

hms networks

Year-end report 2021
January - December

Fourth quarter

- Net sales for the fourth quarter reached SEK 571 m (405), corresponding to an increase of 41%. Currency translations had a negative effect of SEK 7 m on net sales
- Order intake was SEK 699 m (408), corresponding to an increase of 71%
- Operating profit reached SEK 109 m (75), equal to a 19.2% (18.5) operating margin
- Profit after taxes totalled SEK 86 m (57) and earnings per share was SEK 1.85 (1.21)
- Cash flow from operating activities amounted to SEK 104 m (83)
- HMS acquired minority shares in Connectitude AB

Yearly

- Net sales for the year reached SEK 1,972 m (1,467), corresponding to a 34% increase. Currency translations had a negative effect of SEK 75 m on net sales
- Order intake was SEK 2,538 m (1,447), corresponding to an increase of 75%
- Operating profit was SEK 446 m (288), equal to a 22.6% (19.6) operating margin
- Profit after taxes totalled SEK 362 m (220) and earnings per share was SEK 7.61 (4.79)
- Cash flow from operating activities amounted to SEK 508 m (370)
- HMS acquired 60% of the shares in Owasys Advanced Wireless Devices S.L.
- The Board of Directors propose a dividend to the amount of SEK 3.00 (2.00) per share

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.

”*It is gratifying to be able to sum up a record year for HMS with sales that reach almost SEK 2 billion and an operating margin that well exceeds our long-term goals. 2021 has given us a good start in the journey towards our goals for 2025.*



Staffan Dahlström, CEO,
HMS Networks AB



Comment from the CEO

A strong finish to the record year 2021

The strong market demand from previous quarters continued in the fourth quarter. Furthermore, we had a temporary improvement during the quarter in the availability of semiconductor components that increased our delivery capacity. In total, this resulted in a new quarterly record with an order intake of SEK 699 million, and sales of SEK 571 million, which corresponds to an increase of 71% in order intake and 41% in sales compared to the same quarter last year. Operating profit ends up at SEK 109 million, which is an increase of 46%.

We can thus close a fantastic 2021 with impressive annual figures. An order intake of SEK 2,538 million, corresponding to a growth of 75% and a record turnover of SEK 1,972 million, an increase of 34% of which 26% is organic growth. Our operating profit reaches a new record level of SEK 446 million, which corresponds to a growth of 55% compared to the previous year. Notable is also our strong cash flow during the year, which amounts to SEK 508 million, an increase of 38% compared to the previous year.

A strong cash flow and a strong balance sheet create good conditions for future investments, both organically and through acquisitions.

Good growth in all of our geographic markets

All of our geographic markets continue to show good growth in both order intake and sales, primarily driven by increasing investments in automation, digitization, energy efficiency and remote monitoring of industrial machines. Apart from increased productivity in industrial applications, we also see an increased focus on sustainability as an underlying reason for the high investment rate.

We see the largest increase in Continental Europe, which has more than doubled its organic order intake in the quarter. Just like previous quarters, it is a combination of high investments pace and compensation for longer lead times and component uncertainty that is behind the development. We can see that the markets in Continental Europe that had the toughest 2020 have shown the strongest recovery in 2021.

Continued great uncertainty regarding semiconductors

There is still a great deal of uncertainty and problems regarding the supply of various semiconductor components, especially processors. During the quarter, we succeeded in solving several of our challenges in the short term and therefore managed to deliver better volumes than expected. For the coming quarters, we see a continued shortage of components and we believe that our delivery capacity will remain volatile.

As in the third quarter, we see an impact on our gross margin as an effect of cost increases on components and a continued need for component supply in the spot market. The gross margin ended at 60.8% (61.6).

During the second half of 2021, we made price increases that mostly will have effect at the turn of the year 2021/2022. We have chosen not to change already confirmed orders, which means that we believe in a gradual improvement in the gross margin as our price increases take effect in 2022.

Order book strengthened by pre-order

The strong market situation in combination with longer lead times

and the previous-mentioned challenges in component supply leads to customers continuing to place orders further into the future. We continue to build an order book which now amounts to SEK 864 million, strengthened by an estimated SEK 200 million from pre-orders in the quarter. We see this as a direct consequence of the current supply chain situation, which does not reflect underlying demand. Of this year's order intake, we estimate that approximately SEK 500 million are orders placed in advance due to the supply chain constraints in the market.

Stable inflow of new Design Wins

Despite the fact that many of our customers have been forced to work on modifying their existing products in order to be able to deliver and thus in the short term reduced their focus on new development, interest in HMS solutions has remained high. For those of our products sold according to our Design-Win business model, approximately 43% of HMS sales, we can see a continued stable flow of new customers in 2021. In total, we received 174 (165) new Design-Wins during the year, and that the total number of active Design Wins now amounts to 1,790 (1,820). Of these, 1,447 (1,418) are in production, while 343 (402) are expected to go into production in the coming years.

Acquisitions and strategic collaborations

Spanish Owasys, which HMS acquired 60% of on July 1, has developed well and several technology and marketing projects have already been started together with HMS.

