

# hms networks

Interim report 2020  
January - September

## Third quarter

- Net sales for the third quarter reached SEK 345 m (377), corresponding to a decrease of 8%. Currency translations had a negative effect of SEK 10 m on net sales
- Order intake was SEK 336 m (372), corresponding to a decrease of 10%
- Operating profit reached SEK 77 m (56) equal to a 22.3% (14.9) operating margin
- Profit after taxes totalled SEK 61 m (46) and earnings per share was SEK 1.33 (0.98)
- Cash flow from operating activities amounted to SEK 116 m (90)

## First nine months

- Net sales for the first nine months reached SEK 1,061 m (1,172), corresponding to a 9% decrease. Currency translations had a negative effect of SEK 9 m on net sales
- Order intake was SEK 1,039 m (1,134), corresponding to a decrease of 8%
- Operating profit was SEK 213 m (188), equal to a 20.0% (16.0) operating margin
- Profit after taxes totalled SEK 163 m (138) and the earnings per share was SEK 3.58 (2.96)
- Cash flow from operating activities amounted to SEK 286 m (193)

## Subsequent events

- Acquisition of 70% of the shares in Procentec B.V.
- Acquisition of the remaining 25.1% of the shares in WEBfactory GmbH
- The Board of Directors have decided on new financial targets for the Group

”  
*Despite the continued macro  
uncertainties, HMS delivers a  
record quarter in profitability and  
cash flow.*



Staffan Dahlström, CEO,  
HMS Networks AB

# Comment from the CEO

**The third quarter was characterized by continued market uncertainty due to the corona pandemic. During the quarter, our sales saw weak development, but as costs remained low, we can show a record in both result and cash flow for the quarter.**

## **Continued challenging market in Europe, hesitant in the USA and better in Asia**

Compared to the corresponding quarter in 2019, sales decreased organically by 6% and order intake by 7%. The development from the second quarter continues with weak demand in Central Europe, mainly in our large markets such as Germany, France and Italy. On the other hand, Asia has continued to develop well, especially when it comes to order intake, where Japan has a stable growth rate and China is showing impressive growth of more than 50%. The U.S. continues to show a slow growth and combined with a weaker dollar and the upcoming presidential election, it is difficult to assess the outlook in the near future.

Despite the lower volume, we still manage to maintain a gross margin of 62%, which is primarily driven by internal improvements and a good product mix within Anybus.

## **Home office and digital transformation**

The health of our employees remains our absolute top priority, which is why we continue to have a mix of office and home office work in most of our locations in the Group. We completed most of our short-time work in Sweden in connection with the summer holidays and today we mainly have short-time work in Germany.

With new ways of working and new digital meeting places, we see an opportunity for continued savings even after the pandemic. New ways of working, together with the restructuring program we implemented at the end of last year, have resulted in the operating costs for the quarter decreasing by 8% in comparable terms compared with the previous year. A good gross margin in combination with our new cost situation means that we can deliver an operating profit for the quarter of SEK 77 m, which means that we exceed our long-term profitability target of 20%. The good profitability and management of our working capital has resulted in a continued strong cash flow of SEK 116 m for the quarter.

## **New acquisitions**

After the end of the quarter, we made two acquisitions. On October 1, we acquired 70% of Dutch Procentec BV, where the remaining 30% is owned by three senior executives in the company. The company, which offers hardware and software to monitor and diagnose

network traffic in industrial processes, will provide HMS with new opportunities for business with users of automation equipment. We see great opportunities to develop this business from today's diagnostic tools and offer preventative maintenance services to reduce operational problems in our customers' critical networks.

We have also acquired the remaining 25.1% of German WEBfactory GmbH. As a 100% owner, we can now increase the integration and use of WEBfactory's software products together with our other product brands, and we see great opportunities for new business where hardware meets software.

## **New financial targets**

The HMS Board of Directors has decided on new financial targets for 2025, which include a growth target for net sales exceeding "π" billion (SEK 3.14 billion) with an operating margin target of 20%. To achieve these ambitious goals, we will have more focus on acquisitions than before, which has resulted in a slightly adjusted dividend policy. The new policy will be to distribute 30-50% of the annual earnings per share, which gives the company greater flexibility to finance future acquisitions.

HMS has invited for a Capital Markets Day on November 18 to present the updated strategy and ambitions for the coming five year period.

## **An uncertain future and a bright future**

We continue to see great uncertainty about the future and how the corona pandemic will affect our customers in the coming quarters. The fourth quarter has started at the same order intake pace as during the third quarter and although some market data looks somewhat more positive now, compared with a quarter ago, we still believe in a slow recovery. However, with a strong financial position, we will, despite the uncertain situation in the short term, continue to focus on new acquisition opportunities and invest in technology innovation.

Our assessment is that automation and digitalization of industrial processes will see increased demand when we have the corona crisis behind us. HMS must then be ready to meet this demand with competitive products and solutions. Despite the turbulence in the short term, we continue to work with a focus on long-term growth based on a balanced view of our costs. In the long term, we continue to believe that the market for industrial communications and IIoT is an interesting area both in terms of organic growth and for acquisitions – where we continue to work according to our motto "Connecting Devices".

