

# hms networks

YEAR-END REPORT 2016

JANUARY - DECEMBER

## Yearly

- Net sales for the full year 2016 increased by 36 % reaching SEK 952 m (702), corresponding to a 34 % increase in local currencies. The devaluation of the Swedish currency had a positive impact of SEK 13 m on net sales
- Operating profit reached SEK 149 m (102) corresponding to a 16 % (14) operating margin
- Order intake for the year increased to SEK 966 m (682), corresponding to a 42 % increase in local currencies
- Cash flow from operating activities amounted to SEK 155 m (90)
- Profit after taxes totaled SEK 100 m (60) and the result per share amounted to SEK 8.59 (5.33)
- The Board of Directors propose a dividend to the amount of SEK 4.00 (2.50)

## Fourth quarter

- Net sales for the fourth quarter reached SEK 265 m (175) corresponding to an 42 % increase in local currencies. The underlying organic growth reached 12 %
- Operating result reached SEK 40 m (14) corresponding to an 15 % (8) margin
- Order intake during the fourth quarter was SEK 267 m (157) corresponding to a 70 % increase in local currencies





# Comment from the CEO

The strong development reported for the third quarter has continued. We close the year with a new record quarter ending the year with SEK 952 m in net sales corresponding to a 36 % growth compared to last year. During the fourth quarter we had a good 12 % organic growth, positive contributions from the acquisitions made, a tail wind from a weakening Swedish currency and despite numerous market activities we have managed to increase our operating result with 174 % compared to the same period the previous year.

Geographically Central Europe with Germany at the forefront showed a continuing stable growth rate and the American market is beginning to show good growth again. The growth on the Japanese market weakened during the latter part of the year and the Nordic market did not manage to grow further compared to the strong development during the previous year.

The name of the acquired Belgium company eWON SA was changed into HMS Industrial Networks SA and the name eWON is now the brand name of our products in the area of Remote Solutions. The HMS product group Netbiter is now included as a product group under the eWON brand name. Together these products will represent a very competitive product offer and strengthen our position as the leading supplier of solutions for remote control and remote management for industrial applications.

The product areas Anybus, eWON and IXXAT are growing in line with or above expectations.

The acquired company Intesis offering communication solutions in the area of building automation developed according to the plan established for the year.

Our products sold under the “design win” business model shows a continuing good growth in number of new design wins during 2016. In total we achieved 203 (195) new design wins during the year ending up with total number of active design wins to 1 508 (1 381) corresponding to a 9 % increase compared to the previous year. Of these design wins 1 137 (1 023) are in production and 371 (358) are expected to go into production during the following years. The fact that we have a new record in number of design wins proves that the HMS product offer is attractive and confirms the good conditions for future growth.

Our strategic work in the area of Industrial Internet of Things

(IIoT) develops well. The launch of new and upgraded products follows our plan. We are also recognizing an increasing interest from partners and customers for efficient data collection and data transfer within IIoT applications. Also in 2016 our strategic investment in IIoT resulted in increasing investments in the areas of sales, marketing and development.

Our focus remains to grow our three product brands Anybus, IXXAT and eWON. We will also develop the operations in the recently acquired Intesis. Still in the short term this company will not be fully integrated in the HMS operations. We continue balance our long-term growth strategy with a restrictive approach to expenses and new resources. In the long term, we consider the market for industrial data communication and remote monitoring to be interesting growth areas and we continue to focus on our motto “Connecting devices”.

*“Good organic growth and successful acquisitions of the Belgium eWON and the Spanish Intesis resulted in a 51% growth during the fourth quarter 2016”*

