

# hms networks

**INTERIM REPORT 2018**  
**JANUARY - SEPTEMBER**

## Third quarter

- Net sales for the third quarter reached SEK 353 m (305), corresponding to an increase of 16 %. The revaluation of the Swedish krona had a positive impact of SEK 29 m
- Operating profit reached SEK 74 m (65) equal to a 21 % (21) operating margin
- Order intake was SEK 360 m (289), corresponding to an increase of 24 %
- Cash flow from operating activities amounted to SEK 73 m (62)
- Profit after taxes totalled SEK 51 m (42) and the earnings per share was SEK 1.09 (0.90)
- Acquisition of 100 % of the shares in Beck IPC GmbH

## First nine months

- Net sales for the first nine months amounted to SEK 1,003 m (882), corresponding to a 14 % increase. The revaluation of the Swedish krona had a positive impact of SEK 44 m
- Operating profit was SEK 199 m (181), equal to a 20 % (21) operating margin
- Order intake was SEK 1,046 m (916), corresponding to an increase of 14 %
- Cash flow from operating activities amounted to SEK 144 m (171)
- Profit after taxes totalled SEK 129 m (123) and the earnings per share was SEK 2.78 (2.62)

**Hms** Connecting Devices™



## Comment from the CEO

The third quarter shows both record net sales and record profit for HMS with 353 MSEK in sales and 74 MSEK in operating profit. Despite record level sales, it is still a somewhat weak underlying organic growth in local currencies of 4%. Our reported growth is supported by positive currency effects as well as sales from German Beck IPC, which was acquired in July. This gives a total sales growth of 16% in the quarter which is just below our long-term goal.

Our order intake during the quarter landed at 360 MSEK, a growth of 24% compared to the corresponding quarter last year, which indicates a positive development and continued growth going forward.

We see a stable demand on our major markets as a result of a continued underlying business growth and investments of automation solutions in the industry. During the quarter, the strong development we saw during the second quarter in US have continued. EMEA and Asia had a stable development but with slightly lower growth than before.

On the cost side, we have in the third quarter seasonally lower costs. This together with solid sales and stable gross margin results in an operating profit at a new record level, 74 MSEK, corresponding to an operating margin of 21%, which is just over our long-term goal. Integration work with Beck IPC is ongoing and we focus on coordinating technology platforms to strengthen our offering in Industrial IoT (IIoT). Overall, the acquisition of Beck IPC has had insignificant impact on the quarter's operating profit.

Our underlying cash flow remains strong and amounted to 73 MSEK during the quarter, which further strengthens our financial position and gives us relatively low net debt of about 1.36 times EBITDA on a yearly basis.

We are experiencing that the strained situation within availability for electronics components have improved during the quarter, HMS and many of our customers have taken action to offset the situation. The basic problem remains but the effects are currently estimated to be less than we previously indicated. We will continue to have a slightly higher inventory than normal for

the coming quarters, but we don't expect that the availability of electronic components will have any major impact on delivery capacity.

During the quarter we have continued to develop our solutions within data security and has now got both of our cloud solutions, Argos and Talk2M, certified by CSA-STAR, which is based on ISO / IEC 27001. We have also launched new Anybus products with support for IIoT protocols such as UPC UA and MQTT, which makes it possible to combine classical communication technologies with new IIoT features, which makes it easier for our existing customers to add IIoT support in their existing products.

We hold on to our ambitious growth targets for coming years – A long-term annual growth of 20 % per annum and an operating margin of 20 %. Our focus is to drive continued growth in all our business areas. We continue to focus on our long-term growth goals based on a balanced view of our costs. In the long run, we estimate that the market for industrial data communications will constitute an interesting growth area and we continue to focus on our motto "HMS Connecting Devices".

