

HMS Networks

Interim report 2023
January - June



Second quarter

- Net sales for the second quarter reached SEK 703 m (601), corresponding to an increase of 17%. Currency translations had a positive effect of SEK 39 m on net sales
- Order intake was SEK 703 m (815), corresponding to a decrease of 14%
- Operating profit reached SEK 150 m (143), equal to a 21.4% (23.7) operating margin
- Profit after tax totalled SEK 116 m (109). Earnings per share was SEK 2.48 (2.33)
- Cash flow from operating activities amounted to SEK 78 m (56)

First six months

- Net sales for the first six months reached SEK 1,476 m (1,118), corresponding to a 32% increase. Currency translations had a positive effect of SEK 80 m on net sales
- Order intake was SEK 1,384 m (1,671), corresponding to an decrease of 17%
- Operating profit reached SEK 362 m (282, adjusted operating profit previous year 255), equal to a 24.5% (25.2, adjusted 22.8) operating margin
- Profit after tax totalled SEK 288 m (221, adjusted profit after tax previous year 195). Earnings per share was SEK 6.18 (4.74, adjusted 4.17)
- Cash flow from operating activities amounted to SEK 233 m (136)

CEO comments

CONTINUED STABLE DEMAND

Although economic indicators point to a weaker market climate, we still have solid demand from our customers. Despite a normalization of delivery conditions and thus less inventory buildup at our customers, we still see the effects of the disruptions in the global supply chain for electronic components from the past two years.

The order intake for the quarter amounts to SEK 703 million (815), corresponding to an organic decrease of 17%. We estimate that the quarter's order intake is negatively affected by approximately SEK 30 million as our customers reduce their inventory levels, in contrast to the same quarter last year when we had boost orders of SEK 150 million. The continued weak development of the Swedish krona positively affects the order intake through currency conversion of our order book, with SEK 35 million. Adjusted for these different effects, we assess that underlying demand is stable on similar levels as a year ago.

The quarter's revenue amounted to SEK 703 million (601), which corresponds to an organic growth of 10% compared to the same period last year. In May, we initiated the rollout of a new ERP (Enterprise Resource Planning) system, which resulted in temporarily lower delivery capacity for a few weeks, thereby affecting the quarter's revenue by approximately SEK 40 million. We expect to recover this amount in the second half of the year. Since a few weeks ago, we have returned to a satisfactory delivery capacity. The order backlog remains unchanged at SEK 1.3 billion. Adjusted for currency effects, we see a book-to-bill ratio of 0.94.

Our balance sheet remains strong with an interest-bearing net debt of SEK 93 million.

STRONG GROSS MARGIN

We continue to see a favorable development of our gross margin, which amounts to 64.7% (62.2), driven by a combination of a favorable currency situation and implemented price adjustments. Our operating costs increased to SEK 305 million (231), corresponding to an organic increase of 25%.

During the quarter, we achieve an operating result of SEK 150 million (143), corresponding to an operating margin of 21.4% (23.7). The result has been negatively affected due to postponed sales and roll-out cost related to the launch of the new ERP system and from higher costs for continued expansion.

The quarter's cash flow amounts to SEK 79 million (56), which is impacted by the buildup of working capital related to our inventory. Currency effects and slightly lower sales than planned also affect the inventory buildup.

CONTINUED STRONG ORDER INTAKE IN EUROPE

Central Europe, which is our most important market, is performing well, and although we cannot match last year's order intake, we see an improvement from the first quarter of this year. We get mixed signals from the automotive industry, with continued investments in manufacturing of electrified vehicles but weakened exports to China. Our business within Building automation continues to show strong growth.

In Japan, we see a mixed picture where some of our customers are reducing their inventories, while some major customers still place long-term orders. In China, we face a weak market where many customers are cautious and reduce their inventories, due to high expectations for China's growth, currently not being met.

In North America, we see continued good sales but a certain effect of customers' inventory adjustments that impacts the order intake negatively.

