

hms networks

Interim report 2021
January - September

Third quarter

- Net sales for the third quarter reached SEK 472 m (345), corresponding to an increase of 37%. Currency translations had a negative effect of SEK 7 m on net sales
- Order intake was SEK 669 m (336), corresponding to an increase of 99%
- Operating profit reached SEK 101 m (77), equal to a 21.5% (22.3) operating margin
- Profit after taxes totalled SEK 84 m (61) and earnings per share was SEK 1.81 (1.33)
- Cash flow from operating activities amounted to SEK 148 m (116)
- HMS acquired 60% of the shares in Owasys Advanced Wireless Devices S.L.

First nine months

- Net sales for the first nine months reached SEK 1,401 m (1,061), corresponding to a 32% increase. Currency translations had a negative effect of SEK 69 m on net sales
- Order intake was SEK 1,839 m (1,039), corresponding to an increase of 77%
- Operating profit was SEK 336 m (213), equal to a 24.0% (20.0) operating margin
- Profit after taxes totalled SEK 276 m (163) and earnings per share was SEK 5.75 (3.58)
- Cash flow from operating activities amounted to SEK 405 m (286)

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.

” *Our order intake reaches record levels again and despite challenges in component supply, we succeed in keeping deliveries at the same level as during the second quarter of the year.*



Staffan Dahlström, CEO,
HMS Networks AB



Comment from the CEO

The trend continues - order intake at new record levels

We continue to see a strong demand in our markets driven by increasing investments in automation, digitalization, energy efficiency and remote monitoring of industrial machinery. Order intake reaches a new record level and amounts to SEK 669 million, corresponding to a growth of 99% compared to the previous year, 80% of this growth is organic. For the first nine months, the corresponding figures are 77% and 66% respectively. As in previous quarters during the year, order intake is boosted by the fact that customers place orders for delivery longer time ahead than usual. This is due to longer lead times related to component shortage. We estimate this temporary positive effect in the order intake to amount to approximately SEK 140 million during the quarter.

The component shortage has also impacted our delivery capacity negatively. Our customers have a good understanding of the current component shortage situation and our assessment is that we do not lose customer orders to any greater extent due to longer delivery times. Despite the challenging situation sourcing components, we achieved net sales of SEK 472 million during the quarter, corresponding to a growth of 37%, of which 18% was organic compared to the previous year. For the first nine months, the corresponding figures are 32% and 22% respectively.

We estimate that the delivery situation has had a negative impact on our sales of approximately SEK 50 million during the quarter as the current component shortage has affected the ability to deliver certain products. The Ewon and Intesis brands in particular experienced delivery disruptions during the quarter.

The effect of the strong order intake and delivery challenges leads to a large build-up of the order book and we now have an order book of approximately SEK 750 million, which is approximately three times higher compared to the corresponding quarter previous year. We assess that the risk of order cancellations is low.

Our geographic markets

In our most important geographical market, Europe, we once again reached an all-time high order intake. The main driving forces are a continued very strong machine-builder market together with increased demand for remote solutions. The positive development has also continued in Asia, with good development both in China and Japan. Our organic order intake more than doubled, primarily driven by a strong industrial market in China. Also in the US, we have noted new record levels in order intake as the market for industrial automation, and the economy in general, continues to be very strong.

The lack of components results in short-term gross margin pressure

The global component shortage is now also affecting costs, and during the quarter we have seen prices of components multiply for some components, which has a negative effect on our manufacturing costs and leads to temporarily lower gross margin of 61.4%. To compensate for these cost increases, we are now implementing price increase for new orders. We expect to see the full effect of the price adjustments in the middle of next year, which means that the gross margin can be expected to be around current, somewhat lower, levels until mid 2022.

Our operating expenditures are increasing according to plan, in line with higher activities and new investments for growth. The increase in operating expenditures in combination with the temporarily lower gross margin mean that profitability is somewhat lower than the two previous quarters in 2021, even though we reach an operating profit of SEK 101 million, corresponding to 22% operating margin. This is still better than our long-term goal. It is also worth noting that cash flow from operations amounts to a record level of SEK 148 million.

The new family members deliver

Our latest acquisitions, Procentec and Owasys deliver. Procentec continues on a winning streak and has during the year shown an organic doubled net sales. Owasys' business is developing as planned, although there are some challenges related to component supply.

Since we see it as probable that the existing put/call options will be exercised to increase HMS ownership to one hundred percent in these two companies we will, in accordance with IFRS, not report any minority. Thus, a liability is also reported that corresponds to the expected payment for the remaining shares in the two companies. In total, the assessment of these options affects our net debt of SEK 390 million.

