

hms networks

ANNUAL REPORT 2012



HMS presents its
processor technology,
Anybus-NP40

Turnkey solutions
that satisfy a large
market

Quality control
is crucial to providers
of high value added

Entrepreneurial spirit
and many professional
roles create dynamics

**Largest single order
in the company's history**

**HMS delivered its
two millionth
Anybus module**

**Order intake
increased to
SEK 424 million**



Financial highlights

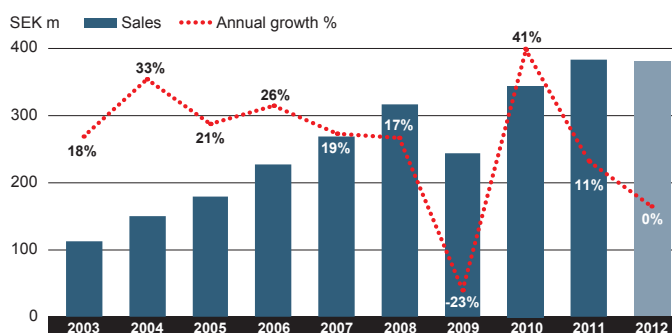
- Net sales were SEK 382 (384) million
- Operating profit was SEK 64 (72) million, which corresponds to an operating margin of 16.7 (18.8) %
- Profit after tax decreased to SEK 52 (54) million and earnings per share were SEK 4.64 (4.84)
- Cash flow from operating activities was SEK 82 (46) million
- Order intake increased to SEK 424 (388) million
- The Board of Directors proposes a dividend of SEK 2.25 (2.25) per share

Key figures

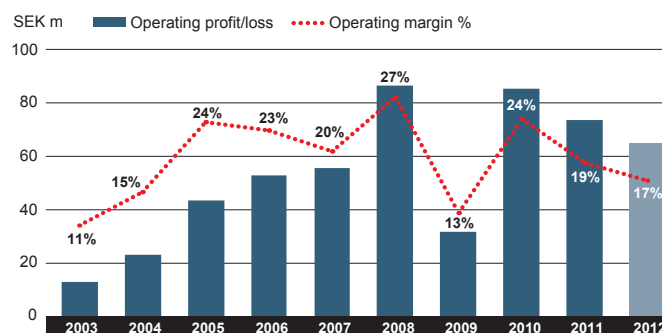
Financial data in summary (SEK m)	2012	2011	2010	2009	2008	2007
Net sales	382	384	345	245	317	270
Growth in net sales, %	-0.5	11	41	-23	17	19
Gross profit	229	232	208	143	182	142
Gross margin, %	60	61	60	58	57	53
Operating profit	64	72	84	31	85	55
Operating margin, %	17	19	24	13	27	20
Profit for the period	52	54	62	21	59	30
Earnings per share before dilution, SEK	4.64	4.84	5.41	1.88	5.43	2.81
Dividend per share, SEK	2.25*	2.25	2.00	1.00	1.50	1.00
Total assets	418	391	392	339	390	352
Equity	342	299	286	240	224	182
Shareholders' equity per share before dilution, SEK	30	27	26	22	21	18
Equity/assets ratio, %	82	76	72	70	57	52
Net debt/equity ratio %	0	0	-5	13	19	52
Return on shareholders' equity, %	16	19	23	9	29	18
Return on capital employed, %	20	23	28	11	27	19
Investments in non-current assets	42	20	15	7	7	8
Cash flow from operating activities	82	46	75	31	68	34
Cash flow from operating activities per share before dilution, SEK	7.27	4.13	6.71	2.89	6.52	3.24
Average number of employees	241	213	164	153	154	144
Revenue per employee	1.6	1.8	2.1	1.6	2.1	1.9

* Board's proposal

Sales performance



Earning trend





2012

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January-March

- In January, the Swedish company moved into its new, expanded facilities in Halmstad.
- HMS received the largest single order, SEK 16 million, in the company's history.
- HMS received a SEK 2 million order from one of Europe's leading manufacturers of industrial energy metering and monitoring solutions.

April-June

- The 2009 warrants scheme was concluded and a total of 169,500 new shares were subscribed for.
- HMS delivered its two millionth Anybus module.
- HMS signed a SEK 6 million framework agreement with one of Europe's leading manufacturers of automation equipment.
- The AGM was held at the company's facilities in Halmstad.

