

hms networks

INTERIM REPORT 2018
JANUARY - JUNE

Second quarter

- Net sales for the second quarter reached SEK 329 m (299), corresponding to an increase of 10 %
- Operating profit reached SEK 63 m (59) equal to a 19 % (20) operating margin
- Order intake was SEK 336 m (328), corresponding to an increase of 3 %
- Cash flow from operating activities amounted to SEK 51 m (57)
- Profit after taxes totalled SEK 42 m (40) and the earnings per share was SEK 0.90 (0.86)

First six months

- Net sales for the first six months amounted to SEK 649 m (577), corresponding to a 13 % increase. The revaluation of the Swedish krona had a positive impact of SEK 14 m
- Operating profit was SEK 125 m (117), equal to a 19 % (20) operating margin
- Order intake was SEK 686 m (626), corresponding to an increase of 10 %
- Cash flow from operating activities amounted to SEK 71 m (109)
- Profit after taxes totalled SEK 79 m (80) and the earnings per share was SEK 1.69 (1.72)

Subsequent events

- After the quarter, HMS acquired 100 percent of the share capital in the German company, Beck IPC GmbH. The acquisition price amounted to EUR 5 m on a cash and debt free basis and was paid in cash.

HMS Connecting Devices™

Comment from the CEO

The year's strong development continues during the second quarter with record net sales, but with a growth that is slightly weaker compared to previous quarters. Organic growth reaches 10 %, adjusted for currency effects, local currency growth is 6 % compared with the same quarter in 2017. This growth level is not satisfactory for HMS.

After two quarters with weak development in North America, the business is now back in a growth phase. The growth has now been driven by a strong industrial market and reinforcements in our sales organization. On the other hand, we see a reversed situation in Japan where the strong start of the year has now been followed by a weak second quarter. However, we believe that this is a temporary adjustment of inventory volumes with major customers. We are still seeing good development in Asia in general. In Germany, which is HMS single largest market, we see a mixed picture with a negative development among customers in the automotive industry but a positive development in other sectors.

The quarter has seasonally involved a large number of market activities and trade fairs, as well as a number of new product launches. Despite continued expansion in personnel and marketing activities, our cost increase is in balance with our growth. We therefore achieve a healthy operating profit of 63 MSEK, corresponding to 19 % operating margin.

We and our customers see continued concerns about availability of electronic components. We have managed to maintain a good delivery capability and a satisfying gross margin despite challenging component supplies. However, we see more and more examples of our customers being forced to postpone their planned deliveries due to a lack of electronic components. How much this has impacted our net sales is difficult to estimate. Our assessment is that this is a long-term capacity problem that will continue in 2019 and is likely become worse before it gets better. Therefore, we continue to work proactively to secure our component supply. We believe that the primary effect from the situation will be larger component inventories than normal. The situation may also have a certain effect on the gross margin, but for now the effect is expected to be limited.

The acquisition of German Beck IPC, that was made after the end of the quarter, will provide a complete technology base for Industrial Internet of Things (IIoT). With this we are strengthening our technology platform, we get a good offer for OEM applications and customers who want to store IIoT data locally ("on-premise") as well as in the cloud. In addition to the technology, we strengthen our development organization with a strong team north of Frankfurt and about 50, mainly German, industrial customers using Beck IPC's products today. In the short term, this acquisition does not have a major impact on HMS profitability, but it is a strategically important strengthening in an area that we believe will be very important for HMS within a few years.

We stick to our ambitious growth targets for coming years – A long-term annual growth of 20 % per annum and an operating margin of 20 %. Our focus is to drive continued growth in all our business areas. We continue to focus on our long-term growth goals based on a balanced view of our 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".

The year's strong development continues and it's gratifying to note that we had yet another quarter with record net sales.



Staffan Dahlström, CEO, HMS Networks AB

+3 %

Order intake
Q2

+10 %

Net sales
Q2

19 %

Operating margin
Q2

Order intake, net sales and result

Second quarter

Order intake increased by 3 % to SEK 336 m (328) of which SEK 11 m (4) will be delivered after the upcoming twelve months. Net sales increased by 10 % to SEK 329 m (299) of which currency translation effects affected by SEK 12 m (12). Gross profit increased by SEK 21 m to SEK 206 m (185) to an increased gross margin of 62.8 % (61.8). Operating expenses increased in total by SEK 19 m to SEK 144 m (125) driven primarily by increased personnel costs, as a result of the increase in the number of employees by approximately 50 persons since the second quarter 2017. The strengthening of the organization has primarily been focused on sales and marketing.