Staffan Dahlström,  
CEO, HMS Networks AB







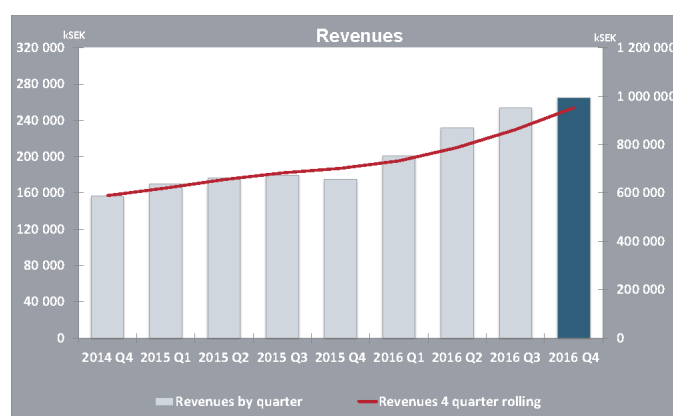
## Net sales

Net sales for 2016 amounted to SEK 952 m (702) corresponding to a 36% increase. In total, the devaluation of the Swedish currency in relation to the major HMS currencies had a positive effect of SEK 13 m on net sales compared to the previous year. The order intake amounted to SEK 966 m (682). The underlying organic growth excluding acquisitions and currency effects accounts for 8% for the year.

During the year eWON acquired in February and Intesis acquired in June contributed to the Groups net sales with SEK 181 m in total.

Net sales for the fourth quarter 2016 totaled to SEK 265 m (175), corresponding to a 51 % increase compared to the same quarter the previous year. Changes in currency exchange rates compared to the corresponding quarter last year had a SEK 17 m positive effect on the sales volume. The underlying organic growth excluding acquisitions and currency effects was 12 % for the fourth quarter.

Order intake increased by SEK 110 m to SEK 267 m (157), of which SEK 256 m will be delivered during the upcoming 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.

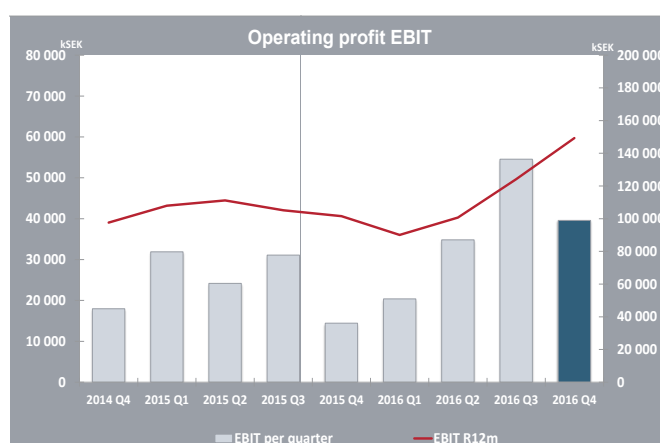
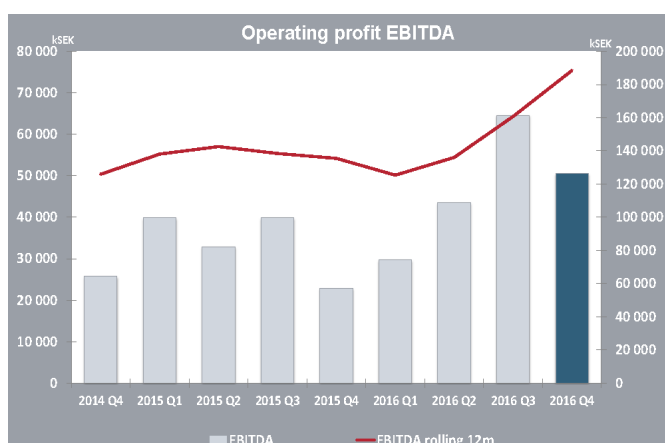
Quarterly data	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net sales (SEK m)	265	254	232	201	175	180	177	170
Order intake (SEK m)	267	252	247	199	157	180	170	174
Gross margin (%)	61.5	62.2	60.9	59.2	60.5	59.9	62.2	62.4
EBITDA (SEK m)	51	65	44	30	23	40	33	40
EBITDA (%)	19.1	25.4	18.8	14.8	13.1	22.2	18.6	23.4
Operating profit (SEK m)	40	55	35	20	14	31	24	32
Operating margin (%)	14.9	21.5	15.0	10.1	8.2	17.3	13.7	18.7
Return on capital (%)	16.4	25.0	18.4	9.9	3.0	17.9	13.7	20.4
Earnings per share (SEK)	2.18	3.13	2.20	1.08	0.31	1.75	1.32	1.95
Equity per share (SEK)	54.52	52.27	48.15	48.39	40.34	40.28	38.18	39.18
Cash flow for operating activities per share (SEK)	3.07	5.88	3.91	0.44	1.54	3.15	2.56	0.72