Sustainability and staff

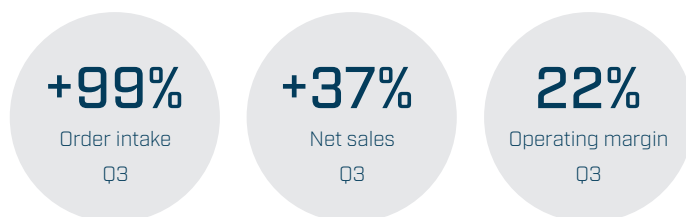
With more and more people fully vaccinated, the world is starting to open up again. Our employees now work from our offices to an increasing extent and we can meet more and more customers in person. Trade shows are also re-starting, albeit on a small scale. We have learned a lot about how we can conduct business more efficiently during the pandemic and we benefit from that. Still, we should not underestimate the importance of real-life meetings when it comes to maintaining relationships and creating new business.

Our sustainability work continues towards our goals for 2025 both when it comes to the environment, our employees, customers and responsible business. As part of the sustainability work, we have also signed the UN Global Compact initiative, which feels like a natural commitment for HMS.

Positive outlook but delivery challenges during the fourth quarter

Demand is expected to continue at a high level and most of our customers have strong underlying business. This is expected to continue in the coming quarters. The Group's sales is now highly affected by the availability of components, and we estimate that our delivery capacity will remain at current levels for the remainder of the year and then gradually improve during next year. The situation on the component market is still uncertain and temporary setbacks cannot be ruled out. We have good relations with our customers, who understand the situation that has affected the entire industry and we see the risk of lost business as low.

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



Order intake, net sales and earnings

Third quarter

Order intake increased during the third quarter by 99% to SEK 669 m (336), of which currency translations affected by SEK -16 m (-10). Procentec B.V., acquired in the fourth quarter of 2020 and Owasys S.L., acquired in the third quarter of 2021, have contributed to order intake with SEK 78 m. The organic increase in order intake was 80%.

Net sales increased by 37% to SEK 472 m (345), of which currency translation effects were SEK -7 m (-10). The acquired companies have contributed to net sales by SEK 71 m. The organic increase in net sales were 18%.

Gross profit reached SEK 290 m (213), corresponding to a gross margin of 61.4% (61.9). Operating expenses amounted to SEK 189 m (137), whereof SEK 21 m corresponds to the acquired companies. The organic increase in operating expenses was 25%, corresponding to SEK 33 m.

Operating profit before depreciation/amortization and write-downs amounted to SEK 126 m (102), corresponding to a margin of 26.6% (29.5). Depreciations/amortizations and write-downs amounted to SEK 24 m (25). Operating profit amounted to SEK 101 m (77), corresponding to a margin of 21.5% (22.3). Currency translations affected the Group's operating profit by SEK -2 m (-6). The acquired companies have contributed to the operating profit for the quarter by SEK 18 m, including acquisition costs and amortization of overvalue.

Net financials was SEK 1 m (-4), which gave a profit before tax of SEK 102 m (73).

Profit after tax amounted to SEK 84 m (61) and earnings per share before and after dilution was SEK 1.81 (1.33) and SEK 1.80 (1.32) respectively.

First nine months

Order intake increased during the first nine months by 77% to SEK 1,839 m (1,039), of which currency translations affected by SEK -90 m (0). Procentec B.V. and Owasys S.L., have contributed to order intake with SEK 201 m. The organic increase in order intake was 66%.

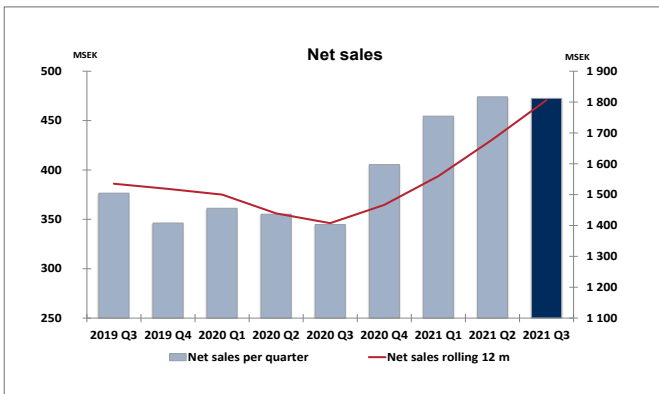
Net sales increased by 32% to SEK 1,401 m (1,061), of which currency translation effects were SEK -69 m (-9). The acquired companies have contributed to net sales by SEK 177 m. The organic increase in net sales was 22%.

