

# HMS Networks

Interim report 2022  
January - June



## Second quarter

- Net sales for the second quarter reached SEK 601 m (474), corresponding to an increase of 27%. Currency translations had a positive effect of SEK 30 m on net sales
- Order intake was SEK 815 m (606), corresponding to an increase of 35%
- Operating profit reached SEK 143 m (121), equal to a 23.7% (25.5) operating margin
- Profit after taxes totalled SEK 109 m (98) and earnings per share was SEK 2.33 (2.02)
- Cash flow from operating activities amounted to SEK 56 m (126)
- Acquisition of the remaining 30% of the shares in Procentec B.V.

## First six months

- Net sales for the first six months reached SEK 1,118 m (929), corresponding to a 20% increase. Currency translations had a positive effect of SEK 51 m on net sales
- Order intake was SEK 1,671 m (1,170), corresponding to an increase of 43%
- Operating profit reached SEK 282 m (235), equal to a 25.2% (25.3) operating margin. Adjusted operating profit reached SEK 255 m, equal to a 22.8% adjusted operating margin
- Profit after taxes totalled SEK 221 m (192) and earnings per share was SEK 4.74 (3.94). Adjusted profit after taxes totalled SEK 195 m and adjusted earnings per share was SEK 4.17
- Cash flow from operating activities amounted to SEK 136 m (257)

## Subsequent events

- Acquisition of all shares in the Australian company Global M2M Pty Ltd

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.

”*Continued strong demand and somewhat improved delivery capacity contributes to new record sales and result.*”



Staffan Dahlström, CEO,  
HMS Networks AB



# Comment from the CEO

## Demand continues at a high and stable level

The second quarter of the year represents another quarter with solid demand across all our markets. Order intake continues to be strong with SEK 815 m, corresponding to an organic growth of 16%. We are still experiencing a somewhat boosted order intake from our customers due to the uncertainties in the global supply chain of electronic components. We estimate the boost effect to be SEK 150 m, which is less compared to previous quarter, but still a significant part of the order intake.

The significant deprecation of the Swedish Krona against most other currencies leads to a revaluation of our record-high orderbook, impacting the reported order intake positively by SEK 50 m.

We report a new all-time high revenue of SEK 601 m in the quarter, corresponding to an organic growth of 17%. This is partly driven by a better-than-expected component availability during the latter part of the quarter. The general situation in the supply chain is starting to become more predictable but it is far from good. We still have challenges with lead times and our backlog of orders is larger than ever. This is an industry-wide challenge and most of our customers have understanding for the longer lead-times. We see less allocations and reconfirmations from our semiconductor suppliers, but several key components are still very challenging to source, and we expect it to be so for the rest of this year.

## Navigating the cost inflation

As in previous quarters, we continue to see a significant cost inflation in raw material. To protect our gross margin, we have been working actively with a combination of long-term price increases and a short-term surcharge on booked orders. We are now starting to see the effects of this work. Our gross margins are going in the right direction during the quarter with 62.2% (63.7%) even if it still is a way to go to come back to the levels before the supply chain issues started in 2021.

## Record result

As a result of the high delivery volumes and stable gross margins, we reached a new record result in the second quarter with an EBIT of SEK 143 m (121) corresponding to an EBIT margin of 23.7%. We continue to build component inventory to be able to deliver our backlog when key components are becoming available. The inventory build-up is SEK 50 m which impacts our cash flow negatively in the quarter. The cash flow totals SEK 56 m for the quarter.

## Acquisition of the remaining 30% of the shares in Procentec

As reported in Q1-report, HMS acquired the remaining 30% in Dutch Procentec during the beginning of the quarter, making HMS

100% owner of Procentec. The purpose of the acquisition is to accelerate the integration work with rest of HMS organization. We see the main future synergies on the market side in North America and Asia.

## Acquisition of Australian distributor Global M2M

Australia is becoming a more interesting market for HMS. To accelerate the market penetration, HMS came to an agreement with our main distributor in Australia, Global M2M, to acquire the company. The business consists of four employees and represent most of HMS' brands. Australia is now HMS' 17th country with its own sales organization.

## New product releases

During the quarter we released the next generation of our leading Remote Access product line, Ewon Cosy+, with new world-class security features to meet customers' future expectations of solid cyber security for industrial applications.