**-10%**

Order intake

Q3

**-8%**

Net sales

Q3

**22%**

Operating margin

Q3

# Order intake, net sales and earnings

## Third quarter

Order intake decreased by 10% to SEK 336 m (372), of which currency translations affected negatively by SEK 10 m. The organic decrease in order intake was 7%.

Net sales decreased by 8% to SEK 345 m (377), of which currency translation effects was SEK -10 m (15). The organic decrease in net sales was 6%.

Gross profit reached SEK 213 m (236), corresponding to a gross margin of 61.9% (62.8). Operating expenses decreased in total by SEK 44 m to SEK 137 m (180), of which SEK 25 m of the decrease refers to the provision made for the restructuring program implemented in 2019. In addition SEK 1 m is attributable to government support for short-time work and additional SEK 3 m refers to reduced personnel expenses related to short-time work during the third quarter. The organic decrease in operating expenses, including adjustment for short-time work was 8%, corresponding to SEK 13 m.

Operating profit before depreciation/amortization and write-downs amounted to SEK 102 m (82), corresponding to a margin of 29.4% (21.7). Depreciations/amortizations and write-downs amounted to SEK 25 m (25). Operating profit amounted to SEK 77 m (56), corresponding to a margin of 22.3% (14.9). Currency translations had a negative effect on the Group's operating profit of SEK -6 m (6).

Net financials was SEK -4 m (-1), which gave a profit before tax of SEK 73 m (55).

Profit after tax amounted to SEK 61 m (46) and earnings per share before and after dilution was SEK 1.33 (0.98) and SEK 1.32 (0.98) respectively.

SEK millions	Q3 2020	Q3 2019	%
Order intake	336	372	-9.6
Net sales	345	377	-8.4
Gross profit	213	236	-9.7
Gross margin (%)	61.9	62.8	
EBITDA	102	82	24.4
EBITDA (%)	29.4	21.7	
EBIT	77	56	36.9
EBIT (%)	22.3	14.9	

## First nine months

Order intake decreased by 8% to SEK 1,039 m (1,134), of which currency translations had a limited impact. The acquired companies during 2019 have contributed to the order intake with SEK 9 m. The organic change was -9%.

Net sales decreased by 9% to SEK 1,061 m (1,172), of which currency translations was SEK -9 m (58). The acquired companies have contributed to the net sales with SEK 7 m. The organic decrease in net sales was 9%.

Gross profit reached SEK 659 m (716) to a gross margin of 62.1% (61.1). Operating expenses decreased in total by SEK 70 m to SEK 458 m (528), of which SEK 5\* m is attributable to government support for short-time work and additional SEK 5 m refers to reduced personnel expenses related to short-time work. Other operating income mainly consists of a reversal of SEK 10 m of additional purchase price related to the acquisition of WEBfactory GmbH. Other operating expenses include a write-down of goodwill of SEK 14 m, which is also attributable to WEBfactory GmbH. The reason for these adjustments is that there has been a weaker development in the subsidiary than expected. The organic decrease in operating expenses, including adjustment for short-time work was 11%, corresponding to SEK 53 m.

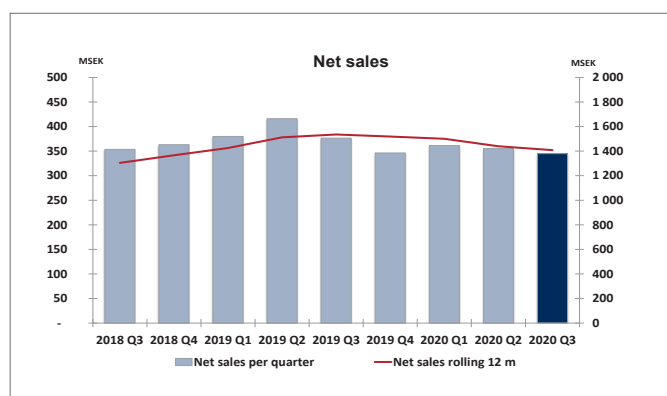
Operating profit before depreciation/amortization and write-downs amounted to SEK 302 m (255), corresponding to a margin of 28.5% (21.8). Depreciations/amortizations and write-downs amounted to SEK 90 m (67). Operating profit amounted to SEK 213 m (188) corresponding to a margin of 20.0% (16.0). Currency translations had a negative effect on the Group's operating profit of SEK -2 m (25). The acquired companies had a limited impact on the operating profit of the year.

Net financials was SEK -9 m (-7) which gave a profit before tax of SEK 204 m (181).

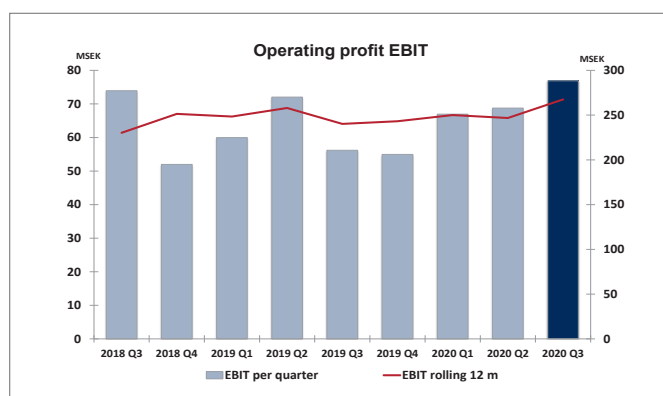
Profit after tax amounted to SEK 163 m (138) and earnings per share before and after dilution was SEK 3.58 (2.96) and SEK 3.57 (2.95) respectively.