Gross profit reached SEK 883 m (659), corresponding to a gross margin of 63.1% (62.1). Operating expenses amounted to SEK 549 m (458), whereof SEK 51 m corresponds to the acquired companies. The organic increase in operating expenses was 12%, corresponding to SEK 57 m.

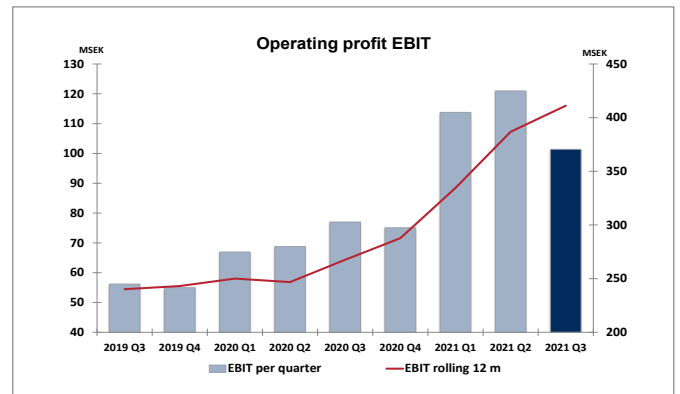
Operating profit before depreciation/amortization and write-downs amounted to SEK 414 m (302), corresponding to a margin of 29.6% (28.5). Depreciations/amortizations and write-downs amounted to SEK 78 m (90). Operating profit amounted to SEK 336 m (213), corresponding to a margin of 24.0% (20.0). Currency translations affected the Group's operating profit by SEK -27 m (-2). The acquired companies have contributed to the operating profit by SEK 51 m, including acquisition costs and amortization of overvalue.

Net financials was SEK -2 m (-9), which gave a profit before tax of SEK 334 m (204).

Profit after tax amounted to SEK 276 m (163) and earnings per share before and after dilution was SEK 5.75 (3.58) and SEK 5.73 (3.57) respectively.



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



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

Quarterly data	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Order intake (SEK m)	669	606	565	408	336	302	401	337
Net sales (SEK m)	472	474	455	405	345	355	361	346
Gross margin (%)	61.4	63.7	64.0	61.6	61.9	62.0	62.4	61.2
EBITDA (SEK m)	126	147	141	99	102	111	90	78
EBITDA (%)	26.6	31.1	31.0	24.3	29.4	31.2	25.0	22.6
EBIT (SEK m)	101	121	114	75	77	69	67	55
EBIT (%)	21.5	25.5	25.0	18.5	22.3	19.4	18.5	15.9
Cash flow from operating activities per share (SEK)	3.16	2.69	2.83	1.79	2.49	2.47	1.18	1.30
Earnings per share before dilution (SEK) ¹	1.81	2.02	1.93	1.21	1.33	1.24	1.01	1.46
Earnings per share after dilution (SEK) ¹	1.80	2.01	1.92	1.20	1.32	1.24	1.01	1.46
Equity per share (SEK)	25.67	27.98	27.08	25.75	24.62	23.60	22.49	21.06

¹ Attributed to parent company shareholders.

Cash flow, investments and financial position

Third quarter

Cash flow from operating activities before changes in working capital amounted to SEK 127 m (97) for the third quarter of the year. Changes in working capital were SEK 20 m (20), which mainly corresponds to decreased account receivables. Cash flow from operating activities was thereby SEK 148 m (116).

Cash flow from investing activities was SEK -56 m (-11), which corresponds to acquisition of subsidiary of SEK -45 m (-). Moreover, investments in intangible and tangible assets claimed SEK -12 m (-11).

Cash flow from financing activities was SEK -81 m (-36) which is mainly explained by a decrease in external loans of SEK -72 m (-28). Amortizations of lease liabilities claimed SEK -9 m (-9). This means that cash flow for the quarter was SEK 10 m (70).

First nine months

Cash flow from operating activities before changes in working capital amounted to SEK 409 m (278) for the first nine months. Changes in working capital were SEK -4 m (8). Cash flow from operating activities was thereby SEK 405 m (286).

Cash flow from investing activities was SEK -76 m (-36), which corresponds to acquisition of subsidiary of SEK -45 m (-). Moreover, investments in intangible and tangible assets was made by SEK -29 m (-36) and investments in financial assets by SEK -3 m (0).

Cash flow from financing activities was SEK -310 m (-126), which is mainly explained by a decrease in external loans of SEK -175 m (-95) and disbursed dividend of SEK -93 m (-). Moreover, amortizations of lease liabilities claimed SEK -27 m (-26) and re-purchase of own shares was made by SEK -15 m (-6). This means that cash flow for the period was SEK 19 m (124).

