

HMS Networks

Interim report 2023
January - September



Third quarter

- Net sales for the third quarter reached SEK 789 m (624), corresponding to an increase of 26%. Currency translations had a positive effect of SEK 39 m on net sales
- Order intake was SEK 492 m (675), corresponding to a decrease of 27%
- Operating profit reached SEK 223 m (179), equal to a 28.2% (28.7) operating margin
- Profit after tax totalled SEK 172 m (135). Earnings per share was SEK 3.69 (2.90)
- Cash flow from operating activities amounted to SEK 167 m (118)
- The Board of Directors have decided on updated strategic targets for the Group

First nine months

- Net sales for the first nine months reached SEK 2,265 m (1,742), corresponding to a 30% increase. Currency translations had a positive effect of SEK 119 m on net sales
- Order intake was SEK 1,877 m (2,346), corresponding to a decrease of 20%
- Operating profit reached SEK 584 m (461, adjusted operating profit previous year 434), equal to a 25.8% (26.5, adjusted 24.9) operating margin
- Profit after tax totalled SEK 460 m (356, adjusted profit after tax previous year 330). Earnings per share was SEK 9.87 (7.64, adjusted 7.07)
- Cash flow from operating activities amounted to SEK 400 m (254)
- Acquisition of additionally 20% of the shares in Owaysys Advanced Wireless Devices S.L.

CEO comments

NORMALIZATION OF ORDER INTAKE AND RECORD NET SALES

The third quarter of 2023 shows a mixed picture. We set new records in net sales and profitability when we can now deliver from our large order book. At the same time, we see a temporarily weakened order intake linked to the normalization of orders and customers' inventory adjustments, which is currently affecting the entire supply chain.

The order intake for the quarter amounts to SEK 492 million (675), corresponding to an organic decline of 25%. We estimate that the quarter's order intake is negatively affected by normalization of orders and our customers' inventory adjustments of approximately SEK 150 million, in contrast to the corresponding quarter last year, when we had inflated orders of SEK 50 million. The recent disruptions in the global supply chain of electronic components are now resolved to a large extent, resulting in shorter delivery times. As our order book is still very large, we expect the normalization of order intake to continue for another couple of quarters. However, we estimate that order intake will improve going forward when customers' inventory levels are in line with market demand.

The quarter's net sales amounted to a record level of SEK 789 million (624), which corresponds to an organic growth of 20% compared to the corresponding period last year. In the previous quarter, we reported delivery delays due to the roll out of a new business system (ERP). This is now remedied, and we are back to a satisfactory delivery capacity.

The order book amounts to SEK 1,106 million, which is a decrease of SEK 210 million compared to the previous quarter. On the long term, we estimate that a normal order book over time is approximately SEK 500-600 million.

THE US AHEAD OF EUROPE AND JAPAN IN NORMALIZING ORDERS

In general, we see a mixed picture of customer needs as lead times are now starting to normalize. Some customers want deliveries as quickly as possible, while others are waiting with new orders to manage their stocks.

Our largest market, Europe, is characterized by rapid change where we see the majority of large customers waiting to place orders. This is as expected, since they have already placed large orders in previous quarters. We also see a similar situation in Japan. In the US, we have seen this trend in the previous quarter, and we assess that inventory reduction and order normalization are beginning to be completed.

In China, which is a relatively small part of our sales, order intake continues to be at low levels, where the economy as a whole has developed significantly weaker compared to previous expectations.

STRONG PROFITABILITY

We continue to see a good development of our gross margin which amounts to 65.4% (63.6) driven by a combination of favorable currency situation, price adjustments and increased efficiency in our supply chain. Our operating expenses increased to SEK 293 million (225), corresponding to an organic increase of 24%. Last year's planned

investments to build a new base for future growth are now in place, and we assess that operating costs will increase at a slower pace going forward as we expect to see the effect of these investments. During the quarter, we reached a new record level for operating profit with SEK 223 million (179), corresponding to an operating margin of 28.2% (28.7). The quarter's cash flow from current operations amounts to SEK 167 million (118), which is impacted by continued increased working capital, primarily related to our inventory.

Our balance sheet remains strong, and we no longer have any interest-bearing net debt.