July-September

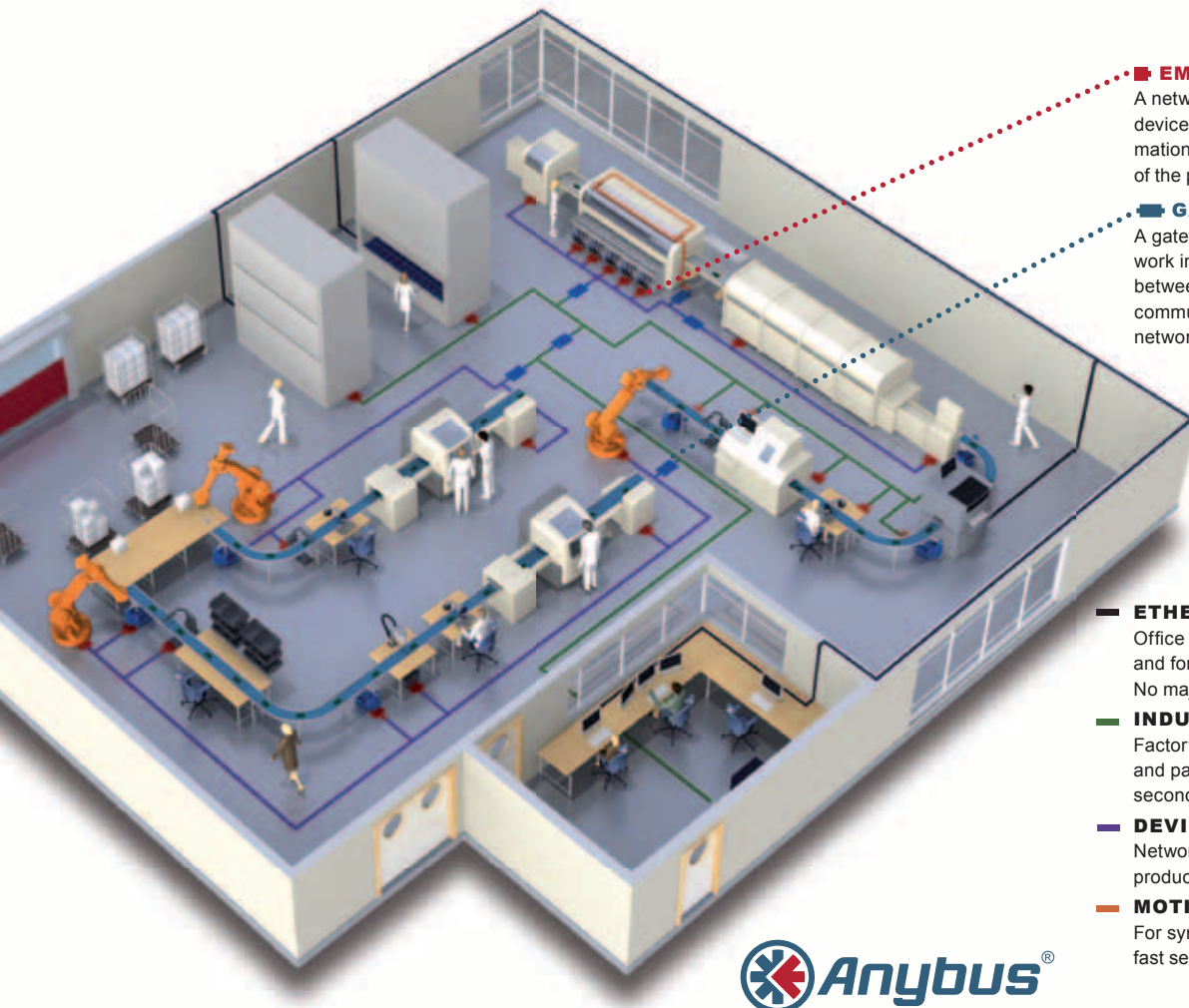
- HMS signed a global supply agreement with a world-leading supplier of technology used in mobile phone base stations.
- HMS received a SEK 7 million order for development and delivery of Anybus network cards to one of Japan's leading manufacturers of frequency converters.
- The Swedish royal couple visited HMS's facility in Halmstad.

October-December

- At the trade fair for SPS/IPC/Drives in Nurnberg, HMS's impressive "wall of fame" showed the many manufactured products containing Anybus and Netbiter solutions.
- HMS launched a new Anybus CompactCom module with M12 contacts for installations in demanding environments.
- HMS presented its processor technology, Anybus-NP40, which will be used in the new generation of Anybus CompactCom.
- HMS received a SEK 2.4 million order for Profibus Master modules from a world-leading manufacturer of industrial automation equipment.
- HMS received a SEK 3.3 million order that stretches over the next 24 months for welding equipment control technology used in the automotive industry.
- HMS received a SEK 2.5 million order to customize Anybus Ethernet/IP communication modules from a leading manufacturer of industrial automation equipment.
- HMS received a SEK 3.5 million volume commitment that stretches over the next two years for Profibus modules.

Proven solutions for intelligent

HMS is one of the world's leading suppliers of proprietary, patented technology for intelligent industrial communication. HMS's competitive advantage is derived from its unique combination of compact and energy-efficient technology for solutions enabling high performance in many application areas. Furthermore, HMS's products are turnkey solutions, containing reliable hardware and software, which makes them easy to install, configure and maintain.



■ EMBEDDED PRODUCTS

A network interface card is built into an automation device to enable communication between the automation device and industrial network, regardless of the protocol.

■ GATEWAYS

A gateway consists of two interconnected network interface cards that translate information between two different protocols, thus enabling communication between two types of industrial networks.

— ETHERNET TCP/IP

Office networks between standard computers and for the ERP and production planning. No major demands on response time.

— INDUSTRIAL CONTROL NETWORKS

Factory networks that link together control systems and parts of processes. Response time <1/100 second.

