

Hexatronic Group AB (publ)

Interim report January – September 2021



Key ratio

MSEK	2021 Q3	2020 Q3	Δ %	2021 Jan-Sept	2020 Jan-Sept	Δ %
Net sales	905.2	534.3	69%	2,322.1	1,481.0	57%
EBITA	105.5	63.2	67%	271.0	139.0	95%
EBITA margin	11.7%	11.8%		11.7%	9.4%	
Operating result (EBIT)	95.5	56.5	69%	246.4	118.4	108%
Net earnings	72,0	39.1	84%	179,1	81.1	121%
Earnings per share after dilution, SEK	1.86	1.04	79%	4,67	2.17	115%
Cash flow from operating activities	24.7	42.4	-42%	18.8	110.4	-83%
Liquid assets	227.1	73.0	211%	227.1	73.0	211%

Events during the quarter

- Hexatronic has signed an agreement to acquire all the telecom activities of REHAU Group – one of the main players in the German microproduct market.
- Hexatronic has acquired two Australian companies. Optical Solutions Australia Group, a national value-added distributor of telecom solutions and The Fiber Optic Shop that designs and manufactures fiber optic products.
- Hexatronic has acquired Weterings in the Netherlands. Weterings produces ducts for the telecommunication and agriculture market.
- Hexatronic has signed an agreement to acquire Data Center Systems who provides

fiber connectivity solutions to the US data center market.

- Hexatronic has signed a strategic supplier agreement with Ting Internet in the US, with a projected value of over MUSD 50.
- Pernilla Lindén took office as CFO and member of the Group Management Team at Hexatronic Group as of August 9, 2021.

Events since the end of the period

- Hexatronic has signed two contracts with existing customers on the German market amounting to a total order value of MEUR 21.

COMMENTS FROM THE CEO

Continued strong organic growth and several acquisitions

The positive development of the first six months of the year gathered momentum during the third quarter, with growth of 69 percent, of which 35 percent was organic. In addition, 85 percent of total sales was from markets other than Sweden, which proves that our international strategy has worked well.

Profitability for the quarter continued on a positive trend. EBITA margin amounted to 11,7 percent, equating to an increase of 67 percent. Adjusted for a revaluation of MSEK 11 in outstanding share-based incentive programs, EBITA margin totaled 12,9 percent, corresponding to an increase of 84 percent.

We continue to see high costs for transport and raw materials, which burdens the gross margin for the third quarter and will probably also negatively impact the fourth quarter. In terms of profitability, the increased costs are compensated for by good scalability in our factories.

For the current rolling 12-month period, with 50 percent sales growth and 11,5 percent EBITA margin, we are exceeding our goals of 20% growth and an EBITA margin of at least 10%.

Sales in our largest market, North America, grew by 84 percent during the quarter, primarily driven by a strong underlying infrastructure market for duct. Our system sales for FTTH (Fiber to the home) also developed strongly.

Sales in Europe excluding Sweden showed a continued high growth rate of 138 percent. Particularly the Great Britain, Germany and Norway developed very well.

In Germany, since the end of the quarter we have had a breakthrough with our first two FTTH system orders, totaling MEUR 21.

Order intake have continued to develop strongly. We entered the fourth quarter with an order book that was 229 percent higher organically than at the same time last year, primarily driven by a good order intake in the USA. The contract with Ting, that was signed during the quarter, has already resulted in some large orders.

There has been high activity in acquisitions during the quarter with Weterings in the Netherlands, and Optical Solutions Australia Group and The Fiber Optic Shop in Australia. We also signed an agreement to acquire REHAU's telecom business in microducts, as well as the data center company Data Center Systems in the USA. The acquisitions strengthen our geographical presence as well as it supplements our existing business, which overall makes us stronger.

With the strong order book and a continued positive view of the market's development, we will continue to invest in more production capacity.

Welcome to join us on our growth journey.

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



Net sales and earnings

The third quarter (1 July – 30 September 2021)

The Group's net sales for the third quarter of 2021 increased 69 percent to MSEK 905.2 (534.3), as a result of organic and acquisition driven growth. The increase was 69 percent cleared for exchange-rate effects.

Analysis of change in net sales (MSEK)	Q3		Q3	
	2021	(%)	2020	(%)
Year-earlier quarter	534.3	-	473.1	-
Organic growth	188.5	35%	72.8	15%
Acquisitions and structural changes	182.0	34%	7.3	2%
Exchange-rate effects	0.4	0%	-18.8	-4%
Current quarter	905.2	69%	534.3	13%

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

Geographical net sales (MSEK)	Q3 2021	Allocation (%)	Growth (%)
Sweden	132.8	15%	-11%
Rest of Europe	409.7	45%	138%
North America	248.4	27%	84%
Rest of the world	114.3	13%	49%
Total	905.2	100%	69%

EBITA increased 67 percent to MSEK 105.5 (63.2) in the quarter. The EBITA margin amounted to 11.7 percent (11.8) and has been affected negatively of MSEK 11 due to IFRS 2 revaluation of outstanding share-based incentive programmes. EBITA excluding revaluation amounted to MSEK 116.5, corresponding to an EBITA margin of 12.9 percent.

Net financial items during the quarter amounted to MSEK -4.5 (-2.8), whereof net interest amounted to MSEK -4.2 (-2.1), unrealised foreign exchange differences to MSEK 0.4 (-0.3) and other financial items to MSEK -0.7 (-0.3).