STRENGTHENING THE ORGANIZATION

In May, we went live with the roll out of a new ERP system with the goal of building a platform for future expansion and improving our internal efficiency. The most complex parts have now been implemented with good results, even though we experienced lower delivery capacity for a few weeks. We will continue the rollout of the new ERP system to our sales companies during the rest of this year and the following year.

During June and July, we have also recruited a Chief Operating Officer and a Chief Human Resources Officer. These two new roles will be important in further developing our organization for continued growth. Both will start after the summer.

OUTLOOK

The outlook has not changed significantly since the beginning of the year. We see a certain inventory adjustment from customers, which we believe will continue in a balanced pace in the coming quarters. With a continued strong order backlog of SEK 1.3 billion, we are in a good position to continue the solid sales growth during 2023.

Customers' willingness to invest in digitization, productivity improvements and sustainability is high and the underlying demand is still considered to be good, even if there are some concerns linked to how the industry will be affected by weaker consumer purchasing power, increasing energy costs and the complicated macro political situation.

We continue to work with a focus on long-term growth based on a balanced view of our costs. In the long term, we also believe that the market for Industrial ICT (Information & Communication Technology) will be an interesting area, both in terms of organic growth and acquisitions.



Monika Liljenqvist, Project Manager Business Support, and Magnus Hansson, Product owner ERP shows the latest status of the new ERP for CEO Staffan Dahlström

-14%

Order intake
Q2

+17%

Net sales
Q2

21%

Operating margin
Q2

Order intake, net sales and earnings

SECOND QUARTER

Order intake decreased by 14% to SEK 703 m (815), of which currency translations amounted to SEK 19 m (85). The organic decrease in order intake was 17%.

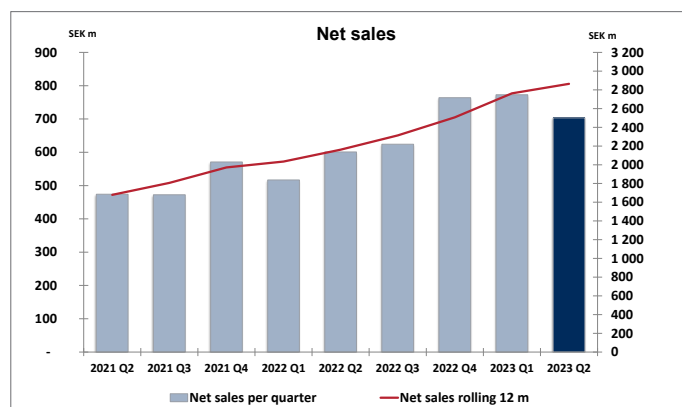
Net sales increased by 17% to SEK 703 m (601), of which currency translation effects were SEK 39 m (30). The organic increase in net sales was 10%.

Gross profit reached SEK 455 m (374), corresponding to a gross margin of 64.7% (62.2). Operating expenses amounted to SEK 305 m (231). The organic increase in operating expenses was 25%, corresponding to SEK 57 m, mostly related to increased sales and marketing initiatives and costs related to IT and change of ERP system.

Operating profit before depreciation/amortization and write-downs amounted to SEK 180 m (167), corresponding to a margin of 25.6% (27.7). Depreciations/amortizations and write-downs amounted to SEK 30 m (24). Operating profit amounted to SEK 150 m (143), corresponding to a margin of 21.4% (23.7). Currency translations affected the Group's operating profit by SEK 5 m (9).

Net financials were SEK -7 m (-3), which resulted in a profit before tax of SEK 143 m (140).

Profit after tax amounted to SEK 116 m (109) and earnings per share before and after dilution was SEK 2.48 (2.33) and SEK 2.47 (2.33) 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.

FIRST SIX MONTHS

Order intake decreased by 17% to SEK 1,384 m (1,671), of which currency translations amounted to SEK 12 m (112). The organic decrease in order intake was 18%.

Net sales increased by 32% to SEK 1,476 m (1,118), of which currency translation effects were SEK 80 m (51). The organic increase in net sales was 24%.

