hms networks

INTERIM REPORT 2016
JANUARY - SEPTEMBER

First nine months

- Net sales for the first nine months increased with 30 % reaching SEK 687 m (527), corresponding to a 30 % increase in local currencies
- Operating profit reached SEK 110 m (87), equal to a 16 % (17) operating margin
- Order intake for the first nine months increased with SEK 174 m to 698 m (524) corresponding to a 32 % increase in local currencies
- Cash flow from ongoing operations reached SEK 119 m (72)
- Net result after tax amounted to SEK 75 m (57) and result per share amounted to SEK 6.44 (5.01)
- Net sales for the last twelve months amounted to SEK 862 m (683) cor-responding to a 25 % increase in local currencies
- Operating result for the last twelve months amounted to SEK 124 m (105) corresponding to a 14 % (15) operating margin

Third quarter

- Net sales sales for the third quarter reached SEK 254 m (180) corresponding to a 41 % increase
- Operating result reached SEK 55 m (31) corresponding to a 21 % (17) operating margin
- Order intake during the third quarter was SEK 252 m (180)

Connecting Devices™

Comment from the CEO

During the third quarter we reached new record levels both in net sales and profitability. The growth in net sales is due to a combination of organic growth and the contribution from the two acquisitions made in 2016. Adjusted for currency effects, the growth in net sales during the quarter was 39 % of which 11 % originated from organic growth in our core business.

A strong development in our base business and a positive contribution from the acquired companies strengthened our gross margin. Together with a lower level of activities in the third quarter due to the vacation period takes HMS to a new record level of SEK 55 m in operating result. This operating margin reached 21% for the third quarter of the year.

Net sales of SEK 254 m and an operating result of SEK 55 m for the quarter means that we financially takes a substantial step forward in line with our growth strategy.

Sales in Central Europe continues to develop well. Great Britain reached new record levels despite uncertainties around Brexit. The growth in Great Britain is driven by long-term projects now materializing in deliveries to customers. We can see a recovery in North America. This recovery is partly boosted by a strong US currency improving our reported figures. Our sales in Asia lead by Japan and China shows good development despite uncertainties related to the strengthened Japanese currency creating challenges for our customers in their export business. We see a weak growth on our Nordic markets — to some extent due to good performance during the comparable period last year.

Our ongoing efforts with the acquired companies eWON and Intesis continues. The plan is primarily to let the companies focus on the development of their success factors and in the long term integrate them into the HMS operations. In the case of eWON we continue to create synergies in the sales organization and the Netbiter product line has now become a part of the eWON product offer. This gives us the most complete product offer in the market for industrial remote monitoring and communication which we now define as "Remote Solutions".

Anybus Wireless Bolt was launched during the third quarter. With Anybus Wireless Bolt it is easy to connect data from industrial machines to different IT systems, something that attracts a lot of interest in the market from IT companies looking to expand their offer to the market with the HMS technology.

The interest in Industrial Internet of Things (IIoT) comes not only from our traditional customer base but also from new customer groups trying to gather information from industrial applications to their IT systems. During the quarter HMS completed a road show in eight different places in Europe and the USA to show that our solutions already today can be used for new IIoT applications. Hundreds of customers attended and we can notice a great interest in our solutions. We have also performed a series of Cyber security (digital security) seminars on the German market showing how our future products offer an increased IT protection for industrial applications. An area we see as an additional possibility for growth in HMS.

We assume a cautious approach to the market development and we consider the conditions for a long-term growth as positive.

Our focus remains to grow our three product brands Anybus, IXXAT and eWON and in the market segment Building Automation in the recently acquired Intesis. We continue to balance our long-term growth strategy with a restrictive approach to expenses and new resources. In the long term, we consider the market for industrial data communication and remote monitoring to be interesting growth areas and we continue to focus on our motto "Connecting devices".

"Our product launch of the Anybus Wireless Bolt in the area of Industrial Internet of Things attracts a lot of interest on our markets."