During the quarter, we acquired a minority of Swedish Connectitude AB, and we have started collaborative projects using Connectitude's software together with our Ewon offering. This type of minority investment is a way for us to create new long-term collaborations, commercially and technically, in areas we deem interesting.

Continued positive market situation with short-term variations in delivery capacity

Overall, we continue to see a positive attitude among our customers. Despite the ongoing pandemic and geopolitical uncertainty, our customers' interest and need for industrial communication continues to be great and many of our core industries are developing strongly.

We consider the outlook for 2022 to be good, we are entering the year with a strong order book and good speed in our key markets. In the short term, our sales will continue to be strongly dependent on the availability of components. We estimate that our delivery capacity will be volatile, especially during the first half of the year.

The situation on the component market is still uncertain and temporary setbacks cannot be ruled out. We have a good dialogue with our customers, who understand the situation that has affected the entire industry and we see the risk of lost business as small. 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 ICT (Information & Communication Technology) will be an interesting area, both in terms of organic growth and acquisitions.

+71%

Order intake

Q4

+41%

Net sales

Q4

19%

Operating margin

Q4

Order intake, net sales and earnings

Fourth quarter

Order intake increased during the fourth quarter by 71% to SEK 699 m (408), of which currency translations amounted to SEK 7 m (-17). The organic increase in order intake was 65%.

Net sales increased by 41% to SEK 571 m (405), of which currency translation effects were SEK -7 m (-10). The organic increase in net sales was 37%.

Gross profit reached SEK 347 m (250), corresponding to a gross margin of 60.8% (61.6). Operating expenses amounted to SEK 238 m (175). The organic increase in operating expenses was 36%, corresponding to SEK 63 m, mostly related to increased marketing initiatives.

Operating profit before depreciation/amortization and write-downs amounted to SEK 133 m (99), corresponding to a margin of 23.4% (24.3). Depreciations/amortizations and write-downs amounted to SEK 24 m (24). Operating profit amounted to SEK 109 m (75), corresponding to a margin of 19.2% (18.5). Currency translations affected the Group's operating profit by SEK -4 m (-6).

Net financials were SEK 5 m (-5), which gave a profit before tax of SEK 114 m (70).

Profit after tax amounted to SEK 86 m (57) and earnings per share before and after dilution was SEK 1.85 (1.21) and SEK 1.84 (1.20) respectively.

Yearly

Order intake increased by 75% to SEK 2,538 m (1,447), of which currency translations affected by SEK -83 m (-17). The organic increase in order intake was 66%.

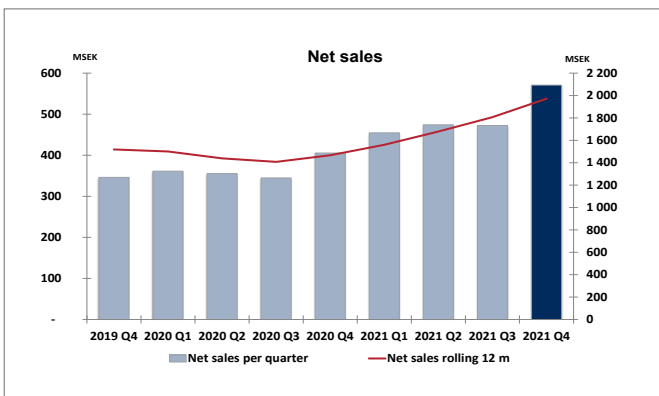
Net sales increased by 34% to SEK 1,972 m (1,467), of which currency translation effects were SEK -75 m (-19). The organic increase in net sales was 26%.

Gross profit reached SEK 1,230 m (909), corresponding to a gross margin of 62.4% (62.0). Operating expenses amounted to SEK 787 m (633). The organic increase in operating expenses was 19%, corresponding to SEK 120 m.

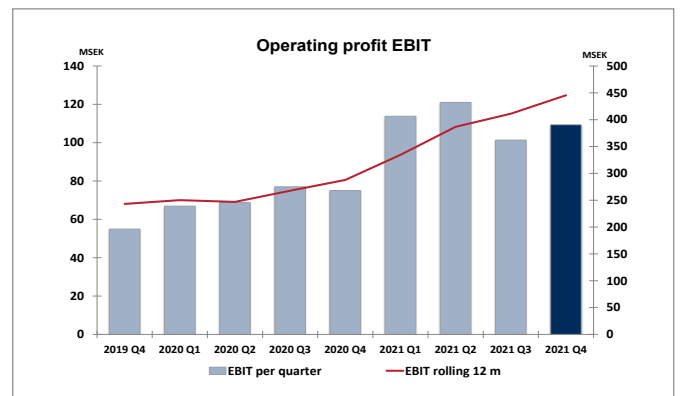
Operating profit before depreciation/amortization and write-downs amounted to SEK 548 m (401), corresponding to a margin of 27.8% (27.4). Depreciations/amortizations and write-downs amounted to SEK 102 m (113). Operating profit amounted to SEK 446 m (288), corresponding to a margin of 22.6% (19.6). Currency translations affected the Group's operating profit by SEK -31 m (-8).

