

HMS Networks

Year-end report 2022
January - December



Fourth quarter

- Net sales for the fourth quarter reached SEK 764 m (571), corresponding to an increase of 34%. Currency translations had a positive effect of SEK 65 m on net sales
- Order intake was SEK 718 m (699), corresponding to an increase of 3%
- Operating profit reached SEK 192 m (109), equal to a 25.1% (19.2) operating margin
- Profit after taxes totalled SEK 151 m (86) and earnings per share was SEK 3.25 (1.85)
- Cash flow from operating activities amounted to SEK 177 m (104)
- Acquisition of all shares in the British company Control Specialists Ltd.

Subsequent events

- Acquisition of additional 20% of the shares in Owasys Advanced Wireless Devices S.L.

Yearly

- Net sales for the year reached SEK 2,506 m (1,972), corresponding to a 27% increase. Currency translations had a positive effect of SEK 158 m on net sales
- Order intake was SEK 3,064 m (2,538), corresponding to an increase of 21%
- Operating profit reached SEK 653 m (446), equal to a 26.0% (22.6) operating margin. Adjusted operating profit reached SEK 626 m, equal to a 25.0% adjusted operating margin
- Profit after taxes totalled SEK 508 m (362) and earnings per share was SEK 10.89 (7.61). Adjusted profit after taxes totalled SEK 481 m and adjusted earnings per share was SEK 10.31
- Cash flow from operating activities amounted to SEK 431 m (508)
- Acquisition of the remaining 30% of the shares in Procentec B.V.
- Acquisition of all shares in the Australian company Global M2M Pty Ltd.
- The Board of Directors propose a dividend to the amount of SEK 4.00 (3.00) per share

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.

Hardware Meets Software™

CEO comments

A strong finish to the record year 2022

We finish the year with yet another strong quarter where we deliver a new turnover record and continued stable order intake.

Order intake amounted to SEK 718 million (699). We continue to see some customers who place large orders earlier as a consequence of long delivery times in the market and continued uncertainty regarding the supply of semiconductors. In the quarter, we estimate that these orders amount to approximately SEK 85 million.

Turnover amounted to a record level of SEK 764 million (571), corresponding to an organic growth of 22%. We can conclude that during the quarter, we managed to handle the component supply issues better than expected, and we see a gradual improvement in our capacity to deliver.

In Europe, both order intake and turnover remain strong, while we are beginning to see signs of a slowdown in order intake in North America. In Asia, we continue to see order growth compared to the previous year, although at a lower level than earlier in 2022.

For the full year 2022, we reach an order intake of SEK 3,064 million (2,538). A part of this consists of early orders from customers who want to secure future deliveries in an uncertain market. This year's turnover amounts to SEK 2,506 million (1,972), corresponding to an organic increase of 17%, which we are very satisfied with.

During the fourth quarter, we see a continued good gross margin of 63.6% (60.8), the same level as we had in the previous quarter. Our price increases in 2022 mean that we compensate for the cost increases we have seen on components during the quarter. Although we still make purchases on the spot market at a significantly higher cost, we see that the need for these purchases decreases every quarter. Our operating costs increased organically by 14%, which is primarily explained by a general cost inflation, investments in our sales and marketing organization and improved IT support in our operations. All in all, we end the year with an operating result on record levels for the fourth quarter — SEK 192 million (109), corresponding to an operating margin of 25%. Also for the full year, we see a new record with an adjusted operating profit of SEK 626 million (446).

After a couple of quarters with weaker cash flow, we now see an improvement as our cash flow amounts to SEK 177 million (103). With a sequential turnover growth of over 20%, our working capital is also increasing. Our net debt continues to decrease and is now down to SEK 300 million, which means that we have a strong balance sheet that brings good opportunities for the future.