# Operating profit

Operating profit before depreciation EBITDA for 2016 totaled to SEK 188 m (136), equivalent to an operating margin EBITDA of 20 % (19). Operating result EBIT amounted to SEK 149 m (102) corresponding to a 16% (15) EBIT margin. Currency effects related to income and expenses had a SEK 8 m positive impact on the operating result compared to the previous 12 months. The increase in total expenses during the year is mainly related to the Company's efforts to establish a position in the market for Industrial Internet of Things. The 2016 result was affected by SEK 5.2 m in acquisition costs. The acquired companies contribution

the 2016 result, including depreciation on allocated overvalues and acquisition costs amounted to SEK 46 m

The operating profit before depreciation EBITDA for the fourth quarter 2016 totaled to SEK 51 m (23), corresponding to a 19 % (13) EBITDA margin. Operating result after depreciation EBIT totaled SEK 40 m (14) corresponding to a 15 % (8) EBIT margin. Changes in exchange rates related to income and expenses had a SEK 5 m positive impact compared to the same period the previous year.



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

## Equity

The Group's equity amounted to SEK 636 m (455). The total number of shares at the end of the period was 11 704 717. In the new issue carried out in connection with the acquisition of eWON in February 2016, 382 317 new shares in HMS Networks AB were issued, which increased equity by SEK 38 232 in share capital and SEK 93 m in share premium. The Group's equity/assets ratio amounted to 45 % (55). In connection to the share saving programs started in 2013 the Company has acquired 31 000 own shares in HMS Networks AB as of December 31, 2016.

## Tax

The 2016 tax charge was SEK 39 m (27). The tax charge for the current period has been calculated on the basis of the tax situation applying to the Group at present and the profit development of the reporting entities belonging to the Group.

### Change in Group Equity (SEK 000s)

	Dec 31 2016	Dec 31 2015
Balance at 1 January	455 482	422 599
Total comprehensive income for the period	114 432	59 376
Issue of new shares	93 285	0
Share-related payment	2 430	1 737
Dividends	-29 184	-28 229
<b>Closing balance</b>	<b>636 445</b>	<b>455 482</b>

# Currency effects

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

2016 net sales consist of 56 % in EURO, 22 % in USD, 7 % in Japanese Yen and 15 % in SEK and other currencies. Cost of goods sold consists of 59 % in EURO, 21 % in USD, 1 % in Japanese Yen and 19% in other currencies. Operating expenses consists of 46 % in EURO, 14 % in USD, 4 % in Japanese Yen and 36 % of SEK and other currencies.

The Group applies a policy for currency hedging described in the annual report.

# Cash flow, investments and financial position

Cash flow from operating activities in 2016 amounted to SEK 155 m (90).

The investments in tangible assets for the year totaled SEK 11 m (5). Investments in intangible assets for the year totaled SEK 24 m (20). Capitalized expenses is to the majority related to the development of new technology platforms. Depreciation on capitalized development costs amounted to SEK 18 m (18) during the year.

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. During 2016 depreciation on purchase price allocated to assets acquired was reflected with SEK 7 m (7) in the income statement.

The acquisition of eWON in February 2016 generated, a SEK 233 m overvalue before tax, of which SEK 20 m is allocated on brand name and customers included in the acquisition. Amortization on overvalues acquired is estimated to SEK 2.0 m annually. Amortization on overvalues acquired was recognized with SEK 1.9 m during 2016.

The acquisition of Intesis in June 2016 generated, according to the preliminary acquisition analysis, a SEK 131 m overvalue before tax of which approximately SEK 18 m was allocated to brand and customers included in the acquisition. Amortization on overvalues acquired is estimated to SEK 1.8 m annually. Amortization on overvalues acquired was recognized with SEK 0.9 m during 2016.

The acquisition of eWON was financed by issuing 382 317 new shares in HMS Networks AB and by a bank loan of EUR 19 m. The acquisition of Intesis Software S.L. was financed by a bank loan of EUR 16 m. The bank loans are amortized with, in total, EUR 6.5 m annually. At the end of the period the loans related to the acquisitions amounted to EUR 31 m equivalent to SEK 300 m.

