

hms networks

Interim report 2020
January - June

Second quarter

- Net sales for the second quarter reached SEK 355 m (416), corresponding to a decrease of 15%. Currency translations had a negative effect of SEK 2 m on net sales
- Order intake was SEK 302 m (375), corresponding to a decrease of 19%
- Operating profit reached SEK 69 m (72) equal to a 19.4% (17.3) operating margin
- Profit after taxes totalled SEK 54 m (51) and earnings per share was SEK 1.24 (1.10)
- Cash flow from operating activities amounted to SEK 115 m (51)

First six months

- Net sales for the first six months reached SEK 716 m (796), corresponding to a 10% decrease. Currency translations had a positive effect of SEK 1 m on net sales
- Order intake was SEK 703 m (762), corresponding to a decrease of 8%
- Operating profit was SEK 136 m (132), equal to a 18.9% (16.6) operating margin
- Profit after taxes totalled SEK 102 m (92) and the earnings per share was SEK 2.26 (1.98)
- Cash flow from operating activities amounted to SEK 170 m (103)

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.

Comment from the CEO

The second quarter of the year was characterized by major uncertainty concerning the Corona crisis and the subsequent economic situation. HMS sales were negatively affected and compared with the corresponding quarter in 2019, sales decreased by 15% and order intake by 19%.

Above all, we have seen very weak demand in Central Europe, where our large markets such as Germany, France and Italy have shown a significant decline in order intake compared to the corresponding period last year. North America has also had a relatively weak market development. However, Asia has developed positively, and we see stable order intake in our main markets in Japan and China.

Despite the decline in volume, we have managed to improve our gross margin compared to the corresponding quarter in 2019. We reach a gross margin of 62% for the quarter, an improvement that is mainly explained by improved productivity, selective price increases and a favourable product mix.

During these uncertain times, the health of our employees has been our highest priority, which is why we have introduced home-office work in large parts of the Group. Our Spanish operations outside Barcelona were closed for a few weeks due to government decisions, while operations at HMS' other offices and factories around the world have continued and functioned well under the circumstances.

To counteract the decline in demand, short-time work of about 20% of working hours was introduced in Sweden and Germany during a large part of the quarter. In addition, we have significantly reduced our travelling, cancelled trade fairs and customer events and used digital channels for customer contacts and events. These measures, together with the restructuring program we implemented at the end of last year, has led to reduced organic operating expenses by approximately 14% compared to the same quarter previous year. A strong gross margin in combination with good cost control means that we can deliver an operating profit for the quarter of SEK 69 m, which gives an operating margin in line with our long-term goal of 20%.

The relatively good profitability and good management of our working capital has resulted in a strong cash flow of SEK 115 m for the quarter. This has helped us to reduce our net debt, which is now at a low of SEK 263 m, corresponding to 0.73 times the operating profit before depreciation/amortization and write-downs for the last twelve months.

Our conclusion for the second quarter is that we have managed to adjust and adapt our costs to the lower demand we have seen for a few months. In general, there is great uncertainty about the future and how the Corona crisis will affect our customers' demand in the coming quarters. At present, we see nothing concrete that indicates a rapid recovery.

HMS has a strong financial position and there are opportunities for both acquisitions and long-term technology innovation to focus on in the coming quarters. This means that we are now ending most of our short-time work in order to be able to invest in the future. Our assessment is that automation and digitalization of industrial processes will see increased demand when we have the Corona crisis behind us. HMS must then be ready to meet this demand with competitive products and solutions.

Despite the turbulence in the short term, we continue to work with a focus on long-term growth and a balanced view of our costs. In the long term, we continue to believe that the market for industrial communication and IIoT will be an interesting area for organic growth and selective acquisitions – and we continue to work according to our motto “Connecting Devices”.



Despite a very challenging macro situation that led to a decline in order intake and sales, we managed to deliver a result in line with our goal.



Staffan Dahlström, CEO, HMS Networks AB

-19%

Order intake

Q2

-15%

Net sales

Q2

19%

Operating margin

Q2

Order intake, net sales and earnings

Second quarter

Order intake decreased by 19% to SEK 302 m (375) of which currency translations affected negatively by SEK 8 m. The organic decrease in order intake was 17%.

