

hms networks

INTERIM REPORT 2017
JANUARY - SEPTEMBER

First nine months

- Net sales for the first nine months increased with 28 % reaching SEK 882 m (687), corresponding to a 25 % increase in local currencies
- Operating profit for the first nine months reached SEK 181 m (110), equal to a 21 % (16) operating margin
- Order intake for the first nine months increased with 31 % to SEK 916 m (698)
- Cash flow from operating activities amounted to SEK 171 m (119)
- Profit after taxes totaled SEK 123 m (75) and result per share amounted to SEK 2.62 (1.62)
- Net sales for the last twelve months amounted to SEK 1 147 m (862) corresponding to a 29 % increase in local currencies
- Operating profit for the last twelve months amounted to SEK 221 m (124) corresponding to a 19 % (14) operating margin

Third quarter

- Net sales for the third quarter increased with 20 % reaching SEK 305 m (254), corresponding to a 20 % increase in local currencies
- Operating profit reached SEK 65 m (55) corresponding to an operating margin of 21 % (21)
- Order intake during the third quarter was SEK 289 m (252)



Comment from the CEO

We see a continued good development of our business and can conclude another quarter of record sales, SEK 305 m. This gives us seven consecutive quarters of increased sales.

The 20 % growth during the third quarter is entirely organic and without tailwind from currency effects. We see a strong demand for our products in our major markets as there is currently a high investment rate within industrial automation.

On the cost side, we have seasonally lower costs in the third quarter. This, together with a good turnover and a stable gross margin, result in a new record level profit, SEK 65 m, equivalent to an EBIT margin of 21 %.

Our cashflow remains strong and amounted to SEK 62 m during the quarter, which further strengthens our financial position.

During the year, we have strengthened our organization in order to create an efficient platform for future growth. The new organization has clear responsibilities for our product lines and a market organization with global coverage.

We already see positive effects of this in the form of new innovative products and high activity within our market organization. For example, during the quarter, we launched our new eWON Netbiter LC – a remote gateway which enables valuable operational data from industrial machines to be communicated directly to ThingWorx – a leading cloud solution from the American company PTC. This opens up new opportunities to optimize and develop maintenance and service of production equipment – a good example of how HMS adds value by connecting industrial hardware and IT software, or as we say, Hardware Meets Software – HMS.

Another example is that we have now implemented a generation shift to the new CAN FD technology for most of our IXXAT products. This allows our customers in transportation, automotive and machinery to combine their established CAN technology with the new CAN FD standard which is expected to get a big impact during the coming years.

We are ready to continue to grow further in accordance to our ambitious growth targets – a long-term annual growth of 20 % per year and an operating margin above 20 %.

Our focus is to continue drive growth in our current areas of business. We continue to balance our long-term growth strategy with a restrained view of costs. In the long run, we estimate that the market for industrial data communications will constitute an interesting growth area and we continue to focus on our motto “HMS Connecting Devices”.

“We see a continued good development of our business and can conclude another quarter of record sales.”

Staffan Dahlström,
CEO, HMS Networks AB



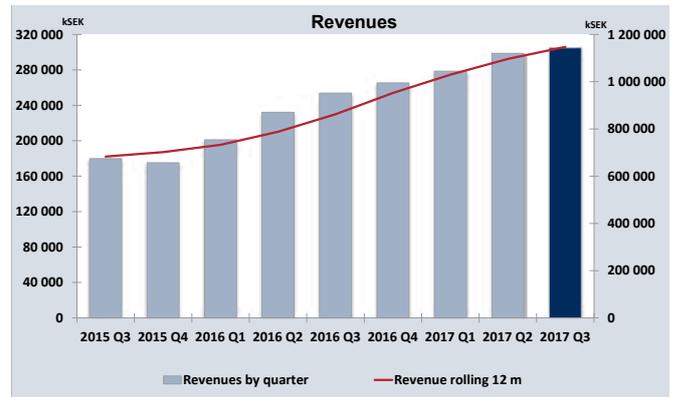


Net sales

Net sales for the last twelve months amounted to SEK 1,147 m (862) corresponding to a 33 % increase. In total, the devaluation of the Swedish currency in relation to the major HMS currencies had a positive effect of SEK 33 m on net sales compared to the previous twelve month period. The order intake amounted to SEK 1,183 m (856).