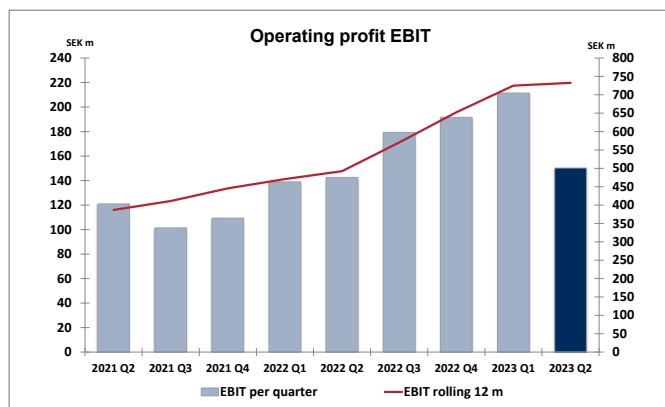
Gross profit reached SEK 956 m (694), corresponding to a gross margin of 64.7% (62.0). Operating expenses amounted to SEK 594 m (439). The organic increase in operating expenses was 29%, corresponding to SEK 126 m, mostly related to increased sales and marketing initiatives and costs related to IT and change of ERP system.

Operating profit before depreciation/amortization and write-downs amounted to SEK 421 m (332), corresponding to a margin of 28.5% (29.7). Depreciations/amortizations and write-downs amounted to SEK 60 m (50). Operating profit amounted to SEK 362 m (282), corresponding to a margin of 24.5% (25.2). Currency translations affected the Group's operating profit by SEK 17 m (15).

Included in the operating profit, in the previous year, was a positive effect of SEK 27 m, related to the revaluation of option debt for Procentec. Adjusted operating profit for the previous year amounted to SEK 255 m, corresponding to a margin of 22.8%.

Net financials were SEK -6 m (-6), which resulted in a profit before tax of SEK 356 m (275).

Profit after tax amounted to SEK 288 m (221) and earnings per share before and after dilution was SEK 6.18 (4.74) and SEK 6.16 (4.73) respectively. Adjusted profit after tax for the previous year amounted to SEK 195 m and adjusted earnings per share was SEK 4.17.



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	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Order intake (SEK m)	703	682	718	675	815	857	699	669
Net sales (SEK m)	703	773	764	624	601	517	571	472
Gross margin (%)	64.7	64.8	63.6	63.6	62.2	61.8	60.8	61.4
EBITDA (SEK m)	180	241	225	204	167	165	133	126
EBITDA (%)	25.6	31.2	29.4	32.7	27.7	31.9	23.4	26.6
EBIT (SEK m)	150	211	192	179	143	139	109	101
EBIT (%)	21.4	27.4	25.1	28.7	23.7	26.9	19.2	21.5
Cash flow from operating activities per share (SEK)	1.67	3.32	3.80	2.52	1.21	1.71	2.22	3.16
Earnings per share before dilution (SEK) ¹	2.48	3.70	3.25	2.90	2.33	2.41	1.85	1.81
Earnings per share after dilution (SEK) ¹	2.47	3.69	3.24	2.89	2.33	2.40	1.84	1.80
Equity per share (SEK)	36.57	35.64	32.54	28.91	27.27	26.27	24.32	25.67

¹ Attributed to parent company shareholders

Cash flow, investments and financial position

SECOND QUARTER

Cash flow from operating activities before changes in working capital amounted to SEK 134 m (140) for the second quarter of the year. Changes in working capital were SEK-56 m (-84) which mainly corresponds to increased inventory to ensure a good delivery capacity. Cash flow from operating activities was thereby SEK 78 m (56).

Cash flow from investing activities was SEK-25 m (-280) which corresponds to investments in intangible and tangible assets of SEK -25 m (-14).

Cash flow from financing activities was SEK-142 m (101) which is mainly explained by disbursed dividend of SEK-187 m (-140). Changes in external loans amounts to SEK 61 m (250). Amortizations of lease liabilities was SEK-15 m (-9). This means that cash flow for the second quarter was SEK -89 m (-122).