Other loans in the Group amounted to SEK 199 m at the end of the period. In total SEK 61 m (37) was amortized during 2016. At the end of the period cash and cash equivalents totaled SEK 99 m (20) and unutilized credit facilities amounted to SEK 30 m. The Group's net debt amounted to SEK 421 m (177).

During the second quarter HMS distributed dividend payments to its shareholder equal to in total SEK 29 m (28).

# 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 2016 amounted to SEK 0 m (0). Cash and cash equivalents amounted to SEK 0.5 m (0.3) and borrowing amounted to SEK 0 m (0). In 2016 the Parent Company recognized a SEK 50 m anticipated dividend from HMS Industrial Networks AB.

# 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 11 704 717 of which 31 000 shares are held by the company.

# Share savings program

The Company has launched four share saving programs. Based on a decision by the Annual General Meeting permanent employees are offered to save in HMS shares in an annual share saving program. Between 47 % and 60 % of the employees opted to participate in the respective program. If certain criteria's are met the Company is committed to give the participant a maximum of two HMS shares for every share saved by the employee. As of December 31, 2016 the total number of shares saved amounted to approximately 65 000.

# Important events

## ○ HMS acquires eWON SA, Belgium

On 5 February 2016, the Group acquired 100 percent of the share capital in the Belgian company, eWON SA. eWON was founded in 2001 and its head office is in Nivelles, Belgium. Along with the subsidiaries in USA and Japan, eWON offers communications products and services for remote access of industrial applications and controllers (PLC), data collection applications and cloud-based software.

The acquisition price amounted to EUR 29 m on a debt free basis, of which approximately EUR 10 m was paid by issuing 382 317 shares in the company and the remainder in cash. The acquisition was financed via a EUR 19 m bank loan.

The acquisition generated a consolidated goodwill of approximately SEK 233 m. The new issue of shares, which was in accordance with the authority of the Board to issue new shares granted by the 2015 AGM, had a dilutive effect of 3.27 %.

The acquired company is included in the consolidated income statement and balance sheet for HMS as of 1 February 2016. During the first eleven months, eWON had a positive impact on the net sales of the Group of SEK 152 m. The acquisition had a positive impact on operating profit, including amortization on acquired overvalues and acquisition costs, amounted to SEK 37 m.

The acquisition analysis is based on the completed valuation of identifiable intangible assets. According to the acquisition analysis, the consideration, acquired net assets and goodwill amount to:

Consideration:	SEK t
Cash and cash equivalents	178 981
Issued shares	93 285
<b>Total consideration</b>	<b>272 266</b>
<b>The assets and liabilities that were recognized as a result of the acquisition are:</b>	<b>Fair value, SEK t</b>
Intangible assets	
Customers	12 355
Brands	7 663
Deferred tax liabilities	-6 406
Property, plant and equipment	21 551
Inventories	19 253
Accounts receivable and other receivables	32 455
Deferred tax asset	378
Cash and cash equivalents	26 783
Non-current liabilities	-31 179
Accounts payable and other liabilities	-30 228
<b>Total identifiable net assets</b>	<b>52 625</b>
Goodwill*	219 641
<b>Acquired net assets</b>	<b>272 266</b>

\*Goodwill is attributable to the employees, the market position and synergies in the acquired business. No portion of the recognized goodwill is expected to be deductible for tax purposes.

## ○ HMS receives a USD 1.5 m order for delivery of remote monitoring of power generators

## ○ HMS Anybus wireless Bold – a product group in the area of Industrial Internet of Things was launched during the third quarter 2016 and was awarded “Best Network Technology Award” by Automation Inside Reader’s Choice

## ○ HMS acquires the Spanish company Intesis Software S.L.

On June 29, 2016 HMS acquires 100 % of the shares in the Spanish company Intesis Software S.L. Intesis was founded in 2000 and has its head office in Igualada close to Barcelona, Spain. The product offer of Intesis includes advanced gateway solutions and communication products in the area of building automation. The major part of the company’s net sales relates to solutions for automation of industrial buildings “Intesis Box”. Intesis has a close cooperation with several leading manufacturers of air conditioning and systems for building automation globally. The company employs 30 people of which 9 are development engineers.