Net sales decreased by 15% to SEK 355 m (416), of which currency translation effects was SEK -2 m (19). The organic decrease in net sales was 14%.

Gross profit reached SEK 220 m (254), corresponding to a gross margin of 62.0% (61.2). Operating expenses decreased in total by SEK 21 m to SEK 162 m (182), of which SEK 8 m is attributable to government support for short-time work. Other operating income mainly consists of a reversal of SEK 10 m of additional purchase price related to the acquisition of WEBfactory GmbH. Other operating expenses include a write-down of goodwill of SEK 14 m, which is also attributable to WEBfactory GmbH. The reason for these adjustments is that there has been a significantly weaker development in the subsidiary than expected. The organic decrease in operating expenses was 14%, corresponding to SEK 25 m.

Operating profit before depreciation/amortization and write-downs amounted to SEK 111 m (94), corresponding to a margin of 31.2% (22.6). Depreciations/amortizations and write-downs amounted to SEK 42 m (22). Operating profit amounted to SEK 69 m (72), corresponding to a margin of 19.4% (17.3). Currency translations had a limited impact on the operating profit during the quarter (8).

Net financials was SEK 0 m (-2), which gave a profit before tax of SEK 69 m (70).

Profit after tax amounted to SEK 54 m (51) and earnings per share before and after dilution was SEK 1.24 (1.10) and SEK 1.24 (1.09) respectively.

First six months

Order intake decreased by 8% to SEK 703 m (762), of which currency translations affected positively by SEK 11 m. The acquired companies have contributed to the order intake with SEK 9 m. The organic change was -10%.

Net sales decreased by 10% to SEK 716 m (796), of which currency translations was SEK 1 m (43). The acquired companies have contributed to the net sales with SEK 7 m. The organic decrease in net sales was 11%.

Gross profit reached SEK 445 m (480) to a gross margin of 62.2% (60.3). Operating expenses decreased in total by SEK 27 m to SEK 321 m (348), of which SEK 8 m is attributable to government support for short-time work. Other operating income mainly consists of a reversal of SEK 10 m of additional purchase price related to the acquisition of WEBfactory GmbH. Other operating expenses include a write-down of goodwill of SEK 14 m, which is also attributable to WEBfactory GmbH. The reason for these adjustments is that there has been a significantly weaker development in the subsidiary than expected. The organic decrease in operating expenses was 11%, corresponding to SEK 39 m.

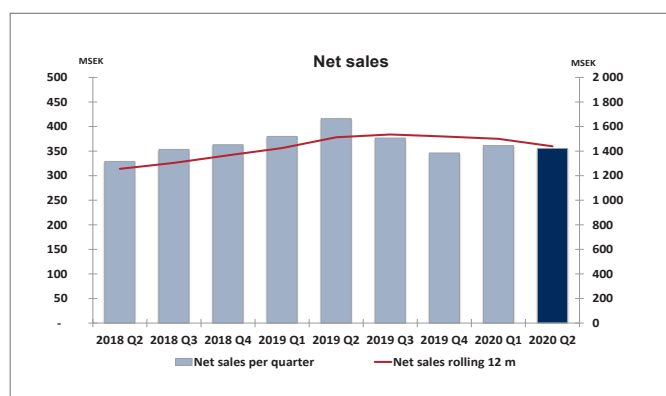
Operating profit before depreciation/amortization and write-downs amounted to SEK 201 m (174), corresponding to a margin of 28.0% (21.8). Depreciations/amortizations and write-downs amounted to SEK 65 m (42). Operating profit amounted to SEK 136 m (132) corresponding to a margin of 18.9% (16.6). Currency translations had a positive effect on the Group's operating profit of SEK 4 m (19). The acquired companies had a limited impact on the operating profit of the year.

Net financials was SEK -5 m (-7) which gave a profit before tax of SEK 131 m (126).

