

hms networks

Interim report 2021
January - June

Second quarter

- Net sales for the second quarter reached SEK 474 m (355), corresponding to an increase of 33%. Currency translations had a negative effect of SEK 33 m on net sales
- Order intake was SEK 606 m (302), corresponding to an increase of 100%
- Operating profit reached SEK 121 m (69), equal to a 25.5% (19.4) operating margin
- Profit after taxes totalled SEK 98 m (54) and earnings per share was SEK 2.02 (1.24)
- Cash flow from operating activities amounted to SEK 126 m (115)

First six months

- Net sales for the first six months reached SEK 929 m (716), corresponding to a 30% increase. Currency translations had a negative effect of SEK 62 m on net sales
- Order intake was SEK 1,170 m (703), corresponding to an increase of 67%
- Operating profit was SEK 235 m (136), equal to a 25.3% (18.9) operating margin
- Profit after taxes totalled SEK 192 m (102) and earnings per share was SEK 3.94 (2.26)
- Cash flow from operating activities amounted to SEK 257 m (170)

Subsequent events

- Acquisition of 60% of all shares in the Spanish company Owasys Advanced Wireless Devices S.L.

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.

”*The record high order intake is primarily driven by a strong recovery in all markets, but also due to an increasingly challenging component shortage situation which causes our customers to prepare for longer delivery times.*”



Staffan Dahlström, CEO,
HMS Networks AB



Comment from the CEO

Continued strong development but challenging component supply situation

The underlying demand continues to be strong for HMS products and we can conclude that we have yet another record quarter in terms of sales, order intake and operating profit.

Order intake during the quarter amounted to a record level of SEK 606 m, corresponding to a growth of 100%, of which 88% was organic compared to the previous year. For the first half of the year, the corresponding figures are 67% and 60% respectively.

The record-high order intake is driven by a strong recovery in all markets and increased interest in connecting machines. But it is also due to an increasingly challenging component shortage situation which means that our customers build safety stocks to prepare for longer delivery times. We estimate that we have advance purchase effects, due to customers' concerns about component shortages, of approximately SEK 100 m, with some of our larger customers placing orders longer in advance than normal. This means that we have a significantly larger order book than usual, more than twice as large compared to the end of Q2 2020.

The lack of components has partly affected our delivery capacity and we have had to postpone some deliveries. This has had a negative impact on the quarter's sales of approximately SEK 30 m. All in all, the quarter's sales reach a new record level of SEK 474 m, corresponding to a growth of 33% compared to the previous year, whereof 28% is organic growth.

Furthermore, we see continually strengthened gross margins amounting to 63.7% (62.0%) and we now see the full effect of the price adjustments that were implemented at the turn of the year. We see some negative effects from increased component prices, which might affect the gross margin by a few percentage points in the coming quarters.

During the quarter, we started up several long-term investments within our development and marketing organizations to take advantage of the trends we see in increased automation and a strengthened focus on sustainability among our customers. These investments in combination with a return to more normal business travel will gradually increase our operating costs by approximately 10% until the fourth quarter.

We can also conclude a new record quarter for our operating profit, which amounts to SEK 121 m, corresponding to an operating margin of 26%, an increase of 76% compared with the second quarter last year. The positive result is driven by expansive sales in combination with good gross margins and low operating expenditures.

Cash flow continues to be strong at SEK 126 m (115) for the quarter, which has contributed to reducing our debt. At the end of the quarter, we had a net debt of SEK 78 m.

All markets at record levels during the second quarter

In our large and important markets in Europe, such as Germany,

France and Italy, the strong market recovery continues and our order intake has more than doubled from last year's quarters, which were weak. A strong machine-building market and robot industry, together with the automotive industry's conversion to electric car manufacturing and generally large investments in increased automation and digitization in the industry are driving the growth of HMS in Europe.

North America is also delivering positive results with a strong economy and consistently strong end-customer verticals. Among other things, we have won new business in the growing area of battery manufacturing.

In Asia, China and Japan continue their strong development. Demand from Japanese robot manufacturers is at record levels and despite a good comparison quarter last year, order intake is up over 60% in Asia.