Net earnings for the quarter amounted to MSEK 72.0 (39.1) and earnings per share after dilution, increased by 79 percent and amounted to SEK 1.86 (1.04). Tax for the period was MSEK -19.0 (-14.6) which means the average effective tax rate for the Group was 20.9 percent (27.2) for the quarter.

The period (1 January – 30 September 2021)

The Group's net sales for the period January-September 2021 increased 57 percent to MSEK 2,322.1 (1,481.0), as a result of organic and acquisition driven growth. The increase was 60 percent cleared for exchange-rate effects.

Analysis of change in net sales (MSEK)	Jan-Sept 2021		Jan-Sept 2020	
		(%)		(%)
Year-earlier	1,481.0	-	1,379.0	-
Organic growth	518.7	35%	98.0	7%
Acquisitions and structural changes	372.6	25%	9.6	1%
Exchange-rate effects	-50.2	-3%	-5.7	0%
Current period	2,322.1	57%	1,481.0	7%

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

Geographical net sales (MSEK)	Jan-Sept 2021	Allocation (%)	Growth (%)
Sweden	409.2	18%	-3%
Rest of Europe	1,028.7	44%	109%
North America	630.2	27%	71%
Rest of the world	254.0	11%	28%
Total	2,322.1	100%	57%

EBITA increased 95 percent to MSEK 271.0 (139.0) during the period. The EBITA margin amounted to 11.7 percent (9.4) and has been affected positively of approximately MSEK 8.3 by a forgiven covid-19 loan in Blue Diamond Industries, as well as negatively of MSEK 11 by IFRS 2 revaluation of outstanding share-based incentive programmes. EBITA excluding forgiven loan and revaluation amounted to MSEK 273.7, corresponding to an EBITA margin of 11.8 percent.

Net financial items during the period amounted to MSEK -10.6 (-8.7), whereof net interest amounted to MSEK -9.8 (-7.1), unrealised foreign exchange differences to MSEK 0.4 (-0.5) and other financial items to MSEK -1.3 (-1.1).

Net earnings during the period amounted to MSEK 179.1 (81.1) and earnings per share after dilution, increased by 115 percent and amounted to SEK 4.67 SEK (2.17). Tax for the period was MSEK -56.6 (-28.7) which means the average effective tax rate for the Group was 24.0 percent (26.1) during the period.

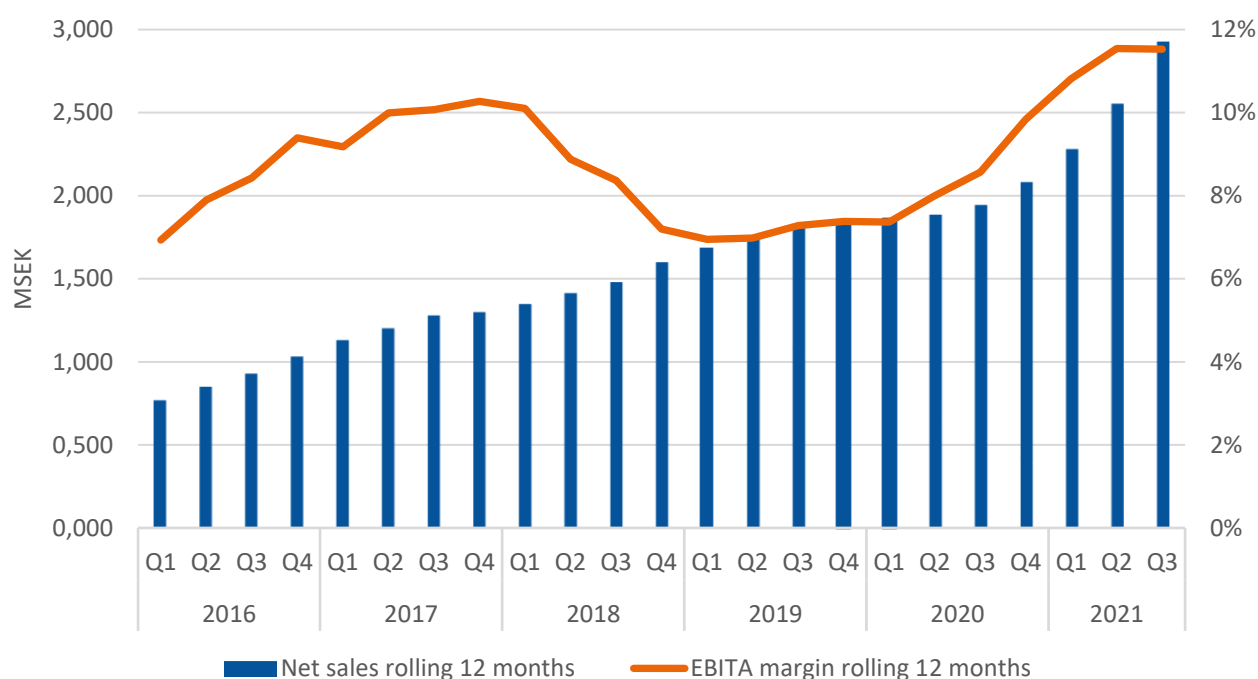
Cash flow and investments

Cash flow from operating activities in the quarter amounted to MSEK 24.7 (42.4), including a change in working capital of MSEK -87.8 (-19.9). The negative change in working capital is primarily attributable to increased capital tied-up in inventories.