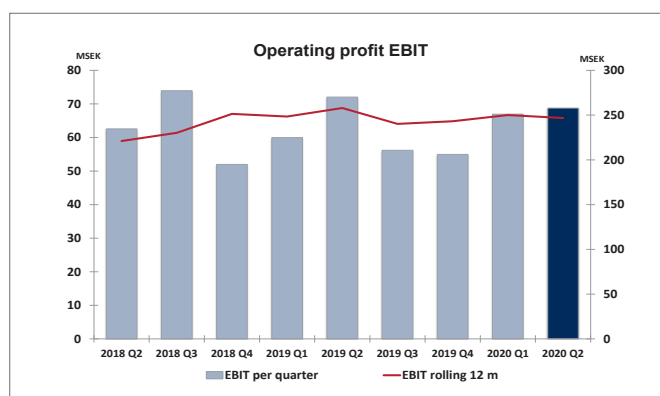
Profit after tax amounted to SEK 102 m (92) and earnings per share before and after dilution was SEK 2.26 (1.98) and SEK 2.25 (1.97) respectively.

SEK millions	Q2 2020	Q2 2019	%
Order intake	302	375	-19.4
Net sales	355	416	-14.6
Gross profit	220	254	-13.5
Gross margin (%)	62.0	61.2	
EBITDA	111	94	17.6
EBITDA (%)	31.2	22.6	
EBIT	69	72	-4.6
EBIT (%)	19.4	17.3	

SEK millions	Q1-Q2 2020	Q1-Q2 2019	%
Order intake	703	762	-7.7
Net sales	716	796	-10.0
Gross profit	445	480	-7.1
Gross margin (%)	62.2	60.3	
EBITDA	201	174	15.7
EBITDA (%)	28.0	21.8	
EBIT	136	132	2.8
EBIT (%)	18.9	16.6	



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 ¹	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Order intake (SEK m)	302	401	337	372	375	387	387	360
Net sales (SEK m)	355	361	346	377	416	380	363	353
Gross margin (%)	62.0	62.4	61.2	62.8	61.2	59.3	59.6	60.3
EBITDA (SEK m)	111	90	78	82	94	79	65	87
EBITDA (%)	31.2	25.0	22.6	21.7	22.6	20.9	17.9	24.5
EBIT (SEK m)	69	67	55	56	72	60	52	74
EBIT (%)	19.4	18.5	15.9	14.9	17.3	15.8	14.3	20.9
Cash flow from operating activities per share (SEK)	2.47	1.18	1.30	1.93	1.10	1.11	1.05	1.57
Earnings per share before dilution (SEK) ²	1.24	1.01	1.46	0.98	1.10	0.88	0.90	1.09
Earnings per share before after dilution (SEK) ²	1.24	1.01	1.46	0.98	1.09	0.87	0.89	1.08
Equity per share (SEK)	23.60	22.49	21.06	19.88	19.42	18.96	17.98	17.13

¹ All quarters of 2019 and 2020 are effected by IFRS 16 Leases.

² 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 98 m (70) for the second quarter of the year. Changes in working capital was SEK 18 m (-19), mainly explained by a decrease in inventory and increased short-term liabilities. Cash flow from operating activities was thereby SEK 115 m (51).

Cash flow from investing activities was SEK -12 m (-42), which corresponds to new investments in intangible and tangible assets.

Cash flow from financing activities was SEK -61 m (-17), which is mainly explained by a decrease in external loans of SEK -51 m (78). Moreover, amortizations of lease liabilities by SEK -8 m (-8). Due to the Corona virus and the aim to strengthen the Company's preparedness for upcoming uncertainties, no dividend was paid (-84). This means that cash flow for the quarter was SEK 42 m (-8).

First six months

Cash flow from operating activities before changes in working capital amounted to SEK 181 m (130) for the first six months. Changes in working capital was SEK -11 m (-27), mainly due to a combination of increased accounts receivable and decreased inventory. Cash flow from operating activities was thereby SEK 170 m (103).

During the first six months investments in new intangible and tangible assets was made by SEK -26 m (-29). Cash flow from investing activities was SEK -26 m (-53).

Cash flow from financing activities amounted to SEK -90 m (-26), mainly explained by a decrease in external loans of SEK -67 m (76). Moreover, amortizations of lease liabilities by SEK -17 m (-16). Repurchase of own shares was made by SEK -6 m (-). Due to the Corona virus and the aim to strengthen the Company's preparedness for upcoming uncertainties, no dividend was paid (-84). This means that cash flow for the first six months was SEK 54 m (24).