FIRST SIX MONTHS

Cash flow from operating activities before changes in working capital amounted to SEK 359 m (270) for the first six months. Changes in working capital were SEK-126 m (-134) which mainly corresponds to increased inventory. Cash flow from operating activities was thereby SEK 233 m (136).

Cash flow from investing activities was SEK-102 m (-291) of which SEK -48 m (-266) corresponds to investments in subsidiaries. Investments in intangible and tangible assets has been made of SEK-50 m (-24). A main part corresponds to new ERP system within the Group. Changes in financial fixed assets was SEK-3 m (-1).

Cash flow from financing activities was SEK-209 m (58) which is mainly explained by disbursed dividend of SEK-187 m (-140). Changes in external loans amounts to SEK 18 m (251). Repurchase of own shares has been made of SEK-13 m (-34). Amortizations of lease liabilities was SEK-28 m (-18). This means that cash flow for the first six months was SEK -79 m (-97).

Cash and cash equivalents and net debt

Cash and cash equivalents amounted to SEK 66 m (76) and unused credit facilities to SEK 430 m (244). Net debt amounted to SEK 540 m (410) and mainly consists of lease liabilities of SEK 294 m (80). Net debt also consists of external loans of SEK 138 m (267) and a debt corresponding to expected exercise price on option, in total SEK 132 m (95).

Net debt to EBITDA ratio for the last twelve months was 0.63 (0.69). Net debt/Equity ratio was 32% (32) and Equity/Assets ratio was 57% (55).

The HMS Networks AB share

HMS Networks AB (publ) is listed on the Nasdaq OMX Stockholm Large Cap list, in the sector Telecommunications. By the end of the period the total number of shares amounted to 46,818,868 of which 162,880 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).

Annual General Meeting

At the AGM on April 25, 2023 it was resolved that the Board members Charlotte Brogren, Niklas Edling, Fredrik Hansson, Anna Kleine, Anders Mörck and Cecilia Wachtmeister.

Other decisions from the Annual General Meeting;

- The dividend was decided to SEK 4.00 per share, corresponding to SEK 187 m, excluding shares held by the Company.
- Decision to authorise the Board to resolve on new share issues of maximum 2,340,943 shares for the purpose of financing or carrying out company acquisitions with own shares.
- Decision to introduce a performance-based share savings program, Share savings program 2024-2027 aimed at all employees, covering up to 70,000 shares and authorizing the Board to acquire and transfer the corresponding number of shares.

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 56% of the employees opted to participate in the respective program. If certain criteria are met the company is committed to distribute a maximum of two HMS performance shares for every share saved by the employee, to the participant. As of June 30, 2023, the total number of saved shares amounted to 62,566 (67,920) within ongoing programs.

On December 31, 2022 the share savings program from 2019 was finalized. During the first quarter of 2023, 46,440 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 amounted to SEK 0 m (0). Dividends from subsidiaries amounted to SEK 400 m (229). The profit after tax for the first six months was SEK 400 m (232). Cash and cash equivalents amounted to SEK 2 m (3) 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 93 in Note 37 of the Annual Report for 2022.

Significant events

During the quarter, a Chief Operating Officer (COO) was recruited, a role that will expand the group management and further strengthen HMS in the growth journey. The role involves overall responsibility for the HMS supply chain, IT and sustainability.

Subsequent events

After the quarter, a Chief Human Resources Officer (CHRO) was recruited, a role that will further expand the group management. The role will be important for HMS for continued international expansion and corporate culture.

Outlook

The outlook has not changed significantly since the beginning of the year. HMS sees a certain inventory adjustment from customers, which most likely will continue in a balanced pace in the coming quarters. With a continued strong order backlog, HMS is in a good position to continue the solid sales growth during 2023.

Customers' willingness to invest in digitization, productivity improvements and sustainability is high and the underlying demand is still considered to be good, even if there are some concerns linked to how the industry will be affected by weaker consumer purchasing power, increasing energy costs and the complicated micro political situation.

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 2022. In addition, no significant risks are considered to have arisen.

Audit review

This interim 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 2022 Annual Report, with exception of the below addendum.

