

# hms networks

YEAR-END REPORT 2017

JANUARY - DECEMBER

## Yearly

- Net sales for the full year 2017 increased with 24 % reaching SEK 1,183 m (952), corresponding to a 23 % increase in local currencies. The devaluation of the Swedish currency had a positive effect of SEK 16 m on net sales.
- Operating profit reached SEK 212 m (149), equal to a 18 % (16) operating margin.
- Order intake increased with 25 % to SEK 1,204 m (966).
- Cash flow from operating activities amounted to SEK 207 m (155).
- Profit after taxes totaled SEK 143 m (100) and result per share amounted to SEK 3.06 (2.16).
- The Board of Directors propose a dividend to the amount of SEK 1.50 (1.00) per share.

## Fourth quarter

- Net sales reached SEK 301 m (265), corresponding to a 15 % increase in local currencies.
- Operating profit reached SEK 31 m (40) corresponding to an operating margin of 10 % (15).
- Order intake was SEK 288 m (267).





# Comment from the CEO

The growth we saw during 2017 continues, but with somewhat reduced strength in the fourth quarter.

We still see very good development in Asia, stable development in Europe, but the quarter has been somewhat deplorable in the United States. However, we see that the trend in the early 2018 turns around and, among other things, decisions on tax cuts allow US customers to take action on planned projects and place new orders. After the end of the year we have received a major breakthrough order from a leading Japanese customer within our IXXAT-Safety area, so overall we still see good progress ahead.

The quarter has been intensive with many sales and marketing activities, and HMS has participated in several fairs, resulting in the best inflow of leads ever in a quarter. Increased sales and marketing resources have increased our costs during the quarter. In addition, we have revalued the expected outcome in ongoing shareholder programs, which resulted in increased costs of approximately SEK 5 m in the fourth quarter.

Productwise all of our trademarks Anybus, eWON, IXXAT and the Intesis subsidiary show a good growth in 2017. For those of our products sold according to our Design-Win business model, we can see continued strong growth in new business in 2017. In total, we received 217 (203) new Design-Wins during the year which causes the total number of active Design-Wins to amount to 1,591 (1,508), an increase of 6% compared to the previous year. Of these are 1,192 (1,137) in production, while 398 (371) are expected to come into production in the coming years. The fact that we have received a lot of new Design-Wins is proof of HMS's attractive product offering and provides us with good conditions for future growth.

It is gratifying that the companies acquired in 2016, eWON and Intesis, developed strongly in 2017.

In conjunction with international fairs in the fourth quarter, HMS launched eWON Flexy 205, an industrial gateway addressing the growing interest in remote monitoring and Industrial Internet of Things

(IIoT). By linking a Flexy 205 to its machine, machine builders, system integrators and automation engineers can access and monitor the machine without being in place and make correct operating decisions depending on the machine's current status. Thanks to Flexy 205, important machine data can be collected, logged, visualized and analyzed in a flexible way, which is central to new IIoT-applications.

As a result of increased volumes, we have initiated an expansion of the production facility in Halmstad during the fourth quarter and this work will continue in 2018.

We are ready to continue to grow further with our ambitious growth targets in the coming year - long-term annual growth of 20% per annum and an operating margin of more than 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 fact that we have received a lot of new Design-Wins is proof of HMS's attractive product offering and provides us with good conditions for future growth."*

Staffan Dahlström,  
CEO, HMS Networks AB





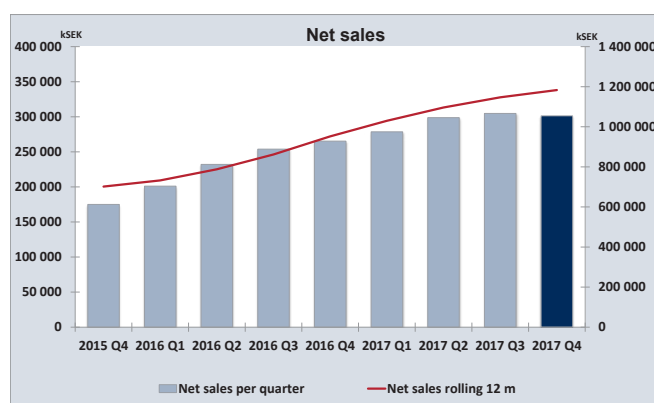


## Net sales

Net sales for 2017 amounted to SEK 1,183 m (952) corresponding to a 24 % increase. In total, the devaluation of the Swedish currency in relation to the major HMS currencies had a positive effect of SEK 16 m on net sales compared to last year. The order intake amounted to SEK 1,204 m (966). The underlying organic growth excluding acquisitions and currency effects amounted to 18 % for the year. The acquired subsidiaries in 2016 eWON and Intesis had a positive impact on sales during the year by SEK 275 m (181).