Cash flow from operating activities during the period January-September amounted to MSEK 18.8 (110.4), including a change in working capital of MSEK -288.2 (-46.8). Changes in working capital are mainly explained by increased capital tied up in inventories and accounts receivable.

Investments during the period January-September amounted to MSEK 455.3 (98.2). This is related to investments in new production lines in our facilities in the US and Sweden (Hudiksvall) to a value of MSEK 104.9 (59.6), as well as acquisition of subsidiaries after deduction of acquired liquid assets of MSEK 350.8 (38.8).

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



Liquidity and financial position

The Group's net debt

Net debt totalled MSEK 764.9 at the end of the reporting period compared to MSEK 323.2 as per 31 December 2020.

Available funds

Available funds on 30 September 2021, including unutilised overdraft facilities of MSEK 152.0 (150.5), amounted to MSEK 379.1 (362.8).

Equity

Equity amounted to MSEK 982.7 on 30 September 2021 (649.5), which equated to SEK 25.38 per outstanding share before dilution at the end of the reporting period.

The Group's financial goals

EBITA margin

Earnings before amortisation of intangible assets (EBITA) should be at least 10 percent on a rolling 12-month basis. The EBITA margin on a rolling 12-month basis on 30 September 2021 was 11.5 percent (8.6).

Annual growth

The Group shall grow more than its market organically. Annual growth of at least 20 percent. The growth is expected to be both organic and acquisition driven. Growth during the quarter year was 69 percent.

Growth on a rolling 12-month basis was 50 percent (7).

Customers

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

Employees

There were 1,046 (705) employees in the Group on 30 September 2021. The increase is mainly related to production personnel in Sweden, the UK and North America and the acquisitions of Baltronic Group, Qubix, TK-KONTOR, Mpirical, Weterings, OSA and FOS. Number of employees in acquired companies amounted to 209 people.

Parent Company

The Parent Company's main business consists of performing Group-wide services. Revenue for the period January to September amounted to MSEK 14.6 (13.5) and the result after financial items was MSEK -42.2 (-37.3).

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 2.0.

Class of shares	Number of shares	Number of votes	Percentage of capital	Percentage of votes
Ordinary share, 1 vote per share	38,712,874	38,712,874	98.3%	99.8%
Class C share, 1/10 vote per share	660,000	66,000	1.7%	0.2%
Total number of shares before repurchases	39,372,874	38,778,874	100%	100%
Repurchased class C shares	-660,000		1.7%	0.2%
Total number of shares after repurchases	38,712,874			

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 2019/2022	293,500	293,500	0.8%	66.73	15 May - 15 Jun -22
Warrant programme 2020/2023	267,500	267,500	0.7%	63.00	15 May - 15 Jun -23
Warrant programme 2021/2024	380,500	380,500	1.0%	189.66	15 May - 15 Jun -24
Total	941,500	941,500			

In addition to above warrant programmes, a decision was made in 2019 and 2021 to introduce two long-term, performance-based incentive plan (LTIP 2019 and 2021) for 15 senior executives and other key employees in the Group who are resident in Sweden. The participants have invested 65,391 savings shares in total.

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 2019-2023 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 10,627. Based on data from Euroclear and subsequent known changes the number of shareholders at period end, 22,611. The shareholder structure of Hexatronic Group AB (publ) on 30 September 2021 is shown in the table below.

Shareholder	No. of ordinary shares	Votes %
Handelsbanken Funds	3,529,709	9.1%
Jonas Nordlund, privately and corporately	2,886,199	7.5%
Accendo Capital	2,727,985	7.0%
Martin Åberg and Erik Selin via Chirp AB	1,785,872	4.6%
AMF Insurance & Funds	1,723,437	4.5%
Swedbank Robur, West Fund	1,490,480	3.9%
Avanza Pension - Insurance Company	1,074,440	2.8%
Länsförsäkringar Funds	1,005,682	2.6%
Consensus Asset Management	977,122	2.5%
Henrik Larsson Lyon	846,666	2.2%
Other shareholders	20,665,282	53.4%
Total outstanding shares	38,712,874	100.0%

Sustainability

As a global player in fiber expansion, Hexatronic plays an important part in realising Agenda 2030 and the UN Global Compact's ten principles for sustainable enterprise. Working with our employees, customers and suppliers, Hexatronic is contributing to a more sustainable society, and striving to make 2020–2030 a decade of action.

Within Hexatronic Group we have opted to focus on managing, developing and improving the following six areas of sustainability: Strong business ethics, Sustainable supply chain, Low climate impact, Diversity and gender equality, Social involvement, and Good health, safety and working environment. During 2020, a roadmap for the Group's sustainability work was drafted with objectives for the short term (2–5 years) and long term (10 years) for each area of sustainability, including key activities to focus on.

We are delighted that Hexatronic Group has been ranked the Swedish stock exchange's fifth most sustainable company in 2020, in the capital goods category.

For further information on what Hexatronic has done and what sustainability work is planned by the Group, see Hexatronic's Annual and Sustainability Report 2020 on pages 26-37 and the website <https://group.hexatronic.com/haallbarhet/>.

The market

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 greater need for connection, from altered behaviours such as working from home more, 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 capacity and 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. The market for transport networks, both on land and marine cable, is also affected by the heightened need, as new networks are established and many existing ones need enhancing. This development is creating a demand for efficient installation solutions, trained personnel and new applications for fiber optics.