Net sales for the first nine months amounted to SEK 882 m (687) corresponding to a 28 % increase. In total, the devaluation of the Swedish currency in relation to the major HMS currencies had a positive effect of SEK 20 m the first nine month period. The, during previous year, acquired subsidiaries eWon and Intesis contributed with SEK 208 m (121) to net sales. Order intake increased by SEK 218 m to SEK 916 m (698).

Net sales for the third quarter 2017 totaled to SEK 305 m (254), corresponding to a 20 % increase compared to the same quarter the previous year. In total, the devaluation of the Swedish currency in relation to the major HMS currencies had no effect the third quarter. Order intake was SEK 289 m (252) whereof SEK 286 m (244) with calculated delivery within twelve months.



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.

Quarterly data	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net sales (SEK m)	305	299	279	265	254	232	201	175
Order intake (SEK m)	289	328	299	267	252	247	199	157
Gross margin (%)	60.9	61.8	61.0	61.5	62.2	60.9	59.2	60.5
EBITDA (SEK m)	77	71	68	51	65	44	30	23
EBITDA (%)	25.1	23.7	24.5	19.1	25.4	18.8	14.8	13.1
Operating profit (SEK m)	65	59	57	40	55	35	20	14
Operating margin (%)	21.2	19.9	20.6	14.9	21.5	15.0	10.1	8.2
Return on capital (%)	24.4	24.0	24.8	16.4	25.0	18.4	9.9	3.0
Earnings per share before dilution (SEK)*	0.90	0.86	0.86	0.55	0.79	0.56	0.28	0.08
Earnings per share after dilution (SEK)*	0.90	0.86	0.86	0.55	0.79	0.56	0.27	0.08
Equity per share (SEK)*	14.76	14.32	13.94	13.35	12.55	12.00	10.86	10.08
Cash flow for operating activities per share (SEK)*	1.33	1.21	1.13	0.77	1.49	1.00	0.11	0.39

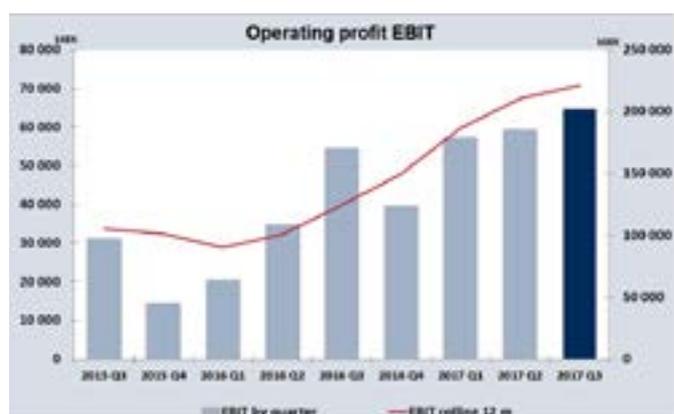
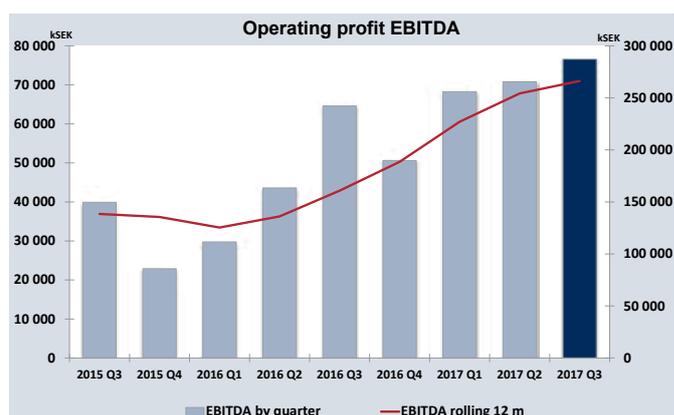
* Key ratios have been recalculated based on the 4:1 share split in the second quarter of 2017.

Operating profit

Operating profit before depreciation EBITDA for the last twelve months totaled to SEK 266 m (161), equivalent to an operating margin EBITDA of 23 % (19). Operating result EBIT for the last twelve months amounted to SEK 221 m (124) corresponding to a 19% (14) EBIT margin. Currency effects related to income and expenses had a SEK 14 m positive impact on the operating result compared to the previous 12 months.