— DEVICE/SENSOR NETWORKS

Networks within a machine or for parts of the production line. Response time <1/1000 second.

— MOTION CONTROL NETWORKS

For synchronized movements, involving extremely fast sequences. Response time <1/100000 second.



Three product lines under two brands

The Anybus brand is based on HMS's proprietary microprocessor technology that is used to convert information between different network protocols. Anybus enables communication within and between industrial networks, independent of network systems and network protocols. Anybus meets the needs of a steadily growing market for industrial automation and industrial networks. Demand is driven by the requirements on productivity and energy efficiency in global industry. At the same time, the abundance of network protocols creates a need for intelligent communication solutions.

Anybus® Embedded

Anybus Embedded is a network interface card that is integrated into the design of many types of industrial automation equipment, such as robots, motor drives and sensors. The equipment just needs to be adapted to the communications standard in the Anybus network interface card in order to communicate with most industrial networks. This is possible because HMS technology takes care of translating the various network languages. This means that customers don't have to worry about the type of network system or network protocol their products will connect to, which simplifies the design process and improves both competitiveness and flexibility.

Anybus® Gateways

Anybus Gateways are based on the same technology, but they are independent communication ports comprised of two interconnected network interface cards, called gateways, that are installed in different network systems or existing automation equipment to enable communication regardless of network protocols. Gateways are designed for the end user in industry or system integrators and system installers working with industrial tasks.

industrial communication



Telecom base stations is one example of rapidly growing applications for intelligent remote monitoring.



Netbiter® Remote Management

Netbiter Remote Management is HMS's other brand. It is an innovative communications solution that provides web based network communication between geographically dispersed industrial equipment and the operator for the purpose of remote monitoring and control of operations. Netbiter serves a young, growing market for industrial remote management, where there are many new and growing application areas for mission-critical systems, renewable energy and social infrastructures.

HMS's different stakeholders all benefit from the innovative technology of the company

Customers

Manufacturers of automation equipment don't need to worry about adapting their products to the multitude of communications standards when they integrate the HMS network interface card, Anybus Embedded, into their products. This simplifies their development and design efforts significantly and simultaneously boosts competitiveness by making their offering more flexible.



Anybus Gateways solve the interface dilemma by making it possible to connect several industrial networks, regardless of the protocols or protocol generations being used. This simplifies the task of integrating industrial networks considerably, because HMS Gateways take care of translating the languages between networks or parts of a network.

For operators of equipment at different geographic locations, Netbiter Remote Management provides a web-based solution for remote monitoring and control, including intelligent data and information management. This results in significant cost savings for service and maintenance, while increasing the reliability and useful life of the equipment.

Shareholders

HMS is an independent supplier of three product groups based on patented technology for intelligent industrial communication that increases industry's productivity, flexibility and energy efficiency. The company supplies proven, certified turnkey solutions that meet customer needs, including configuration tools, drive routines, training and support.



HMS's markets are growing due to industrial automation and the demand for intelligent communications solutions and monitoring systems in more and more areas.

The company is continually expanding its portfolio of standard products and increasing its sales volumes, which results in economies of scale and good profitability. Over the last five years, HMS's growth has kept pace with or exceeded the market. HMS has an explicit dividend policy of up to 50 percent of the profit.

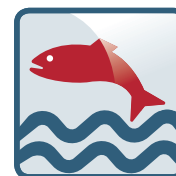
Employees

HMS offers its employees the opportunity of working with exciting technological developments in a modern, dynamic and growing organization that has a wide network of international contacts and excellent career opportunities. The company culture is modern and open, where shared values, learning and own responsibility are prioritized. HMS employees have many opportunities for shaping their work situation and developing their skills and role in the company.



Environment

HMS's products make industrial processes and industrial remote management more flexible and energy efficient. HMS prioritizes the development of energy-efficient, compact products with a long useful life that do not contain any materials or components that are hazardous to the environment. Sustainability efforts are comprised of careful evaluation of development and manufacturing processes, materials selection and supplier quality.



“Our strategy of long-term

There was growth at the start of 2012, but during the latter part of the year, industry uncertainty increased and we noticed that there was weaker customer demand particularly in the European market. Despite the shaky market, the number of customers deciding to integrate our interface network cards into their automation equipment has remained high. Gateway sales increased somewhat and our remote management solutions are starting to be installed in a variety of major pilot series all over the world.



With customers all over the world, **Staffan Dahlström, Niclas Johansson, Gunnar Högberg** and the rest of the HMS management team spend a lot of days on the road.

growth hasn't changed"

During 2012, we solidified our position as a long-term, reliable partner that can meet the high demands of our industrial customers. Our intensive product development efforts and strong focus on quality have enabled us to build up an even larger customer base and a wider portfolio of proven solutions that can easily be integrated or installed and help make our customers' products more flexible and efficient. HMS's vast knowledge of communications technology and industrial automation pays off.

The market is growing

In an increasingly complex world, we help our customers solve their communications problems. The requirements on productivity and reliability are becoming increasingly stringent in many areas, including traditional industry, social infrastructure and energy. At the same time, rapid technological developments are opening up new opportunities for advanced control and monitoring systems. It is incredibly exciting to see how intelligent automation systems are gaining ground in new areas like traffic and transportation systems and energy distribution. This trend favors the market for industrial networks and our solutions for intelligent industrial communication.

