

Hexatronic Group AB (publ)

Year-End Report 2018

(Full year 1 January – 31 December 2018)

The full year (1 January – 31 December 2018)

- Net sales amounted to MSEK 1,597.8 (1,299.4), which represents 23% (26%) growth during the full year.
- The operating result before interest, taxes, depreciation and amortisation (EBITDA) totalled MSEK 138.2 (151.0), which corresponds to an EBITDA margin of 8.7% (11.6%).
- The operating result amounted to MSEK 92.5 (122.3).
- Net earnings totalled MSEK 59.3 (90.4).
- Earnings per share after dilution totalled SEK 1.62 (2.38).
- Cash flow from operating activities during the full year amounted to MSEK 15.6 (133.4)
- The board will propose a dividend of SEK 0.40 (0.40) per share for the financial year 2018 to the annual general meeting.

The quarter (1 October – 31 December 2018)

- Net sales amounted to MSEK 443.2 (325.0), which represents 36% (7%) growth during the quarter.
- The operating result before interest, taxes, depreciation and amortisation (EBITDA) totalled MSEK 31.0 (37.9), which corresponds to an EBITDA margin of 7.0 (11.7%).
- The operating result amounted to MSEK 17.4 (30.4).
- Net earnings totalled MSEK 6.3 (23.7).
- Earnings per share after dilution totalled SEK 0.17 (0.62).
- Cash flow from operating activities during the quarter amounted to MSEK 51.6 (56.0)

Comments from the CEO

Continued strong international growth

2018 was a year of continued strong growth for Hexatronic. The main item on our agenda was to increase our presence the UK, Germany and USA. All these markets are in the early stages of developing fiber to the home (FTTH). We made acquisitions in these markets during the year, which means we are continuing to reposition Hexatronic strategically towards distinct emerging markets. On a pro forma basis, i.e. including Opternus and PQMS, sales to the relatively well-developed Swedish market today account for about 35% which is a gradual decrease from 49% in 2017 and 60% in 2016.

Overall, 2018 was a strategically successful year in which we advanced our positions on several emerging markets. In terms of profitability, however, it was a poor year in which we did not achieve our EBITDA target of 10%, mainly due to the bidding Swedish FTTH market. In addition to the acquisitions in the UK, Germany and USA, we also made important investments in sales and marketing on these markets, which had an adverse impact on profitability for the full year.

Growth during the quarter totalled 36%, of which 34% related to acquisitions and 2% to organic growth. There is still very strong growth outside of the Nordics, and weaker development primarily on the Swedish market. In terms of financial results, the already seasonally weak quarter was burdened by agent costs of MSEK 3.0 relating to the patent dispute in the UK. In the corresponding period last year, we had a positive effect of MSEK 6.5 relating to the reimbursement of costs from our counterparty in the Swedish patent dispute, which we won. We continued to see good development in the USA, and our operations in the UK showed a strong upward trend. The recent acquisition in Germany has developed according to plan and has also created awareness of Hexatronic on the German market.

Looking ahead to 2019, we believe that the global market will show healthy growth. The Swedish market will be much the same as in 2018. We noticed a certain amount of price pressure on the Swedish market towards the end of 2018, which we are responding to with streamlining and cost cutting. We believe the British market will develop strongly and that we are well positioned to benefit from that growth. We are building up stock in the UK due to the uncertainty surrounding Brexit. Also, the North American market is expected to grow, and we believe we will take market share. The German market will grow from low volumes. We do however believe that the major growth on the German market is a year or so off yet.

We enter the first quarter of 2019 with an order book which is organically 18% higher than at the same point last year. We plan to continue making acquisitions intensively and are bolstering our resources so that we can carry on growing on important emerging markets. The first quarter is normally our weakest quarter due to the winter period. We believe that our comprehensive efforts in the UK, Germany and USA will have a positive effect on both growth and profitability during 2019.

We still have a highly positive view of the FTTH market, the opportunities 5G will bring in the shape of fiber expansion, and our potential for continued profitable growth moving forward.
Thank you for joining us on this journey.

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

Events during the quarter (October – December 2018))

- Hexatronic acquired the German fiber optic company Opternus GmbH. The company is consolidated into the Hexatronic Group from November 1, 2018.

Events since the end of the period

No events to report since the end of the period.

Financial information, Group

| | Quarter 181001 | Quarter 171001 | Period 180101 | Full year 170101 |
|--|-------------------|-------------------|------------------|---------------------|
| MSEK | 181231 | 171231 | 181231 | 171231 |
| Net sales | 443.2 | 325.0 | 1,597.8 | 1,299.4 |
| EBITDA | 31.0 | 37.9 | 138.2 | 151.0 |
| EBITDA margin | 7.0% | 11.7% | 8.7% | 11.6% |
| Operating result | 17.4 | 30.4 | 92.5 | 122.3 |
| Net earnings | 6.3 | 23.7 | 59.3 | 90.4 |
| Earnings per share after dilution, SEK | 0.17 | 0.62 | 1.62 | 2.38 |
| Cash flow from operating activities | 51.6 | 56.0 | 15.6 | 133.4 |
| Liquid assets | 84.6 | 108.2 | 84.6 | 108.2 |

See other key metrics on page 18.

Net sales and results

The full year (January – December 2018)

Net sales for the full year amounted to MSEK 1,597.8 (1,299.4). Net sales increased by 23% for the Group compared to the year before. The growth in sales is attributable to the acquisitions of Blue Diamond Industries, PQMS, Gordon Franks Training, Smart Awards and Opternus. Organically the net sales dropped by 6% compared to the year before because of a weaker Swedish market.

EBITDA totalled MSEK 138.2 (151.0), which corresponds to an EBITDA margin of 8.7% (11.6%).

Other operating expenses and operating income have been affected by adjustments of previously booked debt raised for additional purchase amounts, which is shown in the outcome for the quarter below.

During the year, the Group has had significant agent costs for the ongoing patent dispute in the UK.

Net financial items for the full year amounted to -10.8 MSEK (-6.2), whereof net interest amounted to -6.9 MSEK (-1.8), unrealised foreign exchange differences to -1.6 MSEK (-4.4) and other financial items to -2.3 MSEK (0).

The quarter (October – December 2018)

Net sales during the quarter amounted to MSEK 443.2 (325.0). Net sales increased by 36% for the Group compared to the same quarter last year. The growth is attributable to the acquisitions of Blue Diamond

Industries, PQMS, Gordon Franks Training, Smart Awards and Opternus. The organic growth was 2% compared to the same quarter last year.

EBITDA totalled MSEK 31.0 (37.9), which corresponds to an EBITDA margin of 7.0% (11.7%).