Operating profit before depreciation EBITDA for the first nine months totaled to SEK 216 m (138), equivalent to an operating margin EBITDA of 24 % (20). Operating result EBIT for the first nine months amounted to SEK 181 m (110) corresponding to a 21% (16) EBIT margin. Currency effects related to income and expenses had a SEK 10 m positive impact. The, during previous year, acquired subsidiaries eWon and Intesis contributed with SEK 78 m (29, including acquisition cost) on the group operating result.

The operating profit before depreciation EBITDA for the third quarter 2017 totaled to SEK 77 m (65), corresponding to a 25 % (25) EBITDA margin. Operating result after depreciation EBIT totaled SEK 65 m (55) corresponding to a 21 % (21) EBIT margin. Changes in exchange rates related to income and expenses had a SEK 2 m positive impact compared to the same period the previous year.



The two graphs above show operating result EBITDA and 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.

Equity

The Group's equity amounted to SEK 707 m (610). The total number of shares at the end of the period was 46,818,868. The Group's equity/assets ratio amounted to 50 % (44).

On December 31, 2016 the share saving program from 2013 was concluded. In the first quarter of 2017, 112,468 shares, of which 22,636 were performance shares, were distributed free of charge to the participants. For the allocation of these shares, HMS used shares in own possession.

Based on the authorization of the Annual General Meeting on April 28, 2016, the Board of HMS Networks AB (publ) has decided to purchase own shares. The purpose of the repurchase is to ensure HMS's commitments to deliver shares in the HMS share saving program. In total, 90,200 shares were acquired at a value of SEK 7.8 m. The total holding of own shares at the end of the period were 101,732 shares.

Change in Group Equity (SEK 000s)

	Sep 30 2017	Sep 30 2016	Dec 31 2016
Balance at January 1	636,444	455,482	455,482
Total comprehensive income for the period	122,115	89,355	115,001
Repurchase of own shares	-7,828	0	0
Issue of new shares	0	92,715	92,715
Share-related payment	2,723	1,782	2,430
Dividends	-46,717	-29,184	-29,184
Closing balance	706,737	610,150	636,444

Tax

The tax charge for the first nine months was SEK 48 m (29). The tax charge for the current period has been calculated on the basis of the tax situation applying to the Group at present and the profit development of the reporting entities belonging to the Group.

Currency effects

Assets and liabilities in foreign currencies are revaluated at closing date. Currency hedging contracts are revaluated at the date of closing and are also affecting the result on the date of expiration. Changes in book value due to revaluation of operating balance sheet items and currency hedging contracts are disclosed as other operating income and other operating expenses. Changes on book value related to net-investments are disclosed under the Company statement of comprehensive income. Changes in book value related to assets in foreign currencies i.e. liquid funds, are disclosed as financial income and expenses. Net sales and expenses are affected by changes in exchange rates. This will have an impact on income and costs.

Net sales for the quarter consist of 63 % in EUR, 24 % in USD, 9 % in JPY and 4 % in SEK and other currencies. Cost of goods sold consists of 59 % in EUR, 29 % in USD and 2 % in JPY. Operating expenses consists of 45 % in EUR, 14 % in USD, 4 % in JPY and 37 % of SEK and other currencies.

The Group applies a policy for currency hedging described in the Annual Report.

Cash flow, investments and financial position

Cash flow from operating activities during the first nine months amounted to SEK 171 m (119).

The investments in tangible assets for the first nine months totaled SEK 12 m (8). Investments in intangible assets totaled SEK 7 m (21). Capitalized expenses is to the majority related to the development of new technology platforms. Depreciation on capitalized development costs amounted to SEK 17 m (13) and write-downs to SEK 3 m (2) during the first nine months.

The acquisition of IXXAT in February 2013 has generated a SEK 255 m overvalue before tax for the group of which SEK 144 m is allocated to technology platforms, customers and brand name included in the acquisition. Estimated annual amortization of acquired overvalue amounts to about SEK 8 m. Amortization on overvalues acquired was recognized with SEK 6 m during the first nine months of 2017.

The acquisition of eWON in February 2016 generated, a SEK 233 m overvalue before tax, of which SEK 20 m is allocated on brand name and customers included in the acquisition. Amortization on overvalues acquired is estimated to SEK 2 m annually. Amortization on overvalues acquired was recognized with SEK 1 m during the first nine months of 2017.