Net financials were SEK 3 m (-14), which gave a profit before tax of SEK 448 m (274).

Profit after tax amounted to SEK 362 m (220) and earnings per share before and after dilution was SEK 7.61 (4.79) and SEK 7.57 (4.77) respectively.



The graph shows net sales per quarter on the bars referring to the scale on the left axis. The line shows net sales 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 | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| Order intake (SEK m) | 699 | 669 | 606 | 565 | 408 | 336 | 302 | 401 |
| Net sales (SEK m) | 571 | 472 | 474 | 455 | 405 | 345 | 355 | 361 |
| Gross margin (%) | 60.8 | 61.4 | 63.7 | 64.0 | 61.6 | 61.9 | 62.0 | 62.4 |
| EBITDA (SEK m) | 133 | 126 | 147 | 141 | 99 | 102 | 111 | 90 |
| EBITDA (%) | 23.4 | 26.6 | 31.1 | 31.0 | 24.3 | 29.4 | 31.2 | 25.0 |
| EBIT (SEK m) | 109 | 101 | 121 | 114 | 75 | 77 | 69 | 67 |
| EBIT (%) | 19.2 | 21.5 | 25.5 | 25.0 | 18.5 | 22.3 | 19.4 | 18.5 |
| Cash flow from operating activities per share (SEK) | 2.22 | 3.16 | 2.69 | 2.83 | 1.79 | 2.49 | 2.47 | 1.18 |
| Earnings per share before dilution (SEK) ¹ | 1.85 | 1.81 | 2.02 | 1.93 | 1.21 | 1.33 | 1.24 | 1.01 |
| Earnings per share after dilution (SEK) ¹ | 1.84 | 1.80 | 2.01 | 1.92 | 1.20 | 1.32 | 1.24 | 1.01 |
| Equity per share (SEK) | 24.32 | 25.67 | 27.98 | 27.08 | 25.75 | 24.62 | 23.60 | 22.49 |

¹ Attributed to parent company shareholders.

Cash flow, investments and financial position

Fourth quarter

Cash flow from operating activities before changes in working capital amounted to SEK 127 m (79) for the fourth quarter of the year. Changes in working capital were SEK -24 m (5), which mainly corresponds to increased account receivables. Cash flow from operating activities was thereby SEK 104 m (83).

Cash flow from investing activities was SEK -24 m (-51), which corresponds to acquisition of associated companies/subsidiaries of SEK -15 m (-40) and investments in intangible and tangible assets of SEK -11 m (-11).

Cash flow from financing activities was SEK -11 m (-121) which is mainly explained by amortizations of lease liabilities of SEK -9 m (-9). The Group's bank loans are very low and no changes has been done during the quarter (-111). This means that cash flow for the quarter was SEK 69 m (-88).

Yearly

Cash flow from operating activities before changes in working capital amounted to SEK 536 m (357). Changes in working capital were SEK -28 m (13) which mainly corresponds to increased account receivables. Cash flow from operating activities was thereby SEK 508 m (370).

Cash flow from investing activities was SEK -100 m (-88), which corresponds to acquisition of subsidiary of SEK -45 m (-40). Moreover, investments in intangible and tangible assets were made by SEK -39 m (-48) and investments in financial assets by SEK -17 m whereof SEK -15 m (-) corresponds to investment in associated company.

Cash flow from financing activities was SEK -321 m (-247), which is mainly explained by a decrease in external loans of SEK -174 m (-206) and disbursed dividend of SEK -93 m (-). Moreover, amortizations of lease liabilities claimed SEK -36 m (-35) and repurchase of own shares was made by SEK -19 m (-6). This means that cash flow for the period was SEK 87 m (36).

Cash and cash equivalents and net debt

Cash and cash equivalents amounted to SEK 172 m (82) and unused credit facilities to SEK 490 m (311). Net debt amounted to SEK 347 m (198) and mainly consists of a debt corresponding to the expected exercise price for the remaining shares of Procentec B.V. and Owasys S.L. in total SEK 391 m (-). See more information in Significant events. SEK 78 m (101) of net debt corresponds to lease liabilities.

Net debt to EBITDA ratio for the last twelve months was 0.63 (0.49). Net debt/Equity ratio was 30% (16) and Equity/Assets ratio was 53% (67).

During the year the financing agreement with the existing bank was extended with similar terms. The agreement concerns a three-year revolving credit facility of EUR 45 m.

The HMS Networks AB share

HMS Networks AB (publ) is listed on the Nasdaq OMX Stockholm Large 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 164,412 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).

Share savings program

The company has four ongoing share savings programs. Based on a decision by the Annual General Meetings, permanent employees are offered to save in HMS shares in an annual share savings 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 distribute a maximum of two HMS shares for every share saved by the employee, to the participant. As of December 31, 2021, the total number of saved shares amounted to 94,153 (118,252) within ongoing programs.