SEK millions	Q1-Q3 2020	Q1-Q3 2019	%
Order intake	1,039	1,134	-8.3
Net sales	1,061	1,172	-9.5
Gross profit	659	716	-8.0
Gross margin (%)	62.1	61.1	
EBITDA	302	255	18.5
EBITDA (%)	28.5	21.8	
EBIT	213	188	13.0
EBIT (%)	20.0	16.0	

\*In the Q2 report 2020, it was stated that HMS received government support of SEK 8 m for short-time work during the second quarter of the year. The correct figure for government support during the second quarter of the year is SEK 4 m, in addition there are savings from reduced personnel expenses from short-time work of additional SEK 2 m. This means that the total savings from short-time work during the second quarter of the year amounted to SEK 6 m.



The graph shows turnover per quarter on the bars referring to the scale on the left axis. The line shows turnover for the latest 12 month period referring to the scale on the axis to the right.



The graph shows operating result EBIT per quarter. The bars refer to the scale on the left axis. The line shows operating result for the last 12 month period referring to the scale on the axis to the right.

Quarterly data <sup>1</sup>	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Order intake (SEK m)	336	302	401	337	372	375	387	387
Net sales (SEK m)	345	355	361	346	377	416	380	363
Gross margin (%)	61.9	62.0	62.4	61.2	62.8	61.2	59.3	59.6
EBITDA (SEK m)	102	111	90	78	82	94	79	65
EBITDA (%)	29.4	31.2	25.0	22.6	21.7	22.6	20.9	17.9
EBIT (SEK m)	77	69	67	55	56	72	60	52
EBIT (%)	22.3	19.4	18.5	15.9	14.9	17.3	15.8	14.3
Cash flow from operating activities per share (SEK)	2.49	2.47	1.18	1.30	1.93	1.10	1.11	1.05
Earnings per share before dilution (SEK) <sup>2</sup>	1.33	1.24	1.01	1.46	0.98	1.10	0.88	0.90
Earnings per share before after dilution (SEK) <sup>2</sup>	1.32	1.24	1.01	1.46	0.98	1.09	0.87	0.89
Equity per share (SEK)	24.62	23.60	22.49	21.06	19.88	19.42	18.96	17.98

<sup>1</sup> All quarters of 2019 and 2020 are effected by IFRS 16 Leases.

<sup>2</sup> Attributed to parent company shareholders.

## Cash flow, investments and financial position

### Third quarter

Cash flow from operating activities before changes in working capital amounted to SEK 97 m (101) for the third quarter of the year. Changes in working capital was SEK 20 m (-11), mainly explained by a decrease in accounts receivable. Cash flow from operating activities was thereby SEK 116 m (90).

Cash flow from investing activities was SEK -11 m (-20), which corresponds to new investments in intangible and tangible assets.

Cash flow from financing activities was SEK -36 m (-101), which is mainly explained by a decrease in external loans of SEK -28 m (-96). Moreover, amortizations of lease liabilities claimed SEK -9 m (-8). This means that cash flow for the quarter was SEK 70 m (-31).

### First nine months

Cash flow from operating activities before changes in working capital amounted to SEK 278 m (231) for the first nine months. Changes in working capital was SEK 8 m (-38), mainly due to decreased inventory. Cash flow from operating activities was thereby SEK 286 m (193).

During the first nine months investments in new intangible and tangible assets was made by SEK -36 m (-48). Last year, acquisitions of new subsidiaries amounted to SEK -24 m. Cash flow from investing activities was SEK -36 m (-74).

Cash flow from financing activities amounted to SEK -126 m (-128), mainly explained by a decrease in external loans of SEK -95 m (-20). Moreover, amortizations of lease liabilities claimed SEK -26 m (-22). Repurchase of own shares was made by SEK -6 m (-). Due to the corona virus and the aim to strengthen the Company's preparedness for upcoming uncertainties, no dividend was paid (-84). This means that cash flow for the first nine months was SEK 124 m (-8).

## Cash and cash equivalents and net debt

Cash and cash equivalents amounted to SEK 175 m (57) and unused credit facilities to SEK 272 m (146). Net debt amounted to SEK 161 m (463), whereof SEK 97 m (119) corresponds to lease liabilities. Net debt to EBITDA ratio for the last twelve months was 0.42 (1.45). Net debt/Equity ratio was 14% (49) and Equity/Assets ratio was 65% (52).

## The HMS Networks AB share

HMS Networks AB (publ) is listed on the Nasdaq OMX Stockholm Mid Cap list, in the Information Technology sector. By the end of the period the total number of shares amounted to 46,818,868 of which 154,916 shares are held by the company.

A list of the company's ownership structure can be found on the company's website ([www.hms-networks.com](http://www.hms-networks.com)).