Net sales for the fourth quarter 2017 totaled SEK 301 m (265), corresponding to a 14 % 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 a negative effect of SEK 4 m on net sales compared to the same quarter the previous year.

Order intake during the fourth quarter increased with SEK 21 m to SEK 288 m (267) whereof SEK 287 m (256) 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	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Net sales (SEK m)	301	305	299	279	265	254	232	201
Order intake (SEK m)	288	289	328	299	267	252	247	199
Gross margin (%)	60.3	60.9	61.8	61.0	61.5	62.2	60.9	59.2
EBITDA (SEK m)	43	77	71	68	51	65	44	30
EBITDA (%)	14.3	25.1	23.7	24.5	19.1	25.4	18.8	14.8
EBIT (SEK m)	31	65	59	57	40	55	35	20
EBIT (%)	10.2	21.2	19.9	20.6	14.9	21.5	15.0	10.1
Cash flow for operating activities per share (SEK)*	0.77	1.33	1.21	1.13	0.77	1.47	0.98	0.11
Earnings per share before dilution (SEK)*	0.43	0.90	0.86	0.86	0.55	0.79	0.56	0.27
Earnings per share after dilution (SEK)*	0.43	0.90	0.86	0.86	0.54	0.78	0.55	0.27
Equity per share (SEK)*	15.37	14.76	14.32	13.94	13.35	12.55	12.00	10.86

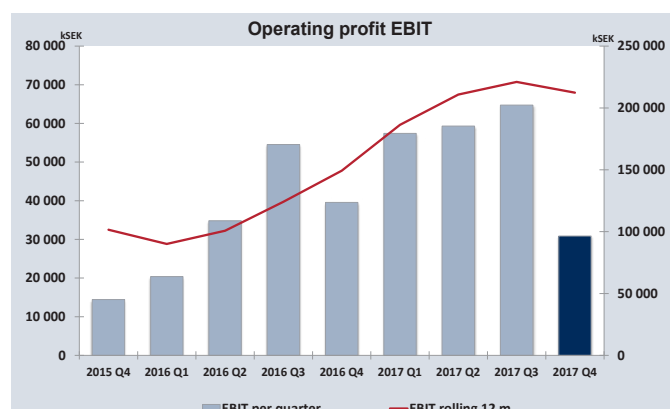
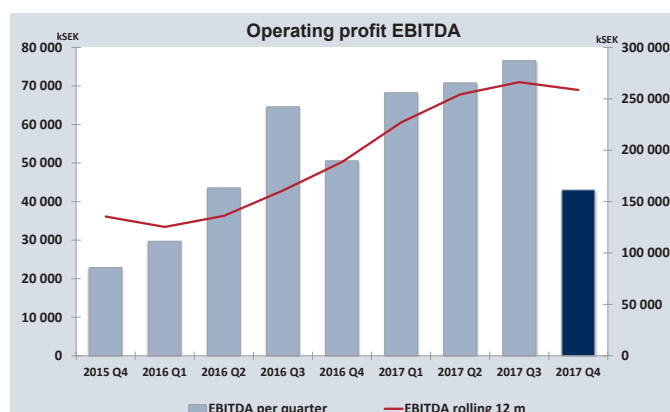
\* Key ratios have been recalculated based on the 4:1 share split in the second quarter of 2017.

# Operating profit

Operating profit before depreciation EBITDA for 2017 totaled SEK 259 m (188), equivalent to an operating margin of 22 % (20). Operating profit EBIT for 2017 amounted to SEK 212 m (149) corresponding to a 18% (16) margin. Currency effects related to income and expenses had a SEK 9 m positive impact on EBIT compared to 2016. The, during 2016, acquired subsidiaries eWON and Intesis contributed with SEK 97 m (46, including acquisition cost) on the Group EBIT.

EBITDA for the fourth quarter 2017 totaled SEK 43 m (51), corresponding to a 14 % (19) EBITDA margin. EBIT totaled SEK 31 m (40) corresponding to a 10 % (15) margin. Changes in exchange rates related to income and expenses had no impact on EBIT compared to the same period the previous year.

