2020

We are paving the way for connecting the world by excellent fiber optic technology

ANNUAL AND SUSTAINABILITY REPORT

HEXATRONIC
Group AB (publ)

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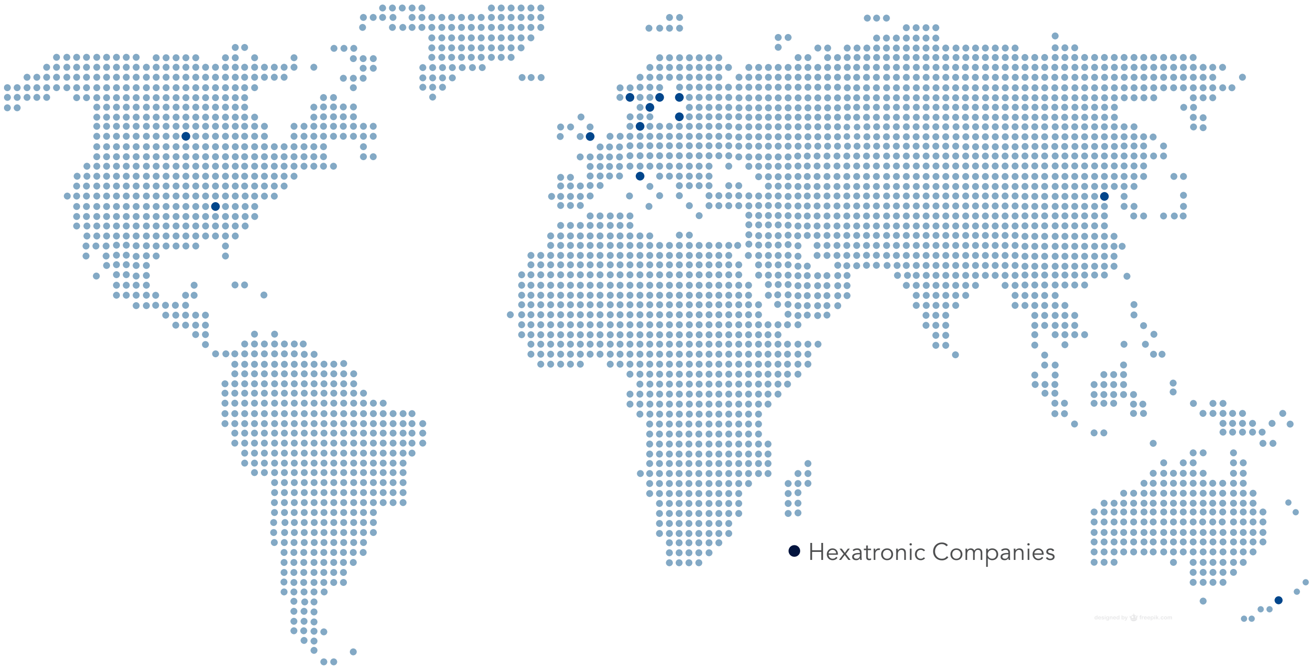


Strategic acquisitions and improved profitability

We have had strong profitability and revenue growth this year, and we believe that our efforts and focus have created a good basis for continued growth.

Financial summary	2020	2019	2018	2017	2016
Net sales	2,080.8	1,842.3	1,597.8	1,299.4	1,032.3
Earnings after depreciation of tangible assets (EBITA)	204.8	135.9	114.9	133.4	97.0
EBITA margin	9.8%	7.4%	7.2%	10.3%	9.4%
Operating result (EBIT)	177.3	106.4	92.5	122.3	88.8
Net earnings	126.5	67.1	59.3	90.4	54.1
Total assets	1,953.3	1,497.9	1,303.1	777.1	657.3
Cash flow from operating activities	249.8	173.9	15.6	133.4	33.1
Earnings per share after dilution, SEK	3.37	1.80	1.62	2.38	1.50

The year in brief

- Hexatronic acquires the UK-bases fiber optic company Tech Optics Ltd.
- Hexatronic acquries The Light Brigade Inc., an US-based training company.
- Hexatronic acquires the fiber optic companies Baltronic Group OÜ, based in Estonia and the Canadian company Toronics Inc.
- Hexatronic acquires 90 percent of the shares in Qubix S.pA., an Italian supplier of structured cabling.
- Hexatronic wins new submarine cable orders totalling approximately MSEK 155.
- Hexatronic signs a strategic supply agreement with KCOM in the UK worth up to MSEK 40.
- Hexatronic enters a global settlement agreement with Emtelle UK Ltd., ending their patent litigation in the UK.
- Lennart Sparud announces that he is leaving his position as CFO in Hexatronic Group, and Magnus Angermund is appointed as Head of Northern Europe.

Events since the end of the period

- Hexatronic signs a 3-year exclusive agreement with Centric Fiber in USA, to a value of MUSD 10.
- Hexatronic acquires 75 percent of the shares in the German engineering company TK-KONTOR-FREITAG GmbH.
- Hexatronic wins new submarine cable orders totalling approximately MSEK 60.
- Hexatronic signs a strategic supply agreement with Vocus in Australia.
- The board adjusts the profitability target to 10 percent EBITA (earnings before amortisation of intangible assets) on rolling 12 months basis (from 9 percent).
- Pernilla Lindén is appointed CFO and member of the Group Management Team at Hexatronic Group and will take office August 9, 2021. The current CFO, Lennart Sparud, left his position March 31, 2021. In the meanwhile, Svante Godén stepped in as acting CFO.

OPERATING MARGIN

9,8%

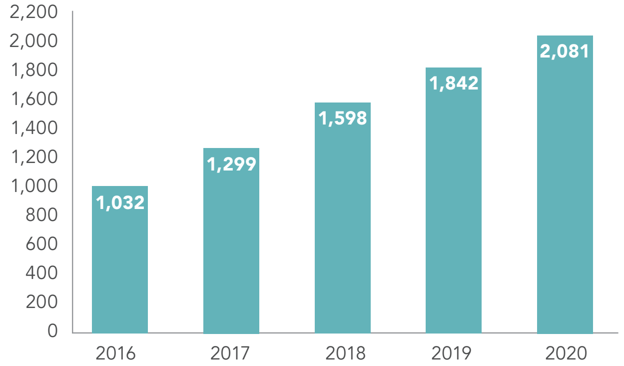
NET SALES MSEK

2 081

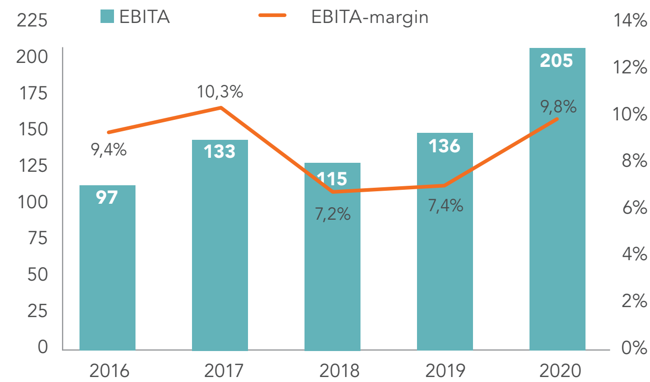
NUMBER OF EMPLOYEES

789

Net sales, MSEK



EBITA (MSEK and percent)



Stronger profitability and growth

We look back on 2020 as a year of stronger profitability and growth during the ongoing COVID-19 pandemic. It was also a year of several strategic acquisitions. Organic sales growth during the year was 11%, and profitability was considerably strengthened with a 51% increase in EBITA.

Total sales growth in 2020 amounted to 13%. We estimate that we have lost between 5% and 10% in sales as a result of the COVID-19 pandemic.

Continued strong growth in our growth markets

The UK, Germany and North America remain the territories where we expect to see the largest growth over the next 10 years. The fact that, in a challenging year, we have managed to increase our sales by 24% in Europe (excluding Sweden) and 16% in North America is a sure sign of strength. In total these markets now represent about 60% of our sales.

We started up our new duct factory in Texas during the year, the aim being to carry on growing in the USA and cover a larger geographical area. The start-up has gone well, despite the challenges of COVID-19. Sales of our FTTH systems are growing, albeit from low levels, with several new customers. In the UK we have strengthened our organisation and expanded our logistical capabilities, with a new logistics centre north of London. In Germany we have continued to bolster our organisation and have established a logistics solution.

We believe that our efforts have laid a good foundation for continued strong growth.

The Swedish market

The market and sales in Sweden both developed beyond our expectations. Good demand in FTTH projects along with transport network projects meant that sales increased by 12% during the year. We expect the Swedish FTTH market in 2021 to be on a par with 2020, to then progressively decrease. We can, however, see that the need to strengthen the transport networks, investments in data centres and the upcoming rollout of 5G will increase and partly compensate for lower activity in FTTH.

Several acquisitions

We made four acquisitions during the year. Our ambition in acquiring Tech Optics, UK, which works with fiber optic solutions for the defence and process industry, was to grow our business in what we call ‘Harsh Environment’. Light Brigade, the USA’s leading telecom training provider, bolsters our offering and presence on a major strategic market. Baltronic, Baltics, raises our capacity in fiber cabling and also means we now have a presence in the Baltic States. Qubix of Italy strengthens us in indoor communications systems and gives us a presence in Italy.

We continue to focus on strengthening our position in growth markets through acquisitions.

Strong cash flow and revised profitability target

Cash flow was once again strong during the year, with cash flow from operating activities of MSEK 250, compared to MSEK 174 in 2019. The strong cash flow, combined with higher profitability, gives us a strong financial position for future acquisitions.

Our profitability growth of just over 50% at EBITA level meant that we exceeded our target of 9% EBITA on a rolling 12-month basis for 2020 as a whole. The EBITA margin was 9.8%, and with continued good prospects for profitability, we decided to raise our EBITA margin target to 10% for rolling 12 months. Our earnings per share also developed well during the year, increasing by 87%.

Strong order book

We entered 2021 with an order book that was 93% higher organically than at the beginning of 2020. This was largely due to several orders for marine cable during the final quarter, totalling approximately MSEK 115. Excluding these orders, the order book was up 47%.

Sustainable enterprise

During 2020, we have continued to drive and develop our prioritised sustainability areas. Roadmap 2030 for the Group's sustainability work was drafted during the year, including short and long-term targets, as well as important main activities for each area of sustainability. We have also conducted a 'sustainability week' for all employees in the Group, focusing on health and well-being. We are delighted to be ranked as one of the most sustainable listed companies in Sweden in 2020, in the capital goods category.

Read more about our sustainability work in the Sustainability Report further on in this report.

COVID-19 impact during the year

Like most companies, we have been adversely affected by COVID-19. We estimate that we have lost between 5% and 10% in sales during the year. Early on we had problems with material flows from our Asian subcontractors, and we were affected by lockdowns on our operating markets during the rest of the year.

In several markets what we do has been classed as essential business, as we are a supplier to telecom operators who provide critical infrastructure, and this has of course affected us positively. The main negative impact during the year has been on our training services, with many cancellations or number reductions to keep participants safe and stop the virus spreading. We were also adversely affected on growth markets such as the USA and Germany, where we are still building our business and need to be out and about, presenting our FTTH solutions.

These same problems remain during early 2021, which is to say no in-person customer meetings on several markets and low activity in training, as well as far higher freight prices and a shortage of containers.

In all companies, we have introduced measures to minimise the risk of our personnel catching the virus.

In the long term, we believe that the experiences of COVID-19 will lead to increased investment in both fixed and mobile communication networks.

We look forward to travelling with you on our ongoing journey towards further growth!

Henrik Larsson Lyon
President and CEO, Hexatronic Group

Everything you need to build a world-class fiber network

Offering

Hexatronic offers system solutions for fiber networks based on proprietary products, in combination with products from leading partners around the world. We are unique in that all our development know-how is in-house, and because we own our own production chain we can follow the customers all the way from idea to finished network. We can also tailor our solutions for individual markets. 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 assist our customers with practical support as required out in the field.

Business model

Aspects such as culture, core values and sustainability are important success factors. Applied alongside our knowledge and experience, they enable us to draw benefit from relevant market opportunities. With in-house development and manufacturing, we can offer solutions that help our customers and partners towards successful business. To further support our customers, we have a high market presence, along with our much-appreciated Field Support and training services.

How Hexatronic creates value

With smart, reliable product and system solutions for passive fiber infrastructure, we accelerate the digital transformation for the benefit of businesses, individuals, and society at large. This page illustrates how we create value for our customers, society at large, employees and owners.

Input

HR & PARTNERS

Employees
Material/product/software suppliers
Service providers

INPUT MATERIALS

Raw materials and components
Products for onward sale

INTELLECTUAL PROPERTY

Trademarks
Patents
Certifications

INFRASTRUCTURE

Research & development departments
Purchasing
Production and refinement facilities
Control and service facilities
Storage and distribution
Training facilities
Finance and administration
Sales and market
Quality and environment

FINANCES

Working capital and equity
Non-current liabilities

RELATIONS

Industry player with strong business ethics
Involvement in industry organizations
Good customer relations
Supplier networks
Social involvement

COMPETENCE

Technical competence
Knowledge of fiber networks' importance in social development
Knowledge of efficient broadband expansion
Expertise in technical support
Education and training

VISION

"Bring connectivity to everyone by outstanding fiber optic solutions"

GUIDING STAR

"Easy to do business with"

CORE VALUES

Entrepreneurial Spirit, Innovation, Customer Proximity and Long-Term Thinking.

SUSTAINABILITY WORK

Economic, environmental and social responsibility.

Output

PRODUCTS AND SOLUTIONS

Products and solutions for the construction and maintenance of fiber networks, fiber optic solutions for harsh environments, and for 5G/Wireless
Field support
Training
Service and maintenance

FINANCIAL VALUE FOR STAKEHOLDERS

Payment to suppliers for raw materials, products and services
Employee pay and benefits
Financial expenses and dividends
Taxes and charges

EFFECT/VALUE CREATED IN THE COMPANY

Sustainable offering
Sustainable operation
Responsible partner

Value created for stakeholder groups

CUSTOMERS AND PARTNERS

Increased competition
Cost-effective fiber network installations
Reliable fiber optic solutions for harsh environments and 5G/Wireless
Reliable fiber networks with a long life
Innovation projects with customers

SOCIETY

Contributing to digitalisation
Contributing to stable digital infrastructure
Jobs and tax income
Sustainable supply chain
Reduced environmental impact through active sustainability work

EMPLOYEES

Good health, safety and working environment
Gender equality, inclusive workplace
Development opportunities

SHAREHOLDERS

Long-term profitable growth

Passive fiber optic solutions for the safe, efficient construction of fiber networks

We develop and manufacture complete solutions that increase our customers' competitiveness and give the networks a low total cost and a long life.

Extending communication networks entails large, complex projects involving a wide range of professional categories. Around 80% of the costs in a fiber project relate to installation, while the cost of materials equals around 20%. The choice of products and working methods has a large impact on the success and profitability of the project, primarily because the products' installation properties and quality influence the time taken and future maintenance requirements. Consequently, demand is increasing for products and solutions that can streamline the process and optimise the network's quality and total cost.

The Group's collective offering primarily focuses on passive products for the construction of fiber optic communication networks. 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 duct (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.

Field support for our customers on-site

Fiber installation is a complex, demanding process that entails everything from excavation, duct laying and cable installation, to high-precision tasks such as welding and fiber connection. This places great demands on the experience and knowledge of the installation engineers, and on their ability to find solutions in a variety of different situations.

To make the customers' installation process even easier, Hexatronic has introduced Hexatronic Field Support, an on-site service to support customers out in the field. The customer receives practical guidance and support in using and combining Hexatronic's products in the best possible way. This makes for quite a difference compared to telephone support, for example.

Training

In the current global market situation, with many countries planning extensive fiber network installations, a great need has arisen for competent personnel on certain markets. There is a shortfall of many thousands of people who need to know how to design, project manage and install fiber networks. This is also true on more mature markets in order to increase efficiency. We therefore offer customised training programmes for individual companies, as well as higher vocational education programmes in fiber optics, programming and security technology.

Hexatronic creates value for customers through:

Enhanced competitiveness for installation companies

The greatest value for installation companies is created by products and solutions that allow efficient, problem-free installation. With efficient solutions that are simple and easy to install, we help to enhance our customers' competitiveness.

Long life and low TCO for network owners

Building a fiber network is a far-reaching investment. Hexatronic creates the greatest value for the network owners by delivering high-quality products that allow a long service life, low maintenance costs, are quick and simple to install and thereby entail a low Total Cost of Ownership over time.

Fiber optics for harsh environments

We develop system solutions that create new opportunities for customers who work in tough, demanding industries.

The competitiveness of Swedish industry is more down to extensive process know-how than the most modern production facilities. Interconnected systems, real-time data and a higher level of data analysis change the playing field fundamentally. Experience will remain important, but access to the right data at the right time will be the deciding factor.

Our harsh environment customers can be found in traditional process industries such as steel, pulp and paper production, as well as sectors such as aerospace, salmon farming, chemicals and defence. What they all have in common are demanding environments involving vibrations, damp, heat/cold, pressure, oils and so on. Regular fiber optic solutions for telecommunication do not meet the demands, and fiber optic cables, contacts, network products and electronics all have to be protected in line with industrial standards and requirements.

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. We are fully vertically integrated with proprietary sensor technology, reading systems, software, and organisation for installation and start-up of complete fiber optic sensor systems.

Compared to conventional sensor systems based on thermocouples or equivalent, an advanced fiber optic system from Hexatronic means a far higher resolution (up to 100 times more measurement points), a far smaller size and lower weight, and high resistance to external environmental factors.

The extreme measurement resolutions mean that, in several cases, measurement and analysis can progress to online control of critical processes – a vision in many process industries.

We place great emphasis on being at the technical forefront and working closely alongside our customers in development projects that run for several years. Our customers are often demanding technology leaders that operate on a global market. The main members of our product and development team are a dozen or so senior doctors of engineering.

Industrial cables and contacts for safe transfer

Over the past decade, more and more industries have introduced fiber optic communication solutions to deal with an ever-increasing volume 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.

Hexatronic sells customised fiber optic cabling and contacts for the most exacting industrial applications. We collaborate with several leading producers to ensure we can offer the 'right' solution for each customer's needs. There are often long design cycles involved, whereby we work closely with the customer to understand the application and the environment in order to produce the optimum solution. Our customers often work in heavier industries, or are companies linked to the defence sector.

Our goal is profitable growth

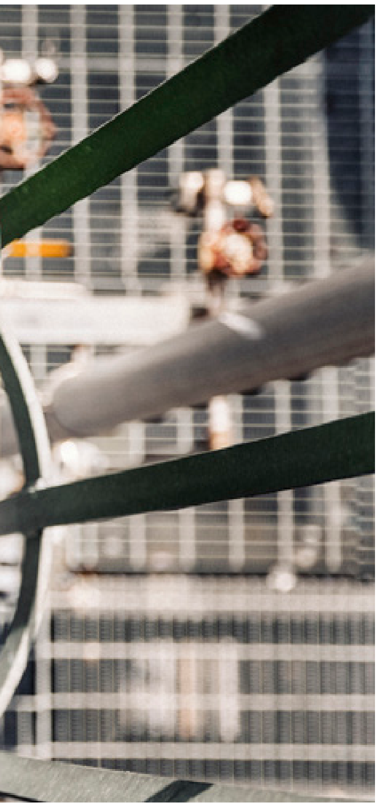
The Group's growth strategy is to continuously develop its product range, introduce more added value services, and evolve aftermarket sales, support and training.