## Share savings program

The Company has four ongoing share saving programs today. Based on a decision by the Annual General Meetings permanent employees are offered to save in HMS shares in an annual share saving program. Between 41% and 52% of the employees opted to participate in the respective program. If certain criterias are met the Company is committed to give the participant a maximum of two HMS shares for every share saved by the employee. As of September 30, 2020, the total number of saved shares amounted to 119,639 (138,784) within ongoing programs.

On December 31, 2019 the share saving program from 2016 was finalized. During the first quarter of 2020, 88,083 shares, of which 44,002 performance shares, were distributed free of charge to the participants. Shares used for the allocation was own shares held by the company.

## The parent company

The Parent Company's operations are primarily focused on Group wide management and financing. Apart from the Group's CEO, the Parent Company has no employees. The operating profit for the first nine months amounted to SEK 0 m (0). Dividend from subsidiaries was received by SEK 29 m (179) and the profit for the first nine months after tax was SEK 33 m (183). Cash and cash equivalents amounted to SEK 1 m (1), external borrowing does not exist.

## Related party transactions

No material transactions with related parties have occurred during the period.

## Contingent liabilities

There have been no changes in the Group's contingent liabilities, described on page 100 in Note 36 of the Annual Report for 2019.

## Significant events

The world has been affected by covid-19, a viral pandemic with effects that no one could have anticipated. For HMS, this has resulted in an extensive impact on order intake and net sales. Thanks to a number of measures, which include increased control over liquidity, working capital and costs as well as a cancelled dividend, the effects on profit and financial position have been limited.

In mid-April, HMS chose to introduce short-time work corresponding to a reduction to approximately 80% of normal working hours for the majority of employees in Sweden and Germany. This ended in Sweden at the end of June but is still ongoing in Germany.

## Subsequent events

HMS acquired 70% of all shares in the Dutch company Procentec B.V. on October 1, 2020. Procentec is a world-leading provider of solutions and services for diagnostics and monitoring of industrial networks. Procentec, including its wholly owned subsidiaries in Germany, Italy and the United Kingdom, employs approximately 70 persons and had sales of EUR 11.7 million in 2019. The acquisition will have a limited impact on the company's earnings per share by 2020.

HMS has also acquired the remaining 25.1% of the shares in the subsidiary WEBfactory GmbH, which is expected to increase the integration and use of WEBfactory's software products together with our other product brands.

The Board of Directors, together with the management, have set new financial targets for the Group, which express both ambition and confidence in the future for the company and its markets. The sales target, to reach 2025, shall exceed "π" (3.14) billion SEK. At the same time, the operating margin shall continue to remain at 20% during the period. As part of achieving the sales target consists of increasing the acquisition rate, it is estimated that an annual dividend can be given in the interval between 30-50% of earnings per share, where the previous target was 50%.

During the company's Capital Market Day on November 18, 2020, the management will elaborate on the company's strategic plan for 2021-2025.

## Outlook

The HMS Group's long-term growth is supported by a continued inflow of Design-Wins, a broader product offering especially within the Industrial Internet of Things (IIoT) and Wireless, supplementary technology platforms from earlier acquisitions, and expansion of the HMS sales channels according to the existing strategy.

Due to covid-19, the global business climate is considered to be continued weakened and will create challenges for our growth ambitions in the short term. Underlying economic climate in various geographical areas and industrial segments and its impact on the market for HMS' product offering is also difficult to estimate for the same reason. The currency development will play an important role and also this effect is difficult to estimate.

## Risk management

The HMS Group is exposed to business and financial risks through its operations. These risks have been described at length in the Company's Annual Report 2019.

The corona pandemic is still ongoing and it is very challenging to estimate the extent of the negative impact that covid-19 may have on the Group. HMS monitors developments closely and is prepared to take further actions where necessary to reduce the negative effects on the business. The Group acts in accordance with decisions and recommendations from governments and authorities in each market and with the employees' health and well-being as the highest priority.

## Nomination committee

In accordance with principles adopted at a prior HMS' Annual General Meeting, the following persons have been assigned to be a part of the Nomination Committee: Johan Hjertonsson, Investment AB Latour, representing 26% of the shares, Staffan Dahlström representing 14% of the shares, Per Trygg, SEB Fonder representing 9% of the shares, Evert Carlsson, Swedbank Robur Fonder AB representing 6% of the shares, and Charlotte Brogren, Chairman of the Board. The Nomination Committee has appointed Johan Hjertonsson as its Chairman.

Shareholders who wish to present proposals to HMS' Nomination Committee may do so by e-mail to: valberedningen@hms.se or in writing to: HMS Networks AB, Att: Nomination Committee, Box 4126, SE 300 04 Halmstad, Sweden no later than February 1, 2021.

## Accounting policies

HMS' consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), adopted by the EU. The Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company applies Swedish Financial Reporting Board's recommendation, RFR 2 Accounting for Legal Entities, and the Swedish Annual Accounts Act.

The accounting principles applied conform to those described in the 2019 Annual Report. Other new or revised IFRS standards or other IFRIC-interpretations that came into effect after January 1, 2020 have not had any significant impact on the Group's financial reports as of September 30, 2020.

