

hms networks

YEAR-END REPORT 2018 JANUARY - DECEMBER

Fourth quarter

- Net sales for the fourth quarter reached SEK 363 m (301), corresponding to an increase of 20 %. Currency translations had a positive effect of SEK 21 m on net sales
- Operating profit reached SEK 52 m (31) equal to a 14 % (10) operating margin
- Order intake was SEK 387 m (288), corresponding to an increase of 34 %
- Cash flow from operating activities amounted to SEK 49 m (36)
- Profit after taxes totalled SEK 42 m (20) and the earnings per share was SEK 0.90 (0.43)

Yearly

- Net sales for the full year 2018 reached SEK 1,366 m (1,183), corresponding to an increase of 15 %. Currency translations had a positive effect of SEK 65 m on net sales
- Operating profit reached SEK 251 m (212) equal to a 18 % (18) operating margin
- Order intake was SEK 1,433 m (1,204), corresponding to an increase of 19 %
- Cash flow from operating activities amounted to SEK 193 m (207)
- Profit after taxes totalled SEK 171 m (143) and the earnings per share was SEK 3.68 (3.06)
- Acquisition of 100 % of the shares in Beck IPC GmbH
- The Board of Directors propose a dividend to the amount of SEK 1.80 (1.50) per share

Hms Connecting Devices™

Comment from the CEO

The final quarter of the year is ending strong. Order intake increased by 34 %, to SEK 387 million, net sales increased by 20 % to SEK 363 million and operating profit increased by 68 % to SEK 52 million.

The quarter's result is a combination of organic growth, acquisition effects from German Beck IPC, a favourable currency situation and profitable technology trends that drive investments in our business segments.

The strong order intake is very pleasing, but at the same time, we see a difficult-to-assess economic climate going forward. Many of our customers are still positive about their own growth, but are concerned about macro data that indicates a coming slowdown in growth within several industrial segments.

During the quarter, we have seen a strong and positive development in the US. In Germany, we see a mixed picture with continued weak Automotive segment, but still strong in other areas. In Japan, we see a weaker development in Japanese export companies, which contributed to the low growth in Asia throughout the quarter.

The quarter's gross margin was negatively affected by lower margins from the newly acquired Beck IPC. The integration work of Beck IPC is ongoing and various initiatives to improve gross margins have been initiated.

For the year, we summarize a net sales growth of 15 %, which in local currencies corresponds to a growth of 10 % compared to 2017. Despite increased investments in innovation, product development, marketing and sales, we reach SEK 251 M (212) in operating profit, corresponding to a margin of 18.4 % and an operating profit increase of 18 % compared to 2017.

Looking back over the past nine years, HMS has delivered an annual average net sales growth of +21 % and an average operating margin of 18 %. These results are in line with our long-term goals of an average annual growth of 20 % per year and an operating margin of 20 %.

For our products that are sold according to our Design-Win business model, we can see continued stable growth in the number of new customers during 2018. In total, we received 177 (217) new Design-Wins during the year and another 73 active Design-Wins from our acquisition of Beck IPC. This causes the total number of active Design-Wins to amount to 1,693 (1,590), an increase of 6.5 % compared with the previous year. Of these, 1,304 (1,192) are in production, while 389 (398) are expected to come into production in the coming years. A continued stable growth of new Design-Wins is proof of HMS's attractive product offering and gives us good prospects for future growth.

The costs of the company's marketing activities are large during the last quarter of the year due to participation in a number of large

international fairs. HMS presented a number of new products for industrial automation and the Industrial Internet of Things, where safety, ease of installation and quality were in focus. During the fairs, HMS also launched a new partner program to further stimulate collaboration for business and innovation globally.

We see that interest in HMS solutions remains high, which is confirmed by a stable growth of new customer inquiries, "leads", in all markets. The fourth quarter generated 6,240 leads (5,573), an increase of 12 % compared to the same period last year and the total for the year was 18,079 (15,940), an increase of 13 % compared to 2017.