On December 31, 2020 the share savings program from 2017 was finalized. During the first quarter of 2021, 47,345 shares, of which 17,973 performance shares, were distributed free of charge to the participants. Shares used for the allocation were 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 year amounted to SEK 0 m (0). Dividend from subsidiaries amounted to SEK 423 m (29) and the profit after tax for the year was SEK 423 m (32). Cash and cash equivalents amounted to SEK 2 m (2) and 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 101 in Note 39 of the Annual Report for 2020.

Significant events

HMS enters into a strategic partnership with Connectitude

On December 8, 2021 HMS entered into a strategic partnership with Connectitude and acquired a minority position in the company. Connectitude offers a Software as a Service (SaaS) for industrial digitalization, that allows both machine builders and factory owners to co-operate and share valuable data insights from their production processes, in real-time. The investment is not expected to have any impact on the Group's earning per share in the coming years.

HMS acquires Owasys Advanced Wireless Devices S.L.

On July 1, 2021 HMS acquired 60% of the shares in the Spanish company Owasys Advanced Wireless Devices S.L. Owasys is a wireless communication company designing and manufacturing products for utility vehicles and industrial machines. The company has 20 employees and net sales of EUR 6.4 m in 2021.

The acquisition generated a SEK 144 m excess value in the Group. The acquired company is consolidated in the HMS Group account as of July 1, 2021. Since the acquisition, Owasys has contributed with SEK 34 m to the Group's net sales. The acquisition's contribution to operating profit, including amortization on acquired overvalue and acquisition costs, amounted to SEK 2 m.

HMS has a put/call-option related to the remaining 40% of the shares in Owasys, which is likely to be exercised. As a result of the option, HMS recognize the acquisition of the shares as if the company were wholly owned without minority and a liability corresponding to the discounted expected exercise price for the option. The liability for the remaining shares is valued at SEK 91 m.

According to preliminary acquisition analysis, the purchase price, acquired net assets and goodwill amount to:

| | SEK million |
|---------------------------|------------------------|
| Purchase sum: | |
| Cash and cash equivalents | 54 |
| Additional purchase price | 33 |
| Option liability | 91 |
| Total purchase sum | 178 |

| The assets and liabilities recognized in conjunction with the acquisition are as follows: | SEK million |
|--|------------------------|
| Intangible fixed assets | 31 |
| Tangible fixed assets | 0 |
| Deferred tax assets | 16 |
| Current assets | 24 |
| Cash and cash equivalents | 9 |
| Deferred tax liabilities | -4 |
| Non-current liabilities | -2 |
| Current liabilities | -16 |
| Total identifiable net assets | 58 |
| Goodwill* | 119 |
| Acquired net assets | 178 |

*Goodwill is attributable to the company's market position within wireless communication and expected synergies with existing operations. No part of the recognized goodwill is expected to be tax deductible.

Acquisition Procentec B.V.

On October 1, 2020 HMS acquired 70% of the shares in the Dutch company Procentec B.V. HMS has a put/call-option related to the remaining 30% of the shares in Procentec B.V. and during the third quarter, management has updated its assessment that the option is likely to be exercised. This means that HMS has recognized a liability corresponding to the discounted expected exercise price for the option, which amounts to SEK 299 m. As a result of the option, HMS recognize the acquisition of the shares as if the company were wholly owned without minority from the third quarter 2021.

The acquisition analysis from the acquisition of Procentec B.V. became definitive in the fourth quarter 2021, as one year has pas-

sed since the acquisition. Final acquisition analysis was presented in HMS' Annual Report 2020.

Significant estimates and judgements

Preliminary acquisition analyses based on as thorough estimates and judgements as possible are conducted at the time of acquisition. However, the analyses may need to be adjusted later on. All acquisition analyses are subject to final adjustments no later than 12 months after the acquisition date.

When there are obligations to acquire the remaining shares of a company, these are recognized as if they were wholly owned without a minority. Instead, a financial liability is recognized in the consolidated balance sheet, corresponding to the discounted expected exercise price for these options. The non-controlling interest attributable to the option is thus also eliminated. The difference between the liability for the option and the non-controlling interest to which the option is related is recognized directly against the majority's equity. The expected purchase price for the remaining ownership interest is recognized as a financial liability in accordance with IAS 32/IFRS 9. Any future changes in value are recognized in the consolidated income statement.

Subsequent events

HMS Networks AB was moved to the Nasdaq Large Cap list as of January 3, 2022.

There are no other events that are to be considered significant after the end of the period until the signing of this interim report.

Outlook

Demand is expected to continue at a high level and most of our customers have strong underlying business. This is expected to continue in the coming quarters. The global shortage of semiconductor components is still affecting the Group, which has resulted in increased component prices and longer delivery times for several products. There may be shifts in deliveries between quarters, but the Group does not assess that it will have any noticeable impact on lost business.

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

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 2020. In addition, no significant risks are considered to have arisen.