Cash and cash equivalents and net debt

Cash and cash equivalents amounted to SEK 105 m (86) and unused credit facilities to SEK 244 m (68). Net debt amounted to SEK 263 m (524), whereof SEK 103 m (117) corresponds to lease liabilities. Net debt to EBITDA ratio for the last twelve months was 0.73 (1.61). Net debt/Equity ratio was 24% (58) and Equity/Assets ratio 62% (48).

The HMS Networks AB share

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

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

Annual General Meeting

At the AGM on April 23, 2020, it was resolved that the Board members Charlotte Brogren, Fredrik Hansson, Anders Mörck, Cecilia Wachtmeister and Ulf Södergren should be re-elected, and that Niklas Edling should be elected new Board member.

Other decisions from the Annual General Meeting;

- Decision that no dividend shall be paid to the shareholders for the 2019 financial year.
- 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 saving program, Share savings program 2021-2024 aimed at all employees, covering up to 150,000 shares and authorizing the Board to acquire and transfer the corresponding number of shares.
- Decision to amend to Articles of Association for the purpose of adapting it to implemented and expected amendments to the Swedish Companies Act and the Swedish Financial Instruments Accounts Act.

Share savings program

The Company has four ongoing share saving programs today. Based on a decision by the Annual General Meetings permanent employees are offered to save in HMS shares in an annual share saving program. Between 41% and 52% of the employees opted to participate in the respective program. If certain criterias are met the Company is committed to give the participant a maximum of two HMS shares for every share saved by the employee. As of June 30, 2020, the total number of saved shares amounted to 111,095 (128,379) within ongoing programs.

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

The parent company

The Parent Company's operations are primarily focused on Group wide management and financing. Apart from the Group's CEO, the Parent Company has no employees. The operating profit for the second quarter amounted to SEK 0 m (0). Dividend from subsidiaries was received by SEK 29 m (179) and the profit for the first six months was SEK 33 m (181) after tax. Cash and cash equivalents amounted to SEK 1 m (1), external borrowing does not exist.

Related party transactions

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

Contingent liabilities

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

Significant events

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

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

Acquisition analysis of WEBfactory

The acquisition analysis from the acquisition of 74.9% of the shares in WEBfactory GmbH became definitive in the second quarter 2020, as one year has passed since the acquisition on April 1, 2019. Final acquisition analysis was presented in HMS' Annual Report 2019.

Impairment of goodwill during the second quarter resulted in a write-down of SEK 14 m. This brings the total goodwill relating to WEBfactory to SEK 15 m.

Acquisition analysis of Raster Products

The acquisition analysis from the acquisition of Raster Products B.V. became definitive in the second quarter 2020, as one year has passed since the acquisition on May 2, 2019. Final acquisition analysis was presented in HMS' Annual Report 2019.

Subsequent events

At present, there is continued great uncertainty about how HMS markets will develop in 2020. We still assume that the ongoing spread of covid-19 will have a negative impact on our customers and suppliers, but it is still difficult to assess the extent of how HMS will be affected.

Outlook

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

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

HMS' long-term goals are unchanged: Long-term growth on average 20% per year and an operating margin of 20%.

Risk management

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

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

Accounting policies

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

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

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

Short about the company

Strategies

GROWTH STRATEGY – HMS Networks focuses primarily on organic growth, where 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. Growth can also be generated through selective acquisitions of businesses with complementary offerings.

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

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

- Anybus – connection of automation products and machines to industrial networks and IIoT applications, through embedded network cards, gateways and wireless solutions
- Ewon – remote access, data collection, monitoring and control of machines as well as other industrial applications
- Ixxat – communication within machines and smart grids, solutions for functional safety as well as automotive testing
- Intesis – communication solutions for building automation, primarily within HVAC (heating, ventilation and air conditioning)

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

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

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

Business model

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

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

Audit review

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

Report occasions

- Third quarter report 2020 will be published on October 23, 2020
- Year-end report 2020 will be published on February 3, 2021
- First quarter report 2021 will be published on April 23, 2021
- Annual General Meeting will be held on April 23, 2021

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 15, 2020

Staffan Dahlström
Chief Executive Officer

Charlotte Brogren
Chairman of the Board

Fredrik Hansson

Anders Mörck

Cecilia Wachtmeister

Ulf Södergren

Niklas Edling

Tobias Persson

Mikael Mårtensson

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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 15, 2020.