During the quarter, we initiated a technology collaboration with the Asian company WoMaster. The collaboration is focused on developing solutions based on WoMaster's products for industrial network infrastructure together with HMS' software for industrial protocols. The ambition is that this will result in new HMS products already during 2019.

In our third quarter report, we described that the previously strained situation regarding component shortages has brightened. The improvement trend has continued and we do not predict that this will cause problems for HMS's delivery capacity in 2019, since we have built up buffer stocks and due to the fact that accessibility of components seems to be normalized in the future.

Although, the market situation in the short term is difficult to assess, in the longer term, we see good growth opportunities and the goal is to continue to grow with our ambitious growth targets - a long-term annual growth of 20 % per year and an operating margin of 20 %. Our focus is to drive continued growth in all our business areas, organically and through acquisitions. We continue to focus on our long-term growth goals based on a balanced view of our costs. In the long term, we believe that the market for industrial data communication will be an interesting growth area and we will continue to focus on our motto "Connecting Devices".

The final quarter of the year is ending strong, with an order intake increase of 34%, sales increase of 20% and an operating profit increase of 68%.



Staffan Dahlström, CEO, HMS Networks AB

+34%

Order intake
Q4

+20%

Net sales
Q4

14%

Operating margin
Q4

Order intake, net sales and earnings

Fourth quarter

Order intake increased by 34 % to SEK 387 m (288). The underlying organic increase in order intake in local currencies was 15 %. Net sales increased by 20 % to SEK 363 m (301) of which currency translation effects affected by SEK 21 m (-4). The underlying organic increase in net sales in local currencies was 7 %. Gross profit increased by SEK 35 m to SEK 216 m (182) to a gross margin of 59.6 % (60.3). Operating expenses increased in total by SEK 13 m to SEK 164 m (151).

During the quarter, the acquired company Beck IPC contributed to the Group's net sales by SEK 20 m and order intake by SEK 33 m.

Operating profit before depreciation amounted to SEK 65 m (43), corresponding to a margin of 17.9 % (14.3). Depreciation amounted to SEK 13 m (12) and operating profit increased by SEK 21 m corresponding to a 68 % increase, to SEK 52 m (31). Changes in exchange rates compared with the corresponding quarter of the previous year have had a positive effect of SEK 7 m on operating profit for the quarter. Beck IPC has had no significant impact on the Group's operating profit.

Net financials was SEK 0 m (-6) which resulted in a profit before tax of SEK 52 m (25). Profit after tax amounted to SEK 42 m (20) and earnings per share before and after dilution was SEK 0.90 (0.43) and SEK 0.89 (0.43) respectively.

SEK millions	Q4 2018	Q4 2017	%
Order intake	387	288	34.4
Net sales	363	301	20.5
Gross profit	216	182	19.0
<i>Gross margin (%)</i>	59.6	60.3	
EBITDA	65	43	50.8
<i>EBITDA (%)</i>	17.9	14.3	
EBIT	52	31	68.4
<i>EBIT (%)</i>	14.3	10.2	

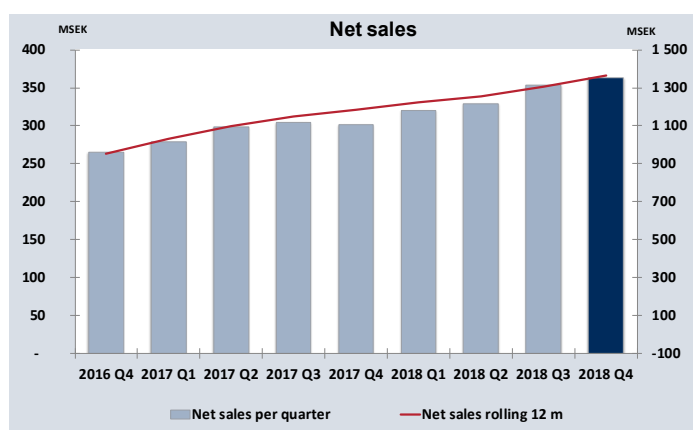
Yearly

Order intake increased by 19 % to SEK 1,433 m (1,204). The underlying organic increase in order intake in local currencies was 9 %. Net sales increased by 15 % to SEK 1,366 m (1,183) of which currency translation effects affected by SEK 65 m (16). The underlying organic increase in net sales in local currencies was 7 %. Gross profit increased by SEK 112 m to SEK 834 m (722) to a gross margin of 61.1 % (61.0). Operating expenses increased in total by SEK 73 m to SEK 583 m (509).