We also see an increased demand in our offering for remote control of machines where more and more machine manufacturers choose to integrate remote control as standard in their machines, which has resulted in sales growth of over 50% and order intake that has more than doubled.

Acquisition of Owasys Advanced Wireless Devices after the end of the quarter

On July 1, HMS acquired 60% of the Spanish company Owasys Advanced Wireless Devices S.L., with 20 employees and headquartered in Bilbao. Owasys offers wireless communication platforms that enable remote monitoring and control of various types of utility vehicles and industrial machines. The acquisition enables HMS to address the vertical for mobile machines and utility vehicles, an interesting addition to the "Information-centric" part of our playing field. Owasys is expected to have sales of EUR 5.5 m and an operating profit of EUR 1.4 m in 2021.

Positive outlook but delivery challenges during the third quarter

The recovery after the pandemic has continued at a good pace during the second quarter and the underlying demand from our customers is expected to continue also in the coming quarters. The challenges with component supply mean that we now see longer delivery times to customers, which will affect our sales during the third quarter, as deliveries may be postponed until the following quarter. During the fourth quarter, we estimate that the situation will stabilize, and we expect to be able to deliver the majority of the orders that have been postponed from previous quarters.

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.

+100%

Order intake

Q2

+33%

Net sales

Q2

26%

Operating margin

Q2

Order intake, net sales and earnings

Second quarter

Order intake increased during the second quarter by 100% to SEK 606 m (302), of which currency translations affected by SEK -23 m (-8). Procentec B.V., acquired in the fourth quarter of 2020, has contributed to order intake with SEK 62 m. The organic increase in order intake was 88%.

Net sales increased by 33% to SEK 474 m (355), of which currency translation effects were SEK -33 m (-2). Procentec B.V. has contributed to net sales by SEK 54 m. The organic increase in net sales were 28%.

Gross profit reached SEK 302 m (220), corresponding to a gross margin of 63.7% (62.0). Operating expenses amounted to SEK 182 m (162), whereof SEK 15 m corresponds to Procentec B.V. The organic change in operating expenses was 8%, corresponding to SEK 13 m.

Operating profit before depreciation/amortization and write-downs amounted to SEK 147 m (111), corresponding to a margin of 31.1% (28.0). Depreciations/amortizations and write-downs amounted to SEK 27 m (42). Operating profit amounted to SEK 121 m (69), corresponding to a margin of 25.5% (19.4). Currency translations affected the Group's operating profit by SEK -13 m (0). The acquired company Procentec B.V. has contributed to the operating profit for the quarter by SEK 17 m, including amortization of overvalue.

Net financials was SEK -4 m (0), which gave a profit before tax of SEK 117 m (69).

Profit after tax amounted to SEK 98 m (54) and earnings per share before and after dilution was SEK 2.02 (1.24) and SEK 2.01 (1.24) respectively.

First six months

Order intake increased during the first six months by 67% to SEK 1,170 m (703), of which currency translations affected by SEK -74 m (11). Procentec B.V., has contributed to order intake with SEK 123 m. The organic increase in order intake was 60%.

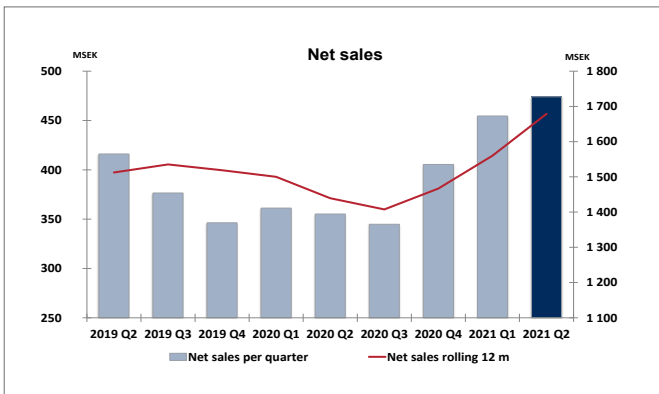
Net sales increased by 30% to SEK 929 m (716), of which currency translation effects were SEK -62 m (1). Procentec B.V. has contributed to net sales by SEK 105 m. The organic increase in net sales was 23%.