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 Menckel, Investment AB Latour, representing 26% of the shares, Staffan Dahlström representing 13% of the shares, Patrik Jönsson, SEB Fonder representing 9% of the shares, Tomas Risbecker, AMF Fonder representing 7% of the shares, and Charlotte Brogren, Chairman of the Board. The Nomination Committee has appointed Johan Menckel as its Chairman.

Audit review

This report has not been reviewed by the Company's auditors.

Accounting policies

HMS Group's 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 2020 Annual Report, with the exception of the supplements below.

The Group hedges part of the forecasted inflow in foreign currency and reports the realized cash flow hedges (currency futures) as net sales in the income statement. In 2020, these were reported separately as net sales (inflow), cost of goods sold (outflow) and selling expenses (outflow) in the income statement.

HMS acquisitions include deferred consideration and option liabilities, which constitute financial instruments that are reported at fair value through the income statement. Presented fair values for these items have been calculated by management based on a discounted cash flow model and are presented within level 3 in the value hierarchy. No transfers between levels have occurred during the period. Level 3 in the fair value hierarchy are instruments where significant input data is not based on observable market information. Regarding other financial instruments reported at amortized cost the carrying amount is deemed to constitute a reasonable approximation of fair value.

The Group's investments in associates are accounted for using the equity method of accounting. Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Other new or revised IFRS standards or other IFRIC-interpretations that came into effect after January 1, 2021 have not had any significant impact on the Group's financial reports as of December 31, 2021.

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 HMS

Strategies

GROWTH STRATEGY – HMS' growth strategies includes a combination of organic growth and 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 – HMS' 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 ICT (Information and Communication Technology) 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)

HMS also offers products and services for diagnostics, monitoring and troubleshooting of industrial networks via Procentec, software solutions for intuitive visualization of data from industrial applications through WEBfactory, as well as solutions for wireless communication in mobile industrial applications through Owasys.

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 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 16 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 technology into targeted solutions for each targeted customer group. With de-

vice 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' 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

- First quarter report will be published on April 14, 2022
- Annual General Meeting will be held on April 21, 2022
- Half-year report 2022 will be published on July 14, 2022
- Third quarter report will be published on October 19, 2022

Halmstad January 26, 2022

Staffan Dahlström
Chief Executive Officer

Further information can be obtained by:
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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 08.00 CET on January 26, 2022

Income statements

| SEK millions | Q4 2021 | Q4 2020 | Q1-Q4 2021 | Q1-Q4 2020 |
|--|------------|------------|---------------|---------------|
| Net sales | 571 | 405 | 1,972 | 1,467 |
| Cost of goods and services sold | -224 | -156 | -741 | -558 |
| GROSS PROFIT | 347 | 250 | 1,230 | 909 |
| Selling expenses | -117 | -87 | -372 | -312 |
| Administrative expenses | -53 | -37 | -174 | -123 |
| Research and development expenses | -64 | -49 | -235 | -180 |
| Other operating income ¹ | 1 | - | 2 | 12 |
| Other operating expenses ² | -4 | -1 | -6 | -18 |
| OPERATING PROFIT | 109 | 75 | 446 | 288 |
| Financial income and expenses | 5 | -5 | 3 | -14 |
| Results from associated companies | 0 | - | 0 | - |
| Profit before tax | 114 | 70 | 448 | 274 |
| Tax | -28 | -12 | -86 | -54 |
| PROFIT FOR THE PERIOD | 86 | 57 | 362 | 220 |
| Attributed to: | | | | |
| Parent company shareholders | 86 | 56 | 355 | 223 |
| Non-controlling interests | - | 1 | 8 | -3 |
| Earnings per share regarding profit attributed to parent company shareholders: | | | | |
| Before dilution (SEK) | 1.85 | 1.21 | 7.61 | 4.79 |
| After dilution (SEK) | 1.84 | 1.20 | 7.57 | 4.77 |

¹ Of other operating income for the full year 2020, SEK 10 m corresponds to reversal of additional purchase price related to WEBfactory GmbH.

² Of other operating expenses for the full year 2020, SEK -14 m corresponds to impairment of goodwill attributable to WEBfactory GmbH.

Statement of comprehensive income

| SEK millions | Q4 2021 | Q4 2020 | Q1-Q4 2021 | Q1-Q4 2020 |
|--|------------|------------|---------------|---------------|
| Profit for the period | 86 | 57 | 362 | 220 |
| Other comprehensive income: | | | | |
| Items that may be reclassified subsequently to income statement | | | | |
| Cash flow hedges | -5 | 16 | -28 | 18 |
| Hedging of net investments | 0 | 13 | -3 | 12 |
| Translation differences | 3 | -47 | 19 | -37 |
| Income tax relating to components of other comprehensive income | 1 | -6 | 6 | -6 |
| Other comprehensive income for the period, net of tax | -1 | -24 | -5 | -13 |
| Total comprehensive income for the period | 86 | 34 | 357 | 207 |
| Attributed to: | | | | |
| Parent company shareholders | 86 | 33 | 349 | 210 |
| Non-controlling interests | - | 1 | 8 | -3 |