We are also starting to see a wider interest in our new AI-based software product for analysing network failures, SNAP Analysis from Procentec. SNAP is a subscription service that identifies the reason for network failure based on advanced signal interpretation and analysis, allowing the customer to drastically minimize network downtime.

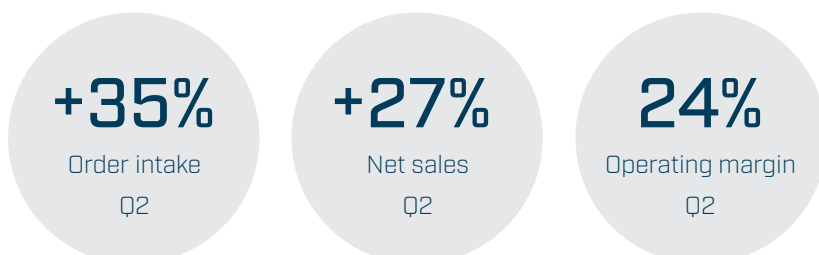
## Continued positive outlook despite a challenging macro situation

There are several challenges and risks ahead with the uncertain development of the global economy, for example continued covid concerns and the war in Ukraine. We also continue to have the uncertainties in the supply of electronic components.

Despite the macroeconomic risks, HMS sees a good market ahead and believes that the coming quarters will be solid in terms of sales and profitability, but with a dependency on the availability of key semiconductor components.

Looking further ahead, HMS is of course dependent on the general development of the global economy, but we think that our customers' continued investments in increased automation and digitalization, increasing energy prices that are accelerating electrification and energy storage demand are all areas where we see more demands for industrial communication solutions, which will support the long-term growth of HMS.

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.



# Order intake, net sales and earnings

## Second quarter

Order intake increased during the second quarter by 35% to SEK 815 m (606), of which currency translations amounted to SEK 85 m (-23). The organic increase in order intake was 16%.

Net sales increased by 27% to SEK 601 m (474), of which currency translation effects were SEK 30 m (-33). The organic increase in net sales was 17%.

Gross profit reached SEK 374 m (302), corresponding to a gross margin of 62.2% (63.7). Operating expenses amounted to SEK 231 m (182). The organic increase in operating expenses was 21%, corresponding to SEK 38 m, mostly related to increased sales and marketing initiatives.

Operating profit before depreciation/amortization and write-downs amounted to SEK 167 m (147), corresponding to a margin of 27.7% (31.1). Depreciations/amortizations and write-downs amounted to SEK 24 m (27). Operating profit amounted to SEK 143 m (121), corresponding to a margin of 23.7% (25.5). Currency translations affected the Group's operating profit by SEK 9 m (-13).

Net financials were SEK -3 m (-4), which gave a profit before tax of SEK 140 m (117).

Profit after tax amounted to SEK 109 m (98) and earnings per share before and after dilution was SEK 2.33 (2.02) and SEK 2.33 (2.01) respectively.

## First six months

Order intake increased during the first six months by 43% to SEK 1,671 m (1,170), of which currency translations amounted to SEK 122 m (-74). The organic increase in order intake was 28%.

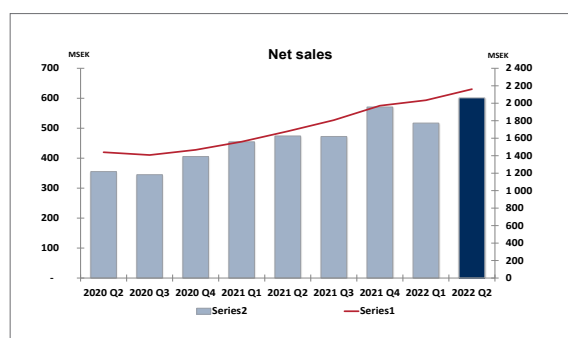
Net sales increased by 20% to SEK 1,118 m (929), of which currency translation effects were SEK 51 m (-62). The organic increase in net sales was 11%.

Gross profit reached SEK 694 m (593), corresponding to a gross margin of 62.0% (63.9). Operating expenses amounted to SEK 439 m (359). The organic increase in operating expenses was 16%, corresponding to SEK 58 m, mostly related to increased sales and marketing initiatives.