Organic growth takes place by continuously developing our market presence with strong local organisations, and continuously developing our product range and introducing more added value services such as servicing, aftermarket sales, support and training. Acquisitions should strengthen and complement the Group through solid local market presence, knowledgeable and experienced employees, and a strong customer focus.

On all growth markets there is excellent potential in both fiber solutions and added value services, all with a focus on achieving efficiency in fiber expansion and networks that offer the highest possible reliability.

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.

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



PROFITABILITY

10%

The EBITA margin (operating result after depreciation of property, plant and equipment) should be at least 10% on a rolling 12-month basis.

GROWTH

20%

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

These markets will be making very large investments in FTTH over the next few years. Efficient construction methods and the right know-how to make these expansions and manage these projects are needed, in order to meet each country's need for robust fiber networks.

Fast and efficient

Ensuring secure, efficient, robust fiber networks is now a political priority in laying the foundation for successful digitalisation.

In a world where more and more of our everyday life is connected, our demands on a stable connection anywhere are increasing, and just as we expect a light bulb to light up when we flick a switch, we now expect a fast internet connection – wherever we are, and at any time. We only become aware of the internet connection when it's not working. Experiences from the pandemic in particular have revealed the need for a high-capacity communication infrastructure.

Most countries have understood the importance of securing their competitiveness by investing in broadband extension and fiber to the home – not only in cities but also in rural areas. The networks are becoming vital aspects of society's functions and services, and make it possible to reach more people with fewer resources. As fiber networks expand, this opens up opportunities for dismantling the old copper networks so as to streamline both maintenance and electricity consumption. Through industry forums such as the FTTH Council, nations that have come further can share their experiences with other markets.

The fiber optic market is growing

The general transition to a more digital, sustainable society is continuing at an increasing rate, and this change is extensively dependent on a fast, reliable infrastructure for digital communication.

There are many factors driving this transition and the increased need for connection, from altered behaviours such as more working from home, online shopping, digital banking services, online gaming, HD TV, streaming services and VR/MR, to a higher degree of connectivity in industry and driverless vehicles. The common denominator for it all is reliable internet connection with increasing demands on short response times and increased information transfer.

FTTH

The world's fiber network consists of powerful international transport networks that link together national and regional networks, backbone networks, and finally access networks (FTTH, fiber-to-the-home) which reach individual households. Millions of homes around the world need to be connected to high-performance communication networks, which means that the international market for FTTH is continuing to develop positively.

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

The European FTTH market

There remain major differences in the level of expansion between the European countries, according to FTTH/B Panorama, September 2019. According to the survey, the 28 EU Member States have an average household penetration rate* of 17.0%, while the figure for Sweden is 56.8%. By way of comparison, the figure for Norway is 39.8%, Portugal 42.1%, Finland 26.6% and France 25.6%. Household penetration is 4.3% in Italy and 3.3% in Germany, while the figure for the UK is 2.8%. The results indicate continued strong potential on the European market.

Market drivers

5G

The expansion of 5G is progressing after a slower start than predicted, although the expansion is expected to be faster than previous assessments suggested.

Asia has come the farthest followed by the USA, while Europe is lagging behind somewhat. The commercial launch of 5G on a broad scale is expected within a couple of years, and this will affect our prioritised markets as technical maturity increases.

5G will be used in a range of areas, e.g. as an alternative to broadband connection, in mobile phones, as a local network for industrial applications and so on.

Industry 4.0

Industry 4.0 refers to the Fourth Industrial Revolution, a new phase focusing on connectivity, automation, machine learning and real-time data. The long-term aim of Industry 4.0 is to increase sustainability, and boost profitability and competitiveness in industry.

* Penetration rate – Number of subscribers / Number of households.

The development and implementation of Industry 4.0 are in their infancy, and are predicted to grow widely. Large volumes of real-time data to boost productivity and improve processes require both the infrastructure to transfer data traffic, and advanced sensors for greater process understanding and better control. Both the communication infrastructure and sensors must be adapted to industrial milieus with strict environmental guidelines.

Higher data volumes everywhere

One general market driver is the higher volume of data in society, which is placing demands on an expansion of fiber infrastructure. The same is happening in industry after industry.

Aerospace is one clear example where electronics are being replaced by fiber optic solutions. Fiber not only has a higher transfer capacity than copper, it also weighs less, takes up less space, and is not affected by electromagnetic interference. These are important considerations as more and more technical equipment is being added, not only generating more information but increasing the weight to be dealt with in the same framework.

The digital society – the sustainable society

One strong driver in the change towards a digital society is sustainability, and the benefits digitalisation brings in this area too.

Digitalisation often entails opportunities for streamlining and new services, such as driverless cars, buses and lorries, which can save energy through greater communication and coordination with each other. Other areas include meetings using digital services which reduce the need for travel, increased digitalisation in healthcare which increases efficiency and reduces the need for physical movement, more digitalised farming which offers great improvements in efficiency and resource utilisation, and monitoring and measurement with increased efficiency as services and input can be provided as required, rather than having to visit each place for 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.

Various reports and national forecasts indicate continued strong demand for FTTH on Hexatronic's strategic growth markets up to 2025–2030.

The common denominator for these new services is the need for fast, stable and fully comprehensive communication, as the pandemic has more than clearly shown.

EECC and the Green Deal

Most countries have goals for digitalisation 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 commercially attractive. One example is Germany, which is planning subsidies totalling EUR 14–16 billion for the construction of high-speed broadband networks up to 2025.

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, digitalisation and migration. In March 2020, the European Commission adopted a strategy for industry to support digital change in the EU.

NORDICS

Continued major expansion in the Nordics

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 was first and is now the most advanced nation, both in terms of the number of connected homes and HP/Homes Passed coverage (homes passed by fiber infrastructure which can easily be connected). The Swedish market was at its strongest in 2016–2018, but has since slowed due to maturity. It is worth bearing in mind, though, that while the FTTH market may not be as aggressive as in the busiest years, a lot still remains to be built, both in the core networks and especially in more sparsely populated areas.

The Norwegian market got started considerably later than Sweden, and FTTH expansion is still lagging behind somewhat. Even though fiber has been the predominant technology for home broadband since 2015, the same did not apply to businesses until as recently as 2019. The Norwegian market is seeing positive development, with relatively high activity.

The Finnish market started behind both Norway and Sweden. One possible explanation is that Finland has more extensively used mobile solutions, so there was not really a need until the need for higher speeds increased. The market is in a growth phase, and we anticipate rising growth, partly because Telia and Capman have set up a joint venture to increase investment in FTTH construction.

UK

Growth has picked up

The UK has gathered momentum with powerful growth in FTTH.

With several operators challenging Openreach (British Telecom), activity on the British market has increased considerably. There are challengers on both a national basis such as Virgin Media, CityFibre and Hyperoptic, and also regionally or locally, with around 80 operators now or imminently building FTTH.

A rapid, progressive market

The market started gathering speed in 2019 and we saw increased investment in 2020. With the large number of operators announcing growing construction and with access to capital, this is a market that will continue to grow for several years. The main limitation lies in the large number of installers required to build at the rate announced by the operators.

The UK government's National Infrastructure Strategy of November 2020 has a target of a minimum of 85% gigabit-capable broadband coverage by 2025. It 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 to deliver gigabit-capable broadband coverage to the 20% of households where the infrastructure will likely not be built by private investment.

* Penetration rate – Number of subscribers / Number of households.

GERMANY

Strong growth imminent

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). Along with the UK, Germany is the large European country that has the lowest expansion of FTTH, with about 3-4% of households having fiber connectivity, according to the latest FTTH Council study. Germany has not come as far as the UK in terms of FTTH rollout. Things have, however, started moving in the past year, and Germany is facing strong growth in the years to come.

Fast, stable connections needed

To some extent, Germany is like the Swedish market, with more than 800 metropolitan area networks (Sweden has about 150 such networks building FTTH). Many of these metropolitan area networks are expected to build FTTH in the years to come. Apart from the city networks, Deutsche Telekom is the dominant player. Deutsche Telekom has invested a lot in increasing capacity in its existing copper network over the years, but is now raising its investments in fiber and 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. As in the UK, the challenge in Germany is not expected to be access to capital, but access to installers.

NORTH AMERICA

Increased growth

The USA is facing increasing investments.

In the USA, where according to the Fiber Broadband Association's latest study roughly 16% of all households have a fiber connection, investment in fiber infrastructure is increasing. The federal government has launched funding for, primarily, fiber investments in rural areas. The FTTH market is not only huge but also heterogenous, with a large number of players, from the smallest local FTTH operators to the major telecom companies like Verizon and AT&T.

National broadband plan

The new national broadband plan, the Connecting America Fund (CAF), was adopted in 2010, the aim being to accelerate the expansion of fast broadband after identifying many areas that would benefit greatly from well-developed broadband networks. CAF phase 2 was completed in 2020, at which point the Rural Digital Opportunity Fund (RDOF) comes into force instead. The RDOF programme total USD 20.4 billion, and like CAF it aims to reduce the digital gap by subsidising investments in broadband networks in rural areas with currently no or very poor coverage. RDOF is being launched during 2021.

Far advanced in 5G expansion

The USA is, however, far advanced in the expansion of 5G, along with South Korea, China and Japan. The biggest difference between the USA and the Asian states is that the USA is far behind in expanding FTTH, and this is evident in the global ranking presented in the Market Panorama from FTTH Council Europe in March 2019. The penetration rate* comparison reveals the huge difference, with China in the lead with almost 80%, followed by South Korea with 76% and Japan with 70%, and the USA with just 16% at present. It is worth mentioning that Canada is on the same level as the USA, which illustrates the high potential of the North American market.

A group growing in all focus markets

The Group comprises the parent company Hexatronic Group AB, with its registered office in Gothenburg, and 29 subsidiaries.

Independent, entrepreneurial companies

Hexatronic has 789 employees in 30 independent companies. Flexibility and freedom with responsibility are the fundamental principles that permeate Hexatronic's decentralised organisation, 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 micro-manage its subsidiaries, but instead practises active ownership through Group-wide functions and financial monitoring. Group-wide functions can be found in areas that contribute to the subsidiaries' efficiency and profitability such as market, legal affairs, accounting, finance, business development and sustainability.

HEXATRONIC GROUP

- EDUGRADE SWEDEN
- PQMS TRAINING
- GORDON FRANKS TRAINING
- SMART AWARDS
- LIGHT BRIGADE

- HEXATRONIC GERMANY
- HEXATRONIC NEW ZEALAND
- HEXATRONIC FIBEROPTIC
- PROXIMION
- BLUE DIAMOND INDUSTRIES
- OPTERNUS GMBH
- OPTERNUS NETWORKS GMBH
- OPTERNUS COMPONENTS GMBH (33%)
- TECH OPTICS
- QUBIX (90%)

- HEXATRONIC CABLES & INTERCONNECT SYSTEMS
- HEXATRONIC CHINA
- HEXATRONIC UK
- HEXATRONIC US
- HEXATRONIC NORWAY
- HEXATRONIC DENMARK
- HEXATRONIC SECURITY & SURVEILLANCE (75%)
- HEXATRONIC AUSTRALIA
- HEXATRONIC CANADA
- BALTRONIC GROUP

Acquisition strategy

Profitable owner-run companies
with market-leading positions

Hexatronic has an explicit acquisition strategy on its strategic markets. We continually evaluate acquisitions of 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.

Concerted efforts are under way to establish Hexatronic more firmly on important strategic emerging markets such as the USA, UK and Germany. These markets have announced major investments in FTTH over the next few years, and this is where Hexatronic will grow. We can also see good opportunities in the area of fiber optic products and solutions for harsh environments, with both product companies that strengthen our offering and local ones that enhance our presence on selected geographical markets. The Group's growth strategy is to grow by continuously developing its product range and introducing more added value services such as servicing, aftermarket sales, support and training.

Acquisition candidates are primarily identified through our local organisations and their networks. In all our strategic markets we have several local companies, all of them with a number of people who have long-term industry experience. Because Hexatronic has become a major player, we are now regularly contacted by potential sellers or their advisors.

One important factor in Hexatronic's growth journey is its 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 personnel, which is crucial to the companies' long-term development.

Important criteria when we assess companies

To ensure success with our decentralised model, the following aspects are pivotal:

- The company has a strong management team
- The company is stable with 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

To ensure the successful integration of companies after acquisition, we have the following guidelines:

- We value and strive to retain the entrepreneurial spirit in acquired companies
- We develop strong brands and a positive business culture
- Acquired companies are independent legal entities with their own profit responsibility
- We never acquire companies based solely on potential cost synergies
- Integration and coordination in the Group focus on broader sales with the aim of strengthening the Group's product and system offering

Acquisitions 2020

Stronger local presence and an expanded offering thanks to five strategic acquisitions, most on our strategic growth markets: UK, North America and Germany.

THE LIGHT BRIGADE

Strengthening Hexatronic's presence in the USA

The Light Brigade, acquired in August, is North America's leading training company in fiber optics. The company was founded back in 1990 and has now trained more than 60,000 people. With a head office in Kent, Washington, the company offers training in more than 75 cities a year. Programmes vary from introductory courses, to highly advanced design and engineering qualifications.

The acquisition strengthens Hexatronic's presence and network in the USA, and enables Hexatronic to reach more potential customers and complement its system offering with training. With the acquisition, Hexatronic now offers training in local companies in Sweden, Norway, the UK and USA.

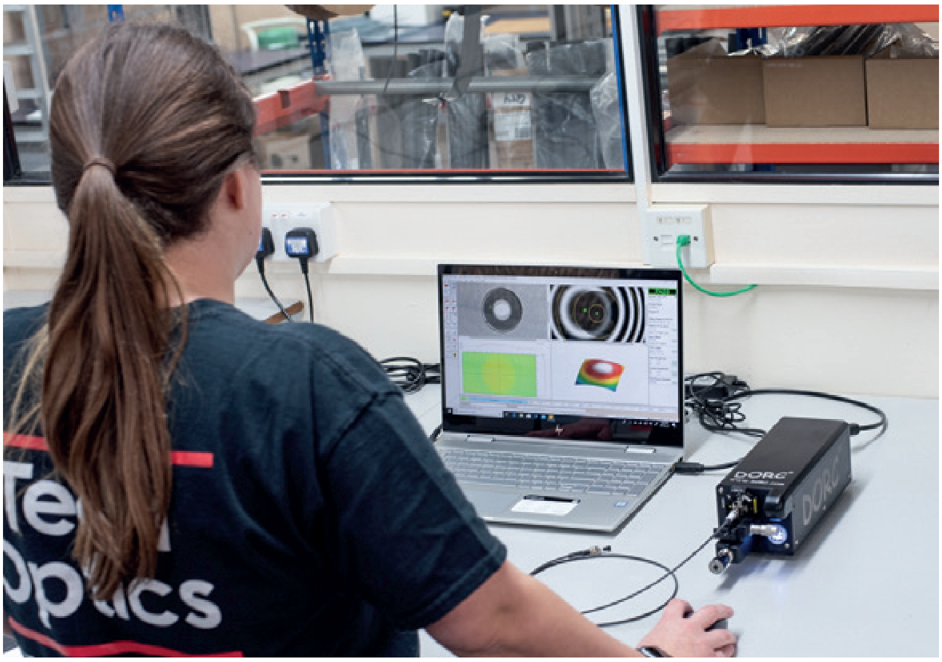
> "Tech Optics has been a partner to us for many years, and we are delighted to welcome the team to Hexatronic Group."
>
> *Henrik Larsson Lyon*
> *President and CEO, Hexatronic Group*

TECH OPTICS

Tailor-made fiber-optic cables and fiber-optic expertise

Tech Optics is a supplier and manufacturer of fiber optic components and was established in 1988. The company specialises in fiber-optic products for harsh environments such as defence, aerospace, and the oil and gas sectors. Tech Optics is an approved supplier to the British defence industry and provides products to several leading companies globally with a wide variety of fiber optic communication products, tailor-made fiber optic cables and fiber optic expertise.

The acquisition of Tech Optics in June entails a geographic expansion of Hexatronic's operation in passive communication products for harsh environments, which at present primarily focuses on customers in Sweden and Norway. The acquisition bolsters Hexatronic's position in the UK, and the Group now has a total of five operating companies, including Tech Optics, which also has local production at its headquarters in Tonbridge.



QUBIX

Creates sales opportunities on the Italian market.

A spin-off from a cabling manufacturer, Qubix was founded in Italy in 2001 and is today a market leader in structured cabling systems on the Italian market. Qubix's solutions are primarily used in local internet access networks in office buildings, apartment blocks and university campuses. The market for structured cabling systems in Italy has increased by a few per cent a year in the past five years, and is expected to see the same growth moving forward.

The acquisition, which was completed in November, supplements Hexatronic's offering in telecom solutions for indoor use, and also creates opportunities for Hexatronic to sell its offering on the Italian market.

"We welcome Qubix and its team to Hexatronic. They will provide an excellent complement to our offering in telecom solutions for indoor use."

Henrik Larsson Lyon
President and CEO, Hexatronic Group

BALTRONIC GROUP

Focus on wireless networks and FTTH solutions

Baltronic Group, acquired in November, is a supplier and manufacturer of fiber optic products with a focus on wireless networks and FTTH solutions. Production was established in Estonia in 2001 and is now the largest terminations company in the Baltics, where standard and bespoke components are made. Baltronic Group offers a wide range of passive and active components for the telecom industry to support the expansion of FTTH and 5G. In addition to the production plant in Estonia, Baltronic Group has sales offices in Latvia, Lithuania and Sweden.

The acquisition bolsters Hexatronic's competitiveness thanks to increased production capacity closer to several major European markets, and also adds competence in wireless network solutions.

TORONICS

Enables complete system sales

Toronics, now Hexatronic Canada, was acquired in November and is a supplier of fiber optic products with a focus on wireless networks and FTTH solutions. The company is based in Toronto. Toronics offers a wide range of passive telecom products, and also has distribution rights for fiber optic fusion splicing and measuring equipment.

The acquisition establishes Hexatronic in Canada, and enables complete system sales in FTTH with support from Hexatronic's other operations in North America and Europe.

Increased trading volume and more shareholders

Share price trend

During the financial year, the share price has fluctuated between a minimum of SEK 33.60 on 23 March 2020 and a maximum of SEK 76.40 on 30 December 2020. The closing price at the end of the financial year was SEK 76.40.

Trading volume

A total of 21,133,706 shares were traded to a total value of SEK 1,173,691,084. On average 83,864 shares were traded per trading day during the financial year.

Ownership structure

There were 8,732 shareholders in the company on 31 December 2020. The ten largest shareholders owned 51.7% of the capital and votes. Foreign ownership accounted for 30.0%. (Source: Euroclear.)

Number of shares

The number of shares totalled 38,021,430 on 31 December 2020 of which 37,661,430 is ordinary shares and 360,000 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 2020 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 set-off issue of MSEK 1.1 (February 2020) as part of payment of earn-out for the acquisition of Opternus.
- A targeted non-cash issue of MSEK 8.7 (November 2020) as part of the acquisition of Baltronic Group and Toronics.

At the AGM on 7 May 2020, the Board was authorised to make a decision by the next AGM on the new issue of shares and/or warrants and/or convertibles amounting to up to 10% of the registered share capital.

The Board was also authorised on one or more occasions ahead of the next AGM to make a decision 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 2020, press releases were issued for business of strategic importance, acquisitions, guidance in preliminary sales and result and terminated patent dispute.

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

No communication takes place with the financial market for four weeks prior to publication of a financial report.