The fourth quarter's EBITDA was adversely affected by SEK 5 m due to increased costs for ongoing share saving programs. The cost increase is a consequence of a changed assessment on the allocation of performance shares as a result of the Group's strong development during the year.



The two graphs above show operating profit EBITDA and EBIT per quarter. The bars refer to the scale on the left axis. The line shows operating profit for the last 12 month period referring to the scale on the axis to the right.

## Equity

The Group's equity for 2017 amounted to SEK 721 m (636). The total number of shares at the end of the period was 46,818,868. The Group's equity/assets ratio amounted to 50.2 % (45.3).

On December 31, 2016 the share saving program from 2013 was concluded. During 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 Annual General Meeting the Board has decided to repurchase 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 in the first quarter at a value of SEK 8 m and 260,000 shares at a value of SEK 32 m in the fourth quarter. The total holding of own shares at the end of the period were 361,732 shares.

### Change in Group Equity SEK thousands

	Dec 31 2017	Dec 31 2016
Balance at January 1	636,444	455,482
Total comprehensive income for the period	163,232	115,001
Repurchase of own shares	-39,482	0
Issue of new shares	0	92,715
Share-related payment	7,818	2,430
Dividends	-46,717	-29,184
<b>Closing balance</b>	<b>721,295</b>	<b>636,444</b>

# Tax

The tax charge for 2017 was SEK 52 m (39). The tax charge has been calculated based on the tax situation applying to the Group at present and the profit development of the reporting entities belonging to the Group.

## Currency effects

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction dates or the date when items were remeasured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of closing day rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. However, this does not apply to transactions that fulfill the requirements for hedge accounting of cash flows or net investments. Such gains or losses are recognized in other comprehensive income.

Foreign exchange gains and losses attributable to loans and cash equivalents are reported in the income statement as financial revenue or financial expenses. Exchange profits and losses attributable to the purchasing of raw materials and products are reported in the income statement as cost of goods sold. Other foreign exchange gains and losses are reported in the income statement as 'Other operating income' and 'Other operating expenses' respectively.

Net sales for 2017 consist of 62 % in EUR, 24 % in USD, 8 % in JPY and 6 % in other currencies. Cost of goods sold consists of 63 % in EUR, 26 % in USD and 1 % in JPY and 10 % in other currencies. Operating expenses consists of 44 % in EUR, 13 % in USD, 4 % in JPY and 39 % of 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 year amounted to SEK 207 m (155).

The investments in tangible assets for 2017 totaled SEK 22 m (11). Investments in intangible assets totaled SEK 10 m (28) and consist of capitalized expenses related to development of new technology platforms. Depreciation on capitalized development costs for 2017 amounted to SEK 23 m (18) and write-downs to SEK 4 m (3).

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. Amortization on overvalues acquired was recognized with SEK 8 m (7) during 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 was recognized with SEK 2 m (2) during 2017.

The acquisition of Intesis in June 2016 generated 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 was recognized with SEK 2 m (1) during 2017.

HMS distributed dividend payment to its shareholders of SEK 47 m (29) in 2017.

During 2017 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 borrowing cost and give a higher flexibility.

Of the Group's existing loans, a total of SEK 32 m (61) has been amortized and SEK 443 m was dissolved during 2017. Of the revolving facility, SEK 347 m has been included in new loans. At the end of the period, cash and cash equivalents amounted to SEK 91 m (99) and unused credit facilities to SEK 126 m (30). The repurchase of own shares of SEK 32 m in December has not affected liquidity until the first quarter of 2018. The Group's net debt amounted to SEK 304 m (421).

## 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 2017 amounted to SEK 0 m (0). Cash and cash equivalents amounted to SEK 0 m (0) 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 361,732 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 43 % 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, 2017, the total number of saved shares in custody amounted to approximately 285,000, whereof approximately 196,000 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 8 m during the first quarter of 2017. The total holding of own shares at the end of the first quarter were 101,732 shares.

## ○ HMS General Annual Meeting 2017

HMS General Annual Meeting was held on 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). The dividend was distributed in 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.

## ○ New CFO at HMS Networks AB

Joakim Nideborn took over as new CFO and member of HMS Group Management on December 1, 2017.