Income statements

SEK millions	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	1907-2006 12 months	Q1-Q4 2019
Net sales	355	416	716	796	1,439	1,519
Cost of goods and services sold	-135	-162	-271	-316	-546	-591
GROSS PROFIT	220	254	445	480	894	928
Sales and marketing expenses	-69	-93	-155	-172	-331	-349
Administrative expenses	-28	-35	-59	-66	-117	-124
Research and development expenses	-49	-50	-91	-100	-181	-190
Restructuring expenses ¹	-	-	-	-	-22	-22
Other operating income ²	11	-	12	-	31	20
Other operating expenses ³	-16	-5	-16	-10	-27	-20
OPERATING PROFIT	69	72	136	132	247	243
Financial income and expenses	0	-2	-5	-7	-13	-15
Profit before tax	69	70	131	126	234	228
Tax	-15	-18	-30	-33	-19	-23
PROFIT FOR THE PERIOD	54	51	102	92	214	205
Attributed to:						
Parent company shareholders	58	51	105	92	219	206
Non-controlling interests	-4	0	-4	0	-5	-1
Earnings per share regarding profit attributed to parent company shareholders						
Before dilution, SEK	1.24	1.10	2.26	1.98	4.70	4.43
After dilution, SEK	1.24	1.09	2.25	1.97	4.68	4.40

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

² Of other operating income for Q2 2020, SEK 10 m corresponds to reversal of additional purchase price related to WEBfactory GmbH. Of other operating income for 2019, SEK 19 m corresponds to the settlement of contracted additional purchase price related to Beck IPC.

³ Of other operating expenses for Q2 2020, SEK 14 m corresponds to a write-down of goodwill attributable to WEBfactory GmbH. Other operating expenses for 2019 mainly corresponds to realized currency forward hedging, SEK -3 m in Q2, SEK -6 m in Q1-Q2 and SEK -14 m for the full year. From January 1, 2020, realized currency forward hedges are reported gross.

Statement of comprehensive income

SEK millions	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	1907-2006 12 months	Q1-Q4 2019
Profit for the period	54	51	102	92	214	205
Other comprehensive income						
Items that may be reclassified subsequently to income statement						
Cash flow hedges	19	0	2	-5	11	4
Hedging of net investments	17	-4	-1	-8	5	-2
Translation differences	-56	10	6	28	-7	15
Income tax relating to components of other comprehensive income	-7	1	0	3	-3	0
Other comprehensive income for the period, net of tax	-28	7	6	17	5	16
Total comprehensive income for the period	26	58	108	110	219	221
Attributed to:						
Parent company shareholders	30	58	111	110	224	223
Non-controlling interests	-4	0	-4	0	-5	-1

Balance sheets

SEK millions	Jun 30 2020	Jun 30 2019	Dec 31 2019
ASSETS			
Goodwill	865	909	876
Other intangible assets	286	265	290
Property, plant and equipment	42	39	45
Right-of-use assets	103	115	111
Deferred tax assets	5	8	4
Other long-term receivables	9	9	9
Total fixed assets	1,310	1,344	1,335
Inventories	141	174	159
Accounts receivable - trade	174	191	143
Other current receivables	73	65	69
Cash and cash equivalents	105	86	51
Total current assets	493	517	442
TOTAL ASSETS	1,803	1,861	1,758
EQUITY AND LIABILITIES			
Equity attributed to parent company shareholders	1,107	886	998
Non-controlling interests	8	14	12
Total Equity	1,115	900	1,010
Liabilities			
Non-current interest-bearing liabilities	263	454	339
Non-current lease liabilities	72	86	82
Deferred income tax liabilities	75	77	77
Total non-current liabilities	410	618	498
Current interest-bearing liabilities	2	39	1
Current lease liabilities	32	30	31
Accounts payable - trade	81	111	76
Other current liabilities	164	163	142
Total current liabilities	278	343	249
TOTAL EQUITY AND LIABILITIES	1,803	1,861	1,758