The acquisition price amounted to EUR 13 m on a debt free basis and an additional earn-out of EUR 2 m. The earn-out of maximum EUR 2 m is based on revenue growth and profit for the period 2016-2018. The acquisition was financed with a EUR 16 m bank loan.

Preliminary the acquisition will generate a SEK 131 m overvalue in the Group. The acquired company is consolidated in the Group accounts as of June 30, 2016. During the last six months of 2016 Intesis contributed to the revenue of the Group with an amount of SEK 29 m. The acquisitions contribution to operating profit, including acquisition costs and depreciation on acquired overvalues, amounted to SEK 9 m.

Based on preliminary valuation of identified immaterial assets the acquisition analysis has been updated during the fourth quarter. The changes affect the allocation between the various categories of intangible assets, with no impact on the reported results for the previous quarter.

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

Consideration:	SEK t
Cash and cash equivalents	147 682
Additional contingent consideration	18 846
<b>Total consideration, preliminary</b>	<b>166 528</b>
<b>The assets and liabilities that were recognized as a result of the acquisition are:</b>	<b>Fair value, SEK t</b>
Intangible assets	
Customers	13 017
Brands	4 666
Deferred tax liabilities	-4 421
Other fixed assets	1 588
Current assets	16 215
Cash and cash equivalents	28 686
Deferred tax liabilities	-3 389
Non-current liabilities	-7 162
<b>Total identifiable net assets</b>	<b>49 200</b>
Goodwill*	117 328
<b>Acquired net assets, preliminary</b>	<b>166 528</b>

\*Goodwill is attributable to the employees and the market position of Intesis in the segment of building automation. No portion of the recognized goodwill is expected to be deductible for tax purposes.



## Buildings



## Energy



## Life-Science



## Manufacturing



## Transport



## Outlook

The HMS Group long term growth is supported by a continued inflow of design-wins, a broader product offering within the Gateway product family and Remote Solutions, supplementary technology platforms from IXXAT, eWON and Intesis, a stronger customer focus and an expansion of the HMS sales channels according to the existing strategy.

At present the global market for HMS products is viewed as irregular with cautiously positive undertones. The effect on the market for HMS product offer and currency effects are difficult to predict but HMS overall goals are unchanged: A long term average growth of 20 % per year and an operating margin above 20 %.

## Accounting policies

This report has been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34, for Interim Reporting. Amendments to existing standards, new interpretations and new standards that came into effect as of January 1, 2016 did not affect the Groups reporting as of December 31, 2016.

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

HMS applies the 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 2015. In addition to the risks described in these documents, no additional significant risks have been identified.

## Nomination committee

In accordance with principles adopted at HMS 2016 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, Göran Espelund, Lannebo Fonder representing 9 % 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 extended product ranges, new technology, high level of service and new sales channels. Some 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 gateways 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 costs flexibility 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 and Netbiter products are marketed and sold to a wide range of customers, from device manufacturers to owners of installations in need of remote management. Intesis products are marketed and sold to manufacturer, system integrators and end users in the area of building automation.

**SALES STRATEGY** – Sales take place via the company's sales offices on defined key markets in 10 countries. Sales on the company's other markets, in more than 50 countries, take place via agents/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 Remote Management and Control, 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.

## Reporting occasions

- First quarter report 2017 will be published on April 25, 2017
- Annual General Meeting will be held on April 26, 2017
- Half year report 2017 will be published on July 20, 2017
- Third quarter report 2017 will be published on October 27, 2017

Halmstad February 15, 2017

Staffan Dahlström

Chief Executive Officer

Further information can be obtained by:

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

CFO Gunnar Högberg, telephone +46 (0) 35 17 29 95

This report has not been audited

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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 07.50 CET on February 16, 2017.

