

hms networks

INTERIM REPORT 2017

JANUARY - JUNE

First six months

- Net sales for the first six months increased with 33 % reaching SEK 577 m (433), corresponding to a 29 % increase in local currencies
- Operating profit for the first six months reached SEK 117 m (55), equal to a 20 % (13) operating margin
- Order intake for the first six months increased with 40 % to SEK 626 m (447)
- Cash flow from operating activities amounted to SEK 109 m (51)
- Profit after taxes totaled SEK 80 m (38) and result per share amounted to SEK 1.72 (0,84)
- Net sales for the last twelve months amounted to SEK 1 096 m (788) corresponding to a 39 % increase. Operating result amounted to SEK 211 m (101) corresponding to a 19 % (13) operating margin

Second quarter

- Net sales for the second quarter increased with 29 % reaching SEK 299 m (232), corresponding to a 23 % increase in local currencies
- Operating result reached SEK 59 m (35) corresponding to an operating margin of 20 % (15)
- Order intake during the second quarter was SEK 328 m (247)
- During the second quarter was a split of shares 4:1 performed, the total number of shares are 46 818 868 after the split





Comment from the CEO

The strong development continues during the second quarter, with new record levels of revenue, profit and order intake. The growth of 29 % is to a large extent driven by our organic growth, adjusted for acquisition and currency effect, 15 % compared with the second quarter 2016.

We continue to increase costs in line with our expansion plan. Despite the increased cost levels, we are meeting our profitability target of 20 % operating margin in the quarter. This is driven by the increased sales and stable gross margins.

Growth was good in all geographic markets with stable development in Japan and Germany. In North America, the positive trend we reported in the last quarter continued with optimistic signals from our customers and an increased investment willingness in the industry. The growth is driven by a positive development of our brands, Anybus, IXXAT and eWON. Spanish Intesis, acquired in July 2016, shows an outstanding development and we are now establishing Intesis staff in the United States to expand the Intesis business in the American market.

The quarter has included several marketing activities and trade fairs, as well as several new product launches.

In the first half of 2017 we see an underlying enhanced business climate, new design wins and a good demand in our key markets. We are pleased to exceed both our long-term goals of 20 % sales growth

and 20 % operating margin, with a total growth of 33 % and operating margin of 20 %.

We are beginning to see longer delivery times on electronic components, which will increase our delivery lead times in the coming months. To minimize the impact for our customers, we are strengthening our safety stocks of critical components as well as expanding our production capabilities in Halmstad and Nivelles, Belgium to meet future volume increases.

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

"Our organic growth of 15 % comes from a solid development of all our operations."



Staffan Dahlström,
CEO, HMS Networks AB



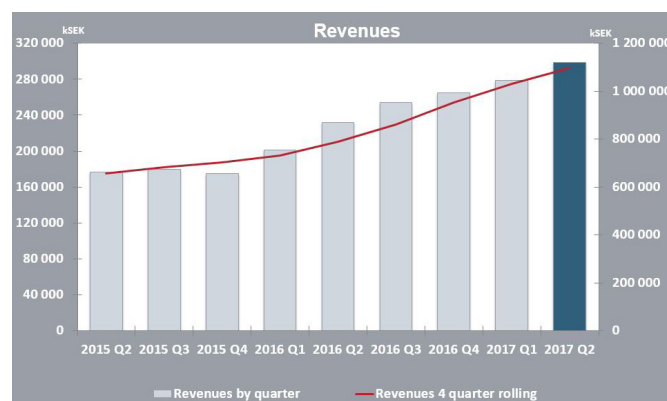
Net sales

Net sales for the last twelve months amounted to SEK 1 096 m (788) corresponding to a 39 % increase. In total, the devaluation of the Swedish currency in relation to the major HMS currencies had a positive effect of SEK 37 m on net sales compared to the previous twelve month period. The order intake amounted to SEK 1 146 m (783).

Net sales for the first six months amounted to SEK 577 m (433) corresponding to a 33 % increase. In total, the devaluation of the Swedish currency in relation to the major HMS currencies had a positive effect of SEK 20 m the first six month period. The, during previous year, acquired subsidiaries eWon and Intesis contributed with SEK 136 m (71) to net sales. Order intake increased to SEK 626 m (447) whereof SEK 610 m (438) with calculated delivery within twelve months.

