

hms networks

INTERIM REPORT 2016

JANUARY - JUNE

First six months

- Net sales for the first six months increased with 25 % reaching SEK 433 m (347), corresponding to a 25 % increase in local currencies
- Operating profit for the first six months reached SEK 55 m (56), equal to a 13 % (16) operating margin
- Order intake for the first half year increased with 30 % to SEK 447 m (345)
- Cash flow from operating activities amounted to SEK 51 m (37)
- Profit after taxes totaled SEK 38 m (37) and result per share amounted to SEK 3.28 (3.26)
- During the period the acquired eWON SA contributed to net sales with SEK 71 m. Contribution to the operating result, including amortization and acquisition cost, was SEK 17 m
- The first half year result was affected by SEK 5 m in acquisition expenses
- Net sales for the last twelve months amounted to SEK 788 m (655) corresponding to a 20 % increase. Operating result amounted to SEK 101 m (111) corresponding to a 13 % (17) operating margin

Second quarter

- Net sales for the second quarter increased with 32 % reaching SEK 232 m (177)
- Operating result reached SEK 35 m (24) corresponding to an operating margin of 15 % (14)
- Order intake during the second quarter was SEK 247 m (170)
- Intesis SL, acquired late in the second quarter, had no impact on the net sales and the operating result of the Group
- Costs related to the acquisition had a SEK 2.5 m negative impact on the operating profit during the first quarter



Comment from the CEO

During the second quarter of 2016 we reach a new record of SEK 232 m corresponding to a 32 % increase in net sales. The increase is partly organic with 7 % due to improving market conditions and partly the result of getting the full effect of the acquisition of eWON.

During the second quarter we can also report a positive change in the product mix improving our gross margins. This in combination with a cautious approach to new investments in resources resulted in higher operating result during the second quarter of 2016.

The Netbiter product group, which in the future will be a part of the eWON brand name, shows a sales increase of 57 % during the first six months – still from low volumes. With additional market leading products from eWON we strongly believe that this area of the HMS product offer now will be able to develop even better going forward.

At the end of the second quarter HMS acquired the Spanish company Intesis Software S.L. Intesis' know how in the area of building automation, and their well-established solutions in this market segment will become an important addition to HMS growth strategy. Intesis strong market position in solutions for system integration and building automation will become a good addition to HMS' existing product offer. Through the acquisition of Intesis HMS will gain a strong position with good opportunities to growth in the market segment building automation. Intesis is a well-established company with good reputation which, as well as the newly acquired eWON, will further strengthen HMS' unique value proposition towards manufacturers of industrial products and machines as well as system integrators and installation providers globally.

During the first six months of 2016 we have initiated the integration of sales and marketing resources in eWON with the existing organization of HMS for our brand names Anybus®, IXXAT® and eWON®. On a long term perspective we also see good opportunities to coordinate technology and development projects in the acquired operations. This is expected to give a positive effect on future generations of products provided by HMS.

Our focus is now on achieving the full effect of the possibilities we see in the newly acquired operations as well as the investments we have made during previous years.

Despite the increase in order intake we still see some of the uncertainty in the market development we have previously reported. We still see a good inflow of new design-wins for our products which in the long term will strengthen HMS' position on the market.

The German and Japanese markets continue to show a good development. On the US market we still have a mixed picture and cautious market. But during the last quarter we have received a couple of larger customer project which gives us good hopes for the future.

An increase in amortization of intangible assets, acquisition costs and investments in more resources mainly in the area of sales and marketing has a negative impact on the first six months result.

Our focus is to continue to drive growth within our three product brands. We continue to balance our long term growth strategy with a cautious approach to costs. In the long term, we believe that the market for industrial communication and remote monitoring will be an interesting growth area, and we continue to focus on our motto "HMS - Connecting Devices".

"With the acquisition of Intesis during the second quarter HMS will have a strong position and a good possibility to grow in the area of building automation."