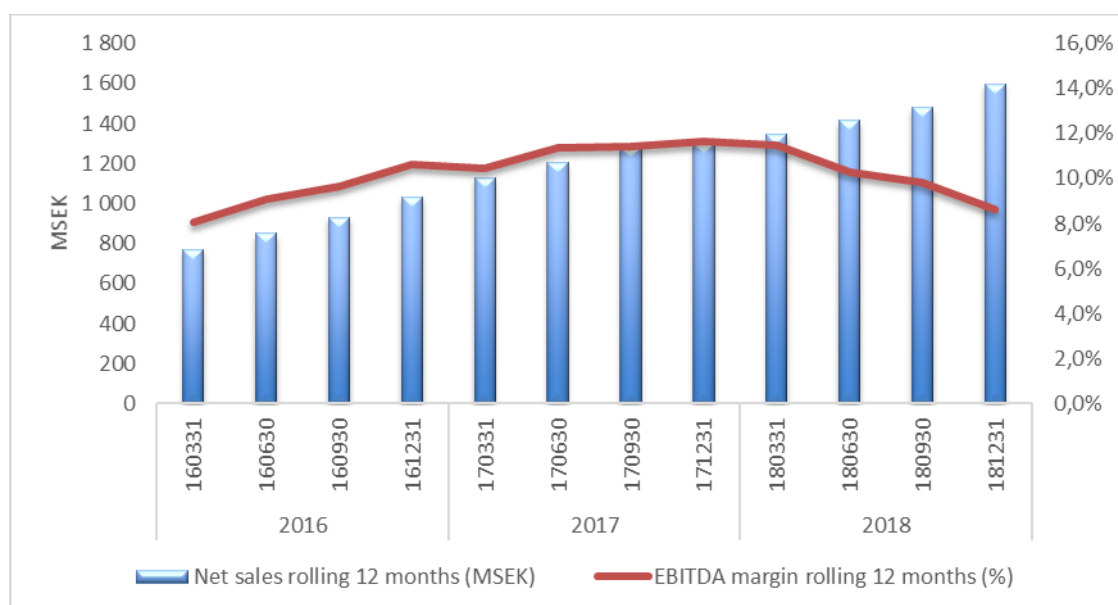
Other operating income during the quarter totalled MSEK 15.0 (17.1), of which MSEK 9.2 relates to adjustment of a previously booked debt raised for additional purchase amounts linked to the acquisitions of PQMS and Opternus, and MSEK 1.5 relates to insurance compensation for agent costs linked to the patent dispute in the UK.

During the quarter, the Group has had significant agent costs for the ongoing patent dispute in the UK.

Other operating expenses during the quarter totalled MSEK 4.7 (0) linked to adjustment of a previously booked debt raised for an additional purchase amount related to the acquisition of Blue Diamond Industries.

Net financial items during the quarter amounted to -3.7 MSEK (-2.4), whereof net interest amounted to -2.0 MSEK (-0.3), unrealised foreign exchange differences to -0.6 MSEK (-2.1) and other financial items to -1.1 MSEK (0).

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



Financial position and liquidity

Liquid assets

Liquid assets on 31 December 2018, excluding overdraft facilities, amounted to MSEK 84.6 (108.2). Unutilised overdraft facilities amounted to MSEK 42.6 on 31 December 2018.

Non-current assets

Non-current assets amounted to MSEK 594.7 on 31 December 2018 (212.8). The increase is primarily related to acquired assets in connection with the acquisitions of Blue Diamond Industries, PQMS, Gordon Franks Training, Smart Awards and Opternus.

Equity

Equity amounted to MSEK 494.4 on 31 December 2018 (415.3), which equated to SEK 13.54 per outstanding share before dilution at the end of the reporting period.

Borrowing

The Parent Company has an acquisition facility of MSEK 565. The utilised amount on 31 December 2018 totalled MSEK 408.2, and MSEK 351.7 of this is long-term borrowing. The debt falls due for payment on 15 December 2021 with an option to extend. The Parent Company's loan agreements include the usual conditions, commitments and provisos.

Net debt totalled MSEK 353.4 at the end of the reporting period compared to MSEK 14.2 in net cash as per 31 December 2017.

Equity ratio

The equity ratio on 31 December 2018 was 38% (53%).

Cash flow

Cash flow from operating activities

Cash flow from operating activities during the full year amounted to MSEK 15.6 (133.4), including a change in working capital of MSEK -83,2 (12.7). The negative change in working capital is primarily attributable to increased capital tied up in inventories and accounts receivable.

Cash flow from operating activities during the quarter amounted to MSEK 51.6 (56.0), including a change in working capital of MSEK 28.8 (30.3). The lower cash flow is attributable to increased capital tied up in inventories.

Cash flow from investing activities

Cash flow from investing activities during the full year amounted to MSEK -361.5 (-45.8). The cash flow is primarily attributable to the acquisition of Blue Diamond Industries, PQMS, Gordon Franks Training, Smart Awards and Opternus and to some extent to investments in tangible and intangible assets.

Cash flow from investing activities during the quarter amounted to MSEK -96.7 (-9.6). The cash flow is primarily attributable to the acquisition of Opternus and investments in tangible and intangible assets.

Cash flow from financing activities

Cash flow from financing activities during the full year amounted to MSEK 322.3 (-18.9). The cash flow from financing activities during the full year is attributable to new borrowing related to the acquisition of Blue Diamond Industries, PQMS, Gordon Franks Training, Smart Awards and Opternus, amortisation of loans and dividend paid.

Cash flow from financing activities during the quarter amounted to MSEK 69.9 (0.1). The cash flow from financing activities during the quarter is attributable to new borrowing related to the acquisition of Opternus and amortisation of loans.

Dividend policy

Any dividend is decided by the Annual General Meeting, following a recommendation by the Board of Directors. The Group is currently in an expansive phase of development, and in the next few years the focus will be on re-investing profits back into the business.

The Board will propose to the AGM a dividend of SEK 0.40 (0.40) per share for the 2018 financial year.

The Group's financial goals up until 31 December 2018

Profitability

An EBITDA margin (EBITDA as a percentage of net sales) of at least 10% on a rolling 12-month basis. The EBITDA margin on a rolling 12-month basis on 31 December 2018 was 8.7% (11.6%).

Growth

The Group shall grow more than its market organically. The Group strives for an average annual growth of at least 20%. The growth will be both organic and acquisition-driven. Growth on a rolling 12-month basis was 23% (26%).

Financial stability

The Group shall have an equity ratio of at least 30%. The equity ratio was 38% at the end of the reporting period.

In acquisitions, the equity ratio may fall below 30% for a period of less than 12 months. This may occur when the Board deems that the profitability and cash flow from acquired companies will cause a swift improvement in the equity ratio.

New Group financial goals from 1 January 2019

In light of the transition to the new reporting standard, IFRS 16 Leases, the Board of Directors has adopted new financial goals to apply from 1 January 2019.

Profitability

The EBITA margin (Earnings before interest, taxes, and amortisation) should be at least 9% on a rolling 12-month basis. The EBITA margin for year 2018 was 7.2%.

Growth

The Group shall grow more than its market organically. Annual growth of at least 20%. The growth will be both organic and acquisition-driven.

Segments

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

Customers

The Group's customers are telecom operators, network owners, telecom companies, installers and system houses, and a part of the Group's products are distributed via wholesalers.