## ○ Supplementary repurchase of own shares

Based on the authorization of the Annual General Meeting on April 26, 2017, the Board of HMS Networks AB (publ) ("HMS") has decided to repurchase own shares in purpose to ensure HMS's commitments to deliver shares in the HMS share savings program. In total, 260,000 shares were acquired at a value of SEK 32 m during the fourth quarter of 2017. The total holding of own shares at the end of 2017 were 361,732 shares.



# 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 December 31, 2017.

## NEW ACCOUNTING PRINCIPLES

As of 1 January 2018, HMS applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. None of the new standards that have come into force on January 1, 2018 or later have been early adopted by the Group.

**IFRS 9** "Financial Instruments" covers the classification, measurement and recognition of financial assets and liabilities. It replaces the parts of IAS 39, which deals with classification and measurement of financial instruments. The Group's analysis has shown that the implementation of IFRS 9 will have no material effect on the Group's financial reports. Accordingly, no transition effects will arise as a result of the implementation of this accounting standard.

**IFRS 15** "Revenue from Contracts with Customer" contains a single model for recognizing revenue from customers that is not encompassed by other standards. In 2017, HMS conducted an analysis of the effects of the transition to IFRS 15, the analysis was completed in 2017. The Group's previous principles of revenue recognition essentially complies with IFRS 15.

IFRS 15 will have no significant impact on the Group's financial statements in the future, in addition to extended disclosures of revenues. The Group will apply the new standard in its entirety as of January 1, 2018. Due to the non-material effects of the new standard, previous periods will not be restated.

**IFRS 16** "Leases" replaces the previous IAS 17 Leases and enters into force as of January 1, 2019. The Group has started a project to evaluate the impact of the new standard on the Group's financial reports.

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).



# 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 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 %.

## 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 9 % of the shares and Charlotte Brogren, Chairman of the Board. The Nomination Committee has appointed Jan Svensson as its Chairman.

## 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.

## Report occasions

- 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
- Third quarter report 2018 will be published on October 24, 2018

Halmstad February 16, 2018

Staffan Dahlström

*Chief Executive Officer*

Further information can be obtained by:

CEO Staffan Dahlström, telephone +46 (0) 35 17 29 01 or

CFO Joakim Nideborn, telephone +46 (0) 707 72 29 83

*This report has not been audited*

*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 February 16, 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 14 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.

# Financial accounts

	Q4 2017	Q4 2016	Q1-Q4 2017	Q1-Q4 2016
Net increase in net sales (%)	13.6	51.5	24.3	35.7
Gross margin (%)	60.3	61.5	61.0	61.0
EBITDA (SEK m)	43	51	259	188
EBITDA (%)	14.3	19.1	21.9	19.7
EBIT (SEK m)	31	40	212	149
EBIT (%)	10.2	14.9	17.9	15.7
Return on capital employed (%)	-	-	18.7	14.8
Return on Shareholder's equity (%)	-	-	21.0	17.8
Working capital in relation to sales (%)	-	-	5.1	7.2
Capital turnover rate	-	-	0.83	0.77
Net debt/equity ratio	-	-	0.42	0.66
Equity/assets ratio (%)	-	-	50.2	45.3
Investments in tangible fixed assets (SEK thousands)	10,183	2,619	22,227	11,081
Investments in intangible fixed assets (SEK thousands)	3,129	6,524	9,710	27,778
Depreciation of tangible fixed assets (SEK thousands)	-3,065	-2,729	-10,852	-10,356
Amortization of intangible fixed assets (SEK thousands)	-9,094	-8,294	-35,456	-28,929
Number of employees (average)	512	474	486	437
Net sales per employees (SEK m)	0.6	0.6	2.4	2.2
Equity per share, SEK*	15.37	13.35	14.65	12.09
Cash flow from operations per share, SEK*	0.77	0.77	4.44	3.35
Total number of share, average, thousands*	46,819	46,819	46,819	46,513
Holding of own shares, average, thousands*	232	124	158	124
Total outstanding shares, average, thousands*	46,587	46,695	46,661	46,414