Cash and cash equivalents and net debt

Cash and cash equivalents amounted to SEK 103 m (175) and unused credit facilities to SEK 489 m (272). Net debt amounted to SEK 416 m (161), whereof SEK 84 m (97) corresponds to lease liabilities. The net debt also includes a liability corresponding to the discounted expected exercise price for the remaining shares of Procentec B.V. and Owasys S.L, in total SEK 390 m. See more information in Significant events.

Net debt to EBITDA ratio for the last twelve months was 0.81 (0.42). Net debt/Equity ratio was 38% (14) and Equity/Assets ratio was 54% (65).

During the year the financing agreement with the existing bank was extended with similar terms. The agreement concerns a three-year revolving credit facility of EUR 45 m.

The HMS Networks AB share

HMS Networks AB (publ) is listed on the Nasdaq OMX Stockholm Mid Cap list, in the Information Technology sector. By the end of the period the total number of shares amounted to 46,818,868 of which 157,571 shares are held by the company.

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

Share savings program

The company has four ongoing share savings programs. Based on a decision by the Annual General Meetings, permanent employees are offered to save in HMS shares in an annual share savings program. Between 41% and 52% of the employees opted to participate in the respective program. If certain criterias are met the company is committed to distribute a maximum of two HMS shares for every share saved by the employee, to the participant. As of September 30, 2021, the total number of saved shares amounted to 93,078 (119,639) within ongoing programs.

On December 31, 2020 the share savings program from 2017 was finalized. During the first quarter of 2021, 47,345 shares, of which 17,973 performance shares, were distributed free of charge to the participants. Shares used for the allocation were own shares held by the company.

The Parent Company

The parent company's operations are primarily focused on Group wide management and financing. Apart from the Group's CEO, the parent company has no employees. The operating profit for the first nine months amounted to SEK 0 m (0). Dividend from subsidiaries amounted to SEK 423 m (29) and the profit after tax for the first nine months was SEK 423 m (33). Cash and cash equivalents amounted to SEK 2 m (1) 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 101 in Note 39 of the Annual Report for 2020.

Significant events

HMS acquires Owasys Advanced Wireless Devices S.L.

On July 1, 2021 HMS acquired 60% of the shares in the Spanish company Owasys Advanced Wireless Devices S.L. Owasys is a wireless communication company designing and manufacturing products for utility vehicles and industrial machines. With 20 employees, the company is expected to have net sales of EUR 5.5 m and operating profit before depreciation and amortization of EUR 1.4 m in 2021.

The acquisition generated a SEK 144 m excess value in the Group. The acquired company is consolidated in the HMS Group account as of July 1, 2021. During the third quarter, Owasys had a positive impact on the net sales of the Group of SEK 12 m. The acquisition's contribution to operating profit, including amortization on acquired overvalue and acquisition costs, amounted to SEK -2 m.

HMS has a put/call-option related to the remaining 40% of the shares in Owasys, which is likely to be exercised. As a result of the option, HMS recognize the acquisition of the shares as if the company were wholly owned without minority and a liability corresponding to the discounted expected exercise price for the option. The liability for the remaining shares is valued at SEK 91 m.

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

	SEK million
Purchase sum:	
Cash and cash equivalents	57
Additional purchase price	33
Option liability	91
Total purchase sum	178
The assets and liabilities recognized in conjunction with the acquisition are as follows:	
	SEK million
Intangible fixed assets	31
Tangible fixed assets	0
Deferred tax assets	16
Current assets	24
Cash and cash equivalents	9
Deferred tax liabilities	-4
Non-current liabilities	-2
Current liabilities	-16
Total identifiable net assets	58
Goodwill*	119
Acquired net assets	178

*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.

Acquisition Procentec B.V.

On October 1, 2020 HMS acquired 70% of the shares in the Dutch company Procentec B.V. HMS has a put/call-option related to the remaining 30% of the shares in Procentec B.V. and during the quarter, management has updated its assessment that the option is likely to be exercised. This means that HMS has recognized a liability corresponding to the discounted expected exercise price for the option, which amounts to SEK 299 m. As a result of the option, HMS

recognize the acquisition of the shares as if the company were wholly owned without minority from the third quarter 2021.

Significant estimates and judgements

Preliminary acquisition analyses based on as thorough estimates and judgements as possible are conducted at the time of acquisition. However, the analyses may need to be adjusted later on. All acquisition analyses are subject to final adjustments no later than 12 months after the acquisition date.