**Acquired Beck IPC  
reinforces our  
technology platform  
for our IIoT solutions.**



Staffan Dahlström, CEO, HMS Networks AB

**+24 %**

Order intake  
Q3

**+16 %**

Net sales  
Q3

**21 %**

Operating margin  
Q3



# Order intake, net sales and earnings

## Third quarter

Order intake increased by 24 % to SEK 360 m (289). The underlying organic increase in order intake in local currencies was 8%. Net sales increased by 16 % to SEK 353 m (305) of which currency translation effects affected by SEK 29 m (0). The underlying organic increase in net sales in local currencies was 4 %. Gross profit increased by SEK 28 m to SEK 213 m (186) to a gross margin of 60.3 % (60.9). Operating expenses increased in total by SEK 18 m to SEK 139 m (121).

During the quarter, the newly acquired company Beck IPC contributed to the Group's net sales by SEK 10 m and order intake by SEK 23 m.

Operating profit before depreciation EBITDA amounted to SEK 87 m (77), corresponding to a margin of 24.5 % (25.1). Depreciation amounted to SEK 13 m (12) and operating profit EBIT increased by SEK 9 m corresponding to a 14 % increase, to SEK 74 m (65). Changes in exchange rates compared with the corresponding quarter of the previous year have had a positive effect of SEK 11 m on operating profit for the quarter. Beck IPC has had no significant impact on the Group's operating profit EBIT.

Net financials was SEK -4 m (-6) which resulted in a profit before tax of SEK 70 m (58). Profit after tax amounted to SEK 51 m (42) and earnings per share before and after dilution was SEK 1.09 (0.90) and SEK 1.08 (0.90) respectively.

SEK millions	Q3 2018	Q3 2017	%
Order intake	360	289	24.3
Net sales	353	305	16.0
Gross profit	213	186	14.9
Gross margin (%)	60.3	60.9	
EBITDA	87	77	13.3
EBITDA (%)	24.5	25.1	
EBIT	74	65	14.2
EBIT (%)	20.9	21.2	

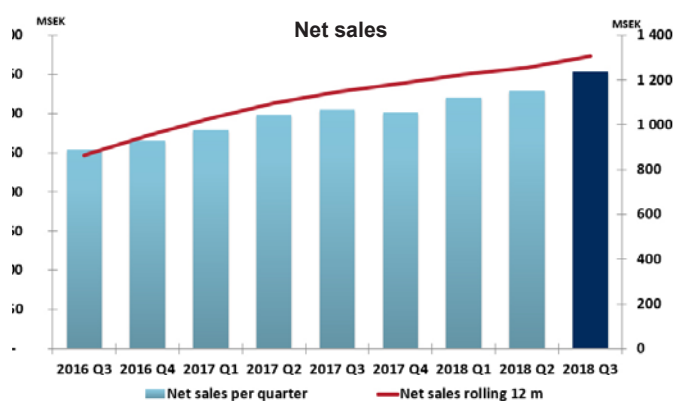
## First nine months

Order intake increased by 14 % to SEK 1,046 m (916). The underlying organic increase in order intake in local currencies was 7 %. Net sales increased by 14 % to SEK 1,003 m (882) of which currency translation effects affected by SEK 44 m (20). The underlying organic increase in net sales in local currencies was 8 %. Gross profit increased by SEK 78 m to SEK 618 m (540) to an increased gross margin of 61.6 % (61.2). Operating expenses increased in total by SEK 60 m to SEK 418 m (359).

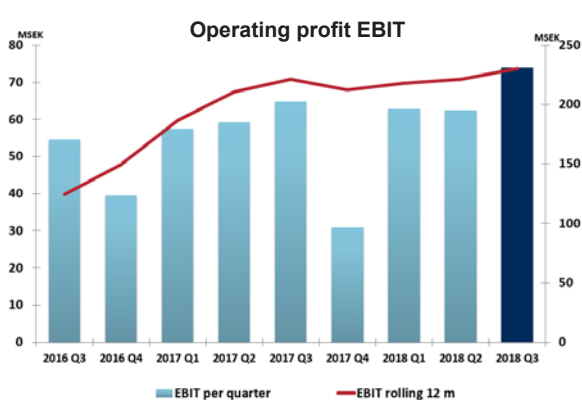
Operating profit before depreciation EBITDA amounted to SEK 237 m (216), corresponding to a margin of 23.6 % (24.5). Depreciation amounted to SEK 38 m (34) and operating profit EBIT increased by SEK 18 m corresponding to a 10 % increase, to SEK 199 m (181). Changes in exchange rates have had a positive effect of SEK 16 m on operating profit compared with the corresponding period last year.