Steady inflow of new Design-Wins

The continued component shortage and delivery problems in the electronics industry during 2022 have forced many of our customers to modify their existing products in order to deliver, thus reducing their focus on new development in the short term. Even though, for those of our products that are sold according to our Design-Win business model (approximately 44% of HMS's turnover) we can still see a continued stable inflow of new customers in 2022. In total, we received 146 (174) new Design-Wins during the year, and the total

number of active Design-Wins now amounts to 1,843 (1,790). Of these, 1,493 (1,447) are in production, while 280 (343) are expected to go into production in the coming years.

Acquisitions and strategic collaborations

During the quarter, HMS acquired all shares in Control Specialists Ltd., a small British company with three employees and an annual turnover of 0.5 MGBP. The company has a long-standing collaboration with the Procentec business in technical certifications and training. We see an opportunity to develop our customer relations in United Kingdom by also providing these services for our customers within industrial networks.

After the end of the year, an additional 20% of the shares in Owaysys were acquired. HMS now owns 80% and the other 20% is owned by four entrepreneurs, all active in the company.

Prospects

We end the year with an order book of SEK 1.4 billion, which means that we are well equipped for 2023. We expect to gradually reduce our large order book in the coming quarters as our customers' pre-purchasing start to normalize due to improved component availability and shorter lead times. At what pace this will happen and to what extent, is difficult to say, but we see that the majority of our customers are still prepared to keep large stocks to ensure their ability to deliver.

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

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



"It has been a challenging year but our fantastic staff has really come through and done their utmost to be able to deliver products to our customers," says Hanna Tegnhammar, Production Manager in conversation with CEO Staffan Dahlström.

+3%

Order intake

Q4

+34%

Net sales

Q4

25%

Operating margin

Q4

Order intake, net sales and earnings

Fourth quarter

Order intake increased during the fourth quarter by 3% to SEK 718 m (699), of which currency translations amounted to SEK 29 m (7). The organic decrease in order intake was 1%.

Net sales increased by 34% to SEK 764 m (571), of which currency translation effects were SEK 65 m (-7). The organic increase in net sales was 22%.

Gross profit reached SEK 486 m (347), corresponding to a gross margin of 63.6% (60.8). Operating expenses amounted to SEK 294 m (238). The organic increase in operating expenses was 14%, corresponding to SEK 33 m, mostly related to increased sales and marketing initiatives and a strengthened IT-organization.

Operating profit before depreciation/amortization and write-downs amounted to SEK 225 m (133), corresponding to a margin of 29.4% (23.4). Depreciations/amortizations and write-downs amounted to SEK 33 m (24). Operating profit amounted to SEK 192 m (109), corresponding to a margin of 25.1% (19.2). Currency translations affected the Group's operating profit by SEK 13 m (-4).

Net financials were SEK -11 m (5) mainly related to weakening of the Swedish Krona which gave negative translation differences mainly on option debt and additional purchase price. Profit before tax was therefore of SEK 180 m (114).

Profit after tax amounted to SEK 151 m (86) and earnings per share before and after dilution was SEK 3.25 (1.85) and SEK 3.24 (1.84) respectively.

Yearly

Order intake increased during the year by 21% to SEK 3,064 m (2,538), of which currency translations amounted to SEK 233 m (-83). The organic increase in order intake was 10%.

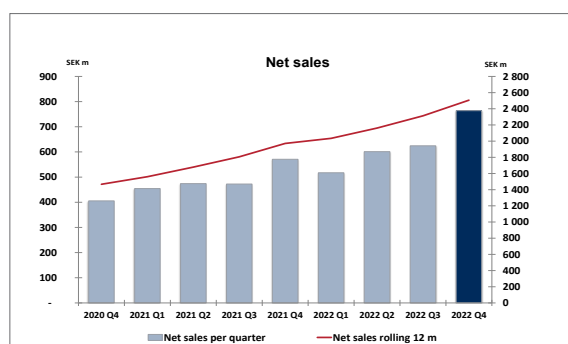
Net sales increased by 27% to SEK 2,506 m (1,972), of which currency translation effects were SEK 158 m (-75). The organic increase in net sales was 17%.

Gross profit reached SEK 1,577 m (1,230), corresponding to a gross margin of 62.9% (62.4). Operating expenses amounted to SEK 958 m (787). The organic increase in operating expenses was 15%, corresponding to SEK 115 m, mostly related to increased sales and marketing initiatives and a strengthened IT-organization.