Employees

There were 564 (384) employees in the Group on 31 December 2018. The increase in employees compared to the same time last year is primarily due to the acquisition of Blue Diamond Industries, PQMS, Gordon Franks Training and Opternus.

Parent Company

The Parent Company's main business consists of performing Group-wide services. Revenue for the full year January-December amounted to MSEK 27.2 (22.2) and the result for the period was MSEK -4.6 (8.8).

The Parent Company's financial assets amounted to MSEK 630.2 at the end of the period (compared to MSEK 221.8 at the beginning of the year). The increase is related to the value of shares in the acquired companies Blue Diamond Industries, PQMS, Gordon Franks Training, Smart Awards and Opternus. The value of shares in ICT Education and Iftac has been written-down by MSEK 15.5 during the full 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 MSEK 4.6 annually.

Significant risks and uncertainties

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

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

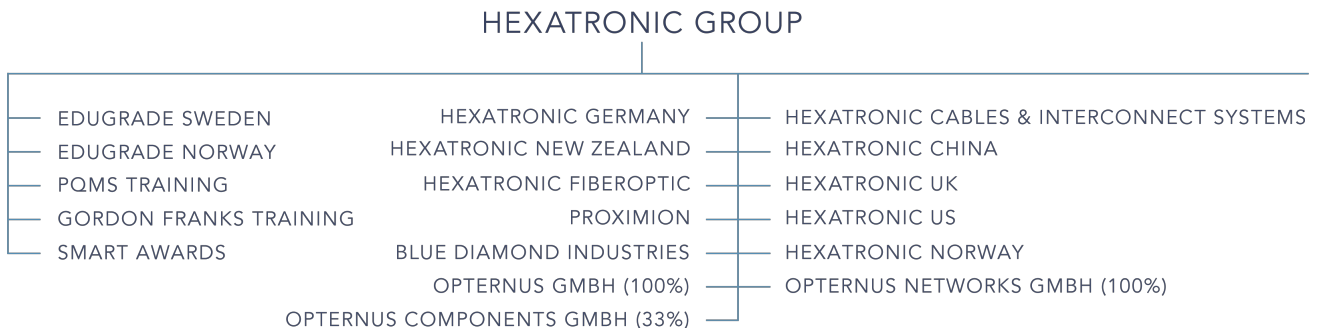
Several risk areas have been identified in Hexatronic's risk management process. Hexatronic has divided identified risks into operational and environmental risks, market risks and financial risks.

A more detailed description of the Group's risks and risk management is provided in the Hexatronic Group Annual Report for 2016/17 on page 32-35.

Patent dispute

In June 2018 Emtelle UK Ltd. filed a lawsuit in England against Hexatronic UK Ltd., Hexatronic Cables & Interconnect Systems AB and Hexatronic Group AB., for infringement in two British patents related to air-blown fiber. Hexatronic has contested the claim.

The Group – Hexatronic Group AB (publ)



The Group offers a broad product range designed for fibre optic communication solutions for telecom companies, operators and network owners. It develops, designs, manufactures and sells its own products and system solutions in combination with products from leading partners around the world. The Group conducts its own business through established companies in Sweden, Norway, the UK, Germany, China, USA and New Zealand.

The Group’s growth strategy is to grow organically by continuously developing its product range and introducing more added value services such as servicing, aftermarket sales, support and training.

The Group has an explicit acquisition and growth strategy.

The market

Broadband expansion is in full swing all around the world. Some nations have come a long way, while several major countries have barely begun.

At EU level, and in many individual countries, there are digitalisation goals that include a certain bandwidth per household at a point in time. “The Digital Agenda for Europe” stipulates the goals up to 2025. The global economy is changing quickly, and it is important to the competitiveness of individual countries and the whole of the EU that the goals are accomplished.

There is still high activity on the global FTTH market worldwide, and especially on our focus markets of the Nordics, Central Europe and North America. In an FTTH Council Europe report presented in February 2018, relating to the percentile coverage of FTTH/FTTB by country, small countries such as the United Arab Emirates, Singapore and South Korea are at the top of the rankings for the percentage of fiber households. In Europe, Latvia is in the lead with 50.6% followed by Sweden with 43.4% and lagging far behind are major nations like Germany and Italy with just 2.3% each, while the UK has under 1%.

In terms of size, the North American market is comparable to Europe, and expansion there is expected to be strong in the next few years. During 2017, the number of ‘homes passed’ increased by 20% to 50 million households in total, which indicates that the market is active.

On the Swedish market, it is primarily connection in rural areas that is yet to be completed. Since the material requirement for rural connection is about 2.6 times higher for duct and cable than in built-up areas, this means that the number of connections is falling, the need for materials is not decreasing at the same rate.

5G is imminent – a technological shift that is required to provide sufficient support for new services and connected products that need higher transfer speeds in the networks, such as driverless vehicles. Video currently comprises around 50% of all traffic, and this is expected to rise to 75% by 2023. The transition to 5G entails a dramatic condensation of senders/receivers, which has an effect on the fiber networks as these are largely connected to fiber, and the need for fiber will increase.

The development of 5G is in its infancy and is expected to gather real momentum in two to three years' time. The number of mobile users is expected to increase from around 8 billion to around 9 billion by 2023, according to the Ericsson Mobility Report.

The development of Internet of Things (IoT) and smart cities has only just begun, and the market is expected to grow dramatically in the years to come. Creative ideas and solutions are emerging, and new needs are arising. The opportunities and potential applications are virtually endless.

The segments expected to grow the most in IoT are the 'short range' ones, i.e. products with a wireless range of up to 100 m, often with a connection to WiFi, Bluetooth and Zigbee. The number of IoT products is expected to grow by about 20% a year up to 2023, which would then result in 20 billion connected devices worldwide – a clear indication of the dramatic growth that's anticipated in this segment.

Outlook

The Group will continue to work with large customers and major projects, where the Group's added value as a competent systems and product supplier constitutes a competitive edge. The Group's principal offering is systems and products for broadband communication, primarily for fibre optic networks.

The Group has an active acquisition and growth strategy whereby attractive candidate – i.e., those that can complement Hexatronic either in terms of market or products – are continuously being evaluated. The Group does not prioritise acquisitions in which cost synergies need to be harnessed to achieve a good return on the acquisition investment.

The Group does not publish forecasts.

The Hexatronic share

The company's share is listed in the Mid cap segment on Nasdaq Stockholm.

The company's share is listed under the ticker **HTRO**. On the balance sheet date, the share capital in Hexatronic Group AB (publ) amounted to SEK 1,825,590.95, distributed among a total of 36,511,825 shares, before dilution from existing employee stock option programmes.