Gross profit reached SEK 593 m (445), corresponding to a gross margin of 63.9% (62.2). Operating expenses amounted to SEK 359 m (321), whereof SEK 30 m corresponds to Procentec B.V. The organic change in operating expenses was 7%, corresponding to SEK 24 m.

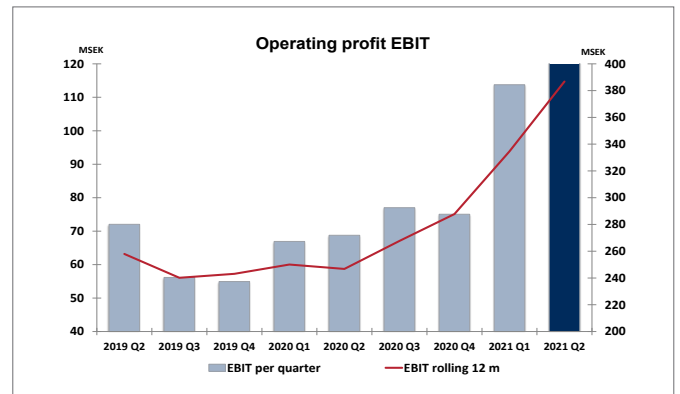
Operating profit before depreciation/amortization and write-downs amounted to SEK 289 m (201), corresponding to a margin of 31.1% (28.0). Depreciations/amortizations and write-downs amounted to SEK 54 m (65). Operating profit amounted to SEK 235 m (136), corresponding to a margin of 25.3% (18.9). Currency translations affected the Group's operating profit by SEK -25 m (4). The acquired company Procentec B.V. has contributed to the operating profit by SEK 33 m, including amortization of overvalue.

Net financials was SEK -2 m (-5), which gave a profit before tax of SEK 232 m (131).

Profit after tax amounted to SEK 192 m (102) and earnings per share before and after dilution was SEK 3.94 (2.26) and SEK 3.93 (2.25) respectively.



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



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

Quarterly data	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Order intake (SEK m)	606	565	408	336	302	401	337	372
Net sales (SEK m)	474	455	405	345	355	361	346	377
Gross margin (%)	63.7	64.0	61.6	61.9	62.0	62.4	61.2	62.8
EBITDA (SEK m)	147	141	99	102	111	90	78	82
EBITDA (%)	31.1	31.0	24.3	29.4	31.2	25.0	22.6	21.7
EBIT (SEK m)	121	114	75	77	69	67	55	56
EBIT (%)	25.5	25.0	18.5	22.3	19.4	18.5	15.9	14.9
Cash flow from operating activities per share (SEK)	2.69	2.83	1.79	2.49	2.47	1.18	1.30	1.93
Earnings per share before dilution (SEK) ¹	2.02	1.93	1.21	1.33	1.24	1.01	1.46	0.98
Earnings per share after dilution (SEK) ¹	2.01	1.92	1.20	1.32	1.24	1.01	1.46	0.98
Equity per share (SEK)	27.98	27.08	25.75	24.62	23.60	22.49	21.06	19.88

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 131 m (98) for the second quarter of the year. Changes in working capital were SEK -5 m (18). Cash flow from operating activities was thereby SEK 126 m (115).

Cash flow from investing activities was SEK -11 m (-12), which corresponds to investments in intangible and tangible assets.

Cash flow from financing activities was SEK -103 m (-61), which is mainly explained by a disbursed dividend of SEK -93 m (0). Amortizations of lease liabilities claimed SEK -9 m (-8). External loans are basically unchanged (-51). This means that cash flow for the quarter was SEK 12 m (42).

First six months

Cash flow from operating activities before changes in working capital amounted to SEK 282 m (181) for the first six months. Changes in working capital were SEK -24 m (-11), mainly explained by increased accounts receivable. Cash flow from operating activities was thereby SEK 257 m (170).

Cash flow from investing activities was SEK -20 m (-26), which corresponds to investments in intangible and tangible assets of SEK -17 m (-26) and investments in financial assets of SEK -3 m (0).