Net sales for the second quarter 2017 totaled to SEK 299 m (232), corresponding to a 29 % 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 positive effect of SEK

12 m the second quarter. The, during previous year, acquired subsidiary Intesis contributed with SEK 20 m (0) to net sales. Order intake increased to SEK 328 m (247).



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	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net sales (SEK m)	299	279	265	254	232	201	175	180
Order intake (SEK m)	328	299	267	252	247	199	157	180
Gross margin (%)	61.8	61.0	61.5	62.2	60.9	59.2	60.5	59.9
EBITDA (SEK m)	71	68	51	65	44	30	23	40
EBITDA (%)	23.7	24.5	19.1	25.4	18.8	14.8	13.1	22.2
Operating profit (SEK m)	59	57	40	55	35	20	14	31
Operating margin (%)	19.9	20.6	14.9	21.5	15.0	10.1	8.2	17.3
Return on capital (%)	24.0	24.8	16.4	25.0	18.4	9.9	3.0	17.9
Earnings per share Before dilution (SEK)*	0.86	0.86	0.55	0.79	0.56	0.28	0.08	0.44
Earnings per share after dilution (SEK)*	0.86	0.86	0.55	0.79	0.56	0.28	0.08	0.44
Equity per share (SEK)*	14.39	14.25	13.63	13.07	12.04	11.96	10.08	10.07
Cash flow for operating activities per share (SEK)*	1.21	1.13	0.77	1.49	1.00	0.11	0.39	0.79

Half-year data	Q1-Q2 2017	Q3-Q4 2016	Q1-Q2 2016	Q3-Q4 2015	Q1-Q2 2015	Q3-Q4 2014	Q1-Q2 2014	Q3-Q4 2013
Net sales (SEK m)	577	519	433	355	347	309	281	266
Order intake (SEK m)	626	519	447	337	345	310	301	257
Gross margin (%)	61.4	61.8	60.1	60.2	62.3	62.5	62.0	63.5
EBITDA (SEK m)	139	115	73	63	73	70	56	55
EBITDA (%)	24.1	22.2	16.9	17.7	21.0	22.6	20.0	20.6
Operating profit (SEK m)	117	94	55	46	56	55	42	46
Operating margin (%)	20.2	18.1	12.7	12.8	16.2	17.9	15.1	17.2
Return on capital (%)	24.6	22.2	15.0	10.5	17.3	17.3	14.8	18.3
Earnings per share Before dilution (SEK)*	1.72	1.34	0.84	0.52	0.82	0.88	0.53	0.73
Earnings per share after dilution (SEK)*	1.71	1.34	0.83	0.52	0.82	0.88	0.53	0.73
Equity per share (SEK)*	14.01	12.88	10.90	9.82	9.45	8.92	8.42	7.99
Cash flow for operating activities per share (SEK)*	2.34	2.26	1.11	1.17	0.82	1.28	0.75	1.25

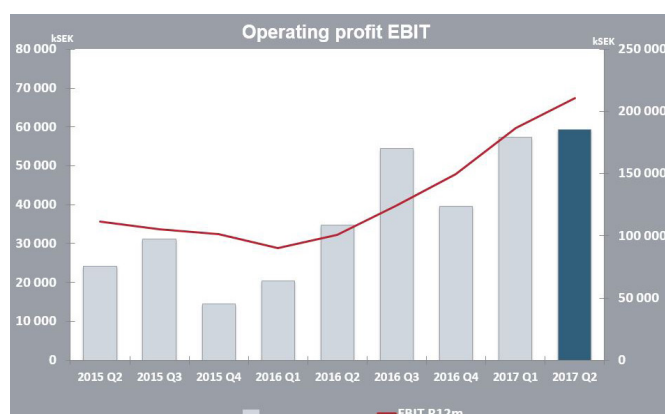
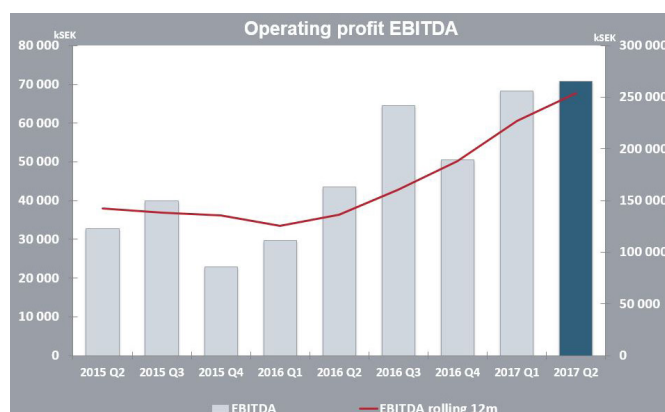
* Key ratios have been recalculated based on the 4:1 share split in the second quarter of 2017