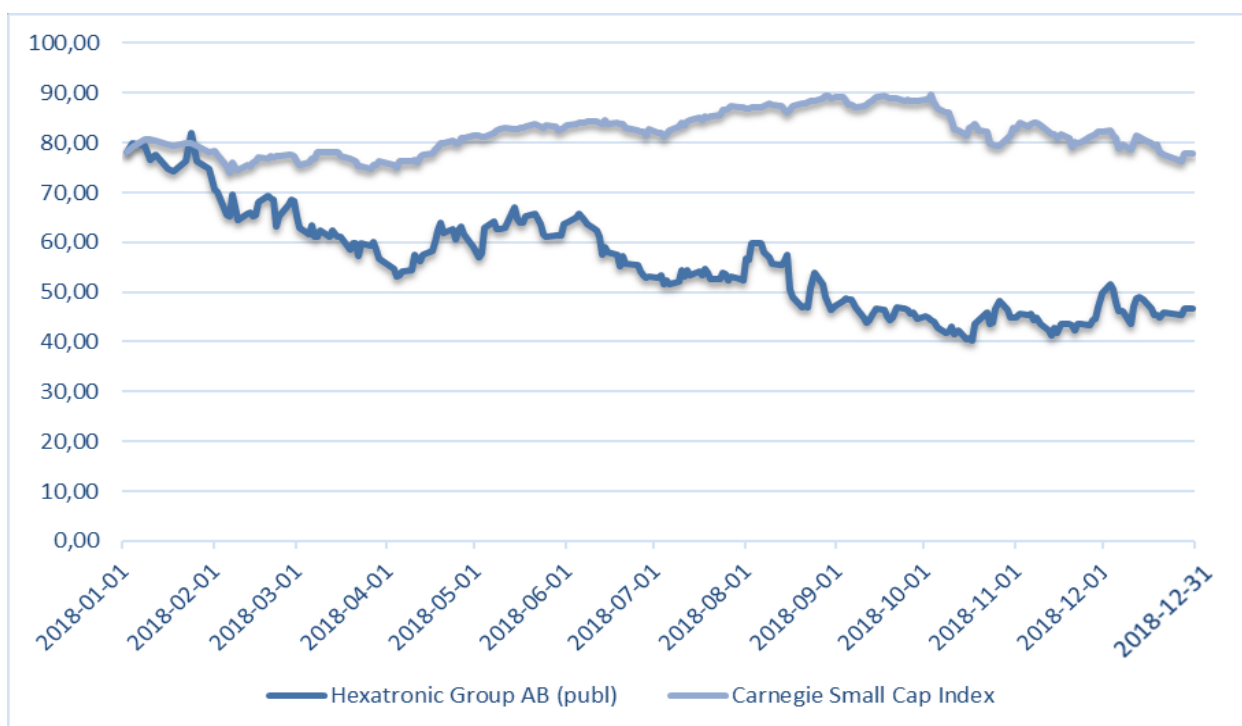
At the Annual General Meeting (AGM) on 19 April 2018, it was decided to authorise the Board to acquire and transfer personally held shares in line with the Board's decision, and to decide on the new issue of shares and/or warrants and/or convertibles equating to no more than 10% of the registered share capital. The AGM decided to pay a dividend of SEK 0.40 per share, which was paid on 26 April 2018.

The fair value on the issued options, in all employee stock option programs, has been calculated according to the Black & Scholes model. Each option entitles the holder to buy one share.

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

- In 2016/17 an employee stock option programme was approved with 700,000 options available to the company’s personnel; 346,500 of these options were subscribed at an issue price of SEK 51.65, with a redemption window of 15 January – 15 February 2020.
- In 2018 an employee stock option programme was approved with 1,000,000 options available to the company’s personnel; 603,000 of these options were subscribed at an issue price of SEK 82.20, with a redemption window of 15 May – 15 June 2021.

Share price development in the past 12 months (SEK)



The company’s market value at the end of the period was MSEK 1,705.

The number of shareholders at period end, 7,854, is based on data from Euroclear. The shareholder structure of Hexatronic Group AB (publ) on 31 December 2018 is shown in the table below.

| Shareholder | No. of shares | Capital & votes % |
|---|-------------------|-------------------|
| Accendo Capital | 4 658 447 | 12,8% |
| Handelsbanken Funds | 3 187 176 | 8,7% |
| Jonas Nordlund, privately and corporately | 2 989 841 | 8,2% |
| Martin Åberg and Erik Selin via Chirp AB | 1 785 872 | 4,9% |
| Fondita Nordic Micro Cap | 1 763 000 | 4,8% |
| Swedbank Robur, West Fund | 1 342 039 | 3,7% |
| Nordea Funds | 1 272 355 | 3,5% |
| Avanza Pension - Insurance Company | 1 156 296 | 3,2% |
| Göran Nordlund, privately and corporately | 1 083 954 | 3,0% |
| Consensus Asset Management | 850 888 | 2,3% |
| Other shareholders | 16 421 957 | 45,0% |
| Total outstanding shares | 36 511 825 | 100,0% |

Other information

Publication

This information comprises disclosures that Hexatronic Group AB (publ) must publish according to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, under responsibility of the contact persons named below, on 22 February 2019 at 08:00 CET.

Financial calendar

Interim Report January-March 2019: 3 May 2019

Interim Report April-June 2019: 16 August 2019

Interim Report July-September 2019: 6 November 2019

Year-End Report: 21 February 2020

Annual General Meeting

The AGM will be held on 9 May 2019.

Please direct any questions to:

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

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

Gothenburg, 22 February 2019

Anders Persson
Chairman

Erik Selin
Board member

Jaakko Kivinen
Board member

Malin Frenning
Board member

Malin Persson
Board member

Henrik Larsson Lyon
President and CEO

This interim report has been reviewed by the company's auditor.

Hexatronic Group AB (publ) is a group that develops, markets and delivers products, components and system solutions with the main focus on the fiber optic market. Hexatronic offers a wide range of innovative system and product solutions mainly for passive fiber optic infrastructure with global trademarks like Ribbonet®, Micronet™, Drytech™, Lightmate®, FibreHub™, Matrix, Viper, Stingray 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.