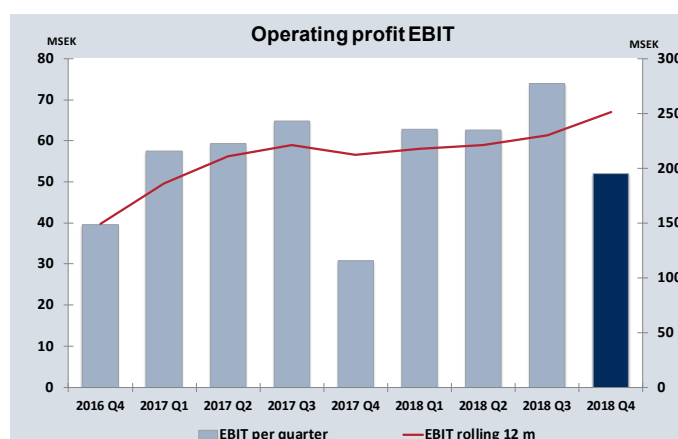
Operating profit before depreciation amounted to SEK 302 m (259), corresponding to a margin of 22.1 % (21.9). Depreciation amounted to SEK 51 m (46) and operating profit increased by SEK 39 m corresponding to a 18 % increase, to SEK 251 m (212). Changes in exchange rates have had a positive effect of SEK 23 m on operating profit compared to 2017.

Net financials was SEK -20 m (-17) mainly depending on negative currency translation effects of SEK -14 m (-10) due to revaluation of intra-Group transactions and interest expenses of SEK 6 m (7) which resulted in a profit before tax of SEK 232 m (195). Profit after tax amounted to SEK 171 m (143) and earnings per share before and after dilution was SEK 3.68 (3.06) and SEK 3.65 (3.04) respectively.

SEK millions	Q1-Q4 2018	Q1-Q4 2017	%
Order intake	1,433	1,204	19.1
Net sales	1,366	1,183	15.4
Gross profit	834	722	15.6
<i>Gross margin (%)</i>	61.1	61.0	
EBITDA	302	259	16.8
<i>EBITDA (%)</i>	22.1	21.9	
EBIT	251	212	18.4
<i>EBIT (%)</i>	18.4	17.9	



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

Quarterly data	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Order intake (SEK m)	387	360	336	350	288	289	328	299
Net sales (SEK m)	363	353	329	320	301	305	299	279
Gross margin (%)	59.6	60.3	62.8	61.8	60.3	60.9	61.8	61.0
EBITDA (SEK M)	65	87	75	75	43	77	71	68
EBITDA (%)	17.9	24.5	22.9	23.5	14.3	25.1	23.7	24.5
EBIT (SEK m)	52	74	63	63	31	65	59	57
EBIT (%)	14.3	20.9	19.0	19.6	10.2	21.2	19.9	20.6
Cash flow from operating activities per share (SEK)*	1.05	1.57	1.08	0.43	0.77	1.33	1.21	1.13
Earnings per share before dilution (SEK)*	0.90	1.09	0.90	0.80	0.43	0.90	0.86	0.86
Earnings per share after dilution (SEK)*	0.89	1.08	0.89	0.79	0.43	0.90	0.86	0.86
Equity per share (SEK)*	17.98	17.13	16.88	16.28	15.37	14.76	14.32	13.94

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

Cash flow, investments and financial position

Fourth quarter

Cash flow from operating activities before changes in working capital amounted to SEK 44 m (27) for the fourth quarter. Changes in working capital was SEK 5 m (9). Cash flow from operating activities was therefore SEK 49 m (36). During the quarter, investments in new intangible and tangible assets claimed SEK -9 m (-13) and financial assets claimed SEK -6 m (0). Cash flow from investing activities amounted to SEK -17 m (-7). Cash flow from financing activities claimed SEK -29 m (-22), which can mainly be explained by repayment of loans. The cash flow for the quarter was SEK 3 m (7).