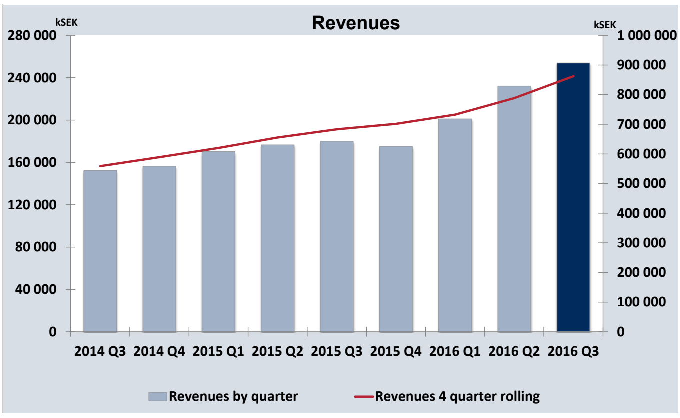
Staffan Dahlström,
CEO, HMS Networks AB

Net sales

Net sales for the last twelve months amounted to SEK 862 m (683) corresponding to a 26 % increase. In total the devaluation of the Swedish currency in relation to the major HMS currencies had a SEK 11 m positive impact on net sales compared to the previous twelve month period. The order intake for the last four quarters amounted to SEK 856 m (687).

Net sales for the first nine months amounted to SEK 687m (527) corresponding to a 30 % increase. The effect of fluctuation in currencies was immaterial for the period. Order intake for the first nine months was SEK 698 m (524). During the first nine months eWON SA acquired in February and Intesis SL acquired in June contributed with SEK 121 m to net sales.

Net sales for the third quarter 2016 totaled to SEK 254 m (180), corresponding to a 41 % increase compared to the same quarter the previous year. Adjusted for a SEK 4 m positive currency effect the volume increase was 39 % in local currencies. Order intake increased with SEK 72 m to SEK 252 m (180), of which SEK 244 m will be delivered during the upcoming twelve months. In local currencies order intake during the third quarter increased with 38 %. During the third quarter the acquired operations eWON and Intesis contributed with SEK 51 m the the net sales of the Group.



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	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Net sales (SEK m)	254	232	201	175	180	177	170	156
Order intake (SEK m)	252	247	199	157	180	170	174	162
Gross margin (%)	62.2	60.9	59.2	60.5	59.9	62.2	62.4	62.0
EBITDA (SEK m)	65	44	30	23	40	33	40	26
EBITDA (%)	25.4	18.8	14.8	13.1	22.2	18.6	23.4	16.5
Operating profit (SEK m)	55	35	20	14	31	24	32	18
Operating margin (%)	21.5	15.0	10.1	8.2	17.3	13.7	18.7	11.5
Return on capital (%)	25.0	18.4	9.9	3.0	17.9	13.7	20.4	8.8
Earnings per share (SEK)	3.14	2.20	1.08	0.31	1.75	1.32	1.95	0.81
Equity per share (SEK)	52.30	48.15	48.39	40.34	40.28	38.18	39.18	37.43
Cash flow for operating activities per share (SEK)	5.88	3.91	0.44	1.54	3.15	2.56	0.72	2.32

Operating profit

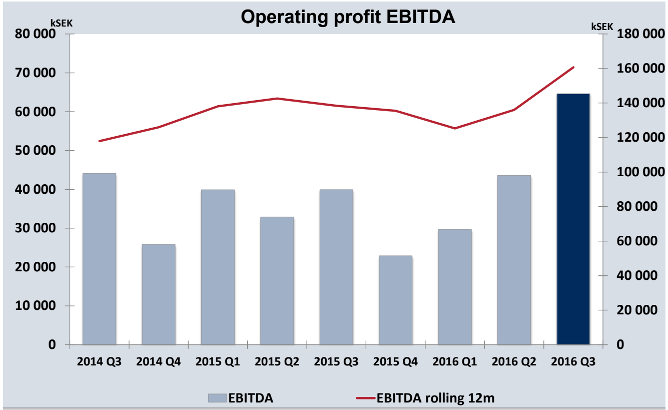
Operating profit totaled to SEK 124 m (105) for the last four quarters, equivalent to an operating margin of 14 % (15). Currency effects had a SEK 6 m positive impact on the operating result compared to the previous year.

