Annual and sustainability report 2021

Hexatronic Group

# The future belongs to everyone.

# Creating a lasting link to the future

Hexatronic enables non-stop connectivity for communities worldwide. We partner with customers across four continents – from telecom operators to network owners – offering leading-edge fiber technology and solutions for any and all conditions.

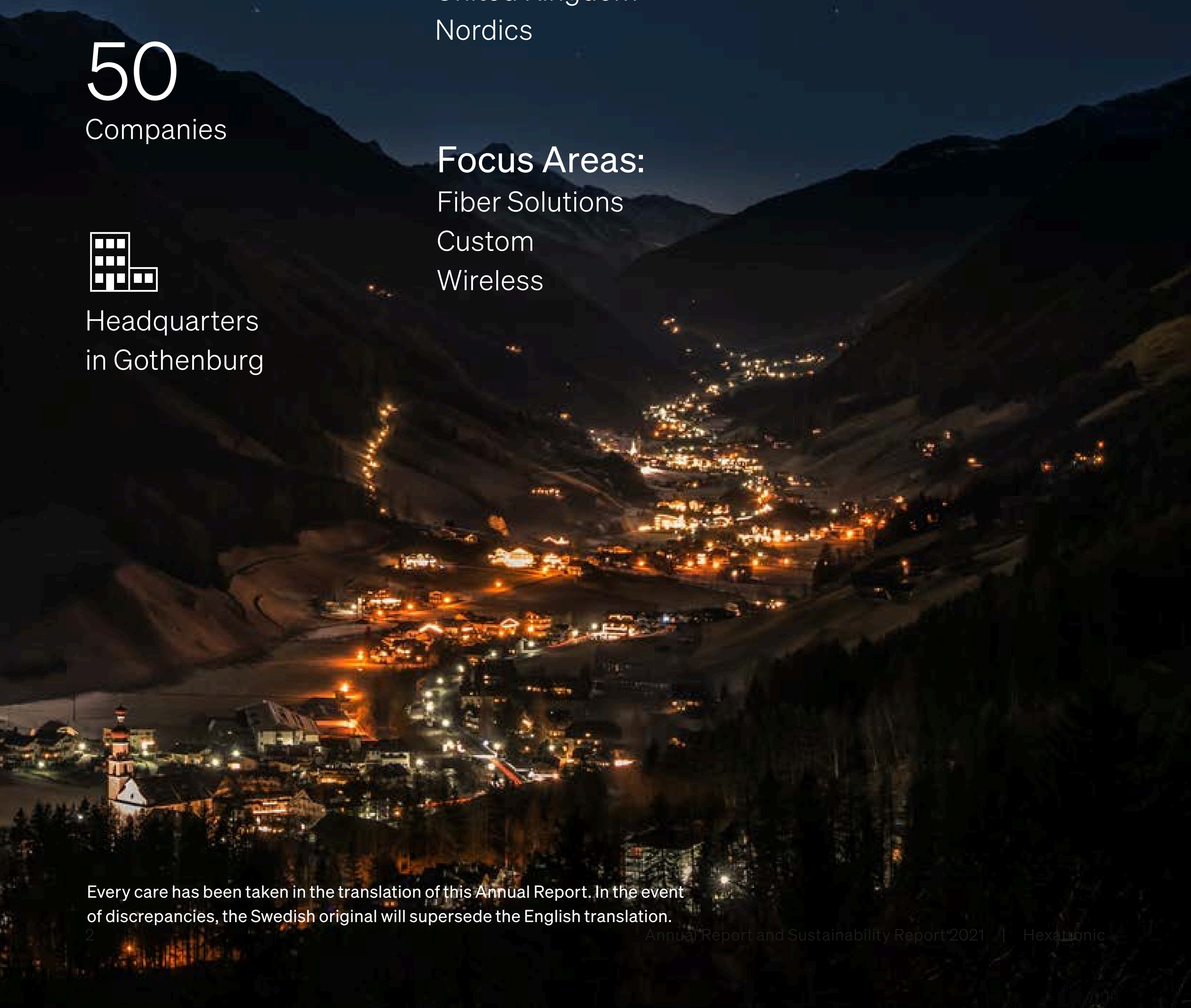
**1,289**
Employees

**50**
Companies

Headquarters in Gothenburg

**Key Markets:**
North America
Germany
United Kingdom
Nordics

**Focus Areas:**
Fiber Solutions
Custom
Wireless



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

# A year of very strong development

In 2021 we have seen high profitability and very strong growth, both organically and through acquisitions. Our efforts have laid a good foundation for continued positive development.

Pernilla Lindén, CFO, Hexatronic Group AB

| Financial summary | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Net sales, MSEK | 3,491.6 | 2,080.8 | 1,842.3 | 1,597.8 | 1,299.4 |
| Earnings before amortisation of intangible assets (EBITA), MSEK | 393.8 | 204.8 | 135.9 | 114.9 | 133.4 |
| EBITA margin, % | 11.3, | 9.8 | 7.4 | 7.2 | 10.3 |
| Operating result (EBIT), MSEK | 355.1 | 177.3 | 106.4 | 92.5 | 122.3 |
| Net earnings, MSEK | 252.4 | 126.5 | 67.1 | 59.3 | 90.4 |
| Total assets, MSEK | 4,715.2 | 1,953.3 | 1,497.9 | 1,303.1 | 777.1 |
| Cash flow from operating activities, MSEK | 104.7 | 249.8 | 173.9 | 15.6 | 133.4 |
| Earnings per share after dilution, SEK | 6.47 | 3.37 | 1.80 | 1.62 | 2.38 |

# 3 492

SALES MSEK

# 11.3 %

EBITA MARGIN

**2021 has been a year of very strong growth both in terms of sales and profitability. The year marked a breakthrough for our system sales in the USA and Germany, as well as an intense acquisition activity with seven new companies being added to the Group.**

## The year in brief

Hexatronic has signed strategically important orders and agreements during the year.

- Agreement with Ting Internet in USA to a value over MUSD 50.
- Agreement with Centric Fiber in Texas, USA, to a value of MUSD 10.
- Three contracts in Germany to a value of MSEK 70, MEUR 12 and MEUR 9.
- Marine cable order to a value of approx. MSEK 60.
- Strategic supplier agreement with Vocus in Australia.

Other

- Decision to invest MUSD 18 in a new production plant for microducts in south-east USA, via the wholly owned subsidiary Blue Diamond Industries.
- Hexatronic conducted a directed share issue, injecting MSEK 550.

Acquisitions

- TK-KONTOR-FREITAG GmbH, German competence center for FTTH .
- Mpirical Ltd., UK-based training company.
- Optical Solutions Australia Group Pty Ltd, distributor of telecom products in Australia.
- The Fibre Optic Shop Pty Ltd, manufacturer and distributor of fiber optic products in Australia.
- H. Weterings Galgeweg BV, Dutch manufacturer of ducts and hoses for the telecom and agricultural markets.
- Data Center Systems, supplier of complete fiber optic solutions for the American data center market.
- REHAU Group's business operations in telecom – a major player in microducts on the German market.

## Events since the end of the period

- The Board chooses to adjust Hexatronic's profitability target to 12% EBITA margin (earnings before amortization of intangible assets) over a business cycle. The previously set profitability target was at least 10% on a rolling 12-month basis.
- Hexatronic's growth target has been adjusted to annual growth of at least 20% over a business cycle. The previous growth target was to grow more than the market organically and with annual growth of at least 20%.
- The Board will propose to the AGM a dividend of SEK 0.50 (0.50) per share for the 2021 financial year.
- The Russian invasion of Ukraine has a minor direct impact on Hexatronic's operations but it is expected to result in secondary effects such as increased material prices, cargo prices and, to some extent, a shortage of raw materials and transport.

# We are well positioned and prepared to accelerate our business.

**Committed employees and hard work throughout the organization are behind our continued strong growth and increased profitability. Strategic acquisitions strengthen our international presence, and together with decisions on capacity investments we expect to sustain a strong growth moving forward.**

## Increased demand to speed up the fiber deployment

The need for stable and robust fiber network solutions to enable digitalization has been amplified by the pandemic. Modern, fast installation methods, based on microducts, micro cables and fiber are spreading quickly throughout markets, generating an increased demand for our core products. Heavy investments are under way from private equity, and most countries also have government support programmes to speed up fiber deployment, mainly in rural areas. In 2021, important steps were taken to significantly strengthen our microduct production capacity. In Europe we expanded from one to three facilities with asset purchase agreement aquisition of Rehau and the aquisition of Weterings, while in the USA, MUSD 18 is to be invested in a microduct production plant and logistics hub for fiber optic solutions, located in South Carolina.

## Strong growth from key markets

2021 can be summed up as a truly remarkable year. I am thankful to be able to present strong results, and delighted that we are maintaining our set course by building long-term relationships and an entrepreneurial spirit within the Group.

During 2021, revenues grew by 68%, of which 39% organically. Negative impacts during the pandemic were primarily related to higher costs for raw material and transportation.

The North American, UK and German markets are developing rapidly, jointly generating the main part of our strong growth in 2021. We have seen a breakthrough for our system sales activities in the USA during the year, with two three-year contracts, Centric Fiber and Ting Fiber. Together with the acquisition of DCS, a strong player in data center fiber optic solutions, these are important milestones in the further establishment of Hexatronic in the world's largest market. With the asset purchase agreement aquisition of Rehau Telecom, a microduct producer primarily focused on the DACH region, Hexatronic is now one of the most important players in Germany. Our well-positioned presence and the complete Hexatronic offering fit perfectly into the market, where metropolitan area networks play a central role. Our activities in the UK continue to develop very strongly, fuelled by the increase in deliveries to CityFibre as well as several other customers.

## Sustainability is high on our agenda

Our work to make Hexatronic an even more sustainable Group continues. In 2021, we stepped up the pace substantially. Our Sustainability Roadmap 2030 was shared with employees and customers followed by a range of activities. The dialogue with suppliers and customers was also intensified, to verify that our priorities within sustainability are in line with their expectations. We have also begun the calculation of our Scope 3 emissions.

Creating possibilities for companies, countries and humans to thrive.

## Acquisitions to increase local presence and capacity

With a total of seven acquisitions, we significantly broadened our competence, capacity and local presence on several markets in 2021. We are strengthening our presence in Australia, increasing production capacity of microduct in Central Europe, and entering the market for fiber optic solutions for data centers and 5G. With regard to activity in M&A and investing in more capacity, we decided on and successfully raised MSEK 550 in a direct share issue in November 2021.

## Well positioned for continued growth

Great potential is identified in most of the markets where we operate. The UK, Germany and USA are the countries where we expect to see the strongest growth. The Swedish market continues at a relatively stable level.

During the year, we saw more investments in reinforcing the transport network, and we expect the Swedish market to remain quite stable, at a high level, over the next two to three years. Many countries have historically had low investments in fiber optic networks. With the increase in data consumption, the arrival of 5G and the lessons learned in several countries from the ongoing pandemic, investments in fiber optic networks have become a necessity. In many countries fiber optic networks are regarded as critical infrastructure.

Welcome to join us on our growth journey.

Henrik Larsson Lyon
President and CEO, Hexatronic Group

# Hexatronic in the value chain

**We are part of building the digital infrastructure, which is an essential enabler for communities, businesses and individuals to grow and develop.**

With in-house development and manufacturing, we can offer solutions that help our customers and partners towards successful business and projects. In order to further support our customers, we also offer field support and training services. Our offering is based on our customers' main challenge: to manage effective, successful projects that result in robust, futureproof networks. This requires high-quality products, as well as a skilled workforce.

## Design

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

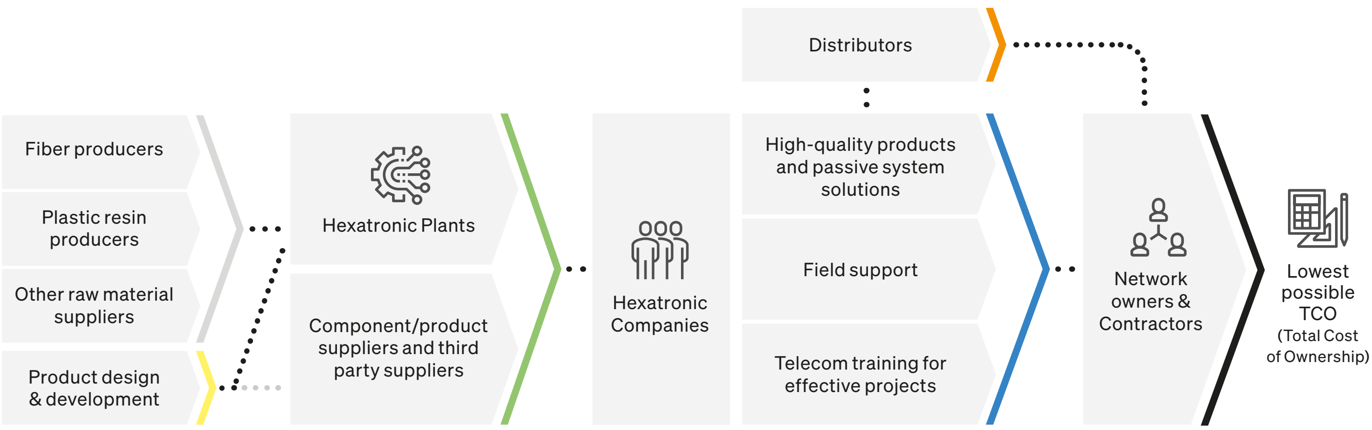
We design products and assemble them into high-quality systems with a with a long lifetime. Our ambition is to always offer products that are easy and efficient to install.

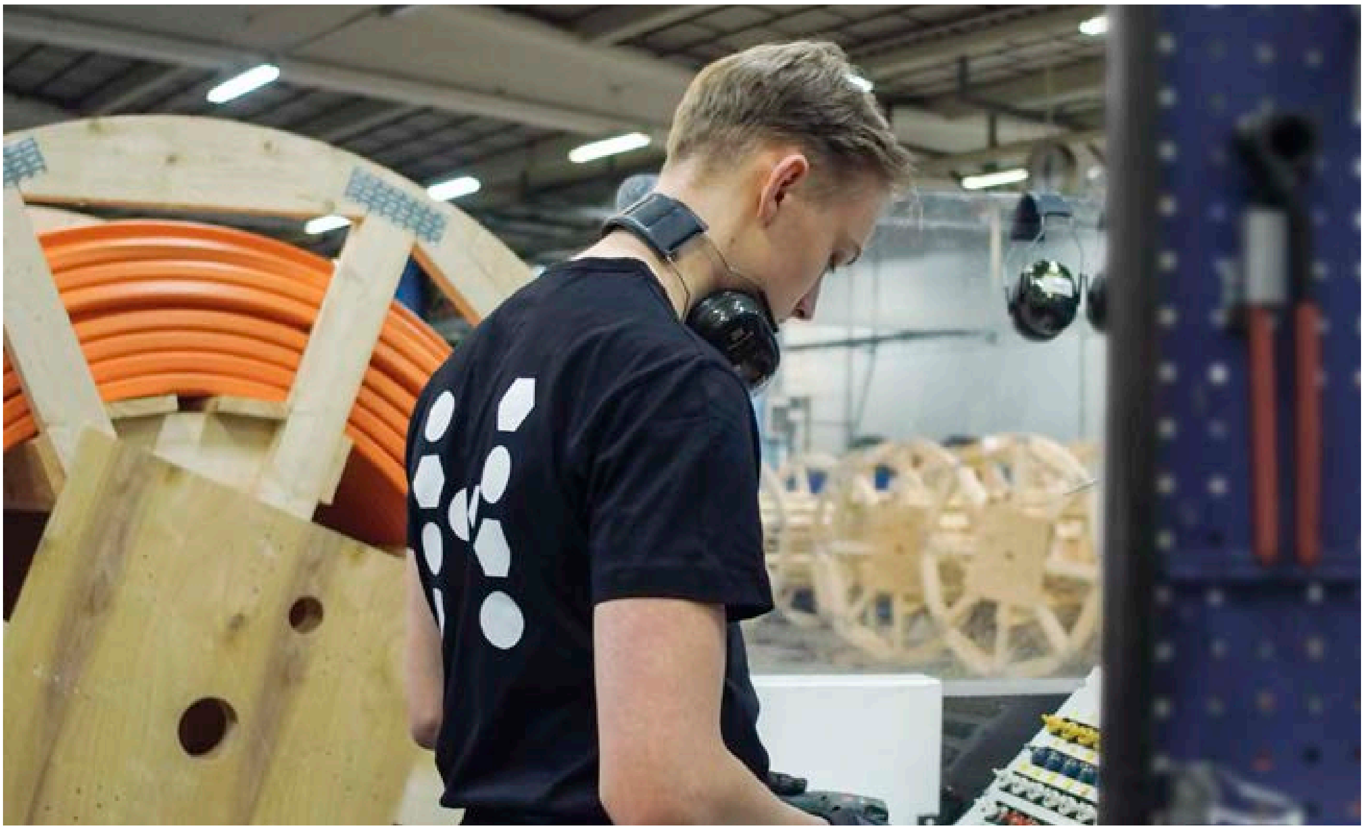
## Manufacturing and logistics

Manufacturing is done in our own factories and by subcontractors. We have total control over the entire process – from concept through development and manufacture to the wrapped and delivered product – we can therefore ensure high quality and traceability. We can also create important synergies and system benefits when the products are designed to ensure optimum mutual compatibility.

In addition to in-house manufacturing, Hexatronic also has agents for third-party products such as fiber optic fusion splicing and testing instruments from well-known brands. These products expand our range and make it easier for customers to source everything from one place.

Products and systems are delivered to our customers via our companies and logistic centers, and in some markets, the orders goes through distribution partners. The ongoing establishment of warehouses and manufacturing units in more countries is an important stage in increasing availability for our customers.





### Field support

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

### Training

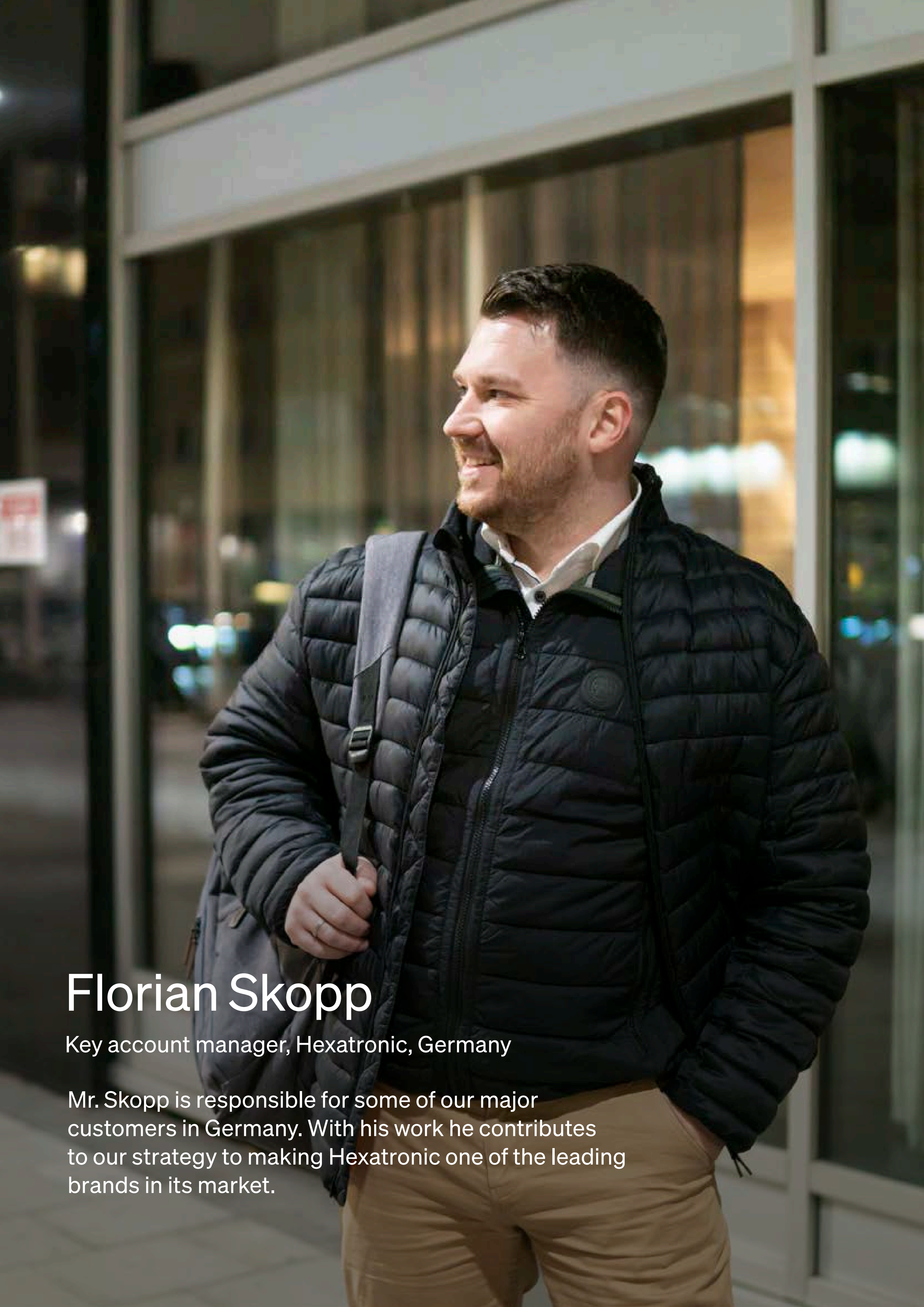
With various kinds of training for the people who build the networks and manage the projects, we can support customers in streamlining their projects. Hexatronic offers several types of training, from project management to installation and quality assurance. Installation accounts for more than 80% of the construction cost, which means that faster installation increases the efficiency of a project and reduces the total cost of ownership (TCO) over time. The right knowledge and a greater understanding of each work step's significance to the whole can also improve the quality of the networks.

### Lowest possible total cost of ownership (TCO)

The ultimate value for our customers is a long-lasting network with the best possible TCO, one that can be used for communication services for many years to come.

Our offering is based on our customers' needs and challenges: to manage effective, successful projects that result in a futureproof and robust networks.

# I am proud to see how fiber networks are bringing people together. By communicating, I think we can solve many problems – from important global decisions to daily matters. We all are responsible for making the world a better place for our children.



# Florian Skopp

Key account manager, Hexatronic, Germany

Mr. Skopp is responsible for some of our major customers in Germany. With his work he contributes to our strategy to making Hexatronic one of the leading brands in its market.

# Solutions that boost our customers' competitiveness

**Hexatronic offers a broad portfolio of services and passive fiber solutions for different applications, focused on three areas: Fiber Solutions, Custom, and Wireless.**

Hexatronic primarily offers system solutions for fiber networks based on products produced in-house, in combination with products from strategic partners around the world. What makes us unique is that we have a strong focus on supporting our customers in the best possible way. Our internal development and production chain contributes strongly to creating customer value and high customer satisfaction.

We can also tailor our solutions for each individual market. The offering also includes training both for the fiber market and in IT, as well as the highly valued Hexatronic Field Support service, whereby we give our customers practical support on-site.

Thanks to our scope, we create value for individual users and companies in several industries, from telecom, fiber networks and industrial applications, to solutions for challenging environments and wireless applications. We contribute to the ongoing digitalization by developing and offering optimized solutions, all with the aim of creating value through efficient installation, high availability and a long lifetime.

# Fiber solutions

Communication networks consist of several parts – from the high-capacity core networks with high fiber count cables, to city networks, access networks and individual access points. The fiber count in each cable decreases further out in the network. Extending communication networks entails large, complex projects involving a wide range of professional categories. Around 80% of the costs in a project relate to installation, while the cost of materials equates to around 20%. Reducing costs requires safe, fast and efficient installation methods.

FTTH accounts for the main volumes of individual fiber connections. Ensuring the projects' profitability, the long lifetime and future maintenance requirements calls for problem-free solutions of high quality. Consequently, demand is increasing for products and solutions that can streamline the process and optimize the network's quality and total cost.

Hexatronic's collective offering focuses on passive products for the construction of fiber optic communication networks. Our ambition is to increase our customers' competitiveness by contributing to the networks' low total cost of ownership and long lifetime. The offering also includes solutions for indoor applications, such as LAN and specially developed products for data centres, as well as indoor solutions specifically for homes. Our customers are primarily installers and network owners. On certain markets, our products and solutions are distributed by local wholesalers.

### Complete system offering

Hexatronic's robust products are easy to install, leading to shorter installation times and higher project efficiency. Our complete system ensures compatibility between all constituent products, and under these conditions we can offer an extended system guarantee.

The Group's product range includes everything required to build and maintain a fiber network, such as ducts (pipes), fiber cables of different types with varying numbers of fibers, distribution hubs, cabinet solutions, ODFs, cabling, instruments, installation and measuring tools, cleaning products and more. We place great emphasis on product development and have the ambition to be at the very leading edge of the market when it comes to innovation and new products. The fiber cables Viper, Stingray and Raptor, which are all quicker to install than comparable products on the market, are some of the innovations that have reduced installation costs for our customers.

### Hexatronic Field Support

Fiber expansion is a complex, demanding process that entails everything from excavation, duct laying and cable installation, to high-precision tasks such as splicing and fiber connection. This in turn places high demands on the installers' knowledge and experience. Hexatronic Field Support offers practical guidance and support on site, enabling the customers to use and combine Hexatronic's products in the best possible way.

### Training

In the current global market situation, with many countries planning extensive fiber network installations, a great need has arisen for competent personnel. There is a shortfall of many thousands of people who know how to design, project manage and install fiber networks. Hexatronic therefore offers customized training programmes for individual companies, as well as higher vocational education programmes in fiber optics, 5G and wireless, programming and security technology.

# Custom

We develop system solutions that create new opportunities for customers who work in demanding environments. Our solutions meet the tough requirements where standard telecom fiber solutions won't do the job. Demanding environments exist in sectors such as industrial processing, steel production, pulp and paper, as well as in other areas such as aviation, chemicals and the defence industry. The environments might for instance have powerful vibrations, moisture, extremely high or low temperatures, abnormal pressures, or unclean areas with oil. Hexatronic's solutions protect cables, contacts, network products and electronics from external impact, and make it possible to monitor processes and production using monitoring systems.

### Advanced sensor systems for control and monitoring

Hexatronic designs, develops and manufactures complete fiber optic sensor systems that create new opportunities for real-time control of processes and monitoring of critical infrastructure. With proprietary sensor technology, hardware and software for compiling and visualising key data, and an organization for installation and start-up of complete fiber optic sensor systems, we can serve as a turnkey supplier.

Compared to conventional sensor systems based on thermocouples or equivalents, an advanced fiber optic sensor system from Hexatronic offers several benefits. The system is resistant to external environmental factors, has a far higher resolution (up to 100 times more measurement points), a smaller footprint and lower weight. The extreme measurement resolutions mean that measurement and analysis can often progress to online control of critical processes, creating major opportunities for optimization, for example in industrial processing.

We place great emphasis on being at the technical forefront and work closely alongside our customers in development projects that run for several years. Our customers are often demanding technology leaders operating on a global market.

### Industrial cables and contacts for secure transfer

Over the past decade, more and more industries have moved to to fiber optic communication solutions to deal with increasing volumes of data. The oil and gas industry, aerospace and defence were early to introduce fiber optics for the transfer of information and monitoring, and have been drivers in how standards in the field have developed. Other sectors like mining and agriculture also use fiber solutions that are efficient to manage and install, while in addition offering high transfer speeds over long distances. The environments in all these industries place tough demands on the fiber solutions.

Hexatronic's customized fiber optic cabling and contacts are made for the most exacting environments and industrial applications. With advanced expertise in industrial applications, in-house production capacity and well-established partnerships with leading producers, we can offer a solution that is genuinely optimized to the customer's needs. During the design process, we work closely alongside the customer to understand the applications, the requirements and the impact from the surrounding environment.

# Wireless

5G and other wireless communication solutions are completely dependent on fiber, since most antennas are connected by fiber. The connection is wireless between the antenna and the communication device i.e. the vast majority of the transfer distance for the signal is via fixed fiber networks. Densification and expansion of different types of antennas will therefore require extended fiber networks, both further out in the networks and up to the antenna itself.

The next few years can expect to see a dramatic expansion in 5G and other solutions for wireless communication. 5G technology is useful in many ways: in industrial applications, for connected devices in smart cities and homes, and above all as an alternative to fiber connections for homes and businesses. Wireless technologies are a good complement to FTTH for several reasons. When connecting individual properties in sparsely populated areas, for example, building a fixed fiber connection can be expensive. In old parts of towns and cities, wireless installation may have the advantage of reducing the impact on the land and buildings. Another aspect is time. 5G is an complementary  solution in areas where FTTH connections or fiber expansion is delayed.

Our customers in this area are much the same as in FTTH, i.e. installation companies, operators and different types of network owners. In many cases, the fiber networks are used for both FTTH and 5G, which means that many networks which come under FTTH are also being installed to be prepared for futureneeds for e.g. 5G, by securing additional capacity of ducts and fiber count.

We offer a wide range of products and solutions for installing wireless systems, such as distribution and termination hubs, products for assembly and installation, and customized cable solutions. All solutions are developed with the same focus as in other parts of Hexatronic – to streamline installation, offer high quality and functionality, and a long service life.

We also offer training in 5G & Wireless, in installation and deployment, as well as more advanced technical courses for operators and equipment manufacturers.

# Jason Palmenberg

President and COO, Centric Fiber, US

Mr. Palmenberg serves as the President of Centric Fiber where he is responsible for the overall operations and growth of the company.

High quality, environmentally friendly, future-proofed infrastructure is an absolute requirement for population growth. This is particularly relevant for the rapidly-changing telecommunications sector. In Hexatronic, we found a partner that understands and shares our vision, along with the commitment to make it a reality.

# Our goal is profitable growth

**The Group's growth strategy is based on being close to the market and staying one step ahead. In close dialogue with customers and partners, our offering develops within three focus areas: Fiber Solutions, Custom and Wireless.**

Organic growth takes place by continuously increasing our market presence with strong local organizations and ongoing development of our offering. We introduce new product lines and extensions to our product range, while also expanding our offering with services such as maintenance, aftermarket sales, support and training.

The Group has an explicit acquisition strategy for its strategic markets. We proactively seek out profitable companies with market-leading positions, along with smaller supplementary acquisitions that can consolidate competitiveness and profitability both locally and for the Group as a whole.

Acquired companies should complement the Group's existing companies by strengthening our presence on local markets, bringing in experienced, knowledgeable co-workers, and bolstering Hexatronic's customer focus.

Through strategic acquisitions, we add production capacity close to our strategic growth markets. We also strengthen our existing proposition and pave the way for new growth areas such as data center solutions and online training.

# Strategic growth markets

Concerted efforts are under way to strengthen Hexatronic's presence on important strategic growth markets such as the USA, UK and Germany.

Our strategic growth markets are selected with regard to their level of maturity, competitive situation, and local attitudes to technology and quality. All the growth markets present major opportunities both in fiber solutions and added value services.

A common denominator is that huge investments are being planned and made in the expansion and extension of fiber optic infrastructure, particularly in FTTH. Bearing in mind the far-reaching programmes being planned to connect homes, public buildings and business premises, this expansion is expected to continue for many years to come.

Year on year, need and demand are increasing for fast, reliable connections, which means the markets that are currently lagging behind will need to build at an increasingly rapid rate. The need for a high rate of expansion is creating demand for solutions that contribute to an efficient rollout. As well as locally customized systems of products, training is a crucial factor in the projects' efficiency.

## The right knowledge and training helps to reduce the installation and deployment time, while also raising network quality.

With the right knowledge and training, companies and personnel working in the design, installation and operation of networks are being given the right foundation to do the job quickly and correctly from the start. This helps to reduce the installation and deployment time, while also raising network quality.

Efficiency, reliability and robustness are now high up on the decision-makers' agenda when procuring fiber networks. Politicians around the world are working to create the conditions for successful digitalization. The stated plans and objectives may vary in different countries, but they all aim to promote societal development.

# Market drivers

**Global digitalization is enabling accelerated technological development, while digital services, working methods and behavioural patterns are changing rapidly. Because of all this, we are handling more information and becoming increasingly connected, which places higher demands on fast response times and stable connections. These heightened needs are driving the roll-out of digital infrastructure in the shape of high-performance fixed communication networks.**

## FTTH

FTTH is being rolled-out all over the world, and there are clear variations in the degree of expansion. Several of the countries with few connected households are modern and well-developed in other respects. There are various reasons why these nations started their fiber rollout later than others, but there is no doubt that FTTH is needed if society is to develop. A well-functioning network is now a hygiene factor and a must in a modern society. The importance of fiber networks has been brought to the fore during the pandemic, as far more people have been working from home – and look set to continue doing so once the pandemic is over. 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 2030 as well.

## 5G

The USA, Korea, Japan and China started early on and have progressed relatively far in 5G, while several European countries are lagging behind. Expansion is expected to gather real momentum in the next few years. 5G has a wide range of applications, and can improve the experience in mobile telephony and broadband. Industrial applications with 5G will create many new opportunities for streamlining and optimizing production processes. Antennas for 5G will need to be installed and densified, thus creating an increased need for fiber. Most networks now being built for FTTH are also being prepared for 5G, often by installing extra ducts that can be used to increase the number of fiber cables for 5G.

## Smart cities

Digitalization is progressing in all parts of society, and big changes are expected in the years to come. There has long been talk of a higher quality of life, improved security and efficiencies when most things are connected and can communicate with the world around. All types of driverless vehicles, which are both connected to the surroundings and can communicate in real time with other vehicles, could herald in a new kind of traffic environment, with opportunities for greater safety and control.

Lighting control can create an enhanced sense of security in urban environments after sunset. Other relevant examples are connected rubbish bins that can increase efficiency and reduce environmental impact as the bin lorry can identify which bins need emptying.

Security, for instance via connected cameras, is another fast-growing area in many countries. All these smart-city developments need secure, stable connections and are driving the need for a well developed fiber infrastructure.

## Increased data volumes

Increased data volumes is a clear driver in fiber network investment, one clear indicator being the need to establish and develop data centers. These include both hyperscale and co-location facilities, as well as upcoming needs for edge computing (where data needs to be close to the user). Increased data volumes can also be found in other areas, such as fiber-based sensor technology, which presents huge opportunities in all kinds of applications.

## The digital and sustainable society

One strong driver in the change towards a digital society is sustainability. Digitalization often entails opportunities for streamlining and new services, such as driverless cars, buses and lorries, which can save energy while benefiting from greater communication and coordination with each other.

Other areas are:

- Meetings via digital services that reduce the need to travel.
- Increased digitalization in healthcare which increases

efficiency and reduces the need for physical movement.
- More digitalized farming which increases efficiency and resource utilisation.
- Monitoring and measurement allows services and interventions to be carried out on demand instead of personal on-site checks.

The COVID-19 pandemic has revealed just how important high-capacity communication networks are. In countries with low FTTH reach, home working and home schooling have been problematic in areas with low-capacity copper networks.

### Objectives and initiatives

Most countries have goals for digitalization that directly or indirectly steer the expansion of the fiber networks. Several countries are using government subsidies to speed up expansion, and the subsidies are often focused on sparsely populated areas that are not otherwise that commercially attractive.

One example is Germany, which has introduced subsidies totalling EUR 14–16 billion for the construction of high-speed broadband networks up to 2025. Similar developments are also under way in the USA and UK. While the structures of these programmes differ, the objective is the same: to speed up the expansion of fiber networks in each country.

One positive development at the end of 2018 was the European Commission's decision to adopt a new European Electronic Communications Code (EECC). The 28 Member States then had two years to incorporate the regulations into national law. Another important initiative is the European Commission's Green Deal, which stipulates that Europe should be the world's first climate-neutral continent by 2050. The package of measures aims to enable businesses and individuals to benefit from a green transition.