Staffan Dahlström,
CEO, HMS Networks AB

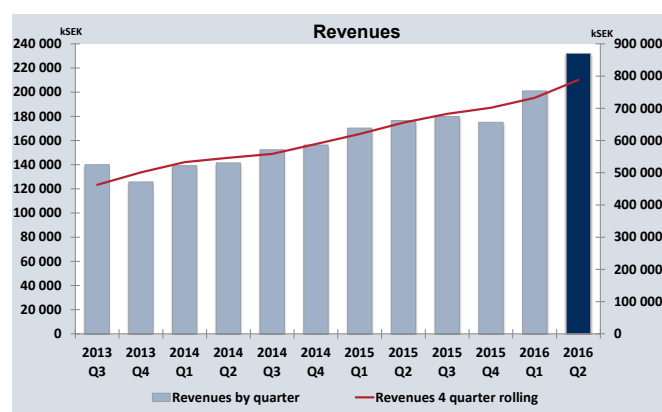


Net sales

Net sales for the last twelve months amounted to SEK 788 m (655) corresponding to a 20 % increase. In total, the depreciation of the Swedish currency in relation to the major HMS currencies had a positive effect on net sales by SEK 19 m compared to the previous twelve-month period. Order intake for the twelve-month period amounted to SEK 783 m (655).

Net sales for the first six months 2016 was SEK 433 m (347), corresponding to a 25 % increase compared to the same period during the previous year. Currency effects had no impact on net sales during the first half year. During the first six months the acquired company eWON contributed with SEK 71 m to net sales. Order intake for the first six months increased by SEK 102 m to SEK 447 m (345), of which SEK 438 m (331) is expected to be delivered during the next twelve months.

Net sales for the second quarter 2016 was SEK 232 m (177), corresponding to a 32 % increase compared to the same quarter during the previous year. During the second quarter the acquired company eWON contributed with SEK 43 m to net sales. The Spanish company Intesis Software S.L. was acquired during the latter part of the second quarter. The acquired operations had no effect on the net sales of the Group during the period. Order intake for the second quarter increased by SEK 77 m to SEK 247 m (170).



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	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	2016	2016	2015	2015	2015	2015	2014	2014
Net sales (SEK m)	232	201	175	180	177	170	156	152
Order intake (SEK m)	247	199	157	180	170	174	162	148
Gross margin (%)	60.9	59.2	60.5	59.9	62.2	62.4	62.0	63.0
EBITDA (SEK m)	44	30	23	40	33	40	26	44
EBITDA (%)	18.8	14.8	13.1	22.2	18.6	23.4	16.5	29.0
Operating profit (SEK m)	35	20	14	31	24	32	18	37
Operating margin (%)	15.0	10.1	8.2	17.3	13.7	18.7	11.5	24.4
Return on capital (%)	18.4	9.9	3.0	17.9	13.7	20.4	8.8	26.0
Earnings per share (SEK)	2.20	1.08	0.31	1.75	1.32	1.95	0.81	2.28
Equity per share (SEK)	48.15	48.39	40.34	40.28	38.18	39.18	37.43	36.19
Cash flow for operating activities per share (SEK)	3.91	0.44	1.54	3.15	2.56	0.72	2.32	2.56

Half-year data	Q1-Q2	Q3-Q4	Q1-Q2	Q3-Q4	Q1-Q2	Q3-Q4	Q1-Q2	Q3-Q4
	2016	2015	2015	2014	2014	2013	2013	2012
Net sales (SEK m)	433	355	347	309	281	266	235	186
Order intake (SEK m)	447	337	345	310	301	257	259	195
Gross margin (%)	60.1	60.2	62.3	62.5	62.0	63.5	61.7	58.8
EBITDA (SEK m)	73	63	73	70	56	55	50	35
EBITDA (%)	16.9	17.7	21.0	22.6	20.0	20.6	21.2	18.8
Operating profit (SEK m)	55	46	56	55	42	46	41	29
Operating margin (%)	12.7	12.8	16.2	17.9	15.1	17.2	17.4	15.8
Return on capital (%)	15.0	10.5	17.3	17.3	14.8	18.3	17.3	16.1
Earnings per share (SEK)	3.28	2.05	3.26	3.09	2.49	2.92	2.63	2.35
Equity per share (SEK)	43.82	39.26	37.80	35.69	33.69	31.97	30.31	29.08
Cash flow for operating activities per share (SEK)	4.36	4.69	3.24	4.88	3.38	5.00	2.92	3.91