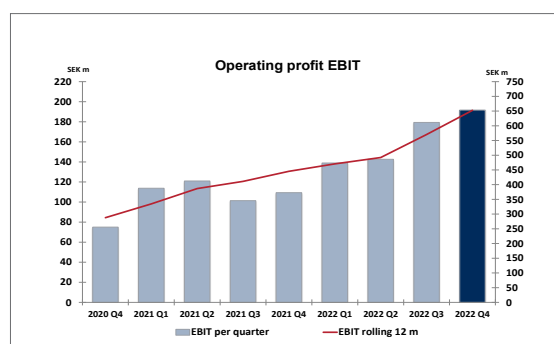
Operating profit before depreciation/amortization and write-downs amounted to SEK 760 m (548), corresponding to a margin of 30.3% (27.8). Depreciations/amortizations and write-downs amounted to SEK 108 m (102). Operating profit amounted to SEK 653 m (446), corresponding to a margin of 26.0% (22.6). Operating 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 626 m, corresponding to an adjusted margin of 25.0%. Currency translations affected the Group's operating profit by SEK 39 m (-31).

Net financials were SEK -29 m (3), mainly related to weakening of the Swedish Krona which gave negative translation differences mainly on option debt and additional purchase price. Profit before tax was therefore SEK 623 m (448).

Profit after tax amounted to SEK 508 m (362) and earnings per share before and after dilution was SEK 10.89 (7.61) and SEK 10.85 (7.61) respectively. Adjusted profit after tax amounted to SEK 481 m and adjusted earnings per share to SEK 10.31.



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	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2022	Q3 2021	Q2 2021	Q1 2021
Order intake (SEK m)	718	675	815	857	699	669	606	565
Net sales (SEK m)	764	624	601	517	571	472	474	455
Gross margin (%)	63.6	63.6	62.2	61.8	60.8	61.4	63.7	64.0
EBITDA (SEK m)	225	204	167	165	133	126	147	141
EBITDA (%)	29.4	32.7	27.7	31.9	23.4	26.6	31.1	31.0
EBIT (SEK m)	192	179	143	139	109	101	121	114
EBIT (%)	25.1	28.7	23.7	26.9	19.2	21.5	25.5	25.0
Cash flow from operating activities per share (SEK)	3.80	2.52	1.21	1.71	2.22	3.16	2.69	2.83
Earnings per share before dilution (SEK) ¹	3.25	2.90	2.33	2.41	1.85	1.81	2.02	1.93
Earnings per share after dilution (SEK) ¹	3.24	2.89	2.33	2.40	1.84	1.80	2.01	1.92
Equity per share (SEK)	32.54	28.91	27.27	26.27	24.32	25.67	27.98	27.08

¹ Attributed to parent company shareholders.

Cash flow, investments and financial position

Fourth quarter

Cash flow from operating activities before changes in working capital amounted to SEK 208 m (127) for the fourth and last quarter of the year. During the quarter the increase of the inventory of components has continued to ensure a good delivery capacity. Therefore changes in working capital were SEK -31 m (24). Cash flow from operating activities was thereby SEK 177 m (104).

Cash flow from investing activities was SEK -51 m (-24) of which the majority corresponds to investments in intangible and tangible assets of SEK -45 m (-11). Acquisition of subsidiaries has been made of SEK -4 m (-). Changes of financial assets was SEK -2 m (-15).

Cash flow from financing activities was SEK -125 m (-11) which is mainly explained by changes in external loans of SEK -113 m (-) and amortizations of lease liabilities by SEK -12 m (-9). This means that cash flow for the quarter was SEK 2 m (69).

Yearly

Cash flow from operating activities before changes in working capital amounted to SEK 647 m (536) for the year. Increase in component inventory has been made during the year to ensure a good delivery capacity. Therefore changes in working capital were SEK -216 m (-28). Cash flow from operating activities was thereby SEK 431 m (508).