Net financials was SEK -20 m (-11) mainly depending on negative currency translation effects of SEK 14 m (5) due to revaluation of intra-Group transactions and interest expenses of SEK 4 m (6) which resulted in a profit before tax of SEK 180 m (170). Profit after tax amounted to SEK 129 m (123) and earnings per share before and after dilution was SEK 2.78 (2.62) and SEK 2.76 (2.61) respectively.

SEK millions	Q1-Q3 2018	Q1-Q3 2017	%
Order intake	1,046	916	14.2
Net sales	1,003	882	13.7
Gross profit	618	540	14.4
Gross margin (%)	61.6	61.2	
EBITDA	237	216	10.0
EBITDA (%)	23.6	24.5	
EBIT	199	181	9.9
EBIT (%)	19.9	20.6	



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



The graph shows operating result EBIT per quarter. The bars refer to the scale on the left axis. The line shows operating result for the last 12 month period referring to the scale on the axis to the right.

Quarterly data	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Order intake (SEK m)	360	336	350	288	289	328	299	267
Net sales (SEK m)	353	329	320	301	305	299	279	265
Gross margin (%)	60.3	62.8	61.8	60.3	60.9	61.8	61.0	61.5
EBITDA (SEK m)	87	75	75	43	77	71	68	51
EBITDA (%)	24.5	22.9	23.5	14.3	25.1	23.7	24.5	19.1
EBIT (SEK m)	74	63	63	31	65	59	57	40
EBIT (%)	20.9	19.0	19.6	10.2	21.2	19.9	20.6	14.9
Cash flow from operating activities per share (SEK)*	1.57	1.08	0.43	0.77	1.33	1.21	1.13	0.77
Earnings per share before dilution (SEK)*	1.09	0.90	0.80	0.43	0.90	0.86	0.86	0.55
Earnings per share before after dilution (SEK)*	1.08	0.89	0.79	0.43	0.90	0.86	0.86	0.54
Equity per share (SEK)*	17.13	16.88	16.28	15.37	14.76	14.32	13.94	13.35

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

## Cash flow, investments and financial position

### Third quarter

Cash flow from operating activities before changes in working capital amounted to SEK 59 m (63) for the third quarter. Changes in working capital was SEK 15 m (-1) mainly explained by an increase in short-term liabilities and partly of inventory increase of components. Cash flow from operating activities was therefore SEK 73 m (62). During the quarter, investments in new fixed assets claimed SEK -28 m (-4) of which SEK -22 m relates to payment for the acquisition of Beck IPC. Cash flow from financing activities claimed SEK -86 m (-84), which can be explained by repurchase of own shares of SEK -11 m (-4) and also repayment of loans of SEK -76 m (-81), which means that cash flow for the quarter was SEK -40 m (-27).

The acquisition of Beck IPC in July 2018, according to preliminary acquisition analysis, has resulted in a consolidated excess value of approximately SEK 58 m before taxes. The acquisition was financed with an existing bank credit of EUR 4 m.

### First nine months

Cash flow from operating activities before changes in working capital amounted to SEK 188 m (174) for the first nine months. Changes in working capital was SEK -44 m (-3) mainly due to a combination of increased accounts receivables owing to increased net sales, inventory increase of components but also an increase in current liabilities. Cash flow from operating activities was therefore SEK 123 m (171). During the first nine months investments in new fixed assets claimed SEK -45 m (-19) of which SEK -22 m relates to payment for the acquisition of Beck IPC. Cash flow from financing activities amounted to SEK -137 m (-168) which can be explained by the re-purchase of own shares of SEK -42 m (-8), disbursed dividend of SEK -70 m (-47) and also that the Group's bank loans have decreased by SEK -25 m (-114). This means that cash flow for the first nine months was SEK -38 m (-15).