HMS applies the European Securities and Market Authority's (ESMA) guidelines on alternative key indicators (measures that are not defined in accordance with IFRS).

## Short about the company

### Strategies

**GROWTH STRATEGY** – HMS Networks growth strategies includes a combination of organic growth and complementary acquisitions. Expansion in existing markets is done through a continuously improved and expanded product offering, often including new technology. This is combined with a high level of service and active investments in new sales channels globally. New markets are addressed with innovative and targeted solutions.

**DEVELOPMENT STRATEGY** – The Company's core competence is the broad and deep knowledge of industrial communication and IIoT, Industrial Internet of Things. A clear platform strategy ensures that all development centers within HMS are using core HMS technology.

**PRODUCT STRATEGY** – HMS offers solutions for industrial communication and IIoT under the trademarks Anybus®, Ewon®, Ixxat® and Intesis™.

- Anybus – connection of automation products and machines to industrial networks and IIoT applications, through embedded network cards, gateways and wireless solutions

- Ewon – remote access, data collection, monitoring and control of machines as well as other industrial applications
- Ixxat – communication within machines and smart grids, solutions for functional safety as well as automotive testing
- Intesis – communication solutions for building automation, primarily within HVAC (heating, ventilation and air conditioning)

**PRODUCTION STRATEGY** – Flexible low volume production in own factories in Halmstad, Nivelles and Igualada is combined with high volume production in Europe and Asia in close collaboration with carefully selected subcontractors.

**MARKETING STRATEGY** – HMS’ markets its solutions to several customer segment in the industrial value chain. Device manufacturers and machine builders are offered solutions that are tightly integrated into the customer’s application. System integrators and end users are offered flexible infrastructure products that solve all kinds of communication problems in industrial systems and IIoT applications. HMS’ most important market is still factory automation, but other important markets are energy and infrastructure, transport and logistics, and building automation.

**SALES STRATEGY** – HMS combines direct sales from own sales offices with sales through distribution. HMS has sales offices in key markets in 14 countries, complemented by a network of distributors and solution partners in more than 50 countries.

## Business model

HMS has developed its business models by packaging advanced industrial communication and IIoT technology into targeted solutions for each targeted customer group. With device manufacturers and machine builders, HMS signs long-term framework agreements, so-called Design-Wins. This model is characterized by a relatively long sales cycle and design phase during which HMS’s solutions are specified into the customer’s application, after which long-term revenues are secured. The close collaboration gives HMS clear insight into the customer’s future needs.

The business model towards system integrators is more traditional with a short sales cycle and manufacturing against customer orders or short-term forecasts. This sale is often handled by local distributors who are supported by HMS’ sales and marketing organization.

## Financial calendar

- Year-end report 2020 will be published on February 3, 2021
- First quarter report 2021 will be published on April 23, 2021
- Annual General Meeting will be held on April 23, 2021
- Half-year report 2021 will be published July 14, 2021

Halmstad October 23, 2020

Staffan Dahlström  
Chief Executive Officer

Further information can be obtained by:  
Staffan Dahlström, CEO, +46 (0)35 17 2901  
Joakim Nideborn, CFO, +46 (0)35 710 6983

This information is such that HMS Networks AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the contact persons set out above, at 14.00 CET on October 23, 2020.

## Report of Review of Interim Financial Information

### Introduction

We have reviewed the condensed interim financial information (interim report) of HMS Networks AB (publ) as of September 30, 2020 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

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

Halmstad October 23, 2020  
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson  
Authorized Public Accountant



# Income statements

SEK millions	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	1910-2009 12 months	Q1-Q4 2019
Net sales	345	377	1,061	1,172	1,408	1,519
Cost of goods and services sold	-131	-140	-402	-456	-537	-591
<b>GROSS PROFIT</b>	<b>213</b>	<b>236</b>	<b>659</b>	<b>716</b>	<b>871</b>	<b>928</b>
Sales and marketing expenses	-70	-86	-225	-258	-316	-349
Administrative expenses	-27	-23	-86	-89	-120	-124
Research and development expenses	-40	-41	-131	-141	-180	-190
Restructuring expenses <sup>1</sup>	-	-25	-	-25	3	-22
Other operating income <sup>2</sup>	-	-	12	-	31	20
Other operating expenses <sup>3</sup>	0	-5	-16	-15	-22	-20
<b>OPERATING PROFIT</b>	<b>77</b>	<b>56</b>	<b>213</b>	<b>188</b>	<b>268</b>	<b>243</b>
Financial income and expenses	-4	-1	-9	-7	-16	-15
<b>Profit before tax</b>	<b>73</b>	<b>55</b>	<b>204</b>	<b>181</b>	<b>251</b>	<b>228</b>
Tax	-11	-10	-41	-43	-21	-23
<b>PROFIT FOR THE PERIOD</b>	<b>61</b>	<b>46</b>	<b>163</b>	<b>138</b>	<b>230</b>	<b>205</b>
Attributed to:						
Parent company shareholders	62	46	167	138	235	206
Non-controlling interests	-1	0	-4	0	-5	-1
Earnings per share regarding profit attributed to parent company shareholders						
Before dilution. SEK	1.33	0.98	3.58	2.96	5.04	4.43
After dilution. SEK	1.32	0.98	3.57	2.95	5.02	4.40

<sup>1</sup> Restructuring expenses for 2019 are allocated as follows: Cost of goods and services sold SEK 6 m, Sales and marketing expenses SEK 9 m, Administrative expenses SEK 4 m and Research and development expenses SEK 3 m.