Market Panorama, an annual report from FTTH Council Europe, shows that the growth in number of users between September 2019 and September 2020 in the EU, including the UK, was 22%, and that the penetration rate (number of FTTH users / number of households in the country) in Germany and the UK

remains at low levels with 4.9% and 3.7% respectively, as compared to the EU average of 20.5% and Sweden with 62%.

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

Nature of operations

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

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

All amounts are presented in million Swedish kronor (MSEK) 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 5.2 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.

The Covid-19 pandemic will continue to affect us due to increased raw material prices and freight costs, as well as to certain extent lack of supply and transport. We are managing this by increasing prices to customers as well as increasing our inventory to be able to deliver on our promises to customers. Our believe is that this will continue to affect us for the rest of this year.

A more detailed description of the Group's risks and risk management is provided in the Hexatronic Group Annual Report for 2020 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 2020.

Review

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

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 2 November 2021 at 07:00 CET.

Financial calendar

Year-End Report 2021: 24 February 2022

Interim Report January-March 2022: 29 April 2022

Annual General Meeting

The AGM for financial year 2021 will be held on 5 May 2022.

Please direct any questions to:

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

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, 2 November 2021

Anders Persson
Chairman

Erik Selin
Board member

Jaakko Kivinen
Board member

Frida Westerberg
Board member

Helena Holmgren
Board member

Per Wassén
Board member

Henrik Larsson Lyon
President and CEO

Auditor's report

Hexatronic Group AB (publ) – org.nr 556168-6360

Introduction

We have reviewed the condensed interim financial information (interim report) of Hexatronic Group AB (publ) as of 30 September 2021 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

We Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Gothenburg, November 2, 2021

Öhrlings PricewaterhouseCoopers AB

Johan Malmqvist
Authorized Public Accountant

Consolidated income statement

(MSEK)	2021 Q3	2020 Q3	2021 Jan-Sept	2020 Jan-Sept	2020 Full year
Revenue					
Net sales	905.2	534.3	2,322.1	1,481.0	2,080.8
Other operating income	4.0	3.7	23.0	10.2	14.4
Total sales	909.3	538.0	2,345.1	1,491.2	2,095.1
Operating expenses					
Raw materials and goods for resale	-512.3	-296.5	-1,279.4	-819.3	-1,138.6
Other external costs	-105.9	-59.3	-289.5	-180.8	-258.3
Personnel costs	-161.0	-97.3	-440.9	-298.8	-420.5
Other operating expenses	-	-4.3	-	-4.3	-4.3
Depreciation of tangible assets	-24.5	-17.4	-64.3	-49.0	-68.7
Earnings before amortisation of intangible assets (EBITA)	105.5	63.2	271.0	139.0	204.8
Amortisation of intangible assets	-10.1	-6.7	-24.6	-20.5	-27.5
Operating result (EBIT)	95.5	56.5	246.4	118.4	177.3
Result from financial items					
Financial income	0.0	0.1	0.1	0.2	0.2
Financial expenses	-4.5	-2.9	-10.7	-8.9	-12.6
Resultat after financial items	91.0	53.7	235.7	109.7	164.9
Income taxes	-19.0	-14.6	-56.6	-28.7	-38.4
Net result for the period	72.0	39.1	179.1	81.1	126.5
Attributable to:					
Parent Company shareholders	72.4	39.1	180.0	81.1	126.5
Non-controlling interests	-0.4	-	-0.9	-	-
	72.0	39.1	179.1	81.1	126.5
Earnings per share					
Earnings per share before dilution (SEK)	1.89	1.04	4.74	2.17	3.38
Earnings per share after dilution (SEK)	1.86	1.04	4.67	2.17	3.37
Consolidated statement of comprehensive income	2021 Q3	2020 Q3	2021 Jan-Sept	2020 Jan-Sept	2020 Helår
Result for the period	72.0	39.1	179.1	81.1	126.5
Items which can later be recovered in the income statement					
Translation differences	21.7	-14.9	48.9	-25.8	-82.2
Other comprehensive income for the period	21.7	-14.9	48.9	-25.8	-82.2
Comprehensive income for the period	93.7	24.2	228.0	55.3	44.4
Attributable to:					
Parent Company shareholders	94.1	24.2	228.9	55.3	44.4
Non-controlling interests	-0.4	-	-0.9	-	-
	93.7	24.2	228.0	55.3	44.4

Consolidated balance sheet

(MSEK)				
Assets		30/9/2021	30/9/2020	31/12/2020
Non-current assets				
Intangible assets		999.2	422.7	548.4
Tangible assets		696.9	391.6	441.1
Financial assets		1.8	1.6	2.1
Total non-current assets		1,697.9	815.9	991.5
Current assets				
Inventories		750.5	353.0	410.3
Accounts receivable		605.4	362.6	308.0
Other receivables		29.2	6.8	6.4
Prepaid expenses and accrued income		53.3	24.1	24.7
Liquid assets		227.1	73.0	212.3
Total current assets		1,665.6	819.6	961.7
TOTAL ASSETS		3,363.4	1,635.4	1,953.3
Equity		982.7	650.2	649.5
Non-current liabilities				
Liabilities to credit institutions		748.2	305.2	453.5
Deferred tax		103.5	56.4	74.0
Non-current lease liabilities		300.4	122.9	167.8
Total non-current liabilities		1,152.0	484.6	695.4
Current liabilities				
Liabilities to credit institutions		243.9	57.0	82.0
Current lease liabilities		54.5	36.7	41.3
Overdraft facilities		-	29.0	-
Accounts payable		459.4	194.5	252.5
Provisions		3.2	3.0	3.0
Current tax liabilities		34.7	20.0	16.9
Other liabilities		244.6	65.8	105.7
Accrued expenses and deferred income		188.3	94.6	107.0
Total current liabilities		1,228.7	500.7	608.4
TOTAL EQUITY, PROVISIONS AND LIABILITIES		3,363.4	1,635.4	1,953.3