Operatin profit

Operating profit before depreciation EBITDA for the last twelve months totaled to SEK 136 m (143), equivalent to an operating margin EBITDA of 17 % (22). Operating result EBIT for the last twelve months amounted to SEK 101 m (111) corresponding to a 13% (17) EBIT margin. Currency effects related to income and expenses had a SEK 9 m positive impact on the operating result compared to the previous 12 months.

During the recent 12 month period the acquired eWON contributed with SEK 17 m including amortization on acquired assets and acquisition costs.

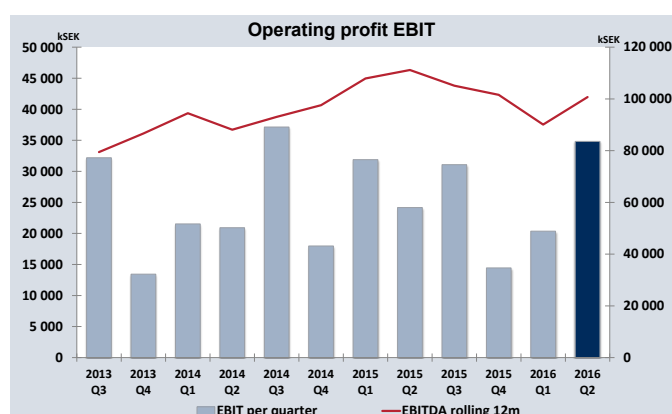
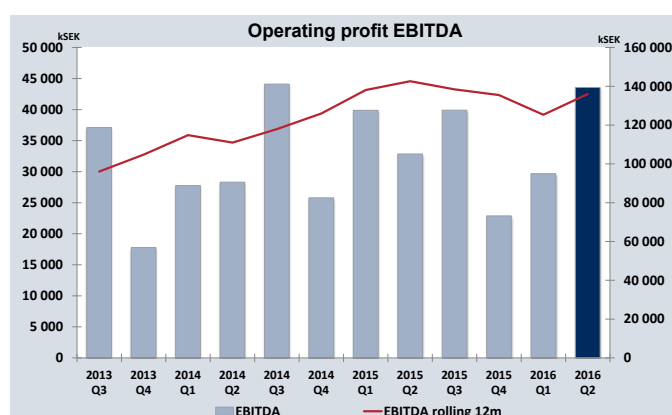
The operating profit before depreciation EBITDA for the first six months 2016 totaled to SEK 73 m (73), corresponding to a 17 % (21) EBITDA margin. Operating result after depreciation EBIT for the first six months totaled SEK 55 m (56) corresponding to a 13 % (16) EBIT margin. Changes in exchange rates related to income and expenses had a SEK 1.0 m positive impact compared to the same period the previous year.

During the first six months the acquired company eWON, considering depreciation on allocated overvalues and acquisition expenses, had a SEK 17 m positive impact on the Group operating result. The costs related to the acquisition amounted to SEK 2.5 m.

The operating profit before depreciation EBITDA for the second quarter 2016 totaled to SEK 44 m (33), corresponding to a 19 % (19) EBITDA margin. Operating result after depreciation EBIT for the second quarter totaled SEK 35 m (24) corresponding to an 15 % (14) EBIT margin. Changes in exchange rates related to income and expenses had a SEK 0.3 m positive impact compared to the same period the previous year.

During the second quarter the acquired company eWON, considering depreciation on allocated overvalues and acquisition expenses, had a SEK 12 m positive impact on the Group operating result.

At the end of the second quarter the Spanish company Intesis Software S.L. was acquired. The operations in the Spanish company did not have an effect on the second quarter result of the Group. Related SEK 2.5 m in acquisition costs is included in the reported result for the period.



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 562 m (431). 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 41 % (51). In connection with the share saving program initiated during 2013 the Company has acquired 31,000 of shares in HMS Networks AB up until June 30, 2016.