<sup>2</sup> Of other operating income for Q1-Q3 2020, SEK 10 m corresponds to reversal of additional purchase price related to WEBfactory GmbH. Of other operating income for 2019, SEK 19 m corresponds to the settlement of contracted additional purchase price related to HMS Technology Center Wetzlar GmbH (former Beck IPC).

<sup>3</sup> Of other operating expenses for Q1-Q3 2020, SEK 14 m corresponds to a write-down of goodwill attributable to WEBfactory GmbH. Other operating expenses for 2019 mainly corresponds to realized currency forward hedging, SEK -4 m in Q3, SEK -10 m in Q1-Q3 and SEK -14 m for the full year. From January 1, 2020, realized currency forward hedges are reported gross.

# Statement of comprehensive income

SEK millions	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	1910-2009 12 months	Q1-Q4 2019
Profit for the period	61	46	163	138	230	205
<b>Other comprehensive income</b>						
<b>Items that may be reclassified subsequently to income statement</b>						
Cash flow hedges	0	-5	2	-10	16	4
Hedging of net investments	0	-3	-2	-11	7	-2
Translation differences	5	16	10	44	-19	15
Income tax relating to components of other comprehensive income	0	2	0	4	-5	0
<b>Other comprehensive income for the period, net of tax</b>	<b>4</b>	<b>10</b>	<b>11</b>	<b>27</b>	<b>0</b>	<b>16</b>
<b>Total comprehensive income for the period</b>	<b>66</b>	<b>56</b>	<b>173</b>	<b>165</b>	<b>230</b>	<b>221</b>
Attributed to:						
Parent company shareholders	66	56	178	165	235	223
Non-controlling interests	-1	0	-4	0	-5	-1

## Balance sheets

SEK millions	Sep 30 2020	Sep 30 2019	Dec 31 2019
<b>ASSETS</b>			
Goodwill	869	908	876
Other intangible assets	282	275	290
Property, plant and equipment	40	43	45
Right-of-use assets	98	117	111
Deferred tax assets	4	16	4
Other long-term receivables	9	9	9
<b>Total fixed assets</b>	<b>1,302</b>	<b>1,368</b>	<b>1,335</b>
Inventories	136	174	159
Accounts receivable - trade	145	162	143
Other current receivables	69	57	69
Cash and cash equivalents	175	57	51
<b>Total current assets</b>	<b>525</b>	<b>450</b>	<b>442</b>
<b>TOTAL ASSETS</b>	<b>1,827</b>	<b>1,819</b>	<b>1,758</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributed to parent company shareholders	1,175	939	998
Non-controlling interests	8	14	12
<b>Total Equity</b>	<b>1,183</b>	<b>953</b>	<b>1,010</b>
<b>Liabilities</b>			
Non-current interest-bearing liabilities	238	399	339
Non-current lease liabilities	66	87	82
Deferred income tax liabilities	77	79	77
<b>Total non-current liabilities</b>	<b>381</b>	<b>564</b>	<b>498</b>
Current interest-bearing liabilities	2	2	1
Current lease liabilities	31	32	31
Accounts payable - trade	77	87	76
Other current liabilities	154	180	142
<b>Total current liabilities</b>	<b>263</b>	<b>302</b>	<b>249</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,827</b>	<b>1,819</b>	<b>1,758</b>

## Cash flow statements

SEK millions	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	1910-2009 12 months	Q1-Q4 2019
Cash flow from operating activities before changes in working capital	97	101	278	231	310	264
Cash flow from changes in working capital	20	-11	8	-38	37	-10
<b>Cash flow from operating activities</b>	<b>116</b>	<b>90</b>	<b>286</b>	<b>193</b>	<b>347</b>	<b>254</b>
Cash flow from investing activities <sup>1</sup>	-11	-20	-36	-74	-55	-92
Cash flow from financing activities	-36	-101	-126	-128	-172	-173
<b>Cash flow for the period</b>	<b>70</b>	<b>-31</b>	<b>124</b>	<b>-8</b>	<b>120</b>	<b>-12</b>
Cash and cash equivalents at beginning of the period	105	86	51	59	57	59
Translation differences in cash and cash equivalents	1	2	0	6	-2	4
<b>Cash and cash equivalents at end of period</b>	<b>175</b>	<b>57</b>	<b>175</b>	<b>57</b>	<b>175</b>	<b>51</b>
Interest-bearing liabilities	336	520	336	520	336	453
<b>Net debt</b>	<b>161</b>	<b>463</b>	<b>161</b>	<b>463</b>	<b>161</b>	<b>402</b>

<sup>1</sup>The acquisition of WEBfactory's impact on the Group's cash and cash equivalents, after deduction of WEBfactory's cash and cash equivalents, amounted to SEK 13 m in Q2 2019.

<sup>1</sup>The acquisition of Raster's impact on the Group's cash and cash equivalents, after deduction of Raster's cash and cash equivalents, amounted to SEK -12 m in Q2 2019.