Some of the focus areas are work on climate change, digitalization and migration. In March 2020, the European Commission adopted a strategy for industry to support digital change in the EU.

Nordics

# 5G and data centers common drivers

In all the Nordic countries, there is a lot left to do in FTTH, primarily in the core networks and in more sparsely populated areas. Sweden is farthest advanced both in terms of connected households and homes passed (HP). The Swedish FTTH market was at its strongest in 2016–2018, but has since slowed slightly. A lot still remains to be built, both in the core network and especially in more sparsely populated areas. Sweden as a whole has an HP coverage of just over 80%. In sparsely populated areas, the figure is about 50%.

The Norwegian market has been relatively cautious for several years. The expansion rate increased in 2021, and the high level is expected to continue also in 2022 and 2023.

The Finnish market started later than both Norway and Sweden. One possible explanation is that it has focused more on building mobile solutions. Consequently, the need for a widespread fixed fiber network did not arise until demand for higher speeds rose. The Finnish market is in a growth phase and continued expansive development is anticipated, partly because Telia and Capman have set up a joint venture to increase investment in FTTH construction.

Another driver for fiber expansion in the Nordics is the establishment of data centers. The Nordic market has major advantages, with good access to electricity and a well-developed fiber infrastructure. Another benefit is that operation has less of a carbon footprint than in many other countries. Also the expansion of 5G will require reinforcement of the Nordic core networks, as well as fiber connections to the antennas that form 5G.

UK

# Aggressive goals force the pace

The UK has continued strong growth in FTTH. With several operators challenging Openreach (British Telecom), activity on the British market has increased considerably. National challengers include Virgin Media, CityFibre and Hyperoptic. Regionally and locally, they are challenged by more than 150 operators in FTTH. The market gathered momentum in 2019 and continued to increase in 2020 and 2021. It is expected to maintain a high rate of development for many years to come. In 2019–2020, the number of homes passed increased by 1.7 million, and coverage in September 2020 was 15.1%.

The number of homes passed in the UK is expected to increase by 18 million according to a forecast by FTTH Council Europe in September 2021, relating to the rate of expansion in 2021–2026. The major operators have communicated aggressive goals. CityFibre, for example, has said it intends to connect one million households a year up to 2025.

The greatest challenge to achieve the ambitious goals lies in the large number of engineers needed for installation. The UK government's National Infrastructure Strategy of November 2020 stipulates a target of a minimum of 85% gigabit-capable broadband coverage by 2025. The government notes that the broadband infrastructure will primarily be financed by private investment. To reach the most difficult households (in rural areas), GBP 5 billion has been earmarked up to 2025. The aim is to deliver gigabit-capable broadband coverage to the 20% of households where the infrastructure will likely not be built by private investment.

Germany

# Continued high potential – dramatic growth expected

Europe's largest market is on the verge of a major expansion of FTTH. Germany is the biggest country in Europe with 41 million households (Sweden: 4.8 million). About 5–6% of households are using services delivered over a fiber connection. Although Germany has a low percentage of fiber-connected households and companies, and the huge expansion has not taken place at the expected rate, there are clear signals that the country is taking great steps forward.

One sign of the higher expansion rate is the fact that the number of FTTH/B 'homes passed' (HP) increased by 2.7 million from 2019 to 2020. The share of homes passed as a percentage of all German households was 16.4% in September 2020. This is clear evidence that the German market has huge potential. France with 72.7% HP is still a major market for fiber installations, as is Sweden despite its HP of just over 80%.

To some extent, Germany is like the Swedish market, with more than 800 metropolitan area networks. Many of the metropolitan area networks are expected to build FTTH in the years to come. There are clear goals for digitalising public and national services, as these are lagging behind the private sector in their development. In addition, Germany has a two-stage federal programme for developing high-performance communication networks, with a total funding budget of EUR 12 billion and the aim that all its citizens should have access to gigabit internet by the end of 2025.

Beyond the metropolitan area networks, Deutsche Telekom has a dominant role. The company has invested a lot in increasing capacity in its existing copper network, but it is now increasing its investments in fiber, partly by entering into partnerships with strong, regional fiber operators. In addition to metropolitan area networks and Deutsche Telekom, the number of players preparing to make major investments in FTTH in Germany is increasing, including EQT-owned Deutsche Glasfaser. The challenge in Germany is not expected to be access to capital, but access to installers.

North America

# Major investments in FTTH

The USA is facing major investments in infrastructure, not least digital. The market has been relatively stable for several years, but is now gathering momentum with a high rate of fiber expansion. The Fiber Broadband Association study from 2020 shows that roughly 20% of households in the USA have access to a fiber connection. The number of homes passed by fiber infrastructure that can easily be connected is around 51 million.

The federal government has launched several funding packages, primarily for fiber investments in rural areas. The North American FTTH market is not only huge but also diversified, with a large number of active players – from small local FTTH operators to telecom giants like Verizon and AT&T.

The US government has launched several funding packages to stimulate and accelerate expansion of broadband nationwide. The largest package to date was passed in November 2021. The package totalling USD 65 billion encompasses funding for different types of infrastructure and broadband network expansion, with the aim of improving access to internet services, primarily in rural areas.

The USA remains far advanced in the expansion of 5G, along with South Korea, China and Japan. The USA has long lagged behind the others in terms of FTTH. The rate of expansion has increased during 2021, and given the large number of homes to be connected, the rate is expected to remain high for several years to come.

# A fiber network makes a big difference for a smaller community or tourist area. It is almost hard to grasp the range of possibilities created for people, companies and the community as a whole. I think everyone has a personal perspective of how improved connectivity can brighten their future.

## Holger Schönemann

CEO Stadtwerke Norderney, DE.

Mr. Schönemann is responsible for the strategic development and the overall operations of the local utility company.

**Companys Acquisitioned 2021**

Germany
TK-KONTOR-FREITAG
Rehau Telecom

United Kingdom
Mpirical

Holland
Weterings

Australia
FOS och OSA

USA
Data Center Systems

# A Group growing on all strategic growth markets

**Independent, entrepreneurial companies**
Hexatronic has 1,289 employees* in 49 operational entities and the parent company. Flexibility and freedom with responsibility are the fundamental principles that permeate Hexatronic's decentralised organization, since we are convinced that the best business decisions are made close to the customer and the market.

**Supporting subsidiaries' development**
The independence of the subsidiaries is important in order to recruit and retain skilled employees and entrepreneurs. Hexatronic does not micromanage the companies but instead offers a active support through a group-wide functions and financial monitoring.Group-wide functions can be found in areas that contribute to the subsidiaries' efficiency and profitability such as marketing, legal affairs, accounting, finance, business development and sustainability.

The Group comprises the parent company Hexatronic Group AB, with its registered office in Gothenburg, and 49 subsidiaries.

* Number of employees in the Group as a whole on 31 December 2021.

Acquisition strategy

# Profitable owner-run companies with market-leading positions

Hexatronic has an explicit acquisition strategy whereby we continually evaluate profitable companies with market-leading positions, that can consolidate competitiveness and profitability both locally and for the Group as a whole.

Concerted efforts are under way to establish Hexatronic more firmly on important strategic growth markets such as the USA, UK and Germany. These markets have announced historically large investments in infrastructure over the next few years.

We can see good opportunities to strengthen our offering and local presence through acquisitions in all our areas: fiber solutions, wireless and custom. The Group's growth strategy is to grow by continuously developing its product range and adding new offerings within services, aftermarket sales, support and training.

Acquisition candidates are primarily identified through our local organizations. In all strategic markets, we have strong entrepreneurs with very long industry experience and far-reaching networks.
As Hexatronic has become a major player, we are regularly contacted by potential sellers.

One important factor in Hexatronic's growth journey is the decentralised management, which makes it possible to maintain strong local entrepreneurialism.

By almost exclusively acquiring owner-run companies that are largely still run independently, we have also managed to retain key people, which is crucial to the companies' long-term development.

### Important criteria when we assess companies

- The company has a strong management team
- The company has documented profitability
- The company has a strong market position
- The company has limited exposure to technical risk
- The company runs a sustainable operation

### Our philosophy for successful integration of acquisitions

- We value and strive to retain the entrepreneurial spirit in acquired companies
- We develop strong brands and a positive business culture
- We keep acquired companies as independent legal entities with clear profit responsibility
- The Group does not prioritize acquisitions where cost synergies are key to achieve good returns on the acquisition investment
- We focus on broader sales with the aim of strengthening the Group's offering

TK-KONTOR-FREITAG

# Strengthening Hexatronic's offering in Germany

TK-KONTOR-FREITAG (TK) is a German tech company that offers planning and advisory services relating to installation of passive FTTH networks for network owners and installers in Germany. The company's offering includes: assessment of tenders, production of material specifications, estimation of construction and operating costs, network planning and architecture, project management, construction management and project monitoring.

The acquisition of TK in March enables Hexatronic to combine expertise from TK's team with Hexatronic's training companies in the UK, USA and Sweden, in order to also establish a training unit for Germany and Austria, offering a comprehensive range of FTTH training for installers and internet providers.

Design services for FTTH networks are a competitive advantage in cultivating Germany's more than 800 metropolitan area networks.

Garrit Freitag, CEO, TK-KONTOR-FREITAG GmbH

Mpirical

# Growth potential with a wide range of 5G training

Mpirical, acquired in June, is a UK-based training company that focuses on high-quality accredited technical training with a focus on 5G, 4G, 3G, next generation voice, IoT and WiFi. The wide range of more than 1,500 on-demand online training videos has attracted customers from around the world, with courses streamed in over 180 countries. On-demand training is available via Mpirical's own Learning Management System, LearningZone. The company's offering extends from basic courses to highly advanced technical training and targets telecom operators, product suppliers, network and test providers, and government and public sector organizations.

59%
of revenue is subscription based

182
countries where video material was streamed

1,500+
videos and animations

**Weterings**

# Higher availability of ducts in Central Europe

Weterings was founded in 1945 and is a well-established player in the Netherlands. The company manufactures a wide range of high-quality ducts for the telecom market, and pipes for irrigation solutions in the agricultural market. The company is strategically located close to several of our fast-growing markets in Central Europe.

The acquisition of Weterings in July adds a lot of flexible duct production capacity to Hexatronic, resulting in short lead times and high customer satisfaction.

We succeed to have high client satisfaction by offering co-development capabilities, flexible production, collaboration on marketing and good value for money.

Rik Rombouts, VD, Weterings

**Optical Solutions Australia Group and The Fibre Optic Shop**

# Strong local presence in Australia

The acquisitions of OSA and FOS in August strengthen our position in the growing market in and nearby New Zealand. Hexatronic currently has a limited presence in Australia, where operations are managed by the wholly owned subsidiary Hexatronic New Zealand. The two acquisitions considerably strengthen Hexatronic's local presence, which is important to succeed on the Australian market.

The companies were established around 2,000 and deliver, design and support some of Australia's biggest telecom and infrastructure projects. The strategic growth markets are telecom, industrial and fiber optic solutions for harsh environments.

FOS and OSA make Hexatronic an important national player, with seven offices from the west to the east coast.

**REHAU Telecom**

# Opportunities for greater expansion in Gernany

REHAU Telecom, incorporated into Hexatronic GmbH, is a well-established quality manufacturer of microducts and accessories for telecom applications, primarily for the German market. The team brings extensive experience and advanced knowledge of the microduct market.

The asset purchase aquisition of of Rehau Telecom, made in October, is strategically vital for Hexatronic. The German FTTH market is in the early phases of expansion, and by combining the business opportunities within REHAU Telecom with Hexatronic's complete passive FTTH solutions, Hexatronic will become an important player on the growing FTTH market in Germany.

With REHAU Telecom as one of the four major microduct players in Germany, we are firmly establishing Hexatronic Group on the fast-growing German FTTH market.

**Data Center Systems**

# Tailored solutions for data centers

Data Center Systems (DCS), with more than 20 years experience in the American data center market is a leading producer of network solutions for colocation and edge data centers, and for enterprise inhouse data centers. . DCS offers specially designed passive system solutions, as well as support services for ensuring the best possible network performance for customers' critical IT infrastructure. The head office and production are in Dallas, Texas.

DCS establishes Hexatronic on the growing market for data centers, while also boosting our FTTH offering with local termination on the important North American market.

# Greg Mesch

Founder & CEO, CityFibre, UK

Mr Mesch founded CityFibre in 2011 and with 35 years of network deployment experience, he has established and grown fibre companies across five European countries.

Knowledge is the key to the future – and to an effective fiber rollut as well. Thanks to the partnership with Hexatronic as a system supplier and training partner, our fiber projects in the UK are very successful and smooth.

# Increased trading volume and more shareholders

### Share Price Trend

During the financial year, the share price has fluctuated between a minimum of SEK 74.80 on 4 January 2021 and a maximum of SEK 514.00 on 27 December 2021. The closing price at the end of the financial year was SEK 504.00.

### Trading volume

A total of 48,753,889 shares were traded to a total value of SEK 13,319,562,475. On average during the financial year, 192,703 shares were traded per trading day.

### Ownership structure

On 31 December, 2021, number of shareholders in Hexatronic Group AB (publ) amounted to 35,707. The ten largest shareholders owned 47.3% of the capital and votes. Foreign ownership accounted for 23.5% of the capital and 23.8% of the votes. (Source: Euroclear.)

### Number of shares

The number of shares on December 2021 totalled 40,625,330, of which 39,965,330 is ordinary shares and 660,000 shares in serie C. Each share has a quotient value of SEK 0.05. Holders of ordinary shares are entitled to a dividend as determined by the Annual General Meeting.

Each share entitles the holder to one vote at the AGM. Due to the regulations in the company's Articles of Association, there are no restrictions on the shares' transferability or on each shareholder's voting rights at the AGM.

### Dividend policy

Any dividend is decided by the Annual General Meeting, following a recommendation by the Board of Directors. The Board proposes a dividend of SEK 0.50 per share for the 2021 financial year. The Board will assess annually whether to propose a dividend or reinvestment of the profit into the operations.

### Authorisation

During the financial year, the following share issues have been carried out:

- A targeted non-cash issue of MSEK 9.2 (March, 2021) as part of the acquisition of TK-KONTOR-FREITAG
- A set-off issue totalling MSEK 1.5 (March and November, 2021) as part of payment of earn-out for the acquisition of Opternus GmbH
- A targeted non-cash issue of MSEK 14.4 (June, 2021) as part of the acquisition of Mpirical
- A targeted non-cash issue of MSEK 11.3 (July, 2021) as part of the acquisition of Weterings
- A set-off issue of MSEK 30.0 (August, 2021) as part of the acquisition of FOS and OSA
- A targeted new share issue totalling MSEK 550 (November, 2021)

At the AGM on 6 May 2021, the Board was authorised to make decisions until the next AGM on new issues of shares and/or warrants and/or convertibles amounting to up to 15% of the registered share capital.

The Board was also authorised to make decisions, on one or more occasions, until the next AGM, on the acquisition of own shares or to transfer own shares held by the company at the time of the Board's decision to transfer. The company may acquire as many shares as to own a maximum of 10% of all shares in the company.

## Investor relations

IR work is characterised by open, relevant, correct information to shareholders, investors and analysts in order to increase knowledge of the Group's operations and its share. Hexatronic communicates information in the form of interim reports, an annual report, relevant press releases, and also provides more in-depth information about the Group on its IR website pages (group.hexatronic.com). Shareholders and other stakeholders can subscribe to press releases and financial reports by e-mail.

During 2021, press releases were mainly issued for business of strategic importance, acquisitions, guidance regarding preliminary sales and earnings.

On the website, the general information on the IR pages is updated in connection with each end of quarter.

In the last four weeks before a financial is published, there is no separate communication with the financial market, for example through meetings with investors or analysts.

## Distribution of number of ordinary shares 31 december 2021

| Holding | No. of known shareholders | No. of ordinary shares | % of votes and capital |
|---|---|---|---|
| 1 - 1 000 | 34,391 | 3,114,212 | 7.79% |
| 1 001 - 5 000 | 1,032 | 2,213,597 | 5.54% |
| 5 001 - 10 000 | 118 | 874,326 | 2.19% |
| 10 001 - 15 000 | 27 | 335,364 | 0.84% |
| 15 001 - 20 000 | 26 | 452,437 | 1.13% |
| 20 001 - | 113 | 30,522,942 | 76.37% |
| Anonymous ownership | | 2,452,452 | 6.14% |
| **Total** | **35,707** | **39,965,330** | **100.00%** |

## Ten largest shareholders 31 december 2021

| Shareholder | No. of ordinary shares | Votes % |
|---|---|---|
| Handelsbanken Funds | 3,133,693 | 7.8% |
| AMF Insurance & Funds | 2,854,261 | 7.1% |
| Jonas Nordlund, privately and corporately | 2,803,000 | 7.0% |
| Accendo Capital | 2,668,933 | 6.7% |
| Swedbank Robur, West Fund | 2,345,802 | 5.9% |
| Martin Åberg and Erik Selin via Chirp AB | 1,785,872 | 4.5% |
| Avanza Pension - Insurance Company | 1,034,410 | 2.6% |
| Henrik Larsson Lyon | 846,666 | 2.1% |
| Länsförsäkringar Funds | 781,258 | 2.0% |
| Göran Nordlund, privately and corporately | 660,400 | 1.7% |
| **Ten largest shareholders total** | **18,914,295** | **47.3%** |
| Other shareholders | 21,051,035 | 52.7% |
| **Total outstanding shares** | **39,965,330** | **100.0%** |

**About the Sustainability Report**
This is the Group's fourth Sustainability Report in accordance with the requirements of the Swedish Annual Accounts Act, ch. 6, §12. The Sustainability Report relates to the 2021 financial year and is on pages 36–53.

The Sustainability Report encompasses the Parent Company Hexatronic Group AB and the subsidiaries that formed part of the Group for the whole of 2021. Companies acquired or formed during 2021 are included only to a limited extent in this Sustainability Report, and are not included in the key metrics presented on pages 52–53.

# Sustainability Report

# Sustainability Report 2021

Our Roadmap for sustainability work has been launched. Now, we are stepping up the pace and enhancing the focus on goals and targets. We are proud to have launched a sustainability Roadmap in 2021 encompassing up to 2030. As a global Group, acitve in fiber expansion, we have an essential role to play in realizing 2030 Agenda and the UN Global Compact's ten principles for sustainable enterprise.

We want to contribute to a more sustainable society by involving our employees, customers, and suppliers. The way we run our Group makes a difference.

Welcome to join our sustainability journey.

Henrik Larsson Lyon, CEO Hexatronic Group

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

# Important milestones 2021

### Onboarding of new companies
Onboarding of 11 new Group companies (four from 2020 and seven from 2021).

### Sustainability survey
Sustainability survey to customers and investors.

### Carbon footprint of micro cable
Calculation of carbon footprint of our Viper micro cable.

### Health & wellness
Sustainability Week on health and wellness for all employees in the Group.

### Climate
Sustainability Week on the climate for all employees in the Group.

### Roadmap 2030
Launch of Group Roadmap 2030 for sustainability work.

### Inclusive leadership
Training of about 90 managers globally in inclusive leadership.

### Scope 3
Calculation of our Scope 3 emissions – carbon footprint evaluator.

# Hexatronic accelerates the digital transformation

Hexatronic's sustainability work contributes to the United Nations' 17 global Sustainable Development Goals, which are to be achieved in just under ten years' time. In our Roadmap 2030, we have identified six prioritized sustainability areas, which are based on ten goals and 27 targets in the 2030 Agenda.

We contribute to Goal 9 and accelerate the digital transformation for the benefit of businesses, individuals, and society at large, by offering smart, reliable product and system solutions for passive fiber infrastructure. For further information about our business model, see pages 8–9.

Sustainability issues are becoming increasingly important in society. One clear effect of this is higher expectations on our sustainability work, primarily from our customers and investors.

### Trends that affect Hexatronic

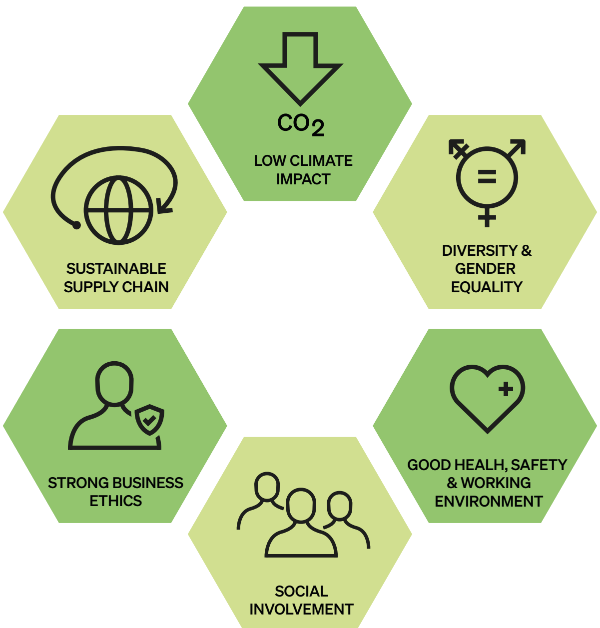
1. Increased pressure on climate transition to achieve the 1.5°C target
2. Extensive new EU legislation with requirements in a raft of sustainability areas
3. Increasing focus on sustainable companies among investors

# Six priority sustainability areas

When selecting our prioritized areas of sustainability, several input sources were considered, the UN's 17 global sustainable development goals (SDG), stakeholder demands and expectations, identified sustainability risks (further details on these risks on pages 60–63), current policy documents, our degree of influence, and our ability to manage, develop and improve a specific issue.

### Our sustainability areas are:

- Strong business ethics
- Sustainable supply chain
- Low climate impact
- Good health, safety and working environment
- Diversity and gender equality
- Social involvement



# High ambitions for sustainable growth

**The customer is always central in our sustainability work. We have high ambitions for our sustainability work, maintaining a strong focus on key success factors.**

### Launch of Roadmap 2030

During 2021, a Roadmap 2030 for the Group's sustainability work was launched. The plan is based on the Group's six prioritized sustainability areas. Extensive onboarding has taken place in all Group companies to ensure that relevant aspects are incorporated into their own strategies or business plans. The Roadmap is linked to the 2030 Agenda and includes short-term (2022, 2025) and long-term goals (up to 2030) as well as prioritized activities for each sustainability area.

### Success factors for our sustainability work:

- **Integrated part of the operation**
  Sustainability shall be a natural and integral part of our decision-making, steering, follow-up, M&A and planning processes.
- **Engagement and collaboration**
  To find the best solutions, we need to involve and work with our employees, customers, suppliers and other stakeholders.
- **Corporate culture**
  As well as establishing sufficient structures, we must also create a positive corporate culture.
- **Inspiration and awareness**
  To promote creativity and support positive action, we need to inspire and create awareness through training, communication and good examples.

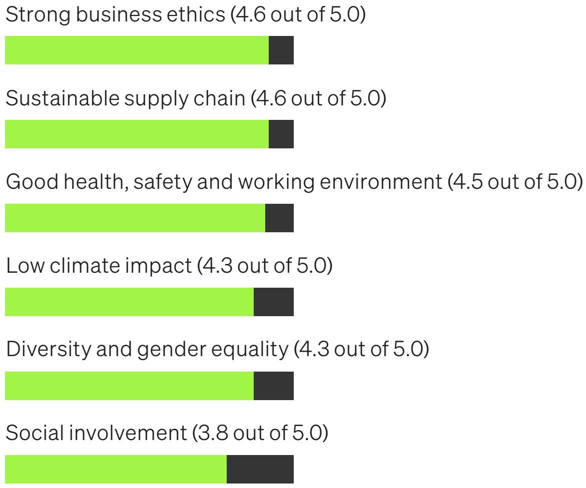
### Customer and investor survey on our sustainability work

To gauge whether our sustainability priorities tally with the demands and expectations of our stakeholders, a survey was sent to 188 customers and investors in Sweden and abroad. The result shows that our prioritized sustainability areas are relevant to our customers.

Sustainability is becoming more and more pivotal in dialogue with our customers. As their partner and supplier, we are an important part of their sustainability work.

Susann Dutt, Sustainability Manager

**How customers and investors rank our selected sustainability areas, based on importance.**




Results of global survey conducted 2021 (response frequency 23%)

# Strong business ethics

**Building trust is central to everything we do. We work actively to ensure that our employees, customers, investors, suppliers, and other stakeholders trust Hexatronic, knowing that we represent a high level of business ethics.**

### Code of conduct and Sustainability Policy

The aim of our internal Code of Conduct is to ensure that employees, temporary hired personnel and and assigned consultants conduct themselves in a responsible, ethically correct manner. The Sustainability Policy encompasses all employees in all Group companies. It covers how we should take responsibility based on the economic, environmental and social dimensions of sustainability. Both documents are part of the onboarding process for new employees, as well as merged and acquired companies.

During 2021 the Code of Conduct has been reformulated, and an updated version is planned for launch in early 2022. At the end of 2021, 100% of the Group's employees had signed the internal Code of Conduct.

### How we work with anti-corruption

We have a zero tolerance policy on bribery and corruption. The most important parts of our work on anti-corruption are:

- Internal Code of Conduct and the section on conflicts of interest
- Ongoing training and discussion on ethical dilemmas
- Bribery and corruption are included in the annual risk analysis
- Internal and external audits to check compliance
- Anti-corruption is an important part of our code of conduct for suppliers

Hexatronic is part of the UN Global Compact on a signatory level, committed to conducting our business in accordance with their ten principles. Principle 10 relates to anti-corruption. We are also a supporting member of the Swedish Anti-Corruption Institute.

> The way we do business is as important as the results we achieve. We do not tolerate bribery or any form of corruption, even when business is at risk.

Henrik Larsson Lyon, CEO Hexatronic Group

### Whistleblower function

The whistleblower function was introduced by the Group 2018. The function is designed to guarantee full anonymity for the reporting party.

### Objective 2030:

To continue to maintain strong business ethics.

### Prioritized activities in Roadmap 2030

Ensuring that our Code of Conduct is known and observed, to conduct training linked to the code, conduct regular risk analysis, ensure internal and external control systems, as well as systems for screening of intermediaries. See pages: 7, 10 and 16 of the Roadmap.

# Sustainable supply chain

**We work alongside our customers and suppliers to secure a sustainable supply chain. Through collaboration and open dialogue, we help each other become better and create concrete results.**

We welcome the increasing demands from customers regarding environmental and social sustainability in the supply chain. We have an important shared responsibility here. During 2021 dialogue with our suppliers continued, in order to encourage more suppliers to understand and follow the Group's Code of Conduct. Roughly 160 suppliers, who jointly account for just over 80% of the Group's total purchased volume of direct materials and transportation, confirm that they run their business in accordance with the Code of Conduct. The Code of Conduct in its entirety can be read on our website.

### Developed processes and a new purchasing organization

One major change is the new purchasing organization that was launched during the year. The reinforced, more centralised organization creates better opportunities for dialogue with suppliers – particularly with regard to sustainability. The process for supplier audits and the stipulations for becoming an approved supplier in terms of sustainability have also been updated. Due to the pandemic, no supplier audits were carried out during the year.

### UK Modern Slavery Act Statement

Hexatronic commits to preventing all forms of modern slavery, servitude, forced labour and human trafficking. The statement can be read in full via the Sustainability section of our website: group.hexatronic.com/en/sustainability.

### Objective 2030:

To achieve a sustainable supply chain with regard to the environment, human rights, fair employment conditions, a good working environment and anti-corruption.

> A stronger network of suppliers in Europe brings us closer to our customers, while also reducing the climate impact of transportation.

Anna Bailey, Sourcing & Supply Director

### Prioritized activities in Roadmap 2030

See pages 7, 9 and 15.

### Enhanced supplier network in Europe

Active efforts are underway to relocate parts of the supplier base to Europe and to increase the number of European suppliers. Reduced risks, improved possibilties for control and lower emissions from transport are some of the sustainability benefits.

# Low climate impact

**The climate challenges are great and time is limited. Alongside customers, suppliers and employees, we aim to achieve the 1.5°C target by reducing our climate impact, being more resource efficient, and offering climate-smart products and services.**

### Calculation of our indirect climate emissions – Scope 3

During the year, we began mapping our indirect emissions – Scope 3 – according to the Greenhouse Gas Protocol and a digital tool called the carbon footprint evaluator.

Initial results show that indirect climate emissions, Scope 3, account for 93–94% of our total emissions, Scope 1–3. Mapping of our Scope 3 emissions will continue in 2022. In our efforts to expand collaboration in the climate field, maintaining dialogue with our main suppliers is pivotal.

### Calculation of our products' carbon footprint

A study to calculate the carbon footprint of our most common products has been conducted in association with the University of Gothenburg and IVL Swedish Environmental Research Institute. The study encompasses the entire process – from raw material to finished product. The method developed based on the study is fully or partially applicable to other products in the range.

The ability to calculate the carbon footprint of products produced in-house makes a big difference to our sustainability work. Hexatronic's opportunities to report carbon footprint to customers are increasing, while mapping all parts facilitates the process of reducing climate impact.

Scan the QR code to access the study and its results in full.

Similar studies and calculations on large parts of the product range are planned during 2022. Peter Lo Curzio, Product Manager, praises the collaboration and summarizes the results:

> This study represents a crucial step forward in our environmental work. We have shown that it is possible to calculate the carbon footprint of complex products like micro cables – even though it's challenging.

Peter Lo Curzio, Product Manager HCI

## High resource efficiency, and climate-smart products and services

During the year, all of our production plants have been working to increase the share of recycled material in their products. To reduce climate impact from packaging, several companies have replaced plastic with renewable/degradable materials, and have introduced systems for recycling and reuse of packaging, drums and coils.

Several important investments and adaptations on existing machines and processes are under way at the production plant in Hudiksvall, to streamline production and increase the percentage of recycled material. Two new duct machines will come online in 2022.

## Renewable energy and higher energy efficiency

The largest climate reduction linked to indirect emissions – Scope 2 – would be achieved if our production companies in the US moved to renewable electricity. To access and procure renewable electricity might be challenging where we operate, but we are making great efforts to find sustainable solutions.

New investments in machinery have led to considerable energy efficiencies during the year. Blue Diamond's new duct facility in Texas has 15% higher energy efficiency than the previous equipment. Furthermore, replacing the production lasers at Proximion have increased energy efficiency. Switching from fluorescent lamps to LED fittings in the Group's offices and production areas continued during 2021. The Group's energy intensity decreased by just over 25% in 2021 compared to 2020.

## Efforts for lower climate impact from travel and transport

- Far less travel due to pandemic
- Digital working and meeting have continued
- Coordination of goods transport
- Optimization of pack sizes and drums
- Increased share of transport by sea and rail
- Parts of supplier base moved to Europe
- Acquisition of producing companies in Europe
- Ongoing choice of local suppliers where possible
- Higher share of electric vehicles and more fossil-free fuel (HVO100) in diesel vehicles

### Climate Week in conjunction with COP26

In conjunction with COP26, the UN Climate Change Conference, a Climate Week was organized for all Group employees. The aim was to give all employees an opportunity to increase their knowledge of climate issues and the climate aspects of the Group's Roadmap 2030, and to inspire action both in the workplace and privately. Around 30 Climate Ambassadors organized local climate activities in subsidiaries around the world.

### Global Compacts Climate Ambition Accelerator Programme

Hexatronic took part in this programme, which aimed to help more companies set science-based climate targets to achieve zero emissions by 2050. Setting a 1.5°C target in line with the SBTi – Science Based Target Initiative – does, however, entail some challenges for an organization like Hexatronic, with high growth both organically and through acquisitions.

### Handling of climate-related risks and opportunities

Analysing and managing climate-related financial risks and opportunities is a key aspect of arming companies for the future and making them attractive to investors and customers. Task Force on Climate-related Financial Disclosures (TCFD) recommendations from 2017 have made a major impact and have become guiding principles in the field.

See the following pages to find out how Hexatronic is working with the various aspects:

- Governance – page 51
- Strategy – page 62
  and pages 8 and 21 in Roadmap 2030
- Risk management – pages 60–63
- Goals and metrics – pages 52
  and pages 7 and 14 in Roadmap 2030

### Objective 2030:

- Halve emissions of greenhouse gases (Scopes 1, 2, 3)
- Become a climate-neutral Group, own operations
- Report on the carbon footprint of our most common products

For further details of key metrics and goals for 2022, 2025 and 2030, see page 52 of this Sustainability Report and page 14 of our Roadmap 2030.

### Prioritized climate activities in Roadmap 2030

A selection of the Group's 13 prioritized climate activities can be found below:

- Increase the share of renewable energy
- Reduce the volume of goods transport
- Increase the proportion of goods transport by sea and rail
- Increase the recycling and reuse of materials and products
- Use suppliers with a clear focus on low climate impact
- Increase the proportion of travel-free meetings and trainings

Other prioritized activities can be found on page 8 in Roadmap 2030.

# Good health, safety and working environment

**Our employees are our most important asset, and we focus heavily on health and safety in the operation. Together, we create a working climate in which everyone feels valued, has a sense of belonging, and is given opportunities to succeed and grow.**

## Efforts for good health and safety

A range of different efforts and initiatives to ensure a good working environment focusing on health and safety have been conducted in the Group's various subsidiaries during 2021.

Machines have been replaced in production, aiming to enhance the working environment and improve the safety standard.

Efforts on the working environment have been developed and digitalized in various ways, for instance by introducing system support and assessment of a digital tool for ongoing surveys among employees. Several training initiatives and programmes have been executed, linked for example to mental health, developmental leadership and self-leadership.

Other initiatives that have specifically promoted health and safety during the year are the introduction of a Group-wide Health Week, the opportunity to exercise during working hours, and participation in a national initiative for a safe workplace, called "SafeandSoundatWork".

Based on new risk analyses in all companies, measures have been taken to minimise the risk of spreading COVID-19. Activities have varied by country and operation. Many of our companies have continued to offer the opportunity to work remotely/from home.

## Management system and organization

Today, 38% of our employees come under a management system for working environment in line with ISO 45001 or equivalent. Two of our companies, Blue Diamond and Hexatronic UK, have appointed new resources during the year to focus on working environment and safety issues with even greater force. As a stage in boosting our competitiveness on an ever-growing international market, Hexatronic Fiberoptics was restructured during the year. Production has been relocated to our Estonian company Baltronic, and the logistics department has moved to our production facility in Hudiksvall. In addition to this organizational change, our production companies in Sweden and North America have grown significantly in terms of number of employees. All of these organizational changes have been carried out with a strong focus on onboarding and responsible offboarding.

## Sustainability Week focusing on health and wellness

Again in 2021, a Health Week was organized for all employees, with information, discussion and inspiration on various themes. Local health-related activities were organized by around 30 health ambassadors in the Group.

## Roadmap 2030

Short- and long-term goals, links to the 2030 Agenda and prioritized activities have also been formulated for the working environment, health and safety area in the Roadmap launched during the year. For further details, please see pages 7, 12 and 18 of the Roadmap.

## Objective 2030:

To be a safe, attractive workplace for our employees.


# Diversity and gender equality

**People with different perspectives, knowledge and experience are important to create an innovative, inclusive working climate, characterised by respect and equal value. We have a zero tolerance policy towards all types of discrimination and harassment.**

Several information and training activities have been carried out during the year, with the aim of increasing knowledge of the value of diversity and working against discrimination.

In connection with the company's participation in EU Diversity Month in May, an information page was launched on the Group's intranet, with training material for new managers, important steering documents, facts and inspiration about the work for diversity and gender equality.

A training course in inclusive leadership was conducted for about 90 managers worldwide.