Operating profit before depreciation EBITDA amounted to SEK 75 m (71), corresponding to a margin of 22.9 % (23.7). Depreciation amounted to SEK 13 m (11) and operating profit EBIT increased by SEK 4 m corresponding to a 7 % increase, to SEK 63 m (59). The improved result was primarily driven of the organic growth and increased gross margin.

Financial net was SEK -5 m (-4) mainly depending on negative currency translation effects of SEK 3 m (2) due to revaluation of intra-Group transactions and interest expenses of SEK 1 m (2) which resulted in a profit before tax of SEK 58 m (56). Profit after tax amounted to SEK 42 m (40) and earnings per share before and after dilution was SEK 0.90 (0.86) and SEK 0.89 (0.86) respectively.

SEK millions	Q2 2018	Q2 2017	%
Order intake	336	328	2.6
Net sales	329	299	10.0
Gross profit	206	185	11.4
Gross margin (%)	62.8	61.8	
EBITDA	75	71	5.6
EBITDA (%)	22.9	23.7	
EBIT	63	59	6.8
EBIT (%)	19.0	19.9	

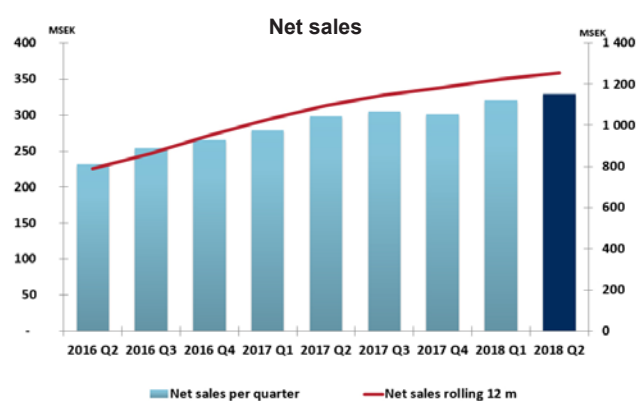
First six months

Order intake increased by 10 % to SEK 686 m (626) of which SEK 11 m (4) will be delivered after the upcoming twelve months. Net sales increased by 13 % to SEK 649 m (577) of which currency translation effects affected by SEK 14 m (20). Gross profit increased by SEK 50 m to SEK 404 m (354) to an increased gross margin of 62.3 % (61.4). Operating expenses increased in total by SEK 41 m to SEK 279 m (238) driven primarily by increased personnel costs, as a result of the increase in the number of employees by approximately 50 persons since the the first six months 2017. The strengthening of the organization has primarily been focused on sales and marketing, but also supporting functions have been upgraded.

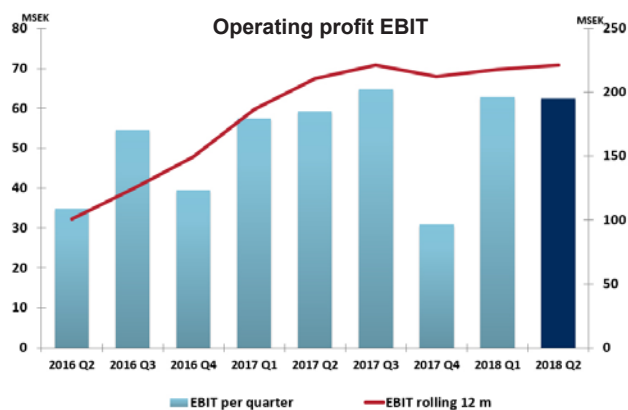
Operating profit before depreciation EBITDA amounted to SEK 150 m (139), corresponding to a margin of 23.2 % (24.1). Depreciation amounted to SEK 25 m (22) and operating profit EBIT increased by SEK 8 m corresponding to a 7 % increase, to SEK 125 m (117). The improved result was primarily driven of the organic growth and increased gross margin.

Financial net was SEK -16 m (-5) mainly depending on negative currency translation effects of SEK 13 m (1) due to revaluation of intra-Group transactions and interest expenses of SEK 3 m (4) which resulted in a profit before tax of SEK 110 m (112). Profit after tax amounted to SEK 79 m (80) and earnings per share before and after dilution was SEK 1.69 (1.72) and SEK 1.68 (1.71) respectively.