HMS holds option liabilities for acquisitions which have previously been assessed as financial instruments reported at fair value through profit and loss. As of January 1, 2023, such put options are reported at the present value of expected future cash outflow to settle the put option. Changes in this valuation are reported directly in equity.

Put options issued to owners with a minority interest are related to agreements that give the minority owner the right to sell the holding in the company to HMS at a future time when the option can be redeemed. The amount to be paid if the option expires is recorded at the present value of future settlement as a financial liability. Thus, HMS reports no minority interest within the framework of equity. Instead, the debt is revalued on an ongoing basis using the group's best assessment of the expected outcome and changes are reported directly against equity.

Other new or revised IFRS standards or other IFRIC-interpretations that came into effect after January 1, 2023 have not had any significant impact on the Group's financial reports as of June 30, 2023.

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

HMS in short

STRATEGIES

GROWTH STRATEGY – HMS' growth strategy is a combination of organic growth and acquisitions. Expansion in existing markets is done through a continuously improved and expanded product offering. 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 centres within HMS are using core HMS technology.

PRODUCT STRATEGY – HMS offers solutions for industrial ICT (Information and Communication Technology) under the brands Anybus®, Ewon®, Ixxat® and Intesis®.

- Anybus – connecting automation products and machines to industrial networks and IIoT applications, through embedded network cards, gateways and wireless solutions. Also industrial network diagnostics
- 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 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 17 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 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' solutions are integrated into the customer's application, ensuring long-term revenue. 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

- Third quarter report will be published on October 18, 2023
- Year-end report 2023 will be published on January 26, 2024
- First quarter report will be published on April 16, 2024
- Annual General Meeting will be held on April 23, 2024

Conference call

JULY 14, 2023 (09.00 CET)

President and CEO Staffan Dahlström and CFO Joakim Nideborn present the second quarter report 2023.

For link to the webcast, go to:

<https://www.hms-networks.com/sv/aktieagare>

ASSURANCE

The Board of Directors and CEO assure that the interim report provides a true and fair overview of the parent company and the Group's operations, positions and earnings and describes the material risks and uncertainties faced by the parent company and the Group.

Halmstad July 14, 2023

Staffan Dahlström
Chief Executive Officer

Charlotte Brogren
Chairman of the Board

Niklas Edling
Board Member

Fredrik Hansson
Board Member

Anna Kleine
Board Member

Anders Mörck
Board Member

Cecilia Wachtmeister
Board Member

Mikael Mårtensson
Employee representative

Freddy Dahlberg
Employee representative

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 07.30 CET on July 14, 2023.

Consolidated income statement in summary

SEK millions	Q2 2023	Q2 2022	Q1-Q2 2023	Q1-Q2 2022	R12 2023	Q1-Q4 2022
Net sales	703	601	1,476	1,118	2,864	2,506
Cost of goods and services sold	-248	-227	-520	-424	-1,025	-930
Gross profit	455	374	956	694	1,839	1,577
Selling expenses	-145	-112	-280	-210	-528	-457
Administrative expenses	-76	-49	-147	-90	-270	-212
Research and development expenses	-78	-63	-158	-124	-295	-261
Other operating income ¹	-	-	-	27	7	34
Other operating expenses	-6	-8	-8	-16	-20	-27
Operating profit	150	143	362	282	733	653
Financial income and expenses	-7	-2	-5	-6	-27	-28
Results from associated companies	-1	0	-1	0	-1	-1
Profit before tax	143	140	356	275	704	623
Tax	-27	-31	-68	-54	-129	-116
Profit for the period	116	109	288	221	575	508
Earnings per share regarding profit attributed to parent company shareholders:						
Before dilution (SEK)	2.48	2.33	6.18	4.74	12.32	10.89
After dilution (SEK)	2.47	2.33	6.16	4.73	12.28	10.85

¹ During the first quarter 2022, the Group reports non-taxable operating income of SEK 27 m, regarding revaluation of option debt related to Procentec.