The acquisition of Intesis in June 2016 generated, according to the preliminary acquisition analysis, a SEK 131 m overvalue before

tax of which approximately SEK 18 m was allocated to brand and customers included in the acquisition. Amortization on overvalues acquired is estimated to SEK 2 m annually. Amortization on overvalues acquired was recognized with SEK 1 m during the first nine months of 2017.

During the second quarter HMS distributed dividend payment to its shareholders, equal to in total SEK 47 m (29).

During the third quarter, a renewed financing agreement was signed with the existing bank. The agreement concerns a revolving facility of EUR 45 m, running over three years with the opportunity to extend further one plus one year. The financing agreement replaces the previous financing agreement which was supposed to expire in February 2019. The new agreement will come to lower the Group's interest cost, and give a higher flexibility.

Of the Group's existing loans, a total of SEK 32 m (45) has been amortized and SEK 443 m was dissolved during the first nine months of 2017. During the third quarter SEK 360 m has been raised in loans from the renewed bank agreement. These renewed loans are free of amortization. At the end of the period, cash and cash equivalents amounted to SEK 82 m (90) and unused credit facilities to SEK 81 m (30). The Group's net debt amounted to SEK 319 m (450).

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 quarter 2017 amounted to SEK 0 m (0). Cash and cash equivalents amounted to SEK 0.2 m (0.5) and borrowing amounted to SEK 0 m (0).

The HMS Networks AB share

HMS Networks AB (publ) is listed on the Nasdaq OMX Stockholm Mid Cap list, in the Information Technology sector. The total number of shares amounted to 46,818,868 of which 101,732 shares are held by the company.

Share savings program

The Company has launched four share saving programs. Based on a decision by the Annual General Meeting permanent employees are offered to save in HMS shares in an annual share saving program. Between 47 % and 60 % of the employees opted to participate in the respective program. If certain criteria's are met the Company is committed to give the participant a maximum of two HMS shares for every share saved by the employee. As of September 30, 2017 the total number of saved shares in custody amounted to approximately 282,000, whereof approximately 189,000 are within the four ongoing programs.

Important events

○ **The Share Savings Program 2013 ended**

On December 31, 2016 we concluded the share saving program from 2013. In the first quarter of 2017, 112,468 shares, of which 22,636 were performance shares, were distributed free of charge to the participants. For the allocation of these shares, HMS used shares in its own possession.

○ **Repurchase of own shares**

Based on the authorization of the Annual General Meeting on April 28, 2016, the Board of HMS Networks AB (publ) ("HMS") has decided to repurchase own shares. The purpose of the repurchase is to ensure HMS's commitments to deliver shares in the HMS share savings program. In total, 90,200 shares were acquired at a value of SEK 7.8 million during the first quarter of 2017. The total holding of own shares at the end of the period were 101,732 shares.

○ **HMS General Annual Meeting 2017**

HMS General Annual Meeting was held at April 26, 2017.

○ **Dividend**

HMS General Annual Meeting decided a dividend of 4.00 kr (2.50), which after the later split of shares 4:1 equals 1.00 kr (0.63). Paid out during the second quarter of 2017.

○ **Split of Shares 4:1**

During the second quarter, a split of shares 4:1 was carried out, the total number of shares are 46,818,868 after the split. All key ratios in this report that relates to number of shares have been recalculated even historically.

○ **Acquisition analysis of Intesis**

The acquisition analysis from the acquisition of Intesis has been finalized in the second quarter of 2017 as one year has passed since the acquisition. No changes have been made compared to the preliminary acquisition analysis presented in note 34 in the Annual Report of 2016.

○ **Renewed financing agreement**

A renewed financing agreement of EUR 45 m was signed during the third quarter. In conjunction with renewed loans from this agreement, earlier loans were resolved. All renewed loans are free from amortization. The agreement running over three years with the opportunity to extend one year plus one year.

Buildings



Energy



Life-Science



Manufacturing



Transport



Outlook

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

The global economic development for the HMS market areas has stabilized during 2017. The impact that economic developments and currency fluctuations have on HMS are difficult to assess. HMS long-term goals are unchanged: Long-term growth on average 20 % per annum and an operating margin of above 20 %.

Accounting policies

This report has been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34, for Interim Reporting. Amendments to existing standards, new interpretations and new standards that came into effect as of January 1, 2017 did not affect the Groups reporting as of September 30, 2017.