Consolidated statement of changes in equity

	Share capital	Other capital contributions	Reserves	Result brought forward, including result for the period	Total	Non-controlling interests	Total equity
(MSEK)							
Balance brought forward as of 1 January 2020	1.9	220.8	17.9	333.8	574.4	0.0	574.4
Result for the period	-	-	-	126.5	126.5	-	126.5
Other comprehensive income	-	-	-82.2	-	-82.2	-	-82.2
Total comprehensive income	0.0	0.0	-82.2	126.5	44.4	0.0	44.4
New shares related to employee stock option programme	0.0	15.9	-	-	15.9	-	15.9
Employee stock option programme	-	2.6	-	-	2.6	-	2.6
Share-based remuneration	-	-	-	2.4	2.4	-	2.4
New share issue related to business acquisitions	0.0	9.8	-	-	9.9	-	9.9
Total transactions with shareholders, reported directly in equity	0.0	28.3	0.0	2.4	30.7	0.0	30.7
Balance carried forward as of 31 December 2020	1.9	249.0	-64.2	462.8	649.5	0.0	649.5
Balance brought forward as of 1 January 2021	1.9	249.0	-64.2	462.8	649.5	0.0	649.5
Result for the period	-	-	-	180.0	180.0	-0.9	179.1
Other comprehensive income	-	-	48.9	-	48.9	-	48.9
Total comprehensive income	0.0	0.0	48.9	180.0	228.9	-0.9	228.0
New shares related to employee stock option programme	0.0	46.3	-	-	46.3	-	46.3
Employee stock option programme	-	2.4	-	-	2.4	-	2.4
Share-based remuneration	0.0	-	-	3.5	3.5	-	3.5
New share issue related to business acquisitions	0.0	65.8	-	-	65.8	-	65.8
Dividend paid	-	-	-	-18.9	-18.9	-	-18.9
Non-controlling interests on acquisition of subsidiary	-	-	-	-	0.0	6.1	6.1
Total transactions with shareholders, reported directly in equity	0.1	114.4	0.0	-15.4	99.1	6.1	105.2
Balance carried forward as of 30 September 2021	2.0	363.4	-15.4	627.5	977.5	5.2	982.7

Consolidated statement of cash flows

(MSEK)	2021 Q3	2020 Q3	2021 Jan-Sept	2020 Jan-Sept	2020 Full year
Operating result	95.5	56.5	246.4	118.4	177.3
Items not affecting cash flow	44.6	21.0	120.0	60.0	59.6
Interest received	0.0	0.1	0.1	0.2	0.2
Interest paid	-6.3	-2.4	-14.1	-9.1	-12.3
Income tax paid	-21.3	-12.9	-45.4	-12.4	-27.6
Cash flow from operating activities before changes in working capital	112.5	62.3	307.0	157.1	197.3
Increase (-)/decrease (+) in inventories	-137.6	8.2	-262.9	-11.3	-32.2
Increase (-)/decrease (+) in accounts receivable	-19.5	-32.4	-204.8	-118.3	-9.5
Increase (-)/decrease (+) in operating receivables	-30.5	2.7	-33.4	-6.0	12.0
Increase (+)/decrease (-) in accounts payable	74.0	-17.3	151.9	30.9	51.5
Increase (+)/decrease (-) in operating liabilities	25.7	18.8	60.9	57.9	30.7
Cash flow from changes in working capital	-87.8	-19.9	-288.2	-46.8	52.6
Cash flow from operating activities	24.7	42.4	18.8	110.4	249.8
Investing activities					
Acquisition of tangible and intangible assets	-66.4	-13.2	-104.9	-59.6	-65.0
Acquisition of subsidiaries after deduction of acquired liquid assets	-287.6	-13.8	-350.8	-38.8	-163.7
Change in financial assets	0.0	0.0	0.3	0.2	-0.3
Cash flow from investing activities	-354.0	-27.0	-455.3	-98.2	-229.0
Financing activities					
Borrowings	403.0	20.0	480.0	20.0	214.5
Amortisation of loans	-14.3	-30.6	-57.9	-35.6	-95.9
Changes in overdraft facilities	-45.4	-6.4	-	-16.2	-45.3
New share issues for the period	31.0	-	46.7	16.1	16.1
Dividend paid	-	-	-18.9	-	-
Cash flow from financing activities	374.4	-17.0	450.0	-43.5	89.5
Cash flow for the period	45.0	-1.5	13.4	-31.3	110.3
Liquid assets at the start of the period	181.2	74.9	212.3	103.8	103.8
Exchange rate difference in liquid assets	0.9	-0.4	1.4	0.6	-1.8
Liquid assets at the end of the period	227.1	73.0	227.1	73.0	212.3