Change in Group Equity (SEK 000s)

	Jun 30 2016	Jun 30 2015	Dec 31 2015
Balance at 1 January	455,482	422,599	422,599
Total comprehensive income for the period	41,415	35,771	59,376
Issue of new shares	93,285	0	0
Share-related payment	1,133	964	1,737
Dividends	-29,184	-28,229	-28,229
Closing balance	562,131	431,105	455,482

Tax

The tax charge for the first six months was SEK 15 m (12). 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 net-investments are disclosed under the Company statement of comprehensive income. 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 first half year consist of 60 % in EURO, 24 % in USD, 9 % in Japanese Yen and 7 % in SEK and other currencies. Cost of goods sold consists of 58 % in EURO, 20 % in USD and 1 % in Japanese Yen. Operating expenses consist of 43 % in EURO, 13 % in USD, 4 % in Japanese Yen and 40 % in 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 51 (37).

The investments in tangible assets for the first six months totaled SEK 4 m (3). Investments in intangible assets totaled SEK 15 m (8) and comprise to a material part capitalization of expenses related to the development of technology platforms. Depreciation on capitalized development costs during the period amounted to SEK 9 m (9).

The acquisition of IXXAT in February 2013 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.

The acquisition of eWON in February 2016 generated, according to the preliminary acquisition analysis, a SEK 232 m overvalue before tax, of which SEK 97 m is allocated on brand name and customers included in the acquisition. Amortization on overvalues acquired is estimated to SEK 1.5 m annually. Amortization on overvalues ac-

quired was recognized with SEK 0.6 m during the first six months 2016.

The acquisition of eWON was financed by issuing 382,317 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 6.4 m annually. At the end of the period the loans related to the acquisitions amounted to EUR 33 m.

In total SEK 28 m (18) was amortized during the first six months 2016. At the end of the period the cash equivalents totalled SEK 76 m (17) and unutilized credit facilities SEK 3 m. The Group's net debt amounted to SEK 498 m (221).

During the second quarter dividend was paid out, in total SEK 29 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 2016 amounted to SEK 0 m (0). Cash and cash equivalents amounted to SEK 0.4 m (0.3) 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 11,704,717 whereof 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 June 30, 2016 the total number of shares saved amounted to approximately 60,000.

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 bank loan for EUR 19 m.

The acquisition generated consolidated goodwill of approximately SEK 232 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.

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

Consideration:	SEK t
Cash and cash equivalents	178,981
Issued shares	93,285
Total consideration, preliminary	272,266

The assets and liabilities that were recognized as a result of the acquisition are:	Fair value, SEK t
Cash and cash equivalents	26,783
Accounts receivable and other receivables	32,455
Inventories	19,253
Property, plant and equipment	21,551
Intangible assets	
<i>Customers</i>	15,045
<i>Brands</i>	81,675
<i>Deferred tax liabilities</i>	-30,950
Accounts payable and other liabilities	-30,228
Borrowings	-28,971
Deferred tax liabilities	-329
Total identifiable net assets	106,283
Goodwill*	165,982
Acquired net assets	272,266

*Goodwill is attributable to the employees and the high profitability of the acquired business. No portion of 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 annual general meeting was held on April 28, 2016

○ HMS annual general meeting decided to distribute a SEK 2.50 dividend

○ 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 acquisition was financed with a bank loan to the amount of EUR 16 m.

Preliminary the acquisition will generate a SEK 133 m overvalue in the Group. The acquired company is consolidated in the Group accounts as of June 30, 2016.

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

Consideration:	SEK t
Cash and cash equivalents	166,528
Total consideration, preliminary	166,528

The assets and liabilities that were recognized as a result of the acquisition are:	Fair value, SEK t
Intangible assets*	132,615
Other fixed assets	1,628
Current assets	11,301
Cash and cash equivalents	28,807
Non-current liabilities	-72
Current liabilities	-7,751
Acquired net assets	166,528

*As of June 30 these are not distributed between different categories of immaterial assets, pending a purchase price analysis and determination of final purchase price.