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

# Income statements

SEK thousands	Q4 2017	Q4 2016	Q1-Q4 2017	Q1-Q4 2016
Net sales	301,312	265,226	1,183,290	952,282
Cost of goods and services sold	-119,692	-102,241	-461,625	-370,964
<b>Gross profit</b>	<b>181,620</b>	<b>162,986</b>	<b>721,665</b>	<b>581,318</b>
Sales and marketing costs	-83,212	-66,990	-267,845	-226,029
Administrative expenses	-30,768	-20,372	-103,246	-78,987
Research and development costs	-36,384	-32,324	-140,269	-119,079
Other operating income	12	0	2,469	0
Other operating costs	-398	-3,727	-424	-7,911
<b>Operating profit</b>	<b>30,870</b>	<b>39,574</b>	<b>212,350</b>	<b>149,313</b>
Financial income	0	0	768	419
Financial costs	-5,908	-3,924	-17,957	-9,999
<b>Profit before tax</b>	<b>24,961</b>	<b>35,650</b>	<b>195,161</b>	<b>139,734</b>
Tax	-4,760	-10,125	-52,416	-39,269
<b>Profit for the period</b>	<b>20,201</b>	<b>25,525</b>	<b>142,745</b>	<b>100,466</b>
Earnings per share before dilution, SEK*	0.43	0.55	3.06	2.16
Earnings per share after dilution, SEK*	0.43	0.54	3.04	2.16

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

# Statement of comprehensive income

SEK thousands	Q4 2017	Q4 2016	Q1-Q4 2017	Q1-Q4 2016
Profit for the period	20,201	25,525	142,745	100,466
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to income statement</b>				
Cash flow hedges	-1,183	2,821	-555	483
Hedging of net investments	-8,234	2,414	-7,360	-9,620
Translation differences	28,262	-3,962	26,661	21,662
Income tax relating to components of other comprehensive income	2,071	-1,152	1,741	2,010
<b>Other comprehensive income for the period, net of tax</b>	<b>20,916</b>	<b>121</b>	<b>20,487</b>	<b>14,535</b>
<b>Total comprehensive income for the period</b>	<b>41,117</b>	<b>25,646</b>	<b>163,232</b>	<b>115,001</b>

## Balance sheets

SEK thousands	Dec 31 2017	Dec 31 2016
<b>ASSETS</b>		
Goodwill	759,460	744,433
Other intangible assets	261,072	285,851
Property, plant and equipment	49,320	38,977
Deferred tax assets	1,301	1,440
Other long term receivables	1,178	2,174
<b>Total fixed assets</b>	<b>1,072,331</b>	<b>1,072,874</b>
Inventories	117,145	86,095
Trade and other receivables	132,863	123,170
Other current receivables	24,945	24,976
Cash and cash equivalents	90,982	99,036
<b>Total current assets</b>	<b>365,936</b>	<b>333,278</b>
<b>TOTAL ASSETS</b>	<b>1,438,267</b>	<b>1,406,152</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>721,295</b>	<b>636,444</b>
<b>Liabilities</b>		
Non-current liabilities	390,755	433,603
Deferred income tax liabilities	83,621	88,121
<b>Total non-current liabilities</b>	<b>474,376</b>	<b>521,724</b>
Interest-bearing current liabilities	3,775	86,095
Trade payables	98,708	64,275
Other current liabilities	140,112	97,615
<b>Total current liabilities</b>	<b>242,596</b>	<b>247,984</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,438,267</b>	<b>1,406,152</b>



# Cash flow statements

SEK thousands	Q4 2017	Q4 2016	Q1-Q4 2017	Q1-Q4 2016
Cash flow from operating activities before changes in working capital	27,204	39,981	201,256	149,530
Cash flow from changes in working capital	8,541	-3,911	5,871	5,792
<b>Cash flow from operating activities</b>	<b>35,745</b>	<b>36,070</b>	<b>207,127</b>	<b>155,322</b>
Cash flow from investing activities*	-6,619	-9,400	-25,075	-308,236*
Cash flow from financing activities	-21,852	-16,818	-190,193	231,313
<b>Cash flow for the period</b>	<b>7,273</b>	<b>9,852</b>	<b>-8,141</b>	<b>78,399</b>
Cash and cash equivalents at beginning of the period	82,257	89,554	99,036	19,503
Translation differences in cash and cash equivalents	1,452	-370	87	1,135
Cash and cash equivalents at end of period	90,982	99,036	90,982	99,036