Cash flow from investing activities was SEK -366 m (-100) of which the majority corresponds to the acquisition of subsidiaries of SEK -280 m (-45). Moreover investments in intangible and tangible assets was SEK -83 m (-39). Changes in financial assets was SEK -3 m (-17).

Cash flow from financing activities was SEK -99 m (-321) which is mainly explained by changes in external loans of SEK 112 m (-174). Dividend was disbursed of SEK -140 m (-93). Repurchase of own shares has been made by SEK -34 m (-19). Amortizations of lease liabilities has been made by SEK -41 m (-36). This means that cash flow for the year was SEK -34 m (87).

Cash and cash equivalents and net debt

Cash and cash equivalents amounted to SEK 144 m (172) and unused credit facilities to SEK 397 m (490). Net debt amounted to SEK 300 m (347) and mainly consists of external loans of SEK 136 m (-) and a debt corresponding to expected exercise price, in total SEK 99 m (391). SEK 160 m (78) of net debt corresponds to lease liabilities.

Net debt to EBITDA ratio for the last twelve months was 0.39 (0.63). Net debt/Equity ratio was 19% (30) and Equity/Assets ratio was 59% (53).

The HMS Networks AB share

HMS Networks AB (publ) is listed on the Nasdaq OMX Stockholm

Large Cap list, in the sector Telecommunications. By the end of the period the total number of shares amounted to 46,818,868 of which 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).

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 December 31, 2022, the total number of saved shares amounted to 78,082 (94,153) 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 year amounted to SEK 0 m (0). Dividends from subsidiaries amounted to SEK 229 m (423). The profit after tax for the year was SEK 236 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 Control Specialists Ltd

December 9 2022, HMS acquired all shares in the British company Control Specialists Ltd. Control Specialists is a key partner to Procentec – HMS' offering in monitoring and diagnostics of industrial networks. They deliver certifications and certified trainings related to industrial networks in the United Kingdom.

Control Specialists realized a turnover of m 0.5 GBP in 2022 and will be integrated into HMS Industrial Networks Ltd during 2023, to further strengthen the Procentec training offering. The acquisition has limited impact on HMS's sales and earnings per share in 2022.

The acquisition generated SEK 5 m excess value in the Group. The acquired company is consolidated in the HMS Group account as of December 9 2022 and will have a limited impact on the group's results and position.

According to preliminary acquisition analysis, the purchase price, acquired net assets and goodwill amounts to:

Purchase sum:	SEK m
Cash and cash equivalents	8
Total purchase sum	8

The assets and liabilities recognized in conjunction with the acquisition are as follows:	SEK m
Intangible fixed assets	-
Tangible fixed assets	0
Deferred tax assets	-
Current assets	1
Cash and cash equivalents	3
Deferred tax liabilities	-
Non-current liabilities	-
Current liabilities	-1
Total identifiable net assets	3
Goodwill*	5
Acquired net assets	8

*Goodwill is attributable to the company's market position within wireless communication and expected synergies with existing operations. No part of the recognized goodwill is expected to be tax deductible.

Subsequent events

After the end of the period, an additional 20% of the shares in Oways Advanced Wireless Devices S.L. has been acquired at a value corresponding to which option debt was reported. After this acquisition 80% of the company's total number of shares are held.

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

Outlook

HMS has a record order book which is expected to gradually reduce in the coming quarters, as our customers' pre-purchasing start to normalize, as an effect of improved component availability and shorter lead times. At what pace this will happen and to what extent is difficult to say, but the majority of HMS's customers are still prepared to keep large stocks to ensure their ability to deliver.

Customers' willingness to invest in digitalization, productivity and sustainability is high and underlying demand is still considered to be good, even if there is some concern linked to how the industry will be affected by weaker consumer purchasing power, increasing energy costs and the uncertain geopolitical situation.

Risk management

The HMS Group is exposed to business and financial risks through its operations. These risks have been described at length in the Com-

pany's Annual Report 2021. In addition, no significant risks are considered to have arisen.