### Zero tolerance of discrimination

Our 2019 Diversity and Gender Equality Policy explains our zero tolerance towards discrimination, sexual harassment and degrading treatment. The policy is part of the onboarding process for new employees and also acquired companies. There were no confirmed instances of discrimination in 2021.

### Objective 2030:

To offer an equal and inclusive workplace with a high degree of diversity.

# Minimising climate impact while expanding fiber networks – is that even possible? With an excellent service level and a strong sustainability mindset, Hexatronic has made it possible to lower costs, transport and minimise material use for our fiber projects in New Zealand.

# Elaine Campbell

Chief Corporate Officer and General Counsel, Chorus NZ

Elaine services as the General Counsel and Company Secretary, bringing significant legal experience to Chorus, together with extensive leadership experience in regulatory change environments.

# Social involvement

**We strive to make a difference by actively contributing to the development of society, both globally and locally.**

There is far-reaching interest in the Group for children and young people, integration, and not least gender equality and education issues. Some of the organizations and initiatives to receive support from our companies during the year are: the Swedish Childhood Cancer Fund, Greenlight for Girls, Children in Need, Rhett Sullivan Foundation, the Cook Children's Health Foundation, The Hope Center, Local Food Bank, Macmillan Cancer Support and the Alzheimer's Association.

In addition, several companies offer internships for young people, backup employment for the long-term unemployed, and for employees to donate blood during work hours and to consider organ donation, for example.

The steering documents linked to social engagement are our Sustainability Policy and our recently launched Roadmap 2030.

### Our training companies make a difference

We are proud that several of our training companies are continuing to make a difference for young people and adults with a large distance to the labour market, by offering the education they need to find a job or continue studying. A total of 130 individuals moved on to work or studies for at least six months. During the year, our training company Gordon Franks Training has also incorporated several of the UN's global Sustainable Development Goals and targets into its training modules, in an excellent way.


### Proud corporate partner of Hand in Hand

During 2021, Hexatronic Group entered into a collaboration with the organization Hand in Hand. Over 2.5 years, we will support a project in the village of Chawia, Kenya, which is characterised by sustainability and energy-smart solutions. The aim is to help reduce poverty, increase gender equality, improve democracy and health, and promote a more sustainable use of natural resources, using a unique entrepreneurship model aimed at women among the poorest parts of the population. The choice of partner and project is based on our own values regarding entrepreneurship, diversity and gender equality, and low climate impact.

### Objective 2030:

To be a positive force in society.

## We will make a difference by supporting initiatives and operations that strive for a socially and environmentally sustainable future.

# Governance for increased sustainability

### Central policy documents

At the Group level, the following steering documents are available in the field of sustainability: Sustainability Policy, Code of Conduct – Internal, Diversity and Gender Equality Policy, Whistleblower Policy, and Code of Conduct – Suppliers. The documents can be read in their entirety at group.hexatronic.com/en/sustainability. Our companies also have other policy documents to provide management and guidance at the local level.

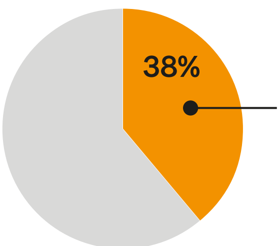
Our internal Code of Conduct has been reviewed during the year. The updated version will be launched in Q2 2022. Monitoring compliance with the policy documents takes place through internal and external audits, and also using selected key metrics.

### ISO-certified companies

The internal and external audits conducted during the year show no serious deviations. Five of the Group's companies are environmentally certified to ISO 14001 or equivalent, and 38% of all employees are encompassed by an ISO-certified management system linked to safety and the working environment. Our goal is 50% by the end of 2022. Hexatronic AS is certified to the Eco-Lighthouse scheme, eco-lighthouse.org.

**5**

**Group companies have an ISO 14001-certified management system for environmental issues**




**Percentage of employees covered by an ISO 45001-certified management system for safety and working environment**

### Responsibility and monitoring

Each subsidiary in the Group is responsible for contributing to positive development in each area of sustainability by integrating the issues in its operation. Responsibility for driving, supporting and monitoring developments lies at the Group-wide level. The Group's Sustainability Manager leads a team of representatives from different parts of the organization, and maintains an ongoing dialogue with contacts in each subsidiary. The work is reported regularly to the Group's steering committee. For further information about developments in each area, please see the table of key metrics on pages 52–53.

### Onboarding of new companies

During 2021, eleven new companies have been introduced to Hexatronic's sustainability work. Four companies were acquired in 2020, and seven were acquired in 2021. The introduction provides knowledge of Hexatronic's sustainability agenda, commitments and position including policy documents, so that new companies can quickly play an active part in sustainability work and contribute to the Roadmap 2030.

### EU taxonomy for sustainable activities

Starting in 2021, Hexatronic Group must report what percentage of its sales, CAPEX and OPEX is eligible in the first two delegated acts/environmental targets linked to Climate change mitigation and Climate change adaptation in the EU's taxonomy (classification system) for sustainable activities.

Following comprehensive internal work and dialogue with industry organization Europacable and a number of experts in the field, we have come to the conclusion that 0% of our operation is included. This may change before the 2022 Sustainability Report, as a result of altered/additional information or interpretations of the taxonomy.

# Goals and results indicators for sustainability work

To steer and monitor developments in our prioritized sustainability areas, a number of key metrics have been selected. For some of these, short-term (2022, 2025) and long-term goals (2030) have also been formulated. The table below shows the goals for 2022. Other goals can be found in our Roadmap 2030. The new companies acquired in 2021 are not included in the figures.

**Link to 2030 Agenda and the Global Compact**

Each sustainability area is connected to the 2030 Agenda goals and targets (SDGs). For further information on the targets, go to www.globalgoals.org, and also see the UN Global Compact's ten principles for sustainable enterprise (GC), www.unglobalcompact.org.

| Prioritized sustainability areas/where the impact is | Link to 2030 Agenda & the Global Compact | Key metric | 2019 | 2020 | 2021 | Goal 2022 |
|---|---|---|---|---|---|---|
| Strong business ethics<br>Where: Purchasing, sales, manufacturing, acquisitions, finance, marketing | SDG: 5.2, 16.5<br>GC: Principles: 1, 5, 10 | Percentage of employees who have signed the internal Code of Conduct | 93 | 99 | 100 | 100 |
| | | Percentage of salaried employees who have completed training in our Code of Conduct[1] | * | 0 | 0 | 100 |
| | | No. of confirmed instances of corruption | 0 | 0 | 0 | 0 |
| Sustainable supply chain<br>Where: Manufacturing and goods transport | SDG: 5.1, 7.2, 7.3, 8.4, 8.5, 8.7, 8.8, 9.4, 10.2, 12.2, 12.4, 12.5, 13.1, 16.5<br>GC: Principles 1–10 | Percentage of suppliers who have signed the Code of Conduct for suppliers[2] | 75 | 74 | 80 | - |
| | | Number of audits conducted relating to sustainability | 11 | 0 | 0 | - |
| | | Percentage of purchased volume from 'sustainability approved' suppliers[2] | n/a | n/a | 0 | 30 |
| Low climate impact<br>Where: Business travel leased cars, company cars and mileage, machinery, coolants and purchased energy | SDG: 7.2, 7.3, 8.4, 9.4, 12.2, 12.4, 12.5, 12.8, 13.1, 13.3<br>GC: Principles 7–9 | Percentage of ISO 14001-certified companies in the Group[3] | 33 | 33 | 38 | - |
| | | Direct energy consumption, MWh | 21,575 | 27,305 | 30,736 | - |
| | | Percentage of green electricity | 53 | 45 | 48 | - |
| | | Energy intensity, MWh/MSEK sales | 11.7 | 13.5 | 9.9 | 9 |
| | | Total emissions of $CO_2e$, tonnes – Scope 1 | 891 | 722 | 898[4] | - |
| | | Total emissions of $CO_2e$, tonnes – Scope 2[5] | 3,726[6] | 5,790[6] | 6,564[7] | - |
| | | Climate intensity, Scopes 1 & 2, tonnes $CO_2e$/MSEK sales | 2.5[6] | 3.2[6] | 2.4 | 2 |
| Where: In-house production | | Recycled material in production, tonnes | 3,596 | 4,521 | 4,492 | - |
| | | Recycled material in production, kg/MSEK sales | 1,952 | 2,243 | 1,451[8] | 2,500 |
| Good health, safety and working environment<br>Where: Entire Group | SDG: 3.4, 3.5, 3.9, 8.8 | Percentage of employees covered by a management system for safety and working environment in the Group, ISO 45001 or equivalent | 32 | 42 | 38 | 50 |
| | | Sick leave, % | 3 | 3 | 3.9 | 3 |
| | | Work-related accidents with absence, frequency[9] | 1.4 | 1 | 1.3 | 0 |
| | | Employee Satisfaction Index | ** | 71 | ** | 72 |
| | | Employee Loyalty Index | ** | 81 | ** | 82 |

| Prioritized sustainability areas/where the impact is | Link to 2030 Agenda & the Global Compact | Key metric | 2019 | 2020 | 2021 | Goal 2022 |
|---|---|---|---|---|---|---|
| Diversity and gender equality<br>Where: Entire Group | SDG: 5.1, 5.5, 8.5, 10.2<br>GC: Principle 6 | Percentage of women | 29 | 24 | 30 | 30 |
| | | Percentage of women managers | 27 | 24 | 31 | 30 |
| | | Percentage of women in Executive Management | 20 | 18 | 33 | 30 |
| | | Number of confirmed instances of discrimination | 1 | 2 | 0 | 0 |
| | | Percentage of employees who have had a performance review | 96 | 98 | 87 | 100 |
| | | Percentage of employees who deem Hexatronic a gender equal and inclusive workplace | ** | 91 | ** | 95 |
| Social involvement<br>Where: Entire Group, locally and globally | SDG: 3.4, 4.3, 4.4, 4.5, 4.7, 8.6, 10.2, 12.8, 13.3<br>GC: Principles 6, 8 | Number of young people and adults far from the job market who have gone into permanent employment or studies, at least six months. 10) | 156 | 357 | 130 | - |

1) With roles linked to: management, sales, purchasing and controlling.
2) Based on total purchase volume of direct materials and transport.
3) Figure includes companies with more than 15 employees and Hexatronic AS.
4) The increase in 2021 is primarily because the new companies acquired in 2020 are included in the figure, whereas they are not in 2019 and 2020.
5) Market-based method used.
6) The figure has been adjusted compared to the figure published in the 2020 Sustainability Report. This is due to adjustments in emission factors and energy quality.
7) The emission increase between 2020 and 2021 is primarily related to Blue Diamond, USA increasing its production due to increased sales.
8) During 2022, the definition of this metric will be reviewed as it does not provide a fair reflection of developments.
9) Number of work-related accidents with more than 24 hours absence, divided by total number of hours worked x 200,000.
10) After completing training via Hexatronic's training companies.

* A Sustainability Week on business ethics was organized during autumn 2019.
** No survey conducted.
n/a = not available

# Auditor's statement on the statutory Sustainability Report

To the general meeting of shareholders in Hexatronic Group AB, corporate identity number 556168-6360

## Engagement and responsibility

It is the Board of Directors who is responsible for the statutory Sustainability Report for the year 2021 on pages 36–53 and that it has been prepared in accordance with the Annual Accounts Act.

## The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12: The auditor's opinion regarding the statutory Sustainability Report. This means that our examination of the statutory Sustainability Report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

## Opinion

A statutory Sustainability Report has been prepared.

Gothenburg, 14 April 2022
Öhrlings PricewaterhouseCoopers AB
Johan Malmqvist
Authorised Public Accountant

# Board of Directors' Report

The Board of Directors and CEO of Hexatronic Group AB (publ), based in Gothenburg, Sweden, hereby submit the Annual Report for the 2021 financial year for the Parent Company and Group.

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

## Sales

Net sales during the financial year amounted to MSEK 3,491.6 (2,080.8). Sales increased by 68% for the Group compared to the previous financial year.

Organic growth was 39% compared to the previous financial year.

## Results for the financial year

Earnings before amortisation of intangible assets (EBITA) amounted to MSEK 393.8 (204.8), which equates to an EBITA margin of 11.3% (9.8%).

During the financial year, EBITA was positively affected by a forgiven COVID-19 loan in Blue Diamond Industries of approximately MSEK 8.3 and negatively affected by a cost of MSEK 32,0 relating to a revaluation of outstanding share-based incentive programmes in accordance with IFRS 2. EBITA excluding the forgiven loan and revaluation amounted to MSEK 417.5, which equates to an EBITA margin of 12.0%.

The operating result (EBIT) amounted to MSEK 355.1 (177.3), which equates to an EBIT margin of 10.2% (8.5%).

Net financial income/expense during the financial year amounted to MSEK -23.0 (-12.4), of which net interest income/expense amounted to MSEK -18.3 (-9.8), unrealised exchange rate differences to MSEK -2.7 (-0.7) and other financial income and expense to MSEK -1.9 (-1.9).

Profit for the year totalled MSEK 252.4 (126.5).

## Financial position and liquidity

The Group's financial position and liquidity remain strong. Liquid assets on 31 December 2021 totalled MSEK 675.1 (212.3).

The Parent Company's acquisition-related borrowing on 31 December 2021 totalled MSEK 1,529.6, of which MSEK 1,255.3 is long-term borrowing. During the financial year, new loans amounting to MSEK 1,080.0 were raised in connection with the acquisitions, while repayments totalled MSEK 136.6.

Cash flow from operating activities during the financial year amounted to MSEK 104.7 (249.8), including a change in working capital of MSEK -358.8 (52.6).

Cash flow from investing activities during the financial year amounted to MSEK -1,154.3 (-229.0). The investments mainly refer to a new production plant in the US, production equipment in Hudiksvall, and corporate acquisitions during the financial year.

Cash flow from financing activities during the year amounted to MSEK 1,511.0 (89.5). The full-year cash flow figure is mainly attributable to acquisition-related borrowing, repayment of loans, new share issues and changes in lease liabilities.

## Company changes and investments

### Investments

Investments during the financial year mainly comprised acquisitions of new businesses and investments to increase production capacity in Sweden and the US.

**The acquisition of TK-KONTOR-FREITAG GmbH. ('TK-KONTOR')**

The acquisition of TK-KONTOR took place as a share transfer, see Note 36. The acquisition was completed on 1 March 2021 and has subsequently been consolidated. TK-KONTOR is a German tech company that offers planning and advisory services relating to installation

## Multi-year comparison, Group

| MSEK | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Net sales | 3,491.6 | 2,080.8 | 1,842.3 | 1,597.8 | 1,299.4 |
| Result before tax | 332.1 | 164.9 | 91.0 | 81.8 | 116.1 |
| Result before tax as a percentage of net sales | 9.5% | 7.9% | 4.9% | 5.1% | 8.9% |
| Total assets | 4,715.2 | 1,953.3 | 1,497.9 | 1,303.1 | 777.1 |
| Equity asset ratio | 34.9% | 33.3% | 38.3% | 37.9% | 53.4% |

of the passive FTTH network for network owners and installers in Germany.

The purchase price amounted to MEUR 1.8, of which MEUR 0.9 was paid in cash and MEUR 0.9 through newly issued shares in Hexatronic.

The acquisition was financed through a combination of a targeted new share issue and existing cash. The non-cash issue comprised 90,357 newly issued shares in Hexatronic.

### The acquisition of Mpirical Ltd. ('Mpirical')

The acquisition of Mpirical took place as a share transfer, see Note 36. The acquisition was completed on 1 June 2021 and has subsequently been consolidated. Mpirical is a UK-based training company that focuses on high-quality accredited technical training in mobile and wireless telecommunications.

The purchase price amounted to MGBP 7.6, of which MGBP 6.4 was paid in cash and MGBP 1.2 through newly issued shares in Hexatronic. There may be a possible additional purchase price of a maximum of MGBP 3 based on the EBITDA of the forthcoming three financial years. The acquisition was financed through a combination of a targeted new share issue and existing cash. The non-cash issue comprised 98,615 newly issued shares in Hexatronic.

### The acquisition of H Weterings Galgeweg BV. ('Weterings')

The acquisition of Weterings took place as a share transfer, see Note 36. The acquisition was completed on 1 July 2021 and has subsequently been consolidated. Weterings manufactures a wide range of high-quality ducts and hoses used, for example, as cable protection in the FTTH market and irrigation solutions in the agricultural market.

The purchase price amounted to MEUR 5.7, of which MEUR 4.6 was paid in cash and MEUR 1.1 through newly issued shares in Hexatronic. There may be a possible additional purchase price of a maximum of MEUR 2.8 based on the EBITDA of the forthcoming two financial years. The acquisition was financed through a combination of a targeted new share issue and senior bank loan.

The non-cash issue comprised 76,921 newly issued shares in Hexatronic.

### The acquisition of Optical Solutions Australia Group Pty Ltd and The Fiber Optic Shop Pty Ltd ('OSA and FOS')

The acquisition of OSA and FOS took place as a share transfer, see Note 36. The acquisition was completed on 2 August 2021 and has subsequently been consolidated. OSA is a value-creating distributor of a wide range of telecoms products, and FOS designs, manufactures and distributes fiber optic products.

The purchase price amounted to MAUD 50.0, of which MAUD 45.3 was paid in cash and MAUD 4.7 through newly issued shares in Hexatronic. There may be a possible additional purchase price of a maximum of MAUD 6.8 based on the EBITDA of the forthcoming three financial years. The acquisition was financed through a combination of a targeted new share issue and senior bank loan. The non-cash issue comprised 209,921 newly issued shares in Hexatronic.

### The acquisition of REHAU Telecom ('REHAU')

The acquisition of REHAU took place via an asset deal, see Note 36. The acquisition was completed on 1 October 2021 and has subsequently been consolidated. REHAU is a high-quality manufacturer of microducts and accessories for telecom applications, primarily for the German market.

The purchase price was MEUR 41.5 and was paid in cash. There may be a possible additional purchase price of a maximum of MEUR 6 based on the EBITDA of the 2021 and 2022 financial years. The acquisition was financed through a senior bank loan.

## Multi-year comparison, Parent Company

| MSEK | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Net sales | 18.7 | 18.6 | 19.0 | 27.2 | 22.2 |
| Result after financial items | -23.2 | -55.1 | -64.3 | -34.2 | -14.6 |
| Result after financial items as a percentage of net sales | -124.1 % | -296.6 % | -338.9% | -125.7% | -65.8% |
| Total assets | 2,966.8 | 1,296.9 | 896.3 | 787.6 | 406.6 |
| Equity asset ratio | 32.2% | 20.4% | 25.0% | 25.1% | 48.7% |

### The acquisition of Data Center Systems ('DCS')

The acquisition of DCS took place as a share transfer, see Note 36. The acquisition was completed on 1 October 2021 and has subsequently been consolidated. DCS supplies complete fiber optic solutions for the American data center market. The purchase price was MUSD 20.5 and was paid in cash. There may be a possible additional purchase price of a maximum of MUSD 2.7 based on the EBITDA of the forthcoming three financial years. The acquisition was financed through a senior bank loan.

## Legal processes

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

## The Group's financial goals

### Profitability

The EBITA margin (earnings before amortisation of intangible assets) should be at least 10% on a rolling 12-month basis. The EBITA margin for 2021 was 11.3%.

The Board of Directors has adjusted the profitability target as of 2022, with an EBITA goal (earnings before amortisation of intangible assets) of at least 12% over a business cycle.

### Growth

The Group shall grow more than its market organically. Annual growth of at least 20%. The growth expect to be both organic and acquisition-driven. Growth in 2021 was 68% compared to the previous financial year.

The Board has adjusted the growth target from 2022 to an annual growth rate of at least 20 percent over a business cycle.

### Outlook for the upcoming accounting year

The Group will continue to work with its customers and upcoming projects, where the Group's added value as a competent systems and product supplier constitutes a competitive edge. The Group's largest and predominant area is systems and products for broadband communication, primarily for fiber optic networks.

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

The COVID-19 pandemic has affected us and continues to do so through higher material prices, cargo prices and, to some extent, a shortage of raw materials and transport. The Russian invasion of Ukraine has a very minor direct impact on Hexatronic, but it is expected to result in secondary effects similar to the COVID-19 pandemic. We are managing this through price increases to customers and by increasing our inventories to meet customers' needs. We believe these effects will continue to impact us in 2022.

## Sustainability Report

In accordance with chap. 6, §11 of Sweden's Annual Accounts Act, Hexatronic Group AB has chosen to produce its Sustainability Report as a separate report from the Annual Report. The Sustainability Report can be found on pages 36–53 of this printed document.

### Environment

#### Environmental impact

The Group has operations in the following companies that require notification under the Environmental Code.

Hexatronic Cables & Interconnect Systems AB, with operations in Hudiksvall, has had a licence from the county administrative board in accordance with the Environmental Code since 15 January 2001 with a change in terms for noise from 5 April 2005. Industry codes: 31.60 and 63.10.

## Key figures for the Group

| MSEK | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Growth in net sales | 68% | 13% | 15% | 23% | 26% |
| EBITA margin | 11.3% | 9.8% | 7.4% | 7.2% | 10.3% |
| Operating margin | 10.2% | 8.5% | 5.8% | 5.8% | 9.4% |
| Equity asset ratio | 34.9% | 33.3% | 38.3% | 37.9% | 53.4% |
| Earnings per share before dilution (SEK) | 6.60 | 3.38 | 1.81 | 1.63 | 2.50 |
| Earnings per share after dilution (SEK) | 6.47 | 3.37 | 1.80 | 1.62 | 2.38 |
| Result per employee (SEK thousand) | 251 | 187 | 114 | 115 | 241 |
| Quick asset ratio % | 97% | 91% | 88% | 95% | 130% |
| Average number of employees | 1,007 | 678 | 588 | 517 | 376 |
| Number of shares at period end | 39,965,330 | 37,661,430 | 37,183,825 | 36,511,825 | 36,171,677 |
| Average number of shares before dilution | 38,349,928 | 37,480,163 | 37,127,825 | 36,278,940 | 36,148,508 |
| Average number of shares after dilution | 39,098,226 | 37,563,322 | 37,217,336 | 36,676,240 | 37,942,528 |

The licence has limits for permitted production volumes of cable as well as conditions relating to emissions to air and water, waste and chemical management, and noise.

The conditions are monitored annually and reported to Hudiksvall Municipality's Norrhälsinge environmental department, which is the supervisory body. The company also engages in good, regular dialogue with the environmental department to discuss and follow up any environmental issues the company is working on.

The environmental conditions are deemed to have been met, however the operation has initiated a new licence process because the forecast production volumes have increased dramatically. The results of other measurements carried out fall within the guidelines linked to the licence.

#### Environmental management

The operation in Hudiksvall has had ISO 14001 environmental certification since 1997. It is also certified for quality to ISO 9001, and health and safety to ISO 45001. A follow-up review was conducted by Intertek in May 2021 and no deviations were noted.

Waste, transport and energy consumption are important environmental aspects for the company.

The Swedish companies are covered by the Act (2014:266) on Energy Audits in Large Enterprises. The first part of the energy audit was reported in 2017 and the rest in 2018, which means that the requirement for the current four-year period has been met. A new energy audit was initiated in 2021 and is scheduled for completion in 2022.

The audit is part of the operation's active work to save energy, which has been ongoing for several years and leads to lower energy consumption.

## The Board's proposed guidelines for remuneration to senior executives and Board Members

### Scope

These guidelines encompass the Executive Management of Hexatronic Group AB (publ) ('Hexatronic') and the company's Board Members to the extent that remuneration, other than that decided at the AGM, is paid to Board Members. Executive Management refers to the CEO, Deputy CEO, CFO and other members of the Executive Management. Other members of the Executive Management refers to people who are part of the management team and managers who are directly subordinate to the CEO. In the company's case, the managers who are directly subordinate to the CEO are the Deputy CEO, CFO, Logistics Director, Business Development Director, Digital Marketing Officer and Presidents of subsidiaries.

The guidelines are prospective and shall be applied to remuneration that is agreed, and to changes made to already agreed remuneration, after the guidelines are adopted by the 2022 AGM. The guidelines do not cover remuneration decided by the general meeting of shareholders.

As regards employment conditions that comply with rules that are not Swedish, appropriate adaptations may be made to follow mandatory such rules or set local practices, whereby the overall objectives of these guidelines are met as far as possible.

### Promoting the company's business strategy, long-term interests and sustainability

The company strives for greater global presence, where Hexatronic's products and solutions are connected in more and more systems. The company's business concept is with smart, reliable product and system solutions for passive fiber infrastructure to accelerate the digital transformation for the benefit of businesses, individuals and society at large.

Successful and sustainable implementation of the company's business strategy in the long run requires the company to be able to recruit and retain qualified employees. For this the company must be able to offer competitive remuneration. These guidelines make it possible to offer senior executives a competitive total remuneration package.

Variable cash payments covered by these guidelines should also aim to promote the company's business strategy and long-term interests, including its sustainability.

### Remuneration to senior executives

#### Forms of remuneration etc.

Hexatronic shall offer total compensation at market rates to facilitate the recruitment and retention of qualified senior executives. Remuneration from Hexatronic should be based on the principles of performance, competitiveness and fairness. Remuneration to senior executives shall comprise fixed remuneration, variable remuneration, share and share price-based incentive programmes, pension and other benefits. Variations in the remuneration principles are permitted where they are justified by local conditions.

Fixed remuneration shall take into account the individual's experience and areas of responsibility. Fixed salaries shall be reviewed annually. Variable remuneration may be up to 50% of the annual fixed salary for members of the Executive Management. Variable cash payments covered by these guidelines should aim to promote the company's business strategy and long-term interests, including its sustainability, by having a clear link to the business strategy or promoting the senior executive's long-term development, for example.

It must be possible to measure whether or not the criteria for variable cash payments have been met over a period of one year. Variable remuneration shall be linked to pre-determined, quantifiable criteria, established with the aim of promoting the company's long-term value creation. When the measurement period for meeting the criteria for variable cash payments has ended, it must be judged/established to what extent the criteria have been met. The Remuneration Committee is responsible for the assessment regarding variable cash payment to the CEO. As regards variable cash payments to other senior executives, the CEO is responsible for the assessment. Financial goals shall be assessed based on the latest financial information published by the company.

#### Pension

For the CEO and other senior executives, pension benefits shall be based on how much is paid in, i.e. the pensions are defined contribution plans.

The pension contributions for the CEO's defined contribution pension can be up to 30% of the pensionable salary. The retirement age for other senior executives varies between 60 and 67 years and the pension contribution can be up to 30% of the pensionable salary. Variable cash payments shall not be pensionable.

Other benefits may include life assurance, health insurance and car benefits, for example. Such benefits shall not account for a material portion of the total remuneration.

**Cash payment**

Additional cash payments may be made in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and are only made at an individual level, either with the aim of recruiting or retaining senior executives, or as remuneration for extraordinary work efforts beyond the person's regular work duties. Such remuneration shall be professionally motivated, proportionate to the individual's fixed salary and shall not be paid more than once a year per individual. Decisions about such remuneration shall be made by the Board on the proposal of the Remuneration Committee.

In addition the AGM can, if agreed, offer long-term incentive programmes, such as share or share price-related remuneration or incentive programmes. Such long-term incentive programmes are agreed by the general meeting of share holders and are therefore not covered by these guidelines.

**Criteria for paying variable remuneration etc.**

Variable remuneration shall be linked to pre-determined, quantifiable criteria that may be financial or non-financial. It must be possible to measure whether or not the criteria for short-term variable remuneration have been met over a period of one year. The criteria may also comprise individually adapted quantitative or qualitative goals. The criteria for both short-term and long-term variable remuneration shall be structured so that they promote the company's business strategy and long-term interests, including its sustainability, by having a clear link to the business strategy or promoting the senior executive's long-term development, for example.

When the measurement period for meeting the criteria for variable remuneration has ended, it must be established to what extent the criteria have been met. The Remuneration Committee is responsible for carrying out this assessment. As regards financial goals, the assessment shall be based on the latest financial information published by the company.

By law or in accordance with agreements and subject to the resulting limitations, the Board shall be able to wholly or partially reclaim variable remuneration paid out on false grounds.

## Remuneration to Board Members

Remuneration to Board Members for their work on Hexatronic's Board of Directors is determined by the general meeting of shareholders. Board Members are only entitled to receive such fees as agreed by the general meeting of shareholders. Additional remuneration may, however, be paid for services carried out by Board Members for Hexatronic within their respective areas of expertise, provided that said service is outside of what is considered to be the normal assignment for Board Members. Such remuneration shall be at market rates and settled in a consultancy agreement approved by the Board.

## Terms of employment

**Salary and terms of employment for employees**

When drafting the Board's proposal for these remuneration guidelines, the salary and terms of employment for the company's employees were taken into account by using information about employees' total remuneration, components of the remuneration, increases in remuneration and the rate of increase over time as part of the basis for the Remuneration Committee and Board's decision when evaluating the fairness of the guidelines and the resulting limitations.

**Termination of employment**

A notice period of six (6) months shall apply if the CEO resigns. No severance pay shall be forthcoming.

If employment is terminated by the company, the notice period for the CEO may be up to twelve (12) months. Severance pay is only paid from the CEO's 50th birthday and then amounts to one month's salary for each year over 50 when the CEO is given notice. For example, if the CEO is given notice at the age of 51, the severance pay will amount to one (1) month's salary, and at the age of 52 it amounts to two (2) months' salary, etc. No deductions are made from severance pay for other income.

There is a mutual period of notice of a minimum of three (3) and a maximum of twelve (12) months between the company and other senior executives. No severance pay shall be forthcoming.

Furthermore, remuneration for restraint-of-trade obligations will be paid to the CEO and other senior executives alike when employment is terminated with the aim of compensating for any loss of income.

For the CEO, such remuneration is only paid to the extent that they are not entitled to severance pay.

The remuneration shall be the difference between the fixed cash salary at the time of termination and any lower income earned in the new business, but up to 60% of the fixed cash salary. Remuneration shall be paid for the time the restraint-of-trade obligation applies, which shall be up to 6 months after termination of employment.

## Decision-making process, changes and deviations etc.

**The decision-making process for establishing, reviewing and implementing the guidelines**

The entire Board constitutes the Remuneration Committee. The Committee's duties include drafting the Board's decisions on proposed guidelines for remuneration to senior executives. The Board shall draw up proposals for new guidelines at least every four years and present the proposal at the AGM for a decision. The guidelines shall apply until new guidelines have been adopted by the general meeting of shareholders. The Remuneration Committee shall also monitor and evaluate programmes for variable remuneration for the Executive Management, the application of the guidelines for remuneration to senior executives, as well as applicable remuneration structures and remuneration levels in the company. The members of the Remuneration Committee are independent of the company and Executive Management. When the Board deals with and decides on remuneration-related issues, the CEO or other members of the company management are not present to the extent that they are affected by the issues.

**Deviating from the guidelines**

The Board may temporarily deviate from the guidelines, wholly or partially, in individual cases, if there are special reasons for doing so and a deviation is necessary in order to satisfy the company's long-term interests, including its sustainability, or to safeguard the company's financial strength. As stated above, the Remuneration Committee's duties include drafting the Board's decisions on remuneration issues, which includes decisions on deviating from the guidelines.

## Parent Company

The Parent Company's operation focuses entirely on Group-wide services in management, economics, finance, IR, business development and logistics.

The Parent Company's net sales during the financial year amounted to MSEK 18.7 (18.6) and result for the year amounted to MSEK 45.6 (11.2).

Net financial income/expense was MSEK 44.9 (-10.7) and liquid assets amounted to MSEK 375.0 (35.0) at year-end. The number of employees was 16 (12) at year-end. The Parent Company does not run any of its own operations and its risks can mainly be attributed to the operations in its subsidiaries.

## The Board's proposed dividend

As the Board of Directors proposes that the AGM on 5 May 2022 decides on a dividend of SEK 0.50 per share, the Board must hereby submit the following statement in accordance with chap. 18 §4 of Sweden's Companies Act.

The Board finds that full coverage exists for the Parent Company's restricted equity after the proposed dividend. The Board also finds that the proposed dividend is justifiable taking into account the parameters stated in chap. 17 §3, second and third paragraphs of Sweden's Companies Act.

The Board would thereby like to draw attention to the following. The proposed dividend reduces the Parent Company's equity ratio from 32.2% to 31.8% and the Group's equity ratio from 34.9% to 34.7%, calculated on 31 December 2021.

The Board considers this equity ratio to be satisfactory taking into account the industry in which the Group operates. In the Board's view, the proposed dividend will not affect the Parent Company and Group's ability to meet their payment obligations, and the Company and the Group are well prepared to manage changes relating to liquidity and unexpected events. The Board considers that the Company and the Group have a basis for taking future business risks and bearing possible losses too.

The proposed dividend is not expected to have an adverse impact on the Company and Group's ability to make further commercially motivated investments in line with the Board's plans.

In addition to that stated above, the Board has considered other known circumstances that may be important to the Company's and Group's financial position. No circumstances have emerged during this process to prevent the proposed dividend from appearing to be justifiable. The Board's assessment is that the Company and Group will have sufficient equity after the proposed dividend in relation to the nature, scope and risks of the operation.

| **The following funds are at the Parent Company's disposal** | **SEK** |
|---|---|
| Share premium reserve | 890,381,972 |
| Result brought forward | 67,435 |
| Result for the year | 45,563,308 |
| **Total** | **936,012,714** |

| **The Board of Directors proposes that the profits be appropriated as follows:** | **SEK** |
|---|---|
| SEK 0.50 per share to be distributed to shareholders [1] | 19,982,665 |
| To be transferred to result carried forward | 916,030,049 |
| **Total** | **936,012,714** |

1) The proposed record date for dividends is 9 May 2022.

# Risks and risk management

**Like all business activities, Hexatronic's operations are associated with risks of various kinds. Continuously identifying and assessing risks is a natural and integral part of the operation, enabling the company to control, mitigate and manage prioritized risks in a proactive manner.**

The Group's ability to map and prevent risks minimises the risk of unforeseeable events occurring and having a negative impact on the operation. The goal of risk management is not necessarily to eliminate the risk, but rather to secure our business goals with a balanced risk portfolio. Another purpose of risk assessment is to increase the whole organization's risk awareness, both among operational decision-makers and Board Members.

Hexatronic's Board of Directors has the ultimate responsibility for the company's risk management. Risks related to business development and long-term strategic planning, as well as the Group's work on sustainability issues and related risks, are managed by the Executive Management and finally prioritized by the Board. The Group's central finance function is responsible for prioritising and managing financial risks, including exposure to exchange rate fluctuations.

Hexatronic has a central function which is responsible for and ensures that the Group has adequate insurance cover for insurable risks. The Group's code of conduct and various more specific policies form the basis of the ongoing operational risk management, which is dealt with at all levels in the organization.

A number of risk areas have been identified in Hexatronic's risk management process. For a more detailed compilation of the financial risks, please see Note 4.

Hexatronic has divided identified risks into operational risks, market risks and financial risks.