\*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

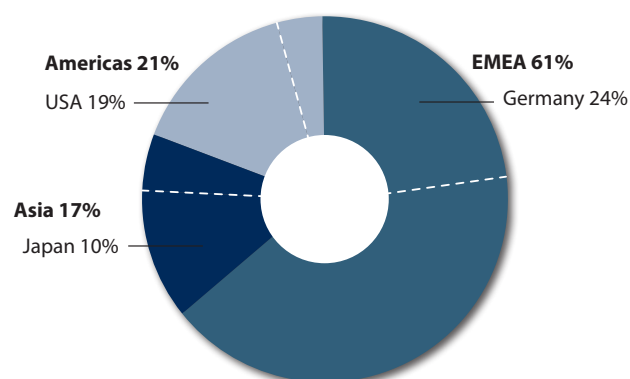
Net sales per region SEK thousands	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
EMEA	180,995	185,410	184,490	175,160	162,139	157,289	144,356	121,420
Americas	62,394	64,183	62,193	64,530	63,714	53,359	48,548	46,424
Asia	57,923	55,203	51,977	38,833	39,373	43,208	39,223	33,230
Income statement SEK thousands	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
<b>Net sales</b>	<b>301,312</b>	<b>304,795</b>	<b>298,659</b>	<b>278,523</b>	<b>265,226</b>	<b>253,856</b>	<b>232,127</b>	<b>201,073</b>
<b>Gross profit</b>	<b>181,620</b>	<b>185,721</b>	<b>184,527</b>	<b>169,797</b>	<b>162,986</b>	<b>157,968</b>	<b>141,330</b>	<b>119,035</b>
Gross margin	60.3%	60.9%	61.8%	61.0%	61.5%	62.2%	60.9%	59.2%
<b>Operating profit</b>	<b>30,870</b>	<b>64,752</b>	<b>59,307</b>	<b>57,422</b>	<b>39,574</b>	<b>54,538</b>	<b>34,827</b>	<b>20,374</b>
Operating margin	10.2%	21.2%	19.9%	20.6%	14.9%	21.5%	15.0%	10.1%
<b>Profit before tax</b>	<b>24,961</b>	<b>58,499</b>	<b>55,715</b>	<b>55,985</b>	<b>35,650</b>	<b>50,953</b>	<b>35,977</b>	<b>17,154</b>

## Net sales

Net sales by geographical area for 2017 are presented in the graph to the right.

Anybus represented 59 % (59) of the Group's total net sales, IXXAT 13 % (14), Remote Solutions 19 % (20) and Intesis 6 % (3).

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's income statement

SEK thousands	Q4 2017	Q4 2016	Q1-Q4 2017	Q1-Q4 2016
Net sales	5,609	4,004	15,680	14,168
<b>Gross profit</b>	<b>5,609</b>	<b>4,004</b>	<b>15,680</b>	<b>14,168</b>
Administrative expenses	-5,594	-4,023	-15,665	-14,187
<b>Operating profit</b>	<b>15</b>	<b>-19</b>	<b>15</b>	<b>-19</b>
Profit from participations in subsidiaries	0	50,000	0	50,000
<b>Profit before tax</b>	<b>15</b>	<b>49,981</b>	<b>15</b>	<b>49,981</b>
Tax	-12	-49	-12	-49
<b>Profit for the year</b>	<b>3</b>	<b>49,931</b>	<b>3</b>	<b>49,931</b>

## Parent company's balance sheet

SEK thousands	Dec 31 2017	Dec 31 2016
<b>ASSETS</b>		
Participations in Group companies	337,324	337,324
<b>Total financial assets</b>	<b>337,324</b>	<b>337,324</b>
Other receivables	230	255
Cash and cash equivalents	299	406
<b>Total current assets</b>	<b>529</b>	<b>662</b>
<b>TOTAL ASSETS</b>	<b>337,853</b>	<b>337,986</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>118,168</b>	<b>203,905</b>
<b>Current liabilities</b>		
Accounts payables - trade	1,147	50
Liabilities to Group companies	182,660	131,198
Other current liabilities	35,877	2,833
<b>Total current liabilities</b>	<b>219,685</b>	<b>134,081</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>337,853</b>	<b>337,986</b>

# 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.

EBITDA SEK thousands	2017 Q4	2016 Q4	2017 Q1-Q4	2016 Q1-Q4
Operating profit	30,870	39,574	212,350	149,313
Depreciation/amortization	12,159	11,023	46,309	39,185
<b>EBITDA</b>	<b>43,028</b>	<b>50,597</b>	<b>258,659</b>	<b>188,498</b>



**HMS Networks AB (publ)** is the leading independent supplier of products for industrial communication and remote management. Reported sales reached SEK 1,183 m in 2017 with more than 94 per cent outside Sweden. Development and manufacturing take place at the headquarter in Halmstad and in 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, Finland and Denmark. HMS employs more than 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."