The Group is currently evaluating the effects of those new accounting standards which become effective on January 1, 2018 (IFRS 9 and IFRS 15). The analysis must be completed before any possible final effects can be quantified.

HMS continues to apply the same accounting principles and valuation methods as those described in the most recent Annual Report. The parent company report is prepared in accordance with RFR 2, accounting for legal entities, and the Swedish Annual Accounts Act and accounting principles and the valuation methods as those described in the most recent 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).

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 2016. In addition to the risks described in these documents, no additional significant risks have been identified.

Nomination committee

In accordance with principles adopted at HMS 2017 Annual General Meeting, the following persons have been assigned to be a part of the Nomination Committee: Jan Svensson, Investment AB Latour, representing 26 % of the shares, Staffan Dahlström representing 14 % of the shares, Evert Carlsson, Swedbank Robur Fonder AB representing 9 % of the shares, Per Trygg, SEB Fonder representing 8 % of the shares and Charlotte Brogren, Chairman of the Board. The Nomination Committee has appointed Jan Svensson as its Chairman.

Shareholders who wish to present proposals to HMS's Nomination Committee may do so by e-mail to: valberedning@hms.se or in writing to: HMS Networks AB, Investors Relations, Att: Nomination Committee, Box 4126, SE 300 04 Halmstad, Sweden no later than February 1, 2018.

Short about the company

Strategies

GROWTH STRATEGY – HMS's main focus is on organic growth. Expansion on existing markets will be through improved and extended product ranges, new technology, high level of service and new sales channels. A certain degree of growth can be through the selective acquisition of businesses that will be a valuable complement to the company's organic growth strategy.

DEVELOPMENT STRATEGY – The Company's core expertise is made up of an extensive understanding of industrial network communication.

PRODUCT STRATEGY – HMS markets five product lines, which to a certain degree are based on a common technical platform:

- Anybus Embedded – embedded network interface cards
- Anybus Gateways – communication translators between different networks and for wireless communication
- IXXAT – communication platforms for industrial machines and equipment
- eWON Remote Access – remote monitoring and data access of industrial control system
- Intesis – communication translators between various building automation networks

PRODUCTION STRATEGY – HMS maintains an in-house low-volume production in Halmstad, Nivelles and Igualada. Volume production takes place in close partnership with subcontractors (in Europe and Asia) in order to achieve flexible costs and to make use of economies of scale.

MARKETING STRATEGY – The Anybus network interface cards are marketed and sold to players in industrial and infrastructure automation and Anybus Gateways to system integrators, machine manufacturers and end-users in industrial and infrastructure automation. IXXAT communication platforms are marketed and sold to machine builders of industrial applications, medical equipment and the automotive industry. eWON products are marketed and sold mainly through a network of distributors to a wide range of customers, from device manufacturers to owners of installations in need of remote monitoring and management. Intesis products are marketed and sold to manufacturers, system integrators and end users in the area of building automation.

SALES STRATEGY – Sales take place via the company's sales offices on defined key markets in 10 countries. Sales on the company's other markets, in some 50 countries, take place via agents and/or distributors.

Business model

HMS has designed its business models to fit each market and product line. For the Embedded market, most business is via framework agreements (i.e. design-wins). The sales cycle is relatively long and the design phase is performed in close cooperation with the customer. After that, there is steady revenue over a long period of time. For Gateways and eWON the business model is more traditional, with a short business cycle and manufacturing based on customer orders. IXXAT and Intesis uses a mix of the above mentioned business models.

Report occasions

- Year-end report 2017 will be published on February 16, 2018
- First quarter report 2018 will be published on April 24, 2018
- Annual General Meeting will be held on April 25, 2018
- Half year report 2018 will be published on July 19, 2018

Halmstad October 26, 2017

Staffan Dahlström
CEO

Further information can be obtained by:
CEO Staffan Dahlström, telephone +46 (0) 35 17 29 01 or
CFO Gunnar Högberg, telephone +46 (0) 35 17 29 95

This information is such that HMS Networks AB (publ) is required to disclose in accordance with the Swedish Financial Instruments Trading Act and/or the Swedish Securities Market Act. The information was submitted for publication at 07:50 CET on October 27, 2017.