Yearly

Cash flow from operating activities before changes in working capital amounted to SEK 232 m (201) for the full year 2018. Changes in working capital was SEK -39 m (6) mainly due to inventory increase of components. Cash flow from operating activities was therefore SEK 193 m (207). During the year investments in new intangible and tangible assets claimed SEK -30 m (-32). In addition to this, SEK -26 m relates to the acquisition of Beck IPC which affects the investing activities. The Group has also invested in new financial assets of SEK -6 m (0). Cash flow from investing activities therefore amounted to SEK -62 m (-25). Cash flow from financing activities amounted to SEK -166 m (-190) which can be explained by the re-purchase of own shares of SEK -42 m (-8), disbursed dividend of SEK -70 m (-47) and also that the Group's bank loans have decreased by SEK -24 m (-128). In conjunction with the acquisition of Beck IPC, interest bearing liabilities of SEK -30 m was also repaid. This means that cash flow for the year was SEK -35m (-8).

Cash and cash equivalents and net debt

Cash and cash equivalents amounted to SEK 59 m (91) and unused credit facilities to SEK 158 m (127). The Group's net debt amounted to SEK 342 m (304) and net debt to EBITDA ratio for the last twelve months was 1.13 (1.17). Net debt/Equity ratio was 40 % (42).

In the second quarter, a dividend of SEK 1.50 per share, in total SEK 70 m (47) was disbursed.

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 292,825 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

Today the Company has four ongoing share saving programs. Based on a decision by the Annual General Meetings permanent employees are offered to save in HMS shares in an annual share saving program. Between 47 % and 60 % of the employees opted to participate in the respective program. If certain criterias are met the Company is committed to give the participant a maximum of two HMS shares for every share saved by the employee. As of December 31, 2018, the total number of saved shares amounted to approximately 159,023 (195,971) within ongoing programs.

On December 31, 2017 the share saving program from 2014 was concluded. During the first quarter of 2018, 138,907 shares, of which 68,853 were performance shares, were distributed free of charge to the participants. For the allocation of these shares, HMS used shares in its own possession.

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 totaled SEK 165 m (0) and the profit from the period amounted to SEK 164 m (0) after tax. Cash and cash equivalents amounted to SEK 1 m (0), external borrowing does not occur.

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 87 in Note 34 of the Annual Report for 2017.

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 2017. In addition to the risks described in these documents, no additional significant risks have been identified.

Audit review

This report has not been audited.

Significant events

On July 17, 2018 HMS acquired 100 % of the shares in the German company Beck IPC. Beck IPC is a leading technology provider in the embedded communications market, with solutions for embedded control, machine-to-machine communication and the Industrial Internet of Things, IIoT. The base technology of IPC@CHIP® is the core of Beck IPC's product offering for industrial OEMs. Beck IPC's portfolio also includes com.tom® - a comprehensive range of gateways with associated cloud portals, targeting IIoT applications within factory and process automation.

The acquisition price amounted to EUR 5 m on a debt free basis and a performance-based additional purchase price of EUR 2 m. The acquisition was financed with an existing bank credit of EUR 4 m.

Preliminary the acquisition will generate a SEK 58 m excess value in the Group. The acquired company is consolidated in the HMS Group accounts as of July 17, 2018. Since the acquisition, Beck has contributed to the Group's sales by SEK 30 m. The acquisition's contribution to operating profit, including acquisition costs, amounted to SEK 2 m.