Cash flow from financing activities was SEK -229 m (-90), which is mainly explained by a decrease in external loans of SEK -103 m (-67) and disbursed dividend of SEK -93 m (0). Moreover, amortizations of lease liabilities claimed SEK -18 m (-17) and repurchase of own shares was made by SEK -15 m (-6). This means that cash flow for the period was SEK 8 m (54).

Cash and cash equivalents and net debt

Cash and cash equivalents amounted to SEK 90 m (105) and unused credit facilities to SEK 415 m (244). Net debt amounted to SEK 78 m (263), whereof SEK 90 m (103) corresponds to lease liabilities. Net debt to EBITDA ratio for the last twelve months was 0.16 (0.73). Net debt/Equity ratio was 6% (24) and Equity/Assets ratio was 70% (62).

During the quarter the financing agreement with the existing bank has been 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 Mid Cap list, in the Information Technology sector. By the end of the period the total number of shares amounted to 46,818,868 of which 157,571 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 23, 2021 it was resolved that the Board members Charlotte Brogren, Fredrik Hansson, Anders Mörck, Cecilia Wachtmeister, Ulf Södergren and Niklas Edling should be re-elected.

Other decisions from the Annual General Meeting;

- The dividend was decided to SEK 2.00 per share, corresponding to SEK 93 m.
- 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 2022-2025 aimed at all employees, covering up to 100,000 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 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 June 30, 2021, the total number of saved shares amounted to 91,013 (111,095) 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 first six months amounted to SEK 0 m (0). Dividend from subsidiaries amounted to SEK 423 m (29) and the profit for the tax for the first six months was SEK 423 m (33). Cash and cash equivalents amounted to SEK 2 m (1), external borrowing does not exist.

Related party transactions

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

Contingent liabilities

There have been no changes in the Group's contingent liabilities, described on page 101 in Note 39 of the Annual Report for 2020.

Significant events

There are no significant events during the period to report.

Subsequent events

HMS has on July 1st, 2021 acquired 60% of all shares in the Spanish company Owasys Advanced Wireless Devices S.L. Headquartered in Bilbao with 20 employees, Owasys is a wireless communication company designing and manufacturing products for utility vehicles and industrial machines. Owasys is expected to have net sales of EUR 5.5 m and EBIT of EUR 1.4 m in 2021. The acquisition will have a limited impact on HMS' earnings per share going forward.

Outlook

The global economic development has essentially recovered and the market situation for the HMS Group's products has established at a high level, and the Group assesses that the effects of the corona pandemic no longer have any impact on order intake and sales. The global shortage of semiconductor components is increasingly affecting the Group, which has resulted in 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.

Although the effects of the corona pandemic have gradually diminished, the pandemic is still ongoing and HMS monitors the development closely and is prepared to take further actions where necessary to reduce the negative effects on the business. The Group acts in accordance with decisions and recommendations from governments and authorities in each market and with the employees' health and well-being as the highest priority.

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 (except the following description of cash

flow hedging).

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.

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 June 30, 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, as well as software solutions for intuitive visualization of data from industrial applications through WEBfactory.

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

MARKETING STRATEGY – HMS' markets its solutions to several customer segment in the industrial value chain. Device manufacturers and machine builders are offered solutions that are tightly integrated into the customer's application. System integrators and

end users are offered flexible infrastructure products that solve all kinds of communication problems in industrial systems and IIoT applications. HMS' most important market is still factory automation, but other important markets are energy and infrastructure, transport and logistics, and building automation.

SALES STRATEGY – HMS combines direct sales from own sales offices with sales through distribution. HMS has sales offices in key markets in 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 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 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.

Audit review

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

Financial calendar

- Third quarter report will be published on October 22, 2021
- Year-end report 2021 will be published on January 26, 2022
- First quarter report will be published on April 14, 2022
- Annual General Meeting will be held on April 21, 2022

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, 2021

Staffan Dahlström Chief Executive Officer	Charlotte Brogren Chairman of the Board
Fredrik Hansson Board member	Anders Mörck Board member
Cecilia Wachtmeister Board member	Ulf Södergren Board member
Niklas Edling Board member	Tobias Persson Employee representative
Mikael Mårtensson Employee representative	

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 July 14, 2021.