Report of Review of Interim Financial Information

Introduction

We have reviewed the condensed interim financial information (interim report) of HMS Networks AB (publ) as of September 30, 2017 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 26, 2017
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorized Public Accountant

Financial accounts

	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q4 2016	1610-1709 12 months
Net increase in net sales (%)	20.1	41.2	28.4	30.5	35.7	33.1
Gross margin (%)	60.9	62.2	61.2	60.9	61.0	61.3
Operating margin EBIT (%)	21.2	21.5	20.6	16.0	15.7	19.3
EBITDA (SEK m)	77	65	216	138	188	266
EBITDA (%)	25.1	25.4	24.5	20.1	19.7	23.1
Return on capital employed (%)	5.7	4.8	16.1	12.6	16.9	19.6
Return on Shareholder's equity (%)	24.4	25.0	24.3	18.7	18.4	22.5
Working capital in relation to sales (%)*	5.4	6.6	5.4	6.6	6.2	5.4
Capital turnover rate	0.86	0.73	0.83	0.82	0.85	0.82
Net debt/equity ratio	0.45	0.74	0.45	0.74	0.66	0.45
Equity/assets ratio (%)	50.0	43.6	50.0	43.6	45.3	50.0
Capital expenditure in property, plant and equipm (SEK 000s)	3,793	4,352	12,044	8,462	11,081	14,664
Capital expenditure in intangible fixed assets (SEK 000s)	676	6,124	6,581	21,254	27,778	13,105
Depreciation of property, plant and equipment (SEK 000s)	-2,659	-2,955	-7,789	-7,628	-10,356	-10,517
Amortization of intangible fixed assets (SEK 000s)	-9,168	-7,252	-26,361	-20,663	-28,929	-34,656
Number of employees (average)	491	466	481	441	467	480
Revenue per employees (SEK m)*	2.3	1.9	2.4	2.0	2.0	2.4
Equity per share, SEK**	14.76	12.55	14.38	11.41	13.63	14.35
Cash flow from operations per share, SEK**	1.33	1.49	3.67	2.58	3.34	4.44
Total number of share, average, thousands**	46,819	46,309	46,819	46,309	46,691	46,787
Holding of own shares, average, thousands**	102	124	102	124	124	107
Total outstanding shares, average, thousands**	46,717	46,185	46,717	46,185	46,567	46,680

*The key ratio has been translated into 12 months rolling value when applicable.

** Key ratios have been recalculated based on the 4:1 share split in the second quarter of 2017.

Income statements

(SEK 000s)	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q4 2016	1610-1709 12 months
Revenue	304,795	253,856	881,978	687,056	952,282	1,147,204
Cost of goods and services sold	-119,074	-95,887	-341,932	-268,723	-370,964	-444,173
Gross profit	185,721	157,968	540,045	418,333	581,318	703,031
Sales and marketing costs	-61,524	-53,687	-184,633	-159,039	-226,029	-251,623
Administrative expenses	-24,681	-18,434	-72,478	-58,616	-78,987	-92,850
Research and development costs	-35,663	-29,515	-103,884	-86,755	-119,079	-136,208
Other operating income	898	0	2,458	0	0	2,458
Other operating costs	0	-1,795	-26	-4,184	-7,911	-3,753
Operating profit	64,752	54,538	181,481	109,739	149,313	221,055
Financial income	0	144	768	3,568	419	0,
Financial costs	-6,253	-3,728	-12,049	-9,223	-9,999	-15,205
Profit before tax	58,499	50,953	170,200	104,084	139,734	205,850
Tax	-16,380	-14,267	-47,656	-29,144	-39,269	-57,781
Profit for the period	42,120	36,686	122,544	74,941	100,466	148,069
Earnings per share before dilution, SEK*	0.90	0.79	2.62	1.62	2.16	3.17
Earnings per share after dilution, SEK*	0.90	0.79	2.61	1.62	2.16	3.16

* Key ratios have been recalculated based on the 4:1 share split in the second quarter of 2017.