Cash flow statements

SEK millions	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	1907-2006 12 months	Q1-Q4 2019
Cash flow from operating activities before changes in working capital	98	70	181	130	315	264
Cash flow from changes in working capital	18	-19	-11	-27	6	-10
Cash flow from operating activities	115	51	170	103	321	254
Cash flow from investing activities	-12	-42	-26	-53	-65	-92
Cash flow from financing activities	-61	-17	-90	-26	-237	-173
Cash flow for the period	42	-8	54	24	19	-12
Cash and cash equivalents at beginning of the period	67	93	51	59	86	59
Translation differences in cash and cash equivalents	-4	2	0	4	0	4
Cash and cash equivalents at end of period	105	86	105	86	105	51
Interest-bearing liabilities	368	610	368	610	368	453
Net debt	263	524	263	524	263	402

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

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

Equity

Change in Group Equity, SEK millions	Jun 30 2020	Jun 30 2019	Dec 31 2019
Opening balance at January 1	998	857	857
Total comprehensive income for the period	111	110	223
Share-related payment	3	3	3
Repurchase of own shares	-6	0	-
Dividends	-	-84	-84
Closing balance attributed to parent company share-holders	1,107	886	998
Opening non-controlling interest at January 1	12	-	-
Total comprehensive income for the period	-4	14	12
Closing non-controlling interest	8	14	12
Closing balance	1,115	900	1,010

Financial accounts

	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	1907-2006 12 months	Q1-Q4 2019
Net increase in net sales (%)	-14.6	26.5	-10.0	22.6	-4.8	11.2
Gross margin (%)	62.0	61.2	62.2	60.3	62.1	61.1
EBITDA (SEK m)	111	94	201	174	361	334
EBITDA (%)	31.2	22.6	28.0	21.8	25.1	22.0
EBIT (SEK m)	69	72	136	132	247	243
EBIT (%)	19.4	17.3	18.9	16.6	17.1	16.0
Return on capital employed (%)	-	-	-	-	16.7	17.2
Return on Shareholder's equity (%)	-	-	-	-	21.6	22.3
Working capital in relation to sales (%)	-	-	-	-	11.0	9.5
Capital turnover rate	-	-	-	-	0.79	0.87
Net debt/equity ratio	0.24	0.58	0.24	0.58	0.24	0.40
Equity/assets ratio (%)	61.8	48.4	61.8	48.4	61.8	57.5
Investments in tangible fixed assets (SEK m)	1	5	3	12	16	25
Investments in right-of-use assets (SEK m)	3	5	5	11	19	24
Investments in intangible fixed assets (SEK m)	10	12	23	16	48	42
Depreciation of tangible fixed assets (SEK m)	-3	-4	-6	-7	-14	-15
Depreciation of right-of-use assets (SEK m)	-9	-7	-17	-14	-32	-29
Amortization of intangible fixed assets (SEK m)	-13	-11	-24	-20	-50	-46
<i>of which amortization of overvalues acquired</i>	-4	-3	-9	-7	-18	-16
<i>of which amortization of capitalized development costs</i>	-8	-8	-16	-14	-32	-30
Impairment of intangible fixed assets (SEK m)	-18	-1	-18	-1	-18	-1
Number of employees (average)	594	605	612	596	616	617
Net sales per employees (SEK m)	0.6	0.7	1.2	1.3	2.3	2.5
Equity per share (SEK)	23.60	19.42	22.95	19.07	21.71	19.87
Cash flow from operations per share (SEK)	2.47	1.10	3.65	2.21	6.88	5.45
Total number of share average (thousands)	46,819	46,819	46,819	46,819	46,819	46,819
Holding of own shares average (thousands)	155	203	171	233	184	221
Total outstanding shares average (thousands)	46,664	46,616	46,648	46,586	46,635	46,598

Quarterly data

Division of income per brand SEK millions	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Anybus	212	211	184	213	251	225	211	209
Ixxat	40	43	42	42	44	48	44	45
Ewon	67	76	75	70	74	73	67	63
Intesis	27	21	34	29	28	25	24	25
Other	9	10	11	22	19	8	18	11
Total	355	361	346	377	416	380	363	353