SEK millions	Q1-Q2 2018	Q1-Q2 2017	%
Order intake	686	626	9.6
Net sales	649	577	12.5
Gross profit	404	354	14.1
Gross margin (%)	62.3	61.4	
EBITDA	150	139	7.9
EBITDA (%)	23.2	24.1	
EBIT	125	117	6.8
EBIT (%)	19.3	20.2	



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	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Order intake (SEK m)	336	350	288	289	328	299	267	252
Net sales (SEK m)	329	320	301	305	299	279	265	254
Gross margin (%)	62.8	61.8	60.3	60.9	61.8	61.0	61.5	62.2
EBITDA (SEK m)	75	75	43	77	71	68	51	65
EBITDA (%)	22.9	23.5	14.3	25.1	23.7	24.5	19.1	25.4
EBIT (SEK m)	63	63	31	65	59	57	40	55
EBIT (%)	19.0	19.6	10.2	21.2	19.9	20.6	14.9	21.5
Cash flow from operating activities per share (SEK)*	1.08	0.43	0.77	1.33	1.21	1.13	0.77	1.47
Earnings per share before dilution (SEK)*	0.90	0.80	0.43	0.90	0.86	0.86	0.55	0.79
Earnings per share before after dilution (SEK)*	0.89	0.79	0.43	0.90	0.86	0.86	0.54	0.78
Equity per share (SEK)*	16.88	16.28	15.37	14.76	14.32	13.94	13.35	12.55

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

Cash flow, investments and financial position

Second quarter

Cash flow from operating activities before changes in working capital amounted to SEK 60 m (53) for the second quarter. Changes in working capital was SEK -9 m (4) explained in full by inventory increase of components. Cash flow from operating activities was therefore SEK 51 m (57). During the quarter, investments in new assets claimed SEK -7 m (-8). Cash flow from financing activities claimed SEK -18 m (-59), which can be explained by a disbursed dividend of SEK 70 m (47) and also an increase in loans of SEK 52 m (-16), which means that cash flow for the quarter was SEK 24 m (-10).

First six months

Cash flow from operating activities before changes in working capital amounted to SEK 130 m (111) for the first six months. Changes in working capital was SEK -59 m (-1) mainly due to a combination of increased accounts receivables owing to increased net sales, inventory increase components but also a decrease in accounts payables. Cash flow from operating activities was therefore SEK 71 m (109). During the first six months investments in new assets claimed SEK -18 m (-14). Cash flow from financing activities amounted to SEK -51 m (-84) which can be explained by the re-purchase of own shares of SEK 32 m in December 2017 affecting liquidity in January 2018 and also the disbursed dividend of SEK 70 m (47). The Group's bank loans has increased with SEK 52 m (-32), which means that cash flow for the first six months was SEK 2 m (12).

Cash and cash equivalents and net debt

Cash and cash equivalents amounted to SEK 96 m (110) and unused credit facilities to SEK 77 m (30). The Group's net debt amounted to SEK 365 m (379) and net debt to EBITDA ratio for the last twelve months was 1.35 (1.49). Net debt/Equity ratio was 47 % (56).

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 222,825 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).

Annual General Meeting

At the AGM on April 25, 2018, it was resolved to revert to Board members Charlotte Brogren, Fredrik Hansson, Ray Mauritsson and Anders Mörcck, and that Cecilia Wachtmeister and Ulf Södergren were elected new Board members.

Other decisions from the Annual General Meeting;

- The dividend was decided of SEK 1.50 per share, as proposed, corresponding to SEK 70 m.
- Resolution on a new issue of no more than 2,340,943 shares for the purpose of financing or carrying out company acquisitions with own shares.
- Decision to acquire a maximum of 70,000 own shares to ensure delivery to participants in Share savings program 2018-2021.
- Decision to introduce a performance-based share saving program aimed at all employees, covering up to 115,000 shares and authorizing the Board to acquire the corresponding number of shares.

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 June 30, 2018, the total number of saved shares amounted to approximately 141,832 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

First six months

The Parent Company's operations are primarily focused on Group-wide management and financing. Apart from the Group's CEO, the Parent Company has no employees. The operating profit for the first six months amounted to SEK 0 m (0). Dividends from subsidiaries totalled SEK 162 m (-) and the profit from the period amounted to SEK 161 m (0). Cash and cash equivalents amounted to SEK 2 m (0), external borrowing does not occur.

Related party transactions

No 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.

Significant events

There are no significant events during the period to report.

Subsequent events

On July 17, 2018, an agreement was signed for the acquisition of 100 % of the shares in the German company Beck IPC GmbH. The purchase price was EUR 5 m on a cash and debt-free basis.

The acquisition is a step in the direction of strengthening HMS Networks' investment in Industrial Internet of Things.

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 longterm 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 have not had any significant impact on the Group's financial reports as of June 30, 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. The Group is currently analyzing the impact of the Group's financial reports. One aspect of the analysis involves identifying all of the Group's lease agreements. In the analysis, HMS has identified the following lease agreements as significant: offices, production and warehouse facilities, production machinery and cars. In addition, the Group has identified lease agreements that are not deemed as significant for the Group. During the year HMS will continue to evaluate the impact of the standard,

although 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 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).