Pending the allocation of excess value to specific assets and assessment of the tax position at Beck, the acquisition analysis is preliminary. According to preliminary acquisition analysis, the purchase sum and acquired net assets amount to:

Purchase sum:	SEK million
Cash and cash equivalents	23
Contingent additional consideration	21
Total purchase sum, preliminary	44

The assets and liabilities recognized in conjunction with the acquisition are as follows:	SEK million
Excess value/Intangible fixed assets	58
Intangible fixed assets	7
Other fixed assets	1
Current assets	15
Cash and cash equivalents	0
Non-current liabilities	- 2
Current liabilities	- 36
Acquired net assets	44

Subsequent events

There are no events after the end of the year which have had a significant impact on the results or financial position of the company.

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 is considered stable. 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 20 %.

Accounting policies

This report has been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34, for Interim Reporting.

As of January 1, 2018 HMS, applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The implementation of the new standards has not had any significant impact on the Group's financial reports as of December 31, 2018. Complete accounting policies as for the new standards are described in the Annual Report 2017.

None of the new standards that have come into force on January 1, 2019 or later have been early adopted by the Group.

IFRS 16 Leases replaces the previous IAS 17 Leases and enters into force as of January 1, 2019. HMS applies the simplified transition method, meaning that previous periods will not be restated. The main impact on HMS's accounts arise from the reporting of lease contracts for premises. The opening effect on the consolidated balance sheet as of 1 January 2019 is that a lease asset (right-of-use asset) and a lease liability are added, each at approximately SEK 100 m.

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 RFR2, 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).

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 7 % of the shares and Charlotte Brogren, Chairman of the Board. The Nomination Committee has appointed Jan Svensson as its Chairman.

Short about the company

Strategies

GROWTH STRATEGY – HMS's main focus is on organic growth. Expansion on existing markets will be through improved and ex-tended 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 Solutions – 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 solutions are marketed and sold to players 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 15 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 occasion

- First quarter report 2019 will be published on April 25, 2019
- Annual General Meeting will be held on April 25, 2019
- Half year report 2019 will be published on July 16, 2019
- Third quarter report 2019 will be published on October 22, 2019

Halmstad February 12, 2019

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 required to disclose in accordance with the Swedish Financial Instruments Trading Act and the Swedish Securities Market Act. The information was submitted for publication at 14.00 CET on February 12, 2019.

Income statements

SEK millions	Q4 2018	Q4 2017	Q1-Q4 2018	Q1-Q4 2017
Net sales	363	301	1,366	1,183
Cost of goods and services sold	-147	-120	-532	-462
GROSS PROFIT	216	182	834	722
Sales and marketing costs	-91	-83	-310	-268
Administrative expenses	-28	-31	-111	-103
Research and development costs	-45	-36	-162	-140
Other operating income	0	0	6	2
Other operating costs	0	0	-5	0
OPERATING PROFIT	52	31	251	212
Financial income	0	-	0	1
Financial costs	0	-6	-20	-18
Profit before tax	52	25	232	195
Tax	-10	-5	-61	-52
PROFIT FOR THE PERIOD	42	20	171	143
Earnings per share before dilution, SEK*	0.90	0.43	3.68	3.06
Earnings per share after dilution, SEK*	0.89	0.43	3.65	3.04

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

Statement of comprehensive income

SEK millions	Q4 2018	Q4 2017	Q1-Q4 2018	Q1-Q4 2017
Profit for the period	42	20	171	143
Other comprehensive income				
Items that may be reclassified subsequently to income statement				
Cash flow hedges	-2	-1	0	-1
Hedging of net investments	0	-8	-10	-7
Translation differences	-1	28	48	27
Income tax relating to components of other comprehensive income	0	2	2	2
Other comprehensive income for the period, net of tax	-2	21	39	20
Total comprehensive income for the period	39	41	211	163