| Consolidated income statement (SEK thousand) | Quarter | Quarter | Full year | Full year |
|--|----------------|----------------|------------------|------------------|
| | 181001 | 171001 | 180101 | 170101 |
| | 181231 | 171231 | 181231 | 171231 |
| <u>Revenue</u> | | | | |
| Net sales | 443,159 | 324,994 | 1,597,768 | 1,299,419 |
| Other operating income | 14,989 | 17,089 | 17,526 | 19,003 |
| | 458,148 | 342,083 | 1,615,294 | 1,318,423 |
| <u>Operating expenses</u> | | | | |
| Raw materials and goods for resale | -264,517 | -181,222 | -906,639 | -728,476 |
| Other external costs | -73,306 | -52,123 | -259,596 | -176,801 |
| Personnel costs | -84,686 | -70,803 | -306,191 | -259,950 |
| Other operating expenses | -4,653 | 0 | -4,653 | -2,191 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 30,985 | 37,934 | 138,214 | 151,004 |
| Depreciation of tangible assets and amortisation of intangible assets | -13,624 | -7,486 | -45,669 | -28,704 |
| Operating result | 17,362 | 30,448 | 92,545 | 122,300 |
| <u>Result from financial items</u> | | | | |
| Financial income | 2,219 | 152 | 194 | 230 |
| Financial expenses | -5,936 | -2,568 | -10,988 | -6,399 |
| Result after financial items | 13,645 | 28,033 | 81,751 | 116,130 |
| Income taxes | -7,310 | -4,346 | -22,472 | -25,699 |
| Net result for the period | 6,335 | 23,686 | 59,279 | 90,432 |
| Attributable to: | | | | |
| Parent Company shareholders | 6,335 | 23,686 | 59,279 | 90,432 |
| Earnings per share | | | | |
| Earnings per share before dilution (SEK) | 0.17 | 0.65 | 1.63 | 2.50 |
| Earnings per share after dilution (SEK) | 0.17 | 0.62 | 1.62 | 2.38 |
| Consolidated statement of comprehensive income | Quarter | Quarter | Full year | Full year |
| | 181001 | 171001 | 180101 | 170101 |
| | 181231 | 171231 | 181231 | 171231 |
| Result for the period | 6,335 | 23,686 | 59,279 | 90,432 |
| Items which can later be recovered in the income statement | | | | |
| Translation differences | 826 | 22 | 11,542 | -2,687 |
| Cash flow hedge | 0 | -3,077 | 3,077 | -3,077 |
| Other comprehensive income for the period | 826 | -3,055 | 14,619 | -5,765 |
| Comprehensive income for the period | 7,160 | 20,631 | 73,898 | 84,667 |
| Attributable to: | | | | |
| Parent Company shareholders | 7,160 | 20,631 | 73,898 | 84,667 |

Consolidated balance sheet (SEK thousand)

| | 2018-12-31 | 2017-12-31 |
|-------------------------------------|-------------------|-------------------|
| Assets | | |
| <u>Non-current assets</u> | | |
| Intangible assets | 454,517 | 118,585 |
| Tangible assets | 139,197 | 93,933 |
| Financial assets | 1,015 | 312 |
| Total non-current assets | 594,729 | 212,830 |
| <u>Current assets</u> | | |
| Inventories | 334,282 | 236,925 |
| <u>Current receivables</u> | | |
| Accounts receivable | 261,774 | 204,062 |
| Current tax receivables | 1,594 | 0 |
| Other receivables | 2,553 | 1,649 |
| Prepaid expenses and accrued income | 23,582 | 13,394 |
| Total current receivables | 289,502 | 219,104 |
| <u>Liquid assets</u> | 84,621 | 108,239 |
| Total current assets | 708,405 | 564,268 |
| Total assets | 1,303,134 | 777,098 |

Consolidated balance sheet (SEK thousand)

| | 2018-12-31 | 2017-12-31 |
|--|-------------------|-------------------|
| Equity | | |
| <u>Equity attributable to Parent Company shareholders</u> | | |
| Share capital | 1,826 | 1,809 |
| Other contributed capital | 205,787 | 186,077 |
| Reserves | 5,905 | -8,714 |
| Result brought forward, including comprehensive Income for the period | 280,897 | 236,087 |
| Equity | 494,415 | 415,259 |
| <u>Non-current liabilities</u> | | |
| Liabilities to credit institutions | 351,741 | 70,530 |
| Deferred tax | 62,630 | 35,372 |
| Total non-current liabilities | 414,372 | 105,903 |
| <u>Current liabilities</u> | | |
| Liabilities to credit institutions | 56,457 | 23,510 |
| Overdraft facilities | 29,863 | 0 |
| Accounts payable | 173,772 | 140,886 |
| Provisions | 3,000 | 3,000 |
| Current tax liabilities | 0 | 11,779 |
| Other liabilities | 72,815 | 26,215 |
| Accrued expenses and deferred income | 58,440 | 50,546 |
| Total current liabilities | 394,347 | 255,936 |
| Total equity, provisions and liabilities | 1,303,134 | 777,098 |

| Consolidated statement of changes in equity (SEK thousand) | Share capital | Other capital contributions | Reserves | Result brought forward, including result for the period | Total equity |
|--|---------------|-----------------------------|---------------|---|----------------|
| Balance brought forward as of 1 January 2017 | 1,807 | 182,924 | -158 | 145,774 | 330,347 |
| Result for the period | 0 | 0 | -2,792 | 90,432 | 87,640 |
| Other comprehensive income | 0 | 0 | -5,765 | -118 | -5,883 |
| Total comprehensive income | 0 | 0 | -8,556 | 90,313 | 81,757 |
| New share issue relating to business acquisitions | 2 | 1,627 | 0 | 0 | 1,629 |
| Employee stock option programme | 0 | 1,526 | 0 | 0 | 1,526 |
| Total transactions with shareholders, reported directly in equity | 2 | 3,153 | 0 | 0 | 3,155 |
| Balance carried forward as of 31 December 2017* | 1,809 | 186,077 | -8,714 | 236,087 | 415,259 |
| Balance brought forward as of 1 January 2018 | 1,809 | 186,077 | -8,714 | 236,087 | 415,259 |
| Result for the period | 0 | 0 | 0 | 59,279 | 59,279 |
| Other comprehensive income | 0 | 0 | 14,619 | 0 | 14,619 |
| Total comprehensive income | 0 | 0 | 14,619 | 59,279 | 73,897 |
| New share issue relating to business acquisitions | 17 | 17,436 | 0 | 0 | 17,453 |
| Employee stock option programme | 0 | 2,274 | 0 | 0 | 2,274 |
| Dividends paid | 0 | 0 | 0 | -14,469 | -14,469 |
| Total transactions with shareholders, reported directly in equity | 17 | 19,710 | 0 | -14,469 | 5,258 |
| Balance carried forward as of 31 December 2018 | 1,826 | 205,787 | 5,905 | 280,897 | 494,415 |

* Other capital contributions have been decreased and result brought forward including result for the period has been increased by MSEK 4.751, compared to the last annual report regarding incorrect accounting of adjustment within the item Equity.