Buildings



Energy



Life-Science



Manufacturing



Transport



Outlook

The HMS Group's long term growth is supported by a continued inflow of design-wins, a broader product offering especially within the Gateway product family and Remote Management, 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 fluctuating 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 June 30, 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.

As of this interim 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.

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 26, 2016
- Year-end report will be presented on February 16, 2017

ASSURANCE

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

Halmstad July 19, 2016

Staffan Dahlström Chief Executive Officer	Charlotte Brogren Chariman of the Board
Henrik Johansson	Ray Mauritsson
Kerstin Lindell	Fredrik Hansson
Anders Mörck	

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 19, 2016.

Financial accounts

	Q2 2016	Q2 2015	Q1-Q2 2016	Q1-Q2 2015	Q1-Q4 2015	1507-1606 12 months
Net increase in net sales (%)	31.5%	24.8	24.9%	23.6	19.1	20.2%
Gross margin (%)	60.9%	62.2	60.1%	62.3	61.2	60.2%
Operating margin EBIT (%)	15.0%	13.7	12.7%	16.2	14.5	12.8%
EBITDA (SEK 000s)***	43,570	32,827	73,254	72,687	135,517	136,073
EBITDA (%)***	18.8%	18.6	16.9%	21.0	19.3	17.3%
Return on capital employed (%)	3.6%	3.6	6.6%	8.4	15.4	11.5%
Return on total equity (%)	18.4%	13.7	15.0%	17.3	13.7	12.4%
Working capital in relation to sales (%)**	8.4%	7.5	8.4%	7.5	5.8	8.4%
Capital turnover rate	0.72	0.84	0.78	0.83	0.84	0.71
Debt/equity ratio	0.89	0.51	0.89	0.51	0.39	0.89
Equity/assets ratio (%)	40.5%	51.4	40.5%	51.4	54.9	40.5%
Capital expenditure in property, plant and equipm (SEK 000s)	2,480	2,091	4,110	3,143	5,042	6,009
Capital expenditure in intangible fixed assets (SEK 000s)	7,655	4,132	15,001	8,415	20,404	26,991
Depreciation of property, plant and equipment (SEK 000s)	-2,429	-2,050	-4,672	-4,052	-8,095	-8,714
Amortization of intangible fixed assets (SEK 000s)*	-6,314	-6,595	-13,381	-12,585	-25,838	-26,634
Number of employees (average)	429	363	429	359	362	397
Revenue per employees (SEK m)**	1.8	1.8	1.8	1.8	1.9	2.0
Equity per share, SEK	48.15	38.18	43.82	37.80	38.88	43.37
Cash flow from operations per share, SEK	3.91	2.56	4.36	3.24	7.97	9.09
Total number of share, average, thousands	11,705	11,322	11,641	11,322	11,322	11,482
Holding of own shares, average, thousands	31	31	31	31	31	31
Total outstanding shares, average, thousands	11,674	11,291	11,610	11,291	11,291	11,451

*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)	Q2 2016	Q2 2015	Q1-Q2 2016	Q1-Q2 2015	Q1-Q4 2015	1507-1606 12 months
Revenue	232,127	176,515	433,201	346,766	701,676	788,110
Cost of goods and services sold	-90,797	-66,660	-172,836	-130,743	-271,918	-314,011
Gross profit	141,330	109,854	260,365	216,023	429,757	474,099
Sales and marketing costs	-56,494	-39,809	-105,353	-77,921	-164,932	-192,364
Administrative expenses	-20,387	-16,041	-40,182	-30,961	-61,354	-70,575
Research and development costs	-28,053	-27,640	-57,240	-51,116	-103,116	-109,240
Other operating income	0	672	0	5,429	1,230	-4,199
Other operating costs	-1,568	-2,859	-2,389	-5,392	0	3,003
Operating profit	34,827	24,178	55,202	56,061	101,584	100,725
Financial income	3,407	0	3,424	0	2	3,427
Financial costs	-2,258	-4,295	-5,495	-6,772	-14,025	-12,748
Profit before tax	35,977	19,883	53,131	49,289	87,561	91,403
Tax	-10,245	-4,971	-14,877	-12,322	-27,356	-29,911
Profit for the period	25,732	14,912	38,254	36,967	60,205	61,493
Basic earnings per share, SEK	2.20	1.32	3.28	3.26	5.33	5.35