Operating profit

Operating profit before depreciation EBITDA for the last twelve months totaled to SEK 254 m (136), equivalent to an operating margin EBITDA of 23 % (17). Operating result EBIT for the last twelve months amounted to SEK 211 m (101) corresponding to a 19% (13) EBIT margin. Currency effects related to income and expenses had a SEK 14 m positive impact on the operating result compared to the previous 12 months.

Operating profit before depreciation EBITDA for the first six months totaled to SEK 139 m (73), equivalent to an operating margin EBITDA of 24 % (17). Operating result EBIT for the first six months amounted to SEK 211 m (101) corresponding to a 19% (13) EBIT margin. Currency effects related to income and expenses had a SEK 8 m positive impact. The, during previous year, acquired subsidiaries eWon and Intesis contributed with SEK 50 m (14, including acquisition cost) on the group operating result.

The operating profit before depreciation EBITDA for the second quarter 2017 totaled to SEK 71 m (44), corresponding to a 24 % (19) EBITDA margin. Operating result after depreciation EBIT totaled SEK 59 m (35) corresponding to a 20 % (15) EBIT margin. Changes in exchange rates related to income and expenses had a SEK 4 m positive impact compared to the same period the previous year. The, during previous year, acquired subsidiary Intesis contributed with SEK 8 m (0) positive impact on the group operating result.



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 672 m (562). The total number of shares at the end of the period was 46 818 868. The Group's equity/assets ratio amounted to 47 % (41). On December 31, 2016 the share saving program from 2013 was concluded. In the first six months 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 our own possession.

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

Change in Group Equity (SEK 000s)

	Jun 30 2017	Jun 30 2016	Dec 31 2016
Balance at 1 January	636 444	455 482	455 482
Total comprehensive income for the period	88 663	41 415	115 001
Repurchase of own shares	- 7 828	0	0
Issue of new shares	0	93 285	92 715
Share-related payment	1 918	1 133	2 430
Dividends	-46 717	-29 184	-29 184
Closing balance	672 481	562 131	636 444

Tax

The tax charge for the first six months was SEK 31 m (15). The tax charge for the current period has been calculated on the basis of the tax situation applying to the Group at present and the profit development of the reporting entities belonging to the Group.

Currency effects

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

Net sales for the quarter consist of 63 % in EURO, 23 % in USD, 8 % in Japanese Yen and 6 % in SEK and other currencies. Cost of goods sold consists of 68 % in EURO, 32 % in USD, 1 % in Japanese Yen. Operating expenses consists of 43 % in EURO, 12 % in USD, 3 % in Japanese Yen and 40 % of SEK and other currencies.

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

Cash flow, investments and financial position

Cash flow from operating activities during the first six months amounted to SEK 109 m (51).

The investments in tangible assets for the first six months totaled SEK 8 m (4). Investments in intangible assets totaled SEK 5 m (15). Capitalized expenses is to the majority related to the development of new technology platforms. Depreciation on capitalized development costs amounted to SEK 11 m (9) during the first six months.

The acquisition of IXXAT in February 2013 has generated a SEK 255 m overvalue before tax for the group of which SEK 144 m is allocated to technology platforms, customers and brand name included in the acquisition. Estimated annual amortization of acquired overvalue amounts to about SEK 7 m. Amortization on overvalues acquired was recognized with SEK 4 m during the first six months.

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 1.0 m during the first six months.

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 the first six months.

In total SEK 32 m (28) of other loans in the Group was amortized during the first six months. At the end of the period cash and cash equivalents totaled SEK 110 m (76) and unutilized credit facilities amounted to SEK 30 m. The Group's net debt amounted to SEK 379 m (498).

During the second quarter were a dividend paid out totaled to SEK 47 m.