When there are obligations to acquire the remaining shares of a company, these are recognized as if they were wholly owned without a minority. Instead, a financial liability is recognized in the consolidated balance sheet, corresponding to the discounted expected exercise price for these options. The non-controlling interest attributable to the option is thus also eliminated. The difference between the liability for the option and the non-controlling interest to which the option is related is recognized directly against the majority's equity. The expected purchase price for the remaining ownership interest is recognized as a financial liability in accordance with IAS 32/IFRS 9. Any future changes in value are recognized in the consolidated income statement.

Subsequent events

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

Outlook

Demand is expected to continue at a high level and most of our customers have strong underlying business. This is expected to continue in the coming quarters. The global shortage of semiconductor components is still affecting the Group, which has resulted in increased component prices and longer delivery times for several products. There may be shifts in deliveries between quarters, but the Group does not assess that it will have any noticeable impact on lost business.

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

Risk management

The HMS Group is exposed to business and financial risks through its operations. These risks have been described at length in the Company's Annual Report 2020. In addition, no significant risks are considered to have arisen.

Nomination committee

In accordance with principles adopted at a prior HMS' Annual General Meeting, the following persons have been assigned to be a part of the Nomination Committee: Johan Menckel, Investment AB Latour, representing 26% of the shares, Staffan Dahlström representing 13% of the shares, Patrik Jönsson, SEB Fonder representing 9% of the shares, Tomas Risbecker, AMF Fonder representing 7% of the shares, and Charlotte Brogren, Chairman of the Board. The Nomination Committee has appointed Johan Menckel as its Chairman.

Shareholders who wish to present proposals to HMS' Nomination Committee may do so by e-mail to: valberedningen@hms.se or in writing to: HMS Networks AB, Att: Nomination Committee, Box 4126, SE 300 04 Halmstad, Sweden no later than January 10, 2022.

Accounting policies

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

The accounting principles applied conform to those described in the 2020 Annual Report (except the following description of cash flow hedging and supplements regarding financial instruments).

The Group hedges part of the forecasted inflow in foreign currency and reports the realized cash flow hedges (currency futures) as net sales in the income statement. In 2020, these were reported separately as net sales (inflow), cost of goods sold (outflow) and selling expenses (outflow) in the income statement.

HMS acquisitions include deferred consideration and option liabilities, which constitute financial instruments that are reported at fair value through the income statement. Presented fair values for these items have been calculated by management based on a discounted cash flow model and are presented within level 3 in the value hierarchy. No transfers between levels have occurred during the period. Level 3 in the fair value hierarchy are instruments where significant input data is not based on observable market information. Regarding other financial instruments reported at amortized cost the carrying amount is deemed to constitute a reasonable approximation of fair value.

Other new or revised IFRS standards or other IFRIC-interpretations that came into effect after January 1, 2021 have not had any significant impact on the Group's financial reports as of September 30, 2021.

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

Short about HMS

Strategies

GROWTH STRATEGY – HMS' growth strategies includes a combination of organic growth and acquisitions. Expansion in existing markets is done through a continuously improved and expanded product offering, often including new technology. This is combined with a high level of service and active investments in new sales channels globally. New markets are addressed with innovative and targeted solutions.

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

PRODUCT STRATEGY – HMS offers solutions for industrial ICT (Information and Communication Technology) under the trademarks Anybus®, Ewon®, Ixxat® and Intesis®.

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

HMS also offers products and services for diagnostics, monitoring and troubleshooting of industrial networks via Procentec, 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 16 countries, complemented by a network of distributors and solution partners in more than 50 countries.

Business model

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

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

Financial calendar

- Year-end report 2021 will be published on January 26, 2022
- First quarter report will be published on April 14, 2022
- Annual General Meeting will be held on April 21, 2022
- Half-year report 2022 will be published on July 14, 2022

Halmstad October 22, 2021

Staffan Dahlström
Chief Executive Officer

Further information can be obtained by:
Staffan Dahlström, CEO, +46 (0)35 17 2901
Joakim Nideborn, CFO, +46 (0)35 710 6983

This information is such that HMS Networks AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the contact persons set out above, at 14.00 CET on October 22, 2021.