## Equity

Change in Group Equity, SEK millions	Sep 30 2020	Sep 30 2019	Dec 31 2019
Opening balance at January 1	998	857	857
Total comprehensive income for the period	178	165	223
Share-related payment	5	1	3
Repurchase of own shares	-6	-	-
Dividends	-	-84	-84
<b>Closing balance attributed to parent company shareholders</b>	<b>1,175</b>	<b>939</b>	<b>998</b>
Opening non-controlling interest at January 1	12	-	-
Total comprehensive income for the period	-4	14	12
<b>Closing non-controlling interest</b>	<b>8</b>	<b>14</b>	<b>12</b>
<b>Closing balance</b>	<b>1,183</b>	<b>953</b>	<b>1,010</b>

# Financial accounts

	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	1910-2009 12 months	Q1-Q4 2019
Net increase in net sales (%)	-8.4	6.5	-9.5	16.9	-8.3	11.2
Gross margin (%)	61.9	62.8	62.1	61.1	61.9	61.1
EBITDA (SEK m)	102	82	302	255	381	334
EBITDA (%)	29.4	21.7	28.5	21.8	27.1	22.0
EBIT (SEK m)	77	56	213	188	268	243
EBIT (%)	22.3	14.9	20.0	16.0	19.0	16.0
Return on capital employed (%)	-	-	-	-	18.0	17.2
Return on Shareholder's equity (%)	-	-	-	-	22.0	22.3
Working capital in relation to sales (%)	-	-	-	-	10.7	9.5
Capital turnover rate	-	-	-	-	0.78	0.87
Net debt/equity ratio	0.14	0.49	0.14	0.49	0.14	0.40
Equity/assets ratio (%)	64.8	52.4	64.8	52.4	64.8	57.5
Investments in tangible fixed assets (SEK m)	2	7	5	18	11	25
Investments in right-of-use assets (SEK m)	2	9	6	20	11	24
Investments in intangible fixed assets (SEK m)	9	13	32	30	44	42
Depreciation of tangible fixed assets (SEK m)	-3	-4	-9	-11	-13	-15
Depreciation of right-of-use assets (SEK m)	-8	-8	-25	-22	-33	-29
Amortization of intangible fixed assets (SEK m)	-12	-14	-36	-34	-48	-46
<i>of which amortization of overvalues acquired</i>	-5	-6	-14	-13	-17	-16
<i>of which amortization of capitalized development costs</i>	-7	-8	-23	-22	-32	-30
Impairment of intangible fixed assets (SEK m)	-1	0	-19	-1	-19	-1
Number of employees (average)	590	610	609	601	607	617
Net sales per employees (SEK m)	0.6	0.6	1.7	2.0	2.3	2.5
Equity per share (SEK)	24.62	19.88	23.55	19.42	22.93	19.87
Cash flow from operations per share (SEK)	2.49	1.93	6.14	4.15	7.44	5.45
Total number of share average (thousands)	46,819	46,819	46,819	46,819	46,819	46,819
Holding of own shares average (thousands)	155	203	167	225	174	221
Total outstanding shares average (thousands)	46,664	46,616	46,652	46,593	46,645	46,598

## Quarterly data

Division of income per brand SEK millions	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Anybus	184	212	211	184	213	251	225	211
Ixxat	43	40	43	42	42	44	48	44
Ewon	74	67	76	75	70	74	73	67
Intesis	33	27	21	34	29	28	25	24
Other	11	9	10	11	22	19	8	18
<b>Total</b>	<b>345</b>	<b>355</b>	<b>361</b>	<b>346</b>	<b>377</b>	<b>416</b>	<b>380</b>	<b>363</b>

All brands are based on a common technology platform and are marketed and sold in common sales channels. Therefore, no complete segment follow-up is reported.

Net sales per region SEK millions	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
EMEA	208	198	214	218	236	256	240	222
Americas	80	84	87	76	80	81	84	81
Asia	57	73	60	52	61	79	55	60
<b>Total</b>	<b>345</b>	<b>355</b>	<b>361</b>	<b>346</b>	<b>377</b>	<b>416</b>	<b>380</b>	<b>363</b>

Income statement SEK millions	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
<b>Net sales</b>	<b>345</b>	<b>355</b>	<b>361</b>	<b>346</b>	<b>377</b>	<b>416</b>	<b>380</b>	<b>363</b>
<b>Gross profit</b>	<b>213</b>	<b>220</b>	<b>225</b>	<b>212</b>	<b>236</b>	<b>254</b>	<b>225</b>	<b>216</b>
<i>Gross margin (%)</i>	<i>61.9</i>	<i>62.0</i>	<i>62.4</i>	<i>61.2</i>	<i>62.8</i>	<i>61.2</i>	<i>59.3</i>	<i>59.6</i>
<b>Operating profit</b>	<b>77</b>	<b>69</b>	<b>67</b>	<b>55</b>	<b>56</b>	<b>72</b>	<b>60</b>	<b>52</b>
<i>Operating margin (%)</i>	<i>22.3</i>	<i>19.4</i>	<i>18.5</i>	<i>15.9</i>	<i>14.9</i>	<i>17.3</i>	<i>15.8</i>	<i>14.3</i>
<b>Profit before tax</b>	<b>73</b>	<b>69</b>	<b>63</b>	<b>47</b>	<b>55</b>	<b>70</b>	<b>56</b>	<b>52</b>