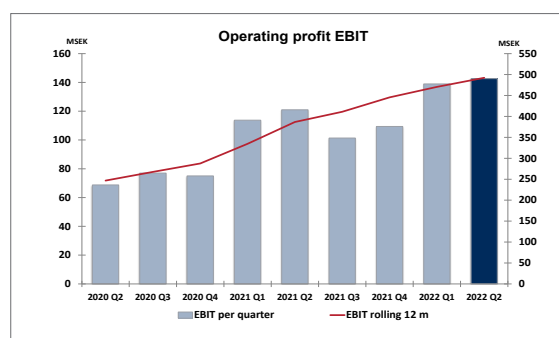
Operating profit before depreciation/amortization and write-downs amounted to SEK 332 m (289), corresponding to a margin of 29.7% (31.1). Depreciations/amortizations and write-downs amounted to SEK 50 m (54). Operating profit amounted to SEK 282 m (235), corresponding to a margin of 25.2% (25.3). Operating profit includes a non-recurring item of SEK 27 m, related to the revaluation of option debt for Procentec during the first quarter. Adjusted operating profit amounted to SEK 255 m, corresponding to an adjusted margin of 22.8%. Currency translations affected the Group's operating profit by SEK 15 m (-25).

Net financials were SEK -6 m (-2), which gave a profit before tax of SEK 275 m (232).

Profit after tax amounted to SEK 221 m (192) and earnings per share before and after dilution was SEK 4.74 (3.94) and SEK 4.73 (3.93) respectively. Adjusted profit after tax amounted to SEK 195 m and adjusted earnings per share to SEK 4.17.



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



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

Quarterly data	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Order intake (SEK m)	815	857	699	669	606	565	408	336
Net sales (SEK m)	601	517	571	472	474	455	405	345
Gross margin (%)	62.2	61.8	60.8	61.4	63.7	64.0	61.6	61.9
EBITDA (SEK m)	167	165	133	126	147	141	99	102
EBITDA (%)	27.7	31.9	23.4	26.6	31.1	31.0	24.3	29.4
EBIT (SEK m)	143	139	109	101	121	114	75	77
EBIT (%)	23.7	26.9	19.2	21.5	25.5	25.0	18.5	22.3
Cash flow from operating activities per share (SEK)	1.21	1.71	2.22	3.16	2.69	2.83	1.79	2.49
Earnings per share before dilution (SEK) <sup>1</sup>	2.33	2.41	1.85	1.81	2.02	1.93	1.21	1.33
Earnings per share after dilution (SEK) <sup>1</sup>	2.33	2.40	1.84	1.80	2.01	1.92	1.20	1.32
Equity per share (SEK)	27.27	26.27	24.32	25.67	27.98	27.08	25.75	24.62

<sup>1</sup> 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 140 m (131) for the second quarter of the year. Changes in working capital were SEK -84 m (-5), which mainly corresponds to increased inventory and accounts receivable. Cash flow from operating activities was thereby SEK 56 m (126).

Cash flow from investing activities was SEK -280 m (-11) of which the majority corresponds to the acquisition of the remaining shares of Procentec. Moreover investments in intangible and tangible assets were made of SEK -14 m (-11).

Cash flow from financing activities was SEK 101 m (-103) which is mainly explained by new external loans of SEK 250 m (0). Dividend was disbursed of SEK -140 m (-93). Amortizations of lease liabilities has been made by SEK -9 m (-9). This means that cash flow for the quarter was SEK -122 m (12).

## First six months

Cash flow from operating activities before changes in working capital amounted to SEK 270 m (282) for the first six months. Changes in working capital were SEK -134 m (-24), which mainly corresponds to increased inventory and accounts receivable. Cash flow from operating activities was thereby SEK 136 m (257).

Cash flow from investing activities was SEK -291 m (-20) of which the majority corresponds to the acquisition of the remaining shares of Procentec. Moreover investments in intangible and tangible assets were made of SEK -24 m (-17).

Cash flow from financing activities was SEK 58 m (-229) which is mainly explained by changes in external loans of SEK 251 m (-103). Dividend was disbursed of SEK -140 m (-93). Repurchase of own shares has been made by SEK -34 m (-15). Amortizations of lease liabilities has been made by SEK -18 m (-18). This means that cash flow for the first six months was SEK -97 m (8).