Key metric for the group

	2021	2020	2021	2020	2020
	Q3	Q3	Jan-Sept	Jan-Sept	Full year
Growth in net sales	69%	13%	57%	7%	13%
EBITA margin	11.7%	11.8%	11.7%	9.4%	9.8%
EBITA margin, 12 months rolling	11.5%	8.6%	11.5%	8.6%	9.8%
Operating margin	10.5%	10.6%	10.6%	8.0%	8.5%
Equity asset ratio	29.2%	39.8%	29.2%	39.8%	33.3%
Earnings per share before dilution (SEK)	1.89	1.04	4.74	2.17	3.38
Earnings per share after dilution (SEK)	1.86	1.04	4.67	2.17	3.37
Net sales per employee (SEK thousand)	881	766	2,529	2,289	3,069
Result per employee (SEK thousand)	71	56	196	125	187
Quick asset ratio	74%	93%	74%	93%	91%
Average number of employees	1,027	698	918	647	678
Number of shares at period end before dilution	38,712,874	37,508,930	38,712,874	37,508,930	37,661,430
Average number of shares before dilution	38,396,722	37,508,930	37,950,896	37,436,684	37,480,163
Average number of shares after dilution	39,011,097	37,513,319	38,591,291	37,441,436	37,563,322

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

(MSEK)	2021 Jan-Sept	2020 Jan-Sept
Revenue		
Net sales	14.6	13.5
	14.6	13.5
Operating expenses		
Other external costs	-30.6	-26.7
Personnel costs	-26.7	-19.3
Depreciation of tangible assets	-0.2	-0.2
	-42.9	-32.6
Earnings before amortisation of intangible assets (EBITA)		
Amortisation of intangible assets	-0.5	-
	-43.4	-32.6
Operating result (EBIT)		
Result from financial items		
Interest income	8.5	3.1
Interest expenses	-7.4	-7.7
	-42.2	-37.2
Result after financial items		
Appropriations	-	-
	-42.2	-37.2
Result before tax		
Tax on profit for the period	0.1	-
	-42.1	-37.3
Net result for the period		

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

Parent Company balance sheet

(MSEK)	30/9/2021	30/9/2020	31/12/2020
Assets			
Intangible assets	3.1	1.9	2.0
Tangible assets	0.4	0.3	0.3
Financial assets	1,346.0	657.4	936.6
Total non-current assets	1,349.6	659.6	938.9
Current receivables			
Receivables from Group companies	589.9	248.1	318.8
Other receivables	1.2	5.1	2.2
Prepaid expenses and accrued income	3.0	2.6	2.1
Total current receivables	594.1	255.8	323.1
Cash and bank balances	9.4	0.0	35.0
Total current assets	603.5	255.8	358.1
TOTAL ASSETS	1,953.1	915.4	1,296.9
Equity	308.2	192.1	250.3
Untaxed reserves	17.2	17.0	17.2
Non-current liabilities			
Liabilities to credit institutions	748.2	305.2	453.5
Deferred tax	-	-	0.1
Total non-current liabilities	748.2	305.3	453.6
Current liabilities			
Liabilities to credit institutions	243.9	57.0	82.0
Overdraft facilities	-	29.0	-
Accounts payable	4.7	4.0	4.8
Liabilities to Group companies	457.0	291.1	415.5
Current tax liabilities	-	-	0.1
Other liabilities	158.7	12.4	64.6
Accrued expenses and deferred income	15.2	7.6	8.9
Total current liabilities	879.5	401.1	575.8
TOTAL EQUITY, PROVISIONS AND LIABILITIES	1,953.1	915.4	1,296.9

Notes

Note 1 Revenue

January to September 2021					
Geographical markets	Sweden	Rest of Europe	North America	Rest of the world	Total
Revenue from external customers	409.2	1,028.7	630.2	254.0	2,322.1
Category					
Goods	380.2	974.7	611.4	253.0	2,219.3
Services	29.0	54.0	18.8	1.0	102.8
Total	409.2	1,028.7	630.2	254.0	2,322.1
Time for revenue recognition					
At a given time	380.2	974.7	611.4	253.0	2,219.3
Over time	29.0	54.0	18.8	1.0	102.8
Total	409.2	1,028.7	630.2	254.0	2,322.1

January to September 2020					
Geographical markets	Sweden	Rest of Europe	North America	Rest of the world	Total
Revenue from external customers	422.4	491.7	369.0	197.9	1,481.0
Category					
Goods	405.4	452.0	364.9	197.9	1,420.2
Services	17.0	39.7	4.1	-	60.8
Total	422.4	491.7	369.0	197.9	1,481.0
Time for revenue recognition					
At a given time	422.4	491.7	369.0	197.9	1,481.0
Over time	-	-	-	-	-
Total	422.4	491.7	369.0	197.9	1,481.0

Note 2 Pledged assets

Pledged assets	Group			Parent Company	
	30/9/2021	30/9/2020	31/12/2020	30/9/2021	30/9/2020
<i>Assets pledged for liabilities to credit institutions</i>					
Chattel mortgages	157.4	157.4	157.4	0.1	0.1
Shares in subsidiaries	394.8	350.0	313.4	85.3	83.4
Total	552.1	507.3	470.7	85.4	83.5

Note 3 Business acquisitions

TK-KONTOR-FREITAG GmbH. ("TK-KONTOR")

On 1 March 2021, the Group acquired 75% of the share capital in TK-KONTOR for MEUR 1.8.