UPDATED STRATEGIC TARGETS

In September, we presented updated targets for growth and profitability at our capital markets day in Stockholm. The company's growth ambition is to reach π (3.14) billion in 2025 through organic growth alone. Any upcoming acquisitions will be added to this, and we therefore speak of this new target as $\pi+$ 2025. The profitability target was raised to 25% EBIT. Raised targets for employee satisfaction and customer loyalty were also presented. When it comes to sustainability, the company presented its ambition to adhere to the Science Based Targets initiative (SBTi).

OUTLOOK

In the short term, the outlook is characterized by inventory adjustments and normalization of order placement at our customers. These adjustments aside, our underlying market continues to look relatively stable. With a continued large order book, we are in a favorable position for good sales during a period of weaker order intake. We estimate that order intake will improve going forward when customers' inventory is in line with market demand.

Customers' willingness to invest in digitalization, 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.



"We welcome Richard Skog, COO, who during the quarter took over to lead our work within HMS Supply Chain, IT & Sustainability" says CEO Staffan Dahlström

-27%

Order intake
Q3

+26%

Net sales
Q3

28%

Operating margin
Q3

Order intake, net sales and earnings

THIRD QUARTER

Order intake decreased by 27% to SEK 492 m (675), of which currency translations amounted to SEK -11 m (82). The organic decrease in order intake was 25%.

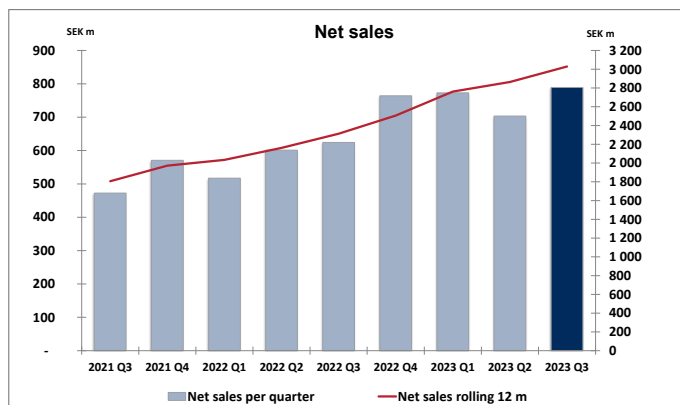
Net sales increased by 26% to SEK 789 m (624), of which currency translation effects were SEK 39 m (41). The organic increase in net sales was 20%.

Gross profit reached SEK 516 m (397), corresponding to a gross margin of 65.4% (63.6). Operating expenses amounted to SEK 293 m (225). The organic increase in operating expenses was 24%, corresponding to SEK 54 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 255 m (204), corresponding to a margin of 32.3% (32.7). Depreciations/amortizations and write-downs amounted to SEK 32 m (25). Operating profit amounted to SEK 223 m (179), corresponding to a margin of 28.2% (28.7). Currency translations affected the Group's operating profit by SEK 6 m (10).

Net financials were SEK -3 m (-11), which resulted in a profit before tax of SEK 220 m (168).

Profit after tax amounted to SEK 172 m (135) and earnings per share before and after dilution was SEK 3.69 (2.90) and SEK 3.68 (2.89) 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 NINE MONTHS

Order intake decreased by 20% to SEK 1,877 m (2,346), of which currency translations amounted to SEK 1 m (204). The organic decrease in order intake was 20%.

Net sales increased by 30% to SEK 2,265 m (1,742), of which currency translation effects were SEK 119 m (92). The organic increase in net sales was 23%.

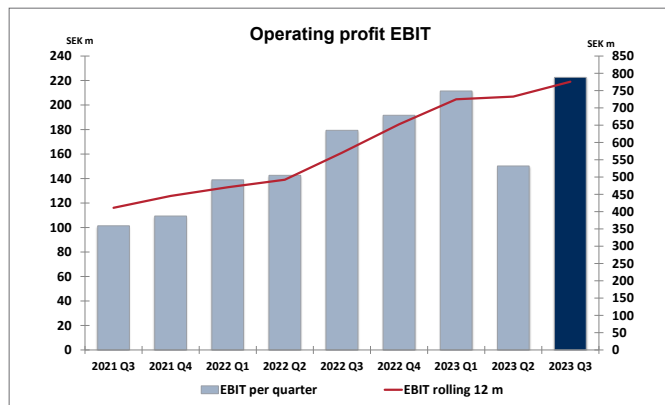
Gross profit reached SEK 1,472 m (1,091), corresponding to a gross margin of 65.0% (62.6). Operating expenses amounted to SEK 887 m (663). The organic increase in operating expenses was 27%, corresponding to SEK 180 m, mostly related to increased sales and marketing initiatives and costs related to IT and change of ERP system.