# Cash and cash equivalents and net debt

Cash and cash equivalents amounted to SEK 76 m (90) and unused credit facilities to SEK 244 m (415). Net debt amounted to SEK 410 m (78) and mainly consists of external loans of SEK 267 m (71) and a debt corresponding to the expected exercise price for the remaining shares of Owasy S.L, in total SEK 95 m (-). SEK 80 m (90) of net debt corresponds to lease liabilities.

Net debt to EBITDA ratio for the last twelve months was 0.69 (0.16). Net debt/Equity ratio was 32% (6) and Equity/Assets ratio was 55% (70).

# The HMS Networks AB share

HMS Networks AB (publ) is listed on the Nasdaq OMX Stockholm Large Cap list, in the Information Technology sector. By the end of the period the total number of shares amounted to 46,818,868 of which 176,320 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](http://www.hms-networks.com)).

# Annual General Meeting and dividend

At the AGM on April 21, 2022 it was resolved that the Board members Charlotte Brogren, Fredrik Hansson, Anders Mörck, Cecilia Wachtmeister and Niklas Edling should be re-elected, and that Anna Kleine should be elected as Board member.

Other decisions from the Annual General Meeting;

- The dividend was decided to SEK 3.00 per share, corresponding to SEK 140 m, excluding shares held by the Company.
- Resolved on amended guidelines for remuneration to senior executives.
- 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 2023-2026 aimed at all employees, covering up to 75,000 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 53% 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 shares for every share saved by the employee, to the participant. As of June 30, 2022, the total number of saved shares amounted to 67,920 (91,013) within ongoing programs.

On December 31, 2021 the share savings program from 2018 was finalized. During the first quarter of 2022, 62,251 shares, of which 31,228 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). Dividends from subsidiaries amounted to SEK 229 m (423). The profit after tax for the first six months was SEK 232 m (423). Cash and cash equivalents amounted to SEK 3 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 109 in Note 37 of the Annual Report for 2021.

## Significant events

HMS acquires the remaining 30% of the shares in the subsidiary Procentec B.V. by exercising the existing option. The acquisition is financed through use of the existing credit facility.

## Subsequent events

HMS has on July 1, 2022, acquired all shares in Global M2M Pty Ltd, located in Melbourne, Australia. For several years, Global M2M has been HMS' primary distributor of products in Oceania. Global M2M is expected to realize a turnover of EUR 2 m in 2022, out of which more than 90% is HMS products. The acquisition will have limited impact on HMS's sales and earnings per share in 2022.

## Outlook

HMS foresees continued challenges when it comes to supply of electronics components for a few more quarters, but believe in a gradual improvement in the second half of the year. Continued concerns related to covid and the war in Ukraine make the market difficult to assess in the short term. Despite the macroeconomic risks, HMS sees a good market going forward and believes that the coming quarters will be stable in terms of sales and profitability, but dependent on the availability of important semiconductor components.

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 2021. In addition, no significant risks are considered to have arisen.

## Audit review

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

## Accounting policies

HMS Group's consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), adopted by the EU. The Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The parent company applies Swedish Finan-

cial Reporting Board's recommendation, RFR 2 Accounting for Legal Entities, and the Swedish Annual Accounts Act.

Other new or revised IFRS standards or other IFRIC-interpretations that came into effect after January 1, 2022 have not had any significant impact on the Group's financial reports as of June 30, 2022.

The accounting principles applied conform to those described in the 2021 Annual Report.

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 centers 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
- Ewon – remote access, data collection, monitoring and control of machines as well as other industrial applications
- Ixxat – communication within machines and smart grids, solutions for functional safety as well as automotive testing
- Intesis – communication solutions for building automation, primarily within HVAC (heating, ventilation and air conditioning)

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

**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 segments in the industrial value chain. Device manufacturers and machine builders are offered solutions that are tightly integrated into the customer's application. System integrators and end users are offered flexible infrastructure products that solve all

kinds of communication problems in industrial systems and IIoT applications. HMS' most important market is factory automation, but other important markets are energy and infrastructure, transport and logistics, and building automation.

**SALES STRATEGY** – HMS combines direct sales from own sales offices with sales through distribution. HMS has sales offices in key markets in 16 countries, complemented by a network of distributors and solution partners in more than 50 countries.