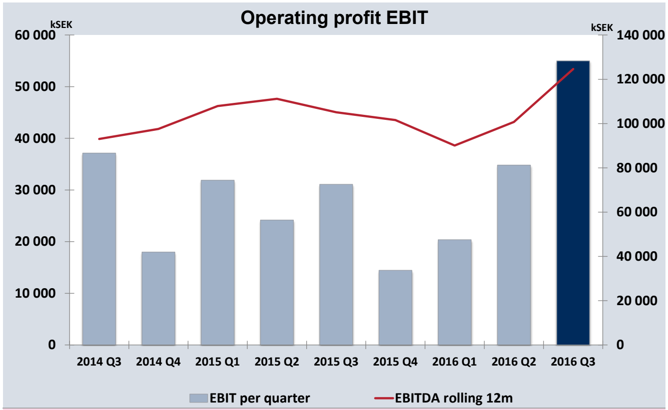
During the recent 12 month period the acquired eWON and Intesis contributed to the Group operating profit with SEK 29 m including amortization on acquired assets and acquisition costs.

Operating profit for the first nine months amounted to SEK 110 m (87), corresponding to a 16 % (17) operating margin. Currency fluctuations compared to the same period the previous year had a SEK 3 m positive impact.

During the first nine months the acquired companies eWON and Intesis, considering depreciation on allocated overvalues and acquisition expenses, had a SEK 29 m positive impact on the Group operating result. The costs related to the acquisition amounted to SEK 4.8 m.

The operating profit for the third quarter 2016 totaled to SEK 55 m (31), corresponding to a 21 % (17) operating margin. On Group level changes in exchange rates had a SEK 2 m positive impact compared to the same period the previous year. During the first six months the acquired companies eWON and Intesis, considering depreciation on allocated overvalues and acquisition expenses, had a SEK 15 m 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 610 m (455). The total number of shares at the end of the period was 11,704,717. In the new issue carried out in connection with the acquisition of eWON in February 2016, 382,317 new shares in HMS Networks AB were issued, which increased equity by SEK 38,232 in share capital and SEK 93 m in share premium. The Group's equity/assets ratio amounted to 44 % (54).

Change in Group Equity (SEK 000s)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Balance at 1 January	455,482	422,599	422,599
Total comprehensive income for the period	88,785	59,165	59,376
Issue of new shares	93,285	0	0
Share-related payment	1,782	1,329	1,737
Dividends	-29,184	-28,229	-28,229
Closing balance	**610,150**	**454,864**	**455,482**

Tax

The tax charge for the first half-year was SEK 29 m (19). 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 first nine months consist of 60 % in EURO, 23 % in USD, 8 % in Japanese Yen and 9 % in SEK and other currencies. Cost of goods sold consists of 62 % in EURO, 20 % in USD and 1 % in Japanese Yen. Operating expenses consists of 46 % in EURO, 13 % in USD, 4 % in Japanese Yen and 37 % of SEK and other currencies.

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

Cash flow, investments and financial position

Cash flow from operating activities in the first nine months 2016 amounted to SEK 119 m (72).

The investments in tangible assets for the nine month period totaled SEK 8 m (4). Investments in intangible assets for the period totaled SEK 19 m (12) and comprise internal development costs. Capitalized expenses is to the majority related to the development of new technology platforms. Depreciation on capitalized development costs amounted to SEK 13 m (13) during the period.

The acquisition of IXXAT in February 2013 has generated a SEK 255 m overvalue before tax for the group of which SEK 144 m is allocated to technology platforms, customers and brand name included in the acquisition. During the first nine months 2016 depreciation on purchase price allocated to assets acquired was reflected with SEK 5.5 m (5) in the income statement.

The acquisition of eWON in February 2016 generated, according to the preliminary acquisition analysis, 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 1.8 m annually. Amortization on overvalues acquired was recognized with SEK 1.3 m during the first nine months 2016.

The acquisition of Intesis in June 2016 generated, according to the preliminary acquisition analysis, a SEK 129 m overvalue before tax.

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 6.5 m annually. At the end of the period the loans related to the acquisitions amounted to EUR 31 m.