The parent company

The Parent Company's operations are primarily focused on Group-wide management and financing. Apart from the Group's CEO, the Parent Company has no employees. The operating profit for the first quarter 2017 amounted to SEK 0 m (0). Cash and cash equivalents amounted to SEK 0.2 m (0.4) and borrowing amounted to SEK 0 m (0).

The HMS Networks AB share

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

Share savings program

The Company has launched four share saving programs. Based on a decision by the Annual General Meeting permanent employees are offered to save in HMS shares in an annual share saving program. Between 47 % and 60 % of the employees opted to participate in the respective program. If certain criteria's are met the Company is committed to give the participant a maximum of two HMS shares for every share saved by the employee. As of June 30, 2017 the total number of shares saved amounted to approximately 289 000.

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 our own possession.

○ Repurchase of own shares

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

○ HMS Annual Meeting 2017

HMS annual meeting was held at 26 April 2017.

○ Dividend

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

○ Split of Shares 4:1

During the second quarter was a split of shares 4:1 performed, 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 the acquisition analysis presented in note 34 in the annual report of 2016.

Buildings



Energy



Life-Science



Manufacturing



Transport



Outlook

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

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

Accounting policies

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

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

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 six 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
- Netbiter Remote Management – remote monitoring and controlling of industrial devices
- eWON Remote Access – remote monitoring and data access of industrial control system
- IntesisBox – 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 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 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 some 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 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

- Interim report for the 3rd quarter will be presented on October 27, 2017
- Year-end report will be presented on February 16, 2018

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 20, 2017

Staffan Dahlström
Chief Executive Officer

Charlotte Brogren
Chairman of the Board

Henrik Johansson

Ray Mauritsson

Kerstin Lindell

Fredrik Hansson

Anders Mörck

Tobias Persson

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

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

This information is such that HMS Networks AB (publ) is required to disclose in accordance with the Swedish Financial Instruments Trading Act and/or the Swedish Securities Market Act. The information was submitted for publication at 07.50 CET on July 20, 2017.

Financial accounts

	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016	1607-1706 12 månader
Net increase in net sales (%)	28.7	31.5	33.2	24.9	35.7	39.1
Gross margin (%)	61.8	60.9	61.4	60.1	61.0	61.6
Operating margin EBIT (%)	19.9	15.0	20.2	12.7	15.7	19.2
EBITDA (SEK 000s)	71	44	139	73	188	244
EBITDA (%)	23.7	18.8	23.6	16.9	19.7	22.8
Return on capital employed (%)	5.1	3.6	10.1	6.6	16.9	18.4
Return on total equity (%)	24.0	18.4	24.6	15.0	18.4	23.1
Working capital in relation to sales (%)*	6.5	8.4	6.5	8.4	6.2	6.5
Capital turnover rate	0.84	0.72	0.81	0.78	0.85	0.78
Debt/equity ratio	0.56	0.89	0.56	0.89	0.66	0.56
Equity/assets ratio (%)	46.8	40.5	46.8	40.5	45.3	46.8
Capital expenditure in property, plant and equipm (SEK 000s)	7 024	2 480	8 251	4 110	8 843	15 222
Capital expenditure in intangible fixed assets (SEK 000s)	1 185	7 655	5 162	15 001	24 041	13 543
Depreciation of property, plant and equipment (SEK 000s)	-2 716	-2 429	-5 282	-4 672	-6 766	-10 961
Amortization of intangible fixed assets (SEK 000s)	-8 926	-6 314	-17 193	-13 381	-28 727	-32 639
Number of employees (average)	477	429	476	429	467	474
Revenue per employees (SEK m)**	2.3	1.8	2.3	1.8	2.0	2.3
Equity per share, SEK**	14.39	12.04	14.01	10.90	13.63	13.84
Cash flow from operations per share, SEK**	1.21	1.00	2.34	1.11	3.34	4.60
Total number of share, average, thousands**	46 819	45 927	46 819	45 736	46 691	46 660
Holding of own shares, average, thousands**	102	124	102	124	124	113
Total outstanding shares, average, thousands**	46 717	45 803	46 717	45 612	46 567	46 547