| Consolidated statement of cash flows (SEK thousand) | Quarter | Quarter | Full year | Full year |
|--|----------------|----------------|-----------------|----------------|
| | 181001 | 171001 | 180101 | 170101 |
| | 181231 | 171231 | 181231 | 171231 |
| Operating result | 17,362 | 30,448 | 92,545 | 122,300 |
| Items not affecting cash flow | 18,508 | 5,587 | 50,508 | 16,534 |
| Interest received | 101 | 152 | 194 | 164 |
| Interest paid | -5,274 | -2,929 | -10,403 | -2,025 |
| Income tax paid | -7,875 | -7,477 | -34,094 | -16,299 |
| Cash flow from operating activities before changes in working capital | 22,822 | 25,780 | 98,749 | 120,674 |
| Increase (-)/decrease (+) in inventories | 12,103 | -15,974 | -67,247 | -29,931 |
| Increase (-)/decrease (+) in accounts receivable | 70,670 | 66,936 | 1,378 | -7,726 |
| Increase (-)/decrease (+) in operating receivables | -2,815 | 651 | -4,627 | 8,369 |
| Increase (+)/decrease (-) in accounts payable | -36,584 | -6,206 | 5,183 | 35,613 |
| Increase (+)/decrease (-) in operating liabilities | -14,611 | -15,140 | -17,872 | 6,360 |
| Cash flow from changes in working capital | 28,763 | 30,266 | -83,186 | 12,684 |
| Cash flow from operating activities | 51,585 | 56,046 | 15,564 | 133,358 |
| <u>Investing activities</u> | | | | |
| Acquisition of tangible and intangible assets | -9,916 | -6,628 | -41,034 | -33,087 |
| Acquisition of subsidiaries after deduction of acquired liquid assets | -86,794 | -2,991 | -320,478 | -12,683 |
| Cash flow from investing activities | -96,710 | -9,619 | -361,512 | -45,770 |
| <u>Financing activities</u> | | | | |
| Borrowings | 87,105 | 0 | 348,728 | 0 |
| Amortisation of loans | -21,726 | 0 | -43,446 | 0 |
| Changes in overdraft facilities | 4,557 | 0 | 29,863 | -20,277 |
| New share issues for the period | 0 | 101 | 1,654 | 1,340 |
| Dividends paid | 0 | 0 | -14,469 | 0 |
| Cash flow from financing activities | 69,936 | 101 | 322,330 | -18,937 |
| <u>Cash flow for the period</u> | 24,811 | 46,528 | -23,618 | 68,651 |
| Liquid assets at the start of the period | 59,810 | 61,710 | 108,239 | 39,588 |
| Liquid assets at the end of the period | 84,621 | 108,239 | 84,621 | 108,239 |

| Key metrics for the Group | Quarter | Quarter | Full year | Full year |
|--|------------|------------|------------|------------|
| | 181001 | 171001 | 180101 | 170101 |
| | 181231 | 171231 | 181231 | 171231 |
| Growth in net sales | 36% | 7% | 23% | 26% |
| EBITDA margin | 7.0% | 11.7% | 8.7% | 11.6% |
| EBITDA margin, 12 months rolling | 8.7% | 11.6% | 8.7% | 11.6% |
| Operating margin | 3.9% | 9.4% | 5.8% | 9.4% |
| Equity ratio | 37.9% | 53.4% | 37.9% | 53.4% |
| Earnings per share before dilution (SEK) | 0.17 | 0.65 | 1.63 | 2.50 |
| Earnings per share after dilution (SEK) | 0.17 | 0.62 | 1.62 | 2.38 |
| Net sales per employee (SEK thousand) | 801 | 844 | 3,090 | 3,456 |
| Result per employee (SEK thousand) | 11 | 62 | 115 | 241 |
| Quick ratio | 0.9 | 1.3 | 0.9 | 1.3 |
| Average number of employees | 553 | 385 | 517 | 376 |
| Number of shares at period end before dilution | 36,511,825 | 36,171,677 | 36,511,825 | 36,171,677 |
| Average number of shares before dilution | 36,438,900 | 36,171,677 | 36,278,940 | 36,148,508 |
| Average number of shares after dilution | 36,836,200 | 37,965,697 | 36,676,240 | 37,942,528 |

For the definition of key metrics, see the Annual Report for 2016/17.

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

Parent Company income statement (SEK thousand)

| | Full year | Full year |
|--|------------------|------------------|
| | 180101 | 170101 |
| | 181231 | 171231 |
| <u>Revenue</u> | | |
| Net sales | 27,242 | 22,245 |
| | 27,242 | 22,245 |
| <u>Operating expenses</u> | | |
| Other external costs | -28,163 | -14,476 |
| Personnel costs | -20,119 | -21,271 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | -21,039 | -13,501 |
| Depreciation of tangible assets | -215 | -225 |
| Operating result | -21,254 | -13,726 |
| <u>Result from financial items</u> | | |
| Interest income | 1,134 | 1,538 |
| Interest expenses | -14,112 | -2,443 |
| Result after financial items | -34,232 | -14,630 |
| Appropriations | 29,550 | 25,510 |
| Result before tax | -4,682 | 10,880 |
| Tax on profit for the period | 90 | -2,088 |
| Net result for the period | -4,591 | 8,792 |

Parent Company balance sheet (SEK thousand)

| | 2018-12-31 | 2017-12-31 |
|--|-------------------|-------------------|
| Assets | | |
| Tangible assets | 548 | 762 |
| Financial assets | 630,239 | 221,847 |
| Total non-current assets | 630,786 | 222,609 |
| <u>Current receivables</u> | | |
| Receivables from Group companies | 151,401 | 128,644 |
| Current tax receivables | 507 | 0 |
| Other receivables | 3,324 | 2,871 |
| Prepaid expenses and accrued income | 1,605 | 1,144 |
| Total current receivables | 156,837 | 132,659 |
| <u>Cash and bank balances</u> | 0 | 51,348 |
| Total current assets | 156,837 | 184,007 |
| Total assets | 787,623 | 406,616 |
| <u>Equity, provisions and liabilities</u> | | |
| <u>Equity</u> | 192,922 | 193,480 |
| <u>Untaxed reserves</u> | 6,330 | 6,330 |
| <u>Non-current liabilities</u> | | |
| Liabilities to credit institutions | 343,092 | 70,530 |
| Total non-current liabilities | 343,092 | 70,530 |
| <u>Current liabilities</u> | | |
| Liabilities to credit institutions | 56,457 | 23,510 |
| Overdraft facilities | 29,863 | 0 |
| Accounts payable | 6,504 | 2,488 |
| Liabilities to Group companies | 98,914 | 101,166 |
| Current tax liabilities | 0 | 1,050 |
| Other liabilities | 49,104 | 1,839 |
| Accrued expenses and deferred income | 4,437 | 6,222 |
| Total current liabilities | 245,279 | 136,276 |
| Total equity, provisions and liabilities | 787,623 | 406,616 |

NOTES

Note 1 General information

Hexatronic Group AB (publ), with corporate identity number 556168-6360, is the Parent Company of the Hexatronic Group. Hexatronic Group AB (publ) is based in Gothenburg at the address Sofierogatan 3A, SE-412 51 Gothenburg, Sweden.

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

Note 2 Accounting policies

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

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

For full accounting policies, see the Annual Report for 2016/17.

New standards applied from 1 January 2018

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are applied from 1 January 2018.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 presents a new model for classification and measurement of financial instruments, a forward-looking impairment model based on expected credit losses, and a reformed approach to hedge accounting. The new standard also entails a change in the character of the Group's disclosures relating to financial instruments. The Group has deemed that the standard does not entail any material effects on the consolidated financial statements, and the transition therefore involved no adjustment to the opening balance for 2018.

IFRS 15 establishes principles for reporting useful information to users of financial reports regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Revenue in the Hexatronic Group's standard operation comprises the sale of goods and services. The Group's sales consist primarily of products, the sale of which is identified at a point in time. The sales that have been identified over time partly comprise training, the extent of which in relation to the Group's total net sales is deemed to involve insignificant amounts and is therefore reported at a point in time, and partly sales of submarine cables which are reported according to the percentage-of-completion method.