Operating profit before depreciation/amortization and write-downs amounted to SEK 676 m (535), corresponding to a margin of 29.8% (30.7). Depreciations/amortizations and write-downs amounted to SEK 92 m (75). Operating profit amounted to SEK 584 m (461), corresponding to a margin of 25.8% (26.5). Currency translations affected the Group's operating profit by SEK 23 m (25).

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 434 m, corresponding to a margin of 24.9%.

Net financials were SEK -9 m (-18), which resulted in a profit before tax of SEK 576 m (443).

Profit after tax amounted to SEK 460 m (356) and earnings per share before and after dilution was SEK 9.87 (7.64) and SEK 9.84 (7.62) respectively. Adjusted profit after tax for the previous year amounted to SEK 330 m and adjusted earnings per share was SEK 7.07.



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	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Order intake (SEK m)	492	703	682	718	675	815	857	699
Net sales (SEK m)	789	703	773	764	624	601	517	571
Gross margin (%)	65.4	64.7	64.8	63.6	63.6	62.2	61.8	60.8
EBITDA (SEK m)	255	180	241	225	204	167	165	133
EBITDA (%)	32.3	25.6	31.2	29.4	32.7	27.7	31.9	23.4
EBIT (SEK m)	223	150	211	192	179	143	139	109
EBIT (%)	28.2	21.4	27.4	25.1	28.7	23.7	26.9	19.2
Cash flow from operating activities per share (SEK)	3.59	1.67	3.32	3.80	2.52	1.21	1.71	2.22
Earnings per share before dilution (SEK) ¹	3.69	2.48	3.70	3.25	2.90	2.33	2.41	1.85
Earnings per share after dilution (SEK) ¹	3.68	2.47	3.69	3.24	2.89	2.33	2.40	1.84
Equity per share (SEK)	38.21	36.57	35.64	32.54	28.91	27.27	26.27	24.32

¹ 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 245 m (170) for the third quarter of the year. Changes in working capital were SEK -78 m (-52) which mainly corresponds to increased inventory. Cash flow from operating activities was thereby SEK 167 m (118).

Cash flow from investing activities mainly corresponds to investments in intangible and tangible assets of SEK -9 m (-14) and investments in subsidiaries of SEK -6 m (-14). Due to reclassifications within the quarter between tangible assets and right-of-use assets with SEK 6 m, cash flow from investing activities was SEK -9 m (-24).

Cash flow from financing activities was SEK -70 m (-32) which is mainly explained by changes in external loans of SEK -53 m (-22). Amortizations of lease liabilities was SEK -17 m (-10). This means that cash flow for the third quarter was SEK 89 m (62).

FIRST NINE MONTHS

Cash flow from operating activities before changes in working capital amounted to SEK 604 m (439) for the first nine months. Changes in working capital were SEK -204 m (-186) which mainly corresponds to increased inventory. Cash flow from operating activities was thereby SEK 400 m (254).

Cash flow from investing activities was SEK -112 m (-315) of which SEK -55 m (-276) corresponds to investments in subsidiaries. Investments in intangible and tangible assets has been made of SEK -54 m (-39).

Cash flow from financing activities was SEK -279 m (26) which is mainly explained by disbursed dividend of SEK -187 m (-140). Changes in external loans amounts to SEK -34 m (228). Repurchase of own shares has been made of SEK -13 m (-34). Amortizations of lease liabilities was SEK -45 m (-28). This means that cash flow for the first nine months was SEK 10 m (-36).

Cash and cash equivalents and net debt

Cash and cash equivalents amounted to SEK 153 m (138) and unused credit facilities to SEK 452 m (282). Net debt amounted to SEK 390 m (415) and mainly consists of lease liabilities of SEK 284 m (163). Net debt also consists of external loans of SEK 108 m (248) and a debt corresponding to expected exercise price on option, in total SEK 128 m (97).

Net debt to EBITDA ratio for the last twelve months was 0.43 (0.62). Net debt/Equity ratio was 21% (29) and Equity/Assets ratio was 60% (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).