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

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

Income statements

(SEK 000s)	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016	1607-1706 12 months
Revenue	298 659	232 127	577 182	433 201	952 282	1 096 264
Cost of goods and services sold	-114 132	-90 797	-222 858	-172 836	-370 964	-420 986
Gross profit	184 527	141 330	354 324	260 365	581 318	675 278
Sales and marketing costs	-63 130	-56 494	-123 109	-105 353	-226 029	-243 785
Administrative expenses	-27 355	-20 387	-47 798	-40 182	-78 987	-86 603
Research and development costs	-35 779	-28 053	-68 222	-57 240	-119 079	-130 061
Other operating income	1 043	0	1 559	0	0	1 521
Other operating costs	0	-1 568	0	-2 389	-7 911	-5 510
Operating profit	59 307	34 827	116 729	55 202	149 313	210 841
Financial income	0	3 407	767	3 424	3 568	911
Financial costs	-3 591	-2 258	-5 796	-5 495	-13 147	-13 448
Profit before tax	55 715	35 977	111 700	53 131	139 734	198 303
Tax	-15 600	-10 245	-31 276	-14 877	-39 269	-55 668
Profit for the period	40 115	25 732	80 424	38 254	100 466	142 635
Basic earnings per share before dilution, SEK*	0.86	0.56	1.72	0.84	2.16	3.05
Basic earnings per share after dilution, SEK*	0.86	0.56	1.71	0.83	2.16	3.05

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

Statement of comprehensive income

(SEK 000s)	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016	1607-1706 12 months
Profit for the period	40 115	25 732	80 424	38 254	100 466	142 635
Other comprehensive income						
Items that may be reclassified subsequently to income statement						
Cash flow hedges	1 094	-1 479	1 342	-1 197	483	3 022
Translation differences	12 963	10 037	9 067	7 951	21 662	22 208
Hedging of net investments	-1 599	-3 185	-2 473	-4 944	-9 620	-7 149
Income tax relating to components of other comprehensive income	165	1 026	303	1 351	2 010	962
Other comprehensive income for the period, net of tax	12 623	6 399	8 239	3 161	14 535	19 043
Total comprehensive income for the period	52 738	32 131	88 663	41 415	115 001	161 678

Balance sheets

(SEK 000s)	Jun 30 2017	Jun 30 2016	Dec 31 2016
ASSETS			
Goodwill	750 092	736 393	744 433
Other intangible assets	275 626	289 304	285 851
Property, plant and equipment	42 279	37 626	38 977
Deferred tax assets	1 816	576	1 440
Other long term receivables	2 193	2 132	2 174
Total fixed assets	1 072 007	1 066 031	1 072 874
Inventories	88 645	86 042	86 095
Trade and other receivables	136 612	122 216	123 170
Other current receivables	29 562	21 216	24 976
Cash and cash equivalents	110 164	75 425	99 036
Total current assets	364 983	304 899	333 277
TOTAL ASSETS	1 436 990	1 370 930	1 406 152
EQUITY AND LIABILITIES			
Equity	672 481	562 131	636 444
Liabilities			
Non-current liabilities	402 928	479 977	433 603
Deferred income tax liabilities	87 371	83 684	88 121
Total non-current liabilities	490 300	563 661	521 724
Interest-bearing current liabilities	86 167	95 562	86 095
Trade payables	80 250	54 389	64 275
Other current liabilities	107 792	95 187	97 613
Total current liabilities	274 209	245 138	247 984
TOTAL EQUITY AND LIABILITIES	1 436 990	1 370 930	1 406 152

Cash flow statements

(SEK 000s)	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016	1607-1706 12 months
Cash flow from operating activities before changes in working capital	52 708	39 965	110 750	54 623	149 530	205 657
Cash flow from changes in working capital	3 968	5 644	-1 280	-3 962	5 792	8 473
Cash flow from operating activities	56 676	45 609	109 469	50 661	155 322	214 130
Cash flow from investing activities	-7 850	-129 376	5 338	-290 230	-308 236	-12 668
Cash flow from financing activities	-59 153	110 679	-103 273	294 484	231 313	-16 818
Cash flow for the period	-10 326	26 913	11 535	54 916	78 398	35 018
Cash and cash equivalents at beginning of the period	120 942	47 652	99 036	19 503	19 503	385 079
Translation differences in cash and cash equivalents	-451	981	-407	1 127	1 135	-399
Cash and cash equivalents at end of period	110 164	75 546	110 164	75 546	99 036	419 697