Audit review

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

Nomination committee

In accordance with principles adopted at a prior HMS' Annual General Meeting, the following persons have been assigned to be a part of the Nomination Committee: Johan Menckel, Investment AB Latour, representing 26% of the shares, Staffan Dahlström representing 13% of the shares, Tomas Risbecker, AMF Fonder representing 8% of the shares, Patrik Jönsson, SEB Fonder representing 8% of the shares, and Charlotte Brogren, Chairman of the Board. The Nomination Committee has appointed Johan Menckel as its Chairman.

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.

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 December 31, 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 centres within HMS are using core HMS technology.

PRODUCT STRATEGY – HMS offers solutions for industrial

ICT (Information and Communication Technology) under the brands Anybus®, Ewon®, Ixxat® and Intesis®.

- Anybus – connecting automation products and machines to industrial networks and IIoT applications, through embedded network cards, gateways and wireless solutions
- 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 Owasys.

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

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

SALES STRATEGY – HMS combines direct sales from own sales offices with sales through distribution. HMS has sales offices in key markets in 17 countries, complemented by a network of distributors and solution partners in more than 50 countries.

Business model

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

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

Financial calendar

- First quarter report will be published on April 18, 2023
- Annual General Meeting will be held on April 25, 2023
- Half-year report will be published on July 14, 2023
- Third quarter report will be published on October 18, 2023

Conference call

January 26, 2023 (09.00 CET)

President and CEO Staffan Dahlström and CFO Joakim Nideborn present the fourth quarter report 2022.

For link to the webcast, go to:
<https://www.hms-networks.com/sv/aktieagare>

Halmstad January 26, 2023

Staffan Dahlström
Chief Executive Officer

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 07.30 CET on January 26, 2023.

Consolidated income statement in summary

SEK millions	Q4 2022	Q4 2021	Q1-Q4 2022	Q1-Q4 2021
Net sales	764	571	2,506	1,972
Cost of goods and services sold	-278	-224	-930	-741
GROSS PROFIT	486	347	1,577	1,230
Selling expenses	-139	-117	-457	-372
Administrative expenses	-68	-53	-212	-174
Research and development expenses	-76	-64	-261	-235
Other operating income ¹	-	1	34	2
Other operating expenses	-11	-4	-27	-6
OPERATING PROFIT	192	109	653	446
Financial income and expenses	-11	5	-28	3
Results from associated companies	0	0	-1	0
Profit before tax	180	114	623	448
Tax	-29	-28	-116	-86
PROFIT FOR THE PERIOD	151	86	508	362
Attributed to:				
Parent company shareholders	151	86	508	355
Non-controlling interests	-	-	-	8
Earnings per share regarding profit attributed to parent company shareholders:				
Before dilution (SEK)	3.25	1.85	10.89	7.61
After dilution (SEK)	3.24	1.84	10.85	7.57

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

Consolidated statement of comprehensive income in summary

SEK millions	Q4 2022	Q4 2021	Q1-Q4 2022	Q1-Q4 2021
Profit for the period	151	86	508	362
Other comprehensive income:				
Items that may be reclassified subsequently to income statement				
Cash flow hedges	7	-5	-8	-28
Hedging of net investments	-1	0	-16	-3
Translation differences	24	3	108	19
Income tax relating to components of other comprehensive income	-1	1	5	6
Other comprehensive income for the period, net of tax	29	-1	89	-5
Total comprehensive income for the period	180	86	597	357
Attributed to:				
Parent company shareholders	180	86	597	349
Non-controlling interests	-	-	-	8