Higher sales and excellent ratings

HMS's position as a global market leader for embedded network interface cards in automation equipment was further solidified in 2012 with 119 new design wins. That results in a larger customer base and a solid foundation for the growth of Embedded products over the next few years.

Gateway sales also increased due to the demand for proven solutions that make communication within and between networks possible, independent of network protocols.

Netbiter Remote Management, the concept that combines our communications technology with IT solutions for database management and visualization, is now established in the market. I am very much looking forward to the results of our intensified sales effort to increase the volumes for this concept that can help many customers achieve considerable savings.

Innovation provides a competitive advantage

Development and innovation have been the core of HMS's operations from the very start and we constantly strive to refine our technology and develop new solutions that provide more value to us and our customers. One such

example is our new innovative microprocessor, NP40, which makes it possible to program both hardware and software, thus facilitating new, innovative solutions with high performance.

Another solution with a tremendous amount of potential is our new safety concept, Anybus Safety, which helps our customers meet the increasingly stringent directives and certification requirements on machine safety. The concept is an excellent example of how we are able to use our experience and knowledge of industrial communication to create new, value-enhancing technology.

New business opportunities

Remote management is a rapidly growing area throughout the world, largely due to the growing requirements on reliability for mission-critical systems. These are used in everything from energy plants, pump stations and telecommunications base systems, to the emergency power systems at data centers or hospitals. Netbiter Remote Management is our concept that enables us to help customers control and monitor such systems more efficiently and thus achieve both cost savings and higher reliability. This concept has had something of a breakthrough during the year and a number of major pilot series have been installed all over the world.

Recruitment – an important challenge

We have continued to pursue our long-term growth objectives, not least by ensuring that we have skilled, committed employees who strengthen our competitiveness and company culture.

During the year, more engineers were recruited to our development team and we also added new resources to sales and marketing.

More focus on environmental efforts

As part of our quality efforts throughout the processing chain, we are focusing even more on environmental and sustainability issues. This is important for many reasons – customers and other stakeholders are increasingly demanding products and solutions that promote sustainable development.

Our most significant contribution is helping industry improve productivity and energy efficiency, as well as ensuring that products do not contain hazardous materials and that they are resource efficient. Please read more about our environmental efforts and our Eco Strategy Wheel on pages 24-25.

New acquisition IXXAT

In January, we announced our acquisition of the German company, IXXAT GmbH. This increases HMS's presence in the important German market, which is the world's largest market for advanced industrial automation. IXXAT provides us with a strong technology base of 50 product developers in southern Germany, along with access to new industrial markets like Automotive and Medical where HMS, with its experience in demanding industrial applications, has all the prerequisites for establishing itself as a communication partner, just as it has done in other sectors. With this acquisition, HMS now has over 350 employees and sales exceeding half a billion Swedish crowns.

Good long-term prospects

Although we still anticipate uncertainty in the world economy over the short term, all indications are for continued long-term market growth. The driving forces for growth still exist – i.e. ever-increasing requirements on quality, productivity and energy efficiency in global industry, where the competition is intense. Furthermore, the energy sector and social infrastructures throughout the world are becoming more technology intensive and complex, while the requirements on reliability and efficiency become increasingly stringent. On the whole, this means that the business prospects going forward for our industrial communications solutions remain good.

It was particularly exciting to share these expectations with the Swedish royal couple when they visited us in September, which also gave rise to summarizing our progress since 2008 when we received the Swedish Trade Council's Grand Export Award, which was handed out by H.M. King Carl XVI Gustaf.

The past year was one of intensive product development, sales and other growth-enhancing measures. All employees at HMS have made fantastic contributions to this effort.

I'm eagerly looking forward to a new, stimulating fiscal year, in which all of us, including our new colleagues at IXXAT, join forces to equip HMS for continued growth and exciting new applications that will enable our communications technology to gain additional momentum.

Staffan Dahlström

President and CEO, HMS Networks AB



Entrepreneurial spirit

and many professional roles create dynamics

HMS is a growth and knowledge company with own operations at every stage of the process that adds value – from research and development, to purchasing, production, sales, marketing and customer support. This creates a strong dynamic with many professional roles interacting in a learning organization. In order to achieve common goals and growth, without sacrificing quality, you need a strong company culture and shared values, which in turn makes it possible to have short decision paths and employees that can take their own initiative.

Clear, shared values

HMS is a young, international, entrepreneurial company where there is high growth, exciting technological development and proximity to customers. This makes having shared values even more important, because it ensures that decisions and working methods are aligned with our long-term strategy. It also serves as our guiding star when performing daily tasks and interacting with customers, suppliers, colleagues and other stakeholders.

HMS has formulated these shared values as five principles – HMS High Five. They are basically self-explanatory: We will always prioritize our commitment to customers. We will grow and be innovative. We pursue our work with a long-term perspective. We believe in building relationships and being cost efficient.