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

Purchase price as of 1 March 2021	
Liquid assets	8.1
Equity instruments (90,357 shares)	9.2
Not paid purchase price	1.0
Total purchase price	18.3
Recognised amounts for identifiable acquired assets and taken-over liabilities	
Liquid assets	7.3
Tangible assets	0.8
Accounts receivable	1.8
Other receivables	0.2
Other payables	-2.3
Total identifiable net assets	7.8
Non-controlling interests	-6.1
Goodwill	16.6

Acquisition-related costs of MSEK 0.7 are included in other external costs in the consolidated statement of comprehensive income for the 2021 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to MSEK -0.8. Goodwill is attributable to the added earning capacity the company is expected to bring.

The fair value of accounts receivable totals MSEK 1.8. No accounts receivable is deemed to be doubtful.

TK-KONTOR net sales have been included in the consolidated income statement since 1 March 2021 and amount to MSEK 2.4. On group level, TK-KONTOR also generated a net profit of MSEK -1.2 in the same period.

Had TK-KONTOR been consolidated from 1 January 2021, the consolidated income statement for the period 1 January 2021 to 30 September 2021 would have shown increased net sales amounting to MSEK 3.6 and a net profit of MSEK -1.0.

Mpirical Ltd. (“Mpirical”)

On 1 June 2021, the Group acquired 100% of the share capital in Mpirical for MGBP 7.6. There may be a possible additional purchase consideration of a maximum of MGBP 3 based on the EBITDA for the forthcoming three financial years.

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

Purchase price as 1 June 2021	
Liquid assets	75.6
Equity instrument (98,615 shares)	14.4
Contingent purchase consideration (not paid)	35.3
Total purchase price	125.3
Recognised amounts for identifiable acquired assets and taken-over liabilities	
Liquid assets	21.1
Tangible assets	0.4
Customer contracts and customer relations	35.0
Other intangible assets	9.6
Accounts receivable	3.0
Other receivables	0.1
Other payables	-14.6
Total identifiable net assets	54.5
Goodwill	70.8

Acquisition-related costs of MSEK 1.3 are included in other external costs in the consolidated statement of comprehensive income for the 2021 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to MSEK -54.5. 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 MSEK 35.3, up to a maximum of MSEK 11.7 based on EBITDA in the period 1 June 2021 – 31 May 2022, a maximum of MSEK 11.7 based on EBITDA in the period 1 June 2022 – 31 May 2023, and a maximum of MSEK 11.7 based on EBITDA in the period 1 June 2023 – 31 May 2024.

The fair value of the conditional purchase price of MSEK 35.3 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 Mpirical. The fair value of accounts receivable totals MSEK 3.0. No accounts receivable is deemed to be doubtful.

Mpirical’s net sales have been included in the consolidated income statement since 1 June 2021 and amount to MSEK 7.3. On group level, Mpirical also generated a net profit of MSEK 1.9 in the same period.

Had Mpirical been consolidated from 1 January 2021, the consolidated income statement for the period 1 January 2021 to 30 September 2021 would have shown increased net sales amounting to MSEK 22.8 and a net profit of MSEK 3.8.

H. Weterings Galgeweg BV (“Weterings”)

On 1 July 2021, the Group acquired 100% of the share capital in Weterings for MEUR 5.7. There may be a possible additional purchase consideration of a maximum of MEUR 2.8 based on the EBITDA for the forthcoming two financial years.

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

Purchase price as 1 July 2021	
Liquid assets	46.4
Equity instrument (76,921 shares)	11.3
Contingent purchase consideration (not paid)	28.8
Total purchase price	86.5
Recognised amounts for identifiable acquired assets and taken-over liabilities	
Liquid assets	5.1
Tangible assets	16.7
Customer contracts and customer relations	20.6
Accounts receivable	23.7
Inventory	13.3
Other receivables	0.8
Other payables	-21.6
Total identifiable net assets	58.7
Goodwill	27.8

Acquisition-related costs of MSEK 1.4 are included in other external costs in the consolidated statement of comprehensive income for the 2021 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to MSEK -41.2. 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 MSEK 28.8, based on EBITDA in the periods 1 July 2021 – 30 June 2022 and 1 July 2022 – 30 June 2023.

The fair value of the conditional purchase price of MSEK 28.8 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 Weterings.

The fair value of accounts receivable totals MSEK 23.7. No accounts receivable is deemed to be doubtful.

Weterings’ net sales have been included in the consolidated income statement since 1 July 2021 and amount to MSEK 33.1. On group level, Weterings also generated a net profit of MSEK 0.6 in the same period.

Had Weterings been consolidated from 1 January 2021, the consolidated income statement for the period 1 January 2021 to 30 September 2021 would have shown increased net sales amounting to MSEK 116.7 and a net profit of MSEK 5.3.

Optical Solutions Australia Group Pty Ltd and The Fiber Optic Shop Pty Ltd (“OSA and FOS”)

On 2 August 2021, the Group acquired 100% of the share capital in OSA and FOS for MAUD 50.0. There may be a possible additional purchase consideration of a maximum of MAUD 6.8 based on the EBITDA for the forthcoming three financial years.

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

Purchase price as 2 August 2021	
Liquid assets	270.1
Equity instrument (209,921 shares)	30.0
Not paid purchase price (due in November 2021)	16.5
Contingent purchase consideration (not paid)	42.9
Total purchase price	359.5
Recognised amounts for identifiable acquired assets and taken-over liabilities	
Liquid assets	23.7
Tangible assets	6.6
Customer contracts and customer relations	64.6
Accounts receivable	64.2
Inventory	64.0
Other receivables	14.4
Other payables	-87.1
Total identifiable net assets	150.4
Goodwill	209.1

Acquisition-related costs of MSEK 3.3 are included in other external costs in the consolidated statement of comprehensive income for the 2021 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to MSEK -246.4. 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 MSEK 42.9, based on average EBITDA for the periods 2 August 2021 – 1 August 2022, 2 August 2022 – 1 August 2023, and 2 August 2023 – 1 August 2024.