## Business model

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

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

## Financial calendar

- Third quarter report will be published on October 19, 2022
- Year-end report 2022 will be published on January 26, 2023
- First quarter report will be published on April 18, 2023
- Annual General Meeting will be held on April 25, 2023

## Conference call

July 14, 2022 (09.00 CET)

President and CEO Staffan Dahlström and CFO Joakim Nideborn present the half-year report 2022.

Phone number to the conference:

SE: +46 8 505 163 86

UK: +44 20 319 84884

US: +1 412 317 6300

Pin code: 5161489#

For link to the webcast, go to:

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

## ASSURANCE

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

Halmstad July 14, 2022

Staffan Dahlström  
Chief Executive Officer

Charlotte Brogren  
Chairman of the Board

Niklas Edling  
Board member

Fredrik Hansson  
Board member

Anna Kleine  
Board member

Anders Mörck  
Board member

Cecilia Wachtmeister  
Board member

Mikael Mårtensson  
Employee representative

Freddy Dahlberg  
Employee representative

Further information can be obtained by:

Staffan Dahlström, CEO, +46 (0)35 17 2901

Joakim Nideborn, CFO, +46 (0)35 710 6983

This information is such that HMS Networks AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the contact persons set out above, at 07.30 CET on July 14, 2022

# Income statement

SEK millions	Q2 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021	R12 2022	Q1-Q4 2021
Net sales	601	474	1,118	929	2,161	1,972
Cost of goods and services sold	-227	-172	-424	-335	-830	-741
<b>GROSS PROFIT</b>	<b>374</b>	<b>302</b>	<b>694</b>	<b>593</b>	<b>1,331</b>	<b>1,230</b>
Selling expenses	-112	-82	-210	-163	-419	-372
Administrative expenses	-49	-44	-90	-80	-184	-174
Research and development expenses	-63	-57	-124	-117	-242	-235
Other operating income <sup>1</sup>	-	1	27	1	28	2
Other operating expenses	-8	0	-16	0	-21	-6
<b>OPERATING PROFIT</b>	<b>143</b>	<b>121</b>	<b>282</b>	<b>235</b>	<b>492</b>	<b>446</b>
Financial income and expenses	-2	-4	-6	-2	0	3
Results from associated companies	0	-	0	-	-1	0
<b>Profit before tax</b>	<b>140</b>	<b>117</b>	<b>275</b>	<b>232</b>	<b>491</b>	<b>448</b>
Tax	-31	-19	-54	-41	-99	-86
<b>PROFIT FOR THE PERIOD</b>	<b>109</b>	<b>98</b>	<b>221</b>	<b>192</b>	<b>392</b>	<b>362</b>
Attributed to:						
Parent company shareholders	109	94	221	184	392	355
Non-controlling interests	-	4	-	8	-	8
Earnings per share regarding profit attributed to parent company shareholders:						
Before dilution (SEK)	2.33	2.02	4.74	3.94	8.40	7.61
After dilution (SEK)	2.33	2.01	4.73	3.93	8.37	7.57

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

# Statement of comprehensive income

SEK millions	Q2 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021	R12 2022	Q1-Q4 2021
Profit for the period	109	98	221	192	392	362
<b>Other comprehensive income:</b>						
<b>Items that may be reclassified subsequently to income statement</b>						
Cash flow hedges	-10	1	-7	-15	-20	-28
Hedging of net investments	-10	1	-10	-3	-10	-3
Translation differences	42	-11	55	9	65	19
Income tax relating to components of other comprehensive income	4	0	3	4	6	6
<b>Other comprehensive income for the period, net of tax</b>	<b>26</b>	<b>-10</b>	<b>42</b>	<b>-5</b>	<b>41</b>	<b>-5</b>
<b>Total comprehensive income for the period</b>	<b>135</b>	<b>88</b>	<b>263</b>	<b>187</b>	<b>433</b>	<b>357</b>
Attributed to:						
Parent company shareholders	135	84	263	179	433	349
Non-controlling interests	-	3	-	8	0	8