Consolidated balance sheet in summary

SEK millions	Dec 31, 2022	Dec 31, 2021
ASSETS		
Goodwill	1,120	1,034
Other intangible assets	290	281
Property, plant and equipment	69	45
Right-of-use assets ²	164	81
Deferred tax assets	22	19
Shares in associated companies	14	15
Other long-term receivables	15	12
Total fixed assets	1,693	1,486
Inventories	362	195
Accounts receivable - trade	412	286
Other current receivables	119	63
Cash and cash equivalents	144	172
Total current assets	1,037	717
TOTAL ASSETS	2,730	2,204
EQUITY AND LIABILITIES		
Equity attributed to parent company shareholders	1,610	1,177
Total Equity	1,610	1,177
Liabilities		
Interest-bearing liabilities	114	13
Non interest-bearing liabilities ¹	113	419
Lease liabilities	118	50
Deferred income tax liabilities	89	84
Total non-current liabilities	434	566
Interest-bearing liabilities	36	3
Non interest-bearing liabilities	21	7
Lease liabilities	42	28
Accounts payable - trade	243	165
Other current liabilities	344	257
Total current liabilities	686	461
TOTAL EQUITY AND LIABILITIES	2,730	2,204

¹December 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 December 31, 2022, the item only refers to Owasy of SEK 99 m.

²Increased Right-of-use assets refers to renegotiated rental agreement in Sweden.

Consolidated cash flow statement in summary

SEK millions	Q4 2022	Q4 2021	Q1-Q4 2022	Q1-Q4 2021
Cash flow from operating activities before changes in working capital	208	127	647	536
Cash flow from changes in working capital	-31	-24	-216	-28
Cash flow from operating activities	177	104	431	508
Cash flow from investing activities ¹	-51	-24	-366	-100
Cash flow from financing activities	-125	-11	-99	-321
Cash flow for the period	2	69	-34	87
Cash and cash equivalents at beginning of the period	138	103	172	82
Translation differences in cash and cash equivalents	4	0	6	3
Cash and cash equivalents at end of period	144	172	144	172
Interest-bearing and Non-interest-bearing liabilities ²	444	519	444	521
Net debt	300	347	300	347

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

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

Consolidated changes of Equity in summary

Change in Group Equity, SEK millions	Dec 31, 2022	Dec 31, 2021
Opening balance at January 1	1,177	1,204
Total comprehensive income for the period	597	349
Share-related payment	10	9
Repurchase of own shares	-34	-19
Dividend	-140	-93
Transactions with non-controlling interests ¹	-	-273
Closing balance attributed to parent company shareholders	1,610	1,177
Opening non-controlling interest at January 1	-	17
Total comprehensive income for the period	-	8
Transactions with non-controlling interests ¹	-	-25
Closing non-controlling interests	-	-
Closing balance	1,610	1,177

¹December 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

	Q4 2022	Q4 2021	Q1-Q4 2022	Q1-Q4 2021
Net increase in net sales (%)	33.8	40.8	27.1	34.4
Gross margin (%)	63.6	60.8	62.9	62.4
EBITDA (SEK m)	225	133	760	548
EBITDA (%)	29.4	23.4	30.3	27.8
EBIT excl acquisition-related costs (SEK m)	198	115	675	467
EBIT excl acquisition-related costs (%)	25.9	20.1	26.9	23.7
EBIT (SEK m)	192	109	653	446
EBIT (%)	25.1	19.2	26.0	22.6
Return on capital employed (%)	-	-	35.7	29.3
Return on shareholder's equity (%)	-	-	37.6	29.1
Working capital in relation to sales (%)	-	-	8.7	6.8
Capital turnover rate	-	-	1.04	1.01
Net debt/equity ratio	0.19	0.30	0.19	0.30
Equity/assets ratio (%)	59.0	53.4	59.0	53.4
Investments in tangible fixed assets (SEK m)	24	4	34	15
Investments in right-of-use assets (SEK m) ¹	7	2	108	9
Investments in intangible fixed assets (SEK m)	21	6	49	24
Depreciation of tangible fixed assets (SEK m)	-3	-3	-13	-13
Depreciation of right-of-use assets (SEK m)	-13	-8	-41	-33
Amortization of intangible fixed assets (SEK m)	-12	-12	-47	-47
<i>of which amortization of overvalues acquired</i>	-6	-5	-22	-20
<i>of which amortization of capitalized development costs</i>	-7	-7	-25	-27
Impairment of intangible fixed assets (SEK m)	-5	-	-7	-9
Number of employees (average)	737	713	726	684
Net sales per employees (SEK m)	1.0	0.8	3.5	2.9
Equity per share (SEK)	32.54	24.32	28.97	26.15
Cash flow from operations per share (SEK)	3.80	2.22	9.24	10.90
Total number of share average (thousands)	46,819	46,819	46,819	46,819
Holding of own shares average (thousands)	176	161	174	158
Total outstanding shares average (thousands)	46,643	46,658	46,645	46,660

¹ Increased Right-of-use assets refers to renegotiated rental agreement in Sweden.