Income statements

SEK millions	Q2 2021	Q2 2020	Q1-Q2 2021	Q1-Q2 2020	R12 2021	Q1-Q4 2020
Net sales	474	355	929	716	1,679	1,467
Cost of goods and services sold	-172	-135	-335	-271	-622	-558
GROSS PROFIT	302	220	593	445	1,057	909
Selling expenses	-82	-69	-163	-155	-320	-312
Administrative expenses	-44	-28	-80	-59	-144	-123
Research and development expenses	-57	-49	-117	-91	-205	-180
Other operating income ¹	1	11	1	12	1	12
Other operating expenses ²	0	-16	0	-16	-2	-18
OPERATING PROFIT	121	69	235	136	387	288
Financial income and expenses	-4	0	-2	-5	-12	-14
Profit before tax	117	69	232	131	375	274
Tax	-19	-15	-41	-30	-65	-54
PROFIT FOR THE PERIOD	98	54	192	102	310	220
Attributed to:						
Parent company shareholders	94	58	184	105	302	223
Non-controlling interests	4	-4	8	-4	8	-3
Earnings per share regarding profit attributed to parent company shareholders:						
Before dilution (SEK)	2.02	1.24	3.94	2.26	6.48	4.79
After dilution (SEK)	2.01	1.24	3.93	2.25	6.45	4.77

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

² Of other operating expenses for 2020, SEK -14 m corresponds to a write-down of goodwill attributable to WEBfactory GmbH.

Statement of comprehensive income

SEK millions	Q2 2021	Q2 2020	Q1-Q2 2021	Q1-Q2 2020	R12 2021	Q1-Q4 2020
Profit for the period	98	54	192	102	310	220
Other comprehensive income:						
Items that may be reclassified subsequently to income statement						
Cash flow hedges	1	19	-15	2	2	18
Hedging of net investments	1	17	-3	-1	11	12
Translation differences	-11	-56	9	6	-34	-37
Income tax relating to components of other comprehensive income	0	-7	4	0	-3	-6
Other comprehensive income for the period, net of tax	-10	-28	-5	6	-24	-13
Total comprehensive income for the period	88	26	187	108	287	207
Attributed to:						
Parent company shareholders	84	30	179	111	278	210
Non-controlling interests	3	-4	8	-4	8	-3

Balance sheets

SEK millions	Jun 30 2021	Jun 30 2020	Dec 31 2020
ASSETS			
Goodwill	908	865	902
Other intangible assets	262	286	278
Property, plant and equipment	40	42	42
Right-of-use assets	92	103	102
Deferred tax assets	5	5	4
Other long-term receivables	14	9	11
Total fixed assets	1,320	1,310	1,339
Inventories	154	141	158
Accounts receivable - trade	232	174	175
Other current receivables	61	73	73
Cash and cash equivalents	90	105	82
Total current assets	537	493	487
TOTAL ASSETS	1,857	1,803	1,826
EQUITY AND LIABILITIES			
Equity attributed to parent company shareholders	1,279	1,107	1,204
Non-controlling interests	25	8	17
Total Equity	1,304	1,115	1,220
Liabilities			
Non-current interest-bearing liabilities	77	263	177
Non-current lease liabilities	57	72	68
Deferred income tax liabilities	78	75	80
Total non-current liabilities	212	410	326
Current interest-bearing liabilities	1	2	1
Current lease liabilities	34	32	34
Accounts payable - trade	107	81	91
Other current liabilities	199	164	154
Total current liabilities	341	278	280
TOTAL EQUITY AND LIABILITIES	1,857	1,803	1,826