# Balance sheet

SEK millions	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
<b>ASSETS</b>			
Goodwill	1,070	908	1,034
Other intangible assets	282	262	281
Property, plant and equipment	44	40	45
Right-of-use assets	82	92	81
Deferred tax assets	21	5	19
Shares in associated companies	14	-	15
Other long-term receivables	15	14	12
<b>Total fixed assets</b>	<b>1,529</b>	<b>1,320</b>	<b>1,486</b>
Inventories	274	154	195
Accounts receivable - trade	332	232	286
Other current receivables	102	61	63
Cash and cash equivalents	76	90	172
<b>Total current assets</b>	<b>783</b>	<b>537</b>	<b>717</b>
<b>TOTAL ASSETS</b>	<b>2,312</b>	<b>1,857</b>	<b>2,204</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributed to parent company shareholders	1,271	1,279	1,177
Non-controlling interests	-	25	-
<b>Total Equity</b>	<b>1,271</b>	<b>1,304</b>	<b>1,177</b>
<b>Liabilities</b>			
Interest-bearing liabilities	281	77	13
Non interest-bearing liabilities <sup>1</sup>	124	0	419
Lease liabilities	47	57	50
Deferred income tax liabilities	77	78	84
<b>Total non-current liabilities</b>	<b>530</b>	<b>212</b>	<b>566</b>
Interest-bearing liabilities	1	1	3
Non interest-bearing liabilities	1	-	7
Lease liabilities	33	34	28
Accounts payable - trade	187	107	165
Other current liabilities	291	199	257
<b>Total current liabilities</b>	<b>512</b>	<b>341</b>	<b>461</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,312</b>	<b>1,857</b>	<b>2,204</b>

<sup>1</sup> On December 31, 2021, SEK 391 m is referred to the expected exercise price of options related to the remaining shares in Procentec B.V. and Owasy S.L. On June 30, 2022, the item only refers to Owasy of SEK 95 m.

# Cash flow statement

SEK millions	Q2 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021	R12 2022	Q1-Q4 2021
Cash flow from operating activities before changes in working capital	140	131	270	282	524	536
Cash flow from changes in working capital	-84	-5	-134	-24	-137	-28
<b>Cash flow from operating activities</b>	<b>56</b>	<b>126</b>	<b>136</b>	<b>257</b>	<b>387</b>	<b>508</b>
Cash flow from investing activities <sup>1</sup>	-280	-11	-291	-20	-371	-100
Cash flow from financing activities	101	-103	58	-229	-34	-321
<b>Cash flow for the period</b>	<b>-122</b>	<b>12</b>	<b>-97</b>	<b>8</b>	<b>-18</b>	<b>87</b>
Cash and cash equivalents at beginning of the period	197	80	172	82	90	82
Translation differences in cash and cash equivalents	1	-1	1	1	4	3
<b>Cash and cash equivalents at end of period</b>	<b>76</b>	<b>90</b>	<b>76</b>	<b>90</b>	<b>76</b>	<b>172</b>
Interest-bearing and Non-interest-bearing liabilities <sup>2</sup>	486	169	486	169	486	519
<b>Net debt</b>	<b>409</b>	<b>78</b>	<b>409</b>	<b>78</b>	<b>409</b>	<b>347</b>

<sup>1</sup> The acquisition of Owasy's impact on the Group's cash and cash equivalents, after deduction of Owasy's cash and cash equivalents, was SEK -45 m in Q3, 2021.

<sup>2</sup> The acquisition of the remaining shares in Procentec's impact on the Group's cash and cash equivalents was SEK -267 m in Q2, 2022.

<sup>2</sup> Non-interest-bearing liabilities refers to additional purchase price and option liabilities related to Procentec and Owasy from Q3 2021. From Q2, 2022 the items only refers to Owasy.

# Equity

Change in Group Equity, SEK millions	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Opening balance at January 1	1,177	1,204	1,204
Total comprehensive income for the period	263	179	349
Share-related payment	4	5	9
Repurchase of own shares	-34	-15	-19
Dividend	-140	-93	-93
Transactions with non-controlling interests <sup>1</sup>	-	-	-273
<b>Closing balance attributed to parent company shareholders</b>	<b>1,271</b>	<b>1,279</b>	<b>1,177</b>
Opening non-controlling interest at January 1	-	17	17
Total comprehensive income for the period	-	8	8
Transactions with non-controlling interests <sup>1</sup>	-	-	-25
<b>Closing non-controlling interests</b>	<b>-</b>	<b>25</b>	<b>-</b>
<b>Closing balance</b>	<b>1,271</b>	<b>1,304</b>	<b>1,177</b>

<sup>1</sup> On December 31, 2021, HMS held a put/call-option related to the remaining ownership interests in Procentec B.V. and Owasy S.L., respectively, which was not held by the majority owner. The design of these options is such that it is considered likely that the option will be exercised. As a result, the acquisitions are reported at 100% and no holding of non-controlling interests are reported in the Group's equity.