# Financial accounts

	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015
Net increase in net sales (%)	51.5	12.0	35.7	19.1
Gross margin (%)	61.5	60.5	61.0	61.2
Operating margin EBIT (%)	14.9	8.2	15.7	14.5
EBITDA (SEK 000s)***	50.6	22.9	188.5	135.5
EBITDA (%)***	19.1	13.1	19.8	19.3
Return on capital employed (%)	3.4	2.2	16.9	15.4
Return on total equity (%)	16.4	3.0	18.4	13.7
Working capital in relation to sales (%)**	6.2	5.8	6.2	5.8
Capital turnover rate	0.76	0.84	0.85	0.84
Debt/equity ratio	0.66	0.39	0.66	0.39
Equity/assets ratio (%)	45.4	54.8	45.4	54.8
Capital expenditure in property, plant and equipm (SEK 000s)	2 619	1 008	11 081	5 042
Capital expenditure in intangible fixed assets (SEK 000s)	4 872	8 008	24 367	20 404
Depreciation of property, plant and equipment (SEK 000s)	-2 729	-1 975	-10 357	-8 094
Amortization of intangible fixed assets (SEK 000s)*	-8 294	-6 454	-28 827	-25 838
Number of employees (average)	477	370	450	362
Revenue per employees (SEK m)**	2.0	1.9	2.1	1.9
Equity per share, SEK	54.52	40.34	46.90	38.88
Cash flow from operations per share, SEK	3.07	1.54	13.32	7.97
Total number of share, average, thousands	11 705	11 322	11 673	11 322
Holding of own shares, average, thousands	31	31	31	31
Total outstanding shares, average, thousands	11 674	11 291	11 642	11 291

\*Includes amortization on allocated excess value in acquired subsidiaries.

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

\*\*\*Definitions of alternative key ratios is presented on page 14.

# Income statements

(SEK 000s)	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015
Revenue	265 226	175 074	952 282	701 676
Cost of goods and services sold	-102 241	-69 081	-370 964	-271 918
<b>Gross profit</b>	<b>162 986</b>	<b>105 993</b>	<b>581 318</b>	<b>429 757</b>
Sales and marketing costs	-66 990	-48 958	-226 029	-164 932
Administrative expenses	-20 372	-16 252	-78 987	-61 354
Research and development costs	-32 324	-25 859	-119 079	-103 116
Other operating income	0	205	0	1 230
Other operating costs	-3 727	-688	-7 911	0
<b>Operating profit</b>	<b>39 574</b>	<b>14 440</b>	<b>149 313</b>	<b>101 584</b>
Financial income	0	1	3 568	2
Financial costs	-3 924	-2 528	-13 147	-14 025
<b>Profit before tax</b>	<b>35 650</b>	<b>11 913</b>	<b>139 734</b>	<b>87 561</b>
Tax	-10 125	-8 444	-39 269	-27 356
<b>Profit for the period</b>	<b>25 525</b>	<b>3 469</b>	<b>100 466</b>	<b>60 205</b>
Basic earnings per share, SEK	2.18	0.31	8.59	5.33

# Statement of comprehensive income

(SEK 000s)	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015
Profit for the period	25 525	3 469	100 466	60 205
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to income statement</b>				
Cash flow hedges	2 821	468	483	1 787
Translation differences	-3 962	-8 775	21 092	-11 244
Hedging of net investments	2 414	6 605	-9 620	11 565
Income tax relating to components of other comprehensive income	-1 152	-1 556	2 010	-2 937
<b>Other comprehensive income for the period, net of tax</b>	<b>121</b>	<b>-3 259</b>	<b>13 965</b>	<b>-830</b>
<b>Total comprehensive income for the period</b>	<b>25 646</b>	<b>210</b>	<b>114 431</b>	<b>59 376</b>

## Balance sheets

(SEK 000s)	Dec 31 2016	Dec 31 2015
<b>ASSETS</b>		
Goodwill	744 433	394 167
Other intangible assets	285 851	245 835
Property, plant and equipment	38 977	15 300
Deferred tax assets	1 440	3 239
Other long term receivables	2 174	1 723
<b>Total fixed assets</b>	<b>1 072 875</b>	<b>660 264</b>
Inventories	86 095	55 810
Trade and other receivables	123 170	81 973
Other current receivables	21 088	13 313
Cash and cash equivalents	99 036	19 503
<b>Total current assets</b>	<b>329 389</b>	<b>170 599</b>
<b>TOTAL ASSETS</b>	<b>1 402 264</b>	<b>830 863</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>636 445</b>	<b>455 482</b>
<b>Liabilities</b>		
Non-current liabilities	433 603	158 142
Deffered income tax liabilities	88 121	72 242
<b>Total non-current liabilities</b>	<b>521 724</b>	<b>230 384</b>
Interest-bearing current liabilities	86 095	38 759
Trade payables	64 275	44 704
Other current liabilities	93 725	61 534
<b>Total current liabilities</b>	<b>244 095</b>	<b>144 997</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 402 264</b>	<b>830 863</b>