Consolidated statement of comprehensive income in summary

SEK millions	Q2 2023	Q2 2022	Q1-Q2 2023	Q1-Q2 2022	R12 2023	Q1-Q4 2022
Profit for the period	116	109	288	221	575	508
Other comprehensive income:						
Items that may be reclassified subsequently to income statement						
Cash flow hedges	-12	-10	-6	-7	-7	-8
Hedging of net investments	-5	-10	-6	-10	-13	-16
Translation differences	66	42	83	55	136	108
Income tax relating to components of other comprehensive income	3	4	2	3	4	5
Other comprehensive income for the period, net of tax	53	26	74	42	120	89
Total comprehensive income for the period attributed to parent company shareholders	168	135	362	263	695	597

Consolidated balance sheet in summary

SEK millions	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
ASSETS			
Goodwill	1,172	1,070	1,120
Other intangible assets	290	282	290
Property, plant and equipment	74	44	69
Right-of-use assets ²	298	82	164
Deferred tax assets	24	21	22
Shares in associated companies	13	14	14
Other long-term receivables	18	15	15
Total fixed assets	1,888	1,529	1,693
Inventories	489	274	362
Accounts receivable - trade	430	332	412
Other current receivables	123	102	119
Cash and cash equivalents	66	76	114
Total current assets	1,108	783	1,037
TOTAL ASSETS	2,996	2,312	2,730
EQUITY AND LIABILITIES			
Equity attributed to parent company shareholders	1,696	1,271	1,610
Total Equity	1,696	1,271	1,610
Liabilities			
Interest-bearing liabilities	122	281	114
Non interest-bearing liabilities ¹	138	124	113
Lease liabilities	236	47	118
Deferred income tax liabilities	76	77	89
Total non-current liabilities	572	530	434
Interest-bearing liabilities	29	1	36
Non interest-bearing liabilities	22	1	21
Lease liabilities	58	33	42
Accounts payable - trade	267	187	243
Other current liabilities	353	291	343
Total current liabilities	729	512	686
TOTAL EQUITY AND LIABILITIES	2,996	2,312	2,730

¹December 31, 2022, SEK 98 m is referred to the expected exercise price of options related to the remaining shares in Owasy S.L. On December 31, 2023, the item refers to exercise price of a new option for Owasy of SEK 132 m.

²Increased Right-of-use assets and lease liabilities during 2023 refers to renegotiated rental agreement in Germany, Belgium and Italy. Increased Right-of-use assets during 2022 refers to renegotiated rental agreement in Sweden.

Consolidated cash flow statement in summary

SEK millions	Q2 2023	Q2 2022	Q1-Q2 2023	Q1-Q2 2022	R12 2023	Q1-Q4 2022
Cash flow from operating activities before changes in working capital	134	140	359	270	736	647
Cash flow from changes in working capital	-56	-84	-126	-134	-209	-216
Cash flow from operating activities	78	56	233	136	528	431
Cash flow from investing activities ¹	-25	-280	-102	-291	-177	-366
Cash flow from financing activities	-142	101	-209	58	-366	-99
Cash flow for the period	-89	-122	-79	-97	-15	-34
Cash and cash equivalents at beginning of the period	157	197	144	172	76	172
Translation differences in cash and cash equivalents	-2	1	0	1	5	6
Cash and cash equivalents at end of period	66	76	66	76	66	144
Interest-bearing and Non-interest-bearing liabilities ²	605	486	605	486	605	444
Net debt	540	409	540	409	540	300

¹ The acquisition of the remaining shares in Procentec's impact on the Group's cash and cash equivalents was SEK -266 m in Q2, 2022.

² Non-interest-bearing liabilities refers to additional purchase price and option debt related to Owasys.

Consolidated changes of Equity in summary

SEK millions	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Opening balance at January 1	1,610	1,177	1,177
Total comprehensive income for the period	362	263	597
Share-related payment	6	4	10
Repurchase of own shares	-13	-34	-34
Put option ¹	-81	-	-
Dividend	-187	-140	-140
Closing balance attributed to parent company shareholders	1,696	1,271	1,610

¹ HMS holds an option liability for acquisitions which have previously been measured as financial instruments reported at fair value through profit or loss. As of January 1, 2023, such put options are reported at the present value of expected future cash outflow to settle the put option. Changes in this valuation are reported directly in the equity.