Shareholding by size of holding

31 december 2020

Innehav	No. of known shareholders	No. of shares	% of votes and capital
1–1,000	7,398	1,726,698	4.6 %
1,001–5,000	1,002	2,298,698	6.1 %
5,001–10,000	141	1,024,578	2.7 %
10,001–15,000	29	370,012	1.0 %
15,001–20,000	35	617,131	1.6 %
20,001+	127	31,624,313	84.0 %
Total	**8,732**	**37,661,430**	**100 %**

Ten largest shareholders

31 december 2020

Owner	No. of shares	% of votes and capital
Accendo Capital	3,756,012	10.0%
Handelsbanken Funds	3,673,630	9.8%
Jonas Nordlund, privately and via companies	2,886,199	7.7%
Länsförsäkringar Funds	1,945,527	5.2%
Martin Åberg and Erik Selin via Chirp AB	1,785,872	4.7%
AMF Insurande & Funds	1,393,288	3.7%
Swedbank Robur, West Fund	1,309,572	3.5%
Consensus Asset Management	937,994	2.5%
Avanza Pension - Insurance company	899,964	2.4%
Göran Nordlund, privately and via companies	875,364	2.3%
Ten largest shareholders total	**19,462,422**	**51.7%**
Other shareholders	18,198,008	48.3%
Total	**37,661,430**	**100.0%**

Sustainability Report 2020

About the Sustainability Report

This is the Group’s third Sustainability Report in accordance with the requirements of the Swedish Annual Accounts Act, ch. 6, §12. The Sustainability Report relates to the 2020 financial year and is on pages 26-37. The business model can be found on pages 8-9, significant sustainability risks and their management on pages 44-46, and how we contribute to the area ‘respect for human rights’ on page 31 (sustainable supply chain) and page 35 (diversity and gender equality).

The Sustainability Report encompasses the Parent Company Hexatronic Group AB, reg. no. 556168-6360, and the following subsidiaries: Hexatronic Cables & Interconnect Systems AB, Hexatronic Fiberoptic AB, Proximion AB, Edugrade AB, PQMS Training, Blue Diamond Industries LLC, Gordon Franks Training Ltd., Hexatronic AS, Hexatronic US, Hexatronic UK Ltd., Hexatronic New Zealand Ltd. and Opternus GmbH. The companies acquired or formed in 2020 are not included in this Sustainability Report.

A Decade of Action

As a global player in fiber expansion, we play an important part in realising Agenda 2030 and the UN Global Compact's ten principles for sustainable enterprise.

Working with our employees, customers and suppliers, we want to contribute to a more sustainable society, and to make 2020–2030 a decade of action.

Be a part of our sustainability journey!

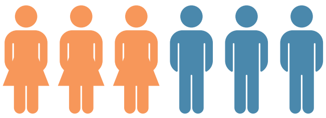
Henrik Larsson Lyon
CEO Hexatronic Group

Important milestones 2020

JANUARY

The Group's first UK Modern Slavery Act Statement

Gender equal board



Revised code of conduct for suppliers

Employee Loyalty Index

81

Sustainability Week on health and wellness for all employees in the Group

HÅLLBARA BOLAG

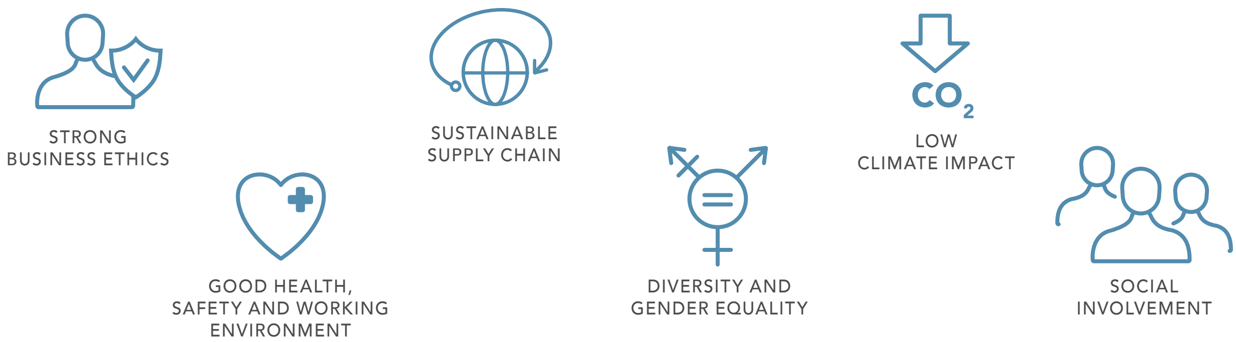
Ranked one of the most sustainable listed companies

Roadmap 2030 for sustainability work completed

DECEMBER

Six prioritised sustainability areas

During 2020 we have opted to focus on managing, developing and improving the following six areas of sustainability: Strong business ethics, Sustainable supply chain, Low climate impact, Good health, safety and working environment, Diversity and gender equality, and Social involvement.



When selecting our prioritised areas of sustainability, important input was taken from trends and challenges in society, the UN's global SDGs, stakeholder demands and expectations, identified sustainability risks, current policy documents, our degree of influence, and our ability to manage, develop and improve a specific issue.

Three sustainability areas from the 2018 analysis have been removed. Environmentally sound products and High resource efficiency have been integrated into the Low climate impact area. Stable profitability has been removed, since successful sustainability work will lead to this in any case. It is also the foundation of our ability to develop as a corporation and a natural part of the ongoing operation.

Governance for increased sustainability

Responsibility and monitoring

Each subsidiary in the Group is responsible for contributing to positive development in each area of sustainability by integrating the issues as a natural aspect in all decision-making, governance, monitoring and planning processes. Responsibility for driving, supporting and monitoring developments lies at the Group-wide level. For further information about developments in each area, please see the table of key metrics later on in this Annual Report.

Diversity in the Board

As regards diversity in the Board of Directors' composition, the stipulations of Section III, point 4.1 of the Swedish Corporate Governance Code have been applied.

Central policy documents

At the Group level, the following policy documents are the main guidelines in the field of sustainability: Sustainability Policy, Code of Conduct - Internal, Diversity and Gender Equality Policy, Whistleblower Policy, and Code of Conduct - Suppliers.

To see the documents in their entirety, please go to the website: group.hexatronic.com/en/sustainability. Monitoring of compliance with the policy documents takes place through internal and external audits, and also using selected key metrics. In addition to these policy documents, our companies have other policy documents to provide management and guidance at the local level.

How we contribute to Agenda 2030

Hexatronic can and wants to help meet the challenges the world is facing on an economic, environmental and social level. The 17 UN global Sustainable Development Goals (SDGs) are due to be met in under 10 years' time, and a lot remains to be done if we are to succeed.

As a global player in fiber expansion, the goal where we can make the most difference is Goal 9 and Target 9.1: "develop quality, reliable, sustainable and resilient infrastructure". We can do this through our business concept, which aims to accelerate the digital transformation to the benefit of society, businesses and individuals by offering, smart, reliable product and system solutions for passive fiber infrastructure.

In 2020, we conducted a new review of which of the global SDGs and their 169 targets are most relevant to our operation, and where we can make the biggest difference. In addition to Goal 9, we have identified a further nine goals and 27 targets as being relevant to our operation and our stakeholders (see below).

HEXATRONIC ACCELERATES THE DIGITAL TRANSFORMATION

9.1, 9.4, 9C

Read more about the global SDGs and how you can contribute at www.globalgoals.org.

Roadmap 2030 for sustainability work

During 2020, a roadmap for the Group's sustainability work up to 2030 was drafted. The roadmap includes objectives for the short (2022, 2025) and long term (2030) for each sustainability area, main activities to focus on, the link to Agenda 2030, and success factors. During Q1 2021, the roadmap will be launched and will be available on our website: group.hexatronic.com/en/sustainability.

Strong business ethics

It is important that our customers, investors, suppliers, employees and other stakeholders feel trust in Hexatronic and know that we represent a high level of business ethics.

CODE OF CONDUCT

99%

of employees have signed the internal code of conduct

Code of conduct and Sustainability Policy since 2018

The two most important steering documents for ensuring that employees, temporary hired personnel and consultants on assignment for Hexatronic conduct themselves in a responsible, ethically correct manner are our Sustainability Policy and our internal code of conduct. The Sustainability Policy covers how we should take responsibility based on the economic, environmental and social dimension of sustainability. The internal code of conduct covers the company's sustainability responsibilities, personnel care, laws and guidelines, conflicts of interest, company property and confidential information, and is a natural part of all new recruitment.

In addition, two of our subsidiaries have taken a clear stand against trafficking and sexual exploitation, by introducing a ban on buying sex in their guidelines for business trips.

How we work with anti-corruption

The most important aspects in our anti-corruption work are: our internal code of conduct and the chapter on conflicts of interest, ongoing training and discussion on ethical dilemmas, bribery and corruption being included in the annual risk analysis, our vision zero for cases of corruption, and internal and external audits to monitor compliance. Since 2019, Hexatronic has been a supporting member of the Swedish Anti-Corruption Institute. Anti-corruption is also an important part of our code of conduct for suppliers.

Whistleblower function

Since 2018, there has been a whistleblowing function enabling employees, customers, suppliers or anyone else in contact with the Group to anonymously report suspected serious anomalies that conflict with strong business ethics. Further information can be found on the website: group.hexatronic.com/en/sustainability.

Our long-term objective 2030:

To continue to maintain strong business ethics.

For further information, go to: globalcompact.se/statement-from-business-leaders-for-renewed-global-cooperation/.

Renewed global cooperation

Hexatronic has signed the UN Global Compact, and we run our business in line with the ten principles for responsible enterprise. In 2020 Henrik Larsson Lyon, President and CEO of Hexatronic Group, also backed the statement regarding the importance of a renewed global cooperation to achieve peace and security, human rights, and sustainable development.

Sustainable supply chain

Securing a sustainable supply chain is vital in our strategy to deliver value to our customers and contribute to sustainable development. We therefore want to work with suppliers who share our values when it comes to sustainability.

Updated code of conduct for suppliers

A Group-wide code of conduct for suppliers was launched in 2018, with requirements in the areas of environment, human rights, fair employment conditions, health and safety, and anti-corruption.

During 2020, the code was updated, committing suppliers to ensure compliance with the code in the next stage of the supply chain, conduct proactive climate work in order to minimise emissions of direct and indirect greenhouse gases, use environmentally adapted technologies that enable high resource efficiency and low emissions, and support and respect internationally recognised human rights.

Risk analysis relating to sustainability in the supply chain

During 2020, mapping was carried out of the sustainability risks that exist in our supply chain, and where these risks are greatest. The results will form an important foundation for which issues, suppliers and countries to prioritise in future audits, be they digital or physical. There will be a particular focus on risks linked to missions to air, resource efficiency, discrimination at the workplace, health and safety, and corruption.

Supplier survey

During the year, a self-assessment survey was sent out to 34 of our suppliers, who account for just under 60% of the Group's total purchase volume of direct materials and transport. The survey included 24 questions on sustainability management, sustainable supply chain, the environment, human rights, health and safety, and anti-corruption. The results will form an important part of our ongoing dialogue, and which suppliers we opt to audit digitally and on site.

Effects of COVID-19

As a consequence of the pandemic that broke out and prevailed for most of 2020, there have been no on-site audits at our supplier companies. In the first half of 2021 we will focus on conducting remote audits via Teams, with the hope of being able to resume on-site audits after that.

UK Modern Slavery Act Statement

Hexatronic commits to preventing all forms of modern slavery, servitude, forced labour and human trafficking. To see the full statement, please go to: group.hexatronic.com/en/sustainability.

Our long-term 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.

Low climate impact

The climate challenges are great and time is short. Alongside our customers, suppliers and personnel, we will do what we can to contribute to reaching the 1.5°C target. Our focus is on achieving high resource efficiency, and being able to offer climate-smart products and services.

Efforts for higher resource efficiency

The Group has taken a range of measures during the year to boost resource efficiency in its operations.

Our production plant in Hudiksvall, Hexatronic Cables & Interconnect Systems, has reduced its overall consumption of single-use plastic by 50% on 2019, thanks to an investment in a new plastic wrapping machine. The same company has also invested in a new duct machine that enables a higher degree of recycling, wile also dealing with several materials and grades of material. Similar initiatives have been taken in other parts of our organisation. Optimisation in the manufacturing process for our duct products has led to an almost 50% decrease in the number of rejects.

Lower climate impact from travel and transport

In 2020 the number of business trips, trips for field support, training, customer events and trips to and from the workplace has fallen dramatically due to the ongoing pandemic, and digital solutions have been used instead. We predict that a great deal of the digital working methods will continue also after the pandemic. During the year, we continued to reduce our climate emissions from goods transport by coordinating our transportation better, optimising pack sizes for our products, and moving from air cargo to sea cargo and rail.

Climate-smart products and services

All of our production plants during the year have increased the proportion of recycled material in their products, and other companies in the Group have continued in their endeavour to replace plastic packaging with renewable/biodegradable materials and increase the percentage of packaging material from suppliers for reuse. During 2020, the next generation of Stingray boxes was released, which contributes to a reduction in material consumption of 50%. A cooperation with the University of Gothenburg and IVL Swedish Environmental Research Institute was begun, to find a method for calculating the carbon footprint of our most common products. Efforts will continue in 2021.

Renewable energy and higher energy efficiency

During the year, the Group's total energy use has increased by 25% on 2019, and our indirect emissions of greenhouse gases from energy use, Scope 2, by 48%. The main reason is expanded operations in the USA, which currently does not buy renewable electricity. In order to buck this negative trend, our American company Blue Diamond Industries has during the year looked into the possibility of buying shares in solar power parks. If this happens, as a Group we would be able to reduce our Scope 2 emissions by almost 90% on 2020, and to increase the percentage of renewable energy from just under 40% to 80%, thereby more quickly achieving our objective of a climate-neutral operation by 2030.

During the year our Swedish company Proximion has looked into the possibility of acquiring new production lasers that use 100 times less energy than the current ones. This too would make an important contribution to our climate ambitions. Unfortunately, delivery of the new laser has been delayed due to COVID-19 and has been postponed until 2021. Several companies are continuing to make the switch to LED lighting.

Roadmap 2030

During the year, a roadmap 2030 for our sustainability work was drafted, which also includes our climate work. The roadmap highlights 13 prioritised climate activities (see below) that will help us achieve our climate goals. We are already working on these to a great extent, but will focus even more strongly on them during 2021 and beyond. The roadmap was launched in early 2021 and can be found on our website.

1. Increase the use of renewable energy
2. Introduce energy-saving programmes in buildings and production plants
3. Reduce the amount of goods transport by optimising pack sizes, coordinating deliveries and establishing local production
4. Increase the proportion of goods transport by sea and rail
5. Move towards a vehicle fleet with zero emissions
6. Reduce the use of virgin materials, increase the recycling and reuse of materials and products
7. Calculate our indirect emissions, Scope 3
8. Calculate and report on the carbon footprint of our most common products
9. Develop and offer the market climate-smart products and services
10. Introduce new climate-sound materials and technologies
11. Replace plastic packaging materials with recycled/biodegradable materials
12. Increase the proportion of travel-free meetings and trainings as well as field support online
13. Use suppliers with a clear focus on low climate impact

Climate management of the supply chain

During the year, we introduced stricter requirements in our code of conduct for suppliers, and also conducted a follow-up of our suppliers' climate work, which encompassed 60% of the Group's purchase volume of direct materials and transport.

"We want our suppliers to report their climate emissions and set measurable goals, use 100% renewable energy in production of products and services, and to take climate-reducing measures in their operations"

Steffen Bjerregaard,
Head of Group Procurement,
NKT Group

Our customers' expectations on our climate work are increasing

During the year, other customers in addition to Ericsson and Telia have begun placing clear expectations of Hexatronic to take action on the climate issue and help to achieve the 1.5°C target.

Our long-term objectives 2030:

- Reduce our emissions of greenhouse gases, Scopes 1, 2 and 3, by 50%
- Become a climate-neutral company, own operations
- Report on the carbon footprint of our most common products

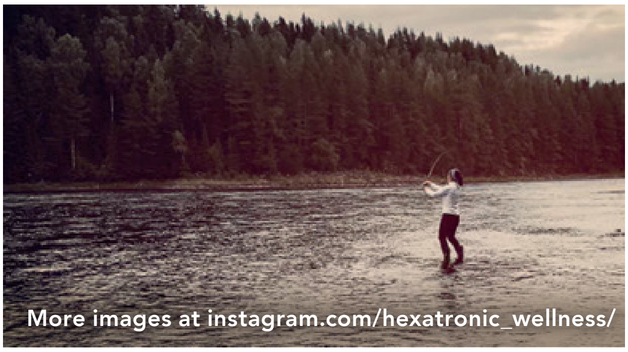
Good health, safety and working environment

Our employees should feel safe and secure with the way we manage the working environment. Therefore, we always maintain a strong focus on health and safety in our operations.

Our employees' health and safety

During the ongoing pandemic, we have increased our focus on the health and safety of our employees. Activities have varied by country and operation. Based on each company's risk analysis, measures have been taken to minimise the risk of any employee/customer/student/supplier catching COVID-19. One positive effect of introducing flexible workplaces and working from home is that, for many people, it has enabled a better balance between work and leisure time, particularly for many parents with young children.

During the year, Hexatronic Fiberoptic has introduced a management system for working environment in accordance with ISO 45001, and 42% of our employees are now encompassed by this. Various training initiatives have been executed, linked to: CPR, health and safety, developmental leadership and self-leadership. Some courses have had to be postponed due to the pandemic. At company level, ongoing wellness initiatives are being taken.



More images at instagram.com/hexatronic_wellness/

Sustainability Week focusing on health and wellness

At Group-wide level, a wellness week for all employees was arranged during the year.
Daily emails were sent out containing facts, inspiration and challenges on different health themes, linked to the importance of being mindful, taking a break, staying active, sleeping well and eating healthily. Each company also organised its own local wellness activities. A new Wellness Week is being planned for spring 2021.

Satisfied employees

This year's employee survey, which was conducted in all the Group's subsidiaries, shows that our employees are satisfied with us as an employer. The Group-level Employee Satisfaction Index increased from 69 to 71. A figure of 75 or above signifies "very satisfied". The Group-level Employee Loyalty Index increased from 80 to 81. In 2021, we will carry on working with the results, and initiatives are being planned linked to various areas: the psychosocial working environment, work rate/work volume, boosting team spirit, greater participation in decision-making, and competence development.

Our long-term objective 2030:

To be a safe, attractive workplace for our employees.

Diversity and gender equality

At Hexatronic we are convinced that people with different perspectives, knowledge and experiences are crucial in creating the innovative climate required for long-term commercial success.

Action taken during the year

Many of the Group's companies have a high degree of diversity, and the main challenge lies in attracting women into a male-dominated industry. During the year, the Group's companies have made various moves to contribute to a more gender equal and inclusive workplace.

The Group's training companies are working actively to attract a broad representation of students, and several of our training companies have modules that include gender equality, diversity and inclusion. In connection with Black Lives Matter, several companies enabled personnel to hold digital discussions focusing on personal experiences of discrimination, which was highly appreciated.

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 our introduction procedure for new employees. Based on this ambition, we take the two confirmed incidents of discrimination we had in 2020 very seriously. In both cases, measures have been taken and we continue to focus our efforts on these issues.

Our long-term objective 2030:

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

Social involvement

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

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 who are far from the job market, by offering the education they need to find a job or continue studying. During the pandemic, training activities have quickly had to be moved to digital platforms, with excellent results.