Cash flow statements

SEK millions	Q2 2021	Q2 2020	Q1-Q2 2021	Q1-Q2 2020	R12 2021	Q1-Q4 2020
Cash flow from operating activities before changes in working capital	131	98	282	181	457	357
Cash flow from changes in working capital	-5	18	-24	-11	0	13
Cash flow from operating activities	126	115	257	170	457	370
Cash flow from investing activities ¹	-11	-12	-20	-26	-82	-88
Cash flow from financing activities	-103	-61	-229	-90	-386	-247
Cash flow for the period	12	42	8	54	-11	36
Cash and cash equivalents at beginning of the period	80	67	82	51	105	51
Translation differences in cash and cash equivalents	-1	-4	1	0	-4	-5
Cash and cash equivalents at end of period	90	105	90	105	90	82
Interest-bearing liabilities	169	368	169	368	169	279
Net debt	78	263	78	263	78	198

¹The acquisition of Procentec's impact on the Group's cash and cash equivalents, after deduction of Procentec's cash and cash equivalents, amounted to 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.

Equity

Change in Group Equity, SEK millions	Jun 30 2021	Jun 30 2020	Dec 31 2020
Opening balance at January 1	1,204	998	998
Total comprehensive income for the period	179	111	210
Share-related payment	5	3	6
Repurchase of own shares	-15	-6	-6
Dividend	-93	-	-
Transactions with non-controlling interests	-	-	-6
Closing balance attributed to parent company shareholders	1,279	1,107	1,204
Opening non-controlling interest at January 1	17	12	12
Total comprehensive income for the period	8	-4	-3
Non-controlling interest arising from acquisition of subsidiaries	-	-	16
Transactions with non-controlling interests	-	-	-8
Closing non-controlling interests	25	8	17
Closing balance	1,304	1,115	1,220

Financial accounts

	Q2 2021	Q2 2020	Q1-Q2 2021	Q1-Q2 2020	R12 2021	Q1-Q4 2020
Net increase in net sales (%)	33.4	-14.6	29.6	-10.0	16.6	-3.4
Gross margin (%)	63.7	62.0	63.9	62.2	62.9	62.0
EBITDA (SEK m)	147	111	289	201	489	401
EBITDA (%)	31.1	31.2	31.1	28.0	29.1	27.4
EBIT excl acquisition-related costs (SEK m)	127	76	246	148	409	311
EBIT excl acquisition-related costs (%)	26.8	21.5	26.4	20.6	24.3	21.2
EBIT (SEK m)	121	69	235	136	387	288
EBIT (%)	25.5	19.4	25.3	18.9	23.0	19.6
Return on capital employed (%)	-	-	-	-	26.1	19.3
Return on Shareholder's equity (%)	-	-	-	-	24.7	19.9
Working capital in relation to sales (%)	-	-	-	-	8.5	10.5
Capital turnover rate	-	-	-	-	0.92	0.81
Net debt/equity ratio	0.06	0.24	0.06	0.24	0.06	0.16
Equity/assets ratio (%)	70.2	61.8	70.2	61.8	70.2	66.8
Investments in tangible fixed assets (SEK m)	4	1	4	3	8	6
Investments in right-of-use assets (SEK m)	3	3	5	5	24	24
Investments in intangible fixed assets (SEK m)	7	10	13	23	31	41
Depreciation of tangible fixed assets (SEK m)	-3	-3	-6	-6	-13	-13
Depreciation of right-of-use assets (SEK m)	-8	-9	-17	-17	-34	-34
Amortization of intangible fixed assets (SEK m)	-11	-13	-22	-24	-46	-48
<i>of which amortization of overvalues acquired</i>	-5	-4	-9	-9	-19	-18
<i>of which amortization of capitalized development costs</i>	-6	-8	-13	-16	-26	-29
Impairment of intangible fixed assets (SEK m)	-4	-18	-9	-18	-10	-19
Number of employees (average)	662	594	624	612	643	614
Net sales per employees (SEK m)	0.7	0.6	1.5	1.2	2.6	2.4
Equity per share (SEK)	27.98	23.60	27.37	22.95	26.27	24.07
Cash flow from operations per share (SEK)	2.69	2.47	5.52	3.65	9.79	7.93
Total number of share average (thousands)	46,819	46,819	46,819	46,819	46,819	46,819
Holding of own shares average (thousands)	158	155	157	171	156	165
Total outstanding shares average (thousands)	46,661	46,664	46,662	46,648	46,663	46,654

Quarterly data

Division of net sales per brand SEK millions	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Anybus	231	214	191	184	212	211	184	213
Ixxat	41	47	42	43	40	43	42	42
Ewon	97	93	84	74	67	76	75	70
Intesis	34	31	33	33	27	21	34	29
Other ¹	71	69	55	11	9	10	11	22
Total	474	455	405	345	355	361	346	377

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 from Procentec are included in "Other" from Q4 2020.