Few decision levels and a dynamic work environment

HMS has a flat organization, with widespread delegation of responsibilities, few decision-making levels and quick decision paths. Employees at HMS are used to taking own responsibility, tackling new challenges and learning new skills.

This results in a dynamic work environment, where there are many opportunities for shaping and developing one's own professional career. It also creates a strong drive and commitment to continually improve, which is a critical success factor for a growth company that provides high value-added.

The right recruitment leads to growth and quality

HMS's growth strategy depends on it having employees with the right expertise. The task of recruiting development engineers is challenging for HMS and many other companies. HMS actively strives to profile the company in the labor market, with a special focus on technicians and engineers. For example, HMS participates in job fairs at universities and colleges, offers students opportunities for doing their thesis projects at HMS and promotes the company through various types of social media.

In 2012, we added 25 new employees, 13 of whom joined our development department. Three of these were engineers who joined the Gothenburg office, where we now have a total of 6 employees.



Feedback brings improvements

Employee surveys are regularly conducted. Status checks are carried out four times per year and a more comprehensive survey is conducted every 18 months. The aim is to follow up on and measure how employees feel about the company's values, work environment, climate for cooperation and leadership, as well as gathering their thoughts on the company as a whole.

The surveys provide valuable insight and ideas on how HMS can become even better as an organization and employer. This year's survey revealed that, among others, a pleasant work environment and cooperation with colleagues are highly valued.

Work and career

HMS has a young work force and it is a learning organization, which applies to our daily operations as well as our external and in-house training initiatives.

A large portion of development work is carried out jointly with customers, typically in an international network that provides new perspectives and personalized skill development.

During 2011, a special foreign exchange program for engineers was started up. It provides engineers from the development department with the opportunity of working in one of the company's other offices around the world.

All new positions are filled in a transparent recruitment process and applications from within the company are encouraged. Newly hired employees also take part in an introduction program and career development discussions are held each year for all employees.

Health and lifestyle

In order to promote a healthy and good lifestyle, the company offers ergonomic workplace adaptations and subsidized fitness activities. Group activities for fun and fitness are arranged on a regular basis. In 2012, sick leave at the company was 2.64 (3) % and employee turnover was 2.5 (6) %.

HMS – an innovative technology

With stimulating work tasks, a flat organization and shared values as its guiding stars, HMS strives to be an ultra modern employer. Below, some of our employees share their thought on working at HMS.

Anders Törhagen I work as an IT manager and I've been employed at HMS since 2006. My work mainly consists of managing and coordinating resources, along with ensuring that we have an efficient and secure IT environment. In other words, I make sure that everything is working and that we're prioritizing the right things. HMS is a company with a strong focus on growth, which means that requirements and goals are constantly changing. Flexibility and the ability to quickly identify new solutions are therefore important components of the work we do each day. Employees are our most important resources, which is why we invest heavily in various types of employee benefits. All of that is what makes HMS an exciting, fun and stimulating workplace.



Jonas Åkerlund I've been working for the HMS Group since 1997 as developer, product manager, project manager and more recently, as Head of Development. In my current role, I'm responsible for overall planning and monitoring of the development department's goals and activities. I also deal with personnel issues, quality efforts and the evaluation of new technology. I find my work to be diverse and challenging, particularly since we're active in an international market and sector that is rapidly growing and because we provide products with stringent industrial requirements on quality, sustainability and modern IT systems. Unquestionably, though, the best thing about working here at HMS is all the competent and committed employees, along with the ambitious, entrepreneurial spirit of our company culture.

Thomas Carlsson I've worked as a writer and project manager in HMS's marketing department for just over two years now. I put together product brochures, videos, customer testimonials, ad campaigns and other material to market and sell our products all over the world. With that role, I'm a little like a duck out of water working at a technology company like HMS, but I very much enjoy being at the interface between technology and customer value. I also like the fact that we dare to communicate in a relaxed way by presenting our innovations somewhat playfully. It enables us to stand out in the rather conservative automation industry and it helps portrays us as an innovative and progressive company on the forefront of technology.



Jennie Hansen I've worked at HMS since 2001. When I started at HMS, production was one big group where everybody did everything. Now, we're divided into different work groups. My group works with retrofitting, where we have a wide variety of tasks and are never bored! I also coordinate the retrofit and pack tasks, which is incredibly fun and stimulating. The best things about working at HMS, besides the kick-offs, parties, Friday snacks, Christmas treats, presents, etc. are being noticed, appreciated, and encouraged to grow and advance.

company with a strong drive

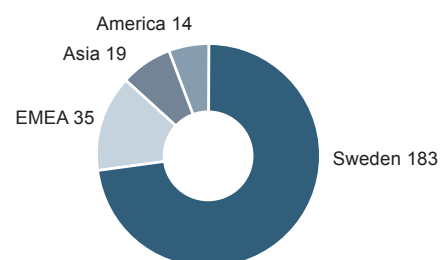


Nicolas Hassbjör, Vice Chairman and founder, along with Urban Jansson, Chairman of the Board, welcomed the royal couple and told about the company's latest export successes.