Other loans in the Group amounted to SEK 239 m at the end of the period. In total SEK 45 m (28) was amortized during the first nine months of 2016. At the end of the period the cash equivalents totaled SEK 90 m (19) and unutilized credit facilities amounted to SEK 30 m. The Group's net debt amounted to SEK 450 m (194).

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

The parent company

The Parent Company's operations are primarily focused on Group-wide management and financing. Apart from the Group's CEO, the Parent Company has no employees. The operating profit for the first nine months 2016 amounted to SEK 0 m (0). Cash and cash equivalents amounted to SEK 0.5 m (0.3) and borrowing amounted to SEK 0 m (0).

The HMS Networks AB share

HMS Networks AB (publ) is listed on the Nasdaq OMX Stockholm Mid Cap list, in the Information Technology sector. The total number of shares amounted to 11,704,717 of which 31,000 shares are held by the company.

Share savings program

The Company has launched four share saving programs. Based on a decision by the Annual General Meeting permanent employees are offered to save in HMS shares in an annual share saving program. Between 47 % and 60 % of the employees opted to participate in the respective program. If certain criteria's are met the Company is committed to give the participant a maximum of two HMS shares for every share saved by the employee. As of September 30, 2016 the total number of shares saved amounted to approximately 63,000.

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

The acquired company is included in the consolidated income statement and balance sheet for HMS as of 1 February 2016. During the first nine months, eWON had a positive impact on the net sales of the Group of SEK 109 m. The acquisition had a positive impact on operating profit, including amortization and aquisition costs, amounted to SEK 26 m.

The acquisition analysis has been updated during the quarter, based on the completed valuation of identifiable intangible assets. The changes affect the allocation between the various categories of intangible assets, with no impact on the reported results for the previous quarter. According to the 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	**272,266**

The assets and liabilities that were recognized as a result of the aquisition are:	**Fair value, SEK t**
Cash and cash equivalents	26,783
Accounts receivable and other recivables	32,455
Inventories	19,253
Deferred tax asset	378
Property, plant and equipment	21,551
Intangible assets	
Customers	*12,355*
Brands	*7,663*
Deferred tax liabilities	*-6,406*
Accounts payable and other liabilities	-30,228
Non-current liabilities	-31,179
Total identifiable net assets	**52,625**
Goodwill*	219,641
Aquired net assets	**272,266**

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

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

HMS annual general meeting decided to distribute a SEK 2.50 dividend, which was paid during the second quarter

HMS Anybus wireless Bold – a product group in the area of Industrial Internet of Things was launched during the third quarter 2016.

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 earnout of EUR 2 m. The earnout of maximun EUR 2 m is based on revenue growth and profit for the period 2016-2018. The acquisition was financed with a bank loan to the amount of EUR 16 m.

Preliminary the acquisition will generate a SEK 129 m overvalue in the Group. The acquired company is consolidated in the Group accounts as of June 30, 2016. During the first nine months Intesis contributed to the revenue of the Group of SEK 12 m. The acquisitions contribution to operating profit, including acquisition costs, amounted to SEK 3 m.

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

Consideration:	**SEK t**
Cash and cash equivalents	147,682
Additional contingent consideration	18,846
Total consideration, preliminary	**166,528**

The assets and liabilities that were recognized as a result of the aquisition are:	**Fair value, SEK t**
Intangible assets*	128,607
Other fixed assets	1,588
Current assets	16,215
Cash and cash equivalents	28,686
Deferred tax liabilities	-1,407
Current liabilities	-7,162
Aquired net assets	**166,528**

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

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

Accounting policies

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

Nomination committee

In accordance with principles adopted at HMS 2016 Annual General Meeting, the following persons have been assigned to be a part of the Nomination Committee: Jan Svensson, Investment AB Latour, representing 26 % of the shares, Staffan Dahlström representing 14 % of the shares, Evert Carlsson, Swedbank Robur Fonder AB representing 9 % of the shares, Göran Espelund, Lannebo Fonder representing 9 % of the shares and Charlotte Brogren, Chairman of the Board. The Nomination Committee has appointed Jan Svensson as its Chairman.