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

Net sales per region SEK millions	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
EMEA	198	241	218	236	256	240	222	220
Americas	84	87	76	80	81	84	81	75
Asia	73	60	52	61	79	55	60	58
Total	355	361	346	377	416	380	363	353

Income statement SEK millions	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net sales	355	361	346	377	416	380	363	353
Gross profit	220	225	212	236	254	225	216	213
<i>Gross margin (%)</i>	<i>62.0</i>	<i>62.4</i>	<i>61.2</i>	<i>62.8</i>	<i>61.2</i>	<i>59.3</i>	<i>59.6</i>	<i>60.3</i>
Operating profit	69	67	55	56	72	60	52	74
<i>Operating margin (%)</i>	<i>19.4</i>	<i>18.5</i>	<i>15.9</i>	<i>14.9</i>	<i>17.3</i>	<i>15.8</i>	<i>14.3</i>	<i>20.9</i>
Profit before tax	69	63	47	55	70	56	52	70

Parent company's income statement

SEK millions	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	1907-2006 12 months	Q1-Q4 2019
Net sales	5	4	9	8	17	16
Gross profit	5	4	9	8	17	16
Administrative expenses	-5	-4	-9	-8	-17	-16
Operating profit	0	0	0	0	0	-
Profit from participations in subsidiaries	29	179	29	179	29	179
Interest income/ expenses and similar items	-2	1	4	2	4	2
Profit before tax	27	180	33	181	33	181
Tax	0	-	0	-	-1	-1
Profit for the period	27	180	33	181	33	181

Parent company's balance sheet

SEK millions	Jun 30 2020	Jun 30 2019	Dec 31 2019
ASSETS			
Financial assets	337	337	337
Total financial assets	337	337	337
Receivables from Group companies	0	96	96
Other receivables	1	2	0
Cash and cash equivalents	1	1	1
Total current assets	2	99	97
TOTAL ASSETS	339	436	434
EQUITY AND LIABILITIES			
Equity	326	299	299
Current liabilities			
Accounts payable - trade	1	0	0
Liabilities to Group companies	8	132	128
Other current liabilities	5	5	7
Total current liabilities	13	137	135
TOTAL EQUITY AND LIABILITIES	339	436	434

Definitions

NUMBER OF OUTSTANDING SHARES

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

RETURN ON SHAREHOLDER'S EQUITY

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

RETURN ON CAPITAL EMPLOYED

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

EBIT

Operating income according to income statement.

EBITDA

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

EQUITY PER SHARE

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

FINANCIAL ASSETS

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

AVERAGE NUMBER OF OUTSTANDING SHARES

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

CAPITAL TURNOVER

Net sales in relation to average balance sheet total.

CASH FLOW FROM OPERATING ACTIVITIES PER SHARE

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

NET DEBT

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

NET DEBT/EQUITY RATIO

Net debt in relation to Shareholders' equity.

WORKING CAPITAL

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

OPERATING MARGIN

Operating profit in relation to net sales.

EQUITY/ASSETS RATIO

Shareholders' equity in relation to total assets.

CAPITAL EMPLOYED

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

EARNINGS PER SHARE, UNDILUTED

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

EARNINGS PER SHARE, DILUTED

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

Alternative key ratios

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

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

SEK millions	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	1907-2006 12 months	Q1-Q4 2019
Operating profit	69	72	136	132	247	243
Depreciation/amortization and write-downs	42	22	65	42	114	90
EBITDA	111	94	201	174	361	334

HMS Networks AB (publ) is the leading independent supplier of solutions for industrial communication and the Industrial Internet of Things. HMS develops and manufactures products under the Anybus®, Ixxat®, Ewon® and Intesis™ brands. Development takes place at the headquarters in Halmstad, Ravensburg, Nivelles, Igualada, Wetzlar and Buchen. 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 600 people and reported sales of SEK 1,519 million in 2019. HMS is listed on the NASDAQ OMX in Stockholm, category Mid Cap, Information Technology.



Our vision

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

Our mission

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