Balance sheets

SEK millions	Dec 31 2018	Dec 31 2017
ASSETS		
Goodwill	841	759
Other intangible assets	254	261
Property, plant and equipment	52	49
Deferred tax assets	4	1
Other financial assets	7	1
Total fixed assets	1,158	1,072
Inventories	157	117
Trade and other receivables	161	133
Other current receivables	42	25
Cash and cash equivalents	59	91
Total current assets	419	366
TOTAL ASSETS	1,577	1,438
EQUITY AND LIABILITIES		
Equity	857	721
Liabilities		
Interest-bearing non-current liabilities	378	391
Deferred income tax liabilities	76	84
Total non-current liabilities	454	474
Interest-bearing current liabilities	24	4
Trade payables	105	99
Other current liabilities	138	140
Total current liabilities	266	243
TOTAL EQUITY AND LIABILITIES	1,577	1,438

Cash flow statements

SEK millions	Q4 2018	Q4 2017	Q1-Q4 2018	Q1-Q4 2017
Cash flow from operating activities before changes in working capital	44	27	232	201
Cash flow from changes in working capital	5	9	-39	6
Cash flow from operating activities	49	36	193	207
Cash flow from investing activities	-17	-7	-62*	-25
Cash flow from financing activities	-29	-22	-166	-190
Cash flow for the period	3	7	-35	-8
Cash and cash equivalents at beginning of the period	55	82	91	99
Translation differences in cash and cash equivalents	1	1	3	0
Cash and cash equivalents at end of period	59	91	59	91
Interest-bearing liabilities	401	395	401	395
Net debt	342	304	342	304

*The acquisition of Beck's impact on the Group's cash and cash equivalents, after deduction of Beck's cash and cash equivalents, amounted to SEK 22 m in Q3 2018. Cash and cash equivalents in Beck amounted to SEK 0 m.

Equity

Change in Group Equity, SEK millions	Dec 31 2018	Dec 31 2017
Balance at January 1	721	636
Total comprehensive income for the period	211	163
Costs for share-based remuneration	5	8
Repurchase of own shares	-11	-39
Dividends	-70	-47
Closing balance	857	721

Financial accounts

	Q4 2018	Q4 2017	Q1-Q4 2018	Q1-Q4 2017
Net increase in net sales (%)	20.5	13.6	15.4	24.3
Gross margin (%)	59.6	60.3	61.1	61.0
EBITDA (SEK m)	65	43	302	259
EBITDA (%)	17.9	14.3	22.1	21.9
EBIT (SEK m)	52	31	251	212
EBIT (%)	14.3	10.2	18.4	17.9
Return on capital employed (%)	-	-	20.7	18.7
Return on Shareholder's equity (%)	-	-	21.6	21.0
Working capital in relation to sales (%)*	-	-	7.2	5.1
Capital turnover rate	-	-	0.89	0.83
Net debt/equity ratio	-	-	0.40	0.42
Equity/assets ratio (%)	-	-	54.3	50.2
Investments in tangible fixed assets (SEK m)	3	10	13	22
Investments in intangible fixed assets (SEK m)	5	3	17	10
Depreciation of tangible fixed assets (SEK m)	-3	-3	-14	-11
Amortization of intangible fixed assets (SEK m)	-9	-9	-37	-35
<i>Of which amortization of overvalues acquired</i>	-3	-3	-13	-12
<i>Of which amortization of capitalized development costs</i>	-6	-7	-24	-24
Number of employees (average)	554	512	536	486
Net sales per employees (SEK m)	0.7	0.6	2.6	2.4
Equity per share (SEK)*	17.98	15.37	17.06	14.65
Cash flow from operations per share (SEK)*	1.05	0.77	4.14	4.44
Total number of share average (thousands)*	46,819	46,819	46,819	46,819
Holding of own shares average (thousands)*	293	232	279	158
Total outstanding shares average (thousands)*	46,526	46,587	46,540	46,661

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

Quarterly data

Division of income per brand SEK millions	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Anybus	211*	209*	183	189	182	185	175	158
IXXAT	44	45	39	38	39	40	36	38
eWON	67	63	70	64	58	57	60	56
Intesis	24	25	25	24	16	21	20	17
Other	18	11	12	5	6	2	8	10
Total	363	353	329	320	301	305	299	279

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.