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

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 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 occasions

- Third quarter report 2018 will be published on October 24, 2018
- Year-end report 2018 will be published on February 12, 2019
- First quarter report 2019 will be published on April 25, 2019
- Annual General Meeting will be held on April 25, 2019

ASSURANCE

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

Halmstad July 19, 2018

Staffan Dahlström
Chief Executive Officer

Charlotte Brogren
Chairman of the Board

Ray Mauritsson

Fredrik Hansson

Anders Mörck

Cecilia Wachtmeister

Ulf Södergren

Tobias Persson

Further information can be obtained by:

CEO Staffan Dahlström, telephone +46 (0) 709 17 29 01 or
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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 08.00 CET on July 19, 2018.

Income statements

SEK millions	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	1707-1806 12 months	Q1-Q4 2017
Net sales	329	299	649	577	1,255	1,183
Cost of goods and services sold	-122	-114	-245	-223	-484	-462
GROSS PROFIT	206	185	404	354	772	722
Sales and marketing costs	-78	-63	-147	-123	-292	-268
Administrative expenses	-28	-27	-56	-48	-112	-103
Research and development costs	-39	-36	-76	-68	-149	-140
Other operating income	3	1	4	2	5	2
Other operating costs	-2	-	-3	0	-4	0
OPERATING PROFIT	63	59	125	117	221	212
Financial income	0	0	0	1	0	1
Financial costs	-5	-4	-16	-6	-28	-18
Profit before tax	58	56	110	112	193	195
Tax	-16	-16	-31	-31	-52	-52
PROFIT FOR THE PERIOD	42	40	79	80	141	143
Earnings per share before dilution, SEK*	0.90	0.86	1.69	1.72	3.03	3.06
Earnings per share after dilution, SEK*	0.89	0.86	1.68	1.71	3.01	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	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	1707-1806 12 months	Q1-Q4 2017
Profit for the period	42	40	79	80	141	143
Other comprehensive income						
Items that may be reclassified subsequently to income statement						
Cash flow hedges	-5	1	-5	1	-6	-1
Hedging of net investments	-3	-2	-14	-2	-19	-7
Translation differences	15	13	59	9	77	27
Income tax relating to components of other comprehensive income	2	0	4	0	6	2
Other comprehensive income for the period, net of tax	9	13	45	8	57	20
Total comprehensive income for the period	51	53	124	89	198	163

Balance sheets

SEK millions	Jun 30 2018	Jun 30 2017	Dec 31 2017
ASSETS			
Goodwill	791	750	759
Other intangible assets	259	276	261
Property, plant and equipment	52	42	49
Deferred tax assets	6	2	1
Other long term receivables	2	2	1
Total fixed assets	1,110	1,072	1,072
Inventories	143	89	117
Trade and other receivables	164	137	133
Other current receivables	39	30	25
Cash and cash equivalents	96	110	91
Total current assets	442	365	366
TOTAL ASSETS	1,551	1,437	1,438
EQUITY AND LIABILITIES			
Equity	778	672	721
Liabilities			
Interest-bearing non-current liabilities	457	403	391
Deferred income tax liabilities	77	87	84
Total non-current liabilities	534	490	474
Interest-bearing current liabilities	4	86	4
Trade payables	89	80	99
Other current liabilities	146	108	140
Total current liabilities	239	274	243
TOTAL EQUITY AND LIABILITIES	1,551	1,437	1,438

Cash flow statements

SEK millions	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	1707-1806 12 months	Q1-Q4 2017
Cash flow from operating activities before changes in working capital	60	53	130	111	220	201
Cash flow from changes in working capital	-9	4	-59	-1	-52	6
Cash flow from operating activities	51	57	71	109	168	207
Cash flow from investing activities	-8	-8	-18	-14	-29	-25
Cash flow from financing activities	-18	-59	-51	-84	-157	-190
Cash flow for the period	24	-10	2	12	-18	-8
Cash and cash equivalents at beginning of the period	71	121	91	99	110	99
Translation differences in cash and cash equivalents	1	0	3	0	4	0
Cash and cash equivalents at end of period	96	110	96	110	96	91
Interest-bearing liabilities	461	489	461	489	461	395
Net debt	365	379	365	379	365	304

Equity

Change in Group Equity, SEK millions	Jun 30 2018	Jun 30 2017	Dec 31 2017
Balance at January 1	721	636	636
Total comprehensive income for the period	124	89	163
Share-related payment	3	2	8
Repurchase of own shares	0	-8	-39
Dividends	-70	-47	-47
Closing balance	778	672	721