## Operational risks

Operational risks are closer to the company in terms of its ability to influence them. This is also why in several cases, risk management is dealt with via internal regulations with policies, guidelines and instructions. Operational risks are part of the day-to-day work and are managed by the operational units. Operational risks refer for instance to risks related to the brand, relocation of purchasing and production, insurable risks, and various kinds of sustainability risk. The Sustainability Report can be found earlier in this printed document.

| Risks | Risk management |
|---|---|
| **Customer structure** | |
| Too high dependence on large customers. There is a risk that large customers choose alternative suppliers.<br>The Group's three largest customers together account for roughly 20% of the Group's sales. | The Group has continued to broaden its customer structure as it becomes more international.<br>Dependence on the largest customers is gradually decreasing as the Group gains more customers from acquisitions, and due to a sharper focus on customer orientation and system solutions. |
| **Product responsibility, intellectual property rights and legal disputes** | |
| Hexatronic's system solutions and products are vital components in customers' products. Faults could lead to worsened customer relations and claims for legal damages. Hexatronic's intellectual property rights risk being infringed upon.<br>There is also a risk that Hexatronic's products infringe upon the intellectual property rights of others. | The Group has adequate insurance cover, and every company in the Group has its own standard insurance solutions in place. This work is carried out in consultation with external advisors.<br>Intellectual property rights are monitored and controlled in consultation with external advisors.<br>The provision for future guarantee obligations is assessed continuously. |
| **Serious disruption to production** | |
| Damage at production plants, caused for instance by fire or an interruption in some part of the production process, can have negative consequences, whether from direct damage to property or from interruptions that affect the company's ability to deliver on its commitments to customers. This in turn could cause customers to choose another supplier.<br>At present the Group has 14 production plants which it runs under its own management. In addition the Group has contracts with third-party manufacturers in China and Korea. | The Group has adequate insurance cover, and every company in the Group has its own standard insurance solutions in place.<br>Risk assessment and auditing take place in consultation with external advisors. |

| Risks | Risk management |
|---|---|
| **Acquisition and integration**<br>Making an acquisition entails a risk. It could have an adverse impact on the acquired company's relations with customers, suppliers and key persons, and on sustainability-related issues. There is also a risk that integration processes could be more costly or more time consuming than expected, and that acquisition synergies fail to materialise, whether in part or in full. | All potential acquisitions and their operations are closely scrutinised before an acquisition is made. There are well-established processes and structures for pricing, acquiring and integrating acquired companies. In the acquisition contract, the Group strives to attain the necessary guarantees to mitigate the risk of unknown obligations. |
| **Key personnel/skills**<br>The ability to attract and retain qualified personnel and senior executives is absolutely crucial to Hexatronic's continued survival. Hexatronic is particularly dependent on senior executives and on certain personnel in the development, purchasing and sales departments.<br>If Hexatronic cannot attract or retain qualified personnel, this could adversely affect its operations, results and financial position. | Hexatronic is an attractive employer with low rates of sick leave and personnel turnover.<br>By promoting career development and other development opportunities for individual employees, and by offering competitive market rates of pay, the Group assures its ability to attract the right human resources, and to retain them long-term because they enjoy and can thrive in Hexatronic's corporate environment. |
| **Serious working environment accident**<br>Working environment accidents can lead to employees being seriously or in the worst case fatally injured. This can lead to loss of production, a lack of skills, financial penalties, damage to the brand and lower profits. | A safe working environment is a prioritized sustainability issue.<br>Systematic health and safety work in accordance with the companies' management systems and prevailing legislation helps to minimise this risk. |
| **Serious environmental accident**<br>Serious environmental incidents linked to Hexatronic's operations can have significant effects on the local environment, and can lead to financial penalties and a damaged brand.<br>The Group's responsibility for environmental damage, whether known or unknown, could have a negative impact on the Group's operations, results and financial position. | Systematic environmental work in accordance with the companies' management systems and prevailing legislation helps to minimise the risk of environmental accidents.<br>Also see 'Acquisition and integration'. |
| **Natural disasters**<br>Extreme climate-related weather events such as hurricanes, floods and wildfires could lead to disruptions to production and damage to the Group's property and that of critical suppliers. This could have an adverse impact on Hexatronic's results and financial position. | See 'Serious disruption to production' above. |
| **Shortcomings in gender equality and diversity, and discrimination**<br>Shortcomings in gender equality and diversity, and discrimination can lead to a negative corporate culture, a high rate of personnel turnover, personal suffering and lower profitability. | Diversity and gender equality is a prioritized sustainability area. Hexatronic's diversity and gender equality policy, and an action plan against discrimination and degrading treatment, as well as regular training/information, aim to minimise the risks. |
| **Serious deviation from the Code of Conduct for suppliers**<br>Hexatronic's Code of Conduct for suppliers has been produced to ensure a sustainable supply chain, and is based on the UN Global Compact's ten principles for responsible enterprise. The discovery of a serious deviation from the code could lead to damage to nature or personal injury, damage to the brand and a decline in customer loyalty. | Achieving a sustainable supply chain is a prioritized sustainability issue.<br>To minimise the risk of non-compliance with Hexatronic's Code of Conduct for suppliers, there is ongoing dialogue and follow-up and evaluation of our suppliers. |
| **Human trafficking**<br>The risk of human trafficking is primarily linked to suppliers in high-risk countries. One general risk area in business is the occurrence of purchasing sex on business trips, and at trade fairs and conferences. The link to trafficking can lead to crime against human rights, damage to the brand, corruption and a negative impact on the financial results. | For information about how we deal with this issue, refer to Hexatronic Group – Modern Slavery Act Statement and our internal Code of Conduct. |
| **Bribery and corruption**<br>The primary risk areas linked to bribery and corruption in Hexatronic's operations can be found in functions such as sales, purchasing and corporate entertainment. Serious fraud can lead to a negative effect on profits, damage to the brand and a loss of market share. | Strong business ethics is a prioritized sustainability issue. The Group's internal Code of Conduct and the Code of Conduct for suppliers, the Business Code of the Swedish Anti-Corruption Institute, and ongoing dialogue regarding risks and ethical dilemmas all contribute to minimising the risks.<br>A whistleblower system is in place to enable people to highlight serious anomalies, anonymously. |
| **Information and IT**<br>Hexatronic relies on IT systems for its daily operations. Disruptions caused by errors or cyber-attacks could have a negative effect on production and other important business areas. Disruptions in the financial systems may affect the company's ability to report results. Data breaches may lead to unauthorized access, information leakage or loss of data. | Data security is of high priority to Hexatronic and is an area where investments are being made. Hexatronic believes that a key factor when it comes to cyber security is to educate its employees. Hexatronic has a governing framework for IT and data protection that is adopted by the Board of Directors and Group management. |

## Market risks

Hexatronic works continuously to assess and evaluate the risks which the company might face.

| Risks | Risk management |
|---|---|
| **Products** | |
| Parts of Hexatronic are dependent on the organization's ability to develop and market new products and services in line with the rest of the market. There are risks linked to the Group's ability to develop new products and services, and to commercialise them successfully.<br>An inability to adapt the operation to technological shifts could cause the Group's products and services to become obsolete, which could have an adverse impact on sales and Group profits, thereby also increasing development costs. | Close cooperation with the largest customers and potential customers in the field of product development is tremendously important.<br>Hexatronic is constantly developing its offering so that it can offer more complete system deliveries in the future, primarily based on in-house development, production, and innovative Swedish design and quality. The company believes that this will facilitate longer-lasting customer relations and higher margins, while also helping the Group's other partners to become more competitive. |
| **Competitors** | |
| Hexatronic conducts its business on a competitive market. This entails an ever-present risk that customers may prefer a competitor's products above the ones that Hexatronic currently offers and will offer in the future.<br>Increased competition can also impact negatively on Hexatronic's margins. | Hexatronic has a strong position on the market for fiber optic communication solutions. Hexatronic has a competitive edge thanks to in-house product development and manufacturing, as well as sales of system solutions. |
| **The economy in general** | |
| Hexatronic is dependent on macroeconomic conditions, as well as the growth and financial development of its largest customers.<br>A general decline in the economy would primarily have consequences for customers' willingness to invest, and this in turn could lead to weaker sales of Hexatronic's products and services. | Hexatronic's increasingly broad customer base reduces the Group's risk of being affected by a weak economic trend in individual regions or areas around the world. |
| **An increasingly uncertain world** | |
| Geopolitical instability and a pandemic like COVID-19 create uncertainty and could impact adversely on Hexatronic's operations, results and financial position.<br>The consequences of these events could mean closed national borders and, therefore, worse delivery opportunities both from suppliers and to customers. | As a supplier to the telecom industry, Hexatronic's operations are deemed to be critical in several parts of the world.<br>The choice of suppliers and distribution chains is central here in minimising the risk linked to greater uncertainty in the wider world.<br>Hexatronic has effective action plans in place to minimise the risk of its personnel being infected. |
| **Stakeholders' climate requirements** | |
| Investors and customers are increasingly demanding powerful efforts to reduce emissions of greenhouse gases along the entire supply chain. If Hexatronic is unable to live up to these expectations, this could in the long run lead to poorer customer relations and lower competitiveness, and to lost customer contracts in the longer term. | Low climate impact is a prioritized sustainability area. By auditing our emissions, drafting a plan for how Hexatronic can contribute to the 1.5°C target and maintaining a dialogue with customers, suppliers and personnel, we will reduce our emissions. |

## Financial risks

Management of financial risks at Hexatronic is centralised to the Group's finance department, which conducts its business within set risk mandates and limits. Risks are managed according to guidelines in the Group's policies and regulations within each specific area. All policies and regulations regarding financial risks are updated and adopted annually by the Board of Directors.

Read more about accounting policies, risk management and risk exposure in Notes 1 and 4.

| Risks | Risk management |
|---|---|
| **Foreign exchange risk** | |
| Fluctuations in exchange rates run the risk of burdening Hexatronic's financial situation, profitability and cash flow. Hexatronic is affected by exchange rate fluctuations through transaction exposure and translation exposure.<br>Transaction exposure arises when sales and purchases are made in several different currencies which are not the company's local currency. Translation exposure arises when the income statements, assets and liabilities of foreign subsidiaries are converted into SEK at the end of the year.<br>The Group has income and expenses primarily in SEK, USD, EUR, NZD, GBP, NOK and AUD, and also to a lesser extent in other currencies. | In order to minimise foreign exchange exposure, the Group works proactively on its foreign exchange risks. Some sales are hedged via foreign exchange clauses, sold on in the original currency or hedged by buying and selling in the same currency.<br>Hexatronic has a cash pool which includes the majority of the Group's companies. This means that exchange surpluses in various currencies can be used by the different Group companies in the cash pool without any currency exchange having to take place. |
| **Raw material price risk** | |
| Raw material price risk refers to ongoing fluctuations in the price of input goods from suppliers, and the effect this may have on Group finances. For the Hexatronic Group, fluctuations in the price of plastics and fiber are a main source of risk in this area. | Raw material price risk is managed through long-term supplier relations and contracts with secured volumes. |
| **Refinancing and liquidity risk** | |
| Refinancing risk refers to the risk of Hexatronic not being able to refinance its operations at the required time, or that such refinancing is only available on far less favourable terms.<br>Liquidity risk is the risk that Hexatronic is unable to meet its payment obligations due to a lack of liquid funds. | The central finance function continuously monitors Hexatronic's finances to ensure that it can meet the binding key figures linked to the company's loan facilities.<br>The Group's policy is to minimise the borrowing requirement by centralising surplus liquid funds via the Group's cash pool. |
| **Interest risk** | |
| Interest risk refers to the risk that the value of financial instruments varies due to changes in market interest rates, and also the risk that interest rate fluctuations affect the Group's borrowing costs. | Interest risk is managed by the Group's central finance function. One significant factor influencing interest risk is the duration of the fixed-interest term. |
| **Credit risk** | |
| Credit risk refers to the possibility that a party in a transaction with a financial instrument may not be able to meet its obligation.<br>The main credit risk is that the Group does not receive payment for accounts receivable. | The Group's customers are primarily large, well-established companies with good solvency, spread across several geographic markets. In order to mitigate the risks, the company's finance policy contains guidelines and regulations for credit checking new customers, payment terms, and processes and procedures for dealing with unpaid receivables. |

# Board of Directors



| | Anders Persson | Erik Selin | Helena Holmgren |
|---|---|---|---|
| **Position** | Chairman of the Board since 2016, Board Member and a member of the Remuneration Committee. | Board Member and a member of the Remuneration Committee. | Board Member, Chair of the Audit Committee and a member of the Remuneration Committee. |
| **Member since** | 2014 | 2014 | 2020 |
| **Year of birth** | 1957 | 1967 | 1976 |
| **Education** | MSc in Engineering Physics from Chalmers University of Technology, Gothenburg. | High School Economics. | MBA, Lund University and MBA, University of Ottawa. |
| **Other assignments** | Board Chairman of Coloreel AB and Board Member of Ferroamp Elektronik AB. | Board Chairman of K-Fast Holding AB, Brinova Fastigheter AB and Collector Bank AB. Board Chairman and President of Fastighets AB Balder. Board Member of Ernström & C:o AB and Hedin Bil. | Board Member of Profoto AB. |
| **Shares** | 51,000 shares.<br>Independent of the company, the company management and major shareholders. | 1,785,872 shares via part ownership of Chirp AB.<br>Independent of the company, the company management and major shareholders. | 3,500 shares.<br>Independent of the company, the company management and major shareholders. |



| | Frida Westerberg | Jaakko Kivinen | Per Wassén |
|---|---|---|---|
| **Position** | Board Member and a member of the Remuneration Committee. | Board Member and a member of the Audit Committee and Remuneration Committee. | Board Member and a member of the Remuneration Committee. |
| **Member since** | 2020 | 2018 | 2021 |
| **Year of birth** | 1975 | 1970 | 1961 |
| **Education** | MBA, Stockholm School of Economics and CEMS Master, Bocconi University. | MSc in Economics, Helsinki School of Economics and MBA, University of South Carolina. | MSc in Engineering Physics, Chalmers University of Technology, and MSc in Economics, School of Business, Economics and Law at the University of Gothenburg. |
| **Other assignments** | Group CEO European ID Security, Board Member of Ework Group, Vimian Group, Billogram and Market Art Fair, and industrial advisor to EQT. | Advisor to Accendo Capital. | Chairman ofES Energy Save Holding AB (publ) and Board Member of GU Venture AB. |
| **Shares** | -<br>Independent of the company, the company management and major shareholders. | 2,600 shares.<br>Independent of the company, the company management and major shareholders. | 3,000 shares.<br>Independent of the company, the company management and major shareholders. |

According to the Hexatronic Group Articles of Association, the Board of Directors shall comprise a minimum of three and a maximum of nine Board Members. The Hexatronic Board currently comprises six Board Members. The company's non-management CEO is not a member of the Board. The Board is domiciled in Västra Götaland County, Gothenburg Municipality. The Board Members have been elected to serve until the end of the 2022 AGM. The shareholdings given for each person above were true as of 31 December 2021.

# Executive Management



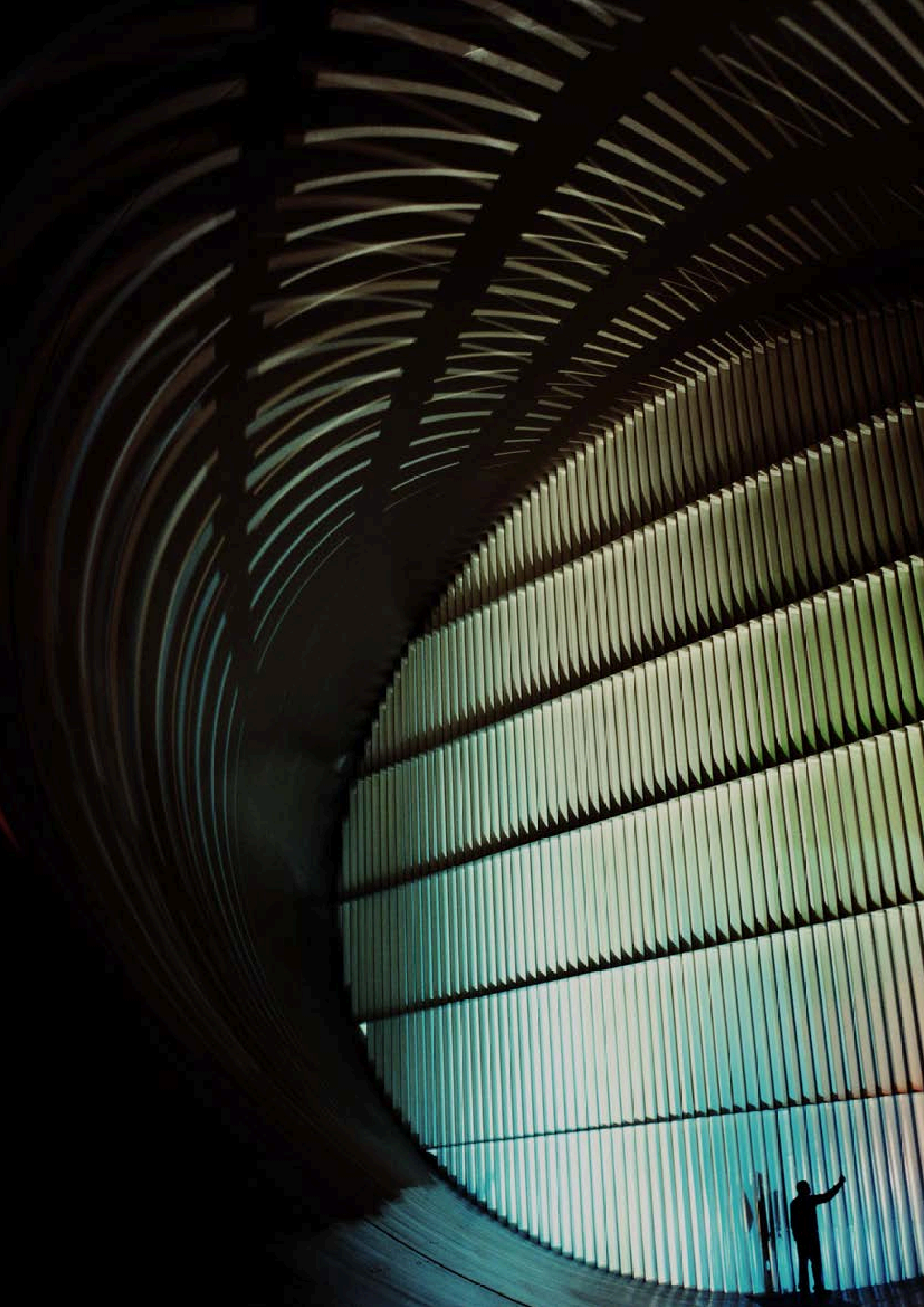

| | Henrik Larsson Lyon | Pernilla Lindén | Martin Åberg | Tomas Jendel |
|---|---|---|---|---|
| **Position** | CEO, Hexatronic Group AB | CFO, Hexatronic Group AB | Deputy CEO, Hexatronic Group AB | CTO, Hexatronic Group AB |
| **Member since** | 2014 | 2021 | 2014 | 2020 |
| **Year of birth** | 1966 | 1969 | 1981 | 1973 |
| **Education** | MSc in Economics. | BSc in Business Administration. | MSc in Applied Physics and MBA, also a Chartered Financial Analyst, IFL, Stockholm School of Economics. | MSc and Lic. Eng. in Vehicle Engineering. |
| **Shares** | 846,666 shares. | 2,464 shares. | 1,785,872 shares via part ownership of Chirp AB and 40,000 shares owned privately. | 540 shares. |





| | Anna Bailey | Lise-Lott Schönbeck | Magnus Angermund | Christian Priess | Håkan Bäckström |
|---|---|---|---|---|---|
| **Position** | Supply Chain Director, Hexatronic Group AB | DMO, Hexatronic Group AB | Head of Northern Europe, Hexatronic Group AB | Head of Central Europe, Hexatronic Group AB | CEO, Hexatronic Cables & Interconnect Systems AB |
| **Member since** | 2014 | 2020 | 2021 | 2019 | 2017 |
| **Year of birth** | 1969 | 1972 | 1968 | 1970 | 1966 |
| **Education** | MSc in Industrial Economics. | MSc in Engineering Physics and Chemistry. | High School Electrical/ Telecom Engineering, IHM, IFL Executive Management Program. | MSc International Business, IMD MBA. | MSc in Mechanical Engineering, focus on industrial economics, also Managing Industrial Operations (IMOP). |
| **Shares** | 7,000 shares. | 435 shares and 6,000 warrants. | 32,062 shares. | 35,000 warrants. | 100,400 shares. |

The Group's Executive Management holds monthly meetings.
The shareholdings given for each person above were true as of 28 February 2022.



# Corporate governance report

# Corporate governance report

Hexatronic Group's corporate governance is mainly regulated by the Swedish Companies Act and other Swedish legislation, by Nasdaq Stockholm's rules for issuers, the EU's market abuse regulation and the Swedish Corporate Governance Code ('the Code').

The Code, which can be viewed at www.bolagsstyrning.se, applies to all Swedish companies whose shares are admitted for trading on a regulated market in Sweden. Hexatronic Group has applied the Code as of 18 December 2015, when the Hexatronic Group's shares were admitted for trading on Nasdaq Stockholm. The Corporate Governance Report for 2022 describes Hexatronic Group's corporate governance, management and administration, as well as its internal control for financial reporting.

## Regulatory compliance

### External control systems

The external control systems that provide the framework for Hexatronic Group's corporate governance mainly comprise the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's rules, the Swedish Corporate Governance Code, the EU's market abuse regulation as well as other applicable regulations and legislation.

### Internal control systems

The Articles of Association adopted by the AGM and the documents adopted by the Board of Directors regarding the formal work plan for the Board of Hexatronic Group, instructions for the CEO, instructions for financial reporting and instructions for the Remuneration Committee and Audit Committee constitute the most important internal control systems. In addition, the Group has a number of policies and instructions with rules and principles for the Group's operations and employees.

### Deviations from the Code

Companies are not obliged to comply with all of the rules in the Code at all times, instead they may choose alternative solutions which they deem to be better suited to their circumstances provided that they report all deviations, describe the alternative solution and explain the reason for the deviation in the Corporate Governance Report (in accordance with the principle of 'comply or explain'). The company does not deviate from the Code in any respect.

## General meeting of shareholders

Under the Swedish Companies Act (2005:551), general meetings of shareholders are the company's highest decision-making body and shareholders can exercise their voting right at these meetings. Shareholders who are entered into the share register on the record day and have registered to attend the general meeting by the deadline stated in the notice to attend are entitled to participate in the meeting, either in person or through a representative. Decisions at general meetings of shareholders are usually made using a simple majority.

For certain issues, however, the Swedish Companies Act requires a minimum attendance for a quorum, or qualified majority voting. An Annual General Meeting (AGM) must be held within six months of the close of the financial year. Hexatronic Group's AGM is usually held in May.

The AGM decides on a number of mandatory issues in accordance with the Companies Act and Articles of Association, such as electing Board Members and the Chairman of the Board, electing auditors and deciding whether or not to adopt the income statement and balance sheet and approve the proposed appropriation of profits, and assessing whether the Board Members and CEO should be granted discharge from liability vis-à-vis the company. The AGM also decides, where appropriate, whether to adopt the principles for the Nomination Committee's appointments and work, and it decides on principles for remuneration and employment terms for the CEO and other senior executives. Shareholders can ask questions about the company and its results for that year at the AGM. Extraordinary general meetings may also be held in addition to the AGM.

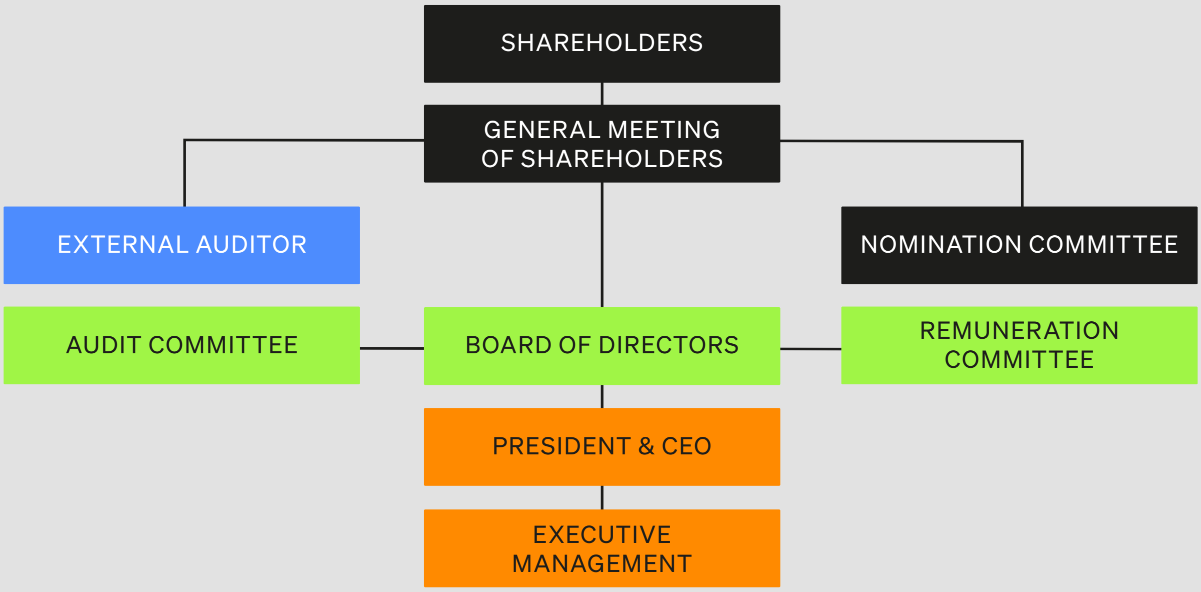
The company's AGMs are held in Gothenburg every calendar year before the end of June. According to the Articles of Association, the notice to attend the AGM shall be announced in the publication "Post- och Inrikes Tidningar" and on the company's website. An announcement that the notice to attend has been published shall appear in "Dagens Industri" at the same time. The Articles of Association have no special rules on appointing or dismissing Board Members or on amending the Articles of Association.

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

## Shareholders

Hexatronic Group's share was listed on the Nasdaq Stockholm Small Cap exchange on 18 December 2015. On 3 January 2022, the share was moved up to Nasdaq Stockholm Large Cap. The share capital on 31 December 2021 totalled SEK 2,031,266.20, divided between 40,625,330 shares; 39,965,330 of these were ordinary shares and 660,000 were Class C shares. Class C shares carry one-tenth of a vote. The number of shareholders on 31 December 2021 was 35,707. The biggest shareholders on this date were Handelsbanken Fonder (7.8%), Jonas Nordlund privately and via company (7.0%), Accendo Capital (6.7% of the share capital), Robur Västfonden

## Hexatronic Group's corporate governance structure




(5.9%), and Martin Åberg and Erik Selin via Chirp AB (4.5%). Further information about the share and shareholders is available on the company's website.

## Annual general meetings

### Decisions at the 2021 AGM

The following decisions were made at the AGM on 6 May 2021:

- The AGM adopted the annual accounts, appropriation of profits and discharge from liability for the Board and CEO.
- Re-election of Board Members: Anders Persson, Jaakko Kivinen, Erik Selin, Helena Holmgren and Frida Westerberg. New election of Board Members: Per Wassén.
- Election of registered public accounting firm Öhrlings Pricewaterhouse-Coopers as the company's audit firm with authorised public accountant Johan Malmqvist as the auditor in charge.
- To establish a performance-based long-term incentive plan (LTIP 2021) for senior executives and other key personnel within the Group who are resident in Sweden, and to issue a maximum of 300,000 Class C shares for delivery of any performance shares under LTIP 2021, and to secure any social expenses which may arise under LTIP 2021.
- To establish a long-term incentive programme (Warrant Programme 2021) to offer to senior executives and certain key personnel within the Group who are resident in and outside of Sweden through a targeted issue of a maximum of 475,000 warrants.
- The Board was authorised to make decisions on acquisitions and the transfer of a maximum of one-tenth of the company's own shares in accordance with the Board's proposal.
- The Board was authorised to decide, on one or more occasions and with or without the shareholders' preferential right, on the new issue of shares, warrants and/or convertibles amounting to up to 15 per cent of the registered share capital in the company.
- The remuneration report prepared by the Board was approved.
- The entire minutes from the 2021 AGM can be found at group.hexatronic.com.

### The 2022 AGM

The 2022 AGM will be held on Thursday 5 May 2022. For further information, visit the Hexatronic Group website (group.hexatronic.com).

## Nomination Committee

The Nomination Committee shall comprise four members and the Chairman of the Board shall be co-opted onto the Committee. The members shall be appointed by the company's four largest shareholders in terms of number of votes at the end of August, on the basis of a list of registered shareholders provided by Euroclear Sweden AB and other reliable information obtained by the company. Should the Chairman of the Board directly or indirectly be one of the four largest shareholders, the Chairman shall decline to nominate a member for the Nomination Committee.

Should shareholders decline to appoint members, the right to nominate members shall transfer to the shareholder with the next highest number of votes.

The Chair of the Nomination Committee shall be the largest shareholder in terms of votes at the time the Committee is appointed, unless the Nomination Committee agrees otherwise, and may not be the Chairman of the Board or another Board Member.

Should a member leave the Nomination Committee before its work is complete, the Committee shall appoint a new member in line with the above principles, but on the basis of Euroclear Sweden AB's printout of the share register as soon as possible after the member leaves their post.

Changes to the composition of the Nomination Committee shall be published immediately. Prior to the AGM, the Nomination Committee is tasked with proposing a Chairman of the Board and other Board Members, producing a reasoned opinion regarding the proposal, suggesting fees and other remuneration for Board assignments for each of the Board Members (including any remuneration for committee work), drawing up proposals for auditors and their fees and for someone to be Chair at the AGM and (where appropriate) proposing changes to Nomination Committee appointments. Furthermore, the Nomination Committee shall also judge the independence of the Board Members in relation to the company and major shareholders.

The composition of the Nomination Committee for the AGM is usually published on the company's website at least six months before the meeting. No remuneration shall be paid to members of the Nomination Committee. The company shall pay necessary and reasonable expenses that the Nomination Committee may incur within the framework of its work. The Nomination Committee's term of office shall end when the subsequent Nomination Committee has been announced.

## Nomination Committee ahead of the 2022 AGM

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

## Composition of the nomination committee

| Name | Representing | % of votes on 31 December 2021 |
|---|---|---|
| Staffan Ringvall | Handelsbanken Fonder | 7.80% |
| Jonas Nordlund | Himself | 7.00% |
| Mark Shay | Accendo Capital | 6.70% |
| Erik Selin | Chirp AB | 4.50% |

The Nomination Committee in the run-up to the 2022 AGM comprises Jonas Nordlund (representing: himself), Staffan Ringvall (Handelsbanken Fonder), Mark Shay (Accendo Capital), Erik Selin (Chirp AB) and Anders Persson (Chairman of the Board of Hexatronic Group) as a co-opted member. Staffan Ringvall (Handelsbanken Fonder) is Chairman of the Nomination Committee. The Nomination Committee has had four minuted meetings between the 2021 AGM and the date the Annual Report was submitted. As a basis for its proposals ahead of the 2022 AGM, the Nomination Committee has assessed whether the current composition of the Board is appropriate and meets the requirements placed on the Board as a result of the company's operations, position and general circumstances. The Nomination Committee has interviewed the company's Board Members and discussed the primary requirements that should be set for Board Members including the requirement for independent members, taking into account the number of Board assignments each member has in other companies.

When it comes to the composition of the Board, the diversity policy, along with relevant goals relating to this, has been applied as stipulated in rule 4.1 of the Corporate Governance Code, which has resulted in the Nomination Committee proposal to the AGM regarding the election of Board Members.

## Board of Directors

### Composition in 2021

The Board is tasked with managing the company's affairs on behalf of shareholders. According to the Articles of Association, Hexatronic Group's Board shall comprise a minimum of three and a maximum of nine members elected by the AGM for a term of office up to the end of the next AGM. At the AGM on 6 May 2021, Board Members Anders Persson, Erik Selin, Jaakko Kivinen, Helena Holmgren and Frida Westerberg were re-elected, and Per Wassén was elected onto the Board. There are no representatives of the Executive Management on the Board. Hexatronic Group's CEO and CFO sometimes participate in Board meetings, during which the CFO acts as the secretary for the Board. Other office personnel in the company take part in Board meetings to report on specific issues.

## Independence of the Board

Under the Code, the majority of Board Members elected at the AGM shall be independent of the company and its management. The Board Members' positions regarding independence are shown in the Board composition table. All current Board Members are independent of the company and its management. All of the members are also independent of the company's major shareholders. The company therefore meets the Code's requirements on independence.

## The Chairman of the Board's responsibilities

The Chairman of the Board leads and controls the Board's work and ensures that the activities are carried out efficiently. The Chairman of the Board ensures that the company complies with the Swedish Companies Act and other applicable laws and regulations, and that the Board is given the necessary training and improves its knowledge of the company. The Chairman monitors the business in close dialogue with the CEO, communicates shareholders' views to other Board Members and acts as a spokesperson for the Board. Furthermore, the Chairman of the Board is responsible for providing other Board Members with information and data to make decisions, and for ensuring that the Board's decisions are implemented. The Chairman is also responsible for ensuring that annual evaluations of the Board's work are carried out.

## The Board's responsibilities and work

The Board's duties are primarily regulated in the Swedish Companies Act and the Code. The Board's work is also regulated by the formal work plan, which is adopted annually by the Board. The formal work plan sets out the division of responsibilities between the Board, the Chairman of the Board and CEO and specifies procedures for the CEO's financial reporting. The Board also approves instructions for the Board's committees.

The Board's duties include drawing up strategies, business plans and budgets; submitting interim reports and accounts and approving policies and guidelines. The Board shall also monitor financial developments, safeguard the quality of financial reporting and control functions, and also evaluate the company's operations based on the goals and guidelines established by the Board. Ultimately the Board also makes decisions about major investments as well as organizational and operational changes in the company. The Chairman of the Board shall monitor the company's results in close collaboration with the CEO, and chair Board meetings. The Chairman of the Board is also responsible for ensuring that the Board evaluates its work annually and has sufficient information to carry out its work effectively. During the financial year, the Board had 26 Board meetings, 16 of which were per capsulam.

All of the Board meetings follow an agenda that has been set in advance. Attendance at the meetings is reported in the table further down. In 2021, the Board chiefly dealt with issues relating to the operations, acquisitions, financing, investments and other ongoing legal issues relating to reporting and the company.

## The Board's committees

The Board has two committees: the Remuneration Committee and the Audit Committee. The topics discussed at the committee meetings are reported either in writing or verbally. Each committee's work is carried out in accordance with written instructions and a formal work plan issued by the Board.

## Remuneration Committee

The Remuneration Committee is tasked with preparing issues relating to remuneration and other terms of employment for the CEO and other senior executives. This work includes proposing guidelines for dividing between fixed and variable remuneration and the relationship between results and compensation, the main terms for bonus and incentive programmes, terms for other benefits, pensions, notice periods and severance pay, as well as drawing up proposals for individual compensation packages for the CEO and other senior executives. The Remuneration Committee shall also monitor and evaluate the outcome of the variable remuneration and how the company complies with the guidelines for remuneration adopted by the AGM. The Remuneration Committee comprises the whole of the Board of Directors.

## Audit Committee

The Audit Committee is primarily tasked with ensuring that the Board's monitoring responsibilities are carried out regarding internal control, audits, internal audits, risk management, reporting and financial reporting, as well as preparing certain reporting and audit issues. The Audit Committee shall also review the processes and procedures for reporting and financial control. In addition, the Audit Committee shall monitor the auditor's impartiality and independence, evaluate the audit work and discuss coordination between external audits and internal work on internal control issues with the auditor.

## Present (total number of meetings)

| Member | Elected | Born | Board of Directors | Remuneration Committee | Audit Committee | Independent of the company | Independent of major shareholders | Fees [3] | Audit Committee fees [3] |
|---|---|---|---|---|---|---|---|---|---|
| Anders Persson (Chairman) | 2014 | 1957 | 26 (26) | 2 (2) | | Yes | Yes | 550,000 | |
| Erik Selin | 2014 | 1967 | 25 (26) | 2 (2) | | Yes | Yes | 250,000 | |
| Malin Frenning [1] | 2016 | 1967 | 6 (26) | 1(2) | | Yes | Yes | | |
| Jaakko Kivinen | 2018 | 1970 | 26 (26) | 2 (2) | 4 (4) | Yes | Yes | 250,000 | 50,000 |
| Helena Holmgren | 2020 | 1976 | 26 (26) | 2 (2) | 4 (4) | Yes | Yes | 250,000 | 75,000 |
| Frida Westerberg | 2020 | 1975 | 25 (26) | 2 (2) | | Yes | Yes | 250,000 | |
| Per Wassén [2] | 2021 | 1961 | 19 (26) | 1(2) | | Yes | Yes | 250,000 | |

1) Left position as Board Member at the AGM on 6 May 2021.
2) Elected Board Member at the AGM on 6 May 2021.
3) Fee decided for work from the 2021 AGM to the 2022 AGM.