Statement of comprehensive income

(SEK 000s)	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q4 2016	1610-1709 12 months
Profit for the period	42,120	36,686	122,544	74,941	100,466	148,069
Other comprehensive income						
Items that may be reclassified subsequently to income statement						
Cash flow hedges	-714	-1,141	628	-2,338	483	3,449
Translation differences	-10,668	17,673	-1,601	25,624	21,662	-5,563
Hedging of net investments	3,347	-7,090	874	-12,034	-9,620	3,288
Income tax relating to components of other comprehensive income	-633	1,811	-330	3,162	2,010	-1,482
Other comprehensive income for the period, net of tax	-8,668	11,253	-429	14,414	14,535	-308
Total comprehensive income for the period	33,452	47,939	122,115	89,355	115,001	147,761

Balance sheets

(SEK 000s)	Sep 30 2017	Sep 30 2016	Dec 31 2016
ASSETS			
Goodwill	744,427	745,289	744,433
Other intangible assets	262,466	292,852	285,851
Property, plant and equipment	41,295	39,284	38,977
Deferred tax assets	5,001	1,320	1,440
Other long term receivables	2,106	2,181	2,174
Total fixed assets	1,055,295	1,080,926	1,072,874
Inventories	102,451	89,545	86,095
Trade and other receivables	135,349	117,739	123,170
Other current receivables	39,034	21,667	24,976
Cash and cash equivalents	82,257	89,554	99,036
Total current assets	359,091	318,505	333,278
TOTAL ASSETS	1,414,385	1,399,431	1,406,152
EQUITY AND LIABILITIES			
Equity	706,737	610,150	636,444
Liabilities			
Non-current liabilities	398,204	451,961	433,603
Deferred income tax liabilities	87,656	84,748	88,121
Total non-current liabilities	485,860	536,709	521,724
Interest-bearing current liabilities	3,391	87,995	86,095
Trade payables	89,126	60,588	64,275
Other current liabilities	129,270	103,989	97,615
Total current liabilities	221,788	252,572	247,984
TOTAL EQUITY AND LIABILITIES	1,414,385	1,399,431	1,406,152

Cash flow statements

(SEK 000s)	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q4 2016	1610-1709 12 months
Cash flow from operating activities before changes in working capital	63,302	54,926	174,052	109,549	149,530	214,033
Cash flow from changes in working capital	-1,390	13,665	-2,670	9,703	5,792	-6,581
Cash flow from operating activities	61,912	68,591	171,382	119,252	155,322	207,451
Cash flow from investing activities	-4,448	-8,607	-18,456	-298,836*	-308,236*	-27,856
Cash flow from financing activities	-84,414	-46,354	-168,340	248,131	231,313	-185,158
Cash flow for the period	-26,950	13,631	-15,415	68,546	78,399	-5,563
Cash and cash equivalents at beginning of the period	110,164	75,546	99,036	19,503	19,503	419,697
Translation differences in cash and cash equivalents	-958	378	-1,365	1,505	1,135	-1,735
Cash and cash equivalents at end of period	82,257	89,554	82,257	89,554	99,036	412,399

*The impact on the Group's cash and cash equivalents related to the acquisition of eWON amounted to SEK -152 m in Q1 2016, net of eWON's liquid funds. Cash and cash equivalents in eWON amounted to SEK 27 m.

The impact on the Group's cash and cash equivalents related to the acquisition of Intesis amounted to SEK -119 m in Q2 2016, net of Intesis' liquid funds. Cash and cash equivalents in Intesis amounted to SEK 29 m.

Quarterly data

Revenue per region (SEK 000s)	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
EMEA	185,410	184,490	175,160	162,139	157,289	144,356	121,420	99,757
Americas	64,183	62,193	64,530	63,714	53,359	48,548	46,424	40,938
Asia	55,203	51,977	38,833	39,373	43,208	39,223	33,230	34,379

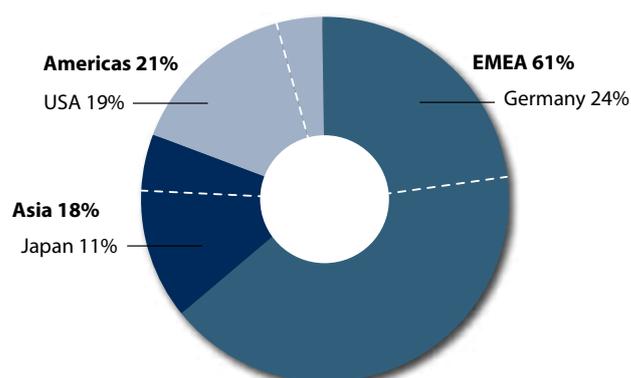
Income statement (SEK 000s)	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Revenue	304,795	298,659	278,523	265,226	253,856	232,127	201,073	175,074
Gross profit	185,721	184,527	169,797	162,986	157,968	141,330	119,035	105,993
<i>Gross margin</i>	60.9%	61.8%	61.0%	61.5%	62.2%	60.9%	59.2%	60.5%
Operating profit	64,752	59,307	57,422	39,574	54,538	34,827	20,374	14,440
<i>Operating margin</i>	21.2%	19.9%	20.6%	14.9%	21.5%	15.0%	10.1%	8.2%
Profit before tax	58,499	55,715	55,985	35,650	50,953	35,977	17,154	11,913