# Cash flow statements

(SEK 000s)	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015
Cash flow from operating activities before changes in working capital	39 981	14 948	149 530	96 808
Cash flow from changes in working capital	-3 911	2 468	5 792	-6 796
<b>Cash flow from operating activities</b>	<b>36 070</b>	<b>17 416</b>	<b>155 322</b>	<b>90 012</b>
Cash flow from investing activities*	-9 400	-8 803	-308 236	-25 398
Cash flow from financing activities	-16 818	-7 934	231 313	-62 872
<b>Cash flow for the period</b>	<b>9 852</b>	<b>679</b>	<b>78 398</b>	<b>1 742</b>
Cash and cash equivalents at beginning of the period	89 554	19 136	19 503	17 629
Translation differences in cash and cash equivalents	-370	-312	1 135	132
Cash and cash equivalents at end of period	99 036	19 503	99 036	19 503

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

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

## Quarterly data

Revenue per region (SEK 000s)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
EMEA	162 139	157 289	144 356	121 420	99 757	109 576	104 637	104 580	99 014	97 567	90 601	91 628
Americas	63 714	53 359	48 548	46 424	40 938	38 898	37 248	39 999	33 123	30 157	27 519	27 291
Asia	39 373	43 208	39 223	33 230	34 379	31 362	34 629	25 672	24 181	24 592	23 330	20 207
Income statement (SEK 000s)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
<b>Revenue</b>	<b>265 226</b>	<b>253 856</b>	<b>232 127</b>	<b>201 073</b>	<b>175 074</b>	<b>179 835</b>	<b>176 515</b>	<b>170 251</b>	<b>156 318</b>	<b>152 316</b>	<b>141 451</b>	<b>139 127</b>
<b>Gross profit</b>	<b>162 986</b>	<b>157 968</b>	<b>141 330</b>	<b>119 035</b>	<b>105 993</b>	<b>107 742</b>	<b>109 854</b>	<b>106 168</b>	<b>96 867</b>	<b>95 991</b>	<b>87 618</b>	<b>86 369</b>
Gross margin	61,5%	62,2%	60,9%	59,2%	60,5%	59,9%	62,2%	62,4%	62,0%	63,0%	61,9%	62,1%
<b>Operating profit</b>	<b>39 574</b>	<b>54 538</b>	<b>34 827</b>	<b>20 374</b>	<b>14 440</b>	<b>31 083</b>	<b>24 178</b>	<b>31 884</b>	<b>17 977</b>	<b>37 150</b>	<b>20 928</b>	<b>21 527</b>
Operating margin	14,9%	21,5%	15,0%	10,1%	8,2%	17,3%	13,7%	18,7%	11,5%	24,4%	14,8%	15,5%
<b>Profit before tax</b>	<b>35 650</b>	<b>50 953</b>	<b>35 977</b>	<b>17 154</b>	<b>11 913</b>	<b>26 359</b>	<b>19 883</b>	<b>29 406</b>	<b>15 764</b>	<b>33 465</b>	<b>17 971</b>	<b>18 611</b>

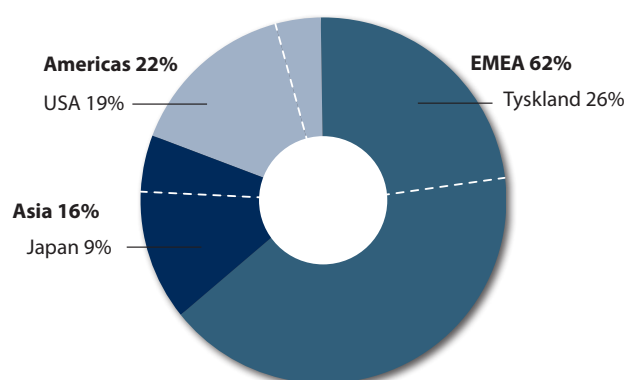
## Sales

Sales by geographical area for 2016 are presented in the graph to the right.