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 September 30, 2023, the total number of saved shares amounted to 66,780 (71,713) 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 nine months was SEK 400 m (232). 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 93 in Note 37 of the Annual Report for 2022.

Significant events

ACQUISITIONS ANALYSIS GLOBAL M2M PTY LTD

The acquisition analysis from the acquisition of all shares in Global M2M Pty Ltd became definitive in the third quarter 2023, as one year has passed since the acquisition on July 1, 2022. Final acquisition analysis was presented in HMS' annual report 2022.

UPDATED STRATEGIC TARGETS 2025

In September, a Capital Markets Day was held in Stockholm, where updated strategic targets were presented. The 2020 Net Sales target of SEK π (3.14) billions has been adjusted to $\pi+$, with π referring only to organic growth and $\pi+$ to potential acquisitions. The profitability target of an annual operating margin of 20% has been adjusted to 25%. Targets for employee and customer satisfaction were also presented. In sustainability, the Group presented its ambition to apply to the Science Based Targets Initiative (SBTi).

Subsequent events

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

Outlook

In the short term, the outlook is characterized by inventory adjustments

and normalization of order placement at the customers. These adjustments aside, HMS' underlying market continues to look relatively stable. With a continued large order book, HMS is in a favourable position for good sales during a period of weaker order intake. The order intake is estimated to improve going forward when customers' inventory is in line with market demand.

Customers' willingness to invest in digitalization, 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.

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, Sophie Larsén, AMF Fonder representing 9% of the shares, Patrik Jönsson, SEB Fonder representing 6% of the shares, and Charlotte Brogren, Chairman of the Board. The Nomination Committee has appointed Johan Menckel 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 January 9, 2024.

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 September 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 18 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

- Year-end report 2023 will be published on January 26, 2024
- First quarter report 2024 will be published on April 16, 2024
- Annual General Meeting 2024 will be held on April 23, 2024
- Half-year report 2024 will be published on July 12, 2024

Conference call

OCTOBER 18, 2023 (08.30 CEST)

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

For link to the webcast, go to:

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

Halmstad October 18, 2023

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 07.30 CEST on October 18, 2023.

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, 2023 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 18, 2023

Öhrlings PricewaterhouseCoopers AB

Johan Palmgren

Authorized Public Accountant

Consolidated income statement in summary

SEK millions	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	R12 2023	Q1-Q4 2022
Net sales	789	624	2,265	1,742	3,029	2,506
Cost of goods and services sold	-273	-227	-793	-652	-1,072	-930
Gross profit	516	397	1,472	1,091	1,957	1,577
Selling expenses	-148	-109	-428	-319	-567	-457
Administrative expenses	-68	-55	-216	-145	-284	-212
Research and development expenses	-76	-61	-234	-184	-310	-261
Other operating income ¹	-	7	-	34	-	34
Other operating expenses	-1	-	-9	-16	-21	-27
Operating profit	223	179	584	461	776	653
Financial income and expenses	-2	-11	-7	-17	-19	-28
Results from associated companies	0	0	-1	-1	-2	-1
Profit before tax	220	168	576	443	756	623
Tax	-48	-33	-115	-87	-144	-116
Profit for the period	172	135	460	356	612	508
Earnings per share regarding profit attributed to parent company shareholders:						
Before dilution (SEK)	3.69	2.90	9.87	7.64	13.12	10.89
After dilution (SEK)	3.68	2.89	9.84	7.62	13.08	10.85

¹ During the first quarter 2022, the Group reported 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	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	R12 2023	Q1-Q4 2022
Profit for the period	172	135	460	356	612	508
Other comprehensive income:						
Items that may be reclassified subsequently to income statement						
Cash flow hedges	10	-8	5	-15	12	-8
Hedging of net investments	1	-6	-5	-16	-6	-16
Translation differences	-8	29	75	84	99	108
Income tax relating to components of other comprehensive income	-2	3	0	6	-1	5
Other comprehensive income for the period, net of tax	1	18	74	60	103	89
Total comprehensive income for the period attributed to parent company shareholders	173	153	535	416	715	597