Net sales per region SEK millions	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
EMEA	285	280	250	208	198	214	218	236
Americas	107	96	82	80	84	87	76	80
Asia	82	79	73	57	73	60	52	61
Total	474	455	405	345	355	361	346	377

Income statement SEK millions	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Net sales	474	455	405	345	355	361	346	377
Gross profit	302	291	250	213	220	225	212	236
<i>Gross margin (%)</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>	<i>61.2</i>	<i>62.8</i>
Operating profit	121	114	75	77	69	67	55	56
<i>Operating margin (%)</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>	<i>15.9</i>	<i>14.9</i>
Profit before tax	117	115	70	73	69	63	47	55

Parent company's income statement

SEK millions	Q2 2021	Q2 2020	Q1-Q2 2021	Q1-Q2 2020	R12 2021	Q1-Q4 2020
Net sales	4	5	7	9	15	16
Gross profit	4	5	7	9	15	16
Administrative expenses	-4	-5	-7	-9	-15	-16
Operating profit	0	0	0	0	0	0
Profit from participations in subsidiaries	423	29	423	29	423	29
Interest income/ expenses and similar items	0	-2	0	4	0	4
Profit before tax	423	27	423	33	423	33
Tax	-	0	0	0	-1	-1
Profit for the period	423	27	423	33	422	32

Parent company's balance sheet

SEK millions	Jun 30 2021	Jun 30 2020	Dec 31 2020
ASSETS			
Financial assets	337	337	337
Total financial assets	337	337	337
Receivables from Group companies	305	0	-
Other receivables	1	1	1
Cash and cash equivalents	2	1	2
Total current assets	308	2	3
TOTAL ASSETS	645	339	340
EQUITY AND LIABILITIES			
Equity	639	326	325
Current liabilities			
Accounts payable - trade	0	1	1
Liabilities to Group companies	-	8	6
Other current liabilities	6	5	8
Total current liabilities	6	13	15
TOTAL EQUITY AND LIABILITIES	645	339	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-term and current interest-bearing financial liabilities less financial assets.

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 2021	Q2 2020	Q1-Q2 2021	Q1-Q2 2020	R12 2021	Q1-Q4 2020
Operating profit	121	69	235	136	387	288
Depreciation of tangible fixed assets (incl right-of-use assets)	11	12	23	23	47	46
Amortization of intangible fixed assets	11	13	22	24	46	48
Impairment of intangible fixed assets	4	18	9	18	10	19
EBITDA	147	111	289	201	489	401
Net sales	474	355	929	716	1,679	1,467
EBITDA (%)	31.1	31.2	31.1	28.0	29.1	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	Q2 2021	Q2 2020	Q1-Q2 2021	Q1-Q2 2020	R12 2021	Q1-Q4 2020
Operating profit	121	69	235	136	387	288
Amortization of acquired overvalues	5	4	9	9	19	19
Impairment of acquired goodwill	-	14	-	14	-	14
Reversal of additional consideration	-	-10	-	-10	-	-10
Acquisition-related transaction costs	2	-	2	-	3	1
EBIT excl acquisition-related costs	127	76	246	148	409	311
Net sales	474	355	929	716	1,679	1,467
EBIT excl acquisition-related costs (%)	26.8	21.5	26.4	20.6	24.3	21.2

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 and Delft. 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 and UAE, as well as through a worldwide network of distributors and partners. HMS employs over 700 people and reported sales of SEK 1,467 million in 2020. HMS is listed on the NASDAQ OMX in Stockholm, category Mid Cap, Information Technology.

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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