Americas represented 22 % of total sales whereof USA represented 19 % / EMEA represented 62 % of sales whereof Germany 26 % / Asia represented 16 % whereof Japan 9 %.

Embedded products reached 42 % (50) of the Group's total sales, IXXAT 14 % (20), Gateway 19 % (21) and Remote Solutions amounted to 20 % (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 reporting is disclosed.



## Parent company income statements

(SEK 000s)	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015
Revenue	4 004	4 031	14 168	11 933
<b>Gross profit</b>	<b>4 004</b>	<b>4 031</b>	<b>14 168</b>	<b>11 933</b>
Administrative expenses	-4 023	-3 704	-14 187	-11 606
<b>Operating profit</b>	<b>-19</b>	<b>327</b>	<b>-19</b>	<b>327</b>
Income from shares in subsidiary	50 000	0	50 000	0
Interest income/expense and similar items	0	0	0	0
<b>Profit before tax</b>	<b>49 981</b>	<b>327</b>	<b>49 981</b>	<b>327</b>
Appropriations	0	8	0	8
Tax	-49	-141	-49	-141
<b>Profit of the period</b>	<b>49 931</b>	<b>194</b>	<b>49 931</b>	<b>194</b>

## Parent company balance sheets

(SEK 000s)	Dec 31 2016	Dec 31 2015
<b>ASSETS</b>		
Financial fixed assets	337 324	244 039
<b>Total financial fixed assets</b>	<b>337 324</b>	<b>244 039</b>
Other receivables	255	600
Cash and cash equivalents	406	276
<b>Total current assets</b>	<b>662</b>	<b>876</b>
<b>TOTAL ASSETS</b>	<b>337 986</b>	<b>244 915</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>203 905</b>	<b>90 443</b>
<b>Untaxed reserves</b>		
<b>Liabilities</b>		
Trade payables	50	667
Liabilities to Group companies	131 198	149 890
Other current liabilities	2 833	3 915
<b>Total current liabilities</b>	<b>134 081</b>	<b>154 472</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>337 986</b>	<b>244 915</b>

# Definitions

## **CAPITAL EMPLOYED**

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

## **CAPITAL TURNOVER RATE**

Operating income in relation to total assets.

## **EBIT**

Operating income according to income statement excluding items affecting comparability.

## **EARNINGS PER SHARE**

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

## **EARNINGS PER SHARE AFTER DILUTION**

Share of the profit after tax attributable to the parent company's shareholders in relation to the average number of outstanding shares with addition for the average number of shares that are added when converting the outstanding number of convertible securities and options.

## **EQUITY/ASSETS RATIO**

Shareholders' equity in relation to total assets.

## **NET DEBT**

Long-term and current interest-bearing financial liabilities less financial assets (cash and cash equivalents).

## **NET DEBT/EQUITY RATIO**

Net debt in relation to shareholders' equity

## **NUMBER OF OUTSTANDING SHARES**

Number of registered shares less shares bought back, which are held by the company.

## **OPERATING MARGIN**

Operating income in relation to net sales.

## **RETURN ON CAPITAL EMPLOYED**

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

## **RETURN ON SHAREHOLDERS' EQUITY**

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

## **TOTAL EQUITY PER SHARE**

Total equity attributable to the parent company's shareholders in relation to total outstanding shares by the end of the period.

## **WORKING CAPITAL**

Current assets less cash equivalents and current liabilities.

# Alternative key ratios

HMS presents certain financial measures in the interim report that have not been defined in accordance with IFRS. The company considers that these measures provide valuable additional information for investors and the company's management, as they enable the evaluation of relevant trends and the company's performance. As not all companies calculate financial measures in the same way, these are not always comparable with the measures used by other companies. These financial measures should therefore not be viewed as substitutes for IFRS-defined measures, unless otherwise stated.

## **EBITDA**

Earnings before interest, taxes, depreciation and amortization.

SEK t	2016 Q4	2015 Q4	2016 Q1-Q4	2015 Q1-Q4
Operating profit	39 574	14 440	149 313	101 584
Depreciation/ amortization	11 022	8 430	39 184	33 933
EBITDA	50 596	22 870	188 497	135 517

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







## Our vision

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

## Our mission

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