Key ratios

	Q2 2023	Q2 2022	Q1-Q2 2023	Q1-Q2 2022	R12 2023	Q1-Q4 2022
Net increase in net sales (%)	17.0	26.8	32.0	20.4	32.5	27.1
Gross margin (%)	64.7	62.2	64.7	62.0	64.2	62.9
EBITDA (SEK m)	180	167	421	332	850	760
EBITDA (%)	25.6	27.7	28.5	29.7	29.7	30.3
EBIT excl acquisition-related costs (SEK m)	154	149	370	293	753	675
EBIT excl acquisition-related costs (%)	21.9	24.8	25.1	26.2	26.3	26.9
EBIT (SEK m)	150	143	362	282	733	653
EBIT (%)	21.4	23.7	24.5	25.2	25.6	26.0
Return on capital employed (%)	-	-	-	-	36.0	35.7
Return on shareholder's equity (%)	-	-	-	-	37.2	37.6
Working capital in relation to sales (%)	-	-	-	-	11.1	8.7
Capital turnover rate	-	-	-	-	1.06	1.04
Net debt/equity ratio	0.32	0.32	0.32	0.32	0.32	0.19
Equity/assets ratio (%)	56.6	55.0	56.6	55.0	56.6	59.0
Investments in tangible fixed assets (SEK m)	20	4	35	5	64	34
Investments in right-of-use assets (SEK m) ¹	31	5	103	8	203	108
Investments in intangible fixed assets (SEK m)	5	10	15	19	45	49
Depreciation of tangible fixed assets (SEK m)	-4	-3	-8	-7	-15	-13
Depreciation of right-of-use assets (SEK m)	-14	-10	-26	-18	-48	-41
Amortization of intangible fixed assets (SEK m)	-12	-11	-25	-23	49	-47
<i>of which amortization of overvalues acquired</i>	-4	-5	-8	-11	-19	-22
<i>of which amortization of capitalized development costs</i>	-9	-6	-17	-12	-30	-25
Impairment of intangible fixed assets (SEK m)	-	-	0	-2	-5	-7
Number of employees (average)	792	725	675	650	761	726
Net sales per employees (SEK m)	0.9	0.8	2.2	1.7	3.8	3.5
Equity per share (SEK)	36.57	27.27	35.88	26.59	33.09	28.97
Cash flow from operations per share (SEK)	1.67	1.21	4.99	2.92	11.31	9.24
Total number of share average (thousands)	46,819	46,819	46,819	46,819	46,819	46,819
Holding of own shares average (thousands)	163	176	167	172	171	174
Total outstanding shares average (thousands)	46,656	46,643	46,652	46,647	46,648	46,645

¹ Increased Right-of-use assets during 2023 refers to renegotiated rental agreement in Germany, Belgium and Italy. Increased Right-of-use assets during 2022 refers to renegotiated rental agreement in Sweden.

Quarterly data

Division of net sales per brand SEK millions	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Anybus	381	440	431	364	326	305	332	279
Ixxat	78	62	60	61	67	46	51	53
Ewon	126	157	143	114	134	103	121	78
Intesis	64	56	49	39	49	41	34	34
Other ¹	54	59	81	45	25	22	33	29
Total	703	773	764	624	601	517	571	472

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 Owasy from Q3 2021. Previously, net sales regarding Proctentec has also been included in "Other" but due to the integration of Proctentec into the Anybus brand from 2023, earlier quarters has been updated for comparability.