Sales

Sales by geographical area for the first nine months of 2017 are presented in the graph to the right.

Anybus represented 58 % (61) of the Group's total sales, IXXAT 13 % (13), Remote Solutions 20 % (20) and Intesis 7 % (2).

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



Parent company income statements

(SEK 000s)	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q4 2016	1610-1709 12 months
Revenue	3,025	2,286	10,071	10,164	14,168	14,075
Gross profit	3,025	2,286	10,071	10,164	14,168	14,075
Administrative expenses	-3,065	-2,286	-10,158	-10,164	-14,187	-14,181
Operating profit	-40	0	-87	0	-19	-106
Result from participations in Group companies	0	0	0	0	50,000	50,000
Interest income/expense and similar items	40	0	87	0	0	87
Profit before tax	0	0	0	0	49,981	49,981
Tax	0	0	0	0	-49	-49
Profit for the period	0	0	0	0	49,931	49,931

Parent company balance sheets

(SEK 000s)	Sep 30 2017	Sep 30 2016	Dec 31 2016
ASSETS			
Financial fixed assets	337,324	337,324	337,324
Total financial fixed assets	337,324	337,324	337,324
Other receivables	569	845	255
Cash and cash equivalents	165	500	406
Total current assets	734	1,345	662
TOTAL ASSETS	338,058	338,669	337,986
EQUITY AND LIABILITIES			
Equity	149,361	153,974	203,905
Liabilities			
Trade payables	342	65	50
Liabilities to Group companies	185,427	181,703	131,198
Other current liabilities	2,928	2,928	2,833
Total current liabilities	188,697	184,696	134,081
TOTAL EQUITY AND LIABILITIES	338,058	338,669	337,986

Definitions

AVERAGE NUMBER OF OUTSTANDING SHARES

The average number of registered shares during the year, less repurchased 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, SEK

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 excluding items affecting comparability.

EBITDA

Operating profit (loss) excluding depreciation, amortization of intangible assets and items affecting comparability.

EQUITY/ASSETS RATIO

Shareholders' equity in relation to total assets.

EQUITY PER SHARE

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

FINANCIAL ASSETS

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

NET DEBT

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

NET DEBT/EQUITY RATIO

Net debt in relation to Shareholders' equity.

NUMBER OF OUTSTANDING SHARES

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

OPERATING MARGIN

Operating profit (loss) in relation to net sales.

RETURN ON SHAREHOLDER'S EQUITY

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

RETURN ON CAPITAL EMPLOYED

Share of the profit after financial income in relation to the average capital employed.

WORKING CAPITAL

Current assets less cash and cash equivalents and current liabilities.

Alternative key ratios

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

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

(SEK 000s)	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q4 2016	1610-1709 12 months
Operating profit	64,752	54,538	181,481	109,739	149,313	221,055
Depreciation/amortization	11,827	10,067	34,150	28,162	39,184	45,172
EBITDA	76,579	64,605	215,631	137,901	188,498	266,227

HMS Networks AB (publ) is the leading independent supplier of products for industrial communication and remote management. Reported sales reached SEK 952 m in 2016. Development and manufacturing take place at the headquarter in Halmstad, Sweden, and in Nivelles Belgium, Igualada, Spain and in Ravensburg, Germany. Local sales and support are handled by branch offices in China, Denmark, Finland, France, Belgium, Germany, Spain, India, Italy, Japan, UK and USA. HMS employs approximately 500 people and develops and manufactures solutions for connecting automation devices and systems to industrial networks under the Anybus®, IXXAT® and Intesis® brand and products for remote solutions and control under the eWON® brand. HMS is listed on the NASDAQ OMX in Stockholm, category Mid Cap, Information Technology.



Our vision

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

Our mission

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

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