## Parent company's income statement

SEK millions	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	1910-2009 12 months	Q1-Q4 2019
Net sales	4	3	13	11	18	16
<b>Gross profit</b>	<b>4</b>	<b>3</b>	<b>13</b>	<b>11</b>	<b>18</b>	<b>16</b>
Administrative expenses	-4	-3	-13	-11	-18	-16
<b>Operating profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>
Profit from participations in subsidiaries	-	-	29	179	29	179
Interest income/ expenses and similar items	0	2	4	4	2	2
<b>Profit before tax</b>	<b>0</b>	<b>2</b>	<b>33</b>	<b>183</b>	<b>31</b>	<b>181</b>
Tax	-	-	0	-	-1	-1
<b>Profit for the period</b>	<b>0</b>	<b>2</b>	<b>33</b>	<b>183</b>	<b>31</b>	<b>181</b>

## Parent company's balance sheet

SEK millions	Sep 30 2020	Sep 30 2019	Dec 31 2019
<b>ASSETS</b>			
Financial assets	337	337	337
<b>Total financial assets</b>	<b>337</b>	<b>337</b>	<b>337</b>
Receivables from Group companies	-	98	96
Other receivables	1	1	0
Cash and cash equivalents	1	1	1
<b>Total current assets</b>	<b>2</b>	<b>100</b>	<b>97</b>
<b>TOTAL ASSETS</b>	<b>339</b>	<b>437</b>	<b>434</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>326</b>	<b>301</b>	<b>299</b>
<b>Current liabilities</b>			
Accounts payable - trade	1	0	0
Liabilities to Group companies	6	131	128
Other current liabilities	6	5	7
<b>Total current liabilities</b>	<b>13</b>	<b>136</b>	<b>135</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>339</b>	<b>437</b>	<b>434</b>

# Definitions

## NUMBER OF OUTSTANDING SHARES

The number of registered shares, less repurchased own shares that are held as treasury shares.

## RETURN ON SHAREHOLDER'S EQUITY

Share of the profit after tax attributable to the parent company shareholders in relation to the average of Shareholder's equity.

## RETURN ON CAPITAL EMPLOYED

Profit after financial income in relation to the average capital employed.

## EBIT

Operating income according to income statement.

## EBITDA

Operating profit excluding depreciation, amortization and write-downs of tangible and intangible assets.

## EQUITY PER SHARE

Average equity attributable to the Parent Company's shareholders divided by the number of outstanding shares at the end of the period.

## FINANCIAL ASSETS

Long-term and short-term financial receivables plus cash and cash equivalents.

## AVERAGE NUMBER OF OUTSTANDING SHARES

The average number of registered shares less repurchased own shares that are held as treasury shares.

## CAPITAL TURNOVER

Net sales in relation to average balance sheet total.

## CASH FLOW FROM OPERATING ACTIVITIES PER SHARE

Cash flow from operating activities in relation to the average number of outstanding shares.

## NET DEBT

Long-term and current interest-bearing financial liabilities less financial assets.

## NET DEBT/EQUITY RATIO

Net debt in relation to Shareholders' equity.

## WORKING CAPITAL

Current assets less cash and cash equivalents and current liabilities calculated on average values.

## OPERATING MARGIN

Operating profit in relation to net sales.

## EQUITY/ASSETS RATIO

Shareholders' equity in relation to total assets.

## CAPITAL EMPLOYED

Total assets less non-interest-bearing current liabilities, provisions, and total deferred tax liabilities.

## EARNINGS PER SHARE, UNDILUTED

Share of the profit after tax attributable to the parent company shareholders in relation to the average number of outstanding shares.

## EARNINGS PER SHARE, DILUTED

Share of the profit after tax attributable to the parent company shareholders in relation to the average number of outstanding shares plus an adjustment for the average number of shares that are added when converting the outstanding number of convertibles and options.

## Alternative key ratios

HMS presents certain financial measures in the interim report that has not been defined in accordance with IFRS. The company considers that these measures provide valuable additional information for investors and the company's management, as they enable the evaluation of relevant trends and the company's performance.

As not all companies calculate financial measures in the same way, these are not always comparable with the measures used by other companies. These financial measures should therefore not be viewed as substitutes for IFRS-defined measures, unless otherwise stated.

SEK millions	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	1910-2009 12 months	Q1-Q4 2019
Operating profit	77	56	213	188	268	243
Depreciation/amortization and write-downs	25	25	90	67	113	90
<b>EBITDA</b>	<b>102</b>	<b>82</b>	<b>302</b>	<b>255</b>	<b>381</b>	<b>334</b>

This is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish original, the latter shall prevail.



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## Our vision

**“In a world where all devices are intelligent and networked... HMS is the leader in making industrial devices and systems communicate – for a more productive and sustainable world.”**

## Our mission

**“We drive innovation in collaboration with partners and customers creating leading technologies, products and solutions bringing value to real-world challenges”.**

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