Balance sheets

| SEK millions | Dec 31 2021 | Dec 31 2020 |
|--|--------------|--------------|
| ASSETS | | |
| Goodwill | 1,034 | 902 |
| Other intangible assets | 281 | 278 |
| Property, plant and equipment | 45 | 42 |
| Right-of-use assets | 81 | 102 |
| Deferred tax assets | 19 | 4 |
| Shares in associated companies | 15 | - |
| Other long-term receivables | 12 | 11 |
| Total fixed assets | 1,486 | 1,339 |
| Inventories | 195 | 158 |
| Accounts receivable - trade | 286 | 175 |
| Other current receivables | 63 | 73 |
| Cash and cash equivalents | 172 | 82 |
| Total current assets | 717 | 487 |
| TOTAL ASSETS | 2,203 | 1,826 |
| EQUITY AND LIABILITIES | | |
| Equity attributed to parent company shareholders | 1,177 | 1,204 |
| Non-controlling interests | - | 17 |
| Total Equity | 1,177 | 1,220 |
| Liabilities | | |
| Interest-bearing liabilities | 13 | 177 |
| Non interest-bearing liabilities ¹ | 418 | - |
| Lease liabilities | 50 | 68 |
| Deferred income tax liabilities | 84 | 80 |
| Total non-current liabilities | 564 | 326 |
| Interest-bearing liabilities | 4 | 1 |
| Non interest-bearing liabilities | 6 | - |
| Lease liabilities | 28 | 34 |
| Accounts payable - trade | 165 | 91 |
| Other current liabilities | 258 | 154 |
| Total current liabilities | 462 | 280 |
| TOTAL EQUITY AND LIABILITIES | 2,203 | 1,826 |

¹ SEK 391 m corresponds to the expected purchase price for the remaining shares in Procentec B.V. and Owasyss S.L.

Cash flow statements

| SEK millions | Q4 2021 | Q4 2020 | Q1-Q4 2021 | Q1-Q4 2020 |
|---|------------|------------|---------------|---------------|
| Cash flow from operating activities before changes in working capital | 127 | 79 | 536 | 357 |
| Cash flow from changes in working capital | -24 | 5 | -28 | 13 |
| Cash flow from operating activities | 104 | 83 | 508 | 370 |
| Cash flow from investing activities ¹ | -24 | -51 | -100 | -88 |
| Cash flow from financing activities | -11 | -121 | -321 | -247 |
| Cash flow for the period | 69 | -88 | 87 | 36 |
| Cash and cash equivalents at beginning of the period | 103 | 175 | 82 | 51 |
| Translation differences in cash and cash equivalents | 0 | -5 | 3 | -5 |
| Cash and cash equivalents at end of period | 172 | 82 | 172 | 82 |
| Interest-bearing and Non-interest-bearing liabilities ² | 519 | 279 | 519 | 279 |
| Net debt | 347 | 198 | 347 | 198 |

¹The acquisition of Procentec's impact on the Group's cash and cash equivalents, after deduction of Procentec's cash and cash equivalents, was SEK -27 m in Q4 2020. The acquisition of the remaining 25.1% of WEBfactory had an impact on the Group's cash and cash equivalents by SEK -13 m in Q4 2020.

The acquisition of Owasy's impact on the Group's cash and cash equivalents, after deduction of Owasy's cash and cash equivalents, was SEK -45 m in Q3 2021.

²Non-interest-bearing liabilities refers to additional purchase price and option liabilities related to Procentec and Owasy's from Q3 2021.

Equity

| Change in Group Equity, SEK millions | Dec 31 2021 | Dec 31 2020 |
|---|--------------|--------------|
| Opening balance at January 1 | 1,204 | 998 |
| Total comprehensive income for the period | 349 | 210 |
| Share-related payment | 9 | 6 |
| Repurchase of own shares | -19 | -6 |
| Dividend | -93 | - |
| Transactions with non-controlling interests ¹ | -273 | -6 |
| Closing balance attributed to parent company shareholders | 1,177 | 1,204 |
| Opening non-controlling interest at January 1 | 17 | 12 |
| Total comprehensive income for the period | 8 | -3 |
| Non-controlling interest arising from acquisition of subsidiaries | - | 16 |
| Transactions with non-controlling interests ¹ | -25 | -8 |
| Closing non-controlling interests | - | 17 |
| Closing balance | 1,177 | 1,220 |

¹HMS holds a put/call-option related to the remaining ownership interests in Procentec B.V. and Owasy's S.L., respectively, which is not held by the majority owner. The design of these options is such that it is considered likely that the option will be exercised. As a result, the acquisitions are reported at 100% and no holding of non-controlling interests are reported in the Group's equity. Previous non-controlling interest in Procentec B.V. has been adjusted in connection with this judgement and instead fair value of the option is recognized as a financial liability. The difference between the option's estimated fair value and the reported minority interest is recognized against the majority's equity.