Far-reaching support

Our companies and employees themselves choose the focus of their social involvement, and often support the most vulnerable groups in society, matters of integration, children and young people, sports, mental health, and gender equality and education issues. Some of the organisations and initiatives to receive support from our companies are: PLAN International, Shoebox Appeal 2020, Doctors Without Borders, Save the Children, BRIS – Children's Rights in Society, and the Swedish Cancer Society.

In addition, several companies offer internships for young people and backup employment for the long-term unemployed. They also give their employees an opportunity to work as corporate volunteers, and during work hours to give blood and consider organ donation, for example.

Our long-term objective 2030:

To be a positive force in society.

Goals and results indicators for sustainability work

To monitor developments in our prioritised sustainability areas, we have selected a number of key metrics, presented in the table below. Certain adjustments have been made in 2020 compared with the 2019 Sustainability Report. Some key metrics have been added and others have been omitted based on the changes that have taken place during the year.

Our aim

This aim in 2020 has still been for all selected key metrics to develop in a positive direction, with a particular focus on positive development in the sustainability areas: sustainable supply chain, low climate impact, and diversity and gender equality.

Link to Agenda 2030 and the Global Compact

Each sustainability area is connected to Agenda 2030 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), unglobalcompact.org/what-is-gc/mission/principles.

Prioritised sustainability areas/ where the impact is	Link to Agenda 2030 / the Global Compact	Key metric	2018	2019	2020	Goal level 2030
Strong business ethics **Where:** Purchasing, sales, manufacturing, acquisitions, finance, marketing	SDG: 5.2, 16.5 GC: Principles 1, 5, 10	Percentage of employees who have signed the internal code of conduct	72	93	99	100
		No. of confirmed instances of corruption	0	0	0	0
Sustainable supply chain **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 GC: Principles 1–10	Percentage of suppliers who have signed the code of conduct for suppliers [1]	34	75	74	-
		Number of audits conducted relating to sustainability	0	11	0	-
Low climate impact **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 GC: Principles 7–9	Percentage of ISO 14001-certified companies in the Group [2]	33	33	33	-
		Direct energy consumption, MWh	22,265	21,575	27,305	-
		Percentage of green electricity	49	53	40	-
		Energy intensity, MWh/MSEK sales	13.9	11.7	13.5	6
		Total emissions of CO_2e, tonnes – Scope 1	821	891	722	-
		Total emissions of CO_2e, tonnes – Scope 2 [3]	4,237	3,551	5,988	-
		Climate intensity, Scopes 1 & 2, tonnes CO_2e/MSEK sales	3.2	2.4	3.3	1.25
Where: In-house production		Recycled material in production, tonnes	n/a	3,596	4,521	-
		Recycled material in production, kg/MSEK sales	n/a	1.952	2,243	10,000

* The code of conduct was launched in 2018
** No survey conducted
n/a = not available

[1] Based on total purchase volume of direct materials and transport
[2] Figure includes companies with more than 15 employees
[3] Market-based method used
[4] Number of work-related accidents with more than 24 hours absence, divided by total number of hours worked x 200,000
[5] After completing training via Hexatronic's training companies

Prioritised sustainability areas/ where the impact is	Link to Agenda 2030 / the Global Compact	Key metric	2018	2019	2020	Goal level 2030
Good health, safety and working environment **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	32	42	90
		Sick leave, %	3.0	3.0	3.0	3.0
		Work-related accidents with absence, frequency [4]	0.5	1.4	1.0	0
		Employee Satisfaction Index	69	**	71	76
		Employee Loyalty Index	80	**	81	86
Diversity and gender equality **Where:** Entire Group	SDG: 5.1, 5.5, 8.5, 10.2 GC: Principle 6	Percentage of women	25	29	24	40
		Percentage of women managers	28	27	24	40
		Percentage of women in Executive Management	11	20	18	40
		Percentage of women on Board of Directors	40	33	50	40
		Number of confirmed instances of discrimination	1	1	2	0
		Percentage of employees who have had a performance review	98	96	98	100
Social involvement **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 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 [5]	n/a	156	357	-

* The code of conduct was launched in 2018
** No survey conducted
n/a = not available

[1] Based on total purchase volume of direct materials and transport
[2] Figure includes companies with more than 15 employees
[3] Market-based method used
[4] Number of work-related accidents with more than 24 hours absence, divided by total number of hours worked x 200,000
[5] After completing training via Hexatronic's training companies

Auditor's report on the statutory sustainability report

To the general meeting of the 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 2020 on pages 26-37 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.

Gotheburg, April 14 2021
Öhrlings PricewaterhouseCoopers AB

Johan Palmgren
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 2020 financial year for the Parent Company and Group.

Hexatronic is a group specialising in fiber optic communication solutions 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 2,080.8 (1,842.3). Sales increased by 13% for the Group compared to the previous financial year.

Organic growth was 11% compared to the previous financial year.

Results for the financial year

The operating result after depreciation of property, plant and equipment (EBITA) amounted to MSEK 204.8 (135.9), which equates to an EBITA margin of 9.8% (7.4%).

During the financial year, EBITA was negatively affected by MSEK 4.3 relating to a revaluation of liabilities for the additional purchase price from the acquisition of Opternus.

The operating result (EBIT) amounted to MSEK 177.3 (106.4), which equates to an EBIT margin of 8.5% (5.8%).

Net financial income/expense during the financial year amounted to MSEK -12.4 (-15.4), of which net interest income/expense amounted to MSEK -9.8 (-11.6), unrealised exchange rate differences to MSEK -0.7 (-2.1) and other financial income and expense to MSEK -1.9 (-1.7).

Profit for the year totalled MSEK 126.5 (67.1).

Financial position and liquidity

The Group's financial position and liquidity remain strong. Liquid assets on 31 December 2020 totalled MSEK 212.3 (103.8).

The Parent Company's acquisition-related borrowing on 31 December 2020 totalled MSEK 535.5, of which MSEK 453.5 is long-term borrowing. Repayments of MSEK 57.0 were made during the financial year.

Cash flow from operating activities during the financial year amounted to MSEK 249.8 (173.9), including a change in working capital of MSEK 52.6 (13.8).

Cash flow from investing activities during the financial year amounted to MSEK -229.0 (-96.3). The investments mainly refer to a new production plant in the USA, production equipment in Hudiksvall, corporate acquisitions during the financial year, and payment of additional purchase prices related to the acquisitions of Blue Diamond Industries and Opternus.

Cash flow from financing activities during the year amounted to MSEK 89.5 (-59.0). The full-year cash flow figure is mainly attributable to acquisition-related borrowing, repayment of loans and changes in lease liabilities.

Multi-year comparison, Group

SEK thousand	2020	2019	2018	2017	2016
Net sales	2,080,777	1,842,266	1,597,768	1,299,419	1,032,342
Profit/loss before tax	164,930	91,031	81,751	116,130	69,784
Profit/loss before tax as a percentage of net sales	7.9%	4.9%	5.1%	8.9%	6.8%
Total assets	1,953,262	1,497,856	1,303,134	777,098	657,292
Equity ratio	33.3%	38.3%	37.9%	53.4%	50.3%

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 USA.

Acquisition of Qubix S.p.A.

The acquisition of Qubix took place as a share transfer, see Note 36. The acquisition was completed on 2 November 2020 and has subsequently been consolidated. Qubix is a leader in structured cabling systems in Italy.

The fixed purchase price was MEUR 18.1 and was paid in cash.

The acquisition was financed through a senior bank loan from a credit institution.

Acquisition of Baltronic Group OÜ and Toronics Inc.

The acquisition of Baltronic Group and Toronics took place as a share transfer, see Note 36. The acquisition was completed on 2 November 2020 and has subsequently been consolidated. Baltronic Group (Baltics/Sweden) and Toronics (Canada) supply and manufacture fiber optic components with a focus on wireless networks and FTTH solutions. Since the acquisition, Toronics Inc. has changed name to Hexatronic Canada Inc.

The purchase price was MEUR 5.4 of which MEUR 4.6 was paid in cash and MEUR 0.8 through newly issued shares in Hexatronic.

The acquisition was financed through a combination of a targeted new share issue and existing cash.

Acquisition of The Light Brigade Inc.

The acquisition of The Light Brigade took place as a share transfer, see Note 36. The acquisition was completed on 1 August 2020 and has subsequently been consolidated. The Light Brigade is a US-based provider of fiber optic training for broadband communication, wireless networks, service providers, data centres, the energy sector, oil and gas, mining and industrial sectors.

The purchase price was MUSD 1.6 which was paid in cash.

The acquisition was financed by utilising revolving credit from credit institutions.

Acquisition of Tech Optics Ltd.

The acquisition of Tech Optics took place as a share transfer, see Note 36. The acquisition was completed on 1 June 2020 and has subsequently been consolidated. Tech Optics is a British fiber optics company.

The purchase price was MGBP 0.4 which was paid in cash.

The acquisition was financed through cash.

Legal processes

In February 2020 Hexatronic entered into a global settlement agreement with Emtelle UK Ltd., which ended the previous patent dispute in the UK. Emtelle gave Hexatronic a licence right for the patent for blown-fiber products. Hexatronic can continue to produce and sell its blown-fiber products worldwide.

The Group's financial goals

Profitability

The EBITA margin (operating result after depreciation of property, plant and equipment) should be at least 9% on a rolling 12-month basis. The EBITA margin for 2020 was 9.8%.

The Board of Directors has adjusted the profitability target as of 2021, with an EBITA goal (operating profit after depreciation of property, plant and equipment) of at least 10% on a rolling 12-month basis.

Growth

The Group shall grow more than its market organically. Annual growth of at least 20%. The growth will be both organic and acquisition-driven. Growth in 2020 was 13% compared to the previous financial year.

Outlook for the upcoming accounting year

The Group will continue to work with large customers and major projects, where the Group's added value as a competent systems and product supplier constitutes a competitive edge. The Group's 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 prioritise acquisitions in which cost synergies need to be harnessed to achieve a good return on the acquisition investment.

Multi-year comparison, Parent Company

SEK thousand	2020	2019	2018	2017	2016
Net sales	18,566	18,986	27,242	22,245	16,772
Profit/loss after financial items	-55,075	-64,340	-34,232	-14,630	-15,137
Profit/loss after financial items as a percentage of net sales	-296.6%	-338.9%	-125.7%	-65.8%	-90.3%
Total assets	1,296,940	896,316	787,623	406,616	353,915
Equity ratio	20.4%	25.0%	25.1%	48.7%	51.6%

In 2020, Hexatronic, like most companies, has been affected by COVID-19. Sales during the financial year are thought to have been negatively affected by approximately 5–10%.

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 26-37 in 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.

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 during the year to discuss and follow up any environmental issues the company is working on.

The conditions are deemed to have been met. The results of the 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 renewal audit was conducted by Intertek in December 2020. There were no deviations.

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.

The operation in Hudiksvall accounts for a significant share of the Group's energy consumption, which is why an in-depth audit was carried out there. The audit is part of the operation's active work to save energy, which has been ongoing for several years and has led to lower energy consumption.

Key figures for the Group

SEK thousand	2020	2019	2018	2017	2016
Growth in net sales	13%	15%	23%	26%	43%
EBITA margin	9.8%	7.4%	7.2%	10.3%	9.4%
Operating margin	8.5%	5.8%	5.8%	9.4%	8.6%
Equity ratio	33.3%	38.3%	37.9%	53.4%	50.3%
Basic earnings per share (SEK)	3.38	1.81	1.63	2.50	1.59
Diluted earnings per share (SEK)	3.37	1.80	1.62	2.38	1.50
Profit/loss per employee (SEK thousand)	187	114	115	241	182
Quick ratio	0.9	0.9	0.9	1.3	1.3
Average number of employees	678	588	517	376	297
No. of shares	37,661,430	37,183,825	36,511,825	36,171,677	36,140,785
Average number of shares	37,480,163	37,127,825	36,278,940	36,148,508	34,087,733
Average number of shares after dilution	37,563,322	37,217,336	36,676,240	37,942,528	36,103,801

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 2021 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 65 years and the pension contribution can be up to 25% 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 shareholders 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

If employment is terminated by the company, the notice period for the CEO and other senior executives may be up to 12 months. If the CEO's employment is terminated by the company, 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. 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.

Furthermore, remuneration for the CEO and other senior executives for restraint-of-trade obligations will expire when employment is terminated with the aim of compensating for any loss of income. For the CEO, such remuneration for a restraint-of-trade obligation is only paid to the extent that the former senior executive is not entitled to severance pay. Remuneration for the CEO and other senior executives 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 at the time of termination of employment. 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 Board has established a 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 18.6 (19.0) and profit/loss for the year amounted to MSEK 11.2 (9.2). Net financial income/expense was MSEK -10.7 (-8.3) and liquid assets amounted to MSEK 35.0 (0) at year-end. The number of employees was 12 (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 companies, has been affected by COVID-19. Sales during the financial year are thought to have been negatively affected by approximately 5–10%.

Proposed appropriation of profits

THE FOLLOWING FUNDS ARE AT THE PARENT COMPANY'S DISPOSAL

	SEK
Share premium reserve	238,004,280
Profit/loss brought forward	-846,008
Profit/loss for the year	11,180,648
Total	**248,338,920**

THE BOARD OF DIRECTORS PROPOSES THAT THE PROFITS BE APPROPRIATED AS FOLLOWS:

	SEK
SEK 0.50 per share to be distributed to shareholders [1]	18,830,715
To be transferred to profit/loss carried forward	229,508,205
Total	**248,338,920**

1) The proposed record date for dividends is 10 May 2021.

As the Board of Directors proposes that the AGM on 6 May 2021 decides on a dividend of SEK 0.50 per share, the Board may 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 20.3% to 18.9% and the Group's equity ratio from 33.3% to 32.3%, calculated on 31 December 2020.

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.

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 prioritised 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 organisation'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 prioritised 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 organisation.

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 great a dependence on individual large customers. There is a risk that large customers choose alternative suppliers. The Group's three largest customers account for roughly 20% of the Group's sales.	The Group has continued to broaden its customer structure as it becomes more international. Dependence on the largest customers is gradually decreasing as the Group gains more customers from acquisitions, and due to a sharper focus on customer orientation and system solutions.
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. 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. Intellectual property rights are monitored and controlled in consultation with external advisors. The provision for future guarantee obligations is assessed continuously.
Serious disruption to production	
Damage at production plants, caused for instance by fire or a stoppage/interruption in some part of the production process, can have negative consequences, whether from direct damage to property or from stoppages that affect the company's ability to deliver on its commitments to customers. This in turn could cause customers to choose another supplier. At present the Group has six 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. Risk assessment and auditing take place in consultation with external advisors.

Risks	Risk management
Acquisition and integration	
Making an acquisition entails a risk. It could have an adverse impact on the acquired company's relations with customers, suppliers and key persons, and on sustainability-related issues. There is also a risk that integration processes could be more costly or more time consuming than expected, and that acquisition synergies fail to 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	
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. 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. 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	
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 prioritised sustainability issue.Systematic health and safety work in accordance with the companies' management systems and prevailing legislation helps to minimise this risk.
Serious environmental accident	
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. 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. Also see 'Acquisition and integration'.
Natural disasters	
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	
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 prioritised 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	
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 prioritised sustainability issue. 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	
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	
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 prioritised 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. A whistleblower system is in place to enable people to highlight serious anomalies, anonymously.

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 organisation'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. An inability to adapt the operation to technological shifts could cause the Group's products and services to become obsolete, which could have an adverse impact on sales and Group profits, thereby also increasing development costs.	Close cooperation with the largest customers and potential customers in the field of product development is tremendously important. Hexatronic is constantly developing its offering so that it can offer more complete system deliveries in the future, primarily based on in-house development, production, and innovative Swedish design and quality. The company believes that this will facilitate longer-lasting customer relations and higher margins, while also helping the Group's other partners to become more competitive.
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. 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. 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.
Brexit The UK left the EU on 1 February 2020. Hexatronic is dependent on the UK market to some extent, with major ongoing projects. A deterioration in trade conditions with the UK could impact adversely on Hexatronic's operations, results and financial position.	The UK is a strategic market for Hexatronic. On 1 January 2021, the customs union between the EU and UK came to an end. All trade to and from Great Britain is now subject to the same kind of rules and administration as deliveries to and from the rest of the world. Hexatronic's preparations for product flows and their administration have proceeded satisfactorily. Transport times have been extended somewhat, and transport capacity was affected around the year-end.
COVID-19 A pandemic like COVID-19 could impact adversely on Hexatronic's operations, results and financial position. The consequences of a pandemic could mean closed national borders and, therefore, worse delivery opportunities for suppliers and customers.	As a supplier to the telecom industry, Hexatronic's operation is deemed to be critical in several parts of the world. COVID-19 will in all likelihood lead to increased investment in both fixed and mobile communication networks. Hexatronic has effective action plans 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 prioritised 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. 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. The Group has income and expenses primarily in SEK, USD, EUR, NZD, GBP and NOK, 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. For individual orders in excess of MSEK 5, various hedging instruments are considered. 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. Liquidity risk is the risk that Hexatronic is unable to meet its payment obligations due to a lack of liquid funds.	The central finance function continuously monitors Hexatronic's finances to ensure that it can meet the binding key figures linked to the company's loan facilities. The Group's policy is to 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. 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

Board Chairman since 2016, Board Member since 2014 and a member of the Remuneration Committee.

Year of birth: 1957.

Education: MSc in Applied Physics from Chalmers University of Technology, Gothenburg.

Other assignments (selected): Board Chairman of Coloreel AB. Board member of Ferroamp Elektronik AB.

Shareholding in Hexatronic: 51,000 shares.

Independent of the company, the company management and major shareholders.

Erik Selin

Board Member since 2014 and a member of the Remuneration Committee.

Year of birth: 1967.

Education: High School Economics.

Other assignments (selected): Board Chairman of K-Fast Holding AB, Brinova Fastigheter AB and Collector Bank AB. Board Member and President of Fastighets AB Balder. Board Member of Hedin Bil and Ernström & C:o AB.

Shareholding in Hexatronic via part ownership of Chirp AB: 1,785,872 shares.

Independent of the company, the company management and major shareholders

Helena Holmgren

Board Member since 2020, Chairman of the Audit Committee and a member of the Remuneration Committee.

Year of birth: 1976.

Education: MSc in Economics from Lund University, MBA from University of Ottawa.

Other assignments (selected): CEO of Pricer AB.

Shareholding in Hexatronic: 3,500 shares.

Independent of the company, the company management and major shareholders.

Jaakko Kivinen

Board Member since 2018 and a member of the Audit Committee and Remuneration Committee.

Year of birth: 1970.

Education: MSc Economics, Hanken School of Economics and MBA, University of South Carolina.

Other assignments (selected): Advisor to Accendo Capital.

Shareholding in Hexatronic: -

Independent of the company and company management. Dependent in relation to major shareholders.

Malin Frenning

Board Member since 2016 and a member of the Remuneration Committee.

Year of birth: 1967.

Education: Foundation year and Mechanical Engineering programme, Luleå University of Technology. Honorary Doctor of Technology, Luleå University of Technology 2011.

Other assignments (selected): EVP and Division Manager Infrastruktur at AFRY.

Shareholding in Hexatronic: -

Independent of the company, the company management and major shareholders.

Frida Westerberg

Board Member since 2020 and a member of the Remuneration Committee.

Year of birth: 1975.

Education: MSc in Economics, Handelshögskolan in Stockholm, CEMS in Universitá Bocconi.