Auditor's report

Introduction

We have reviewed the condensed interim financial information (interim report) of HMS Networks AB (publ) as of September 30, 2021 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Halmstad October 22, 2021
Öhrlings PricewaterhouseCoopers AB

Johan Palmgren
Authorized Public Accountant

Income statements

SEK millions	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	R12 2021	Q1-Q4 2020
Net sales	472	345	1,401	1,061	1,806	1,467
Cost of goods and services sold	-182	-131	-518	-402	-673	-558
GROSS PROFIT	290	213	883	659	1,133	909
Selling expenses	-92	-70	-255	-225	-342	-312
Administrative expenses	-41	-27	-121	-86	-158	-123
Research and development expenses	-55	-40	-171	-131	-220	-180
Other operating income ¹	-	-	1	12	1	12
Other operating expenses ²	-1	0	-2	-16	-3	-18
OPERATING PROFIT	101	77	336	213	411	288
Financial income and expenses	1	-4	-2	-9	-7	-14
Profit before tax	102	73	334	204	404	274
Tax	-18	-11	-59	-41	-71	-54
PROFIT FOR THE PERIOD	84	61	276	163	333	220
Attributed to:						
Parent company shareholders	84	62	268	167	325	223
Non-controlling interests	-	-1	8	-4	9	-3
Earnings per share regarding profit attributed to parent company shareholders:						
Before dilution (SEK)	1.81	1.33	5.75	3.58	6.96	4.79
After dilution (SEK)	1.80	1.32	5.73	3.57	6.93	4.77

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

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

Statement of comprehensive income

SEK millions	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	R12 2021	Q1-Q4 2020
Profit for the period	84	61	276	163	333	220
Other comprehensive income:						
Items that may be reclassified subsequently to income statement						
Cash flow hedges	-9	0	-23	2	-7	18
Hedging of net investments	-1	0	-3	-2	10	12
Translation differences	7	5	16	10	-31	-37
Income tax relating to components of other comprehensive income	2	0	5	0	-1	-6
Other comprehensive income for the period, net of tax	0	4	-5	11	-28	-13
Total comprehensive income for the period	84	66	271	173	305	207
Attributed to:						
Parent company shareholders	84	66	264	178	296	210
Non-controlling interests	-	-1	8	-4	9	-3

Balance sheets

SEK millions	Sep 30 2021	Sep 30 2020	Dec 31 2020
ASSETS			
Goodwill	1,032	869	902
Other intangible assets	286	282	278
Property, plant and equipment	44	40	42
Right-of-use assets	86	98	102
Deferred tax assets	18	4	4
Other long-term receivables	14	9	11
Total fixed assets	1,480	1,302	1,339
Inventories	182	136	158
Accounts receivable - trade	206	145	175
Other current receivables	59	69	73
Cash and cash equivalents	103	175	82
Total current assets	550	525	487
TOTAL ASSETS	2,030	1,827	1,826
EQUITY AND LIABILITIES			
Equity attributed to parent company shareholders	1,092	1,175	1,204
Non-controlling interests	-	8	17
Total Equity	1,092	1,183	1,220
Liabilities			
Interest-bearing liabilities	11	238	177
Non interest-bearing liabilities ¹	417	-	-
Lease liabilities	53	66	68
Deferred income tax liabilities	76	77	80
Total non-current liabilities	556	381	326
Interest-bearing liabilities	1	2	1
Non interest-bearing liabilities	6	-	-
Lease liabilities	31	31	34
Accounts payable - trade	116	77	91
Other current liabilities	227	154	154
Total current liabilities	382	263	280
TOTAL EQUITY AND LIABILITIES	2,030	1,827	1,826

¹ SEK 390 m corresponds to the expected purchase price for the remaining shares in Procentec B.V. and Owasy S.L.

Cash flow statements

SEK millions	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	R12 2021	Q1-Q4 2020
Cash flow from operating activities before changes in working capital	127	97	409	278	488	357
Cash flow from changes in working capital	20	20	-4	8	1	13
Cash flow from operating activities	148	116	405	286	488	370
Cash flow from investing activities ¹	-56	-11	-76	-36	-127	-88
Cash flow from financing activities	-81	-36	-310	-126	-431	-247
Cash flow for the period	10	70	19	124	-70	36
Cash and cash equivalents at beginning of the period	90	105	82	51	175	51
Translation differences in cash and cash equivalents	2	1	3	0	-3	-5
Cash and cash equivalents at end of period	103	175	103	175	103	82
Interest-bearing and Non-interest-bearing liabilities ²	519	336	519	336	519	279
Net debt	416	161	416	161	416	198

¹The acquisition of Procentec's impact on the Group's cash and cash equivalents, after deduction of Procentec's cash and cash equivalents, was SEK -27 m in Q4 2020.

The acquisition of the remaining 25.1% of WEBfactory had an impact on the Group's cash and cash equivalents by SEK -13 m in Q4 2020.

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.