The Audit Committee shall also assist the company's Nomination Committee in drawing up proposals for auditors and recommendations for auditor fees.

The Audit Committee at Hexatronic Group comprises two members: Helena Holmgren (Chair) and Jaakko Kivinen. The Audit Committee meets the requirements on accounting and audit expertise as stipulated in the Swedish Companies Act. The Audit Committee held four meetings during the 2021 financial year and the members' attendance at the meetings is shown in the table below.

## Evaluation of the Board's work in 2021

The Chairman of the Board is responsible for evaluating the Board's work. In 2021, all of the members took part in a survey. The results of the evaluation have been presented and discussed, in both the Board and the Nomination Committee. The evaluation focused on the Board's work in general and on the work of the members, Chairman and CEO.

## Auditor

The auditor is appointed at the AGM each year. The auditor reviews the company's and subsidiaries' financial reports and accounts as well as the Board and CEO's administration. The auditor participates in the Board meeting that deals with the year-end report. At that Board meeting, the auditor runs through, for example, the financial information and discusses the audit with the Board Members without the CEO and other senior executives present.

The auditor stays in contact with the Chairman of the Board, Audit Committee and Executive Management. Hexatronic Group's auditor shall review the Annual Report and consolidated financial statements for Hexatronic Group AB, as well as the administration of the Board and CEO. The auditor follows a review plan, which is discussed with the Audit Committee. Reporting has partly taken place during the course of the audit to the Audit Committee and partly when the year-end report is approved in its entirety for the Board. The auditor shall also participate in the AGM where he/she describes the audit work and findings in an auditor's report. In addition to the audit, the auditor has had certain audit-related consultancy assignments during the year, which have primarily related to tax consultancy and consultancy on accounting issues.

Öhrlings PricewaterhouseCoopers AB is responsible for auditing all of the Swedish subsidiaries in the Group and monitors the audits of other companies as part of the audit for the Group.

Öhrlings PricewaterhouseCoopers AB has been the company's auditor since 2013/14. Johan Malmqvist is the auditor in charge.

## CEO and other senior executives

The CEO is subordinate to the Board and responsible for the company's ongoing administration and day-to-day operations. The division of work between the Board and CEO is set out in the formal work plan for the Board and instructions for the CEO. The CEO is also responsible for preparing reports and compiling information from management ahead of Board meetings and reports back on material at the Board meetings. In accordance with the instructions for financial reporting, the CEO is responsible for financial reporting in Hexatronic Group and, as a result, must ensure that the Board is given sufficient information to be able to continuously evaluate the financial position of the company and Group.

The CEO keeps the Board updated about developments in Hexatronic Group's operations, sales development, Hexatronic Group's results and financial position, its liquidity and credit situation, important business events as well as any other event, circumstance or relationship that could be considered to be of material importance to the company's shareholders. Information about remuneration, share-related incentive programmes and terms of employment for the CEO and other senior executives can be found on the company's website.

## Internal control

The Board's responsibility for internal control is regulated in the Swedish Companies Act, the Annual Accounts Act (1995:1554) and the Code. Information on the most important elements of the company's systems for internal control and risk management relating to financial reporting shall be included in the company's Corporate Governance Report each year. The procedures for internal control, risk assessment, control activities and monitoring with respect to financial reporting have been designed to ensure reliable, comprehensive financial reporting and external financial reporting in accordance with IFRS, applicable laws and regulations and other requirements on companies listed on Nasdaq Stockholm. This work involves the Board, Audit Committee, Executive Management and other personnel.

## Control environment

The Board has established instructions and steering documents with the aim of regulating the division of roles and responsibilities between the CEO and the Board. The way in which the Board monitors and ensures the quality of the internal control is set out in the Board's

## Remuneration to auditors in 2021

| Name | MSEK |
|---|---|
| PWC | |
| Audit engagement | 3.0 |
| Audit business in addition to audit engagement | 0.3 |
| Tax consultancy | 0.3 |
| Other services | 0.6 |
| **Total** | **4.2** |

formal work plan and Hexatronic Group's finance policy. The control environment also includes the Board evaluating the operations' performance and results via monthly and quarterly report packages, which contain outcomes, budget comparisons, forecasts, operational objectives, strategic plans, investments, assessments and evaluations of financial risks as well as analyses of important financial and operational key metrics. Responsibility for presenting the report package to the Board, along with responsibility for maintaining an effective control environment and the ongoing work on risk assessment and internal control with regard to financial reporting, is delegated to the CEO. However, the Board is ultimately responsible for this.

## Information and communication

The company's steering documents for financial reporting chiefly comprise guidelines, policies and manuals, which are continuously updated and communicated to the employees concerned via relevant information channels. As regards external communications, there is an information policy with guidelines on how to publish information externally. The aim of the policy is to ensure that the company fulfils its requirements to provide the market with accurate and complete information.

## Monitoring, evaluation and reporting

The Board continuously evaluates the information provided by the Executive Management. It also receives regular updates about Hexatronic Group's development between Board meetings. Hexatronic Group's financial position, strategies and investments are discussed at each Board meeting.

The Board is also responsible for monitoring internal control and assessing the Group's risk management. This work includes, for example, ensuring that measures are taken to manage any shortcomings and monitoring proposed measures brought up in connection with the external audit.

## Internal audit

In accordance with the Swedish Corporate Governance Code, an evaluation shall be carried out during the year to examine the need for a special review function to ensure compliance with established principles, standards and other applicable laws relating to financial reporting

Taking into account the work carried out on internal control, the Board judged that there is not currently any need to introduce a special review function (internal audit function).

## Consolidated statement of comprehensive income

| Amounts in MSEK | Note | FINANCIAL YEAR 2021 | 2020 |
|---|---|---|---|
| **Operating income** | | | |
| Net sales | 5, 6, 15 | 3,491.6 | 2,080.8 |
| Other operating income | 7 | 33.2 | 14.4 |
| **Total** | | **3,524.8** | **2,095.1** |
| **Operating expenses** | | | |
| Raw materials and consumables | | -1,957.6 | -1,138.6 |
| Other external expenses | 8, 18 | -413.6 | -258.3 |
| Personnel costs | 10 | -661.3 | -420.5 |
| Other operating expenses | | -2.9 | -4.3 |
| Depreciation of tangible assets | 18, 19 | -95.6 | -68.7 |
| **Earnings before interest, taxes and amortisation (EBITA)** | | **393.8** | **204.8** |
| Amortisation of intangible assets | 17 | -38.7 | -27.5 |
| **Operating result** | | **355.1** | **177.3** |
| Financial income | 11 | 0.1 | 0.2 |
| Financial expenses | 12, 15 | -23.1 | -12.6 |
| **Net financial income and expense** | | **-23.0** | **-12.4** |
| **Earnings before taxes (EBT)** | | **332.1** | **164.9** |
| Income tax | 13 | -79.7 | -38.4 |
| **Net result for the year** | | **252.4** | **126.5** |
| **Attributable to:** | | | |
| Parent Company shareholders | | 253.1 | 126.5 |
| Non-controlling interest | | -0.7 | - |
| **Net result for the year** | | **252.4** | **126.5** |
| **Other comprehensive income:** | | | |
| **Items which can later be recovered in the income statement** | | | |
| Translation difference | | 97.5 | -82.2 |
| **Total comprehensive income for the year** | | **349.9** | **44.4** |
| **Attributable to:** | | | |
| Parent Company shareholders | | 350.6 | 44.4 |
| Non-controlling interest | | -0.7 | - |
| **Total comprehensive income for the year** | | **349.9** | **44.4** |
| Earnings per share before dilution (SEK) | 14 | 6.60 | 3.38 |
| Earnings per share after dilution (SEK) | 14 | 6.47 | 3.37 |

The notes on pages 86 to 127 are an integral part of the Annual Report and consolidated financial statements.

# Consolidated balance sheet

| Amounts in MSEK | Note | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| **Intangible assets** | | | |
| Capitalised development expenditure | 17 | 15.4 | 6.5 |
| Goodwill | 17 | 1,064.5 | 389.5 |
| Customer relations | 17 | 249.9 | 88.8 |
| Trademarks | 17 | 55.5 | 63.5 |
| **Total intangible assets** | | **1,385.2** | **548.4** |
| **Tangible assets** | | | |
| Lands and buildings | 19 | 178.0 | 34.8 |
| Plant and machinery | 19 | 414.3 | 166.3 |
| Equipment, tools, fixtures and fittings | 19 | 95.1 | 35.1 |
| **Total tangible assets** | | **687.3** | **236.2** |
| Right-of-use assets | 18 | 384.5 | 204.9 |
| **Financial assets** | | | |
| Other non-current receivables | | 1.8 | 2.1 |
| **Total financial assets** | | **1.8** | **2.1** |
| **Total non-current assets** | | **2,458.9** | **991.5** |
| **Current assets** | | | |
| **Inventories** | | | |
| Raw materials and consumables | | 268.6 | 113.3 |
| Products in progress | | 46.6 | 17.2 |
| Finished goods and goods for resale | | 613.6 | 279.8 |
| **Total inventories** | | **928.8** | **410.3** |
| **Current receivables** | | | |
| Accounts receivable | 23 | 597.3 | 308.0 |
| Other receivables | 24 | 19.0 | 6.4 |
| Prepaid expenses and accrued income | 25 | 36.1 | 24.7 |
| **Total current receivables** | | **652.4** | **339.1** |
| Liquid assets | 26 | 675.1 | 212.3 |
| **Total current assets** | | **2,256.3** | **961.7** |
| **TOTAL ASSETS** | | **4,715.2** | **1,953.3** |

The notes on pages 86 to 127 are an integral part of the Annual Report and consolidated financial statements.

## Consolidated balance sheet, contd.

| Amounts in MSEK | Note | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 27 | | |
| Share capital | | 2.0 | 1.9 |
| Other capital contributions | | 904.5 | 249.0 |
| Reserves | | 33.3 | -64.2 |
| Net result brought forward, including net result for the year | | 702.3 | 462.8 |
| **Total equity related to Parent Company shareholders** | | **1,642.1** | **649.5** |
| Non-controlling interest | | 5.4 | - |
| **Total equity** | | **1,647.5** | **649.5** |
| | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | 18 | 332.4 | 167.8 |
| Liabilities to credit institutions | 30 | 1,255.3 | 453.5 |
| Deferred tax liabilities | 20 | 104.8 | 74.0 |
| **Total non-current liabilities** | | **1,692.6** | **695.4** |
| | | | |
| **Current liabilities** | | | |
| Lease liabilities | 18 | 61.4 | 41.3 |
| Liabilities to credit institutions | 30 | 274.3 | 82.0 |
| Overdraft facilities | 30 | - | - |
| Provisions | 29 | 4.1 | 3.0 |
| Accounts payable | | 505.1 | 252.5 |
| Current tax liabilities | | 29.7 | 16.9 |
| Other liabilities | 31 | 284.6 | 105.7 |
| Accrued expenses and deferred income | 32 | 215.9 | 107.0 |
| **Total current liabilities** | | **1,375.1** | **608.4** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **4,715.2** | **1,953.3** |

The notes on pages 86 to 127 are an integral part of the Annual Report and consolidated financial statements.

# Consolidated statement of changes in equity

| Amounts in MSEK | Note | Share capital | Other contributed capital | Reserves | Result brought forward, including result for the period | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance brought forward as of 1 January 2020** | 27 | **1.9** | **220.8** | **17.9** | **333.8** | **574.4** | **0.0** | **574.4** |
| Net result for the year for the period | | - | - | - | 126.5 | **126.5** | - | **126.5** |
| Other comprehensive income for the year | | - | - | -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 relating 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** |
| Net result for the year | | - | - | - | 253.1 | **253.1** | -0.7 | **252.4** |
| Other comprehensive income for the year | | - | - | 97.5 | - | **97.5** | - | **97.5** |
| **Total comprehensive income** | | **0.0** | **0.0** | **97.5** | **253.1** | **350.6** | **-0.7** | **349.9** |
| New shares related to employee stock option programme | | 0.0 | 46.3 | - | - | **46.3** | - | **46.3** |
| Employee stock option programme | | - | 3.1 | - | - | **3.1** | - | **3.1** |
| Share-based remuneration | | 0.0 | - | - | 5.3 | **5.3** | - | **5.3** |
| New share issue relating to business acquisitions | | 0.0 | 66.4 | - | - | **66.4** | - | **66.4** |
| New share issue | | 0.1 | 539.7 | - | - | **539.7** | - | **539.7** |
| Dividends paid | | - | - | - | -18.9 | **-18.9** | - | **-18.9** |
| Non-controlling interest on acquisition of subsidiary | | - | - | - | - | **0.0** | 6.1 | **6.1** |
| **Total transactions with shareholders, reported directly in equity** | | **0.1** | **655.4** | **0.0** | **-13.6** | **642.0** | **6.1** | **648.1** |
| **Balance carried forward as of 31 December 2021** | | **2.0** | **904.5** | **33.3** | **702.3** | **1,642.1** | **5.4** | **1,647.5** |

The notes on pages 86 to 127 are an integral part of the Annual Report and consolidated financial statements.

# Consolidated statement of cash flows

| Amounts in MSEK | Note | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating result | | 355.1 | 177.3 |
| Items not affecting cash flow | 34 | 201.2 | 59.6 |
| Interest received | | 0.1 | 0.2 |
| Interest paid | | -22.9 | -12.3 |
| Income tax paid | | -70.0 | -27.6 |
| **Cash flow from operating activities before changes in working capital** | | **463.4** | **197.3** |
| **Cash flow from changes in working capital** | | | |
| Increase (-)/decrease (+) in inventories | | -372.6 | -32.2 |
| Increase (-)/decrease (+) in accounts receivable | | -169.9 | -9.5 |
| Increase (-)/decrease (+) in other operating receivables | | -18.1 | 12.0 |
| Increase (+)/decrease (-) in accounts payable | | 189.7 | 51.5 |
| Increase (+)/decrease (-) in other operating liabilities | | 12.3 | 30.7 |
| **Cash flow from changes in working capital** | | **-358.8** | **52.6** |
| **Cash flow from operating activities** | | **104.7** | **249.8** |
| **Investing activities** | | | |
| Acquisition of intangible assets | 17 | -2.3 | -2.3 |
| Acquisition of tangible assets | 19 | -200.0 | -62.7 |
| Acquisition of subsidiaries after deduction of acquired liquid assets | | -952.2 | -163.7 |
| Change in financial assets | | 0.2 | -0.3 |
| **Cash flow from investing activities** | | **-1,154.3** | **-229.0** |
| **Financing activities** | 35 | | |
| Borrowings | 35 | 1,080.0 | 214.5 |
| Amortisation of loans | 35 | -136.6 | -95.9 |
| Changes in overdraft facilities | 35 | - | -45.3 |
| Share issue | 27 | 586.5 | 16.1 |
| Dividends paid | | -18.9 | - |
| **Cash flow from financing activities** | | **1,511.0** | **89.5** |
| **Cash flow for the year** | 26 | **461.4** | **110.3** |
| Liquid assets at the start of the year | | 212.3 | 103.8 |
| Exchange rate difference in liquid assets | | 1.3 | -1.8 |
| **Liquid assets at the end of the year** | | **675.1** | **212.3** |

The notes on pages 86 to 127 are an integral part of the Annual Report and consolidated financial statements.

# Parent Company income statement

| Amounts in MSEK | Note | FINANCIAL YEAR 2021 | 2020 |
|---|---|---|---|
| **Operating income** | | | |
| Net sales | 6, 15 | 18.7 | 18.6 |
| **Total operating income** | | **18.7** | **18.6** |
| **Operating expenses** | | | |
| Other external expenses | 8 | -44.5 | -36.2 |
| Personnel costs | 10 | -41.5 | -26.4 |
| **Earnings before interest, taxes, depreciation and amortisation (EBITDA)** | | **-67.3** | **-44.1** |
| Depreciation and amortisation of tangible- and intangible assets | 17, 19 | -0.8 | -0.2 |
| **Operating result** | | **-68.2** | **-44.4** |
| **Result from financial items** | | | |
| Interest income and similar items | 11 | 51.4 | 0.1 |
| Interest income from Group companies | | 8.5 | 4.0 |
| Interest expenses and similar items | 12 | -14.9 | -14.7 |
| Interest expenses to Group companies | | 0.0 | -0.1 |
| **Total result from financial items** | | **45.0** | **-10.7** |
| **Result after financial items** | | **-23.2** | **-55.1** |
| **Appropriations** | | | |
| Provision for tax allocation reserve | | -7.9 | -5.2 |
| Return from tax allocation reserve | | 1.4 | 4.9 |
| Group contributions | | 80.0 | 70.0 |
| **Total appropriations** | | **73.5** | **69.7** |
| **Result before tax** | | **50.3** | **14.7** |
| Income tax | 13 | -4.7 | -3.5 |
| **Result for the year** | | **45.6** | **11.2** |

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

The notes on pages 86 to 127 are an integral part of the Annual Report and consolidated financial statements.

# Parent Company balance sheet

| Amounts in MSEK | Note | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| **Intangible assets** | | | |
| Capitalised development expenditure | 17 | 3.5 | 2.0 |
| **Total intangible assets** | | **3.5** | **2.0** |
| | | | |
| **Tangible assets** | | | |
| Equipment, tools, fixtures and fittings | 19 | 0.4 | 0.3 |
| **Total tangible assets** | | **0.4** | **0.3** |
| | | | |
| **Financial assets** | | | |
| Participations in Group companies | 21 | 1,536.5 | 936.6 |
| **Total financial assets** | | **1,536.5** | **936.6** |
| | | | |
| **Total non-current assets** | | **1,540.4** | **938.9** |
| | | | |
| **Current assets** | | | |
| **Current receivables** | | | |
| Receivables from Group companies | | 1,048.5 | 318.8 |
| Other receivables | 24 | 0.1 | 2.2 |
| Prepaid expenses and accrued income | 25 | 2.8 | 2.1 |
| **Total current receivables** | | **1,051.4** | **323.1** |
| | | | |
| Liquid assets | 26 | 375.0 | 35.0 |
| **Total current assets** | | **1,426.4** | **358.1** |
| | | | |
| **TOTAL ASSETS** | | **2,966.8** | **1,296.9** |

The notes on pages 86 to 127 are an integral part of the Annual Report and consolidated financial statements.

## Parent Company balance sheet, contd.

| Amounts in MSEK | Note | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 27 | | |
| **Restricted equity** | | | |
| Share capital | | 2.0 | 1.9 |
| Statutory reserve | | 0.0 | 0.0 |
| **Total restricted equity** | | **2.0** | **1.9** |
| | | | |
| **Non-restricted equity** | | | |
| Share premium reserve | | 890.4 | 238.0 |
| Result brought forward | | 0.1 | -0.8 |
| Result for the year | | 45.6 | 11.2 |
| **Total non-restricted equity** | | **936.1** | **248.3** |
| | | | |
| **Total equity** | | **938.1** | **250.3** |
| | | | |
| **Untaxed reserves** | | | |
| Tax allocation reserve | | 23.7 | 17.2 |
| **Total untaxed reserves** | | **23.7** | **17.2** |
| | | | |
| **Non-current liabilities** | | | |
| Liabilities to credit institutions | 30 | 1,255.3 | 453.5 |
| Deferred tax liabilities | | - | 0.1 |
| **Total non-current liabilities** | | **1,255.3** | **453.6** |
| | | | |
| **Current liabilities** | | | |
| Liabilities to credit institutions | 30 | 274.3 | 82.0 |
| Overdraft facilities | 30 | - | - |
| Accounts payable | | 11.8 | 4.8 |
| Liabilities to Group companies | | 281.5 | 415.5 |
| Current tax liabilities | | 3.7 | 0.1 |
| Other liabilities | 31 | 154.5 | 64.6 |
| Accrued expenses and deferred income | 32 | 24.0 | 8.9 |
| **Total current liabilities** | | **749.8** | **575.8** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **2,966.8** | **1,296.9** |

The notes on pages 86 to 127 are an integral part of the Annual Report and consolidated financial statements.
See Note 33 for information on pledged assets and contingent liabilities.

## Parent Company statement of changes in equity

| | Restricted equity | | Non-restricted equity | | |
|---|---|---|---|---|---|
| **Amounts in MSEK** | **Share capital** | **Statutory reserve** | **Share premium reserve** | **Result brought forward and result for the year** | **Total equity** |
| **Balance brought forward as of 1 January 2020** | **1.9** | **0.0** | **212.3** | **-3.8** | **210.4** |
| **Comprehensive income** | | | | | |
| Result for the year | - | - | - | 11.2 | **11.2** |
| **Total comprehensive income** | **0.0** | **0.0** | **0.0** | **11.2** | **11.2** |
| New shares related to employee stock option programme | 0.0 | - | 15.9 | - | **15.9** |
| Employee stock option programme | - | - | - | 0.5 | **0.5** |
| Share-based remuneration | - | - | - | 2.4 | **2.4** |
| New share issue relating to business acquisitions | 0.0 | - | 9.8 | - | **9.9** |
| **Total transactions with shareholders, reported directly in equity** | **0.0** | **0.0** | **25.7** | **14.1** | **39.9** |
| **Balance carried forward as of 31 December 2020** | **1.9** | **0.0** | **238.0** | **10.3** | **250.3** |
| **Balance brought forward as of 1 January 2021** | **1.9** | **0.0** | **238.0** | **10.3** | **250.3** |
| **Comprehensive income** | | | | | |
| Result for the year | - | - | - | 45.6 | **45.6** |
| **Total comprehensive income** | **0.0** | **0.0** | **0.0** | **45.6** | **45.6** |
| New shares related to employee stock option programme | 0.0 | - | 46.3 | - | **46.3** |
| Employee stock option programme | - | - | - | 3.2 | **3.2** |
| Share-based remuneration | - | - | - | 5.4 | **5.4** |
| New share issue relating to business acquisitions | 0.0 | - | 66.4 | - | **66.4** |
| Share issue | 0.1 | - | 539.7 | - | **539.7** |
| Dividends paid | - | - | - | -18.9 | **-18.9** |
| **Total transactions with shareholders, reported directly in equity** | **0.1** | **0.0** | **652.4** | **35.3** | **687.8** |
| **Balance carried forward as of 31 December 2021** | **2.0** | **0.0** | **890.4** | **45.6** | **938.1** |

The notes on pages 86 to 127 are an integral part of the Annual Report and consolidated financial statements.

# Parent Company statement of cash flows

| Amounts in MSEK | Note | FINANCIAL YEAR 2021 | 2020 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating result | | -68.2 | -44.4 |
| Items not affecting cash flow | 34 | 4.1 | 1.2 |
| Dividends received | | 27.6 | - |
| Interest received | | 9.2 | 4.1 |
| Interest paid | | -14.7 | -8.3 |
| Income tax paid | | -1.4 | 6.4 |
| **Cash flow from operating activities before changes in working capital** | | **-43.2** | **-41.0** |
| **Cash flow from changes in working capital** | | | |
| Increase (-)/decrease (+) in other operating receivables | | -625.3 | 4.8 |
| Increase (+)/decrease (-) in accounts payable | | 7.0 | -3.7 |
| Increase (+)/decrease (-) in other operating liabilities | | -130.7 | 185.4 |
| **Cash flow from changes in working capital** | | **-749.0** | **186.6** |
| **Cash flow from operating activities** | | **-792.2** | **145.6** |
| **Investing activities** | | | |
| Acquisition of subsidiaries | | -429.3 | -237.0 |
| Acquisition of intangible assets | 17 | -2.2 | -1.6 |
| Acquisition of tangible assets | 19 | -0.3 | -0.2 |
| **Cash flow from investing activities** | | **-431.7** | **-238.7** |
| **Financing activities** | | | |
| Borrowings | 35 | 1,080.0 | 214.5 |
| Amortisation of loans | 35 | -83.3 | -57.0 |
| Dividends paid | | -18.9 | - |
| Changes in overdraft facilities | 35 | - | -45.3 |
| Share issue | | 539.8 | - |
| New shares related to employee stock option programme | | 46.3 | 15.9 |
| **Cash flow from financing activities** | | **1,563.9** | **128.1** |
| **Cash flow for the year** | 26 | **340.0** | **35.0** |
| Liquid assets at the start of the year | | 35.0 | 0.0 |
| **Liquid assets at the end of the year** | | **375.0** | **35.0** |

The notes on pages 86 to 127 are an integral part of the Annual Report and consolidated financial statements.

# Notes

## Note 1 General information

The consolidated financial statements encompass the parent company Hexatronic Group AB (the Parent Company) with corporate identity number 556168-6360 and its subsidiaries (the Group). The Parent Company is a limited company registered in Sweden and based in Gothenburg at the address Sofierogatan3A, SE-412 51 Gothenburg, Sweden.

On 4 April 2022, the Board of Directors approved these financial statements for publication.

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

## Note 2 Summary of key accounting policies

The most important accounting policies used in these consolidated financial statements are stated below. These policies have been applied consistently for all of the years presented, unless otherwise stated.

### 2.1 Grounds for preparing the reports

The consolidated financial statements for the Hexatronic Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by IFRIC as adopted by the EU, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act.

The consolidated financial statements have been prepared in accordance with the cost method with the exception of financial assets/liabilities measured at fair value through profit or loss.

The Parent Company's financial statements have been prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. The application of RFR 2 means that in its annual report for the legal entity, the Parent Company applies all IFRS and statements adopted by the EU as far as possible within the framework of the Swedish Annual Accounts Act, the Swedish Act on Safeguarding Pension Commitments etc., and with regard to the relationship between accounting and taxation. If the Parent Company applies different accounting policies to the Group, this is stated separately at the end of this note.

Preparing financial statements in accordance with IFRS requires the use of some important accounting estimates. Furthermore, the management is required to make certain assessments when applying the Group's accounting policies, see Note 4.

#### 2.1.1 Changes to accounting policies and disclosures

**New standards and interpretations that have yet to be applied by the Group**

None of the IFRS or IFRIC interpretations that have been published but have yet to come into effect are expected to have a material effect on the Group.

### 2.2 Consolidated financial statements

#### 2.2.1 Fundamental accounting policies

**Subsidiaries**

A subsidiary is any company (including structured entities) over which the Group has a controlling influence. The Group has control over a company when it is exposed to or has the right to a variable return from its holding in the company and is able to influence the return through its influence in the company.

Subsidiaries are included in the consolidated financial statements from the date the controlling influence passes to the Group. They are excluded from the consolidated financial statements from the date the controlling influence ceases.

The acquisition method is used to recognise the Group's business combinations. The purchase price for the acquisition of a subsidiary comprises the fair value of the transferred assets, liabilities to the former owners of the acquiree incurred by the Group and the shares issued by the Group. The purchase price also includes the fair value of all liabilities that result from any agreement regarding contingent consideration. Identifiable acquired assets and assumed liabilities in a business combination are initially measured at fair value on the acquisition date. For each acquisition, i.e. on a transaction-by-transaction basis, the Group decides whether or not non-controlling interests (NCIs) in the acquiree are measured at fair value or at the NCI's proportionate share of the carrying amount of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as they arise.

Any contingent consideration to be transferred by the Group is measured at fair value on the acquisition date. Subsequent changes in the fair value of a contingent consideration classified as a liability are recognised in profit or loss in accordance with IFRS 9.

Goodwill is initially measured as the amount by which the total purchase price and any fair value for an NCI on the acquisition date exceeds the fair value of identifiable net assets acquired. If the purchase price is lower than the fair value of the acquiree's net assets, the difference is recognised directly in profit or loss.

Intra-Group transactions, balance sheet items, and income and expenses relating to transactions between Group companies are eliminated. Gains and losses that result from intra-Group transactions and are recognised in assets are also eliminated. The accounting policies for subsidiaries have been modified, if appropriate, to guarantee consistent application of the Group's policies.

### 2.3 Segment reporting

Operating segments are reported in a way that corresponds with the internal reporting submitted to the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocating resources and assessing the operating segments' results. In the Group this function has been identified as the President and CEO, who makes strategic decisions. Hexatronic's operation comprises the operating segment fiber optic communication solutions.

### 2.4 Translating foreign currencies

**Functional currency and presentation currency**

The various entities in the Group have their local currency as their functional currency because the local currency has been defined as the currency used in the primary economic areas in which each entity mainly operates. The Swedish krona (SEK) has been used in the consolidated financial statements; it is the Parent Company's functional currency and the Group's presentation currency.

**Transactions and balance sheet items**

Transactions in foreign currencies are translated to the functional currency using the exchange rates in force on the transaction date.

Currency gains and losses that arise from payments for such transactions and from translating monetary assets and liabilities in foreign currencies at the closing rate of exchange are recognised in operating profit in the income statement.

### Translating foreign Group companies

The results and financial position for all Group companies with a functional currency other than the presentation currency are translated into the Group's presentation currency. Assets and liabilities for each of the balance sheets are translated from the foreign business's functional currency into the Group's presentation currency, the Swedish krona, at the closing rate of exchange. Income and expenses for each of the income statements are translated into Swedish kronor at the average exchange rate on each transaction date. Translation differences that arise from translating currencies for foreign businesses are recognised in other comprehensive income.

## 2.5 Intangible assets

### Capitalised development expenditure

Capitalised development expenditure refers to the development of fiber optic products. Development costs directly attributable to the development of fiber optic products are recognised as intangible assets when it is probable that the expected future economic benefits attributable to the asset will accrue to the company, if the cost of the asset can be calculated reliably and when the following criteria are met:

- It is technically feasible to complete the asset so that it can be used,
- The company intends to complete the asset and to use or sell it,
- There are opportunities to use or sell the asset,
- It can be shown how the asset generates probable future economic benefits,
- Adequate technical, economic and other resources are available to complete the development and use or sell the asset, and
- The expenditure attributable to the asset during its development can be calculated reliably.

Intangible assets are recognised at cost less accumulated amortisation and any write-down. The cost of an internally generated intangible asset is the sum of the expenditure that arises from the date the intangible asset first meets the above-mentioned criteria for capitalisation.

Directly attributable expenditure that is capitalised includes expenses for employees.

Amortisation begins when the asset can start being used. The useful life is assessed based on the period the expected benefits are estimated to accrue to the company. The useful life is estimated to be 5–10 years and amortisation is linear over this period.

Expenditure on development that does not meet the above criteria is expensed as it is incurred. Expenditure on development that was previously expensed, is not recognised as an asset in subsequent periods.

### Trademarks and customer relations

Trademarks and customer relations acquired through a business combination are measured at fair value on the acquisition date. Trademarks and customer relations have an estimable useful life and are recognised at cost less accumulated amortisation and any write-down. Amortisation is carried out linearly so as to spread the cost for trademarks and customer relations over their estimated useful life of 5–10 years.

### Goodwill

Goodwill arises during the acquisition of subsidiaries and refers to the amount by which the purchase price plus the fair value of an NCI in the acquiree exceeds Hexatronic's share in the fair value of identifiable assets, liabilities and contingent liabilities in the acquiree.

To test for a write-down requirement, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is allocated shall represent the lowest level in the Group at which the goodwill in question is monitored for internal management purposes. Goodwill is monitored per cash-generating unit.

Goodwill is tested for a write-down requirement annually or more frequently if changes in circumstances indicate a possible impairment. The carrying amount of goodwill is compared with the recoverable amount, which is the higher of an asset's value in use and its fair value less costs of disposal.

## 2.6 Property, plant and equipment

Property, plant and equipment are recognised at cost less depreciation and any write-down. The cost includes expenses that can be directly attributed to the acquisition of the asset.

Additional expenses are added to the asset's carrying amount or recognised as a separate asset, depending on which is suitable, only if it is probable that the future economic benefits associated with the asset will accrue to the Group and the asset's cost can be measured reliably. The carrying amount for a replacement part is derecognised from the balance sheet. All other forms of repair and maintenance are recognised as costs in the income statement during the period they are incurred.

Depreciation is carried out linearly as follows:
Buildings 15–30 years
Plant and machinery 3–10 years
Equipment, tools, fixtures and fittings 5–10 years

The assets' residual values and useful lives are tested at the end of each reporting period and adjusted if necessary. An asset's carrying amount is immediately written down to its recoverable amount if it is higher than its assessed recoverable amount.

Gains and losses from disposing of property, plant and equipment are determined through a comparison of the sales proceeds and the carrying amount, and recognised in other operating income or other operating expenses in the income statement.

## 2.7 Write-downs of non-financial non-current assets

Intangible assets that have an indefinite useful life or are not ready for use are not amortised but tested annually for any write-down requirement. Assets that are amortised are tested for impairment at any time that events or changes in circumstances indicate that the carrying amount may not be recoverable. A write-down is carried out equal to the difference between the asset's carrying amount and its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. When assessing the write-down requirement, assets are grouped at the lowest levels where there are separate identifiable cash flows (cash-generating units). Tests for reversal should be carried out for assets other than financial assets that have previously been written down every balance sheet date. Previous write-downs of goodwill are not reversed.

## 2.8 Inventories

Inventories are measured at the lower of cost and net selling price. The cost is determined using the first-in, first-out method (FIFO). The cost for semi-finished and finished goods made internally comprises direct production costs and a reasonable share of indirect production costs.

## 2.9 Financial instruments – general

There are financial instruments in many different balance sheet items. These are described below.

From 1 January 2018, Hexatronic distributes its financial instruments in the following categories in accordance with IFRS 9: amortised cost and fair value via the income statement. The classification is based on the nature of the asset's cash flows and on the business model to which the asset is subject.

### Financial assets measured at amortised cost

Interest-bearing assets (debt instruments) held for the purpose of collecting contractual cash flows, where these cash flows consist solely of principal amount and interest, are measured at amortised cost. The carrying amount of these assets is adjusted for any expected credit losses recognised (see impairment testing paragraph below). Interest income from these financial assets is recognised using the effective interest method and recognised as financial income. The Group's financial assets, which are measured at amortised cost, consist of accounts receivable, other receivables and liquid assets.

### Financial liabilities measured at fair value via the income statement

Financial liabilities measured at fair value via the income statement consist of additional purchase prices and acquisition options during business combinations. Financial liabilities measured at fair value via the income statement are also recognised in subsequent periods at fair value, and the change in value is recognised in the profit for the year. Liabilities in this category are classified as current liabilities if they fall due within 12 months of the balance sheet date. If they fall due more than 12 months after the balance sheet date, they are classified as non-current liabilities.

### Financial liabilities at amortised cost

The Group's other financial liabilities are classified as measured at amortised cost using the effective interest method. Financial liabilities at amortised cost consist of liabilities to credit institutions, accounts payable, other current liabilities and accruals. Borrowing is initially recognised at fair value, net after transaction costs. Borrowing is then recognised at amortised cost and any difference between the amount received (net after transaction costs) and the repayment amount is recognised in the statement of comprehensive income distributed over the loan period, with application of the effective interest method.

Borrowing is classified as current in the balance sheet if the company does not have an unconditional right to postpone the settlement of the liability for at least 12 months after the reporting period. Dividends paid are recognised as a liability after the general meeting of shareholders has approved the dividend. Accounts payable and other operating payables have short expected maturities and are measured without discount at nominal amounts.