Other assignments (selected): Board member of Ework Group AB and Market Art Fair. Industrial advisor to EQT.

Shareholding in Hexatronic: -

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 2021 AGM. The shareholdings given for each person above were true as of 31 December 2020.

Executive management

Henrik Larsson Lyon

CEO of Hexatronic Group AB (publ) since 2014.

Year of birth: 1966.

Education: MSc in Economics.

Shareholding in Hexatronic: 836,666 shares and 10,000 warrants.

Svante Godén

Acting CFO of Hexatronic Group AB (publ) since 2021.

Year of birth: 1977.

Education: MSc in Economics from Uppsala University.

Shareholding in Hexatronic: -

Christian Priess

Business Development Director since 2019.

Year of birth: 1970.

Education: MSc International Business, IMD MBA.

Shareholding in Hexatronic: 20,000 warrants.

Tomas Jendel

Chief Technology Officer in Hexatronic Group AB (publ) since 2020.

Year of birth: 1973.

Education: MSc and Lic. Eng. in Vehicle Engineering.

Shareholding in Hexatronic: -

Martin Åberg

Deputy CEO of Hexatronic Group AB (publ) since 2017.

Year of birth: 1981.

Education: MSc in Applied Physics and MBA, Uppsala University, also Chartered Financial Analyst, IFL, Stockholm School of Economics.

Shareholding in Hexatronic: 1,785,872 shares via part-ownership of Chirp AB, 30,000 shares privately and 10,000 warrants privately.

Thomas Andersen

President of Hexatronic AS since 2012.

Year of birth: 1974.

Education: Electrical Engineer

Shareholding in Hexatronic: 30,500 shares via Engelsviken AS and 40,000 warrants held privately.

Anna Bailey

Supply Chain Director at Hexatronic Group AB (publ) since 2016.

Year of birth: 1969.

Education: MSc in Industrial Economics.

Shareholding in Hexatronic: 4,000 shares and 3,000 warrants.

Magnus Eidebo

President of Hexatronic Fiberoptic since 2019.

Year of birth: 1975.

Education: Executive MBA.

Shareholding in Hexatronic: 3,600 shares and 1,000 warrants.

Håkan Bäckström

President of Hexatronic Cables & Interconnect Systems AB since 2017.

Year of birth: 1966.

Education: MSc in Mechanical Engineering, focus on industrial economics, also Managing Industrial Operations (IMOP).

Shareholding in Hexatronic: 150,400 shares and 15,000 warrants.

Lise-Lott Schönbeck

Digital Marketing Officer of Hexatronic Group AB (publ) since 2020.

Year of birth: 1972.

Education: MSc in Applied Physics and Chemistry

Shareholding in Hexatronic: 6,000 warrants.

The Group's Executive Management holds monthly meetings.
The shareholdings given for each person above were true as of 31 December 2020.

Corporate governance report

Hexatronic Group is a Swedish public limited liability company listed on the Nasdaq Stockholm Mid Cap exchange.

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 2020 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, the authorisation manual as well as 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').

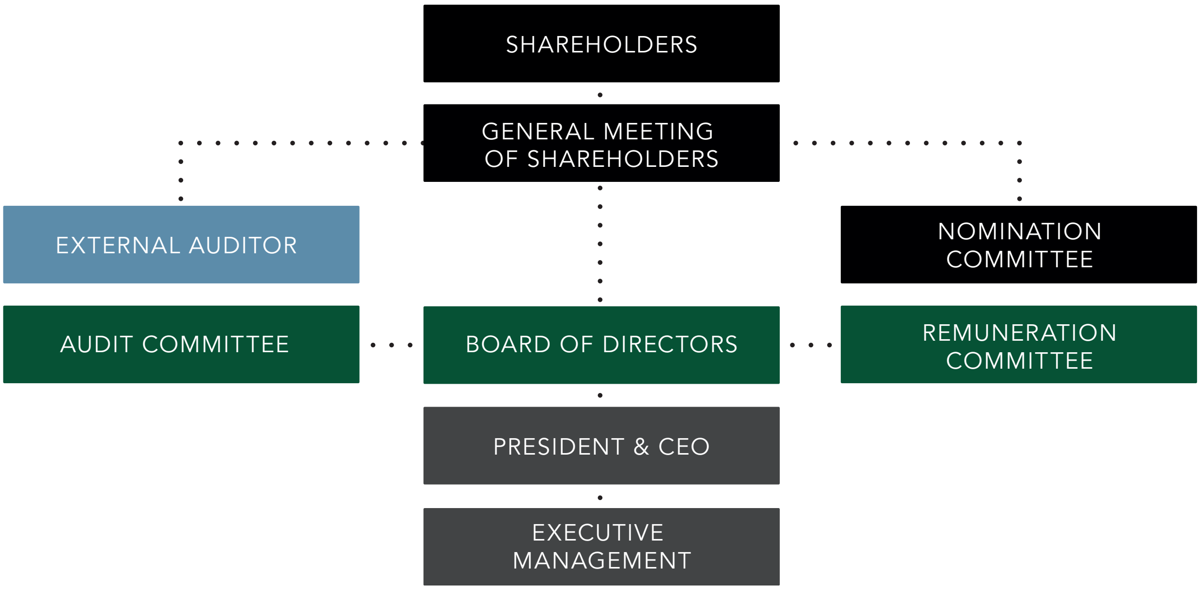
The company does not deviate from the Code in any respect.

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 Nomina-

Hexatronic Group's corporate governance structure



tion 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 2 January 2018, the share was moved up to Nasdaq Stockholm Mid Cap. The share capital on 31 December 2020 totalled SEK 1,901,071.20, divided between 38,021,430 shares; 37,661,430 of these were ordinary shares and 360,000 were Class C shares. Class C shares carry one-tenth of a vote. The number of shareholders on 31 December 2020 was 8,639. The biggest shareholders on this date were Accendo Capital (10.0% of the share capital), Handelsbanken Fonder (9.8%), Jonas Nordlund privately and via company (7.7%), Länsförsäkringar funds (5.2%), and Martin Åberg and Erik Selin via Chirp AB (4.7%). Further information about the share and shareholders is available on the company's website.

Annual general meetings

Decisions at the 2020 AGM

The following decisions were made at the AGM on 7 May 2020:

- 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, Malin Frenning, Jaakko Kivinen and Erik Selin.
- New election of Board Members: Helena Holmgren and Frida Westerberg.
- Election of registered public accounting firm Öhrlings PricewaterhouseCoopers as the company's audit firm with authorised public accountant Johan Palmgren as the main auditor.
- Principles for appointing members of the Nomination Committee were adopted.
- Guidelines for remuneration to senior executives were agreed.
- Decision to amend the Articles of Association, including increases to the limits on share capital and the number of shares.
- Decision to introduce an incentive programme through a targeted issue of up to 350,000 warrants for certain senior executives and key employees within the Group. The Board was authorised to acquire or transfer its own shares respectively in accordance with the Board proposal and to decide on new issues of shares and/or warrants and/or convertibles amounting to up to 10% of the registered share capital.
- Remuneration to the Board shall be SEK 450,000 for the Chairman of the Board and SEK 200,000 per Board Member.
- Remuneration for the Audit Committee shall be SEK 75,000 for the Chair and SEK 50,000 for its other member.

The entire minutes from the 2020 AGM can be found at group.hexatronic.com.

The 2021 AGM

The 2021 AGM will be on Thursday 6 May 2021. 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 2021 AGM

The composition of the Nomination Committee was published in a press release and on the Hexatronic Group website (group.hexatronic.com) on 2 October 2020.

The Nomination Committee in the run-up to the 2021 AGM comprises Jonas Nordlund (representing: himself), Staffan Ringvall (Handelsbanken Fonder), Mark Shay (as Chairman and for Accendo Capital), Johannes Wingborg (Länsförsäkringar) and Anders Persson (Chairman of the Board of Hexatronic Group) as a co-opted member. The Nomination Committee has had four minuted meetings between the 2020 AGM and the date the Annual Report was submitted. As a basis for its proposals ahead of the 2021 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 2020

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 min-

Composition of the nomination committee

Name	Representing	% of votes on 31 December 2020
Mark Shay	Accendo Capital	10.0%
Staffan Ringvall	Handelsbanken Fonder	9.8%
Jonas Nordlund	Himself	7.7%
Johannes Wingborg	Länsförsäkringar	5.2%
		32.7%

imum 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 7 May 2020, Board Members Anders Persson, Erik Selin, Malin Frenning and Jaakko Kivinen were re-elected, and Helena Holmgren and Frida Westerberg were 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. Five 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 organisational 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 17 Board meetings, nine 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 2020, the Board chiefly dealt with issues relating to the operations, acquisitions, financing, investments and other ongoing issues relating to reporting and company law.

The Board's committees

The Board has two committees: the Remuneration Committee and the Audit Committee. The topics discussed at the committee meetings is 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. 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 2020 financial year and the members' attendance at the meetings is shown in the table below.

Evaluation of the Board's work in 2020

The Chairman of the Board is responsible for evaluating the Board's work. In 2020, 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 Palmgren is the auditor in charge.

Remuneration to auditors in 2020

PWC	MSEK
Audit engagement	2.4
Audit business in addition to audit engagement	0.2
Tax consultancy	0
Other services	0
Total	**2.6**

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 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).

Present (total number of meetings)

Member	Elected	Born	Board of Directors	Remuneration Committee	Audit Committee	Independent of the company	Independent of major shareholders	Remuneration, SEK
Anders Persson (Chairman)	2014	1957	17 (17)	1 (1)		Yes	Yes	450,000
Erik Selin	2014	1967	17 (17)	1 (1)		Yes	Yes	200,000
Malin Frenning	2016	1967	16 (17)	1 (1)		Yes	Yes	200,000
Jaakko Kivinen	2018	1970	17 (17)	1 (1)	4 (4)	Yes	No	250,000
Helena Holmgren1)	2020	1976	10 (10)	0(0)	2 (2)	Yes	Yes	183,333
Frida Westerberg2)	2020	1975	10 (10)	0(0)		Yes	Yes	133,333
Malin Persson3)	2014	1968	7 (7)	1(1)	2 (2)	Yes	Yes	91,667
Mats Otterstedt4)	2019	1972	7 (7)	1(1)		Yes	Yes	66,667

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.

THE GROUP

CONSOLIDATED INCOME STATEMENT

AMOUNTS IN KSEK	Note	FINANCIAL YEAR 2020	2019
Revenue			
Net sales	5, 6, 15	2,080,777	1,842,266
Other operating income	7	14,363	14,043
Total		**2,095,140**	**1,856,310**
Operating expenses			
Raw materials and goods for resale		-1,138,569	-1,022,632
Other external costs	8, 18	-258,265	-266,716
Personnel costs	10	-420,488	-368,880
Other operating expenses		-4,337	-1,294
Depreciation of tangible assets	18,19	-68,686	-60,876
Earnings before interest, taxes and amortisation (EBITA)		**204,795**	**135,911**
Amortisation of intangible assets	17	-27,467	-29,501
Operating result		**177,328**	**106,410**
Financial income	11	239	285
Financial expenses	12,15	-12,637	-15,664
Net financial items		-12,398	-15,379
Earnings before taxes (EBT)		**164,930**	**91,031**
Income taxes	13	-38,387	-23,965
Net result for the period		**126,543**	**67,066**
Consolidated statement of comprehensive income:			
Items which can later be recovered in the income statement			
Translation differences		-82,151	12,025
Other comprehensive income for the period		**44,392**	**79,091**
Total comprehensive income for the period attributable to parent company shareholders		44,392	79,091
Earnings per share before dilution (SEK)	14	3.38	1.81
Earnings per share after dilution (SEK)	14	3.37	1.80

The notes on page 69 to 102 constitute an integrated part of this Annual Report.

THE GROUP

CONSOLIDATED BALANCE SHEET

AMOUNTS IN KSEK	Note	31/12/2020	31/12/2019
ASSETS			
Non-current assets			
Intangible assets			
Capitalised R&D expenses	17	6,549	5,825
Goodwill	17	389,489	257,200
Customer relations	17	88,826	115,055
Trademarks	17	63,514	56,172
Total intangible assets		**548,377**	**434,253**
Tangible assets			
Buildings and land	19	34,789	29,135
Plant and machinery	19	166,316	137,872
Equipment, tools, fixture and fittings	19	35,108	29,551
Total		**236,213**	**196,558**
Right-of-use assets	18	204,872	156,004
Financial assets			
Long-term receivables		2,055	1,729
Total		**2,055**	**1,729**
Total non-current assets		**991,517**	**788,544**
Currrent assets			
Inventories etc.			
Raw materials and consumables		113,310	97,049
Products in progress		17,155	8,799
Finished goods and goods for resale		279,867	233,498
Total		**410,332**	**339,346**
Current receivables			
Accounts receivable	23	307,990	242,413
Other receivables	24	6,411	3,232
Prepaid expenses and accrued income	25	24,707	20,559
Total		**339,109**	**266,204**
Liquid assets	26	212,303	103,762
Total current receivables		**961,744**	**709,312**
TOTAL ASSETS		**1,953,262**	**1,497,856**

The notes on page 69 to 102 constitute an integrated part of this Annual Report.

THE GROUP

CONSOLIDATED BALANCE SHEET

AMOUNTS IN KSEK	Note	31/12/2020	31/12/2019
EQUITY AND LIABILITIES			
Equity	27		
Share capital		1,901	1,877
Other capital contributions		249,044	220,768
Reserves		-64,221	17,930
Result brought forward, including result for the period.		462,811	333,825
Total Equity		**649,535**	**574,400**
Non-current liabilities			
Lease liabilities	18	167,811	123,415
Liabilities to credit institutions	30	453,503	320,430
Deferred tax	20	74,045	58,497
Total non-current liabilities		**695,360**	**502,342**
Current liabilities			
Lease liabilities	18	41,347	34,349
Liabilities to credit institutions	30	82,000	57,000
Overdraft facilities	30	0	45,258
Provisions	29	3,000	3,000
Accounts payable		252,491	162,584
Current tax liabilities		16,910	2,811
Other liabilities	31	105,658	48,346
Accrued expenses and deferred income	32	106,963	67,765
Total current liabilities		**608,368**	**421,114**
TOTAL EQUITY AND LIABILITIES		**1,953,262**	**1,497,856**

The notes on page 69 to 102 constitute an integrated part of this Annual Report.. Information about the Group's pledged assets and contingent liabilities is provided in note 33.

THE GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AMOUNTS IN KSEK

	Note	Share capital	Other capital contributions	Translation reserve	Result brought forward, including result for the period	Total equity
Balance brought forward as of 1 January 2019		**1,826**	**205,787**	**5,905**	**280,897**	**494,415**
Result for the period		0	0	0	67,066	**67,066**
Other comprehensive income		0	0	12,025	0	**12,025**
Total comprehensive income		**0**	**0**	**12,025**	**67,066**	**79,091**
New shares related to employee stock option programme		34	12,795	0	0	**12,828**
Employee stock option programme		0	2,186	0	0	**2,186**
Share-based remuneration		18	0	0	736	**754**
Dividends paid		0	0	0	-14,874	**-14,874**
Total transactions with shareholders, reported directly in equity		**52**	**14,981**	**0**	**-14,138**	**894**
Balance carried forward as of 31 December 2019		**1,877**	**220,768**	**17,930**	**333,825**	**574,400**
Balance brought forward as of 1 January 2020		**1,877**	**220,768**	**17,930**	**333,825**	**574,400**
Result for the period		0	0	0	126,543	**126,543**
Other comprehensive income		0	0	-82,151	0	**-82,151**
Total comprehensive income		**0**	**0**	**-82,151**	**126,543**	**44,392**
New shares related to employee stock option programme		15	15,854	0	0	**15,869**
Employee stock option programme		0	2,575	0	4	**2,580**
Share-based remuneration		0	0	0	2,439	**2,439**
New shares issued related to business acquisitions		9	9,847	0	0	**9,856**
Total transactions with shareholders, reported directly in equity		**24**	**28,276**	**0**	**2,443**	**30,743**
Balance carried forward as of 31 December 2020		**1,901**	**249,044**	**-64,221**	**462,811**	**649,535**

The notes on page 69 to 102 constitute an integrated part of this Annual Report.

THE GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

AMOUNTS IN KSEK	Note	2020	2019
Operating activities			
Operating result		177,328	106,410
Items not affecting cash flow	34	59,616	97,206
Interest received		239	285
Interest paid		-12,336	-16,090
Income tax paid		-27,564	-27,679
Cash flow from operating activities before changes in working capital		**197,283**	**160,132**
Cash flow from changes in working capital			
Increase(-)/decrease(+) in inventories		-32,185	-5,065
Increase(-)/decrease(+) in accounts receivable		-9,483	19,361
Increase(-)/decrease(+) in operating receivables		11,978	3,938
Increase(+)/decrease(-) in accounts payable		51,540	-11,188
Increase(+)/decrease(-) in operating liabilities		30,704	6,736
Cash flow from changes in working capital		**52,554**	**13,782**
Cash flow from operating activities		**249,837**	**173,915**
Investing activities			
Acquisition of intangible assets	17	-2,323	-949
Acquisition of tangible assets	19	-62,663	-80,832
Acquisition of subsidiaries after deduction of acquired liquid assets	35	-163,732	-13,809
Change in financial assets		-326	-714
Cash flow from investing activities		**-229,044**	**-96,304**
Financing activities			
Borrowings	35	214,505	20,000
Amortisation of loans	35	-95,889	-92,628
Changes in overdraft facilities	35	-45,258	15,395
New share issues for the period	27	16,147	13,106
Dividends paid		0	-14,874
Cash flow from financing activities		**89,505**	**-59,000**
Cash flow for the period	26	110,298	18,610
Liquid assets at the start of the period		103,762	84,621
Exchange rate difference in liquid assets		-1,757	531
Liquid assets at the end of the period		**212,303**	**103,762**

The notes on page 69 to 102 constitute an integrated part of this Annual Report.

PARENT COMPANY INCOME STATEMENT

AMOUNTS IN KSEK	Note	FINANCIAL YEAR 2020	2019
Revenue			
Net sales	6, 15	18,566	18,986
Total		**18,566**	**18,986**
Operating expenses			
Other external costs	8	-36,243	-51,806
Personnel costs	10	-26,450	-23,032
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**-44,127**	**-55,852**
Depreciation of tangible assets	19	-229	-215
Operating result		**-44,356**	**-56,066**
Result from financial items			
Interest income and similar items	11	77	1,813
Interest income from Group companies		4,017	1,820
Interest expense and similar items	12	-14,736	-11,621
Interest costs to Group companies		-77	-286
Total result from financial items		**-10,719**	**-8,274**
Result after financial items		**-55,075**	**-64,340**
Year-end appropriations			
Provision made to tax allocation reserve		-5,200	-4,600
Return from tax allocation reserve		4,940	0
Group contribution		70,000	81,150
Total		**69,740**	**76,550**
Earnings before taxes (EBT)		**14,665**	**12,210**
Tax on profit for the period	13	-3,485	-3,042
Net result for the period		**11,181**	**9,167**

Total comprehensive income is the same as net result for the period in the Parent company since there is no items is accounted for as other comprehensive income.

The notes on page 69 to 102 constitute an integrated part of this Annual Report.