## Cash and cash equivalents and net debt

Cash and cash equivalents amounted to SEK 55 m (82) and unused credit facilities to SEK 125 m (81). The Group's net debt amounted to SEK 381 m (319) and net debt to EBITDA ratio for the last twelve months was 1.36 (1.20). Net debt/Equity ratio was 47 % (45).

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

## The HMS Networks AB share

HMS Networks AB (publ) is listed on the Nasdaq OMX Stockholm Mid Cap list, in the Information Technology sector. By the end of the period the total number of shares amounted to 46,818,868 of which 292,825 shares are held by the company. A list of the company's ownership structure can be found on the company's website ([www.hms-networks.com](http://www.hms-networks.com)).

## Share savings program

Today the Company has four ongoing share saving programs. Based on a decision by the Annual General Meetings permanent employees are offered to save in HMS shares in an annual share saving program. Between 47 % and 60 % of the employees opted to participate in the respective program. If certain criterias are met the Company is committed to give the participant a maximum of two HMS shares for every share saved by the employee. As of September 30, 2018, the total number of saved shares amounted to approximately 157,071 (189,000) within ongoing programs.

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

## The parent company

The Parent Company's operations are primarily focused on Group-wide management and financing. Apart from the Group's CEO, the Parent Company has no employees. The operating profit for the first nine months amounted to SEK 1 m (0). Dividends from subsidiaries totaled SEK 165 m (0) and the profit from the period amounted to SEK 164 m (0) after tax. Cash and cash equivalents amounted to SEK 1 m (0), external borrowing does not occur.

## Related party transactions

No transactions with related parties have occurred during the period.

## Contingent liabilities

There have been no changes in the Group's contingent liabilities, described on page 87 in Note 34 of the Annual Report for 2017.

## Risk management

The HMS Group is exposed to business and financial risks through its operations. These risks have been described at length in the Company's Annual Report 2017. In addition to the risks described in these documents, no additional significant risks have been identified.

## Significant events

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

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

Preliminary the acquisition will generate a SEK 58 m excess value in the Group. The acquired company is consolidated in the HMS Group accounts as of 17 July 2018. During the period, Beck contributed to the Group's sales by SEK 10 m. The acquisition's contribution to operating profit, including acquisition costs, amounted to SEK -2 m.

According to preliminary acquisition analysis, the purchase sum and acquired net assets amount to:

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

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

\*As of September 30, 2018, these are subdivided between different categories of intangible assets pending the outcome of ongoing acquisition analysis assessments and determination of final purchase price.

## Subsequent events

No significant events have occurred subsequent to the third quarter, but prior to the signing of this interim report.

## Outlook

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

The global economic development for the HMS market areas is considered stable. The impact that economic developments and

currency fluctuations have on HMS are difficult to assess. HMS long-term goals are unchanged: Long-term growth on average 20 % per annum and an operating margin of 20 %.

## Accounting policies

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

As of January 1, 2018 HMS, applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The implementation of the new standards has not had any significant impact on the Group's financial reports as of September 30, 2018. Complete accounting policies as for the new standards are described in the Annual Report 2017.

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

IFRS 16 Leases replaces the previous IAS 17 Leases and enters into force as of January 1, 2019. The Group is currently analyzing the impact of the Group's financial reports. One aspect of the analysis involves identifying all the Group's lease agreements. In the analysis, HMS has identified the following lease agreements as significant: offices, production and warehouse facilities, production machinery and cars. In addition, the Group has identified lease agreements that are not deemed as significant for the Group. During the remainder of the year HMS will continue to evaluate the impact of the standard, although the analysis must be completed before any possible final effects can be quantified.

HMS continues to apply the same accounting principles and valuation methods as those described in the most recent Annual Report. The parent company report is prepared in accordance with RFR2, Accounting for Legal Entities, and the Swedish Annual Accounts Act and accounting principles and the valuation methods as those described in the most recent Annual Report.

HMS applies the European Securities and Market Authority's (ESMA) guidelines on alternative key indicators (measures that are not defined in accordance with IFRS).