In September, the royal couple visited HMS's facilities in Halmstad, where they got the chance to meet with employees working in our highly automated manufacturing environment. Management told about the company's successful organization and continued growth since winning the Swedish Trade Council's Grand Export Award, which was handed out by H.M. King Carl XVI Gustaf four years ago.



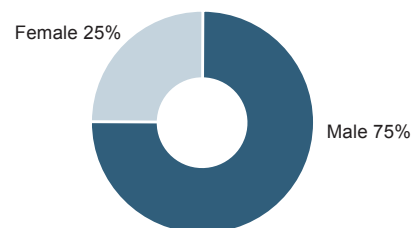
Employees per region



The Full Time Employees per region in December 2012. 251 FTE (265 persons in total). Figures based on FTE rounded up to integer.



Gender distribution



Strategies for profitable growth

VISION The vision of HMS is that all industrial devices will be intelligent and networked. HMS shall be the market leading partner in the world of industrial communication.

MISSION We provide reliable, flexible and easy-to-use communication and remote management solutions to the world of industrial communication.

QUALITY OBJECTIVES

At least 98 percent of deliveries will be on time.
Returns of delivered products will be less than 300 ppm (parts per million).

FINANCIAL OBJECTIVES

Average long-term annual growth of 20 percent.
Operating margin higher than 20 percent.

DIVIDEND POLICY

Annual dividend up to 50 percent of net profit for the year.

HMS's mission

HMS's mission is based on the vision that all automation equipment should be possible to coordinate in intelligent networks. The mission is to provide industry with technology for intelligent communication, between various automation devices and networks, between several networks or between remote installations and operating centers.

Organic growth – our main strategy

HMS strives to expand into related industrial areas and other steps in the value chain, primarily via Gateways and Remote Management. This will be done using the company's technology and by further solidifying its position in the market for embedded products.

HMS will primarily expand via organic growth by strengthening its position and developing its range of products and services. Selective acquisitions may also be made if they are a valuable addition to HMS's technology or product portfolio, thus strengthening the company's offering to the market.

Focused product development

HMS will develop products and solutions based on the latest technology and expertise in industrial network communications and remote management. The cornerstone of all development work is to create significant value using leading technology in order to meet market needs, while maintaining the focus on quality and environmental aspects.

Strategic product areas

HMS will provide products in the following three product lines: Embedded, Gateways and Remote Management. They will be marketed under the Anybus and Netbiter brands. The product portfolio for each area will continue to be further developed and expanded keeping pace with customer needs and technological developments in order to strengthen HMS's position as a leading supplier of proven, complete solutions for intelligent industrial communication.

Optimal business models

HMS's operations follow optimal business models based on market conditions and customer needs. For embedded network cards, most business is via framework agreements (i.e. design wins) with manufacturers of automation equipment. This provides HMS with a strong foundation for growth. For Gateways and Remote Management, HMS manufactures and delivers products continually as orders are received from customers using distributors at various locations worldwide. The Netbiter Remote Management concept also includes a subscription service for providing customers with access to information.

Sales and distribution

HMS has its own sales offices in strategically important key markets, as well as a number of Global Key Account Managers working from the Halmstad office. In other markets, sales

are conducted via an effective network of exclusive distributors in over 50 countries.

The HMS Partner Program is a new strategic sales channel that is in the start-up phase. It aims at increasing the sales for Gateways and Remote Management. The program is designed for system integrators who are responsible for connecting industrial networks and creating communications solutions for industry. By cooperating more closely with these key stakeholders, HMS can provide both product knowledge and training, as well as spread the company's experience and expertise to more industrial sectors.

Full control over operations that add value

HMS provides high-quality turnkey solutions that are easy to install and use. This requires full control over the entire chain of value-adding operations, i.e. from product development, components supply, manufacturing and distribution, to training and after-sales service. HMS uses its business management system (BMS) to ensure quality and continually improve its operations.

HMS products are manufactured in close cooperation with strategic partners in Sweden and China. The production of prototypes, small series, certain customized products, quality control and final assembly are performed at HMS's own facilities in Halmstad, in close proximity to the development department.

For several years already, HMS and its strategic suppliers have been certified according to the ISO 9001 quality management standard.

Environment and sustainable development

All of HMS's operations comply with the company's environmental policy and apply its model for sustainable development – Eco Strategy Wheel – for all technology development, product development and manufacturing activities. HMS also adheres to the RoHS Directive adopted by the EU and the REACH regulations on the use of chemicals. HMS products are CE marked. Development work prioritizes solutions that contribute to sustainable development primarily via high productivity, energy efficiency and a long useful life.

HMS's business models

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, the business model is more traditional, with a short business cycle and manufacturing based on customer orders.

Embedded – Design Wins

For Anybus Embedded, the business model is based on framework agreements (i.e. design wins) with manufacturers of automation equipment. A growing number of design wins provides HMS with a stronger customer base, higher volumes and steady revenue over a long period of time.

A design win typically involves cooperation over a period of about ten years, with an initial development and design phase that is carried out in close cooperation with the customer. This is followed by the manufacturing phase, and invoicing based on orders, once the customer's product has been established right through to the end of the product life cycle. For this business model, there is a relatively long development period followed by steady long-term revenue, provided that the customer's product is successful in the market.