## Key ratios

	Q2 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021	R12 2022	Q1-Q4 2021
Net increase in net sales (%)	26.8	33.4	20.4	29.6	28.7	34.4
Gross margin (%)	62.2	63.7	62.0	63.9	61.6	62.4
EBITDA (SEK m)	167	147	332	289	591	548
EBITDA (%)	27.7	31.1	29.7	31.1	27.3	27.8
EBIT excl acquisition-related costs (SEK m)	149	127	293	246	515	467
EBIT excl acquisition-related costs (%)	24.8	26.8	26.2	26.4	23.8	23.7
EBIT (SEK m)	143	121	282	235	492	446
EBIT (%)	23.7	25.5	25.2	25.3	22.8	22.6
Return on capital employed (%)	-	-	-	-	30.1	29.3
Return on Shareholder's equity (%)	-	-	-	-	32.0	29.1
Working capital in relation to sales (%)	-	-	-	-	7.1	6.8
Capital turnover rate	-	-	-	-	1.01	1.01
Net debt/equity ratio	0.32	0.06	0.32	0.06	0.32	0.30
Equity/assets ratio (%)	55.0	70.2	55.0	70.2	55.0	53.4
Investments in tangible fixed assets (SEK m)	4	4	5	4	16	15
Investments in right-of-use assets (SEK m)	5	3	8	5	12	9
Investments in intangible fixed assets (SEK m)	10	7	19	13	31	24
Depreciation of tangible fixed assets (SEK m)	-3	-3	-7	-6	-13	-13
Depreciation of right-of-use assets (SEK m)	-10	-8	-18	-17	-35	-33
Amortization of intangible fixed assets (SEK m)	-11	-11	-23	-22	-48	-47
<i>of which amortization of overvalues acquired</i>	-5	-5	-11	-9	-21	-20
<i>of which amortization of capitalized development costs</i>	-6	-6	-12	-13	-26	-27
Impairment of intangible fixed assets (SEK m)	-	-4	-2	-9	-2	-9
Number of employees (average)	725	662	650	624	713	684
Net sales per employees (SEK m)	0.8	0.7	1.7	1.5	3.0	2.9
Equity per share (SEK)	27.27	27.98	26.59	27.37	26.23	26.15
Cash flow from operations per share (SEK)	1.21	2.69	2.92	5.52	8.30	10.90
Total number of share average (thousands)	46,819	46,819	46,819	46,819	46,819	46,819
Holding of own shares average (thousands)	176	158	172	157	166	158
Total outstanding shares average (thousands)	46,463	46,661	46,647	46,662	46,652	46,660

## Quarterly data

Division of net sales per brand SEK millions	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Anybus	276	257	249	220	231	214	191	184
Ixxat	67	46	51	53	41	47	42	43
Ewon	130	98	116	73	97	93	84	74
Intesis	49	41	34	34	34	31	33	33
Other <sup>1</sup>	79	75	122	92	71	69	55	11
<b>Total</b>	<b>601</b>	<b>517</b>	<b>571</b>	<b>472</b>	<b>474</b>	<b>455</b>	<b>405</b>	<b>345</b>

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.

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

Net sales per region SEK millions	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
EMEA	372	320	349	296	285	280	250	208
Americas	117	100	136	96	107	96	82	80
APAC	111	97	86	80	82	79	73	57
<b>Total</b>	<b>601</b>	<b>517</b>	<b>571</b>	<b>472</b>	<b>474</b>	<b>455</b>	<b>405</b>	<b>345</b>

Income statement SEK millions	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
<b>Net sales</b>	<b>601</b>	<b>517</b>	<b>571</b>	<b>472</b>	<b>474</b>	<b>455</b>	<b>405</b>	<b>345</b>
<b>Gross profit</b>	<b>374</b>	<b>319</b>	<b>347</b>	<b>290</b>	<b>302</b>	<b>291</b>	<b>250</b>	<b>213</b>
<i>Gross margin (%)</i>	62.2	61.8	60.8	61.4	63.7	64.0	61.6	61.9
<b>Operating profit</b>	<b>143</b>	<b>139</b>	<b>109</b>	<b>101</b>	<b>121</b>	<b>114</b>	<b>75</b>	<b>77</b>
<i>Operating margin (%)</i>	23.7	26.9	19.2	21.5	25.5	25.0	18.5	22.3
<b>Profit before tax</b>	<b>140</b>	<b>135</b>	<b>114</b>	<b>102</b>	<b>117</b>	<b>115</b>	<b>70</b>	<b>73</b>