Shareholders who wish to present proposals to HMS's Nomination Committee may do so by e-mail to: 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, 2017.

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 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 more than 50 countries, take place via agents/distributors.

Business model

HMS has designed its business models to fit each market and product line. For the Embedded market, most business is via framework agreements (i.e. design-wins). The sales cycle is relatively long and the design phase is performed in close cooperation with the customer. After that, there is steady revenue over a long period of time. For Gateways and 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

- Year-end report 2016 will be published on February 16, 2017
- First quarter report 2017 will be published on April 25, 2017
- Annual General Meeting will be held on April 26, 2017
- Half year report 2017 will be published on July 20, 2017

Halmstad October 26, 2016

Staffan Dahlström
Chief Executive Officer

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

This 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 October 26, 2016.

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 30 September 2016 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, 26 October 2016
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorized Public Accountant

Financial accounts

	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	Q1-Q4 2015	1510-1609 12 months
Net increase in net sales (%)	41.2	18.1	30.5	21.6	19.1	26.2
Gross margin (%)	62.2	59.9	60.9	61.5	61.2	60.8
Operating margin EBIT (%)	21.5	17.3	16.0	16.5	14.5	14.4
EBITDA (SEK 000s)***	64,605	39,899	137,859	112,585	135,517	160,729
EBITDA (%)***	25.4	22.2	20.1	21.4	19.3	18.6
Return on capital empolyed (%)	4.8	4.7	12.6	13.0	15.4	14.1
Return on total equity (%)	25.0	17.9	18.7	17.2	13.7	14.7
Working capital in relation to sales (%)**	6.6	7.0	6.6	7.0	5.8	6.6
Capital turnover rate	0.73	0.86	0.82	0.84	0.84	0.77
Debt/equity ratio	0.74	0.43	0.74	0.43	0.39	0.74
Equity/assets ratio (%)	43.8	54.1	43.8	54.1	54.9	43.8
Capital expenditure in property, plant and equipm (SEK 000s)	4,352	884	8,462	4,027	5,042	9,470
Capital expenditure in intagible fixed assets (SEK 000s)	4,494	3,981	19,495	12,396	20,404	27,503
Depreciation of property, plant and equipment (SEK 000s)	-2,914	-2,017	-7,586	-6,070	-8,095	-9,561
Amortization of intangible fixed assetes (SEK 000s)*	-7,153	-6,799	-20,534	-19,383	-25,838	-26,988
Number of employees (average)	466	359	441	359	362	424
Revenue per employees (SEK m)**	1.9	1.9	2.0	1.9	1.9	2.0
Equity per share, SEK	52.27	40.28	45.81	38.86	38.88	46.12
Cash flow from operations per share, SEK	5.88	3.13	10.25	6.37	7.97	11.84
Total number of share, average, thousands	11,705	11,322	11,662	11,322	11,322	11,577
Holding of own shares, average, thousands	31	31	31	31	31	31
Total outstanding shares, average, thousands	11,674	11,291	11,631	11,291	11,291	11,546

*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)	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	Q1-Q4 2015	1510-1609 12 months
Revenue	253,856	179,835	687,056	526,602	701,676	862,130
Cost of goods and services sold	-95,887	-72,094	-268,723	-202,837	-271,918	-337,805
Gross profit	**157,968**	**107,742**	**418,333**	**323,765**	**429,757**	**524,325**
Sales and marketing costs	-53,687	-38,054	-159,039	-115,975	-164,932	-207,997
Administrative expenses	-18,434	-14,141	-58,616	-45,102	-61,354	-74,868
Research and development costs	-29,515	-26,141	-86,755	-77,258	-103,116	-112,614
Other operating income	0	2,892	0	8,321	1,230	-7,091
Other operating costs	-1,795	-1,215	-4,184	-6,607	0	2,423
Operating profit	**54,538**	**31,083**	**109,739**	**87,144**	**101,584**	**124,180**
Financial income	144	1	3,568	1	2	3,569
Financial costs	-3,728	-4,725	-9,223	-11,497	-14,025	-11,751
Profit before tax	**50,953**	**26,359**	**104,084**	**75,648**	**87,561**	**115,997**
Tax	-14,267	-6,590	-29,144	-18,912	-27,356	-37,588
Profit for the period	**36,686**	**19,769**	**74,941**	**56,736**	**60,205**	**78,410**
Basic earnings per share, SEK	3.14	1.75	6.44	5.01	5.33	6.79