Financial accounts

| | Q4 2021 | Q4 2020 | Q1-Q4 2021 | Q1-Q4 2020 |
|---|------------|------------|---------------|---------------|
| Net increase in net sales (%) | 40.8 | 17.1 | 34.4 | -3.4 |
| Gross margin (%) | 60.8 | 61.6 | 62.4 | 62.0 |
| EBITDA (SEK m) | 133 | 99 | 548 | 401 |
| EBITDA (%) | 23.4 | 24.3 | 27.8 | 27.4 |
| EBIT excl acquisition-related costs (SEK m) | 115 | 81 | 467 | 311 |
| EBIT excl acquisition-related costs (%) | 20.1 | 20.0 | 23.7 | 21.2 |
| EBIT (SEK m) | 109 | 75 | 446 | 288 |
| EBIT (%) | 19.2 | 18.5 | 22.6 | 19.6 |
| Return on capital employed (%) | - | - | 29.3 | 19.3 |
| Return on Shareholder's equity (%) | - | - | 29.1 | 19.9 |
| Working capital in relation to sales (%) | - | - | 6.8 | 10.5 |
| Capital turnover rate | - | - | 1.01 | 0.81 |
| Net debt/equity ratio | 0.30 | 0.16 | 0.30 | 0.16 |
| Equity/assets ratio (%) | 53.4 | 66.8 | 53.4 | 66.8 |
| Investments in tangible fixed assets (SEK m) | 4 | 2 | 15 | 6 |
| Investments in right-of-use assets (SEK m) | 2 | 17 | 9 | 24 |
| Investments in intangible fixed assets (SEK m) | 6 | 10 | 24 | 41 |
| Depreciation of tangible fixed assets (SEK m) | -3 | -3 | -13 | -13 |
| Depreciation of right-of-use assets (SEK m) | -8 | -9 | -33 | -34 |
| Amortization of intangible fixed assets (SEK m) | -12 | -11 | -47 | -48 |
| <i>of which amortization of overvalues acquired</i> | -5 | -5 | -20 | -18 |
| <i>of which amortization of capitalized development costs</i> | -7 | -6 | -27 | -29 |
| Impairment of intangible fixed assets (SEK m) | - | - | -9 | -19 |
| Number of employees (average) | 713 | 659 | 684 | 614 |
| Net sales per employees (SEK m) | 0.8 | 0.6 | 2.9 | 2.4 |
| Equity per share (SEK) | 24.32 | 25.75 | 26.15 | 24.07 |
| Cash flow from operations per share (SEK) | 2.22 | 1.79 | 10.90 | 7.93 |
| Total number of share average (thousands) | 46,819 | 46,819 | 46,819 | 46,819 |
| Holding of own shares average (thousands) | 161 | 155 | 158 | 165 |
| Total outstanding shares average (thousands) | 46,658 | 46,664 | 46,660 | 46,654 |

Quarterly data

| Division of net sales per brand SEK millions | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| Anybus | 249 | 220 | 231 | 214 | 191 | 184 | 212 | 211 |
| Ixxat | 51 | 53 | 41 | 47 | 42 | 43 | 40 | 43 |
| Ewon | 116 | 73 | 97 | 93 | 84 | 74 | 67 | 76 |
| Intesis | 34 | 34 | 34 | 31 | 33 | 33 | 27 | 21 |
| Other ¹ | 122 | 92 | 71 | 69 | 55 | 11 | 9 | 10 |
| Total | 571 | 472 | 474 | 455 | 405 | 345 | 355 | 361 |

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.

¹Net sales in "Other" includes Procentec from Q4 2020 and Owasys from Q3 2021.

| Net sales per region SEK millions | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| EMEA | 349 | 296 | 285 | 280 | 250 | 208 | 198 | 214 |
| Americas | 136 | 96 | 107 | 96 | 82 | 80 | 84 | 87 |
| APAC | 86 | 80 | 82 | 79 | 73 | 57 | 73 | 60 |
| Total | 571 | 472 | 474 | 455 | 405 | 345 | 355 | 361 |

| Income statement SEK millions | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net sales | 571 | 472 | 474 | 455 | 405 | 345 | 355 | 361 |
| Gross profit | 347 | 290 | 302 | 291 | 250 | 213 | 220 | 225 |
| <i>Gross margin (%)</i> | <i>60.8</i> | <i>61.4</i> | <i>63.7</i> | <i>64.0</i> | <i>61.6</i> | <i>61.9</i> | <i>62.0</i> | <i>62.4</i> |
| Operating profit | 109 | 101 | 121 | 114 | 75 | 77 | 69 | 67 |
| <i>Operating margin (%)</i> | <i>19.2</i> | <i>21.5</i> | <i>25.5</i> | <i>25.0</i> | <i>18.5</i> | <i>22.3</i> | <i>19.4</i> | <i>18.5</i> |
| Profit before tax | 114 | 102 | 117 | 115 | 70 | 73 | 69 | 63 |