Quarterly data

Revenue per region (SEK 000s)	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
EMEA	184 490	175 160	162 139	157 289	144 356	121 420	99 757	109 576
Americas	62 193	64 530	63 714	53 359	48 548	46 424	40 938	38 898
Asia	51 977	38 833	39 373	43 208	39 223	33 230	34 379	31 362

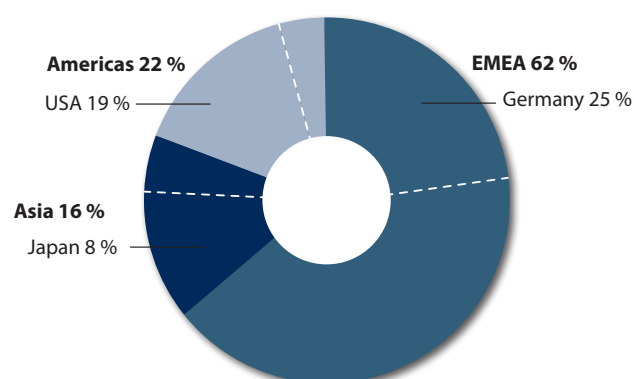
Income statement (SEK 000s)	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Revenue	298 659	278 523	265 226	253 856	232 127	201 073	175 074	179 835
Gross profit	184 527	169 797	162 986	157 968	141 330	119 035	105 993	107 742
Gross margin	61.8%	61.0%	61.5%	62.2%	60.9%	59.2%	60.5%	59.9%
Operating profit	59 307	57 422	39 574	54 538	34 827	20 374	14 440	31 083
Operating margin	19.9%	20.6%	14.9%	21.5%	15.0%	10.1%	8.2%	17.3%
Profit before tax	55 715	55 985	35 650	50 953	35 977	17 154	11 913	26 359

Sales

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

Anybus represented 58 % (61) of the Group's total sales, IXXAT 13 % (14), Remote Solutions 20 % (20) and Intesis 6 % (0).

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



Parent company income statements

(SEK 000s)	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016	1607-1706 12 months
Revenue	3 502	3 825	7 046	7 878	14 168	13 336
Gross profit	3 502	3 825	7 046	7 878	14 168	13 336
Administrative expenses	-3 541	-3 823	-7 093	-7 878	-14 187	-13 403
Operating profit	-39	2	-47	0	-19	-66
Interest expense and similar income	0	0	0	0	50 000	50 000
Profit before tax	39	0	47	0	0	47
Appropriations	0	2	0	0	49 981	49 981
Tax	0	0	0	0	-49	-49
Profit of the period	0	2	0	0	49 931	49 932

Parent company balance sheets

(SEK 000s)	Jun 30 2017	Jun 30 2016	Dec 31 2016
ASSETS			
Financial fixed assets	337 324	337 324	337 324
Total financial fixed assets	337 324	337 324	337 324
Other receivables	983	793	255
Cash and cash equivalents	248	434	406
Total current assets	1 231	1 227	662
TOTAL ASSETS	338 555	338 552	337 986
EQUITY AND LIABILITIES			
Equity	149 361	153 974	203 905
Liabilities			
Trade payables	456	81	50
Liabilities to Group companies	186 094	181 014	131 198
Other current liabilities	2 644	3 483	2 833
Total current liabilities	189 194	184 578	134 081
TOTAL EQUITY AND LIABILITIES	338 555	338 552	337 986

Definitions

NO. OF OUTSTANDING SHARES

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

RETURN ON SHAREHOLDERS' EQUITY

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

RETURN ON CAPITAL EMPLOYED

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

RETURN ON TOTAL CAPITAL

Share of the profit after financial expenses attributable to the parent company shareholders in relation to the average total capital.

EBIT

Operating income according to income statement excluding items affecting comparability.

EBITA

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

EBITDA

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

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 during the year, less repurchased shares that are held as treasury shares.

CASH FLOW FROM OPERATING ACTIVITIES PER SHARE, SEK

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 divided by equity.

P/E RATIO

Market price in relation to earnings per share.

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

OPERATING MARGIN

Operating profit (loss) 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 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	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016	1607-1706 12 months
Operating profit	59 307	34 827	116 729	55 202	149 313	210 841
Depreciation/amortization	11 494	8 743	22 323	18 052	39 184	43 412
EBITDA	70 802	43 570	139 052	73 254	188 497	254 253

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



Our vision

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

Our mission

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