Net sales per region SEK millions	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
EMEA	414	463	486	378	372	320	349	296
Americas	169	165	148	127	117	100	136	96
APAC	120	145	130	119	111	97	86	80
Total	703	773	764	624	601	517	571	472

Income statement SEK millions	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Net sales	703	773	764	624	601	517	571	472
Gross profit	455	501	486	397	374	319	347	290
<i>Gross margin (%)</i>	<i>64.7</i>	<i>64.8</i>	<i>63.6</i>	<i>63.6</i>	<i>62.2</i>	<i>61.8</i>	<i>60.8</i>	<i>61.4</i>
Operating profit	150	211	192	179	143	139	109	101
<i>Operating margin (%)</i>	<i>21.4</i>	<i>27.4</i>	<i>25.1</i>	<i>28.7</i>	<i>23.7</i>	<i>26.9</i>	<i>19.2</i>	<i>21.5</i>
Profit before tax	143	213	180	168	140	135	114	102

Parent company's income statement in summary

SEK millions	Q2 2023	Q2 2022	Q1-Q2 2023	Q1-Q2 2022	R12 2023	Q1-Q4 2022
Net sales	5	5	12	9	23	19
Gross profit	5	5	12	9	23	19
Administrative expenses	-6	-5	-12	-9	-23	-19
Operating profit	-1	0	0	0	0	-
Profit from participations in subsidiaries	400	229	400	229	400	229
Interest income/ expenses and similar items	0	2	0	2	7	9
Profit before tax	399	232	400	232	407	238
Tax	-	-	-	0	-2	-2
Profit for the period	399	232	400	232	405	236

Parent company's balance sheet in summary

SEK millions	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
ASSETS			
Financial assets	337	337	337
Total financial assets	337	337	337
Receivables from Group companies	567	358	371
Other receivables	2	3	0
Cash and cash equivalents	2	3	3
Total current assets	571	364	374
TOTAL ASSETS	908	701	711
EQUITY AND LIABILITIES			
Equity	898	693	698
Current liabilities			
Accounts payable - trade	0	0	0
Other current liabilities	10	8	12
Total current liabilities	10	8	13
TOTAL EQUITY AND LIABILITIES	908	701	711

Economic Definitions

ADJUSTED EARNINGS PER SHARE

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

ADJUSTED OPERATING MARGIN

Adjusted operating profit in relation to net sales.

ADJUSTED OPERATING PROFIT

Operating profit excluding significant non-recurring items such as revaluation of option debt.

ADJUSTED PROFIT AFTER TAX

Profit excluding significant non-recurring items such as revaluation of option debt and tax effects on these items.

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	Q2 2023	Q2 2022	Q1-Q2 2023	Q1-Q2 2022	R12 2023	Q1-Q4 2022
Operating profit	150	143	362	282	733	653
Depreciation of tangible fixed assets (incl right-of-use assets)	18	13	35	25	63	53
Amortization of intangible fixed assets	12	11	25	23	49	47
Impairment of intangible fixed assets	-	-	0	2	5	7
EBITDA	180	167	421	332	850	760
Net sales	703	601	1,476	1,118	2,864	2,506
EBITDA (%)	25.6	27.7	28.5	29.7	29.7	30.3

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	Q2 2023	Q2 2022	Q1-Q2 2023	Q1-Q2 2022	R12 2023	Q1-Q4 2022
Operating profit	150	143	362	282	733	653
Amortization of acquired overvalues	4	5	8	11	19	22
Acquisition-related transaction costs	-	-	0	-	1	1
EBIT excl acquisition-related costs	154	148	370	292	753	675
Net sales	703	601	1,476	1,118	2,864	2,506
EBIT excl acquisition-related costs (%)	21.9	24.6	25.1	26.2	26.3	26.9

HMS Networks AB (publ) is a market-leading provider of solutions in industrial information and communication technology (Industrial ICT). HMS develops and manufactures products under the Anybus®, Ixat®, Ewon® and Intesis® brands. Development takes place at the headquarter in Halmstad and also in Ravensburg, Nivelles, Igualada, Wetzlar, Buchen, Delft, Sibiu, Rotterdam and Bilbao. Local sales and support are handled by branch offices in Germany, USA, Japan, China, Singapore, Italy, France, Spain, the Netherlands, India, UK, Sweden, South Korea, Australia, UAE and Vietnam, as well as through a worldwide network of distributors and partners. HMS employs over 780 people and reported sales of SEK 2,506 million in 2022. HMS is listed on the NASDAQ OMX in Stockholm, category Large Cap, Telecommunications.



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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