In most cases, standard products are offered that are quick and easy to integrate. They are also suitable for many applications. This helps the customer reach a wider market much faster.

For certain larger customers, fully customized hardware and software solutions are offered that meet specific requirements. This sometimes also involves issuing a manufacturing license so that the customer is able to manufacture the network interface card unassisted.

Gateways – more cooperation

Anybus Gateways are sold as independent communication ports and manufacturing is based on customer orders. They are sold via a network of approximately 60 distributors, either directly to the end user or to system integrators, installers or machine engineers who integrate networks and build communication solutions for industry.

HMS recently added to its business model by introducing the HMS Partner Program. It aims at increasing sales in key markets via cooperation with system integrators.

Remote Management – products and service subscriptions

Netbiter Remote Management is primarily sold as independent communication ports, i.e. gateways with the accompanying software for information management.

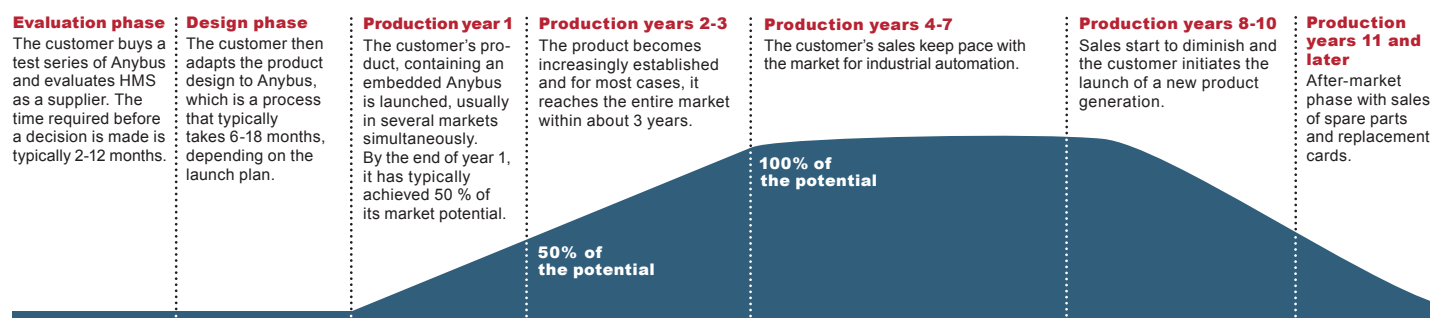
Access to collected information is provided via subscriptions to a web service. The company offers this as a free-of-charge standard solution, as well as a more advanced service with increased functionality via a paid subscription.

For Remote Management, the HMS Partner Program is also an important new sales channel that is expected to generate new business.



The HMS Partner Program strives to increase cooperation with system integrators, who serve as an important link to the end users in industry. By cooperating directly with them on major customer projects, HMS can provide product knowledge and training, while simultaneously spreading the company's expertise to more customer segments.

The revenue cycle for embedded network interface cards in automation equipment





Anders Hansson, Director of Marketing

Turnkey solutions

that satisfy a large market

HMS's core competence in industrial communications and network protocols have established the company as a world-leading supplier of communications solutions for factory automation in particular. The need for this type of communication is spreading to other markets, like construction automation, process automation, power and energy, and the transport and infrastructure segments, which is opening new doors for HMS.

With Remote Management, HMS has been able to further expand its activities to these growing markets, where there is a healthy demand for remote monitoring. The combination of HMS's expertise in industrial communications, modern, safe and user-friendly data management, as well as presentation over the Internet creates new opportunities for the company.

New holistic market approaches

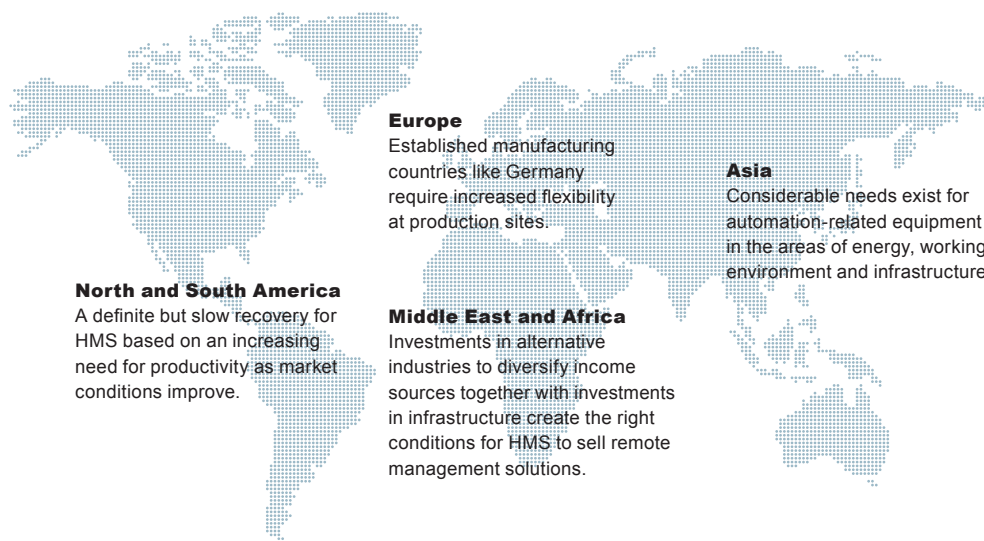
HMS will pursue two distinct holistic market approaches in 2013. In the Embedded segment, HMS will become even more firmly established as a supplier of turnkey solutions by focusing on the previously untapped market potential among the manufacturers of automation products who, in the past, have tended to design their own solutions. New Anybus technology will make Anybus CompactCom available in a variety of formats to meet manufacturers' needs – from modular to fully integrated solutions. In the Remote Management segment, HMS Netbiter will be further developed into a unique turnkey solution for remote monitoring and targeted investments will be made in important market segments like power and telecommunications.