Statement of comprehensive income

(SEK 000s)	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	Q1-Q4 2015	1510-1609 12 months
Profit for the period	36,686	19,769	74,941	56,736	60,205	78,410
Other comprehensive income						
Items that may be reclassified subsequently to income statement						
Cash flow hedges	-1,141	-237	-2,338	1,319	1,787	-1,870
Translation differences	17,103	6,685	25,054	-2,469	-11,244	16,279
Hedging of net investments	-7,090	-3,686	-12,034	4,960	11,565	-5,430
Income tax relating to components of other comprehensive income	1,811	863	3,162	-1,381	-2,937	1,606
Other comprehensive income for the period, net of tax	**10,683**	**3,625**	**13,844**	**2,429**	**-830**	**10,585**
Total comprehensive income for the period	**47,369**	**23,394**	**88,785**	**59,165**	**59,376**	**88,995**

Balance sheets

(SEK 000s)	Sep 30 2016	Sep 30 2015	Dec 31 2015
ASSETS			
Goodwill	627,961	398,959	394,167
Other intangible assets	403,776	248,492	245,835
Property, plant and equipment	39,284	16,399	15,300
Deferred tax assets	1,320	424	3,239
Other long term receivables	2,181	1,739	1,723
Total fixed assets	**1,074,522**	**666,013**	**660,264**
Inventories	89,545	58,601	55,810
Trade and other receivables	117,739	81,258	81,973
Other current receivables	21,667	15,980	13,313
Cash and cash equivalents	89,554	19,136	19,503
Total current assets	**318,505**	**174,975**	**170,599**
TOTAL ASSETS	**1,393,027**	**840,988**	**830,863**
EQUITY AND LIABILITIES			
Equity	**610,150**	**454,864**	**455,482**
Liabilities			
Non-current liabilities	451,961	172,654	158,142
Deffered income tax liabilities	78,344	67,711	72,242
Total non-current liabilities	**530,305**	**240,365**	**230,384**
Interest-bearing current liabilities	87,995	40,082	38,759
Trade payables	60,588	45,715	44,704
Other current liabilities	103,989	59,962	61,534
Total current liabilities	**252,572**	**145,759**	**144,997**
TOTAL EQUITY AND LIABILITIES	**1,393,027**	**840,988**	**830,863**

Cash flow statements

(SEK 000s)	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	Q1-Q4 2015	1510-1609 12 months
Cash flow from operating activities before changes in working capital	54,926	31,415	109,548	81,381	96,808	124,496
Cash flow from changes in working capital	13,665	4,112	9,703	-9,264	-6,796	12,171
Cash flow from operating activities	**68,590**	**35,527**	**119,251**	**72,117**	**90,012**	**136,667**
Cash flow from investing activities	-8,607	-4,313	-298,836*	-16,116	-25,398	-307,639*
Cash flow from financing activities	-46,354	-29,022	248,131	-54,938	-62,872	240,197
Cash flow for the period	**13,630**	**2,192**	**68,546**	**1,063**	**1,742**	**69,225**
Cash and cash equivalents at beginning of the period	75,546	16,594	19,503	17,629	17,629	19,136
Translation differences in cash and cash equivalents	378	350	1,505	444	132	1,193
Cash and cash equivalents at end of period	89,554	19,136	89,554	19,136	19,503	89,554

*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)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
EMEA	157,289	144,356	121,420	99,757	109,576	104,637	104,580	99,014	97,567	90,601	91,628	78,378
Americas	53,359	48,548	46,424	40,938	38,898	37,248	39,999	33,123	30,157	27,519	27,291	26,359
Asia	43,208	39,223	33,230	34,379	31,362	34,629	25,672	24,181	24,592	23,330	20,207	21,021