Hexatronic Group meets the requirements that IFRS 15 places on revenue recognition about the sale of goods. Since submarine cable contracts occur only to a limited extent, the new standard did not have a significant effect on the Group's accounting. Consequently, the opening balances for 2018 have not been recalculated.

Estimated effects from transition to IFRS 16 Leases

Hexatronic has assessed the impact of the transition to the new standard IFRS 16 Leases effective 1 January 2019. Hexatronic's initial estimate is that IFRS 16, during 2019, will have small positive impact on operating profit and a negative impact on profit after financial items. The estimated effects on the balance sheet are presented in the table below. The lease portfolio covers mainly operational office leases. Leases are reclassified to IFRS 16 to the amounts recognized immediately before the date of application of the new standard.

Hexatronic has assessed many contracts concerning premises being open-ended contracts. This requires the Hexatronic lessee to determine the contract period instead of considering the termination clause. The lessee then determines the length of the contract period based on factors such as the importance of building to the business, any planned or made leasehold investments and the market situation for premises. Consequently, these contracts have in many cases had the contract period extended.

Hexatronic has chosen to perform the transition in line with the Cumulative catch-up approach and has applied the expedient to not restate any comparative information. Right-of-use assets have been determined as an amount equal to the lease liabilities as identified at initial application. A marginal rate of interest equal to the parent company's borrowing interest rate has been applied. Lease contracts shorter than 12 months or ending within 12 months at the date of application are considered short-term and hence not recognized as lease liability or right-of-use asset. Low value contracts, with a value as new below SEK 50 thousand, are also excluded from being recognized as lease liability or right-of-use asset.

| MSEK | Closing balance 31 Dec 2018 before transition to IFRS 16 Leases | Estimated reclassifications due to transition to IFRS 16 Leases | Estimated adjustments due to transitions to IFRS 16 Leases | Estimated adjusted opening balance 1 Jan 2019 |
|-------------------------------------|--|--|---|--|
| Right-of-use assets premises | - | - | 180,685 | 180,685 |
| Lease liabilities, interest bearing | - | - | 180,685 | 180,685 |

Note 3 Revenue

| January to December 2018 | | | | | |
|-------------------------------------|----------------|----------------|----------------|-------------------|------------------|
| Geographical markets | Sweden | Rest of Europe | North America | Rest of the world | Total |
| Revenue from external customers | 606,701 | 287,637 | 365,625 | 337,805 | 1,597,768 |
| <u>Category</u> | | | | | |
| Goods | 577,281 | 245,678 | 365,625 | 337,805 | 1,526,389 |
| Services | 29,420 | 41,959 | 0 | 0 | 71,379 |
| Total | 606,701 | 287,637 | 365,625 | 337,805 | 1,597,768 |
| <u>Time for revenue recognition</u> | | | | | |
| At a given time | 606,701 | 287,637 | 365,625 | 337,805 | 1,597,768 |
| Over time | 0 | 0 | 0 | 0 | 0 |
| Total | 606,701 | 287,637 | 365,625 | 337,805 | 1,597,768 |

| January to December 2017 | | | | | |
|-------------------------------------|----------------|----------------|---------------|-------------------|------------------|
| Geographical markets | Sweden | Rest of Europe | North America | Rest of the world | Total |
| Revenue from external customers | 788,891 | 227,488 | 16,757 | 266,283 | 1,299,419 |
| <u>Category</u> | | | | | |
| Goods | 743,403 | 227,488 | 16,757 | 266,283 | 1,253,931 |
| Services | 45,488 | 0 | 0 | 0 | 45,488 |
| Total | 788,891 | 227,488 | 16,757 | 266,283 | 1,299,419 |
| <u>Time for revenue recognition</u> | | | | | |
| At a given time | 788,891 | 227,488 | 16,757 | 266,283 | 1,299,419 |
| Over time | 0 | 0 | 0 | 0 | 0 |
| Total | 788,891 | 227,488 | 16,757 | 266,283 | 1,299,419 |

Note 4 Pledged assets

| Pledged assets | Group | | Parent Company | |
|--|----------------|----------------|----------------|----------------|
| | 181231 | 171231 | 181231 | 171231 |
| <i>Assets pledged for liabilities to credit institutions</i> | | | | |
| Chattel mortgages | 157,350 | 57,166 | 100 | 100 |
| Shares in subsidiaries | 281,484 | 338,190 | 82,504 | 134,258 |
| Total | 438,834 | 395,356 | 82,604 | 134,358 |

Note 5 Business acquisitions

Business acquisitions 2018

Blue Diamond Industries LLC

On 2 January 2018, the Group acquired 100% of the share capital in Blue Diamond Industries LLC for MUSD 26.8. There may be a possible additional purchase price of a maximum of MUSD 2.5 based on the EBITDA of the forthcoming two financial years.

The table below summarises the purchase price paid for Blue Diamond Industries and the fair value of acquired assets and assumed liabilities recognised on the acquisition date.

Purchase price as of 2 January 2018

| | |
|--|----------------|
| Liquid assets | 222,898 |
| Contingent purchase consideration (not paid) | 16,450 |
| Total purchase price | 239,348 |

Recognised amounts for identifiable acquired assets and taken-over liabilities

| | |
|---|----------------|
| Liquid assets | 4,601 |
| Tangible assets | 23,932 |
| Customer contracts and customer relations | 71,066 |
| Inventories | 21,397 |
| Accounts receivable | 30,432 |
| Other receivables | 512 |
| Accounts payable | -15,035 |
| Other payables | -2,668 |
| Total identifiable net assets | 134,237 |
| Goodwill | 105,111 |

Acquisition-related costs of SEK 2,900 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2018 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to SEK -218,296 thousand. Goodwill is attributable partly to the added earning capacity the company is expected to bring, and partly to the anticipated synergistic effects of merging the Group's operations with those of Blue Diamond Industries.

Under the terms of the conditional purchase price, the Group will pay a maximum of SEK 20,750 thousand, up to a maximum of SEK 11,676 thousand based on EBITDA in the period 2 January 2018 – 31 December 2018, and a maximum of SEK 9,081 thousand based on EBITDA in the period 1 January 2019 – 31 December 2019.

The fair value of the conditional purchase price of SEK 16,450 thousand was estimated by applying the return of value approach. The fair value estimates are based on a discount rate, which is based on a two-year government bond of approximately 0.2%, and an assumed EBITDA in Blue Diamond Industries. The fair value of accounts receivable totals SEK 30,432 thousand. No accounts receivable is deemed to be doubtful.

Blue Diamond Industries net sales have been included in the consolidated income statement since 2 January 2018 and amount to SEK 301,956 thousand. Blue Diamond Industries also generated a net profit of SEK 21,138 thousand in the same period on group level.

Professional Quality Management Services Ltd. (“PQMS”)

On 8 June 2018, the Group acquired 100% of the share capital in PQMQ for MGBP 1.5. There may be a possible additional purchase consideration of a maximum of MGBP 1.95 based on the EBITDA of the forthcoming three financial years.