## Nomination committee

In accordance with principles adopted at HMS 2017 Annual General Meeting, the following persons have been assigned to be a part of the Nomination Committee: Jan Svensson, Investment AB Latour, representing 26 % of the shares, Staffan Dahlström representing 14 % of the shares, Evert Carlsson, Swedbank Robur Fonder AB representing 9 % of the shares, Per Trygg, SEB Fonder representing 7 % of the shares and Charlotte Brogren, Chairman of the Board. The Nomination Committee has appointed Jan Svensson as its Chairman.

Shareholders who wish to present proposals to HMS's Nomination Committee may do so by e-mail to: [valberedning@hms.se](mailto:valberedning@hms.se) or in writing to: HMS Networks AB, Investors Relations, Att: Nomination Committee, Box 4126, SE 300 04 Halmstad, Sweden no later than February 1, 2019.



## Short about the company

### Strategies

**GROWTH STRATEGY** – HMS's main focus is on organic growth. Expansion on existing markets will be through improved and extended product ranges, new technology, high level of service and new sales channels. A certain degree of growth can be through the selective acquisition of businesses that will be a valuable complement to the company's organic growth strategy.

**DEVELOPMENT STRATEGY** – The Company's core expertise is made up of an extensive understanding of industrial network communication.

**PRODUCT STRATEGY** – HMS markets five product lines, which to a certain degree are based on a common technical platform:

- Anybus Embedded – embedded network interface cards
- Anybus Gateways – communication translators between different networks and for wireless communication
- IXXAT – communication platforms for industrial machines and equipment
- eWON Remote Solutions – remote monitoring and data access of industrial control system
- Intesis – communication translators between various building automation networks

**PRODUCTION STRATEGY** – HMS maintains an in-house low-volume production in Halmstad, Nivelles and Igualada. Volume production takes place in close partnership with subcontractors (in Europe and Asia) in order to achieve flexible costs and to make use of economies of scale.

**MARKETING STRATEGY** – The Anybus solutions are marketed and sold to players in industrial and infrastructure automation. IXXAT communication platforms are marketed and sold to machine builders of industrial applications, medical equipment and the automotive industry. eWON products are marketed and sold mainly through a network of distributors to a wide range of customers, from device manufacturers to owners of installations in need of remote monitoring and management. Intesis products are marketed and sold to manufacturers, system integrators and end users in the area of building automation.

**SALES STRATEGY** – Sales take place via the company's sales offices on defined key markets in 15 countries. Sales on the company's other markets, in some 50 countries, take place via agents and/or distributors.

### Business model

HMS has designed its business models to fit each market and product line. For the Embedded market, most business is via framework agreements (i.e. design-wins). The sales cycle is relatively long and the design phase is performed in close cooperation with the customer. After that, there is steady revenue over a long period of time. For Gateways and eWON the business model is more traditional, with a short business cycle and manufacturing based on customer orders. IXXAT and Intesis uses a mix of the above mentioned business models.

## Report occasion

- Year-end report 2018 will be published on February 12, 2019
- First quarter report 2019 will be published on April 25, 2019
- Annual General Meeting will be held on April 25, 2019
- Half year report 2019 will be published on July 16, 2019

Halmstad October 24, 2018

Staffan Dahlström  
Chief Executive Officer

Further information can be obtained by:  
CEO Staffan Dahlström, telephone +46 (0) 709 17 29 01 or  
CFO Joakim Nideborn, telephone +46 (0) 707 72 29 83

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 October 24, 2018.

## Report of Review of Interim Financial Information

### Introduction

We have reviewed the condensed interim financial information (interim report) of HMS Networks AB (publ) as of September 30, 2018 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Halmstad October 24, 2018  
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson  
Authorized Public Accountant