PARENT COMPANY

PARENT COMPANY BALANCE SHEET

AMOUNTS IN KSEK	Note	31/12/2020	31/12/2019
ASSETS			
Non-current assets			
Intangible assets			
Capitalised R&D expenses	17	2,002	388
Total		**2,002**	**388**
Tangible assets			
Equipment, tools, fixture and fittings	19	269	333
Total		**269**	**333**
Financial assets			
Interests in Group companies	21	936,591	631,724
Long-term receivables		0	28
Total		**936,591**	**631,753**
Total non-current assets		**938,862**	**632,473**
Current assets			
Current receivables			
Receivables from Group companies		318,824	257,463
Other receivables	24	2,177	2,262
Prepaid expenses and accrued income	25	2,080	4,118
Total		**323,081**	**263,843**
Cash and bank balances	26	34,997	0
Total current assets		**358,078**	**263,843**
TOTAL ASSETS		**1,296,940**	**896,316**

The notes on page 69 to 102 constitute an integrated part of this Annual Report.

PARENT COMPANY BALANCE SHEET

AMOUNTS IN KSEK	Note	31/12/2020	31/12/2019
EQUITY AND LIABILITIES	16		
Equity			
Restricted equity			
Share capital		1,901	1,877
Statutory reserve		20	20
Total restricted equity		**1,921**	**1,897**
Non-restricted equity			
Share premium		238,004	212,303
Result brought forward		-846	-12,977
Result for the year		11,181	9,167
Total		**248,339**	**208,493**
Total equity		**250,260**	**210,390**
Untaxed reserves			
Tax allocation reserve		17,210	16,950
Total untaxed reserves		**17,210**	**16,950**
Non-current liabilities			
Liabilities to credit institutions	30	453,503	320,430
Deferred tax		123	4
Total non-current liabilities		**453,626**	**320,434**
Current liabilities			
Liabilities to credit institutions	30	82,000	57,000
Overdraft facilities	30	0	45,258
Accounts payable		4,813	8,465
Liabilities to Group companies		415,451	200,084
Current tax liabilities		85	3,462
Other liabilities	31	64,593	29,270
Accrued expenses and prepaid income	32	8,900	5,002
Total current liabilities		**575,843**	**348,541**
TOTAL EQUITY AND LIABILITIES		**1,296,940**	**896,316**

The notes on page 69 to 102 constitute an integrated part of this Annual Report.

Information about the Group's pledged assets and contingent liabilities is provided in note 33.

PARENT COMPANY

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

AMOUNTS IN KSEK	Restricted equity		Non-restricted equity		
	Share capital	Statutory reserve	Share premium	Result brought forward, including result for the period	Total equity
Balance brought forward as of 1 January 2019	**1,826**	**20**	**199,508**	**-8,432**	**192,922**
Comprehensive income					
Result for the period	0	0	0	9,167	9,167
Total comprehensive income	**0**	**0**	**0**	**9,167**	**9,167**
New shares related to employee stock option programme	34	0	0	0	12,829
Employee stock option programme	18	0	0	736	754
Difference of merger	0	0	0	9,593	9,593
Dividends paid	0	0	0	-14,874	-14,874
Total transactions with shareholders, reported directly in equity	**52**	**0**	**12,795**	**-4,545**	**8,302**
Balance carried forward as of 31 December 2019	**1,877**	**20**	**212,303**	**-3,810**	**210,390**
Balance brought forward as of 1 January 2020	**1,877**	**20**	**212,303**	**-3,810**	**210,390**
Comprehensive income					
Result for the period	0	0	0	11,181	11,181
Total comprehensive income	**0**	**0**	**0**	**11,181**	**11,181**
New shares related to employee stock option programme	15	0	15,854	0	15,869
Employee stock option programme	0	0	0	525	525
Share-based remuneration	0	0	0	2,439	2,439
New shares issued related to business acquisitions	9	0	9,847	0	9,856
Summa transaktioner med aktieägare, redovisade direkt i eget kapital	**24**	**0**	**25,701**	**14,145**	**39,870**
Utgående balans per 31 december 2020	**1,901**	**20**	**238,004**	**10,335**	**250,260**

The notes on page 69 to 102 constitute an integrated part of this Annual Report.

PARENT COMPANY

PARENT COMPANY CASH FLOW STATEMENT

AMOUNTS IN KSEK	Note	FINANCIAL YEAR 2020	2019
Operating activities			
Operating result		-44,356	-56,066
Items not affecting cash flow	34	1,239	548
Interest received		4,094	2,072
Interest paid		-8,300	-11,420
Income tax paid		6,358	467
Cash flow from operating activities before changes in working capital		**-40,965**	**-64,399**
Cash flow from changes in working capital			
Increase(-)/decrease(+) in operating receivables		4,818	-1,034
Increase(+)/decrease(-) in accounts payable		-3,652	1,961
Increase(+)/decrease(-) in operating liabilities		185,405	87,538
Cash flow from changes in working capital		**186,571**	**88,465**
Cash flow from operating activities		**145,605**	**24,066**
Investing activities			
Acquisition of subsidiaries		-236,944	-57
Acquisition of intangible assets		-1,614	-388
Acquisition of tangible assets		-165	0
Cash flow from investing activities		**-238,723**	**-445**
Financing activities			
Borrowings	35	214,504	20,000
Amortisation of loans	35	-57,000	-56,971
Dividends paid		0	-14,874
Changes in overdraft facilities		-45,258	15,395
New shares related to employee stock option programme		15,869	12,828
Cash flow from financing activities		**128,115**	**-23,621**
Cash flow for the period	26	**34,997**	**0**
Cash and bank balances at the start of the period		0	0
Cash and bank balances at the end of the period		**34,997**	**0**

The notes on page 69 to 102 constitute an integrated part of this Annual Report.

NOTE 1 GENERAL INFORMATION

The consolidated financial statements encompass the parent company Hexatronic Group AB (the Parent Company) with corporate identity number 556168-6360 and its subsidiaries (the Group). The Parent Company is a limited company registered in Sweden and based in Gothenburg at the address Sofierogatan 3A, SE-412 51 Gothenburg, Sweden.

On 14 April 2021, the Board of Directors approved these financial statements for publication.

All amounts are in thousands of Swedish kronor (SEK thousand) 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 profit/loss 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 partly 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, and partly of the sale of marine cables, which is recognised in accordance with the percentage-of-completion method.

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 2020, the adjustments relating to additional right-of-use assets amounted to SEK 90,789,000.

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 profit/loss 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.

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.

(a) Market risk

(i) Foreign exchange risk

For Hexatronic, foreign exchange risk is partly a consequence of future payment flows in foreign currencies, so-called transaction exposure, and partly of recognised assets and liabilities as well as net operations in foreign businesses, so-called translation exposure.

The Group has a policy whereby each Group company manages the foreign exchange risk for its functional currency.

TRANSACTION EXPOSURE

Hexatronic operates on a global market and large parts of its sales and purchases are in currencies other than SEK. Aside from SEK, sales and purchases are mainly in US dollars (USD), euro (EUR), Norwegian kronor (NOK), New Zealand dollars (NZD) and British pounds sterling (GBP).

The Group's transaction exposure is divided between the following currencies:

Currency	Goods flows, gross 2020		Currency flows, net	
(thousands)	Inflow	Outflow	2020	2019
USD	77,958	66,629	11,329	7,532
EUR	30,668	36,802	-6,134	-7,345
NOK	82,015	8,740	73,275	51,313
NZD	17,617	3,875	13,742	18,463
GBP	29,718	9,157	20,561	12,382

If the Swedish krona grew 10% weaker/stronger in relation to each currency below, with all other variables remaining constant, profit for the year would be affected as shown in the table below. The main part of the impact is a consequence of gains/losses from translating accounts receivable and accounts payable.

Sensitivity analysis, transaction exposure

Currency (thousands)	2020	2019
USD	9,279	7,020
EUR	6,159	7,661
NOK	6,961	5,439
NZD	8,080	11,540
GBP	22,803	15,118

TRANSLATION EXPOSURE

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

Currency (thousands)	2020	2019
USD	52,718	53,372
NZD	10,464	9,676
NOK	55,803	40,573
GBP	10,051	8,238
EUR	42,431	11,783
CNY	601	961

(ii) 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 2020 and 2019, the Group's borrowing at variable interest rates was in Swedish kronor and US dollars.

Simulations show that a 0.25% change would increase or decrease results by up to SEK 1,339,000 (944,000).

(b) 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.

(c) 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 SEK 212,303,000 (103,762,000) 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, non-discounted cash flows.

GROUP

Group, 31 December 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Liabilities to credit institutions	88,978	92,679	369,933
Accounts payable	252,491	0	0
Other current liabilities	49,186	3,361	19,742
Lease liabilities	40,582	39,075	93,438
Total	**431,237**	**135,115**	**483,113**

Group, 31 December 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Liabilities to credit institutions	62,154	61,242	268,581
Accounts payable	162,584	0	0
Other current liabilities	21,277	5,382	2,689
Lease liabilities	34,059	32,885	68,293
Total	**280,074**	**99,509**	**339,563**

PARENT COMPANY

Parent Company, 31 December 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Liabilities to credit institutions	88,978	92,679	369,933
Accounts payable	4,813	0	0
Other current liabilities	41,111	3,361	19,742
Total	**134,902**	**96,040**	**389,675**

Parent Company, 31 December 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Liabilities to credit institutions	62,154	61,242	268,581
Accounts payable	8,465	0	0
Other current liabilities	21,277	5,382	2,689
Total	**91,896**	**66,624**	**271,270**

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 2020 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 2020 or 31 December 2019.

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 for Opternus	0	0	11,895	11,895
Purchase price for Baltronic Group OÜ not paid (settled January 2021)	0	0	21,060	21,060
Acquisition option, Qubix	0	0	31,259	31,259
Total liabilities	**0**	**0**	**64,214**	**64,214**

Group, 31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities				
Financial liabilities measured at fair value via the income statement				
Additional purchase price for Blue Diamond Industries	0	0	10,191	10,191
Additional purchase price for Opternus	0	0	19,157	19,157
Total liabilities	**0**	**0**	**29,348**	**29,348**

Financial instruments in level 3

On 2 January 2018, the Group acquired 100% of the share capital in Blue Diamond Industries LLC. The contingent consideration includes an additional purchase price that amounted to SEK 16,450,000 in the acquisition analysis. The fair value of the agreed contingent consideration has been discounted.

On 1 November 2018, the Group acquired 100% of the share capital in Opternus GmbH. The contingent consideration includes an additional purchase price that amounted to SEK 22,507,000 in the acquisition analysis. The fair value of the agreed contingent consideration has been discounted.

On 2 November 2020, the Group acquired 100% of the share capital in Baltronic Group OÜ, including subsidiaries (see Note 36). When preparing the acquisition analysis, part of the purchase price, amounting to SEK 21,757,000, was not settled. The remainder of the purchase price was settled in January 2021. The fair value of the agreed but unpaid purchase price has been discounted.

On 2 November 2020, the Group acquired 90% of the share capital in Qubix S.p.A (see Note 36). The Group has an option to acquire the remaining 10% during 2021 and 2023. The expected purchase price for the remaining 10% is recognised as a liability and totalled SEK 30,869,000 on the acquisition date. The fair value of the acquisition option has been discounted.

The calculation of fair value on 31 December 2020 affected profit by SEK -3,145,000 (5,681,000).

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 during 2021 and 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 recoverable amount, 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 SEK 410,332,000 (339,346,000) on 31 December 2020. The total obsolescence reserve amounted to SEK 36,437,000 (30,125,000).

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 DISTRIBUTION OF NET SALES

	Group		Parent Company	
	2020	2019	2020	2019
Net sales by income type				
Product sales	1,988,841	1,748,118	0	0
Service sales	91,936	94,148	18,566	18,986
Total	**2,080,777**	**1,842,266**	**18,566**	**18,986**

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

	Distribution of net sales		Non-current assets	
Group	2020	2019	2020	2019
Sweden	610,276	546,339	741,344	625,846
Rest of Europe	728,328	587,740	102,974	41,865
North America	493,947	426,782	128,326	94,820
Rest of world	248,227	281,405	18,873	26,013
Total	**2,080,777**	**1,842,266**	**991,517**	**788,544**

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

Income from the Group's three biggest customers in 2020 amounted to SEK 142,304,000, SEK 139,595,000 and SEK 136,932,000 respectively. No single customer accounts for more than 10% of the Group's sales.

Income from the Group's three biggest customers in 2019 amounted to SEK 175,555,000, SEK 175,515,000 and SEK 92,572,000 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

	Group	
	2020	2019
Other operating income by income type		
Adjustment of additional purchase price relating to the acquisitions of PQMS, GFT, SAL and Opternus	936	8,569
Onward-invoiced freight	4,177	1,848
Grants received	5,406	1,248
Capital gain from sale of equipment	1,076	1,024
Other items	2,768	1,354
Total	**14,363**	**14,043**

NOTE 8 REMUNERATION TO AUDITORS

Audit engagement refers to auditing the annual report and accounts as well as the Board of Director and CEO's administration, 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			
	2020	**Of which PwC Sweden**	**2019**	**Of which PwC Sweden**	**2020**	**Of which PwC Sweden**	**2019**	**Of which PwC Sweden**
PwC								
Audit engagement	2,362	2,063	1,865	1,564	1,504	1,504	1,021	1,021
Audit business in addition to audit engagement	200	200	200	200	200	200	200	200
Tax consultancy	5	5	174	78	5	5	78	78
Other services	0	0	400	400	0	0	400	400
Total	**2,567**	**2,268**	**2,639**	**2,242**	**1,709**	**1,709**	**1,699**	**1,699**
Other auditors								
Audit engagement	396	0	140	0	0	0	0	0
Total	**2,963**	**2,268**	**2,779**	**2,242**	**1,709**	**1,709**	**1,699**	**1,699**

NOTE 9 TRANSACTIONS WITH RELATED PARTIES

Accendo Capital owns 10.0%, Handelsbanken Fonder owns 9.8%, Jonas Nordlund owns 7.7% (privately and via company) and Länsförsäkringar Fonder owns 5.2% of the shares in Hexatronic Group AB, and they are deemed to have significant influence over the Group. Ownership of the remaining 67.3% of the shares is widely spread, with no individual having a holding of more than 5.0%. Other related parties are all of the subsidiaries within the Group, together with senior executives in the Group, i.e. the Board of Directors and Executive Management as well as natural and legal persons related to them.

The following transactions have taken place with related parties:

Sales of products and services	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Sales of Group-wide services to subsidiaries	0	0	17,440	18,719
Total	**0**	**0**	**17,440**	**18,719**

Purchases of products and services	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Rental agreement with Fastighets AB Balder	5,244	4,714	1,333	1,258
Purchases of services from subsidiaries	0	0	7,885	3,754
Total	**5,244**	**4,714**	**9,218**	**5,012**

Receivables and liabilities at the end of the period as a result of sales and purchases of products and services	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Receivables from related parties:				
- Receivables from Group companies	0	0	318,824	257,463
Liabilities to related parties:				
- Liabilities to Group companies	0	0	415,451	200,084

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.

94% (99%) of the Parent Company's sales are sales to Group companies and 21.8% (7.2%) of the Parent Company's purchases are purchases from Group companies.

Services are purchased and sold to subsidiaries on normal commercial conditions.

Remuneration to senior executives is detailed in Note 10.

NOTE 10 REMUNERATION TO EMPLOYEES ETC.

GROUP

Group	2020	2019
Salaries and other remuneration	308,935	270,192
Social security contributions	74,087	65,819
Pension expenses	24,939	22,481
Group total	**407,961**	**358,491**

Salaries and other remuneration	2020	2020	2019	2019
	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	21,003	4,277	17,386	3,623
of which bonuses	*(2,360)*	*(0)*	*(906)*	*(0)*
Other employees	287,933	20,662	252,806	18,858
Group total	**308,935**	**24,939**	**270,192**	**22,481**

Gender breakdown in the Group (incl. subsidiaries) for Board Members and other senior executives

	2020		2019	
	Number on balance sheet date	Of whom women	Number on balance sheet date	Of whom women
Board Members	6	3	6	2
CEO and other senior executives	10	2	9	1
Group total	**16**	**5**	**15**	**3**

Average number of employees by country

	2020		2019	
	Average no. of employees	Of whom women	Average no. of employees	Of whom women
Sweden	13	9	13	8
Denmark	0	0	1	0
Parent Company total	**13**	**9**	**14**	**8**
Subsidiaries				
Sweden	302	80	293	76
USA	152	17	111	11
UK	100	42	79	33
Germany	52	15	47	15
New Zealand	30	3	33	4
Norway	10	1	8	1
Estonia	8	6	0	0
Italy	3	2	0	0
Finland	3	0	3	0
China	1	0	1	0
Latvia	1	0	0	0
Lithuania	1	0	0	0
Canada	1	0	0	0
Denmark	1	0	0	0
Subsidiaries total	**665**	**166**	**575**	**139**
Group total	**678**	**175**	**588**	**147**

See Note 28 for information on current warrants.

PARENT COMPANY

Parent Company	2020	2019
Salaries and other remuneration	16,528	14,200
Social security contributions	6,988	5,396
Pension expenses – defined contribution plans	2,440	2,611
Parent Company total	**25,956**	**22,207**

Salaries and other remuneration	2020	2020	2019	2019
	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	10,464	1,913	10,140	2,125
(of which bonuses)	*(1,661)*	*(0)*	*(424)*	*(0)*
Other employees	6,064	527	4,060	486
Parent Company total	**16,528**	**2,440**	**14,200**	**2,611**

Gender breakdown in the Parent Company for Board Members and other senior executives

	2020		2019	
	Number on balance sheet date	Of whom women	Number on balance sheet date	Of whom women
Board Members	6	3	6	2
CEO and other senior executives	4	2	5	1
Parent Company total	**10**	**5**	**11**	**3**

Average number of employees by country

	2020		2019	
	Average no. of employees	Of whom women	Average no. of employees	Of whom women
Sweden	13	9	13	8
Denmark	0	0	1	0
Parent Company total	**13**	**9**	**14**	**8**

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 profit/loss 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 (8.4).

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 2020, Alecta's surplus in the form of the collective consolidation level was 148% (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 10 people who together with the CEO make up the Executive Management. See pages 50–51 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 2020

	Basic salary/ Board fee	Variable remuneration	Other benefits	Pension expenses	Total
Anders Persson, Chairman of the Board	450	0	0	0	450
Helena Holmgren, Board Member [1]	183	0	0	0	183
Erik Selin, Board Member	200	0	0	0	200
Malin Frenning, Board Member	200	0	0	0	200
Jaakko Kivinen, Board Member	250	0	0	0	250
Frida Westerberg, Board Member [2]	133	0	0	0	133
Malin Persson, Board Member [3]	92	0	0	0	92
Mats Otterstedt, Board Member [4]	67	0	0	0	67
Henrik Larsson Lyon, CEO	3,349	1,443	118	942	5,853
Martin Åberg, Deputy CEO	2,153	474	13	732	3,372
Other senior executives (9 people)	10,838	443	596	2,602	14,479
Total	**17,915**	**2,360**	**728**	**4,277**	**25,280**

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.

REMUNERATION AND OTHER BENEFITS 2019

	Basic salary/ Board fee	Variable remuneration	Other benefits	Pension expenses	Total
Anders Persson, Chairman of the Board	450	0	0	0	450
Malin Persson, Board Member	275	0	0	0	275
Erik Selin, Board Member	200	0	0	0	200
Malin Frenning, Board Member	200	0	0	0	200
Jaakko Kivinen, Board Member	250	0	0	0	250
Mats Otterstedt, Board Member [5]	133	0	0	0	133
Henrik Larsson Lyon, CEO	2,575	252	134	827	3,791
Martin Åberg, Deputy CEO	1,749	130	13	270	2,161
Other senior executives (8 people)	9,797	524	702	2,526	13,549
Total	**15,632**	**906**	**849**	**3,623**	**21,009**

5) Elected Board Member at the AGM on 9 May 2019.