Parent company's income statement

| SEK millions | Q4 2021 | Q4 2020 | Q1-Q4 2021 | Q1-Q4 2020 |
|---|------------|------------|---------------|---------------|
| Net sales | 10 | 3 | 21 | 16 |
| Gross profit | 10 | 3 | 21 | 16 |
| Administrative expenses | -10 | -4 | -21 | -16 |
| Operating profit | - | 0 | - | 0 |
| Profit from participations in subsidiaries | - | - | 423 | 29 |
| Interest income/ expenses and similar items | 0 | - | 0 | 4 |
| Profit before tax | 0 | 0 | 423 | 33 |
| Tax | 0 | -1 | 0 | -1 |
| Profit for the period | 0 | -1 | 423 | 32 |

Parent company's balance sheet

| SEK millions | Dec 31 2021 | Dec 31 2020 |
|-------------------------------------|-------------|-------------|
| ASSETS | | |
| Financial assets | 337 | 337 |
| Total financial assets | 337 | 337 |
| Receivables from Group companies | 309 | - |
| Other receivables | - | 1 |
| Cash and cash equivalents | 2 | 2 |
| Total current assets | 311 | 3 |
| TOTAL ASSETS | 648 | 340 |
| EQUITY AND LIABILITIES | | |
| Equity | 636 | 325 |
| Current liabilities | | |
| Accounts payable - trade | 0 | 1 |
| Liabilities to Group companies | - | 6 |
| Other current liabilities | 13 | 8 |
| Total current liabilities | 13 | 15 |
| TOTAL EQUITY AND LIABILITIES | 648 | 340 |

Definitions

AVERAGE NUMBER OF OUTSTANDING SHARES

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

CAPITAL EMPLOYED

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

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.

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.

EBIT

Operating income according to income statement.

EBIT EXCL ACQUISITION-RELATED COSTS

Operating income excluding amortization and impairment of acquired overvalues and goodwill as well as acquisition-related transaction costs.

EBITDA

Operating profit excluding depreciation, amortization and impairment 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.

EQUITY/ASSETS RATIO

Shareholders' equity in relation to total assets.

FINANCIAL ASSETS

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

NET DEBT

Long-and short-term interest-bearing financial liabilities, additional purchase price and option liability, reduced with financial interest-bearing assets and cash and cash equivalents.

NET DEBT/EQUITY RATIO

Net debt in relation to Shareholders' equity.

NUMBER OF OUTSTANDING SHARES

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

OPERATING MARGIN

Operating profit in relation to net sales.

ORGANIC CHANGE

Change in order intake, net sales and operating expenses excluding increase attributable to acquisitions, converted to the previous year's exchange rates and calculated as a percentage of the previous year's figures. Amounts from acquired companies are included in the calculation of organic change from the first turn of the month, which falls 12 months after the acquisition date.

RETURN ON CAPITAL EMPLOYED

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

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.

WORKING CAPITAL

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

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.

EBITDA

EBITDA is a measure of the underlying operational activities and an indicator of cash flow.

| SEK millions | Q4 2021 | Q4 2020 | Q1-Q4 2021 | Q1-Q4 2020 |
|--|------------|------------|---------------|---------------|
| Operating profit | 109 | 75 | 446 | 288 |
| Depreciation of tangible fixed assets (incl right-of-use assets) | 12 | 12 | 47 | 47 |
| Amortization of intangible fixed assets | 12 | 11 | 47 | 48 |
| Impairment of intangible fixed assets | - | - | 9 | 19 |
| EBITDA | 133 | 99 | 548 | 401 |
| Net sales | 571 | 405 | 1,972 | 1,467 |
| EBITDA (%) | 23.4 | 24.3 | 27.8 | 27.4 |

EBIT excl acquisition-related costs

EBIT before amortization and impairment of acquired overvalues and goodwill and transaction costs is a value that the company uses to describe how the operating activities develop and perform without the impact of acquisition-related costs.

| SEK millions | Q4 2021 | Q4 2020 | Q1-Q4 2021 | Q1-Q4 2020 |
|--|------------|------------|---------------|---------------|
| Operating profit | 109 | 75 | 446 | 288 |
| Amortization of acquired overvalues | 5 | 5 | 20 | 19 |
| Impairment of acquired goodwill | - | - | - | 14 |
| Reversal of additional consideration | - | - | - | -10 |
| Acquisition-related transaction costs | - | 1 | 1 | 1 |
| EBIT excl acquisition-related costs | 115 | 81 | 467 | 311 |
| Net sales | 571 | 405 | 1,972 | 1,467 |
| EBIT excl acquisition-related costs (%) | 20.1 | 20.0 | 23.7 | 21.2 |

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The HMS logo is centered on the page. It consists of the letters 'Hms' in a bold, dark blue, sans-serif font. Above and below the letters are two parallel red diagonal bars. A stream of orange binary code (0s and 1s) flows from the top right, passing through the logo, and continues downwards.

Hms

Our vision

To become the World's greatest industrial ICT company.
(ICT = Information & Communication Technology)

Our mission

We enable valuable data and insights from industrial equipment allowing our customers to increase productivity and sustainability.

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