### Derecognition of financial instruments

Purchases and sales of financial assets are recognised on the trade date. Financial assets are derecognised from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has substantially transferred all of the risks and rewards associated with ownership of the asset.

Gains and losses that arise from derecognition from the balance sheet are entered directly in income under net sales, financial items as well as through other comprehensive income.

Financial liabilities are derecognised from the balance sheet when the obligations have been settled or annulled, or have expired in some other way. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the remuneration paid, including transferred assets that are not cash or assumed liabilities, is recognised in the statement of comprehensive income.

If the terms of a financial liability are renegotiated, and not derecognised from the balance sheet, a gain or loss is recognised in the statement of comprehensive income. The gain or loss is recognised as the difference between the original contractual cash flows and the modified cash flows discounted to the original effective rate.

### Impairment testing of financial assets

On each reporting occasion, the Group assesses the future expected credit losses associated with assets recognised at amortised cost based on forward-facing information. The Group reports a credit reserve for expected credit losses on each reporting date.

For accounts receivable, including contract assets, the Group applies the simplified approach to credit reserves, i.e. the reserve will correspond to the expected loss over the entire life span of the account receivable. In order to measure the expected credit losses, accounts receivable have been grouped based on the allocated credit risk characteristics and overdue days. The Group uses forward-looking variables for expected credit losses. Expected credit losses are recognised in the consolidated statement of comprehensive income under other external expenses.

The Group uses the general model for calculating future expected credit losses for intra-Group receivables, other non-current receivables and other receivables. The expected losses are not judged to be of material value and therefore no further explanation of the general model has been made.

### Offsetting of financial instruments

Financial assets and liabilities are offset and recognised with a net amount in the balance sheet, only when there is a legal right to offset the reported amounts and an intention to settle them with a net amount or to realise the asset and settle the liability simultaneously.

## 2.10 Provisions

Provisions in the balance sheet refer to warranty provisions. These provisions are recognised when the Group has a legal or informal obligation as a result of previous events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been calculated reliably. No provisions are made for future operating losses.

## 2.11 Current and deferred tax

The tax expense for the period encompasses current and deferred tax. The current tax expense is calculated on the basis of tax rules that have been decided or virtually decided on the balance sheet date in the countries in which the Parent Company and its subsidiaries operate and generate taxable income.

Deferred tax is recognised, in accordance with the balance sheet method, on all temporary differences that arise between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is calculated by applying tax rates that have been decided or announced on the balance sheet date and are expected to apply when the relevant deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets on loss carry-forwards are recognised to the extent that it is likely that future tax surpluses will be available, against which deficits can be used.

Deferred tax assets and liabilities are offset when there is a legal offset right for current tax assets and tax liabilities, the deferred tax assets and liabilities refer to taxes charged by a single tax authority and refer either to the same tax subject or different tax subjects and there is an intention to settle the balances through net payments.

## 2.12 Remuneration to employees

### Pension obligations

The Group has both defined benefit and defined contribution plans. The defined benefit plans consist of ITP 2 plans (see below for a more detailed description). A defined contribution plan is a pension plan whereby the Group pays fixed contributions to a separate legal entity. The Group does not have any legal or informal obligations to pay further contributions if the legal entity does not have sufficient assets to make all payments to employees relating to the employees' service in the current or earlier periods.

With defined contribution plans, the Group pays contributions into publicly or privately managed pension insurance plans on an obligatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they fall due for payment. Prepaid contributions are recognised as an asset to the extent that the Group may benefit from a cash repayment or decrease in future payments.

In parts of the Group, salaried employees in Sweden are part of an ITP 2 plan. The ITP 2 plan's defined benefit pension obligations for retirement and survivor pension are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 3 Classification of ITP plans financed through insurance in Alecta, this is a defined benefit plan encompassing multiple employers. The company has not had access to information for the period that would enable it to recognise its proportionate share of the plan's obligations, plan assets and costs, which means it has not been possible to recognise the plan as a defined benefit plan. The ITP 2 plan secured through insurance in Alecta is therefore recognised as a defined contribution plan. Premiums for the defined benefit retirement and survivor pension are calculated individually and depend on factors such as salary, previously earned pension and the expected remaining period of service.

### Remuneration upon termination of employment

Remuneration upon termination of employment is paid when an employee's employment is terminated by the Group before the normal retirement age or when an employee accepts voluntary redundancy in exchange for remuneration. The Group recognises remuneration upon termination of employment when it is demonstrably obliged to terminate employment in accordance with a detailed formal plan without an opportunity to cancel. In cases where the company has made an offer to encourage voluntary redundancy, severance pay is calculated based on the number of employees who are expected to accept the offer. Benefits that are due more than 12 months after the end of the reporting period are discounted to the present value.

### Performance-based incentive programme

The Group has established an incentive programme whereby for each acquired Hexatronic share (savings share), participants can receive 4–6 shares (performance shares) in Hexatronic free of charge. To qualify for performance shares participants must, in addition to meeting certain performance-based targets, acquire and retain a number of Hexatronic shares for the whole of the three-year vesting period and must, with certain exceptions, remain in employment during the same period.

The fair value per performance share is established when the programme is agreed. The number of performance shares expected to be earned with regard to the terms of remaining in employment and the performance terms, together with the fair value per share, forms the basis for the total cost recognised over the three-year vesting period. The cost is allocated linearly over the vesting period and is updated at each reporting occasion with regard to the expected number of earned shares, related to the service and performance terms. The cost is recognised as an employee benefit expense with a corresponding entry in result carried forward.

Costs for social security contributions for the incentive programme are recognised in a corresponding way but with a contra entry as a liability instead of in equity, and with an ongoing revaluation based on the shares' fair value at each reporting occasion.

## 2.13 Revenue recognition

Income from the Group's ordinary operations consists of the sale of goods and services. The Group's sales mainly consist of goods. The goods are taken up as revenue when control is transferred to the customer on one specific occasion. Indicators such as transfer of ownership and risks, customer acceptance, physical access and rights to issue invoices are taken into account. The sale is recognised net after discounts and other variable remuneration only to the extent that it is highly unlikely to be reversed.

The sales identified over time (service) consist of training, the scope of which in relation to the Group's total revenue is assessed as being of negligible value and therefore recognised on one specific occasion.

## 2.14 Government support

Government grants are recognised at fair value when it is reasonably certain that the grant will be received and that the Group will meet the terms associated with the grant. Government grants for costs are allocated to periods and recognised in the income statement as Other revenue over the same periods as the costs that the grants are intended to cover.

## 2.15 Interest income

Interest income is recognised as revenue using the effective interest method. When the value of a receivable in the category financial assets measured at amortised cost has decreased, the Group reduces the carrying amount to the recoverable amount, which comprises the estimated future cash flow, discounted by the original effective rate for the instrument, and continues unwinding the discount as interest income. Interest income on written-down loan receivables and accounts receivable is recognised at the original effective rate.

## 2.16 Leases

The Group's leases primarily comprise right-of-use assets regarding leased premises. The leases are recognised as right-of-use assets with a corresponding lease liability on the day the leased asset becomes available for use by the Group. Short-term leases and leases for which the underlying asset is of low value are excepted.

In order to calculate the right-of-use asset and corresponding lease liability, lease payments have been discounted by the interest rate implicit in the lease if this interest rate can easily be established, otherwise the Group's incremental borrowing rate is used. The weighted average incremental borrowing rate applied to the lease liabilities is 1.7%. Where there are leases with similar properties, the same discount rate has been used.

The lease period is established as the non-terminable period together with both periods covered by an opportunity to extend the lease if the lessee is reasonably certain to utilise that option, and periods covered by an opportunity to terminate the lease if the lessee is reasonably certain not to utilise that option.

Each lease payment is distributed between repayment of lease liability and financial expense. The financial expense shall be distributed over the term of the lease so that each accounting period is charged with an amount corresponding to a fixed rate of interest for the liability recognised in the respective period.

The Group's lease liabilities are entered at the present value of the Group's lease fees. The Group's right-of-use assets are recognised at cost and initially include the present value of the lease liability, adjusted for lease fees paid on or before the start date, as well as initial direct costs. Restoration costs are included in the asset if a corresponding provision relating to restoration costs has been identified. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the length of the lease.

In 2021, the adjustments relating to additional right-of-use assets amounted to MSEK 224.0.

## 2.17 Cash flow statement

The cash flow statement is prepared using the indirect method. The recognised cash flow only includes transactions that involved inward and outward payments.

## 2.18 The Parent Company's accounting policies

The Parent Company applies different accounting policies to the Group in the cases stated below.

### Formats

The income statement and balance sheet comply with the format in the Swedish Annual Accounts Act. The statement of changes in equity follows the Group's format but has to contain the columns specified in the Swedish Annual Accounts Act. Furthermore this means differences in terms, compared with the consolidated financial statements, mainly regarding financial income and expenses, and equity.

### Participations in subsidiaries

Participations in subsidiaries are recognised at cost less any write-down. The cost includes acquisition-related costs and any additional purchase prices.

If there is an indication that participations in subsidiaries have decreased in value, the recoverable amount is calculated. If this is less than the carrying amount, a write-down is carried out. Write-downs are recognised in result from participations in Group companies.

### Group contributions

Group contributions from the Parent Company to subsidiaries and vice versa are recognised as appropriations.

### Leases

All leases in the Parent Company are considered to be operating leases.

### Financial instruments

IFRS 9 is not applied in the Parent Company, and financial instruments are measured and recognised based on the cost in accordance with the Swedish Annual Accounts Act.

# Note 3 Financial risk management

## 3.1 Financial risks

Through its operation the Group is exposed to various financial risks such as market risk (foreign exchange risk and interest risk), credit risk, as well as cash flow and liquidity risk. The Group's overall risk management policy focuses on unpredictability on the financial markets and strives to minimise potential unfavourable effects on the Group's financial results.

Risk management is handled centrally by the Parent Company Hexatronic Group AB and is the responsibility of the President/CEO and CFO, in accordance with policies established by the Board of Directors. The President/CEO and CFO authorise the risk management measures implemented in accordance with the policy, and the Presidents of the respective subsidiaries have operational responsibility for ensuring compliance with the policy in day-to-day work. The Board prepares written policies both for the overall risk management and for specific areas.

Foreign exchange risk

Foreign exchange risk refers to the risk that exchange rate movements will have an adverse effect on the income statement, balance sheet and cash flow. Furthermore, changes in exchange rates affect the comparability of Hexatronic's results from period to period. Hexatronic's operations mainly operate internationally, and sales, costs and net assets are therefore denominated in a series of different currencies.

### Transaction exposure

Sales and purchases of goods and services in currencies other than the respective subsidiary's accounting currency lead to transaction exposure. Transaction exposure within the Group is concentrated in European subsidiaries that make external purchases in EUR and USD where neither of these currencies are the company's accounting currency. Internal flows are optimized as far as possible to reduce transaction exposure, i.e. by managing the currency for internal invoicing flows. Otherwise, the Group has a policy whereby each Group company manages the foreign exchange risk for its functional currency.

### Translation exposure

Translation exposure – income statement
The Group's operating income and expenses largely arise in subsidiaries outside of Sweden. Changes in exchange rates therefore impact on the Group's results when the income statements of these subsidiaries are translated into SEK.

The tables below show the operating result per currency reported in the functional currency, and the impact a 10% change in each exchange rate against the SEK would have on the Group's operating result in MSEK. In addition to the currencies in the table, the Group has small flows in Chinese yuan (CNY), Danish kroner (DKK) and Canadian dollars (CAD).

#### Operating result by currency

| Currency (millions) | 2021 | 2020 |
|---|---|---|
| NOK | 28.6 | 13.9 |
| USD | 10.8 | 4.1 |
| EUR | 7.9 | 2.8 |
| GBP | 5.7 | 1.8 |
| AUD | 3.9 | 0.0 |
| NZD | 2.7 | 2.2 |

#### Estimated effect on the Group's operating result

| SEK +10% compared with: | Currency flows, net | |
|---|---|---|
| Currency (thousands) | 2021 | 2020 |
| USD | -9.8 | -3.3 |
| EUR | -8.1 | -2.8 |
| GBP | -7.0 | -2.0 |
| NOK | -2.9 | -1.3 |
| AUD | -2.5 | 0.0 |
| NZD | -1.7 | -1.3 |

Translation exposure – balance sheet
Translation exposure arises during Group consolidation when the net assets in the Group's units are translated into SEK.

#### Foreign net assets/liabilities in the Group are divided into the following currencies:

| Currency (thousands) | 2021 | 2020 |
|---|---|---|
| EUR | 67.3 | 42.1 |
| NOK | 67.1 | 44.1 |
| USD | 55.5 | 38.4 |
| AUD | 27.5 | 0.0 |
| GBP | 23.0 | 7.9 |
| NZD | 11.8 | 9.9 |

### Interest risk in borrowing

The Group's interest risk arises through long-term borrowing. A Board decision is required to raise new loans that exceed granted credit. Hexatronic does not generally use derivative instruments to adjust underlying interest exposure as this only occurs in exceptional cases. In 2021 and 2020, the Group's borrowing at variable interest rates was in Swedish kronor.

Simulations show that a 0.25% change in interest rates would increase or decrease results by up to MSEK 3.8 (1.3).

### Credit risk

Credit risk is managed at Group level, with the exception of credit risk relating to outstanding accounts receivable. Each Group company is responsible for monitoring and analysing the credit risk for each new customer before offering standard payment and delivery terms. Credit risk arises through liquid assets, derivative instruments, and balances at banks and financial institutions as well as through credit exposure vis-à-vis customers, including outstanding receivables and agreed transactions. The use of credit limits is monitored regularly and management do not expect any losses as a result of non-payment by counterparties.

### Cash flow and liquidity risk

Cash flow forecasts are prepared by the Group's larger operating companies and aggregated by the CFO. The CFO carefully monitors the Group's liquidity reserve to ensure that the Group has sufficient cash to meet the needs of the operating activities. The Group's larger operating companies must always have sufficient room for manoeuvre in the unutilised agreed credit facilities so that the Group does not breach the borrowing limits or borrowing terms (where applicable) on any of the Group's loan facilities. Such forecasts observe the Group's fulfilment of borrowing terms, fulfilment of internal balance sheet-based profit measures and, where applicable, external supervisory or legal requirements – such as currency restrictions.

With the aim of being prepared for the financing and liquidity needs that can arise, the goal is for the Group to have liquidity available that at least equals the corresponding overdraft facility.

Any surplus liquidity in the Group may only be invested in interest-bearing accounts. On the balance sheet date, the company had liquid assets of MSEK 675.1 (212.3) which can quickly be converted into cash to manage the liquidity risk.

The table below analyses the Group's financial liabilities, divided according to the time remaining on the balance sheet date until the contractual due date. The amounts in the table are the contractual, discounted cash flows.

## Group

| Group, 31 December 2021 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years |
|---|---|---|---|
| Liabilities to credit institutions | 274.3 | 216.6 | 1,038.7 |
| Accounts payable | 505.1 | - | - |
| Other liabilities | 95.3 | 110.7 | 35.1 |
| Lease liabilities | 61.4 | 61.1 | 161.4 |
| **Total** | **936.1** | **388.4** | **1,235.2** |

| Group, 31 December 2020 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years |
|---|---|---|---|
| Liabilities to credit institutions | 89.0 | 92.7 | 370.0 |
| Accounts payable | 252.5 | - | - |
| Other liabilities | 49.2 | 3.4 | 19.7 |
| Lease liabilities | 40.5 | 39.1 | 93.4 |
| **Total** | **431.2** | **135.1** | **483.1** |

## Parent Company

| Parent Company, 31 December 2021 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years |
|---|---|---|---|
| Liabilities to credit institutions | 274.3 | 216.6 | 1,038.7 |
| Accounts payable | 11.8 | - | - |
| Other liabilities | 56.5 | 71.9 | 27.0 |
| **Total** | **342.6** | **288.5** | **1,065.7** |

| Parent Company, 31 December 2020 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years |
|---|---|---|---|
| Liabilities to credit institutions | 89.0 | 92.7 | 370.0 |
| Accounts payable | 4.8 | - | - |
| Other liabilities | 41.1 | 3.4 | 19.7 |
| **Total** | **134.9** | **96.0** | **389.7** |

## 3.2 Managing capital

The Group's goal regarding capital structure is to secure the Group's ability to continue its operation so that it can continue to generate returns for its shareholders and benefit for other stakeholders, and maintain an optimal capital structure so as to keep the costs of capital down.

In order to maintain or adjust the capital structure, the Group can issue new shares or sell assets to reduce liabilities.

The Group assesses its capital in accordance with an agreed bank covenant, which is the senior net debt to EBITDA ratio in accordance with IFRS 16 based on rolling 12 months pro forma (i.e. including EBITDA in any acquirees as though the company had been owned for 12 months).

Senior net debt is calculated as total borrowing (encompassing the posts short-term borrowing and long-term borrowing in the consolidated balance sheet) less liquid assets.

On 31 December 2021 the Group meets the bank's covenants.

## 3.3 Calculating fair value

The table below shows financial instruments measured at fair value based on classification in the fair value hierarchy. The different levels are defined as follows:

- Quoted prices (not adjusted) on active markets for identical assets or liabilities (level 1).
- Observable data for the asset or liability other than quoted prices included in level 1, either directly (i.e. quoted prices) or indirectly (i.e. derived from quoted prices) (level 2).
- Data for the asset or liability that is not based on observable market data (i.e. non-observable data) (level 3).

The Group did not have any assets measured at fair value on 31 December 2021 or 31 December 2020.

| Group, 31 December 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Liabilities** | | | | |
| **Financial liabilities measured at fair value via the income statement** | | | | |
| Additional purchase price, Mpirical | - | - | 36.5 | 36.5 |
| Additional purchase price, Weterings | - | - | 29.0 | 29.0 |
| Additional purchase price, OSA and FOS | - | - | 44.5 | 44.5 |
| Additional purchase price, Rehau Telecom | - | - | 61.4 | 61.4 |
| Additional purchase price, Data Center Systems | - | - | 24.4 | 24.4 |
| Acquisition option, Qubix | - | - | 30.4 | 30.4 |
| Other | - | - | 15.0 | 15.0 |
| **Total liabilities** | **0.0** | **0.0** | **241.2** | **241.2** |

| Group, 31 December 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Liabilities** | | | | |
| **Financial liabilities measured at fair value via the income statement** | | | | |
| Additional purchase price, Opternus | - | - | 11.9 | 11.9 |
| Purchase price for Baltronic Group OÜ not paid (settled January 2021) | - | - | 21.1 | 21.1 |
| Acquisition option, Qubix | - | - | 31.3 | 31.3 |
| **Total liabilities** | **0.0** | **0.0** | **64.2** | **64.2** |

### Financial instruments in level 3

On 1 June 2021, the Group acquired 100% of the share capital in Mpirical Ltd (see Note 36). The contingent consideration includes an additional purchase price that amounted to MSEK 35.3 in the acquisition analysis. The fair value of the agreed contingent consideration has not been discounted because the discount effect is not deemed to be significant.

On 1 July 2021, the Group acquired 100% of the share capital in H. Weterings Galgeweg BV (see Note 36). The contingent consideration includes an additional purchase price that amounted to MSEK 28.8 in the acquisition analysis The fair value of the agreed contingent consideration has not been discounted because the discount effect is not deemed to be significant.

On 2 August 2021, the Group acquired 100% of the share capital in OSA and FOS (see Note 36). The contingent consideration includes an additional purchase price that amounted to MSEK 42.9 in the acquisition analysis The fair value of the agreed contingent consideration has not been discounted because the discount effect is not deemed to be significant.

On 1 October 2021, the Group entered into an asset deal for Rehau Group's telecommunication operation (see Note 36). The contingent consideration includes an additional purchase price that amounted to MSEK 61.1 in the acquisition analysis The fair value of the agreed contingent consideration has not been discounted because the discount effect is not deemed to be significant.

On 1 October 2021, the Group acquired 100% of the share capital in Data Center Systems (see Note 36). The contingent consideration includes an additional purchase price that amounted to MSEK 23.7 in the acquisition analysis The fair value of the agreed contingent consideration has not been discounted because the discount effect is not deemed to be significant.

On 2 November 2020, the Group acquired 90% of the share capital in Qubix S.p.A. The Group has an option to acquire the remaining 10% in 2023. The expected purchase price for the remaining 10% is recognised as a liability and totalled MSEK 30.9 on the acquisition date. The fair value of the acquisition option has not been discounted because the discount effect is not deemed to be significant.

The calculation of fair value on 31 December 2021 affected profit by MSEK -6.0 (-3.1).

## Note 4  Important accounting estimates

Accounting estimates are continuously evaluated and based on past experience and other factors, including expectations of future events that are deemed reasonable under prevailing conditions.

### Important estimates and assessments for accounting purposes

The Group makes estimates and assumptions about the future. By definition, the resulting accounting estimates rarely correspond to the actual outcome. The estimates and assumptions that pose a significant risk of material adjustments to the carrying amounts of assets and liabilities in the forthcoming financial year are dealt with as outlined below.

### Impairment test for goodwill

Every year the Group examines whether there is a write-down requirement for goodwill, in accordance with the accounting policy described in Note 2. The recoverable amounts for cash-generating units have been determined by calculating value in use. Certain assumptions have to be made for these calculations. A more detailed description of the impairment test for goodwill, along with significant assumptions that form part of the model for this, can be found in Note 17.

### Measurement of additional purchase prices

Additional purchase prices are recognised at fair value based on assessed outcomes of agreed clauses in the share transfer agreement at the time of acquisition. On each reporting occasion, the financial liability is measured at fair value and any changes are recognised in the income statement. Since the Group has made several acquisitions in recent years, the liability for additional purchase prices has become a significant assessment item.

### Valuation of the acquisition option

The Group has an option to acquire the remaining 10% of Qubix in 2023. It is deemed likely that the option will be exercised, and the expected purchase price is recognised as a financial liability at fair value based on assessed outcomes of agreed clauses in the share transfer agreement at the time of acquisition. On each reporting occasion, the financial liability is measured at fair value and any changes are recognised in the income statement.

### Warranty provision

The Group sets up provisions for warranty obligations based on past experience and individual assessment of transactions that may incur warranty costs.

### Obsolescence reserves

If the net realisable value is lower than the cost, a value reserve is set up for obsolete stock. The Group applies a principle (obsolescence scale) whereby write-down is based on the length of time that a good has not moved. In the event of an obsolescence requirement in accordance with this principle, an individual assessment is made as to whether or not the good can be considered sellable.

The total stock value after obsolescence valuations was MSEK 928.8 (410.3) on 31 December 2021. The total obsolescence reserve amounted to MSEK 62.9 (36.4).

## Note 5  Segments

Hexatronic is an innovative Swedish Group specialising in fiber communication. The Group delivers products and solutions for fiber optic networks, and supplies a complete range of passive infrastructure for telecom companies.

Operating segments are reported in a way that corresponds with the internal reporting submitted to the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocating resources and assessing the operating segments' results. Hexatronic's operation comprises the operating segment fiber optic communication solutions.

The operating segment is recognised in accordance with the same accounting policies as the Group.

## Note 6 Breakdown of net sales

| Net sales by income type | Group 2021 | Group 2020 | Parent Company 2021 | Parent Company 2020 |
|---|---|---|---|---|
| Product sales | 3,348.1 | 1,988.8 | - | - |
| Service sales | 143.5 | 91.9 | 18.7 | 18.6 |
| **Total** | **3,491.6** | **2,080.8** | **18.7** | **18.6** |

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

| Group | Breakdown of net sales 2021 | Breakdown of net sales 2020 | Non-current assets 2021 | Non-current assets 2020 |
|---|---|---|---|---|
| Sweden | 603.1 | 610.3 | 889.0 | 741.3 |
| Rest of Europe | 1,540.7 | 728.3 | 791.3 | 103.0 |
| North America | 935.2 | 493.9 | 421.7 | 128.3 |
| Rest of world | 412.6 | 248.2 | 356.9 | 18.9 |
| **Total** | **3,491.6** | **2,080.8** | **2,458.9** | **991.5** |

Non-current assets refer to non-current assets other than financial instruments and deferred tax assets (there are no assets linked to post-employment benefits or rights in accordance with insurance agreements)

Income from the Group's three biggest customers in 2021 amounted to MSEK 291.3, MSEK 215.0 and MSEK 93.2 respectively. No single customer accounts for more than 10% of the Group's sales.

Income from the Group's three biggest customers in 2020 amounted to MSEK 142.3, MSEK 139.6 and MSEK 136.9 respectively. No single customer accounted for more than 10% of the Group's sales.

In essence, all of the above income has been accounted for at a given time.

## Note 7 Other operating income

| Other operating income by income type | Group 2021 | Group 2020 |
|---|---|---|
| Adjustment of additional purchase prices | - | 0.9 |
| Onward-invoiced freight | 12.1 | 4.2 |
| Grants received | 18.9 | 5.4 |
| Capital gain from sale of equipment | 0.9 | 1.1 |
| Other items | 1.3 | 2.8 |
| **Total** | **33.2** | **14.4** |

## Note 8 Remuneration to auditors

Audit engagement refers to auditing the annual report and accounts as well as the administration of the Board of Directors and CEO, other work duties incumbent on the company's auditors, along with advice or other assistance caused by observations during such an audit or while carrying out other such work duties. Everything else comes under 'Other assignments'.

| | Group | | | | Parent Company | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | Of which PwC Sweden | 2020 | Of which PwC Sweden | 2021 | Of which PwC Sweden | 2020 | Of which PwC Sweden |
| **PwC** | | | | | | | | |
| Audit engagement | 3.0 | 1.8 | 2.4 | 2.1 | 1.2 | 1.2 | 1.5 | 1.5 |
| Audit business in addition to audit engagement | 0.3 | 0.3 | 0.2 | 0.2 | 0.3 | 0.3 | 0.2 | 0.2 |
| Tax consultancy | 0.3 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 |
| Other services | 0.6 | - | - | - | 0.0 | 0.0 | - | - |
| **Total** | **4.2** | **2.2** | **2.6** | **2.3** | **1.6** | **1.6** | **1.7** | **1.7** |
| **Other auditors** | | | | | | | | |
| Audit engagement | 0.5 | - | 0.4 | - | - | - | - | - |
| **Total** | **4.7** | **2.2** | **3.0** | **2.3** | **1.6** | **1.6** | **1.7** | **1.7** |

## Note 9 Transactions with related parties

Handelsbanken Fonder owns 7.8%, AMF Pension & Fonder owns 7.1%, Jonas Nordlund owns (privately and via company) 7.0%, Accendo Capital owns 6.7% and Swedbank Robur Västfonden owns 5.9% of the shares in Hexatronic Group AB, and they are deemed to have significant influence over the Group. Ownership of the remaining 66.4% of the shares is widely spread, with no individual having a holding of more than 5.0%. Other related parties are all of the subsidiaries within the Group, together with senior executives in the Group, i.e. the Board of Directors and Executive Management as well as natural and legal persons related to them. The following transactions have taken place with related parties:

| | Group | | Parent Company | |
|---|---|---|---|---|
| **Sales of products and services** | 2021 | 2020 | 2021 | 2020 |
| Sales of Group-wide services to subsidiaries | - | - | 18.7 | 17.4 |
| **Total** | **0.0** | **0.0** | **18.7** | **17.4** |

| | Group | | Parent Company | |
|---|---|---|---|---|
| **Purchases of products and services** | 2021 | 2020 | 2021 | 2020 |
| Rental agreement with Fastighets AB Balder | 5.3 | 5.2 | 1.3 | 1.3 |
| Purchases of services from subsidiaries | - | - | 11.2 | 7.9 |
| **Total** | **5.3** | **5.2** | **12.5** | **9.2** |

| Receivables and liabilities at the end of the period as a result of sales and purchases of products and services | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Receivables from related parties: | | | | |
| - Receivables from Group companies | - | - | 1,048.5 | 318.8 |
| **Total receivables from related parties** | **0.0** | **0.0** | **1,048.5** | **318.8** |
| Liabilities to related parties: | | | | |
| - Liabilities to Group companies: | - | - | 281.5 | 415.5 |
| **Total liabilities to related parties** | **0.0** | **0.0** | **281.5** | **415.5** |

The Group rents premises from Fastighets AB Balder, in which the Group's Board Member Erik Selin has a significant influence. The rental contract has been entered into under normal commercial conditions on a business basis.

100% (94%) of the Parent Company's sales are sales to Group companies and 25.1% (21.8%) of the Parent Company's purchases are purchases from Group companies. Services are purchased and sold to subsidiaries on normal commercial conditions.

Remuneration to senior executives is detailed in Note 10.

## Note 10 Remuneration to employees etc.

| Group | 2021 | 2020 |
|---|---|---|
| Salaries and other remuneration | 468.6 | 308.9 |
| Social security contributions | 139.3 | 74.1 |
| Pension expenses | 35.6 | 24.9 |
| **Group total** | **643.5** | **407.9** |

| Salaries and other remuneration | 2021 | | 2020 | |
|---|---|---|---|---|
| | Salaries and other remuneration (of which bonuses) | Pension expenses | Salaries and other remuneration (of which bonuses) | Pension expenses |
| Board Members, CEO and other senior executives | 26.9 | 4.3 | 22.8 | 4.3 |
| of which bonuses | (5.0) | - | (2.4) | - |
| Other employees | 441.6 | 31.3 | 286.1 | 20.7 |
| **Group total** | **468.6** | **35.6** | **308.9** | **24.9** |

| **Gender breakdown in the Group** (incl. subsidiaries) for Board Members and other senior executives | 2021 | | 2020 | |
|---|---|---|---|---|
| | Number on balance sheet date | Of whom women | Number on balance sheet date | Of whom women |
| Board Members | 6 | 2 | 6 | 3 |
| CEO and other senior executives | 9 | 3 | 10 | 2 |
| **Group total** | **15** | **5** | **16** | **5** |

| **Average number of employees** by country | 2021 Average no. of employees | 2021 Of whom women | 2020 Average no. of employees | 2020 Of whom women |
|---|---|---|---|---|
| Sweden | 15 | 9 | 13 | 9 |
| **Parent Company total** | **15** | **9** | **13** | **9** |
| **Subsidiaries** | | | | |
| Sweden | 373 | 106 | 302 | 80 |
| USA | 221 | 35 | 152 | 17 |
| UK | 148 | 61 | 100 | 42 |
| Germany | 76 | 18 | 52 | 15 |
| New Zealand | 27 | 3 | 30 | 3 |
| Norway | 11 | 1 | 10 | 1 |
| Estonia | 55 | 44 | 8 | 6 |
| Italy | 14 | 7 | 3 | 2 |
| Finland | 3 | 0 | 3 | 0 |
| China | 1 | 0 | 1 | 0 |
| Latvia | 5 | 1 | 1 | 0 |
| Lithuania | 5 | 1 | 1 | 0 |
| Canada | 3 | 0 | 1 | 0 |
| Austria | 19 | 1 | 0 | 0 |
| Netherlands | 21 | 2 | 0 | 0 |
| Australia | 25 | 6 | 0 | 0 |
| Denmark | 1 | 0 | 1 | 0 |
| **Subsidiaries total** | **1,007** | **287** | **665** | **166** |
| **Group total** | **1,022** | **296** | **678** | **175** |

| **Parent Company** | 2021 | 2020 |
|---|---|---|
| Salaries and other remuneration | 21.6 | 16.5 |
| Social security contributions | 16.0 | 7.0 |
| Pension expenses – defined contribution plans | 3.0 | 2.4 |
| **Parent Company total** | **40.6** | **25.9** |

| **Salaries and other remuneration** | 2021 Salaries and other remuneration (of which bonuses) | 2021 Pension expenses | 2020 Salaries and other remuneration (of which bonuses) | 2020 Pension expenses |
|---|---|---|---|---|
| Board Members, CEO and other senior executives | 15.8 | 2.3 | 11.5 | 1.9 |
| of which bonuses | (3.0) | - | (1.7) | - |
| Other employees | 5.8 | 0.7 | 5.1 | 0.5 |
| **Parent Company total** | **21.6** | **3.0** | **16.5** | **2.4** |

| **Gender breakdown in the Parent Company** for Board Members and other senior executives | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Number on balance sheet date** | **Of whom women** | **Number on balance sheet date** | **Of whom women** |
| Board Members | 6 | 2 | 6 | 3 |
| CEO and other senior executives | 5 | 3 | 4 | 2 |
| **Parent Company total** | **11** | **5** | **10** | **5** |

| **Average number of employees** by country | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Average no. of employees** | **Of whom women** | **Average no. of employees** | **Of whom women** |
| Sweden | 15 | 9 | 13 | 9 |
| **Parent Company total** | **15** | **9** | **13** | **9** |

See Note 28 for information on current warrants.

## Pensions

The Group has both defined benefit and defined contribution plans. The pension expense refers to the cost that affected result for the year.

### Defined benefit pension plans

The Group has ITP 2 plans, which are defined benefit pension plans secured through insurance with Alecta. See Note 2.12 for further information on the accounting policies for these pension plans. The expected payments in the next reporting period for ITP 2 insurance policies signed with Alecta amount to MSEK 8.5 (8.5).

The collective level of consolidation comprises the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial methods and assumptions, which do not correspond to IAS 19. The collective level of consolidation is usually permitted to vary between 125 and 155%. If Alecta's collective consolidation level is below 125% or above 155%, measures shall be taken to create conditions that bring the consolidation level back within the normal interval. If the consolidation level is low, one possible measure is to increase the agreed price for subscribing to or expanding existing benefits. If the consolidation level is high, one possible measure is to reduce premiums. On 31 December 2021, Alecta's surplus in the form of the collective consolidation level was 172% (148%).

## Remuneration to senior executives

### Guidelines

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

The general meeting of shareholders has decided on the following guidelines for remuneration to management.

Remuneration to the CEO and other senior executives comprises basic salary, variable remuneration, other benefits and financial instruments, etc. 'Other senior executives' refers to the nine people who together with the CEO make up the Executive Management. See pages 64–65 for the composition of the Executive Management.

The division between basic salary and variable remuneration shall be proportional to the officer's responsibilities and authority. For the CEO and other senior executives alike, variable remuneration can be up to 50% of their basic salary. Variable remuneration is based on outcomes relating to individually set goals.

Other benefits for the CEO and other senior executives form part of the overall remuneration.

| Remuneration and other benefits 2021 | Basic salary/ Board fee | Variable remuneration | Share-based remuneration | Other benefits | Pension expenses | Total |
|---|---|---|---|---|---|---|
| Anders Persson, Chairman of the Board | 0.5 | - | - | - | - | 0.5 |
| Helena Holmgren, Board Member | 0.3 | - | - | - | - | 0.3 |
| Erik Selin, Board Member | 0.2 | - | - | - | - | 0.2 |
| Jaakko Kivinen, Board Member | 0.3 | - | - | - | - | 0.3 |
| Frida Westerberg, Board Member | 0.2 | - | - | - | - | 0.2 |
| Per Wassén, Board Member [1] | 0.2 | - | - | - | - | 0.2 |
| Malin Frenning, Board Member [2] | 0.1 | - | - | - | - | 0.1 |
| Henrik Larsson Lyon, CEO | 3.8 | 1.9 | 1.3 | 0.1 | 1.1 | 8.2 |
| Martin Åberg, Deputy CEO | 2.6 | 0.7 | 0.6 | 0.1 | 0.7 | 4.7 |
| Other senior executives (7 people) | 9.5 | 2.4 | 1.7 | 0.4 | 2.5 | 16.5 |
| **Total** | **17.7** | **5.0** | **3.6** | **0.6** | **4.3** | **31.2** |

1) Elected Board Member at the AGM on 6 May 2021.
2) Left position as Board Member at the AGM on 6 May 2021.

| Remuneration and other benefits 2020 | Basic salary/ Board fee | Variable remuneration | Share-based remuneration | Other benefits | Pension expenses | Total |
|---|---|---|---|---|---|---|
| Anders Persson, Chairman of the Board | 0.5 | - | - | - | - | 0.5 |
| Helena Holmgren, Board Member [1] | 0.2 | - | - | - | - | 0.2 |
| Erik Selin, Board Member | 0.2 | - | - | - | - | 0.2 |
| Malin Frenning, Board Member | 0.2 | - | - | - | - | 0.2 |
| Jaakko Kivinen, Board Member | 0.3 | - | - | - | - | 0.3 |
| Frida Westerberg, Board Member [2] | 0.1 | - | - | - | - | 0.1 |
| Malin Persson, Board Member [3] | 0.1 | - | - | - | - | 0.1 |
| Mats Otterstedt, Board Member [4] | 0.1 | - | - | - | - | 0.1 |
| Henrik Larsson Lyon, CEO | 3.3 | 1.4 | 0.6 | 0.1 | 0.9 | 6.3 |
| Martin Åberg, Deputy CEO | 2.2 | 0.5 | 0.3 | 0 | 0.7 | 3.7 |
| Other senior executives (8 people) | 10.8 | 0.4 | 0.9 | 0.6 | 2.6 | 15.3 |
| **Total** | **17.9** | **2.4** | **1.8** | **0.7** | **4.3** | **27.1** |

1) Elected Board Member and Chair of the Audit Committee at the AGM on 7 May 2020.
2) Elected Board Member at the AGM on 7 May 2020.
3) Left position as Board Member and Chair of the Audit Committee at the AGM on 7 April 2020.
4) Left position as Board Member at the AGM on 7 May 2020.