Consolidated balance sheet in summary

SEK millions	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
ASSETS			
Goodwill	1,167	1,098	1,120
Other intangible assets	282	284	290
Property, plant and equipment	73	47	69
Right-of-use assets ²	289	167	164
Deferred tax assets	25	23	22
Shares in associated companies	13	14	14
Other long-term receivables	18	13	15
Total fixed assets	1,867	1,646	1,693
Inventories	548	328	362
Accounts receivable - trade	442	349	412
Other current receivables	131	135	119
Cash and cash equivalents	153	138	114
Total current assets	1,274	951	1,037
TOTAL ASSETS	3,141	2,597	2,730
EQUITY AND LIABILITIES			
Equity attributed to parent company shareholders	1,869	1,426	1,610
Total Equity	1,869	1,426	1,610
Liabilities			
Interest-bearing liabilities	15	145	114
Non interest-bearing liabilities ¹	130	123	113
Lease liabilities	227	120	118
Deferred income tax liabilities	78	74	89
Total non-current liabilities	450	463	434
Interest-bearing liabilities	106	114	36
Non interest-bearing liabilities	8	8	21
Lease liabilities	57	43	42
Accounts payable - trade	258	199	243
Other current liabilities	392	345	343
Total current liabilities	821	709	686
TOTAL EQUITY AND LIABILITIES	3,141	2,597	2,730

¹December 31, 2022, SEK 98 m was referred to the expected exercise price of options related to the remaining shares in Owasy S.L. On September 30, 2023, the item refers to exercise price of a new option for Owasy of SEK 128 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	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	R12 2023	Q1-Q4 2022
Cash flow from operating activities before changes in working capital	245	170	604	439	812	647
Cash flow from changes in working capital	-78	-52	-204	-186	-235	-216
Cash flow from operating activities	167	118	400	254	578	431
Cash flow from investing activities ¹	-3	-24	-106	-315	-156	-366
Cash flow from financing activities	-76	-32	-285	26	-410	-99
Cash flow for the period	89	62	10	-36	12	-34
Cash and cash equivalents at beginning of the period	66	76	144	172	138	172
Translation differences in cash and cash equivalents	-1	0	0	2	4	6
Cash and cash equivalents at end of period	153	138	153	138	153	144
Interest-bearing and Non-interest-bearing liabilities ²	544	553	544	553	544	444
Net debt	390	415	390	415	390	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 Reclassification from tangible assets to right-of-use assets in Q3 2023 impact investing activities with SEK +6 m.

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

Consolidated changes of Equity in summary

SEK millions	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Opening balance at January 1	1,610	1,177	1,177
Total comprehensive income for the period	535	416	597
Share-related payment	9	6	10
Repurchase of own shares	-13	-34	-34
Put option ¹	-84	-	-
Dividend	-187	-140	-140
Closing balance attributed to parent company shareholders	1,869	1,426	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

	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	R12 2023	Q1-Q4 2022
Net increase in net sales (%)	26.4	32.1	30.0	24.4	30.9	27.1
Gross margin (%)	65.4	63.6	65.0	62.6	64.6	62.9
EBITDA (SEK m)	255	204	676	535	901	760
EBITDA (%)	32.3	32.7	29.8	30.7	29.7	30.3
EBIT excl acquisition-related costs (SEK m)	226	185	596	478	794	675
EBIT excl acquisition-related costs (%)	28.7	29.7	26.3	27.4	26.2	26.9
EBIT (SEK m)	223	179	584	461	776	653
EBIT (%)	28.2	28.7	25.8	26.5	25.6	26.0
Return on capital employed (%)	-	-	-	-	38.4	41.0
Return on shareholder's equity (%)	-	-	-	-	36.8	37.6
Working capital in relation to sales (%)	-	-	-	-	12.0	8.7
Capital turnover rate	-	-	-	-	1.05	1.04
Net debt/equity ratio	0.21	0.29	0.21	0.29	0.21	0.19
Equity/assets ratio (%)	59.5	54.9	59.5	54.9	59.5	59.0
Investments in tangible fixed assets (SEK m)	4	5	34	10	58	34
Investments in right-of-use assets (SEK m) ¹	9	93	112	101	118	108
Investments in intangible fixed assets (SEK m)	5	9	20	29	41	49
Depreciation of tangible fixed assets (SEK m)	-5	-3	-13	-10	-16	-13
Depreciation of right-of-use assets (SEK m)	-16	-10	-42	-28	-55	-41
Amortization of intangible fixed assets (SEK m)	-12	-12	-37	-35	-49	-47
<i>of which amortization of overvalues acquired</i>	-4	-6	-12	-16	-18	-22
<i>of which amortization of capitalized development costs</i>	-8	-6	-25	-18	-31	-25
Impairment of intangible fixed assets (SEK m)	-	-	0	-2	-5	-7
Number of employees (average)	814	727	798	723	783	726
Net sales per employees (SEK m)	1.0	0.9	2.8	2.4	3.9	3.5
Equity per share (SEK)	38.21	28.91	36.93	27.59	35.65	28.97
Cash flow from operations per share (SEK)	3.59	2.52	8.58	5.44	12.38	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	166	173	168	174
Total outstanding shares average (thousands)	46,656	46,643	46,653	46,646	46,651	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.