The fair value of the conditional purchase price of MSEK 42.9 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 OSA and FOS.

The fair value of accounts receivable totals MSEK 64.2. No accounts receivable is deemed to be doubtful.

OSA and FOS’s net sales have been included in the consolidated income statement since 2 August 2021 and amount to MSEK 54.9. On group level, OSA and FOS also generated a net profit of MSEK 4.4 in the same period.

Had OSA and FOS been consolidated from 1 January 2021, the consolidated income statement for the period 1 January 2021 to 30 September 2021 would have shown increased net sales amounting to MSEK 230.8 and a net profit of MSEK 16.9.

Reconciliation between IFRS and key metrics used

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

Organic growth. MSEK. %	Q3 2021	Jan-Sept 2021	
Net sales 2021	905.2	2,322.1	
Exchange-rate effects	-0.4	50.2	
Acquisition driven	-182.0	-372.6	
Comparable net sales	722.8	1,999.7	
Net sales 2020	534.3	1,481.0	
Net sales increase cleared of exchange-rate effects	370.5	891.3	
%	69%	60%	
Organic growth	188.5	518.7	
%	35%	35%	
Annual growth. rolling 12 months. %	12 months		
Net sales January-September 2021	2,322.1		
Net sales October-December 2020	599.9		
<i>Net sales rolling 12 months</i>	2,922.0		
Net sales January-September 2020	1,481.0		
Net sales October-December 2019	463.1		
<i>Net sales rolling 12 months</i>	1,944.1		
Annual growth. rolling 12 months	50%		
Quick asset ratio. %	30/9/2021	30/9/2020	31/12/2020
Current assets	1,665.6	819.6	961.7
Inventories	-750.5	-353.0	-410.3
<i>Current assets-inventories</i>	915.0	466.6	551.4
Current liabilities	1,228.7	500.7	608.4
Quick asset ratio	74%	93%	91%
Core working capital. MSEK	30/9/2021	30/9/2020	31/12/2020
Inventories	750.5	353.0	410.3
Accounts receivable	605.4	362.6	308.0
Accounts payable	-459.4	-194.5	-252.5
Core working capital	896.5	521.1	465.8

Definition alternative key metrics

EBITA

Earnings before amortisation of intangible assets.

EBITA margin

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

EBIT (operating result)

Earnings before interest and taxes.

Operating margin

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

Equity asset ratio

Total equity as a percentage of total assets.

Number of shares

Number of outstanding shares at the end of the period.

Organic growth

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

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

Earnings per share after dilution

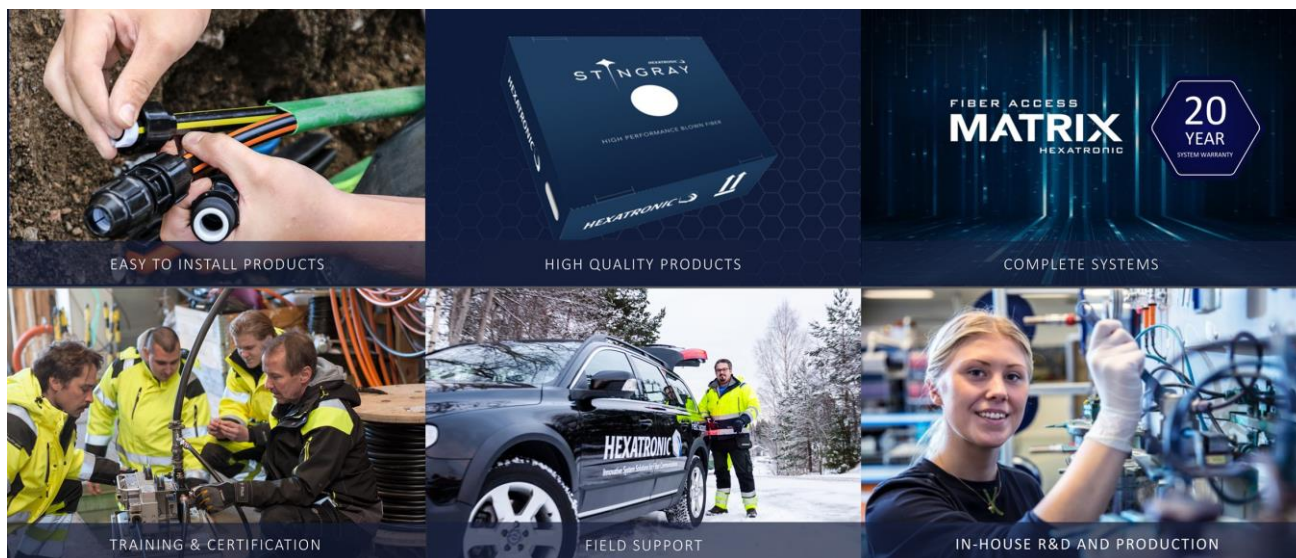
Earnings attributable to Parent Company shareholders as a percentage of average number of outstanding shares after dilution.

Equity per share

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

Number of employees

Number of employees at the end of the period.



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