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 25% 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 AGM on 9 May 2019, a decision was made to introduce a long-term, performance-based incentive programme targeted at senior executives and other key people in the Group.

The programme encompasses up to 13 people and entails 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 the programme was estimated before the start of the programme at approximately MSEK 19, excluding social security contributions.

In May and June 2019, the 12 participants purchased shares in Hexatronic Group AB, and the maximum entitlement to performance shares was therefore for 293,018 shares. On 31 December 2020, there were 10 participants remaining in the incentive programme.

No. of rights to shares	**2020**	**2019**
Outstanding rights to shares on 1 January	172,945	0
Allocated during the year	0	293,018
Earned during the year	-52,878	-28,709
Expired during the year	-43,874	-91,364
Outstanding rights to shares on 31 December	76,193	172,945

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 2020 for the programme amounts to SEK 2,494,000 (753,000), excluding social security contributions of SEK 1,202,000 (249,000). The effect of share-related remuneration on basic and diluted earnings per share is shown in Note 14.

NOTE 11 FINANCIAL INCOME/INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	Group		**Parent Company**	
	2020	**2019**	**2020**	**2019**
Exchange rate differences	0	0	0	1,562
Interest	239	285	77	252
Total	**239**	**285**	**77**	**1,813**

NOTE 12 FINANCIAL EXPENSES/INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Exchange rate differences	-654	-2,124	-5,771	-1,190
Other interest expenses	-10,004	-11,859	-6,951	-8,926
Other financial expenses	-1,979	-1,681	-2,013	-1,506
Total	**-12,637**	**-15,664**	**-14,736**	**-11,621**

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

NOTE 13 INCOME TAX

	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Current tax:				
Current tax on profit for the year	-33,967	-28,501	-3,365	-3,039
Total current tax	**-33,967**	**-28,501**	**-3,365**	**-3,039**
Deferred tax (Note 20)	-4,419	4,535	-119	-3
Income tax	**-38,387**	**-23,965**	**-3,485**	**-3,042**

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	
	2020	**2019**	**2020**	**2019**
Income tax calculated using national tax rates for profit in each country	-37,343	-20,028	-3,258	-2,617
Tax effects of:				
- Non-deductible expenses	-4,157	-2,893	-220	-351
- Non-deductible income	7,263	1,628	0	0
- Tax on previous year's profit	-200	-78	-7	-74
- Increase in loss carry-forward without equivalent capitalisation of deferred tax	-4,231	-2,791	0	0
- Use of loss carry-forward not previously recognised	281	197	0	0
Tax expense	**-38,387**	**-23,965**	**-3,485**	**-3,042**

The weighted average tax rate is 23% (26%) for the Group and 21.4% (22%) for the Parent Company.

NOTE 14 EARNINGS PER SHARE

	2020	2019
Basic earnings per share	3.38	1.81
Diluted earnings per share [1]	3.37	1.80

Basic and diluted earnings per share related to Parent Company shareholders are calculated based on the following information:

Earnings related to Parent Company shareholders, SEK thousand	126,543	67,066
Weighted average number of ordinary shares before dilution	37,480,163	37,127,825
Weighted average number of ordinary shares after dilution [1]	37,563,322	37,217,336

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	
	2020	**2019**	**2020**	**2019**
Net sales (Note 6)	7,604	6,280	0	0
Net financial income and expense (Notes 11, 12)	-654	-2,124	-5,771	372
Total exchange rate differences in the income statement	**6,950**	**4,156**	**-5,771**	**372**

NOTE 16 PROPOSED APPROPRIATION OF PROFITS

The following funds are at the Parent Company's disposal

	SEK
Share premium reserve	238,004,280
Profit/loss brought forward	-846,008
Profit/loss for the year	11,180,648
Total	**248,338,920**

The Board of Directors proposes that the profits be appropriated as follows:

	SEK
SEK 0.50 per share to be distributed to shareholders	18,830,715
To be transferred to profit/loss carried forward	229,508,205
Total	**248,338,920**

NOTE 17 INTANGIBLE ASSETS

Group

	Capitalised development expenditure	Customer relations	Trademarks	Goodwill	Total
2019 financial year					
Opening carrying amount	6,920	131,819	63,553	252,225	454,517
Purchases/cultivation	949	0	0	0	949
Translation differences	14	3,015	286	4,975	8,289
Amortisation	-2,057	-19,779	-7,665	0	-29,501
Closing carrying amount	**5,825**	**115,055**	**56,172**	**257,200**	**434,253**
As per 31 December 2019					
Cost	10,511	172,448	76,060	258,018	517,037
Accumulated amortisation and write-downs	-4,686	-57,393	-19,888	-818	-82,784
Carrying amount	**5,825**	**115,055**	**56,172**	**257,200**	**434,253**
2020 financial year					
Opening carrying amount	5,825	115,055	56,172	257,200	434,253
Purchases/cultivation	2,323	0	0	0	2,323
Increase through business combinations	91	0	17,356	157,158	174,605
Translation differences	199	-8,560	-2,106	-24,870	-35,336
Amortisation	-1,890	-17,669	-7,908	0	-27,467
Closing carrying amount	**6,549**	**88,826**	**63,514**	**389,489**	**548,377**
As per 31 December 2020					
Cost	13,082	160,106	90,837	390,306	654,330
Accumulated amortisation and write-downs	-6,533	-71,280	-27,332	-818	-105,953
Carrying amount	**6,549**	**88,826**	**63,514**	**389,489**	**548,377**

Parent Company

During the 2020 financial year the Parent Company invested SEK 1,615,000 (388,000) in capitalised development expenditure. No amortisation was carried out during the financial year.

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 2020.

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

2020	Opening carrying amount	Acquisitions	Sales	Write-down	Other adjustments	Closing carrying amount
Group excl. Opternus and Qubix	189,110	17,990	0	0	-17,739	189,361
Opternus	68,090	0	0	0	-2,585	65,505
Qubix	0	139,168	0	0	-4,545	134,623
Group total	**257,200**	**157,158**	**0**	**0**	**-24,869**	**389,489**

2019	Opening carrying amount	Acquisitions	Sales	Write-down	Other adjustments	Closing carrying amount
Group excl. Opternus	184,262	0	0	0	4,848	189,110
Opternus	67,963	0	0	0	127	68,090
Group total	**252,225**	**0**	**0**	**0**	**4,975**	**257,200**

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 10% (11%) for the Group excluding Opternus and Qubix, 6% (9%) for Opternus and 6% for Qubix.

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 12.7% (15.6%) before tax has been used to calculate the present value of estimated future cash flows for the three 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

Recognised amounts in the balance sheet
The following amounts related to leases are recognised in the balance sheet:

	31/12/2020	31/12/2019
Right-of-use assets		
Property	204,872	156,004
Lease liabilities		
Current	41,347	34,349
Non-current	167,811	123,415
Total	**209,157**	**157,764**

Additional right-of-use assets in 2020 amounted to SEK 90,788,000 (5,092,000).

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

	2020	2019
Depreciation of right-of-use assets		
Property	-38,889	-35,657
Interest expenses (included in financial expenses)	-2,934	-2,861
Expenditure attributable to short-term leases/leases for which the underlying asset is of low value (included in other external expenses)	-5,231	-5,212

The total cash flow relating to leases was SEK 43,770,000 (41,965,000) in 2020.

NOTE 19 PROPERTY, PLANT AND EQUIPMENT

Group

	Lands and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Total
2019 financial year				
Opening carrying amount	17,790	99,677	21,730	139,197
Purchases	12,701	55,650	12,853	81,204
Sales and disposals	0	-902	-143	-1,045
Reclassification	0	-246	246	0
Translation differences	548	1,690	183	2,421
Depreciation	-1,904	-17,997	-5,319	-25,219
Closing carrying amount	**29,135**	**137,872**	**29,551**	**196,558**
As per 31 December 2019				
Cost	37,615	399,860	155,910	593,385
Accumulated depreciation and write-downs	-8,481	-261,988	-126,359	-396,827
Carrying amount	**29,135**	**137,872**	**29,551**	**196,558**
2020 financial year				
Opening carrying amount	29,135	137,872	29,551	196,558
Purchases	12,793	53,533	10,668	76,994
Increase through business combinations	0	2,819	1,392	4,212
Sales and disposals	0	-774	-119	-893
Reclassification	-1,719	1,561	158	0
Translation differences	-2,902	-7,817	-141	-10,860
Depreciation	-2,518	-20,878	-6,401	-29,798
Closing carrying amount	**34,789**	**166,316**	**35,108**	**236,213**
As per 31 December 2020				
Cost	45,299	452,059	171,707	669,066
Accumulated depreciation and write-downs	-10,510	-285,743	-136,599	-432,853
Carrying amount	**34,789**	**166,316**	**35,108**	**236,213**

Parent Company

During the 2020 financial year the Parent Company invested SEK 165,000 (0) in equipment. Depreciation of SEK 229,000 was carried out during the financial year.

NOTE 20 DEFERRED TAX

Deferred tax assets and tax liabilities are distributed as follows:

	Group		Parent Company	
Deferred tax assets	**31/12/2020**	**31/12/2019**	**31/12/2020**	**31/12/2019**
Deferred tax assets to be settled within 12 months	0	0	0	0
Total deferred tax assets	**0**	**0**	**0**	**0**
Deferred tax liabilities				
Deferred tax liabilities to be settled after more than 12 months	75,195	55,743	123	4
Deferred tax liabilities to be settled within 12 months	-1,150	2,754	0	0
Total deferred tax liabilities	**74,045**	**58,497**	**123**	**4**

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:

GROUP

Deferred tax liabilities	Intangible assets	Property, plant and equipment	Untaxed reserves	Other	Total
As per 31 December 2018	**36,933**	**428**	**23,334**	**1,935**	**62,630**
Recognised in income statement	-1,814	-428	-857	-1,436	-4,535
Recognised in other comprehensive income	382	0	0	20	402
As per 31 December 2019	**35,500**	**0**	**22,477**	**520**	**58,497**
Recognised in income statement	-4,149	-1,114	3,577	6,106	4,419
Added through business combinations	4,860	0	-39	8,167	12,988
Recognised in Other comprehensive income	-244	0	0	-1,614	-1,859
As per 31 December 2020	**35,967**	**-1,114**	**26,015**	**13,177**	**74,045**

Deferred tax receivables are recognised for 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	31/12/2020	31/12/2019
Opening cost	631,723	630,214
Acquisitions	298,478	57
Shareholders' contribution	3,484	422
Remeasurement of hedging, subsidiaries	0	14,747
Remeasurement of additional purchase prices/acquisition option	2,906	-5,681
Merger	0	-8,036
Closing accumulated cost	**936,591**	**631,723**
Closing carrying amount	**936,591**	**631,723**

PARENT COMPANY

Company Corp. ID no.	Registered office	No./% of equity	31/12/2020	31/12/2019
Hexatronic Cables & Interconnect AB 556514-9118	Gothenburg, Sweden	1,000 100%	19,936	19,102
Proximion AB 556915-7323	Stockholm, Sweden	58,058 100%	59,052	58,687
Hexatronic Fiberoptic AB 556252-0352	Örebro, Sweden	1,000 100%	63,900	63,683
Hexatronic AS 998 804 795	Engelsviken, Norway	1,000 100%	9,828	9,718
Hexatronic (Tianjin) Trading Co., Ltd. 120 116 400 016 890	Tianjin, China	0 100%	1,959	1,959
Hexatronic US Inc. 475 193 577	Quitman, USA	100 100%	1	1
Hexatronic UK Ltd. 6329180	Gosport, UK	2,000 100%	17,451	17,304
Hexatronic New Zealand Ltd. 5937353	Porirua, New Zealand	1,000 100%	21,256	21,068
Edugrade AB 556985-3152	Hudiksvall, Sweden	2,000 100%	24,097	23,975
Blue Diamond Industries LLC. 20-1023457	Lexington, USA	544,445 100%	266,340	265,509
Hexatronic GmbH 111674	Frankfurt, Germany	25,000 100%	252	252
PQMS Ltd. 03696868	Bedworth, UK	95 100%	18,214	18,214
Gordon Franks Training Ltd. 08445268	Birmingham, UK	187,550 100%	1,277	1,277
Smart Awards Ltd. 09079735	Solihull, UK	100 100%	5,109	5,109
Edugrade AS 920926452	Oslo, Norway	100 100%	32	32
Opternus GmbH 4567	Bargteheide, Germany	37,500 100%	128,907	125,777
Opternus Networks GmbH 13610	Bargteheide, Germany	25,000 100%	0	0
Opternus Components GmbH 4934	Bargteheide, Germany	9,000 33%	0	0
Hexatronic Danmark ApS 40639101	Copenhagen, Denmark	400 100%	57	57
Tech Optics Ltd 6726737	Tonbridge, UK	13,050 100%	5,060	0
Tech Optics First Company Ltd 2257839	Tonbridge, UK	100,000 100%	0	0
The Light Brigade, Inc. 601232465	Kent, USA	50,000 100%	14,710	0
Hexatronic Australia Pty Ltd 643648122	Brisbane, Australia	100 100%	1	0
Baltronic Group OÜ 11164070	Tallinn, Estonia	1 100%	57,414	0
Baltronic OÜ 10729558	Tallinn, Estonia	1 100%	0	0
Baltronic SIA 40003583738	Riga, Latvia	2,500 100%	0	0

Baltronic Vilnius UAB		100	0	0
1117679610	Vilnius, Lithuania	100%		
Optobit AB		6,000	0	0
556709-8628	Stockholm, Sweden	100%		
Hexatronic Canada, Inc.		100	0	0
2358854	Toronto, Canada	100%		
Qubix S.p.A.		270,000	220,200	0
03575150283	Padua, Italy	90%		
Hexatronic Security and Surveillance AB		375	1,538	0
559271-6921	Gothenburg, Sweden	75%		
Total			**936,591**	**631,723**

NOTE 22 FINANCIAL INSTRUMENTS BY CATEGORY

GROUP

Assets in balance sheet	Financial assets at amortised cost	Total
31 December 2020		
Accounts receivable	307,990	307,990
Other receivables	6,411	6,411
Liquid assets	212,303	212,303
Total	**526,705**	**526,705**
31 December 2019		
Accounts receivable	242,413	242,413
Other receivables	3,232	3,232
Liquid assets	58,504	58,504
Total	**304,149**	**304,149**

GROUP

Liabilities in balance sheet	Financial liabilities at amortised cost	Liabilities measured at fair value through profit or loss	Total
31 December 2020			
Liabilities to credit institutions	535,503	0	535,503
Accounts payable	252,491	0	252,491
Other current liabilities	8,076	64,214	72,289
Accrued expenses	59,234	0	59,234
Total	**855,303**	**64,214**	**919,517**
31 December 2019			
Liabilities to credit institutions	377,430	0	377,430
Accounts payable	162,584	0	162,584
Other current liabilities	0	29,348	29,348
Accrued expenses	24,017	0	24,017
Total	**564,031**	**29,348**	**593,379**

NOTE 23 ACCOUNTS RECEIVABLE

	Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Accounts receivable	316,092	244,546	0	0
Less: reserve for credit losses	-8,102	-2,133	0	0
Accounts receivable – net	**307,990**	**242,413**	**0**	**0**

On 31 December 2020, standard accounts receivable totalled SEK 307,990,000 (242,413,000) for the Group. On 31 December 2020, standard accounts receivable totalled SEK 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 2020 was 0.1% (0.1%), which is deemed insignificant. The expected loss level is therefore not recognised per category.

As per 31 December 2020	Not due	Due <30 days	Due >30 days <60 days	Due >60 days <120 days	Due >120 days	Total
Recognised amount for accounts receivable	260,071	30,510	11,152	2,856	3,401	307,990

As per 31 December 2019	Not due	Due <30 days	Due >30 days <60 days	Due >60 days <120 days	Due >120 days	Total
Recognised amount for accounts receivable	171,267	42,346	15,070	6,013	9,849	244,546

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

	2020	2019
As per 1 January	**2,133**	**344**
Increase in reserve for credit losses, change recognised in the income statement	3,034	1,996
Increase in reserve for credit losses through business combinations	3,678	0
Written-off accounts receivable during the year	-26	-126
Reversal of unused amount	-717	-81
As per 31 December	**8,102**	**2,133**

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	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
SEK	110,003	90,945	223,535	165,021
EUR	71,272	28,788	13,704	6,068
USD	69,357	60,556	40,184	39,289
GBP	39,310	44,020	39,205	44,712
Other currencies	18,048	18,103	2,196	2,373
Total	**307,990**	**242,413**	**318,824**	**257,463**

NOTE 24 OTHER RECEIVABLES

	Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Supplier receivable	1,165	916	0	0
Other receivables	5,246	2,316	2,177	2,262
Total	**6,411**	**3,232**	**2,177**	**2,262**

NOTE 25 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Prepaid rent	6,747	3,617	334	395
Contract assets	7,148	5,274	0	0
Prepaid insurance	1,240	3,361	548	2,686
Prepaid marketing costs	987	1,263	677	354
Other	8,585	7,044	521	683
Total	**24,707**	**20,559**	**2,080**	**4,118**

Contract assets include recognised income for work carried out that has yet to be invoiced.

NOTE 26 LIQUID ASSETS

	Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Bank balance	212,303	103,762	34,997	0
Total	**212,303**	**103,762**	**34,997**	**0**

NOTE 27 SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

Group	No. of shares	Share capital	Other contributed capital	Total
As per 31 December 2019	**37,543,825**	**1,877**	**220,768**	**222,645**
Subscription for shares via warrant programme	307,240	15	15,854	15,869
Warrant programme	0	0	2,575	2,575
New share issue relating to business combinations	170,365	9	9,847	9,856
As per 31 December 2020	**38,021,430**	**1,901**	**249,044**	**250,945**

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

On the balance sheet date, the share capital in Hexatronic Group AB (publ) amounted to SEK 1,901,071.20, distributed between a total of 38,021,430 shares, of which 37,661,430 ordinary shares and 360,000 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:
- New issue of SEK 1,000 (February 2020) as part of an additional purchase price.
- New issue of SEK 8,000 (November 2020) as part of a business combination.

At the AGM on 7 May 2020, the Board was authorised to acquire or transfer its own shares corresponding to up to 10% of existing shares before the next AGM in accordance with the Board proposal, and was also authorised to decide on the new issue of shares and/or warrants and/or convertibles amounting to up to 10% of the registered share capital.

The total number of shares before dilution from existing warrant programmes is 38,021,430 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 2018 a warrant programme was issued regarding 1,000,000 warrants targeted at some of the Group's personnel, 603,000 of which were subscribed. The market value per share was SEK 91.00 at the time of issue. The redemption period is 15 May 2021 to 15 June 2021. The fair value of the warrant premium amounted to SEK 4.89 on 31 December 2020.
- 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 17.14 on 31 December 2020.
- 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 43,500 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 22.03 on 31 December 2020.