²Non-interest-bearing liabilities refers to additional purchase price and option liabilities related to Procentec and Owasy's from Q3 2021.

Equity

Change in Group Equity, SEK millions	Sep 30 2021	Sep 30 2020	Dec 31 2020
Opening balance at January 1	1,204	998	998
Total comprehensive income for the period	263	178	210
Share-related payment	8	5	6
Repurchase of own shares	-15	-6	-6
Dividend	-93	-	-
Transactions with non-controlling interests ¹	-274	-	-6
Closing balance attributed to parent company shareholders	1,092	1,175	1,204
Opening non-controlling interest at January 1	17	12	12
Total comprehensive income for the period	8	-4	-3
Non-controlling interest arising from acquisition of subsidiaries	-	-	16
Transactions with non-controlling interests ¹	-25	-	-8
Closing non-controlling interests	-	8	17
Closing balance	1,092	1,183	1,220

¹HMS holds a put/call-option related to the remaining ownership interests in Procentec B.V. and Owasy's S.L., respectively, which is 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. Previous non-controlling interest in Procentec B.V. has been adjusted in connection with this judgement and instead fair value of the option is recognized as a financial liability. The difference between the option's estimated fair value and the reported minority interest is recognized against the majority's equity.

Financial accounts

	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	R12 2021	Q1-Q4 2020
Net increase in net sales (%)	37.0	-8.4	32.0	-9.5	28.3	-3.4
Gross margin (%)	61.4	61.9	63.1	62.1	62.7	62.0
EBITDA (SEK m)	126	102	414	302	513	401
EBITDA (%)	26.6	29.4	29.6	28.5	28.4	27.4
EBIT excl acquisition-related costs (SEK m)	106	82	352	230	433	311
EBIT excl acquisition-related costs (%)	22.5	23.8	25.1	21.6	24.0	21.2
EBIT (SEK m)	101	77	336	213	411	288
EBIT (%)	21.5	22.3	24.0	20.0	22.8	19.6
Return on capital employed (%)	-	-	-	-	27.4	19.3
Return on Shareholder's equity (%)	-	-	-	-	26.6	19.9
Working capital in relation to sales (%)	-	-	-	-	7.4	10.5
Capital turnover rate	-	-	-	-	0.96	0.81
Net debt/equity ratio	0.38	0.14	0.38	0.14	0.38	0.16
Equity/assets ratio (%)	53.8	64.8	53.8	64.8	53.8	66.8
Investments in tangible fixed assets (SEK m)	6	2	11	5	12	6
Investments in right-of-use assets (SEK m)	1	2	7	6	24	24
Investments in intangible fixed assets (SEK m)	5	9	18	32	28	41
Depreciation of tangible fixed assets (SEK m)	-3	-3	-10	-9	-13	-13
Depreciation of right-of-use assets (SEK m)	-8	-8	-25	-25	-34	-34
Amortization of intangible fixed assets (SEK m)	-13	-12	-35	-36	-46	-48
<i>of which amortization of overvalues acquired</i>	-5	-5	-15	-14	-19	-18
<i>of which amortization of capitalized development costs</i>	-7	-7	-20	-23	-27	-29
Impairment of intangible fixed assets (SEK m)	-	-1	-9	-19	-9	-19
Number of employees (average)	698	590	631	609	670	614
Net sales per employees (SEK m)	0.7	0.6	2.2	1.7	2.7	2.4
Equity per share (SEK)	25.67	24.62	26.38	23.55	26.17	24.07
Cash flow from operations per share (SEK)	3.16	2.49	8.68	6.14	10.46	7.93
Total number of share average (thousands)	46,819	46,819	46,819	46,819	46,819	46,819
Holding of own shares average (thousands)	158	155	157	167	157	165
Total outstanding shares average (thousands)	46,661	46,664	46,662	46,652	46,662	46,654

Quarterly data

Division of net sales per brand SEK millions	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Anybus	220	231	214	191	184	212	211	184
Ixxat	53	41	47	42	43	40	43	42
Ewon	73	97	93	84	74	67	76	75
Intesis	34	34	31	33	33	27	21	34
Other ¹	92	71	69	55	11	9	10	11
Total	472	474	455	405	345	355	361	346

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	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
EMEA	296	285	280	250	208	198	214	218
Americas	96	107	96	82	80	84	87	76
Asia	80	82	79	73	57	73	60	52
Total	472	474	455	405	345	355	361	346

Income statement SEK millions	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Net sales	472	474	455	405	345	355	361	346
Gross profit	290	302	291	250	213	220	225	212
Gross margin (%)	61.4	63.7	64.0	61.6	61.9	62.0	62.4	61.2
Operating profit	101	121	114	75	77	69	67	55
Operating margin (%)	21.5	25.5	25.0	18.5	22.3	19.4	18.5	15.9
Profit before tax	102	117	115	70	73	69	63	47