* Including net sales of SEK 20 million in Q4 and SEK 10 million in Q3 2018 from the acquired company Beck IPC

Net sales per region SEK millions	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
EMEA	222*	220*	208	198	181	185	185	175
Americas	81	75	67	59	62	64	62	65
Asia	60	58	54	63	58	55	52	39
Total	363	353	329	320	301	305	299	279

* Including net sales of SEK 20 million in Q4 and SEK 10 million in Q3 2018 from the acquired company Beck IPC

Income statement SEK millions	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Net sales	363	353	329	320	301	305	299	279
Gross profit	216	213	206	198	182	186	185	170
<i>Gross margin (%)</i>	<i>59.6</i>	<i>60.3</i>	<i>62.8</i>	<i>61.8</i>	<i>60.3</i>	<i>60.9</i>	<i>61.8</i>	<i>61.0</i>
Operating profit	52	74	63	63	31	65	59	57
<i>Operating margin (%)</i>	<i>14.3</i>	<i>20.9</i>	<i>19.0</i>	<i>19.6</i>	<i>10.2</i>	<i>21.2</i>	<i>19.9</i>	<i>20.6</i>
Profit before tax	52	70	58	52	25	58	56	56

Parent company's income statement

SEK millions	Q4 2018	Q4 2017	Q1-Q4 2018	Q1-Q4 2017
Net sales	5	6	17	16
Gross profit	5	6	17	16
Administrative expenses	-6	-6	-17	-16
Operating profit	-1	0	0	0
Profit from participations in subsidiaries	-	-	165	-
Interest income and other similar income	1	-	1	-
Interest expenses and other similar expenses	0	0	-1	0
Profit before tax	0	0	164	0
Tax	0	0	-1	0
Profit for the year	0	0	164	0

Parent company's balance sheet

SEK millions	Dec 31 2018	Dec 31 2017
ASSETS		
Financial assets	337	337
Total financial assets	337	337
Receivables from Group companies	64	-
Other receivables	0	0
Cash and cash equivalents	1	0
Total current assets	66	0
TOTAL ASSETS	404	338
EQUITY AND LIABILITIES		
Equity	202	118
Current liabilities		
Accounts payables - trade	0	1
Liabilities to Group companies	196	183
Other current liabilities	6	36
Total current liabilities	202	220
TOTAL EQUITY AND LIABILITIES	404	338

DEFINITIONS

NUMBER OF OUTSTANDING SHARES

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

RETURN ON SHAREHOLDER'S EQUITY

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

RETURN ON CAPITAL EMPLOYED

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

EBIT

Operating income according to income statement.

EBITDA

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

EQUITY PER SHARE

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

FINANCIAL ASSETS

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

AVERAGE NUMBER OF OUTSTANDING SHARES

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

CAPITAL TURNOVER

Net sales in relation to average balance sheet total.

CASH FLOW FROM OPERATING ACTIVITIES PER SHARE

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

NET DEBT

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

NET DEBT/EQUITY RATIO

Net debt in relation to Shareholders' equity.

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.

WORKING CAPITAL

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

OPERATING MARGIN

Operating profit in relation to net sales.

EQUITY/ASSETS RATIO

Shareholders' equity in relation to total assets.

CAPITAL EMPLOYED

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

Alternative key ratios

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

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

SEK millions	Q4 2018	Q4 2017	Q1-Q4 2018	Q1-Q4 2017
Operating profit	52	31	251	212
Depreciation/amortization	13	12	51	46
EBITDA	65	43	302	259

HMS Networks AB (publ) is the leading independent supplier of solutions for industrial communication. HMS develops and manufactures solutions for connecting automation devices and systems to industrial networks and IIoT under the Anybus®, IXXAT® and eWON® brands. Communication solutions for building automation are offered through the subsidiary Intesis. Development and manufacturing take place at the headquarters in Halmstad, Ravensburg, Nivelles and Igualada. Local sales and support are handled by branch offices in Japan, China, Germany, USA, Italy, France, Belgium, Singapore, Spain, India, UK, Sweden, Finland and Denmark, as well as through an extensive network of distributors. HMS employs over 500 people and reported sales of EUR 133 million in 2018. 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".