NOTE 29 PROVISIONS

Group	Warranty provisions	Total
As per 1 January 2019	**3,000**	**3,000**
Recognised in income statement:		
– reversed unused amounts	0	0
Used during the year	0	0
As per 31 December 2019	**3,000**	**3,000**
As per 1 January 2020	**3,000**	**3,000**
Recognised in income statement:		
– reversed unused amounts	0	0
Used during the year	0	0
As per 31 December 2020	**3,000**	**3,000**
Current portion	3,000	3,000
Total provisions	**3,000**	**3,000**

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

NOTE 30 BORROWING

	Carrying amount		Fair value	
GROUP	**31/12/2020**	**31/12/2019**	**31/12/2020**	**31/12/2019**
Long-term				
Liabilities to credit institutions	453,503	320,430	453,503	320,430
Total long-term borrowing	**453,503**	**320,430**	**453,503**	**320,430**
Short-term				
Liabilities to credit institutions	82,000	57,000	82,000	57,000
Overdraft facilities	0	45,258	0	45,258
Total short-term borrowing	**82,000**	**102,258**	**82,000**	**102,258**
Total borrowing	**535,503**	**422,688**	**535,503**	**422,688**

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 +1.40% (+1.60%) and classified in level 2 of the fair value hierarchy.

PARENT COMPANY	Carrying amount 31/12/2020	Carrying amount 31/12/2019	Fair value 31/12/2020	Fair value 31/12/2019
Long-term				
Liabilities to credit institutions	453,503	320,430	453,503	320,430
Total long-term borrowing	**453,503**	**320,430**	**453,503**	**320,430**
Short-term				
Liabilities to credit institutions	82,000	57,000	82,000	57,000
Overdraft facilities	0	45,258	0	45,258
Total short-term borrowing	**82,000**	**102,258**	**82,000**	**102,258**
Total borrowing	**535,503**	**422,688**	**535,503**	**422,688**

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 +1.40% (+1.60%) 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 15 December 2023 and has an average interest rate of STIBOR 3 months +1.40% (1.60%). The revolving credit matures on 15 December 2023 and has an average interest rate of STIBOR 3 months +0.95% (1.20%). The interest rates are based on reported covenants, which are reported quarterly.

The Group has overdraft facilities granted in SEK of SEK 130,000,000 and in USD of USD 2,500,000, renegotiated annually. SEK 0 (45,258,000) of the overdraft facilities granted had been utilised on 31 December 2020. USD 0 (0) of the overdraft facilities granted had been utilised on 31 December 2020. 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 +2.00%. 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	31/12/2020	Due date	Interest rate
Senior bank loan, SEK	395,503	15/12/2023	STIBOR 3 months +1.40%
Use of part of revolving credit	140,000	15/12/2023	STIBOR 3 months +0.95%
Use of part of overdraft facilities	0	31/10/2021	STIBOR 3 months +1.00%
Total borrowing	**535,503**		

NOTE 31 OTHER LIABILITIES

	Group 31/12/2020	Group 31/12/2019	Parent Company 31/12/2020	Parent Company 31/12/2019
Liability, additional purchase prices/acquisition option	64,214	29,348	64,214	29,348
Employee withholding taxes	5,460	4,222	379	384
VAT liability	20,474	12,946	0	-463
Other current liabilities	15,510	1,830	0	0
Total	**105,658**	**48,346**	**64,593**	**29,270**

NOTE 32 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Accrued holiday pay	28,972	25,164	1,957	1,678
Accrued pay	27,576	11,076	2,819	832
Accrued social security contributions	18,757	15,818	2,279	1,780
Accrued costs for purchases of goods	13,125	6,246	0	0
Contract liabilities	3,971	2,767	0	0
Other accrued expenses	14,562	6,695	1,845	711
Total	**106,963**	**67,765**	**8,900**	**5,002**

Contract liabilities include advance payments from customers for which income is recognised when the service is provided.

NOTE 33 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Pledged assets				
Floating charges	157,350	157,350	100	100
Shares in subsidiaries	313,358	269,517	83,836	82,785
Total	**470,708**	**426,867**	**83,936**	**82,885**
Contingent liabilities	None	None	None	None

NOTE 34 ITEMS NOT AFFECTING CASH FLOW

	Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Depreciation/amortisation	96,153	90,377	229	215
Adjusted liability, additional purchase price	5,169	-5,681	0	0
Exchange rate differences	-46,459	9,849	0	0
Various other items	4,753	2,661	1,010	333
Total	**59,616**	**97,206**	**1,239**	**548**

NOTE 35 CHANGE IN LIABILITIES

		Cash flow		Items not affecting cash flow				
	31/12/2019	Borrowings	Repayment by instalment	Reclassifica-tion	Additional lease liability	Change in exchange rate	Costs of financing	31/12/2020
Group								
Non-current lease liabilities	**123,415**	0	0	-36,702	81,604	-3,440	2,934	**167,811**
Current lease liabilities	**34,349**	0	-38,889	36,702	9,185	0	0	**41,347**
Non-current liabilities to credit institutions	**320,430**	214,505	0	-82,000	0	0	568	**453,503**
Current liabilities to credit institutions	**57,000**	0	-57,000	82,000	0	0	0	**82,000**
Overdraft facilities	**45,258**	0	-45,258	0	0	0	0	**0**
Parent Company								
Non-current liabilities to credit institutions	**320,430**	214,505	0	-82,000	0	0	568	**453,503**
Current liabilities to credit institutions	**57,000**	0	-57,000	82,000	0	0	0	**82,000**
Overdraft facilities	**45,258**	0	-45,258	0	0	0	0	**0**

	31/12/2018	Cash flow: Borrowings	Cash flow: Repayment by instalment	Items not affecting cash flow: Reclassification	Items not affecting cash flow: Additional lease liability	Items not affecting cash flow: Change in exchange rate	Items not affecting cash flow: Costs of financing	31/12/2019
Group								
Non-current lease liabilities	**0**	0	0	-34,349	157,764	0	0	**123,415**
Current lease liabilities	**0**	0	-35,657	34,349	35,657	0	0	**34,349**
Non-current liabilities to credit institutions	**351,741**	20,000	0	-57,000	0	5,585	105	**320,430**
Current liabilities to credit institutions	**56,457**	0	-56,971	57,000	0	514	0	**57,000**
Overdraft facilities	**29,863**	15,395	0	0	0	0	0	**45,258**
Parent Company								
Non-current liabilities to credit institutions	**350,828**	20,000	0	-57,000	0	6,497	105	**320,430**
Current liabilities to credit institutions	**48,721**	0	-56,971	57,000	0	8,250	0	**57,000**
Overdraft facilities	**29,863**	15,395	0	0	0	0	0	**45,258**

NOTE 36 BUSINESS ACQUISITIONS

BUSINESS ACQUISITIONS 2020

Tech Optics Ltd. ("Tech Optics")

On 1 June 2020, the Group acquired 100% of the share capital in Tech Optics for MGBP 0.392.

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

Purchase price as of 1 June 2020	
Liquid assets	4,655
Total purchase price	**4,655**

Recognised amounts for identifiable acquired assets and taken-over liabilities	
Liquid assets	1,043
Tangible assets	277
Accounts receivable	141
Inventories	1,888
Other receivables	567
Accounts payable	-945
Other payables	-435
Total identifiable net assets	**2,536**
Goodwill	**2,119**

Acquisition-related costs of SEK 406 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2020 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to SEK -3,612 thousand. Goodwill is attributable to the added earning capacity the company is expected to bring.

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

Tech Optics net sales have been included in the consolidated income statement since 1 June 2020 and amount to SEK 8,422 thousand. Tech Optics also generated a net profit of SEK 1,008 thousand in the same period on group level.

Had Tech Optics been consolidated from 1 January 2020, the consolidated income statement for the period 1 January 2020 to 31 December 2020 would have shown increased net sales amounting to SEK 13,344 thousand and a net profit of SEK 565 thousand.

The Light Brigade Inc. ("Light Brigade")

On 1 August 2020, the Group acquired 100% of the share capital in Light Brigade for MUSD 1.6.

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

Purchase price as of 1 August 2020	
Liquid assets	14,009
Total purchase price	**14,009**

Recognised amounts for identifiable acquired assets and taken-over liabilities	
Liquid assets	617
Tangible assets	851
Accounts receivable	1,728
Inventories	508
Other receivables	596
Accounts payable	-27
Other payables	-1,831
Total identifiable net assets	**2,441**
Goodwill	**11,568**

Acquisition-related costs of SEK 702 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2020 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to SEK -13,392 thousand. Goodwill is attributable to the added earning capacity the company is expected to bring.

The fair value of accounts receivable totals SEK 1,728 thousand. No accounts receivable is deemed to be doubtful.

Light Brigade net sales have been included in the consolidated income statement since 1 August 2020 and amount to SEK 9,286 thousand. Light Brigade also generated a net result of SEK -669 thousand in the same period on group level.

Had Light Brigade been consolidated from 1 January 2020, the consolidated income statement for the period 1 January 2020 to 31 December 2020 would have shown increased net sales amounting to SEK 24,019 thousand and a net result of SEK -3,623 thousand.

Baltronic Group OÜ ("Baltronic")

On 2 November 2020, the Group acquired 100 percent of the share capital in Baltronic for MEUR 5.4.

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

Purchase price as of 2 November 2020	
Liquid assets	25,406
Equity instruments (152,500 shares)	8,723
Not paid purchase price (paid in January 2021)	21,757
Total purchase price	**55,887**

Recognised amounts for identifiable acquired assets and taken-over liabilities	
Liquid assets	42,836
Tangible assets	1,836
Other intangible assets	27
Financial assets	171
Accounts receivable	12,803
Inventories	10,262
Other receivables	15,052
Accounts payable	-5,388
Other payables	-26,015
Total identifiable net assets	**51,584**
Goodwill	**4,303**

Acquisition-related costs of SEK 2,224 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2020 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to SEK -4,328 thousand. Goodwill is attributable to the added earning capacity the company is expected to bring.

The fair value of accounts receivable totals SEK 12,803 thousand. No accounts receivable is deemed to be doubtful.

Baltronic net sales have been included in the consolidated income statement since 2 November 2020 and amount to SEK 15,369 thousand. Baltronic also generated a net result of SEK -463 thousand in the same period on group level.

Had Baltronic been consolidated from 1 January 2020, the consolidated income statement for the period 1 January 2020 to 31 December 2020 would have shown increased net sales amounting to SEK 83,824 thousand and a net result of SEK 4,132 thousand.

Qubix S.p.A. ("Qubix")

On 2 November 2020, the Group acquired 90 percent of the share capital in Qubix for MEUR 18.1.

The Group has an option to acquire the remaining 10 percent of Qubix during 2021 and 2023. It is deemed likely that this option will be utilised. The acquisition is therefore recognised at 100 percent and no holdings without a controlling influence have been entered. The expected purchase price for the remaining 10 percent is recognised as a liability with any changes in value through profit or loss.

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

Köpeskilling per 2 november 2020	
Likvida medel	187 316
Option att köpa resterande 10 % (ej erlagd)	30 869
Summa köpeskilling	**218 185**

Redovisade belopp på identifierbara förvärvade tillgångar och övertagna skulder	
Likvida medel	43 101
Materiella anläggningstillgångar	1 300
Övriga immateriella anläggningstillgångar	67
Finansiella anläggningstillgångar	24
Varumärke	17 356
Kundfordringar	41 422
Varulager	26 143
Övriga fordringar	3 091
Leverantörsskulder	-32 006
Övriga skulder	-21 482
Summa identifierbara nettotillgångar	**79 017**
Goodwill	**139 168**

Acquisition-related costs of SEK 3,070 thousand are included in other external costs in the consolidated statement of comprehensive income for the 2020 financial year. Total cash flow, excluding acquisition related costs, attributable to the business acquisition amounted to SEK -175,084 thousand. Goodwill is attributable to the added earning capacity the company is expected to bring.

The fair value of accounts receivable totals SEK 41,422 thousand. No accounts receivable is deemed to be doubtful.

Qubix net sales have been included in the consolidated income statement since 2 November 2020 and amount to SEK 32,117 thousand. Qubix also generated a net result of SEK 7,425 thousand in the same period on group level.

Had Qubix been consolidated from 1 January 2020, the consolidated income statement for the period 1 January 2020 to 31 December 2020 would have shown increased net sales amounting to SEK 185,537 thousand and a net result of SEK 33,956 thousand.

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	998804795	Engelsviken, Norway	100%
Hexatronic (Tianjin) Trading Co. Ltd.	120116400016890	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.	3696868	Bedworth, UK	100%
Gordon Franks Training Ltd.	8445268	Birmingham, UK	100%
Smart Awards Ltd.	9079735	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	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	03575150283	Padua, Italy	90%
Hexatronic Security and Surveillance AB	559271-6921	Gothenburg, Sweden	75%

NOTE 38 EVENTS AFTER THE BALANCE SHEET DATE

Hexatronic signs a 3-year exclusive agreement with Centric Fiber in USA, to a value of MUSD 10.

Hexatronic acquires 75 percent of the shares in the German engineering company TK-KONTOR-FREITAG GmbH.

Hexatronic wins new submarine cable orders totalling approximately MSEK 60.

Hexatronic signs a strategic supply agreement with Vocus in Australia.

The board adjusts the profitability target to 10 percent EBITA (earnings before amortisation of intangible assets) on rolling 12 months basis (from 9 percent).

Pernilla Lindén is appointed CFO and member of the Group Management Team at Hexatronic Group and will take office August 9, 2021. The current CFO, Lennart Sparud, left his position March 31, 2021. In the meanwhile, Svante Godén stepped in as acting CFO.

RECONCILIATION BETWEEN IFRS AND TERMS FOR KEY FIGURES

In this Annual Report, Hexatronic presents certain financial measures that are not defined in 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 2020	2,080,777
Exchange-rate effects	26,453
Acquisition driven	-65,183
Comparable net sales	*2,042,047*
Net sales 2019	1,842,266
Net sales increase cleared of exchange-rate effects	**264,964**
Net sales increase cleared of exchange-rate effects %	**14%**
Organic growth	**199,781**
Organic growth %	**11%**

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 2020	2,080,777
Net sales 2019	1,842,266
Average annual growth	**13%**

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

Quick ratio	31/12/2020	31/12/2019
Current assets	961,744	709,312
Inventories	-410,332	-339,346
Current assets-inventories	*551,412*	*369,965*
Current liabilities	608,368	421,114
Quick ratio	**91%**	**88%**

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

Core working capital	31/12/2020	31/12/2019
Inventories	410,332	339,346
Accounts receivable	307,990	242,413
Accounts payable	-252,491	-162,584
Core working capital	**465,832**	**419,176**

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 6 May 2021 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, 14 April 2021

Anders Persson
Chairman of the Board

Erik Selin
Board Member

Jaakko Kivinen
Board Member

Malin Frenning
Board Member

Helena Holmgren
Board Member

Frida Westerberg
Board Member

Henrik Larsson Lyon
CEO

Our auditor's report was submitted on 14 April 2021

Öhrlings PricewaterhouseCoopers AB

Johan Palmgren
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Hexatronic Group AB (publ), corporate identity number 556168-63600

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 2020 except for the corporate governance statement on pages 50 – 55. The annual accounts and consolidated accounts of the company are included on pages 38 – 99 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 2020 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 2020 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 50 – 55. 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 With the past year's acquisitions, the group has acquired intangible assets as customer relations, brand and goodwill to an amount of MSEK 389. The group verifies annually or more frequently if there is a need for impairment of the goodwill. Monthly depreciations are done for customer relations and brand and when there is an indication of impairment an impairment test is performed. The impairment tests are essential in the audit because the intangible assets represent significant amounts in the group's balance sheet and management has to make significant estimates and judgments about the future in the impairment tests. Refer to disclosures 2 and 17 for a description of these items.	For the impairment test that is based on a calculation of value in use, the following audit procedures have been included: • An assessment of the mathematical accuracy of the cash flow calculation and a reconciliation of the cash flow forecasts towards the approved budget and business plan. • Assessment whether the used valuation model is compliant with recognized valuation techniques. • Assessment of the assumptions with most significant impact on the impairment tests. • For intangible assets that are depreciated, we have evaluated if there has been any indication of impairment.
Valuation of inventory Inventory valuation is essential for our audit since the valuation is based on several estimates and judgments and also the value of the inventory of MSEK 410 is significant. An important assessment management do when they perform a valuation of the inventory is to assess if the group can sell the inventory to a price that is higher than the acquisition cost, and also to assess potential obsolescence in inventory. If the estimated net sales value is less than the acquisition cost, an allowance for inventory obsolescence is recorded. This allowance is calculated based on a policy for inventory valuation meaning that an allowance of the inventory value is based on each inventory item's turnover ratio combined with an individual assessment of specific products. Refer to disclosures 2 and 4 for a description of these items.	To examine the groups allowance for inventory obsolescence, the following audit procedures have been included: • Assessment of whether the approved policy for inventory valuation gives a reasonable estimate of the actual inventory obsolescence. • Verified the mathematical accuracy of the calculated inventory allowance. • Evaluated management's positions when deviating from the approved model for inventory valuation and performed an individual assessment for allowance of specific products. • Analyzed slow moving stock in the inventories with help of data analytics and assessed these analyzes to the actual inventory obsolescence reservations.

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 – 37. 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 2020 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 corporate governance statement

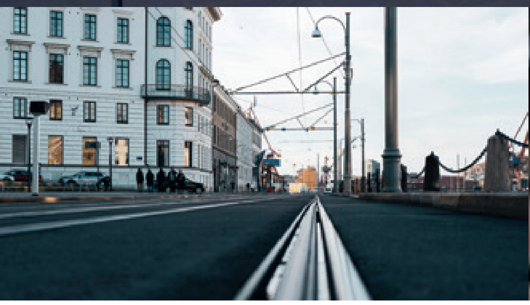
The Board of Directors is responsible for that the corporate governance statement on pages 50 – 55 has been prepared in accordance with the Annual Accounts Act.

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 7th, 2020, and has been the company's auditor since the 18 December 2013.

Göteborg 14 April 2021
Öhrlings PricewaterhouseCoopers AB
Johan Palmgren
Authorized Public Accountant



ANNUAL GENERAL MEETING 2021

Only advance voting 2021

The Annual General Meeting will be held on 6 May 2021. Shareholders who wish to participate in the Annual General Meeting must be entered in the shareholder´s register held by Euroclear Sweden AB by 28 April 2021.

Hexatronic cares about the health and well-being of its shareholders and employees. It is important for Hexatronic to be socially responsible and take actions to limit the risk of spreading COVID-19. In light of the extraordinary situation that prevails, the Annual General Meeting will be conducted by mandatory advance voting (postal voting) on the basis of temporary statutory rules. There will be no Annual General Meeting with the opportunity to attend in person or through a representative this year. Information about the resolutions passed at the Annual General Meeting will be published on the same day as the Annual General Meeting when the outcome of the voting is finalised.

Visit Hexatronic´s website group.hexatronic.com for more information about rules for participation, voting etc.

STAY UP-DATED

Follow Hexatronic

Hexatronic is a group that is continuously developing.
Follow us via our IR page or on social media.

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 2021	29 April 2021
Annual general meeting	6 May 2021
Interim report April–June 2021	12 August 2021
Interim report July–September 2021	2 November 2021
Year-end report 2021	24 February 2022

FOLLOW HEXATRONIC

linkedin.com/company/hexatronic

LinkedIn is our main social media channel for communicating information about Hexatronic. Here you can find out about the products and technologies we are working on as well as our latest contracts and business events. LinkedIn is also where we advertise job vacancies.

The Group also uses Facebook, Twitter, YouTube and Issuu. facebook.com/hexatronic.

facebook.com/hexatronic

twitter.com/hexatronic

youtube.com/user/hexatronicpartners

issuu.com/hexatronic

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