Statement of comprehensive income

(SEK 000s)	Q2 2016	Q2 2015	Q1-Q2 2016	Q1-Q2 2015	Q1-Q4 2015	1507-1606 12 months
Profit for the period	25,732	14,912	38,254	36,967	60,205	61,493
Other comprehensive income						
Items that may be reclassified subsequently to income statement						
Cash flow hedges	-1,479	2,193	-1,197	1,556	1,787	-966
Translation differences	10,037	-1,897	7,951	-9,154	-11,244	5,861
Hedging of net investments	-3,185	2,266	-4,944	8,646	11,565	-2,026
Income tax relating to components of other comprehensive income	1,026	-981	1,351	-2,244	-2,937	658
Other comprehensive income for the period, net of tax	6,399	1,581	3,161	-1,196	-830	3,527
Total comprehensive income for the period	32,131	16,493	41,415	35,771	59,376	65,020

Balance sheets

(SEK 000s)	Jun 30 2016	Jun 30 2015	Dec 31 2015
ASSETS			
Goodwill	565,406	395,591	394,167
Other intangible assets	480,938	248,421	245,835
Property, plant and equipment	37,666	17,569	15,300
Deferred tax assets	576	407	3,239
Other long term receivables	2,132	1,914	1,723
Total fixed assets	1,086,718	663,902	660,264
Inventories	81,128	58,496	55,810
Trade and other receivables	122,216	83,047	81,973
Other current receivables	21,216	15,910	13,313
Cash and cash equivalents	75,546	16,594	19,503
Total current assets	300,106	174,047	170,599
TOTAL ASSETS	1,386,824	837,949	830,863
EQUITY AND LIABILITIES			
Equity	562,131	431,105	455,482
Liabilities			
Non-current liabilities	477,841	178,977	158,142
Deffered income tax liabilities	103,086	68,563	72,242
Total non-current liabilities	580,927	247,540	230,384
Interest-bearing current liabilities	95,562	58,506	38,759
Trade payables	54,389	43,937	44,704
Other current liabilities	93,815	56,861	61,534
Total current liabilities	243,766	159,304	144,997
TOTAL EQUITY AND LIABILITIES	1,386,824	837,949	830,863

Cash flow statements

(SEK 000s)	Q2 2016	Q2 2015	Q1-Q2 2016	Q1-Q2 2015	Q1-Q4 2015	1507-1606 12 months
Cash flow from operating activities before changes in working capital	39,965	20,417	54,623	49,966	96,808	101,465
Cash flow from changes in working capital	5,644	8,061	-3,962	-13,376	-6,796	2,618
Cash flow from operating activities	45,609	28,478	50,661	36,590	90,012	104,083
Cash flow from investing activities	-129,376	-6,144	-290,230	-11,803	-25,398	-322,671
Cash flow from financing activities	110,679	-17,789	294,484	-25,916	-62,872	276,374
Cash flow for the period	26,913	4,545	54,916	-1,129	1,742	57,787
Cash and cash equivalents at beginning of the period	47,652	12,500	19,503	17,629	17,629	16,594
Translation differences in cash and cash equivalents	981	-451	1,127	94	132	1,165
Cash and cash equivalents at end of period	75,546	16,594	75,546	16,594	19,503	75,546

*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)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
EMEA	144,356	121,420	99,757	109,576	104,637	104,580	99,014	97,567	90,601	91,628	78,378	89,455
Americas	48,548	46,424	40,938	38,898	37,248	39,999	33,123	30,157	27,519	27,291	26,359	30,592
Asia	39,223	33,230	34,379	31,362	34,629	25,672	24,181	24,592	23,330	20,207	21,021	19,920