² The key ratio for R12 2023 and Q1-Q4 2022 have been corrected as incorrect values were reported in previous reports.

³ The key ratio for Q1-Q3 2023 and R12 2023 have been corrected as incorrect values were reported in previous reports.

⁴ The key ratio for Q1-Q3 2023 and Q1-Q3 2022 have been corrected as incorrect values were reported in previous reports.

Quarterly data

Division of net sales per brand SEK millions	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Anybus	486	381	440	431	364	326	305	332
Ixxat	91	78	62	60	61	67	46	51
Ewon	117	126	157	143	114	134	103	121
Intesis	60	64	56	49	39	49	41	34
Other ¹	34	54	59	81	45	25	22	33
Total	789	703	773	764	624	601	517	571

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	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
EMEA	486	414	463	486	378	372	320	349
Americas	160	169	165	148	127	117	100	136
APAC	143	120	145	130	119	111	97	86
Total	789	703	773	764	624	601	517	571

Income statement SEK millions	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Net sales	789	703	773	764	624	601	517	571
Gross profit	516	455	501	486	397	374	319	347
<i>Gross margin (%)</i>	<i>65.4</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>
Operating profit	223	150	211	192	179	143	139	109
<i>Operating margin (%)</i>	<i>28.2</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>
Profit before tax	220	143	213	180	168	140	135	114

Parent company's income statement in summary

SEK millions	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	R12 2023	Q1-Q4 2022
Net sales	5	4	17	13	23	19
Gross profit	5	4	17	13	23	19
Administrative expenses	-5	-4	-17	-13	-23	-19
Operating profit	0	-	0	-	0	-
Profit from participations in subsidiaries	-	-	400	229	400	229
Interest income/ expenses and similar items	0	-	0	2	7	9
Profit before tax	0	-	400	232	407	238
Tax	-	-	-	-	-2	-2
Profit for the period	0	-	400	232	405	236

Parent company's balance sheet in summary

SEK millions	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
ASSETS			
Financial assets	337	337	337
Total financial assets	337	337	337
Receivables from Group companies	569	360	371
Other receivables	2	2	0
Cash and cash equivalents	2	2	3
Total current assets	573	365	374
TOTAL ASSETS	910	703	711
EQUITY AND LIABILITIES			
Equity	898	693	698
Current liabilities			
Accounts payable - trade	0	0	0
Other current liabilities	12	10	12
Total current liabilities	12	10	13
TOTAL EQUITY AND LIABILITIES	910	703	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	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	R12 2023	Q1-Q4 2022
Operating profit	223	179	584	461	776	653
Depreciation of tangible fixed assets (incl right-of-use assets)	20	13	55	38	71	53
Amortization of intangible fixed assets	12	12	37	35	49	47
Impairment of intangible fixed assets	-	-	0	2	5	7
EBITDA	255	204	676	535	901	760
Net sales	789	624	2,265	1,742	3,029	2,506
EBITDA (%)	32.3	32.7	29.8	30.7	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	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	R12 2023	Q1-Q4 2022
Operating profit	223	179	584	461	776	653
Amortization of acquired overvalues	4	6	12	16	18	22
Acquisition-related transaction costs	-	0	0	0	0	1
EBIT excl acquisition-related costs	226	185	596	478	794	675
Net sales	789	624	2,265	1,742	3,029	2,506
EBIT excl acquisition-related costs (%)	28.7	29.7	26.3	27.4	26.2	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®, Ixxat®, 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 800 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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