## Parent company's income statement

SEK millions	Q2 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021	R12 2022	Q1-Q4 2021
Net sales	5	4	9	7	22	21
<b>Gross profit</b>	<b>5</b>	<b>4</b>	<b>9</b>	<b>7</b>	<b>22</b>	<b>21</b>
Administrative expenses	-5	-4	-9	-7	-22	-21
<b>Operating profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>
Profit from participations in subsidiaries	229	423	229	423	229	423
Interest income/ expenses and similar items	2	0	2	0	2	0
<b>Profit before tax</b>	<b>232</b>	<b>423</b>	<b>232</b>	<b>423</b>	<b>232</b>	<b>423</b>
Tax	-	-	0	0	0	0
<b>Profit for the period</b>	<b>232</b>	<b>423</b>	<b>232</b>	<b>423</b>	<b>231</b>	<b>423</b>

## Parent company's balance sheet

SEK millions	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
<b>ASSETS</b>			
Financial assets	337	337	337
<b>Total financial assets</b>	<b>337</b>	<b>337</b>	<b>337</b>
Receivables from Group companies	358	305	309
Other receivables	3	1	-
Cash and cash equivalents	3	2	2
<b>Total current assets</b>	<b>364</b>	<b>308</b>	<b>311</b>
<b>TOTAL ASSETS</b>	<b>701</b>	<b>645</b>	<b>648</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>693</b>	<b>639</b>	<b>636</b>
<b>Current liabilities</b>			
Accounts payable - trade	0	0	0
Other current liabilities	8	6	13
<b>Total current liabilities</b>	<b>8</b>	<b>6</b>	<b>13</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>701</b>	<b>645</b>	<b>648</b>



# 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 di-

vided by the number of outstanding shares at the end of the period.

## EQUITY/ASSETS RATIO

Shareholders' equity in relation to total assets.

## FINANCIAL ASSETS

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

## NET DEBT

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

## NET DEBT/EQUITY RATIO

Net debt in relation to Shareholders' equity.

## NUMBER OF OUTSTANDING SHARES

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

## OPERATING MARGIN

Operating profit in relation to net sales.

## ORGANIC CHANGE

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

## RETURN ON CAPITAL EMPLOYED

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

## RETURN ON SHAREHOLDER'S EQUITY

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

## WORKING CAPITAL

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

## Alternative key ratios

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

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

### EBITDA

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

SEK millions	Q2 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021	R12 2022	Q1-Q4 2021
Operating profit	143	121	282	235	492	446
Depreciation of tangible fixed assets (incl right-of-use assets)	13	11	25	23	48	47
Amortization of intangible fixed assets	11	11	23	22	48	47
Impairment of intangible fixed assets	-	4	2	9	2	9
<b>EBITDA</b>	<b>167</b>	<b>147</b>	<b>332</b>	<b>289</b>	<b>591</b>	<b>548</b>
Net sales	601	474	1,118	929	2,161	1,972
EBITDA (%)	27.7	31.1	29.7	31.1	27.3	27.8

### 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 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021	R12 2022	Q1-Q4 2021
Operating profit	143	121	282	235	492	446
Amortization of acquired overvalues	5	5	11	9	21	20
Acquisition-related transaction costs	-	2	-	2	0	1
<b>EBIT excl acquisition-related costs</b>	<b>148</b>	<b>127</b>	<b>292</b>	<b>246</b>	<b>514</b>	<b>467</b>
Net sales	601	474	1,118	929	2,161	1,972
EBIT excl acquisition-related costs (%)	24.6	26.8	26.2	26.4	23.8	23.7

**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 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 and UAE, as well as through a worldwide network of distributors and partners. HMS employs over 750 people and reported sales of SEK 1,972 million in 2021. HMS is listed on the NASDAQ OMX in Stockholm, category Large Cap, Information Technology.



## 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.