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

Purchase price as of 8 June 2018

| | |
|---|---------------|
| Liquid assets | 11,376 |
| Equity instruments (91,029 shares, based on the share price per acquisition date) | 5,279 |
| Contingent purchase consideration (not paid) | 10,357 |
| Total purchase price | 27,012 |

Recognised amounts for identifiable acquired assets and taken-over liabilities

| | |
|---|---------------|
| Liquid assets | 755 |
| Tangible assets | 2,684 |
| Customer contracts and customer relations | 13,078 |
| Trademarks | 3,799 |
| Accounts receivable | 9,051 |
| Other receivables | 4,915 |
| Trade creditors | -3,253 |
| Other liabilities | -10,818 |
| Total identifiable net assets | 20,221 |
| Goodwill | 6,753 |

Acquisition-related costs of SEK 1,324 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2018 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to SEK -10,620 thousand. Goodwill is attributable to the added earning capacity the company is expected to bring.

Under the terms of the conditional purchase price, the Group will pay a maximum of SEK 22,877 thousand, up to a maximum of SEK 7,919 thousand based on EBITDA in the period 1 May 2018 – 30 April 2019, a maximum of SEK 7,919 thousand based on EBITDA in the period 1 May 2019 – 30 April 2020, and a maximum of SEK 7,039 thousand based on EBITDA in the period 1 May 2020 – 30 April 2021.

The fair value of the conditional purchase price of SEK 10,357 thousand was estimated by applying the return of value approach. The fair value estimates are based on a discount rate, which is based on a two-year government bond of approximately 0.2%, and an assumed EBITDA in PQMS. The fair value of accounts receivable totals SEK 9,051 thousand. No accounts receivable is deemed to be doubtful.

PQMS net sales have been included in the consolidated income statement since 8 June 2018 and amount to SEK 35,535 thousand. PQMS also generated a net profit of SEK -184 thousand in the same period on group level.

Had PQMS been consolidated from 1 January 2018, the consolidated income statement for the period 1 January 2018 to 31 December 2018 would have shown increased net sales amounting to SEK 56,348 thousand and a net profit of SEK 1,902 thousand.

Gordon Franks Training Ltd. (GFT)

As part of the acquisition of PQMS, on 8 June 2018 the Group acquired 100% of the share capital in GFT for MGBP 0.1. There may be a possible additional purchase price of a maximum of MGBP 0.13 based on the EBITDA of the forthcoming three financial years.

Smart Awards Ltd. (SAL)

As part of the acquisition of PQMS, on 8 June 2018 the Group acquired 100% of the share capital in SAL for MGBP 0.4. There may be a possible additional purchase price of a maximum of MGBP 0.52 based on the EBITDA of the forthcoming three financial years.

Opternus GmbH ("Opternus")

On 1 November 2018, the Group acquired 100% of the share capital in Opternus GmbH for EUR 10,000 thousand. There may be a possible additional purchase consideration of a maximum of EUR 2,500 thousand based on the EBITDA of the forthcoming three financial years.

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

Purchase price as of 1 November 2018

| | |
|--|----------------|
| Liquid assets | 94,020 |
| Equity instruments (218,776 shares, based on the share price per acquisition date) | 10,414 |
| Contingent purchase consideration (not paid) | 22,507 |
| Total purchase price | 126,941 |

Recognised amounts for identifiable acquired assets and taken-over liabilities

| | |
|---|---------------|
| Liquid assets | 7,259 |
| Tangible assets | 2,407 |
| Other intangible assets | 451 |
| Customer contracts and customer relations | 19,036 |
| Trademarks | 43,327 |
| Accounts receivable | 19,487 |
| Inventories | 8,712 |
| Other receivables | 1,760 |
| Accounts payable | -9,460 |
| Other payables | -34,001 |
| Total identifiable net assets | 58,978 |
| Goodwill | 67,963 |

Acquisition-related costs of SEK 1,811 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2018 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to SEK -86,761 thousand. Goodwill is attributable to the added earning capacity the company is expected to bring.

Under the terms of the conditional purchase price, the Group will pay a maximum of SEK 26,025 thousand, up to a maximum of SEK 11,061 thousand based on EBITDA in the period 1 October 2018 – 31 December 2019, a maximum of SEK 8,849 thousand based on EBITDA in the period 1 January 2020 – 31 December 2020, and a maximum of SEK 6,116 thousand based on EBITDA in the period 1 January 2021 – 30 September 2021.

The fair value of the conditional purchase price of SEK 22,507 thousand was estimated by applying the return of value approach. The fair value estimates are based on a discount rate, which is based on a two-year government bond of approximately 0.2%, and an assumed EBITDA in Opternus. The fair value of accounts receivable totals SEK 19,487 thousand. No accounts receivable is deemed to be doubtful.

Opternus net sales have been included in the consolidated income statement since 1 November 2018 and amount to SEK 28,221 thousand. Opternus also generated a net profit of SEK 1,383 thousand in the same period on group level.

Had Opternus been consolidated from 1 January 2018, the consolidated income statement for the period 1 January 2018 to 31 December 2018 would have shown increased net sales amounting to SEK 163,346 thousand and a net profit of SEK 8,675 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.

| Organic growth SEK thousand, % | October-December | January-December |
|---|-------------------------|-------------------------|
| Net sales 2018 | 443,159 | 1,597,768 |
| Acquisition driven | -111,230 | -371,076 |
| Comparable net sales | 331,929 | 1,226,692 |
| Net sales 2017 | 324,994 | 1,299,419 |
| Net sales increase | 118,165 | 298,349 |
| % | 36% | 23% |
| Organic growth | 6,935 | -72,727 |
| % | 2% | -6% |

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

| Annual growth, rolling 12 months % | 12 months |
|---|------------------|
| Net sales January-December 2018 | 1,597,768 |
| Net sales January-December 2017 | 1,299,419 |
| Annual growth, rolling 12 months | 23% |

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

| Equity ratio % | 2018-12-31 | 2017-12-31 |
|---------------------------------|-------------------|-------------------|
| Equity | 494,415 | 415,259 |
| Balance sheet total | 1,303,134 | 777,098 |
| Equity ratio | 38% | 53% |

Equity ratio is calculated as equity as a percentage of balance sheet total.

| Quick asset ratio | | |
|-----------------------------------|-------------------|-------------------|
| % | 2018-12-31 | 2017-12-31 |
| Current assets | 708,405 | 564,268 |
| Inventories | -334,282 | -236,925 |
| <i>Current assets-inventories</i> | <i>374,123</i> | <i>327,343</i> |
| Current liabilities | 394,347 | 255,936 |
| Quick asset ratio | 95% | 128% |

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

| Core working capital | | |
|-----------------------------|-------------------|-------------------|
| SEK thousand | 2018-12-31 | 2017-12-31 |
| Inventories | 334,282 | 236,925 |
| Accounts receivable | 261,774 | 204,062 |
| Accounts payable | -173,772 | -140,886 |
| Core working capital | 422,284 | 300,101 |

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



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