## Income statements

SEK millions	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	1710-1809 12 months	Q1-Q4 2017
Net sales	353	305	1,003	882	1,304	1,183
Cost of goods and services sold	-140	-119	-385	-342	-505	-462
<b>GROSS PROFIT</b>	<b>213</b>	<b>186</b>	<b>618</b>	<b>540</b>	<b>799</b>	<b>722</b>
Sales and marketing costs	-72	-62	-220	-185	-303	-268
Administrative expenses	-27	-25	-83	-72	-114	-103
Research and development costs	-40	-36	-117	-104	-153	-140
Other operating income	2	1	6	2	6	2
Other operating costs	-1	-	-4	0	-5	0
<b>OPERATING PROFIT</b>	<b>74</b>	<b>65</b>	<b>199</b>	<b>181</b>	<b>230</b>	<b>212</b>
Financial income	0	0	0	1	0	1
Financial costs	-4	-6	-20	-12	-25	-18
<b>Profit before tax</b>	<b>70</b>	<b>58</b>	<b>180</b>	<b>170</b>	<b>205</b>	<b>195</b>
Tax	-20	-16	-50	-48	-55	-52
<b>PROFIT FOR THE PERIOD</b>	<b>51</b>	<b>42</b>	<b>129</b>	<b>123</b>	<b>150</b>	<b>143</b>
Earnings per share before dilution, SEK*	1.09	0.90	2.78	2.62	3.21	3.06
Earnings per share after dilution, SEK*	1.08	0.90	2.76	2.61	3.19	3.04

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

## Statement of comprehensive income

SEK millions	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	1710-1809 12 months	Q1-Q4 2017
Profit for the period	51	42	129	123	150	143
<b>Other comprehensive income</b>						
<b>Items that may be reclassified subsequently to income statement</b>						
Cash flow hedges	6	-1	2	1	1	-1
Hedging of net investments	4	3	-11	1	-19	-7
Translation differences	-11	-11	49	-2	77	27
Income tax relating to components of other comprehensive income	-2	-1	2	0	4	2
<b>Other comprehensive income for the period, net of tax</b>	<b>-3</b>	<b>-9</b>	<b>42</b>	<b>0</b>	<b>63</b>	<b>20</b>
<b>Total comprehensive income for the period</b>	<b>48</b>	<b>33</b>	<b>171</b>	<b>122</b>	<b>212</b>	<b>163</b>

## Balance sheets

SEK millions	Sep 30 2018	Sep 30 2017	Dec 31 2017
<b>ASSETS</b>			
Goodwill	842	744	759
Other intangible assets	259	262	261
Property, plant and equipment	52	41	49
Deferred tax assets	5	5	1
Other long term receivables	2	2	1
<b>Total fixed assets</b>	<b>1,160</b>	<b>1,055</b>	<b>1,072</b>
Inventories	155	102	117
Trade and other receivables	165	135	133
Other current receivables	50	39	25
Cash and cash equivalents	55	82	91
<b>Total current assets</b>	<b>424</b>	<b>359</b>	<b>366</b>
<b>TOTAL ASSETS</b>	<b>1,585</b>	<b>1,414</b>	<b>1,438</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>816</b>	<b>707</b>	<b>721</b>
<b>Liabilities</b>			
Interest-bearing non-current liabilities	412	398	391
Deferred income tax liabilities	80	88	84
<b>Total non-current liabilities</b>	<b>492</b>	<b>486</b>	<b>474</b>
Interest-bearing current liabilities	25	3	4
Trade payables	92	89	99
Other current liabilities	160	129	140
<b>Total current liabilities</b>	<b>276</b>	<b>222</b>	<b>243</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,585</b>	<b>1,414</b>	<b>1,438</b>

## Cash flow statements

SEK millions	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	1710-1809 12 months	Q1-Q4 2017
Cash flow from operating activities before changes in working capital	59	63	188	174	215	201
Cash flow from changes in working capital	15	-1	-44	-3	-36	6
<b>Cash flow from operating activities</b>	<b>73</b>	<b>62</b>	<b>144</b>	<b>171</b>	<b>179</b>	<b>207</b>
Cash flow from investing activities	-28	-4	-45	-18	-52	-25
Cash flow from financing activities	-86	-84	-137	-168	-159	-190
<b>Cash flow for the period</b>	<b>-40</b>	<b>-27</b>	<b>-38</b>	<b>-15</b>	<b>-31</b>	<b>-8</b>
Cash and cash equivalents at beginning of the period	96	110	91	99	82	99
Translation differences in cash and cash equivalents	-1	-1	2	-1	4	0
<b>Cash and cash equivalents at end of period</b>	<b>55</b>	<b>82</b>	<b>55</b>	<b>82</b>	<b>55</b>	<b>91</b>
Interest-bearing liabilities	436	402	436	402	436	395
<b>Net debt</b>	<b>381</b>	<b>319</b>	<b>381</b>	<b>319</b>	<b>381</b>	<b>304</b>