### Pensions

The retirement age for the CEO is 65.

The CEO's pension contribution shall amount to 30% of the pensionable salary. Pensionable salary refers to fixed basic salary.

For other senior executives, the retirement age varies between 60 and 65 years. The pension agreement states that the pension contribution varies between 14 and 28% of the pensionable salary.

### Severance pay

The CEO's employment contract includes a period of notice of six months on the part of the CEO and 12 months on the part of the Company, in addition to severance pay. The severance pay applies from the CEO's 50th birthday, and amounts to one month's salary (fixed) for each year of age above 50 when the CEO is given notice. This means, for example, that if the CEO is given notice at the age of 52, the severance pay will amount to two months' salary. No deductions are made from severance pay for other income. No severance pay shall be forthcoming if the CEO resigns.

There is a mutual period of notice of 3–12 months between the company and other senior executives. No severance pay has been agreed with other senior executives.

### Performance-based incentive programme

At the AGMs on 9 May 2019 and 6 May 2021, a decision was made to introduce long-term, performance-based incentive programmes targeted at senior executives and other key people in the Group (LTIP 2019 and LTIP 2021).

The two ongoing programmes encompass up to 13 and 18 people respectively and entail the participants actively purchasing shares (known as savings shares) at market price and locking in the savings shares for a three-year period. For each savings share acquired by a participant, the participant is assigned up to 4–6 rights, which entitle the participant to receive additional ordinary shares in Hexatronic Group AB (known as performance shares) free of charge on a date set by the Board, approximately three years after the rights are assigned. To earn performance shares, the participant must remain in the employ of Hexatronic Group AB and continue to hold the purchased savings shares. In addition, certain performance targets must be met, linked to the development of the per-share earnings, the Group's growth and the growth in EBITA during the vesting period.

With the aim of ensuring delivery of shares, the company has issued shares (class C shares that can be converted into ordinary shares) which can be transferred to participants within the framework of the programme. The maximum cost for LTIP 2019 and LTIP 2021 was estimated before the start of the programmes at approximately MSEK 19 and MSEK 25 respectively, excluding social security contributions.

In 2021, a total of 14 participants in the LTIP 2021 programme purchased shares in Hexatronic Group AB, and the maximum entitlement to performance shares was therefore for 129,370 shares. On 31 December 2021, there were 17 participants remaining in the ongoing incentive programs.

| **No. of rights to shares** | **2021** | **2020** |
|---|---|---|
| Outstanding rights to shares on 1 January | 76,193 | 172,945 |
| Allocated during the year | 137,770 | 0 |
| Earned during the year | -125,942 | -52,878 |
| Expired during the year | -5,324 | -43,874 |
| **Outstanding rights to shares on 31 December** | **82,697** | **76,193** |

The fair value of the performance shares was established when the programme was agreed. There has been a decrease in the fair value with regard to expected dividend.

The recognised cost in 2021 for the programmes amounts to MSEK 5.4 (2.5), excluding social security contributions of MSEK 20.5 (1.2).

The effect of share-based remuneration on basic and diluted earnings per share is shown in Note 14.

## Note 11 Financial income/interest income and similar result items

| | **Group** | | **Parent Company** | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Dividend | - | - | 27.6 | - |
| Exchange rate differences | - | - | 23.8 | - |
| Interest | 0.1 | 0.2 | - | 0.1 |
| **Total** | **0.1** | **0.2** | **51.4** | **0.1** |

## Note 12 Financial expenses/interest expenses and similar result items

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Exchange rate differences | -2.7 | -0.7 | - | -5.8 |
| Other interest expenses | -18.5 | -10.0 | -13.0 | -7.0 |
| Other financial expenses | -1.9 | -1.9 | -1.9 | -2.0 |
| **Total** | **-23.1** | **-12.6** | **-14.9** | **-14.7** |

No costs of borrowing have been set up as an asset.

## Note 13 Income tax

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Current tax:** | | | | |
| Current tax on profit for the year | -75.8 | -34.0 | -4.8 | -3.4 |
| **Total current tax** | **-75.8** | **-34.0** | **-4.7** | **-3.4** |
| Deferred tax (Note 20) | -3.9 | -4.4 | 0.1 | -0.1 |
| **Income tax** | **-79.7** | **-38.4** | **-4.7** | **-3.5** |

Income tax on profit for the year differs from the theoretical amount that would have emerged using a weighted average tax rate for profit in the consolidated companies as follows:

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Income tax calculated using national tax rates for profit in each country | -75.0 | -37.3 | -10.4 | -3.3 |
| Tax effects of: | | | | |
| - Non-deductible expenses | -6.0 | -4.2 | -0.1 | -0.2 |
| - Non-taxable income | 4.1 | 7.3 | 5.7 | - |
| - Tax on previous year's profit | 0.6 | -0.2 | - | 0.0 |
| - Increase in loss carry-forward without equivalent capitalisation of deferred tax | -7.9 | -4.2 | - | - |
| - Use of loss carry-forward not previously recognised | 4.5 | 0.3 | - | - |
| **Tax expense** | **-79.7** | **-38.4** | **-4.8** | **-3.5** |

The weighted average tax rate is 24.0% (23.3%) for the Group and 9.3% (21.4%) for the Parent Company.

## Note 14 Earnings per share

| | 2021 | 2020 |
|---|---|---|
| Earnings per share before dilution (SEK) | 6.60 | 3.38 |
| Earnings per share after dilution (SEK) [1] | 6.47 | 3.37 |

| Basic and diluted earnings per share related to Parent Company shareholders are calculated based on the following information: | | |
|---|---|---|
| Earnings related to Parent Company shareholders, MSEK | 253.1 | 126.5 |
| Weighted average number of ordinary shares before dilution | 38,349,928 | 37,480,163 |
| Weighted average number of ordinary shares after dilution [1] | 39,098,226 | 37,563,322 |

1) Outstanding warrants create a dilutive effect when the discounted exercise price for the warrants is less than the average price for ordinary shares during the period. The dilutive effect of the warrant programmes is calculated in accordance with the prevailing dilution at the end of the period.

**Before dilution**
Basic earnings per share are calculated by dividing earnings related to Parent Company shareholders by a weighted average number of outstanding shares during the period. There have not been any bought-back shares held as own shares by the Parent Company during the period.

**After dilution**
Diluted earnings per share are calculated by dividing earnings related to Parent Company shareholders by a weighted average number of outstanding shares during the period. There have not been any bought-back shares held as own shares by the Parent Company during the period.

## Note 15 Exchange rate differences

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

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Net sales (Note 6) | -19.5 | 7.6 | -2.7 | 0 |
| Net financial income and expense (Notes 11, 12) | -2.7 | -0.7 | 23.8 | -5.8 |
| **Total exchange rate differences in the income statement** | **-22.2** | **6.9** | **21.1** | **-5.8** |

## Note 16 Proposed appropriation of profits

| **The following funds are at the Parent Company's disposal** | SEK |
|---|---|
| Share premium reserve | 890,381,972 |
| Result brought forward | 67,435 |
| Result for the year | 45,563,308 |
| **Total** | **936,012,714** |

| **The Board of Directors proposes that the profits be appropriated as follows:** | SEK |
|---|---|
| SEK 0.50 per share to be distributed to shareholders | 19,982,665 |
| To be transferred to result carried forward | 916,030,049 |
| **Total** | **936,012,714** |

## Note 17 Intangible assets

| Group | Capitalised development expenditure | Customer relations | Trademarks | Goodwill | Total |
|---|---|---|---|---|---|
| **2020 financial year** | | | | | |
| Opening carrying amount | 5.8 | 115.1 | 56.2 | 257.2 | 434.3 |
| Purchases/cultivation | 2.3 | - | - | - | 2.3 |
| Increase through business acquisitions | 0.1 | - | 17.4 | 157.2 | 174.6 |
| Translation differences | 0.2 | -8.6 | -2.1 | -24.9 | -35.3 |
| Amortisation | -1.9 | -17.7 | -7.9 | - | -27.5 |
| **Closing carrying amount** | **6.5** | **88.8** | **63.5** | **389.5** | **548.4** |
| | | | | | |
| **As per 31 December 2020** | | | | | |
| Cost | 13.1 | 160.1 | 90.8 | 390.3 | 654.3 |
| Accumulated amortisation and write-downs | -6.5 | -71.3 | -27.3 | -0.8 | -106.0 |
| **Carrying amount** | **6.5** | **88.8** | **63.5** | **389.5** | **548.4** |
| | | | | | |
| **2021 financial year** | | | | | |
| Opening carrying amount | 6.5 | 88.8 | 63.5 | 389.5 | 548.4 |
| Purchases/cultivation | 2.3 | - | - | - | 2.3 |
| Increase through business acquisitions | 9.6 | 176.7 | - | 641.2 | 827.5 |
| Translation differences | 0.5 | 10.5 | 1.1 | 33.8 | 45.8 |
| Amortisation | -3.4 | -26.1 | -9.2 | - | -38.7 |
| **Closing carrying amount** | **15.4** | **249.9** | **55.5** | **1,064.5** | **1,385.2** |
| | | | | | |
| **As per 31 December 2021** | | | | | |
| Cost | 27.9 | 351.1 | 92.3 | 1,065.3 | 1,536.5 |
| Accumulated amortisation and write-downs | -12.4 | 101.2 | -36.8 | -0.8 | -151.2 |
| **Carrying amount** | **15.4** | **249.9** | **55.5** | **1,064.5** | **1,385.2** |

### Parent Company

During the 2021 financial year the Parent Company invested MEK 2.2 (1.6) in capitalised development expenditure. Amortisation during the financial year amounted to MSEK 0.6 (0.0).

### Impairment test for goodwill

Goodwill is not written down on an ongoing basis; rather, the value is tested at least annually in accordance with IAS 36. The test was most recently performed in December 2021.

In the case of acquisitions, goodwill is allocated to the Group's cash-generating units (CGUs). A CGU is the lowest level of assets for which separate cash flows can be identified. Hexatronic has five separate CGUs to which goodwill can be allocated according to the table below:

| 2021 | Opening carrying amount | Acquisitions | Sales | Write-down | Other adjustments | Closing carrying amount |
|---|---|---|---|---|---|---|
| Group (excl. separate CGUs) | 189.4 | 294.8 | - | - | 18.3 | **502.6** |
| Opternus | 65.5 | - | - | - | 1.2 | **66.7** |
| Qubix | 134.6 | - | - | - | 2.5 | **137.2** |
| OSA and FOS | 0.0 | 225.3 | - | - | 8.4 | **233.7** |
| Data Center Systems | 0.0 | 120.7 | - | - | 3.6 | **124.3** |
| **Group total** | **389.5** | **640.9** | **0.0** | **0.0** | **34.1** | **1,064.5** |

| 2020 | Opening carrying amount | Acquisitions | Sales | Write-down | Other adjustments | Closing carrying amount |
|---|---|---|---|---|---|---|
| Group (excl. separate CGUs) | 189.1 | 18.0 | - | - | -17.7 | **189.4** |
| Opternus | 68.1 | - | - | - | -2.6 | **65.5** |
| Qubix | 0.0 | 139.2 | - | - | -4.5 | **134.6** |
| **Group total** | **257.2** | **157.2** | **0.0** | **0.0** | **-24.9** | **389.5** |

The recoverable amount for a CGU has been established based on calculations of value in use. These calculations are based on estimated future cash flows before tax based on financial budgets that have been approved by the Executive Management and span a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate as stated below. The growth rate is not higher than the long-term growth rate for the fiber optic market in which the CGUs concerned operate. The operational risk is deemed to be similar between the cash-generating units, and therefore the same discount rate (WACC) has been used for all cash-generating units.

Important assumptions used to calculate value in use:

Average annual volume growth for the first five years is 7% (10%) for the Group (excluding separate CGUs), 5% (6%) for Opternus, 2% (6%) for Qubix, 3% for OSA and FOS, and 9% for Data Center Systems.

A weighted average growth rate of 2% (2%) has been used to extrapolate cash flows beyond the budget period for all cash-generating units. A discount rate of 12.3% (12.7%) before tax has been used to calculate the present value of estimated future cash flows for the five cash-generating units.

The management has deemed that the annual volume growth for the CGU over the five-year forecast period is an important assumption. The sales volume for each period is the main reason for the development of income and expenses. Annual volume growth is based on previous results and management's expectations of market developments. The long-term growth rate used corresponds to the forecasts found in industry reports. The discount rates used are stated before tax and reflect specific risks that apply to the cash-generating units.

In the sensitivity analysis for the impairment test for goodwill, simulations of negative development of sales, EBITDA and WACC have been carried out. No reasonable possible change in important assumptions would cause the carrying amount to exceed the recoverable amount in any of the cash-generating units.

## Note 18 Leases

| Right-of-use assets | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Property | 384.5 | 204.9 |
| | | |
| Lease liabilities | | |
| Current | 61.4 | 41.3 |
| Non-current | 332.4 | 167.8 |
| **Total** | **393.8** | **209.2** |

Additional right-of-use assets in 2021 amounted to MSEK 224.0 (90.8).

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

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Depreciation of property | -53.3 | -38.9 |
| | | |
| Interest expenses (included in financial expenses) | -4.8 | -2.9 |
| Expenditure attributable to short-term leases/leases for which the underlying asset is of low value (included in other external expenses) | -7.7 | -5.2 |

The total cash flow relating to leases was MSEK 61.7 (43.8) in 2021.

## Note 19 Tangible assets

| Group | Lands and buildings | Plant and machinery | Equipment, tools, fixtures and fittings | Total |
|---|---|---|---|---|
| **2020 financial year** | | | | |
| Opening carrying amount | 29.1 | 137.9 | 29.6 | 196.6 |
| Purchases | 12.8 | 53.5 | 10.7 | 77.0 |
| Increase through business acquisitions | - | 2.8 | 1.4 | 4.2 |
| Sales and disposals | - | -0.8 | -0.1 | -0.9 |
| Reclassification | -1.7 | 1.6 | 0.1 | 0.0 |
| Translation differences | -2.9 | -7.8 | -0.1 | -10.9 |
| Depreciation | -2.5 | -20.9 | -6.4 | -29.8 |
| **Closing carrying amount** | **34.8** | **166.3** | **35.1** | **236.2** |
| **As per 31 December 2020** | | | | |
| Cost | 45.3 | 452.1 | 171.7 | 669.1 |
| Accumulated depreciation and write-downs | -10.5 | -285.7 | -136.6 | -432.9 |
| **Carrying amount** | **34.8** | **166.3** | **35.1** | **236.2** |
| **2021 financial year** | | | | |
| Opening carrying amount | 34.8 | 166.3 | 35.1 | 236.2 |
| Purchases | 4.6 | 157.1 | 45.3 | 207.0 |
| Increase through business acquisitions | 140.4 | 109.7 | 24.3 | 274.4 |
| Sales and disposals | -0.7 | 0.3 | -0.1 | -0.5 |
| Translation differences | 3.1 | 8.9 | 0.4 | 12.4 |
| Depreciation | -4.2 | -28.1 | -9.9 | -42.2 |
| **Closing carrying amount** | **178.0** | **414.3** | **95.1** | **687.3** |
| **As per 31 December 2021** | | | | |
| Cost | 193.5 | 731.1 | 242.6 | 1,167.2 |
| Accumulated depreciation and write-downs | -15.5 | -316.8 | -147.5 | -479.8 |
| **Carrying amount** | **178.0** | **414.3** | **95.1** | **687.3** |

### Parent Company

During the 2021 financial year the Parent Company invested MSEK 0.3 (0.2) in equipment. Depreciation of MSEK 0.2 (0.2) was carried out during the financial year.

## Note 20 Deferred tax

Deferred tax liabilities are distributed as follows:

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| **Deferred tax liabilities** | | | | |
| Deferred tax liabilities to be settled after more than 12 months | 97.2 | 75.2 | - | 0.1 |
| Deferred tax liabilities to be settled within 12 months | 7.6 | -1.2 | - | - |
| **Total deferred tax liabilities** | **104.8** | **74.0** | **0.0** | **0.1** |

Changes in deferred tax assets and liabilities during the year, without taking into account offsetting carried out within the same fiscal jurisdiction, are shown below:

| Deferred tax liabilities | Intangible assets | Property, plant and equipment | Untaxed reserves | Other | Total |
|---|---|---|---|---|---|
| **As per 31 December 2019** | **35.5** | **0.0** | **22.5** | **0.5** | **58.5** |
| Recognised in income statement | -4.1 | -1.1 | 3.6 | 6.1 | 4.4 |
| Added through business acquisitions | 4.9 | - | 0.0 | 8.2 | 13.0 |
| Recognised in Other comprehensive income | -0.2 | - | - | -1.6 | -1.9 |
| **As per 31 December 2020** | **36.0** | **-1.1** | **26.0** | **13.2** | **74.0** |
| Recognised in income statement | -0.9 | 0.4 | 4.2 | 0.2 | 3.9 |
| Added through business acquisitions | 30.1 | - | - | -5.8 | 24.3 |
| Recognised in Other comprehensive income | 0.3 | 0.0 | - | 2.3 | 2.6 |
| **As per 31 December 2021** | **65.5** | **-0.8** | **30.2** | **9.8** | **104.8** |

Deferred tax receivables are recognised as tax loss carry-forwards to the extent that it is likely that they can be absorbed through future taxable profits.

## Note 21 Participations in Group companies

| Parent Company | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Opening cost | 936.6 | 631.7 |
| Acquisitions | 584.9 | 298.5 |
| Shareholders' contribution | 7.3 | 3.5 |
| Remeasurement of additional purchase prices/acquisition option | 7.7 | 2.9 |
| **Closing accumulated cost** | **1,536.5** | **936.6** |
| **Closing carrying amount** | **1,536.5** | **936.6** |

Contd. on next page

## Parent Company

| Company<br>Corp. ID no. | Registered office | No./% of equity | 31/12/2021 | 31/12/2020 |
|---|---|---|---|---|
| **Hexatronic Cables & Interconnect AB**<br>556514-9118 | Gothenburg, Sweden | 1,000<br>100% | 21.2 | 19.9 |
| **Proximion AB**<br>556915-7323 | Stockholm, Sweden | 58,058<br>100% | 60.0 | 59.1 |
| **Hexatronic Fiberoptic AB**<br>556252-0352 | Örebro, Sweden | 1,000<br>100% | 64.4 | 63.9 |
| **Hexatronic AS**<br>998 804 795 | Engelsviken, Norway | 1,000<br>100% | 10.2 | 9.8 |
| **Hexatronic (Tianjin) Trading Co., Ltd.**<br>120 116 400 016 890 | Tianjin, China | 0<br>100% | 2.0 | 2.0 |
| **Hexatronic US Inc.**<br>475 193 577 | Quitman, USA | 100<br>100% | 0.1 | 0.0 |
| **Hexatronic UK Ltd.**<br>6329180 | Gosport, UK | 2,000<br>100% | 17.9 | 17.5 |
| **Hexatronic New Zealand Ltd.**<br>5937353 | Porirua, New Zealand | 1,000<br>100% | 21.5 | 21.3 |
| **Edugrade AB**<br>556985-3152 | Hudiksvall, Sweden | 2,000<br>100% | 24.4 | 24.1 |
| **Blue Diamond Industries LLC.**<br>20-1023457 | Lexington, USA | 544,445<br>100% | 266.8 | 266.3 |
| **Hexatronic GmbH**<br>111674 | Frankfurt, Germany | 25,000<br>100% | 27.2 | 0.3 |
| **PQMS Ltd.**<br>3696868 | Bedworth, UK | 95<br>100% | 18.5 | 18.2 |
| **Gordon Franks Training Ltd.**<br>8445268 | Birmingham, UK | 187,550<br>100% | 1.4 | 1.3 |
| **Smart Awards Ltd.**<br>9079735 | Solihull, UK | 100<br>100% | 5.2 | 5.1 |
| **Edugrade AS**<br>920926452 | Oslo, Norway | 100<br>100% | 0.0 | 0.0 |
| **Opternus GmbH**<br>4567 | Bargteheide, Germany | 37,500<br>100% | 133.0 | 128.9 |
| **Opternus Networks GmbH**<br>13610 | Bargteheide, Germany | 25,000<br>100% | - | - |
| **Opternus Components GmbH**<br>4934 | Bargteheide, Germany | 9,000<br>33% | - | - |
| **Hexatronic Danmark ApS**<br>40639101 | Copenhagen, Denmark | 400<br>100% | 0.1 | 0.1 |
| **Tech Optics Ltd**<br>6726737 | Tonbridge, UK | 13,050<br>100% | 5.1 | 5.1 |
| **Tech Optics First Company Ltd**<br>2257839 | Tonbridge, UK | 100,000<br>100% | - | - |
| **The Light Brigade, Inc.**<br>601232465 | Kent, USA | 50,000<br>100% | 14.7 | 14.7 |
| **Hexatronic Australia Pty Ltd**<br>643648122 | Brisbane, Australia | 100<br>100% | 166.9 | 0.0 |

| Company<br>Corp. ID no. | Registered office | No./% of equity | 31/12/2021 | 31/12/2020 |
|---|---|---|---|---|
| **Baltronic Group OÜ**<br>11164070 | Tallinn, Estonia | 1<br>100% | 57.5 | 57.4 |
| **Baltronic OÜ**<br>10729558 | Tallinn, Estonia | 1<br>100% | - | - |
| **Baltronic SIA**<br>40003583738 | Riga, Latvia | 2,500<br>100% | - | - |
| **Baltronic Vilnius UAB**<br>1117679610 | Vilnius, Lithuania | 100<br>100% | - | - |
| **Optobit AB**<br>556709-8628 | Stockholm, Sweden | 6,000<br>100% | 1.9 | - |
| **Hexatronic Canada, Inc.**<br>2358854 | Toronto, Canada | 100<br>100% | - | - |
| **Qubix S.p.A.**<br>3575150283 | Padua, Italy | 270,000<br>90% | 220.8 | 220.2 |
| **Hexatronic Security and Surveillance AB**<br>559271-6921 | Gothenburg, Sweden | 375<br>75% | 3.5 | 1.5 |
| **TK-Kontor-Freitag GmbH**<br>18207 | Neumünster, Germany | 25,000<br>70% | 19.0 | - |
| **Mpirical Ltd**<br>4393797 | Lancaster, UK | 4,361<br>100% | 127.9 | - |
| **H. Weterings Galgeweg B.V.**<br>27273425 | Gravenzande, Netherlands | 18,000<br>100% | 88.1 | - |
| **H. Weterings-Plastics B.V.**<br>27219131 | Gravenzande, Netherlands | 16,382<br>100% | - | - |
| **Hexatronic Österreich GmbH**<br>548181 z | Neulengbach, Germany | 35,000<br>100% | 35.9 | - |
| **Hexatronic Property GmbH**<br>548183 b | Neulengbach, Germany | 35,000<br>100% | 65.7 | - |
| **Hexatronic US Holding, Inc.**<br>6243400 | Wilmington, USA | 1,000<br>100% | 55.9 | - |
| **Data Center Systems, Inc.**<br>800444772 | Dallas, USA | 100,000<br>100% | - | - |
| **The Fibre Optic Shop Pty Limited**<br>098 885 048 | Brisbane, Australia | 100<br>100% | - | - |
| **Layer 1 Pty Ltd**<br>155 675 568 | Brisbane, Australia | 200<br>100% | - | - |
| **Optical Connections Pty Limited**<br>098737930 | Brisbane, Australia | 1<br>100% | - | - |
| **Optical Solutions (Sydney City) Pty Ltd**<br>116 504 904 | Brisbane, Australia | 200<br>100% | - | - |
| **Optical Solutions (Victoria) Pty Ltd**<br>111 683 357 | Brisbane, Australia | 200<br>100% | - | - |
| **Optical Solutions (WA) Pty Ltd**<br>123 208 177 | Brisbane, Australia | 200<br>100% | - | - |
| **Optical Solutions Australia (ACT) Pty Limited**<br>126 872 400 | Brisbane, Australia | 200<br>100% | - | - |

Continued on next page

| **Company**<br>Corp. ID no. | **Registered office** | **No./% of equity** | **31/12/2021** | **31/12/2020** |
|---|---|---|---|---|
| **Optical Solutions Australia (Queensland) Pty Limited**<br>102 444 806 | Brisbane, Australia | 1,000<br>100% | - | - |
| **Optical Solutions Australia Pty Limited**<br>098 737 949 | Brisbane, Australia | 1<br>100% | - | - |
| **Apticom AB**<br>559333-0938 | Stockholm, Sweden | 25,000<br>70% | 0.0 | - |
| **Total** | | | **1,536.5** | **936.6** |

## Note 22 Financial instruments by category

| Group<br>**Assets in balance sheet** | **Financial assets at amortised cost** | **Total** |
|---|---|---|
| **31 December 2021** | | |
| Accounts receivable | 597.3 | 597.3 |
| Other receivables | 19.0 | 19.0 |
| Liquid assets | 675.1 | 675.1 |
| **Total** | **1,291.4** | **1,291.4** |
| **31 December 2020** | | |
| Accounts receivable | 308.0 | 308.0 |
| Other receivables | 6.4 | 6.4 |
| Liquid assets | 212.3 | 212.3 |
| **Total** | **526.7** | **526.7** |

| Group<br>**Liabilities in balance sheet** | **Financial liabilities at amortised cost** | **Liabilities measured at fair value through profit or loss** | **Total** |
|---|---|---|---|
| **31 December 2021** | | | |
| Liabilities to credit institutions | 1,529.6 | - | 1,529.6 |
| Accounts payable | 505.1 | - | 505.1 |
| Other current liabilities | - | 241.2 | 241.2 |
| Accrued expenses | 52.1 | - | 52.1 |
| **Total** | **2,086.8** | **241.2** | **2,328.0** |
| **31 December 2020** | | | |
| Liabilities to credit institutions | 535.5 | - | 535.5 |
| Accounts payable | 252.5 | - | 252.5 |
| Other current liabilities | 8.1 | 64.2 | 72.3 |
| Accrued expenses | 31.7 | - | 31.7 |
| **Total** | **827.8** | **64.2** | **892.0** |

## Note 23 Accounts receivable

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| Accounts receivable | 604.5 | 316.1 | 0.0 | 0.0 |
| Less: reserve for credit losses | -7.2 | -8.1 | - | - |
| **Accounts receivable – net** | **597.3** | **308.0** | **0.0** | **0.0** |

On 31 December 2021, standard accounts receivable totalled MSEK 597.3 (308.0) for the Group. On 31 December 2021, standard accounts receivable totalled MSEK 0.0 (0.0) for the Parent Company. The fair value of accounts receivable corresponds to their carrying amount, which is why the discount effect is not significant. No accounts receivable have been pledged as security for any liability.

The total loss level on 31 December 2021 was 0.1% (0.1%), which is deemed insignificant. The expected loss level is therefore not recognised per category.

| As per 31 December 2021 | Not overdue | Past due <30 days | Past due >30 days <60 days | Past due >60 days <120 days | Past due >120 days | Total |
|---|---|---|---|---|---|---|
| Recognised amount for accounts receivable | 426.5 | 134.6 | 21.2 | 5.5 | 16.7 | 604.5 |

| As per 31 December 2020 | Not overdue | Past due <30 days | Past due >30 days <60 days | Past due >60 days <120 days | Due >120 days | Total |
|---|---|---|---|---|---|---|
| Recognised amount for accounts receivable | 260.1 | 30.5 | 11.2 | 2.9 | 11.5 | 316.1 |

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

| | 2021 | 2020 |
|---|---|---|
| **As per 1 January** | **8.1** | **2.1** |
| Increase in reserve for credit losses, change recognised in the income statement | 1.9 | 3.0 |
| Increase in reserve for credit losses through business acquisitions | 0.0 | 3.7 |
| Written-off accounts receivable during the year | -1.8 | 0.0 |
| Reversal of unused amount | -1.0 | -0.7 |
| **As per 31 December** | **7.2** | **8.1** |

Provisions for the respective reversals of the reserve for credit losses are included under other external expenses in the income statement.

The carrying amounts, per currency, for accounts receivable and other receivables are as follows:

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| SEK | 119.9 | 110.0 | 99.1 | 223.5 |
| EUR | 120.7 | 71.3 | 391.4 | 13.7 |
| USD | 202.4 | 69.4 | 259.0 | 40.2 |
| GBP | 84.3 | 39.3 | 75.7 | 39.2 |
| AUD | 44.9 | 0.0 | 217.4 | 0.0 |
| Other currencies | 25.1 | 18.0 | 6.0 | 2.2 |
| **Total** | **597.3** | **308.0** | **1,048.5** | **318.8** |

## Note 24 Other receivables

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| Supplier receivable | 5.3 | 1.2 | - | - |
| Other receivables | 13.7 | 5.2 | 0.1 | 2.2 |
| **Total** | **19.0** | **6.4** | **0.1** | **2.2** |

## Note 25 Prepaid expenses and accrued income

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| Prepaid rent | 8.8 | 6.7 | 0.4 | 0.3 |
| Contract assets | 10.2 | 7.1 | - | - |
| Prepaid insurance | 1.7 | 1.2 | 0.9 | 0.5 |
| Prepaid marketing costs | 2.0 | 1.0 | 0.9 | 0.7 |
| Other | 13.5 | 8.6 | 0.6 | 0.5 |
| **Total** | **36.1** | **24.7** | **2.8** | **2.1** |

## Note 26 Liquid assets

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| Bank balance | 675.1 | 212.3 | 375.0 | 35.0 |
| **Total** | **675.1** | **212.3** | **375.0** | **35.0** |

## Note 27 Share capital and other contributed capital

| Group | No. of shares | Share capital | Other contributed capital | Total |
|---|---|---|---|---|
| **As per 31 December 2020** | **38,021,430** | **1.9** | **249.0** | **250.9** |
| Subscription for shares via warrant programme | 563,000 | 0.0 | 46.3 | 46.3 |
| Warrant programme | - | - | 3.1 | 3.1 |
| Share-based remuneration | 300,000 | 0.0 | - | 0.0 |
| New share issue relating to business combinations | 490,900 | 0.0 | 66.4 | 66.4 |
| New share issue | 1,250,000 | 0.1 | 539.7 | 539.7 |
| **As per 31 December 2021** | **40,625,330** | **2.0** | **904.5** | **906.5** |

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

On the balance sheet date, the share capital in Hexatronic Group AB (publ) amounted to SEK 2,031,266.20, distributed between a total of 40,625,330 shares, of which 39,965,330 ordinary shares and 660,000 class C shares. The quotient value of the shares is SEK 0.05. The ordinary shares have a voting power of one vote per share and the class C shares have a voting power of one-tenth of a vote per share.

All shares issued by the Parent Company are fully paid.

During the financial year, the following share issues have been carried out:

- Targeted share issue of MSEK 9.2 (March 2021) as part of a business combination.
- Targeted share issue of MSEK 1.5 (April/November 2021) as part of an additional purchase price.
- Targeted share issue of MSEK 14.4 (June 2021) as part of a business combination.
- Targeted share issue of MSEK 11.3 (July 2021) as part of a business combination.
- Targeted share issue of MSEK 30.0 (August 2021) as part of a business combination.
- Targeted new share issue of MSEK 539.7 (November 2021)

At the AGM on 6 May 2021, the Board was authorised to acquire or transfer its own shares corresponding to up to 15% of existing shares before the next AGM in accordance with the Board proposal, and was also authorised to decide on the new issue of shares and/or warrants and/or convertibles amounting to up to 15% of the registered share capital.

The total number of shares before dilution from existing warrant programmes is 40,625,330 at the end of the financial year. See Note 28 for information on current warrant programmes.

## Note 28 Warrants

In all of the warrant programmes, the fair value of the allocated warrants is calculated using the Black & Scholes model. In all of the programmes, each warrant entitles the holder to one share. Swedish participants pay market prices for warrants while foreign participants receive the warrants free of charge.

Existing warrant programmes on the balance sheet date:

- In 2019 a warrant programme was issued regarding 500,000 warrants targeted at some of the Group's personnel, 361,500 of which were subscribed. The market value per share was SEK 74.45 at the time of issue. The redemption period is 15 May 2022 to 15 June 2022. The fair value of the warrant premium amounted to SEK 435.70 on 31 December 2021.
- During 2019, a decision was made to introduce a long-term, performance-based incentive programme (LTIP 2019) for 12 senior executives in the Group who are resident in Sweden. At the time of publication of the Annual Report, the participants have invested in a total of 41,418 savings shares.
- In 2020 a warrant programme was issued regarding 345,000 warrants targeted at some of the Group's personnel, 285,000 of which were subscribed. The market value per share was SEK 69.95 at the time of issue. The redemption period is 15 May 2023 to 15 June 2023. The fair value of the warrant premium amounted to SEK 440.20 on 31 December 2021.
- In 2021 a warrant programme was issued regarding 475,000 warrants targeted at some of the Group's personnel, 393,500 of which were subscribed. The market value per share was SEK 207.80 at the time of issue. The redemption period is 15 May 2024 to 15 June 2024. The fair value of the warrant premium amounted to SEK 314.22 on 31 December 2021.
- During 2021, a decision was made to introduce a long-term, performance-based incentive programme (LTIP 2021) for 14 senior executives in the Group who are resident in Sweden. At the time of publication of the Annual Report, the participants have invested in a total of 22,858 savings shares.

## Note 29 Provisions

| Group | Warranty provisions | Total |
|---|---|---|
| **As per 1 January 2020** | 3.0 | 3.0 |
| **Recognised in income statement:** | | |
| Provisions | - | - |
| Funds utilised | - | - |
| Unutilised funds that have been cancelled | - | - |
| **As per 31 December 2020** | **3.0** | **3.0** |
| **As per 1 January 2021** | **3.0** | **3.0** |
| **Recognised in income statement:** | | |
| Provisions | 1.1 | - |
| Funds utilised | - | - |
| Unutilised funds that have been cancelled | - | - |
| **As per 31 December 2021** | **4.1** | **3.0** |
| Current portion | 4.1 | 3.0 |
| **Total provisions** | **4.1** | **3.0** |

Closing provisions are warranty provisions for any faults and shortcomings in deliveries to customers. The amount is expected to be in provision with the size of the provision in future.