Quarterly data

Division of net sales per brand SEK millions	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Anybus	375	324	276	257	249	220	231	214
Ixxat	60	61	67	46	51	53	41	47
Ewon	137	110	130	98	116	73	97	93
Intesis	49	39	49	41	34	34	34	31
Other ¹	143	90	79	75	122	92	71	69
Total	764	624	601	517	571	472	474	455

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

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

Net sales per region SEK millions	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
EMEA	486	378	372	320	349	296	285	280
Americas	148	127	117	100	136	96	107	96
APAC	130	119	111	97	86	80	82	79
Total	764	624	601	517	571	472	474	455

Income statement SEK millions	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Net sales	764	624	601	517	571	472	474	455
Gross profit	486	397	374	319	347	290	302	291
Gross margin (%)	63.6	63.6	62.2	61.8	60.8	61.4	63.7	64.0
Operating profit	192	179	143	139	109	101	121	114
Operating margin (%)	25.1	28.7	23.7	26.9	19.2	21.5	25.5	25.0
Profit before tax	180	168	140	135	114	102	117	115

Parent company's income statement in summary

SEK millions	Q4 2022	Q4 2021	Q1-Q4 2022	Q1-Q4 2021
Net sales	6	10	19	21
Gross profit	6	10	19	21
Administrative expenses	-6	-10	-19	-21
Operating profit	-	-	-	-
Profit from participations in subsidiaries	-	-	229	423
Interest income/ expenses and similar items	7	0	9	0
Profit before tax	7	0	238	423
Tax	-2	0	-2	0
Profit for the period	5	0	236	423

Parent company's balance sheet in summary

SEK millions	Dec 31, 2022	Dec 31, 2021
ASSETS		
Financial assets	337	337
Total financial assets	337	337
Receivables from Group companies	371	309
Other receivables	0	-
Cash and cash equivalents	3	2
Total current assets	374	311
TOTAL ASSETS	711	648
EQUITY AND LIABILITIES		
Equity	698	636
Current liabilities		
Accounts payable - trade	0	0
Other current liabilities	12	13
Total current liabilities	13	13
TOTAL EQUITY AND LIABILITIES	711	648

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	Q4 2022	Q4 2021	Q1-Q4 2022	Q1-Q4 2021
Operating profit	192	109	653	446
Depreciation of tangible fixed assets (incl right-of-use assets)	16	12	53	47
Amortization of intangible fixed assets	12	12	47	47
Impairment of intangible fixed assets	5	-	7	9
EBITDA	225	133	760	548
Net sales	764	571	2,506	1,972
EBITDA (%)	29.4	23.4	30.3	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	Q4 2022	Q4 2021	Q1-Q4 2022	Q1-Q4 2021
Operating profit	192	109	653	446
Amortization of acquired overvalues	6	5	22	20
Acquisition-related transaction costs	0	-	1	1
EBIT excl acquisition-related costs	198	115	675	467
Net sales	764	571	2,506	1,972
EBIT excl acquisition-related costs (%)	25.9	20.1	26.9	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, Sibiu, Rotterdam and Bilbao. Local sales and support are handled by branch offices in Germany, USA, Japan, China, Singapore, Italy, France, Spain, the Netherlands, India, UK, Sweden, South Korea, Australia and UAE, as well as through a worldwide network of distributors and partners. HMS employs over 780 people and reported sales of SEK 2,506 million in 2022. HMS is listed on the NASDAQ OMX in Stockholm, category Large Cap, Telecommunications.



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.