United Kingdom, Germany, China, New Zealand and the US. The Group is listed on Nasdaq Stockholm under the ticker HTRO. For more information, visit [www.hexatronicgroup.com](http://www.hexatronicgroup.com).

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