## Note 30 Borrowing

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| **Group** | **31/12/2021** | **31/12/2020** | **31/12/2021** | **31/12/2020** |
| **Long-term** | | | | |
| Liabilities to credit institutions | 1,255.3 | 453.5 | 1,255.3 | 453.5 |
| **Total long-term borrowing** | **1,255.3** | **453.5** | **1,255.3** | **453.5** |
| **Short-term** | | | | |
| Liabilities to credit institutions | 274.3 | 82.0 | 274.3 | 82.0 |
| Overdraft facilities | - | - | - | - |
| **Total short-term borrowing** | **274.3** | **82.0** | **274.3** | **82.0** |
| **Total borrowing** | **1,529.6** | **535.5** | **1,529.6** | **535.5** |

The fair value of short-term borrowing corresponds to its carrying amount. The fair values of non-current liabilities to credit institutions in SEK are based on discounted cash flows with an average interest rate based on STIBOR 3 months +1.30% (+1.40%) and classified in level 2 of the fair value hierarchy.

| Parent Company | Carrying amount 31/12/2021 | Carrying amount 31/12/2020 | Fair value 31/12/2021 | Fair value 31/12/2020 |
|---|---|---|---|---|
| **Long-term** | | | | |
| Liabilities to credit institutions | 1,255.3 | 453.5 | 1,255.3 | 453.5 |
| **Total long-term borrowing** | **1,255.3** | **453.5** | **1,255.3** | **453.5** |
| **Short-term** | | | | |
| Liabilities to credit institutions | 274.3 | 82.0 | 274.3 | 82.0 |
| Overdraft facilities | - | - | - | - |
| **Total short-term borrowing** | **274.3** | **82.0** | **274.3** | **82.0** |
| **Total borrowing** | **1,529.6** | **535.5** | **1,529.6** | **535.5** |

The fair value of short-term borrowing corresponds to its carrying amount. The fair values of non-current liabilities to credit institutions in SEK are based on discounted cash flows with an average interest rate based on STIBOR 3 months +1.30% (+1.40%) and classified in level 2 of the fair value hierarchy.

## Group

### Liabilities to credit institutions

The Group's borrowing is in SEK. The Group's borrowing comprises a senior bank loan, utilisation of some of the revolving credit and utilisation of some of the overdraft facilities.

The senior bank loan matures on 28 May 2024 and has an average interest rate of STIBOR 3 months +1.30% a year (1.40%). The revolving credit matures on 28 May 2024 and has an average interest rate of STIBOR 3 months +1.45% (1.45%). The interest rates are based on reported covenants, which are reported quarterly.

The Group has overdraft facilities granted in SEK of MSEK 130 and in USD of MUSD 2.5, renegotiated annually. MSEK 0 (0) of the overdraft facilities granted in SEK had been utilised on 31 December 2021. MUSD 0 (0) of the overdraft facilities granted in USD had been utilised on 31 December 2021. The overdraft facility in SEK has an interest rate of STIBOR 3 months +1.00%, which is paid quarterly, and the overdraft facility in USD has an interest rate of LIBOR 1 month +1.85%. Conditions linked to the overdraft facility in SEK refer to most of the Group companies in the Nordics, UK and Germany. Conditions linked to the overdraft facility in USD refer to Blue Diamond Industries.

Security for total borrowing comprises floating charges (Note 33) and the Parent Company's shares in certain subsidiaries (Note 21).

The Group's exposure to borrowing, changes in interest rates and contractual dates for renegotiating interest rates are as follows at the end of the reporting period:

| Borrowing from credit institutions | 31/12/2021 | Due date | Interest rate |
|---|---|---|---|
| Senior bank loan, SEK | 989.6 | 28/5/2024 | STIBOR 3 months +1.30% |
| Use of revolving credit | 540.0 | 28/5/2024 | STIBOR 3 months +1.45% |
| **Total borrowing** | **1,529.6** | | |

## Note 31 Other liabilities

| | Group 31/12/2021 | Group 31/12/2020 | Parent Company 31/12/2021 | Parent Company 31/12/2020 |
|---|---|---|---|---|
| Liability, additional purchase prices/acquisition option | 241.2 | 64.2 | 155.4 | 64.2 |
| Employee withholding taxes | 10.1 | 5.5 | 0.5 | 0.4 |
| VAT liability | 3.5 | 20.5 | -1.4 | - |
| Other current liabilities | 29.9 | 15.5 | - | - |
| **Total** | **284.6** | **105.7** | **154.5** | **64.6** |

## Note 32 Accrued expenses and deferred income

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| Accrued social security contributions | 62.6 | 18.8 | 12.3 | 2.3 |
| Accrued pay | 52.6 | 27.6 | 4.4 | 2.8 |
| Accrued holiday salaries | 48.7 | 29.0 | 2.3 | 2.0 |
| Accrued costs for purchases of goods | 17.6 | 13.1 | - | - |
| Contract liabilities | 10.8 | 4.0 | - | - |
| Other accrued expenses | 23.7 | 14.6 | 5.0 | 1.8 |
| **Total** | **215.9** | **107.0** | **24.0** | **8.9** |

## Note 33 Pledged assets and contingent liabilities

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| **Pledged assets** | | | | |
| Chattel mortgages | 157.4 | 157.4 | 0.1 | 0.1 |
| Shares in subsidiaries | 358.1 | 313.4 | 85.6 | 83.8 |
| **Total** | **515.4** | **470.7** | **85.7** | **83.9** |
| | | | | |
| Contingent liabilities | None | None | None | None |

## Note 34 Items not affecting cash flow

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | 31/12/2021 | 31/12/2020 |
| Depreciation/amortisation | 134.3 | 96.2 | 0.8 | 0.2 |
| Adjusted liability, additional purchase price | - | 5.2 | - | - |
| Exchange rate differences | 37.5 | -46.5 | - | - |
| Revaluation of incentive programmes | 28.5 | - | 3.3 | - |
| Other | 0.9 | 4.8 | - | 1.0 |
| **Total** | **201.2** | **59.6** | **4.1** | **1.2** |

## Note 35 Change in liabilities

| | | Cash flow | | Items not affecting cash flow | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2020 | Borrow-ings | Repayment by instalment | Reclassi-fication | Additional lease liability | Change in exchange rate | Costs of financing | 31/12/2021 |
| **Group** | | | | | | | | |
| Non-current lease liabilities | **167.8** | - | - | -60.4 | 212.7 | 7.5 | 4.8 | **332.4** |
| Current lease liabilities | **41.3** | - | -53.3 | 60.4 | 13.0 | - | - | **61.4** |
| Non-current liabilities to credit institutions | **453.5** | 1,080.0 | - | -275.6 | - | - | - | **1,255.3** |
| Current liabilities to credit institutions | **82.0** | - | -83.3 | 275.6 | - | - | - | **274.3** |
| Overdraft facilities | **0.0** | - | - | - | - | - | - | **0.0** |
| **Parent Company** | | | | | | | | |
| Non-current liabilities to credit institutions | **453.5** | 1,080.0 | - | -275.6 | - | - | - | **1,255.3** |
| Current liabilities to credit institutions | **82.0** | - | -83.3 | 275.6 | - | - | - | **274.3** |
| Overdraft facilities | **0.0** | - | - | - | - | - | - | **0.0** |

| | | Cash flow | | Items not affecting cash flow | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2019 | Borrow-ings | Repayment by instalment | Reclassi-fication | Additional lease liability | Change in exchange rate | Costs of financing | 31/12/2020 |
| **Group** | | | | | | | | |
| Non-current lease liabilities | **123.4** | - | - | -36.7 | 81.6 | -3.4 | 2.9 | **167.8** |
| Current lease liabilities | **34.3** | - | -38.9 | 36.7 | 9.2 | - | - | **41.3** |
| Non-current liabilities to credit institutions | **320.4** | 214.5 | - | -82.0 | - | - | 0.6 | **453.5** |
| Current liabilities to credit institutions | **57.0** | - | -57.0 | 82.0 | - | - | - | **82.0** |
| Overdraft facilities | **45.3** | - | -45.3 | - | - | - | - | **0.0** |
| **Parent Company** | | | | | | | | |
| Non-current liabilities to credit institutions | **320.4** | 214.5 | - | -82.0 | - | - | 0.6 | **453.5** |
| Current liabilities to credit institutions | **57.0** | - | -57.0 | 82.0 | - | - | - | **82.0** |
| Overdraft facilities | **45.3** | - | -45.3 | - | - | - | - | **0.0** |

## Note 36 Business acquisitions

### Business acquisitions in 2021

#### 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 preliminary acquisition analysis 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 |
| Purchase price not paid | 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 liabilities | -2.3 |
| **Total identifiable net assets** | **7.8** |
| Non-controlling interest | -6.1 |
| **Goodwill** | **16.6** |

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

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

TK-KONTOR's net sales have been included in the consolidated income statement since 1 March 2021 and amount to MSEK 5.6. TK-KONTOR contributed net earnings of MSEK -0.3 to the Group over the same period.

Had TK-KONTOR been consolidated from 1 January 2021, the consolidated income statement for the period 1 January 2021 to 31 December 2021 would have shown increased net sales of MSEK 6.8 and net earnings of MSEK -0.1.

### 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 price of a maximum of MGBP 3 based on the EBITDA of the forthcoming three financial years.

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

**Purchase price as of 1 June 2021**

| | |
|---|---|
| Liquid assets | 75.6 |
| Equity instruments (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 relations | 35.0 |
| Other intangible assets | 9.6 |
| Accounts receivable | 3.0 |
| Other receivables | 0.1 |
| Other liabilities | -14.6 |
| **Total identifiable net assets** | **54.5** |
| **Goodwill** | **70.8** |

Acquisition-related expenses of MSEK 1.3 are included in other external expenses in the consolidated statement of comprehensive income for the 2021 financial year. Total cash flow, excluding acquisition-related expenses, attributable to the business acquisition amounted to MSEK -54.5. Goodwill is attributable to the earning capacity the company is expected to bring.

Under the agreement regarding contingent purchase consideration, the Group shall pay a maximum of MSEK 35.3 divided as follows: a maximum of MSEK 11.7 based on EBITDA for the period 1 June 2021 to 31 May 2022, a maximum of MSEK 11.7 based on EBITDA for the period 1 June 2022 to 31 May 2023 and a maximum of MSEK 11.7 based on EBITDA for the period 1 June 2023 to 31 May 2024.

The fair value of the agreed contingent purchase consideration, MSEK 35.3, was estimated by applying the so-called income 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 are deemed to be doubtful.

Mpirical's net sales have been included in the consolidated income statement since 1 June 2021 and amount to MSEK 12.3. Mpirical contributed net earnings of MSEK 3.0 to the Group over the same period.

Had Mpirical been consolidated from 1 January 2021, the consolidated income statement for the period 1 January 2021 to 31 December 2021 would have shown increased net sales of MSEK 27.7 and net earnings of MSEK 5.0.

### H. Weterings Galgeweg BV. ('Weterings')

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

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

**Purchase price as of 1 July 2021**

| | |
|---|---|
| Liquid assets | 46.4 |
| Equity instruments (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 relations | 20.6 |
| Accounts receivable | 23.7 |
| Inventories | 13.3 |
| Other receivables | 0.8 |
| Other liabilities | -21.6 |
| **Total identifiable net assets** | **58.7** |
| **Goodwill** | **27.8** |

Acquisition-related expenses of MSEK 1.4 are included in other external expenses in the consolidated statement of comprehensive income for the 2021 financial year. Total cash flow, excluding acquisition-related expenses, attributable to the business acquisition amounted to MSEK -41.2. Goodwill is attributable to the earning capacity the company is expected to bring.

Under the agreement regarding contingent purchase consideration, the Group shall pay a maximum of MSEK 28.8 based on EBITDA for the periods 1 July 2021 to 30 June 2022 and 1 July 2022 to 30 June 2023.

The fair value of the agreed contingent purchase consideration, MSEK 28.8, was estimated by applying the so-called income 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 are deemed to be doubtful.

Weterings' net sales have been included in the consolidated income statement since 1 July 2021 and amount to MSEK 70.1. Weterings contributed net earnings of MSEK 1.1 to the Group over the same period.

Had Weterings been consolidated from 1 January 2021, the consolidated income statement for the period 1 January 2021 to 31 December 2021 would have shown increased net sales of MSEK 153.6 and net earnings of MSEK 5.7.

### 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 approximately MAUD 50.0. There may be a possible additional purchase price of a maximum of approximately MAUD 6.8 based on the EBITDA of the forthcoming three financial years.

The preliminary acquisition analysis below summarises 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 of 2 August 2021 | |
|---|---|
| Liquid assets | 286.6 |
| Equity instruments (209,921 shares) | 30.0 |
| 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 | 5.7 |
| Customer relations | 54.2 |
| Accounts receivable | 63.1 |
| Inventories | 64.1 |
| Other receivables | 1.4 |
| Other liabilities | -78.4 |
| **Total identifiable net assets** | **133.8** |
| **Goodwill** | **225.6** |

Acquisition-related expenses of MSEK 3.3 are included in other external expenses in the consolidated statement of comprehensive income for the 2021 financial year. Total cash flow, excluding acquisition-related expenses, attributable to the business acquisition amounted to MSEK -262.9. Goodwill is attributable to the earning capacity the company is expected to bring.

Under the agreement regarding contingent purchase consideration, the Group shall pay a maximum of MSEK 42.9 based on average EBITDA for the periods 2 August 2021 to 1 August 2022, 2 August 2022 to 1 August 2023 and 2 August 2023 to 1 August 2024.

The fair value of the agreed contingent purchase consideration, MSEK 42.9, was estimated by applying the so-called income 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. A reserve of MSEK 1.0 has been made for doubtful accounts receivable.

OSA and FOS's net sales have been included in the consolidated income statement since 2 August 2021 and amount to MSEK 145.3. OSA and FOS contributed net earnings of MSEK 15.1 to the Group over the same period.

Had OSA and FOS been consolidated from 1 January 2021, the consolidated income statement for the period 1 January 2021 to 31 December 2021 would have seen increased net sales of MSEK 321.2 and net earnings of MSEK 27.6.

### REHAU Telecom (‘REHAU’)

On 1 October 2021, the Group entered into an asset deal for Rehau Group’s telecommunication operation for approximately MEUR 41.5. There may be a possible additional purchase price of a maximum of MEUR 6 based on the EBITDA of the 2021 and 2022 financial years. The preliminary acquisition analysis below summarises the purchase price paid for REHAU and the fair value of acquired assets and assumed liabilities recognised on the acquisition date. For accounting purposes, the acquisition is to be treated as a business combination in accordance with IFRS 3.

| **Purchase price as of 1 October 2021** | |
|---|---|
| Liquid assets | 412.3 |
| Purchase price not paid (settled January 2022) | 10.0 |
| Contingent purchase consideration (not paid) | 61.1 |
| **Total purchase price** | **483.4** |

| **Recognised amounts for identifiable acquired assets and taken-over liabilities** | |
|---|---|
| Tangible assets | 239.1 |
| Customer relations | 22.5 |
| Inventories | 53.4 |
| Other liabilities | -11.0 |
| **Total identifiable net assets** | **303.9** |
| **Goodwill** | **179.4** |

Acquisition-related expenses of MSEK 3.8 are included in other external expenses in the consolidated statement of comprehensive income for the 2021 financial year. Total cash flow, excluding acquisition-related expenses, attributable to the business acquisition amounted to MSEK -412.3. Goodwill is attributable to the earning capacity the company is expected to bring.

Under the agreement regarding contingent purchase consideration, the Group shall pay a maximum of MSEK 61.1 based on average EBITDA for the periods 1 January 2021 to 31 December 2021 and 1 January 2022 to 31 December 2022.

The fair value of the agreed contingent purchase consideration, MSEK 61.1, was estimated by applying the so-called income 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 REHAU. No accounts receivable were included in the asset deal.

Net sales from the acquisition have been included in the consolidated income statement since 1 October 2021 and amount to MSEK 79.9. REHAU contributed net earnings of MSEK 1.0 to the Group over the same period.

Had REHAU been consolidated from 1 January 2021, the consolidated income statement for the period 1 January 2021 to 31 December 2021 would have seen increased net sales of MSEK 401.2 and net earnings of MSEK 23.6.

### Data Center Systems, Inc. ('DCS')

On 1 October 2021, the Group acquired 100% of the share capital in Data Center Systems ('DCS') for approximately MUSD 20.5. There may be a possible additional purchase price of a maximum of MUSD 2.7 based on the EBITDA of the forthcoming three financial years.

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

| **Purchase price as of 1 October 2021** | |
|---|---|
| Liquid assets | 180.2 |
| Contingent purchase consideration (not paid) | 23.7 |
| **Total purchase price** | **203.9** |

| **Recognised amounts for identifiable acquired assets and taken-over liabilities** | |
|---|---|
| Liquid assets | 13.3 |
| Tangible assets | 11.4 |
| Customer relations | 44.4 |
| Accounts receivable | 27.7 |
| Inventories | 14.9 |
| Other receivables | 0.9 |
| Other liabilities | -29.5 |
| **Total identifiable net assets** | **83.2** |
| **Goodwill** | **120.7** |

Acquisition-related expenses of MSEK 1.9 are included in other external expenses in the consolidated statement of comprehensive income for the 2021 financial year. Total cash flow, excluding acquisition-related expenses, attributable to the business acquisition amounted to MSEK -166.9. Goodwill is attributable to the earning capacity the company is expected to bring.

Under the agreement regarding contingent purchase consideration , the Group shall pay a maximum of MSEK 23.7 based on average EBITDA for the periods 1 October 2021 to 30 September 2022, 1 October 2022 to 30 September 2023 and 1 October 2023 to 30 September 2024.

The fair value of the agreed contingent purchase consideration, MSEK 23.7, was estimated by applying the so-called income 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 DCS.
The fair value of accounts receivable totals MSEK 27.7. No accounts receivable are deemed to be doubtful.

Net sales from DCS have been included in the consolidated income statement since 1 October 2021 and amount to MSEK 32.8. DCS contributed net earnings of MSEK -3.5 to the Group over the same period.

Had DCS been consolidated from 1 January 2021, the consolidated income statement for the period 1 January 2021 to 31 December 2021 would have shown increased net sales of MSEK 156.9 and a change in net earnings of MSEK 9.9.

## Note 37 Group structure

| Name | Corp. ID no. | Registered office | The Group's participating interest |
|---|---|---|---|
| Hexatronic Cables & Interconnect AB | 556514-9118 | Gothenburg, Sweden | 100% |
| Proximion AB | 556915-7323 | Stockholm, Sweden | 100% |
| Hexatronic Fiberoptic AB | 556252-0352 | Örebro, Sweden | 100% |
| Hexatronic AS | 998 804 795 | Engelsviken, Norway | 100% |
| Hexatronic (Tianjin) Trading Co., Ltd. | 120 116 400 016 890 | Tianjin, China | 100% |
| Hexatronic US Inc. | 475193577 | Quitman, USA | 100% |
| Hexatronic UK Ltd. | 6329180 | Gosport, UK | 100% |
| Hexatronic New Zealand Ltd. | 5937353 | Porirua, New Zealand | 100% |
| Edugrade AB | 556985-3152 | Hudiksvall, Sweden | 100% |
| Blue Diamond Industries | 20-1023457 | Lexington, USA | 100% |
| Hexatronic GmbH | 111674 | Frankfurt, Germany | 100% |
| PQMS Ltd. | 03696868 | Bedworth, UK | 100% |
| Gordon Franks Training Ltd. | 08445268 | Birmingham, UK | 100% |
| Smart Awards Ltd. | 09079735 | Solihull, UK | 100% |
| Edugrade AS | 920926452 | Oslo, Norway | 100% |
| Opternus GmbH | 4567 | Bargteheide, Germany | 100% |
| Opternus Networks GmbH | 13610 | Bargteheide, Germany | 100% |
| Opternus Components GmbH | 4934 | Bargteheide, Germany | 33% |
| Hexatronic Danmark ApS | 40639101 | Copenhagen, Denmark | 100% |
| Tech Optics Ltd | 6726737 | Tonbridge, UK | 100% |
| Tech Optics First Company Ltd | 2257839 | Tonbridge, UK | 100% |
| The Light Brigade, Inc. | 601232465 | Kent, USA | 100% |
| Hexatronic Australia Pty | 643648122 | Brisbane, Australia | 100% |
| Baltronic Group OÜ | 11164070 | Tallinn, Estonia | 100% |
| Baltronic OÜ | 10729558 | Tallinn, Estonia | 100% |
| Baltronic SIA | 40003583738 | Riga, Latvia | 100% |
| Baltronic Vilnius UAB | 1117679610 | Vilnius, Lithuania | 100% |
| Optobit AB | 556709-8628 | Stockholm, Sweden | 100% |
| Hexatronic Canada, Inc. | 2358854 | Toronto, Canada | 100% |
| Qubix S.p.A. | 03575150283 | Padua, Italy | 90% |
| Hexatronic Security and Surveillance AB | 559271-6921 | Gothenburg, Sweden | 75% |
| TK-Kontor-Freitag | 18207 | Neumünster, Germany | 70% |
| Mpirical Ltd | 4393797 | Lancaster, UK | 100% |
| H. Weterings Galgeweg B.V. | 27273425 | Gravenzande, Netherlands | 100% |
| H. Weterings-Plastics B.V. | 27219131 | Gravenzande, Netherlands | 100% |
| Hexatronic Österreich GmbH | 548181 z | Neulengbach, Germany | 100% |
| Hexatronic Property GmbH | 548183 b | Neulengbach, Germany | 100% |
| Hexatronic US Holding, Inc. | 6243400 | Wilmington, USA | 100% |
| Data Center Systems, Inc. | 800444772 | Dallas, USA | 100% |
| The Fibre Optic Shop Pty Limited | 098 885 048 | Brisbane, Australia | 100% |

| Name | Corp. ID no. | Registered office | The Group's participating interest |
|---|---|---|---|
| Layer 1 Pty Ltd | 155 675 568 | Brisbane, Australia | 100% |
| Optical Connections Pty Ltd | 098 737 930 | Brisbane, Australia | 100% |
| Optical Solutions (Sydney City) Pty Ltd | 116 504 904 | Brisbane, Australia | 100% |
| Optical Solutions (Victoria) Pty Ltd | 111 683 357 | Brisbane, Australia | 100% |
| Optical Solutions (WA) Pty Ltd | 123 208 177 | Brisbane, Australia | 100% |
| Optical Solutions Australia (ACT) Pty Limited | 126 872 400 | Brisbane, Australia | 100% |
| Optical Solutions Australia (Queensland) Pty Limited | 102 444 806 | Brisbane, Australia | 100% |
| Optical Solutions Australia Pty Limited | 098 737 949 | Brisbane, Australia | 100% |
| Apticom AB | 559333-0938 | Stockholm, Sweden | 100% |

## Note 38 Events after the balance sheet date

Hexatronic adjusted its profitability target to an EBITA margin of at least 12% over a business cycle. The previous profitability target was 10% over a rolling 12-month basis.

Hexatronic's growth target has been adjusted to annual growth of at least 20% over a business cycle. The previous growth target was to grow more than the market organically and with annual growth of at least 20%.

The Russian invasion of Ukraine has a very small direct impact, resulting in secondary effects such as increased material prices, freight costs and to some extent also through shortages of raw materials and transport.

## Reconciliation between IFRS and terms for key figures

In this Annual Report, Hexatronic presents certain financial measures that are not defined in accordance with IFRS, known as alternative performance measures. The Group considers that these measures provide valuable additional information to investors as they enable an evaluation of the company's results and position.

As not all companies calculate financial measures the same way, they are not always comparable with measures used by other companies. Investors should view these financial measures as a complement to, rather than a substitute for, financial reporting in line with IFRS.

### Organic growth

| | |
|---|---|
| Net sales 2021 | 3,491.6 |
| Exchange rate effects | 46.6 |
| Impact of acquisitions | -646.0 |
| Comparable net sales | 2,892.1 |
| Net sales 2020 | 2,080.8 |
| Increase in sales excluding exchange rate effects | 1,457.3 |
| Increase in sales excluding exchange rate effects, % | 70% |
| Organic growth | 811.4 |
| Organic growth, % | 39% |

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

### Average annual growth

| | |
|---|---|
| Net sales 2021 | 3,491.6 |
| Net sales 2020 | 2,080.8 |
| **Average annual growth** | **68%** |

Average annual growth is calculated as the Group's total sales during the period compared with the same period the previous year.

| Quick asset ratio | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Current assets | 2,256.3 | 961.7 |
| Inventories | -928.8 | -410.3 |
| Current assets – inventories | 1,327.5 | 551.4 |
| Current liabilities | 1,375.1 | 608.4 |
| **Quick asset ratio** | **97%** | **91%** |

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

| Core working capital | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Inventories | 928.8 | 410.3 |
| Accounts receivable | 597.3 | 308.0 |
| Accounts payable | -505.1 | -252.5 |
| **Core working capital** | **1,021.0** | **465.8** |

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

## The consolidated income statement and balance sheet will be presented at the AGM on 5 May 2022 for adoption.

The Board of Directors and CEO confirm that the consolidated financial statements have been prepared in accordance with the IFRS international reporting standards adopted by the EU, and provide a true and fair overview of the Group's financial position and results. The Annual Report has been prepared in accordance with generally accepted accounting principles and provides a true and fair overview of the Parent Company's financial position and results.

The Board of Directors' Report for the Group and Parent Company provides a true and fair overview of the development of the business, financial position and results of the Group and the Parent Company, and describes significant risks and uncertainty factors with which the Parent Company and the companies forming the Group are faced.

Gothenburg, 4 April 2022

Anders Persson
Chairman of the Board

Erik Selin
Board Member

Frida Westerberg
Board Member

Helena Holmgren
Board Member

Jaakko Kivinen
Board Member

Per Wassén
Board Member

Henrik Larsson Lyon
CEO

Our auditor's report was submitted on 4 April 2022

Öhrlings PricewaterhouseCoopers AB

Johan Malmqvist
Authorised Public Accountant

# Auditor's report

To the general meeting of the shareholders of Hexatronic Group AB (publ), corporate identity number 556168-6360.

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Hexatronic Group AB (publ) for the year 2021 except for the corporate governance statement on pages 67-73. The annual accounts and consolidated accounts of the company are included on pages 54-129 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 67-73. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Our audit approach

#### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

## Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

| Key Audit Matters | Audit response to Key Audit Matter |
|---|---|
| **Valuation of intangible assets**<br>As a result of the acquisitions in recent years, the group has acquired intangible assets such as customer relations, brands and goodwill to an amount of MSEK 1 369,9.<br>The group evaluates annually or whenever there is an indication, if there is a need for impairment of the goodwill. Customer relations and brands are subject to monthly amortisations and when there is an indication of impairment an impairment test is performed.<br>The impairment tests of goodwill and when applicable also other intangible assets, are essential in the audit because they represent significant amounts in the group's balance sheet and management have to make significant estimates and judgments about the future in the impairment tests.<br>Refer to disclosures 2 and 17 for a description of these items. | The impairment test, which is based on a calculation of the value in use, has been subject to the following audit procedures:<br>• A reconciliation of the cash flow forecasts against the approved budget for 2022 and the long-term business plan.<br>• Assessment whether the valuation model is compliant with recognized valuation techniques.<br>• Challenging management on the reasonability of the assumptions applied that have the largest impact on the impairment tests, including the growth rate, the sustainable operating margin and the discount rate.<br>• Challenging management's assumptions by performing sensitivity testing and evaluating the thresholds in the tests and the risk for potential impairments. |
| **Valuation of inventory**<br>Inventory valuation is essential for our audit since the valuation is based on several estimates and judgments and the inventory balance of MSEK 928,8 represent a significant amount.<br>An important assessment for management when determining the value of inventory, is to evaluate if the group can sell the inventory at a price higher than the acquisition cost, and to evaluate potential obsolescence in inventory.<br>If the estimated sales value is lower than the acquisition cost, an allowance for inventory obsolescence is recorded. This allowance is calculated based on a policy for inventory valuation. The allowance is based on each inventory item's turnover ratio combined with an individual assessment of the specific product value.<br>Refer to disclosures 2 and 4 for a description of these items. | To examine the group's allowance for inventory obsolescence, we perform the following audit procedures:<br>• Assessment of whether the approved policy for inventory valuation gives a reasonable estimate of the actual inventory obsolescence.<br>• Verify the mathematical accuracy of the calculated inventory allowance.<br>• Evaluate management's positions when deviating from the approved model for inventory valuation and perform an individual assessment for allowance of specific products.<br>• Analyse slow moving stock in inventory with assistance from data analytics and reconcile the outcome from these analyses to the actual inventory obsolescence.<br>• Discuss with management to identify forecasted changes in future sales that could have an impact on inventory obsolescence. |

## Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1 – 53. Other information also includes the remuneration report that we obtained prior to the date of this auditor´s report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

## Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

# Report on other legal and regulatory requirements

## Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Hexatronic Group AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year

.

## Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

## Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

## Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

# The auditor's examination of the ESEF report

## Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Hexatronic Group AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

## Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Hexatronic Group AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007 :528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts [and consolidated accounts].

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, statement of financial position, statement of changes in equity and the statement of cash flow.

## The auditor's examination of the corporate governance statement

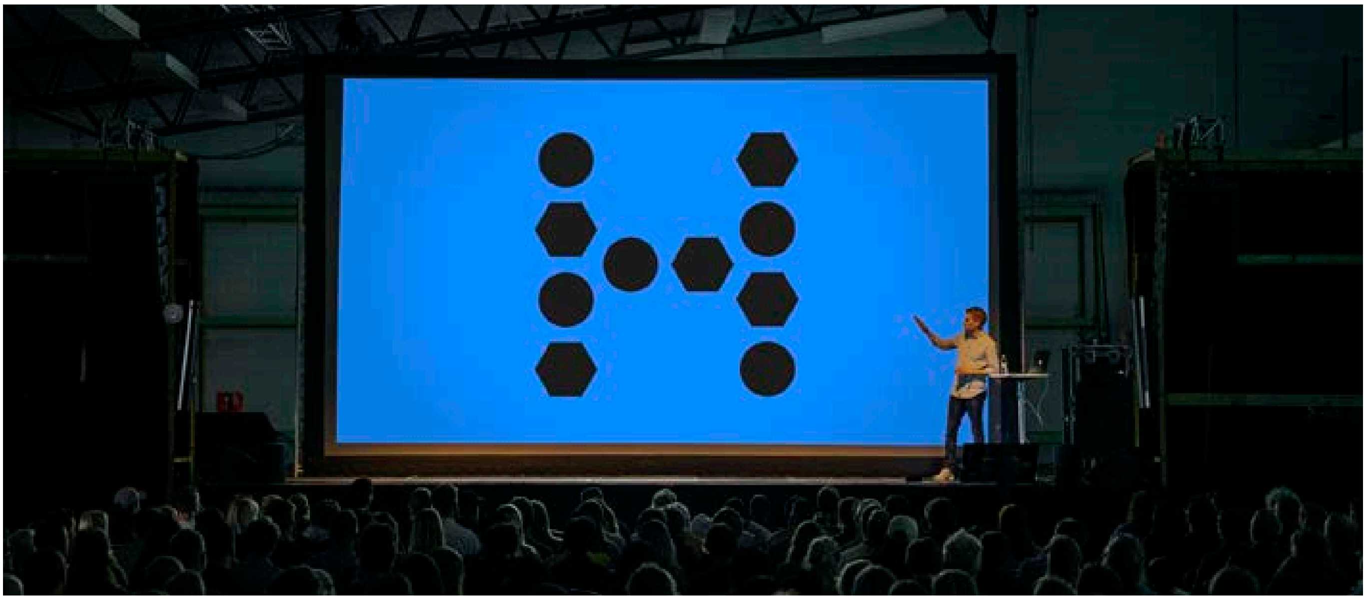
The Board of Directors is responsible for that the corporate governance statement on pages 67-73 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act/ the Annual Accounts Act for Credit Institutions and Securities Companies/ the Annual Accounts Act for Insurance Companies.

Öhrlings PricewaterhouseCoopers AB, Skånegatan 1, 405 32 Göteborg, was appointed auditor of Hexatronic Group AB by the general meeting of the shareholders on the May 6th, 2021, and has been the company's auditor since the 18 December 2013.

Gothenburg April 4th 2022
Öhrlings PricewaterhouseCoopers AB
Johan Malmqvist
Authorized Public Accountant



# The Annual General Meeting will be held at Elite Park Avenue Hotel in Gothenburg on 5 May 2022.

The AGM will be held at 5.00 pm on 5 May 2022 at Elite Park Avenue Hotel, Kungsportsavenyn 36–38 in Gothenburg. Shareholders who wish to participate in the AGM must be entered in the shareholders' register held by Euroclear Sweden AB by 27 April 2022 and have registered their participation in accordance with that stated in the notice to attend. The notice to attend will be published in April.

Hexatronic will also offer shareholders the opportunity to vote in advance (postal voting) on the basis of temporary statutory rules. Visit the Hexatronic website at group.hexatronic.com for further information on rules on registration and voting etc.

## Financial information

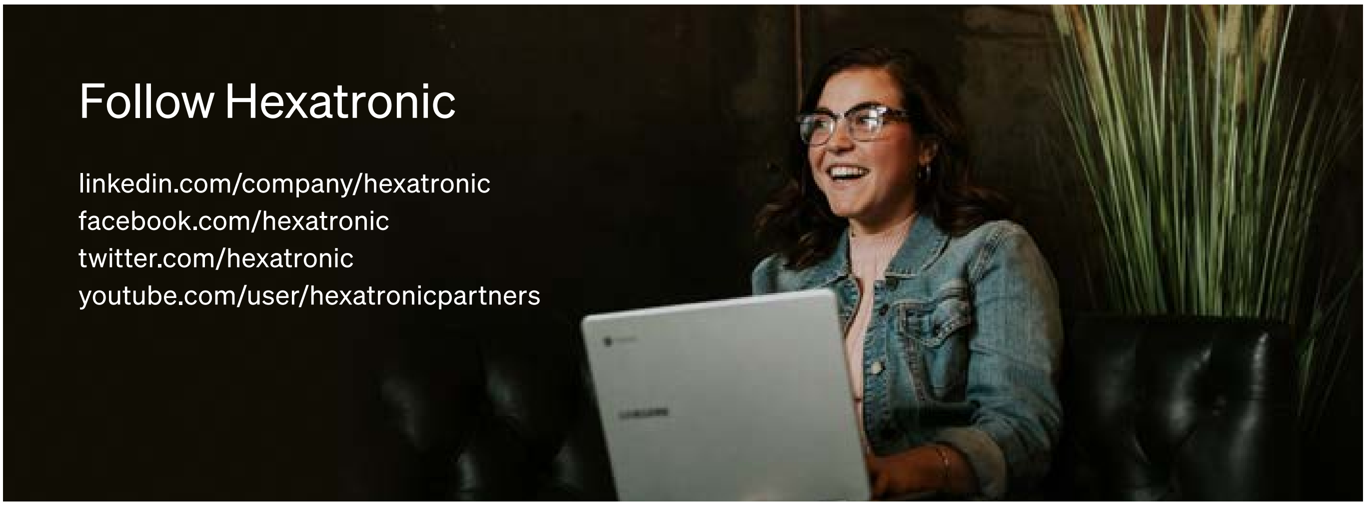
All financial information is published on Hexatronic's website: group.hexatronic.com. Financial reports can be ordered by e-mailing: ekonomi@hexatronic.com.

## Press releases

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

## Financial calendar

| | |
|---|---|
| Interim report January–March 2022 | 29 April 2022 |
| AGM for the 2021 financial year | 5 May 2022 |
| Interim report April–June 2022 | 11 August 2022 |
| Interim report July–September 2022 | 28 October 2022 |
| Year-end report 2022 | 9 February 2023 |



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