Parent company's income statement

SEK millions	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	R12 2021	Q1-Q4 2020
Net sales	4	4	11	13	14	16
Gross profit	4	4	11	13	14	16
Administrative expenses	-4	-4	-11	-13	-15	-16
Operating profit	0	0	0	0	0	0
Profit from participations in subsidiaries	-	-	423	29	423	29
Interest income/ expenses and similar items	-	0	0	4	0	4
Profit before tax	0	0	423	33	423	33
Tax	-	-	0	0	-1	-1
Profit for the period	0	0	423	33	422	32

Parent company's balance sheet

SEK millions	Sep 30 2021	Sep 30 2020	Dec 31 2020
ASSETS			
Financial assets	337	337	337
Total financial assets	337	337	337
Receivables from Group companies	306	-	-
Other receivables	0	1	1
Cash and cash equivalents	2	1	2
Total current assets	308	2	3
TOTAL ASSETS	645	339	340
EQUITY AND LIABILITIES			
Equity	639	326	325
Current liabilities			
Accounts payable - trade	-	1	1
Liabilities to Group companies	-	6	6
Other current liabilities	7	6	8
Total current liabilities	7	13	15
TOTAL EQUITY AND LIABILITIES	645	339	340

Definitions

AVERAGE NUMBER OF OUTSTANDING SHARES

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

CAPITAL EMPLOYED

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

CAPITAL TURNOVER

Net sales in relation to average balance sheet total.

CASH FLOW FROM OPERATING ACTIVITIES PER SHARE

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

EARNINGS PER SHARE, UNDILUTED

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

EARNINGS PER SHARE, DILUTED

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

EBIT

Operating income according to income statement.

EBIT EXCL ACQUISITION-RELATED COSTS

Operating income excluding amortization and impairment of acquired overvalues and goodwill as well as acquisition-related transaction costs.

EBITDA

Operating profit excluding depreciation, amortization and impairment of tangible and intangible assets.

EQUITY PER SHARE

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

EQUITY/ASSETS RATIO

Shareholders' equity in relation to total assets.

FINANCIAL ASSETS

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

NET DEBT

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

NET DEBT/EQUITY RATIO

Net debt in relation to Shareholders' equity.

NUMBER OF OUTSTANDING SHARES

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

OPERATING MARGIN

Operating profit in relation to net sales.

ORGANIC CHANGE

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

RETURN ON CAPITAL EMPLOYED

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

RETURN ON SHAREHOLDER'S EQUITY

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

WORKING CAPITAL

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

Alternative key ratios

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

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

EBITDA

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

SEK millions	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	R12 2021	Q1-Q4 2020
Operating profit	101	77	336	213	411	288
Depreciation of tangible fixed assets (incl right-of-use assets)	12	11	35	34	47	46
Amortization of intangible fixed assets	13	12	35	36	46	48
Impairment of intangible fixed assets	-	1	9	19	9	19
EBITDA	126	102	414	303	513	401
Net sales	472	345	1,401	1,061	1,806	1,467
EBITDA (%)	26.6	29.5	29.6	28.5	28.4	27.4

EBIT excl acquisition-related costs

EBIT before amortization and impairment of acquired overvalues and goodwill and transaction costs is a value that the company uses to describe how the operating activities develop and perform without the impact of acquisition-related costs.

SEK millions	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	R12 2021	Q1-Q4 2020
Operating profit	101	77	336	213	411	288
Amortization of acquired overvalues	5	5	15	14	19	19
Impairment of acquired goodwill	-	-	-	14	-	14
Reversal of additional consideration	-	-	-	-10	-	-10
Acquisition-related transaction costs	0	-	1	-	3	1
EBIT excl acquisition-related costs	106	82	352	230	433	311
Net sales	472	345	1,401	1,061	1,806	1,467
EBIT excl acquisition-related costs (%)	22.5	23.8	25.1	21.6	24.0	21.2

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The HMS logo is centered in the image. It consists of the letters 'Hms' in a bold, dark blue, sans-serif font. Above and below the letters are two parallel red diagonal bars. A stream of orange binary code (0s and 1s) flows from the top right, passing through the logo, and continues downwards.

Hms

Our vision

To become the World's greatest industrial ICT company.
(ICT = Information & Communication Technology)

Our mission

We enable valuable data and insights from industrial equipment allowing our customers to increase productivity and sustainability.

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