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

## Equity

Change in Group Equity, SEK millions	Sep 30 2018	Sep 30 2017	Dec 31 2017
Balance at January 1	721	636	636
Total comprehensive income for the period	171	122	163
Share-related payment	4	3	8
Repurchase of own shares	-11	-8	-39
Dividends	-70	-47	-47
<b>Closing balance</b>	<b>816</b>	<b>707</b>	<b>721</b>

## Financial accounts

	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	1710-1809 12 months	Q1-Q4 2017
Net increase in net sales (%)	16.0	20.1	13.7	28.4	13.7	24.3
Gross margin (%)	60.3	60.9	61.6	61.2	61.3	61.0
EBITDA (SEK m)	87	77	237	216	281	259
EBITDA (%)	24.5	25.1	23.6	24.5	21.5	21.9
EBIT (SEK m)	74	65	199	181	230	212
EBIT (%)	20.9	21.2	19.9	20.6	17.7	17.9
Return on capital employed (%)	-	-	-	-	19.5	18.7
Return on Shareholder's equity (%)	-	-	-	-	19.6	21.0
Working capital in relation to sales (%)*	-	-	-	-	6.6	5.1
Capital turnover rate	-	-	-	-	0.87	0.83
Net debt/equity ratio	-	-	-	-	0.47	0.42
Equity/assets ratio (%)	-	-	-	-	51.5	50.2
Investments in tangible fixed assets (SEK m)	2	4	10	12	20	22
Investments in intangible fixed assets (SEK m)	4	1	12	7	15	10
Depreciation of tangible fixed assets (SEK m)	-4	-3	-10	-8	-13	-11
Amortization of intangible fixed assets (SEK m)	-9	-9	-28	-26	-37	-35
<i>Of which amortization of overvalues acquired</i>	-3	-3	-10	-9	-13	-12
<i>Of which amortization of capitalized development costs</i>	-6	-6	-18	-17	-25	-24
Number of employees (average)	542	491	529	481	525	486
Net sales per employees (SEK m)	0.65	0.62	1.9	1.8	2.5	2.4
Equity per share (SEK)*	17.13	14.76	16.72	14.35	16.41	14.65
Cash flow from operations per share (SEK)*	1.57	1.33	3.09	3.67	3.85	4.44
Total number of share average (thousands)*	46,819	46,819	46,819	46,819	46,819	46,819
Holding of own shares average (thousands)*	258	102	275	107	240	158
Total outstanding shares average (thousands)*	46,561	46,717	46,544	46,712	46,578	46,661

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

## Quarterly data

Division of income per brand SEK millions	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Anybus	209*	183	189	182	185	175	158	143
IXXAT	45	39	38	39	40	36	38	38
eWON	63	70	64	58	57	60	56	55
Intesis	25	25	24	16	21	20	17	17
Other	11	12	5	6	2	8	10	12
<b>Total</b>	<b>353</b>	<b>329</b>	<b>320</b>	<b>301</b>	<b>305</b>	<b>299</b>	<b>279</b>	<b>265</b>

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

\* Including net sales of SEK 10 million from the acquired company Beck IPC

Net sales per region SEK millions	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
EMEA	220*	208	198	181	185	185	175	162
Americas	75	67	59	62	64	62	65	64
Asia	58	54	63	58	55	52	39	39
<b>Total</b>	<b>353</b>	<b>329</b>	<b>320</b>	<b>301</b>	<b>305</b>	<b>299</b>	<b>279</b>	<b>265</b>