Financial accounts

	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	1707-1806 12 months	Q1-Q4 2017
Net increase in net sales (%)	10.1	28.7	12.5	33.2	14.5	24.3
Gross margin (%)	62.8	61.8	62.3	61.4	61.5	61.0
EBITDA (SEK m)	75	71	150	139	270	259
EBITDA (%)	22.9	23.7	23.2	24.1	21.5	21.9
EBIT (SEK m)	63	59	125	117	221	212
EBIT (%)	19.0	19.9	19.3	20.2	17.6	17.9
Return on capital employed (%)	-	-	-	-	19.0	18.7
Return on Shareholder's equity (%)	-	-	-	-	19.2	21.0
Working capital in relation to sales (%)*	-	-	-	-	6.1	5.1
Capital turnover rate	-	-	-	-	0.86	0.83
Net debt/equity ratio	-	-	-	-	0.47	0.42
Equity/assets ratio (%)	-	-	-	-	50.1	50.2
Investments in tangible fixed assets (SEK m)	4	7	8	8	22	22
Investments in intangible fixed assets (SEK m)	3	1	8	6	12	10
Depreciation of tangible fixed assets (SEK m)	-3	-3	-7	-5	-12	-11
Amortization of intangible fixed assets (SEK m)	-9	-9	-18	-17	-37	-35
<i>Of which amortization of overvalues acquired</i>	-3	-3	-6	-6	-13	-12
<i>Of which amortization of capitalized development costs</i>	-6	-6	-12	-11	-25	-24
Number of employees (average)	523	477	523	476	511	486
Net sales per employees (SEK m)	0.6	0.6	1.2	1.2	2.5	2.4
Equity per share (SEK)*	16.88	14.32	16.42	14.09	15.77	14.65
Cash flow from operations per share (SEK)*	1.08	1.21	1.52	2.34	3.61	4.44
Total number of share average (thousands)*	46,819	46,819	46,819	46,819	46,819	46,819
Holding of own shares average (thousands)*	223	102	269	109	202	158
Total outstanding shares average (thousands)*	46,596	46,717	46,550	46,710	46,617	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	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Anybus	183	189	182	185	175	158	143	154
IXXAT	39	38	39	40	36	38	38	29
eWON	70	64	58	57	60	56	55	48
Intesis	25	24	16	21	20	17	17	12
Other	12	5	6	2	8	10	12	11
Total	329	320	301	305	299	279	265	254

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.

Net sales per region SEK millions	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
EMEA	208	198	181	185	185	175	162	157
Americas	67	59	62	64	62	65	64	53
Asia	54	63	58	55	52	39	39	43
Total	329	320	301	305	299	279	265	254

Income statement SEK millions	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net sales	329	320	301	305	299	279	265	254
Gross profit	206	198	182	186	185	170	163	158
<i>Gross margin (%)</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>	<i>61.5</i>	<i>62.2</i>
Operating profit	63	63	31	65	59	57	40	55
<i>Operating margin (%)</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>	<i>14.9</i>	<i>21.5</i>
Profit before tax	58	52	25	58	56	56	36	51

Parent company's income statement

SEK millions	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	1707-1806 12 months	Q1-Q4 2017
Net sales	4	4	8	7	16	16
Gross profit	4	4	8	7	16	16
Administrative expenses	-4	-4	-8	-7	-16	-16
Operating profit	0	0	0	0	0	0
Profit from participations in subsidiaries	162	0	162	0	162	0
Profit before tax	162	0	162	0	162	0
Tax	-1	0	-1	0	-1	0
Profit for the year	161	0	161	0	161	0

Parent company's balance sheet

SEK millions	Jun 30 2018	Jun 30 2017	Dec 31 2017
ASSETS			
Financial assets	337	337	337
Total financial assets	337	337	337
Receivables from Group companies	62	-	-
Other receivables	1	1	0
Cash and cash equivalents	2	0	0
Total current assets	65	1	1
TOTAL ASSETS	402	339	338
EQUITY AND LIABILITIES			
Equity	210	149	118
Current liabilities			
Accounts payables - trade	1	0	1
Liabilities to Group companies	188	186	183
Other current liabilities	4	3	36
Total current liabilities	193	189	220
TOTAL EQUITY AND LIABILITIES	402	339	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	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	1707-1806 12 months	Q1-Q4 2017
Operating profit	63	59	125	117	221	212
Depreciation/amortization	13	11	25	22	50	47
EBITDA	75	71	150	139	271	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 119 million EUR in 2017. 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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