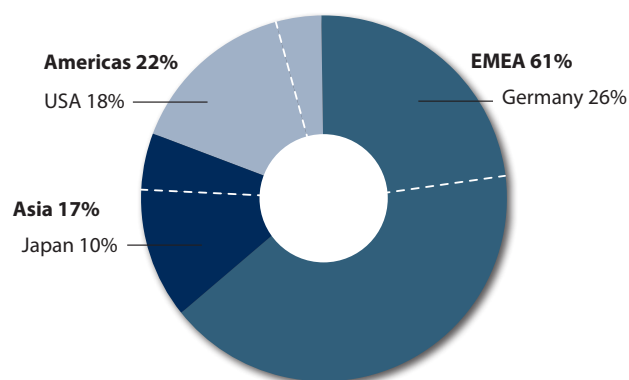
Income statement (SEK 000s)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Revenue	232,127	201,073	175,074	179,835	176,515	170,251	156,318	152,316	141,451	139,127	125,758	139,967
Gross profit	141,330	119,035	105,993	107,742	109,854	106,168	96,867	95,991	87,618	86,369	80,056	88,704
Gross margin	60.9%	59.2%	60.5%	59.9%	62.2%	62.4%	62.0%	63.0%	61.9%	62.1%	63.7%	63.4%
Operating profit	34,827	20,374	14,440	31,083	24,178	31,884	17,977	37,150	20,928	21,527	13,443	32,226
Operating margin	15.0%	10.1%	8.2%	17.3%	13.7%	18.7%	11.5%	24.4%	14.8%	15.5%	10.7%	23.0%
Profit before tax	35,977	17,154	11,913	26,359	19,883	29,406	15,764	33,465	17,971	18,611	12,397	30,479

Sales

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

Anybus Embedded products reached 44 % (51) of the Group's total sales, IXXAT 14 % (19), Anybus Gateway products 17 % (21), eWON products 20 % (3) and other revenues (services, Intesis and other) reached 5 % (6).

Most of the 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 2016	Q2 2015	Q1-Q2 2016	Q1-Q2 2015	Q1-Q4 2015	1507-1606 12 months
Revenue	3,825	3,166	7,878	5,402	11,933	14,408
Gross profit	3,825	3,166	7,878	5,402	11,933	14,408
Administrative expenses	-3,823	-3,166	-7,878	-5,402	-11,606	-14,081
Operating profit	2	0	0	0	327	327
Interest expense and similar income	0	0	0	0	0	0
Profit before tax	2	0	0	0	327	327
Appropriations	0	0	0	0	8	8
Tax	0	0	0	0	-141	-141
Profit of the period	2	0	0	0	194	194

Parent company balance sheets

(SEK 000s)	Jun 30 2016	Jun 30 2015	Dec 31 2015
ASSETS			
Financial fixed assets	337,324	244,039	244,039
Total financial fixed assets	337,324	244,039	244,039
Other receivables	793	765	600
Cash and cash equivalents	434	300	276
Total current assets	1,227	1,064	876
TOTAL ASSETS	338,552	245,103	244,915
EQUITY AND LIABILITIES			
Equity	153,974	90,249	90,443
Untaxed reserves	0	8	0
Liabilities			
Trade payables	81	181	667
Liabilities to Group companies	181,014	152,415	149,890
Other current liabilities	3,483	2,250	3,915
Total current liabilities	184,578	154,847	154,472
TOTAL EQUITY AND LIABILITIES	338,552	245,103	244,915

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	Q2 2016	Q1-Q2 2016	1507-1606 12 months
Operating profit	34,827	55,202	100,725
Depreciation/amortization	8,743	18,052	35,348
EBITDA	43,570	73,254	136,073

HMS Networks AB (publ) is the leading independent supplier of products for industrial communication and remote management. Reported sales reached SEK 701 m in 2015. Development and manufacturing take place at the headquarter in Halmstad, Sweden, in Nivelles Belgium and in Weingarten, 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 over 460 people and develops and manufactures solutions for connecting automation devices and systems to industrial networks under the Anybus® and IXXAT® brand and products for remote management and control under the eWON® and Netbiter® brands. 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”.