\* Including net sales of SEK 10 million from the acquired company Beck IPC

Income statement SEK millions	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
<b>Net sales</b>	<b>353</b>	<b>329</b>	<b>320</b>	<b>301</b>	<b>305</b>	<b>299</b>	<b>279</b>	<b>265</b>
<b>Gross profit</b>	<b>213</b>	<b>206</b>	<b>198</b>	<b>182</b>	<b>186</b>	<b>185</b>	<b>170</b>	<b>163</b>
<i>Gross margin (%)</i>	<i>60.3</i>	<i>62.8</i>	<i>61.8</i>	<i>60.3</i>	<i>60.9</i>	<i>61.8</i>	<i>61.0</i>	<i>61.5</i>
<b>Operating profit</b>	<b>74</b>	<b>63</b>	<b>63</b>	<b>31</b>	<b>65</b>	<b>59</b>	<b>57</b>	<b>40</b>
<i>Operating margin (%)</i>	<i>20.9</i>	<i>19.0</i>	<i>19.6</i>	<i>10.2</i>	<i>21.2</i>	<i>19.9</i>	<i>20.6</i>	<i>14.9</i>
<b>Profit before tax</b>	<b>70</b>	<b>58</b>	<b>52</b>	<b>25</b>	<b>58</b>	<b>56</b>	<b>56</b>	<b>36</b>



## Parent company's income statement

SEK millions	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	1710-1809 12 months	Q1-Q4 2017
Net sales	4	3	12	10	17	16
<b>Gross profit</b>	<b>4</b>	<b>3</b>	<b>12</b>	<b>10</b>	<b>17</b>	<b>16</b>
Administrative expenses	-3	-3	-11	-10	-17	-16
<b>Operating profit</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>
Profit from participations in subsidiaries	3	0	165	0	165	0
Interest expenses and other similar expenses	-1	0	-1	0	-1	0
<b>Profit before tax</b>	<b>3</b>	<b>0</b>	<b>165</b>	<b>0</b>	<b>165</b>	<b>0</b>
Tax	0	0	-1	0	-1	0
<b>Profit for the year</b>	<b>3</b>	<b>0</b>	<b>164</b>	<b>0</b>	<b>164</b>	<b>0</b>

## Parent company's balance sheet

SEK millions	Sep 30 2018	Sep 30 2017	Dec 31 2017
<b>ASSETS</b>			
Financial assets	337	337	337
<b>Total financial assets</b>	<b>337</b>	<b>337</b>	<b>337</b>
Receivables from Group companies	64	-	-
Other receivables	1	1	0
Cash and cash equivalents	1	0	0
<b>Total current assets</b>	<b>66</b>	<b>1</b>	<b>1</b>
<b>TOTAL ASSETS</b>	<b>403</b>	<b>338</b>	<b>338</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>202</b>	<b>149</b>	<b>118</b>
<b>Current liabilities</b>			
Accounts payables - trade	0	0	1
Liabilities to Group companies	197	185	183
Other current liabilities	4	3	36
<b>Total current liabilities</b>	<b>201</b>	<b>189</b>	<b>220</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>403</b>	<b>338</b>	<b>338</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.

SEK millions	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	1710-1809 12 months	Q1-Q4 2017
Operating profit	74	65	199	181	230	212
Depreciation/amortization	13	12	38	34	51	47
EBITDA	87	77	237	216	281	259

**HMS Networks AB (publ)** is the leading independent supplier of solutions for industrial communication. HMS develops and manufactures solutions for connecting automation devices and systems to industrial networks and IIoT under the Anybus®, IXXAT® and eWON® brands. Communication solutions for building automation are offered through the subsidiary Intesis. Development and manufacturing take place at the headquarters in Halmstad, Ravensburg, Nivelles and Igualada. Local sales and support are handled by branch offices in Japan, China, Germany, USA, Italy, France, Belgium, Singapore, Spain, India, UK, Sweden, Finland and Denmark, as well as through an extensive network of distributors. HMS employs over 500 people and reported sales of 119 million EUR in 2017. HMS is listed on the NASDAQ OMX in Stockholm, category Mid Cap, Information Technology.

## Our vision

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

## Our mission

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