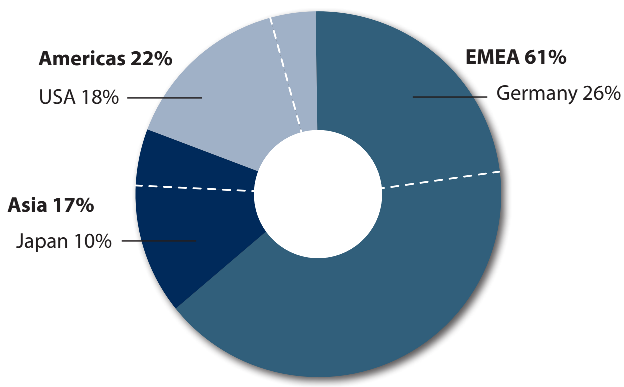
Income statement (SEK 000s)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Revenue	**253,856**	**232,127**	**201,073**	**175,074**	**179,835**	**176,515**	**170,251**	**156,318**	**152,316**	**141,451**	**139,127**	**125,758**
Gross profit	**157,968**	**141,330**	**119,035**	**105,993**	**107,742**	**109,854**	**106,168**	**96,867**	**95,991**	**87,618**	**86,369**	**80,056**
Gross margin	*62.2%*	*60.9%*	*59.2%*	*60.5%*	*59.9%*	*62.2%*	*62.4%*	*62.0%*	*63.0%*	*61.9%*	*62.1%*	*63.7%*
Operating profit	**54,538**	**34,827**	**20,374**	**14,440**	**31,083**	**24,178**	**31,884**	**17,977**	**37,150**	**20,928**	**21,527**	**13,443**
Operating margin	*21.5%*	*15.0%*	*10.1%*	*8.2%*	*17.3%*	*13.7%*	*18.7%*	*11.5%*	*24.4%*	*14.8%*	*15.5%*	*10.7%*
Profit before tax	**50,953**	**35,977**	**17,154**	**11,913**	**26,359**	**19,883**	**29,406**	**15,764**	**33,465**	**17,971**	**18,611**	**12,397**

Sales

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

Embedded products reached 44 % (53) of the Group's total sales, IXXAT products 17 % (18), Gateway products 17 % (21) and Remote Solutions amounted to 20 % (3).

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



Parent company income statements

(SEK 000s)	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	Q1-Q4 2015	1510-1609 12 months
Revenue	2,286	2,499	10,164	7,901	11,933	14,195
Gross profit	**2,286**	**2,499**	**10,164**	**7,901**	**11,933**	**14,195**
Administrative expenses	-2,286	-2,499	-10,164	-7,901	-11,606	-13,868
Operating profit	**0**	**0**	**0**	**0**	**327**	**327**
Interest income/expense and similar items	0	0	0	0	0	0
Profit before tax	**0**	**0**	**0**	**0**	**327**	**327**
Appropriations	0	0	0	0	8	8
Tax	0	0	0	0	-141	-141
Profit of the period	**0**	**0**	**0**	**0**	**194**	**194**

Parent company balance sheets

(SEK 000s)	Sep 30 2016	Sep 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	845	494	600
Cash and cash equivalents	500	322	276
Total current assets	**1,345**	**816**	**876**
TOTAL ASSETS	**338,669**	**244,855**	**244,915**
EQUITY AND LIABILITIES			
Equity	**153,974**	**90,249**	**90,443**
Untaxed reserves	**0**	**8**	**0**
Liabilities			
Trade payables	65	130	667
Liabilities to Group companies	181,703	151,865	149,890
Other current liabilities	2,928	2,603	3,915
Total current liabilities	**184,696**	**154,598**	**154,472**
TOTAL EQUITY AND LIABILITIES	**338,669**	**244,855**	**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	Q3 2016	Q1-Q3 2016	1510-1609 12 months
Operating profit	54,538	109,739	124,180
Depreciationn/amortization	10,067	28,120	36,549
EBITDA	64,605	137,859	160,729

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”.

HMS Networks AB (publ)
Org.Nr. 556661-8954
Box 4126 | 300 04 Halmstad | Sweden
Tel: +46 35 172 900 Fax: +46 35 172 909
http://investors.hms.se

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