Global requirements stimulate the demand for automation and remote monitoring

Global requirements on reliability and sustainable infrastructures, along with industry's need to monitor installations and continually optimize productivity and energy consumption, are important driving forces for ensuring competitiveness. All of these factors stimulate the demand for industrial communication and remote monitoring. HMS's Anybus and Netbiter brands satisfy that demand. HMS has many years of experience meeting the stringent demands of its customers and has a highly efficient organization that is able to meet the growing demands of both mature and emerging markets.

Need for automation at every stage

Industry's need for automation at later stages in the value chain places requirements on the earlier stages as well. Manufacturers of automation products are expected to deliver products with the right function and communication abilities for all major Fieldbus and Industrial Ethernet systems. System integrators and machine engineers need to create integrated systems using equipment from different manufacturers. This occurs within the highly automated automotive industry, for example. The end user's goal is to achieve optimal efficiency and a better overview and control of the manufacturing process. Within industry, the demand for safety systems is steadily increasing. This applies to both information management and personal safety.



Europe

Established manufacturing countries like Germany require increased flexibility at production sites.

Asia

Considerable needs exist for automation-related equipment in the areas of energy, working environment and infrastructure.

North and South America

A definite but slow recovery for HMS based on an increasing need for productivity as market conditions improve.

Middle East and Africa

Investments in alternative industries to diversify income sources together with investments in infrastructure create the right conditions for HMS to sell remote management solutions.

New Anybus technology meets the technical requirements

Due to the increasingly rapid evolution of technology, automation and network systems are becoming more complex and powerful, while control and monitoring processes are becoming more intelligent. The performance and capacity of microprocessors and other critical components is improving, at the same time that their size gets smaller. As a result, the manufacturers of automation equipment are demanding new, integrated communications solutions due to space, cost or performance requirements. HMS has the very latest technology. For example, the new network processor, Anybus NP40, addresses the needs of factory processes with extremely stringent requirements on precision, timing precision and synchronization. HMS also has high-tech solutions for the collection, management and visualization of data that are part of the Netbiter concept.

HMS benefits from the variety of networks on the market

HMS benefits from the fact that there are still many different network standards on the market. The two categories of networks, fieldbuses and industrial Ethernet, coexist on the market and the number of networks continues to increase. Industrial Ethernet is growing the fastest, but fieldbus networks still command about 75 percent of the global market. A common standard is not expected any time soon, either. Instead, manufacturers of automation equipment, machine engineers, and end users will still need to connect a number of different industrial networks, which is advantageous to HMS's business. Ethernet communication is also important to the Netbiter solution, because Ethernet is a key component in the transfer of information from Netbiter gateways to Argos data center and then on to the end user.

Industry and geography

The market's choice of network depends on industrial application areas and requirements on performance, system architecture, etc. For example, the automation requirements for a paper mill are much different than the ones for a packaging machine in the food industry. HMS's unique expertise in a large number of industrial network systems enables the company to meet these requirements, which has made HMS a leading global supplier of communications solutions that meet the customer's network requirements of flexibility and independence.

The requirements also vary across geographic markets. In Japan, for example, industry prefers Mitsubishi's network technology, CC-Link, with the Ethernet-based version, CC-Link IE. In Germany, Siemens' Profibus and Profinet are preferred. In USA the highest demand is for Rockwell networks, like DeviceNet and Ethernet-based Ethernet/IP. Going forward, HMS's knowledge of these and other important networks will continue to provide the foundation for growth in the area of industrial communication.

Complete offering provides customer benefits

HMS's holistic approach also applies to its own way of working. HMS not only develops competitive technical solutions. It also takes full responsibility for the finished product by prioritizing quality as it prepares for manufacturing at either the contractor's or HMS's facilities. This means that HMS can guarantee its customers cost-optimized production, no matter what volumes need to be manufactured. HMS also provides customer benefits throughout the entire product life cycle via its generous warranties, high service and free technical support and maintenance. With its complete offering, HMS strives to be the right partner for customers by solving problems and being easy to work with in all situations.

Anybus® Embedded – flexibility requirements drive demand

Annual market growth of approximately 10 percent

The market for industrial network interface cards, which is the specific sub-market for the Anybus Embedded product line, is estimated to be worth approximately SEK 7.5 billion. Manufacturers of industrial automation equipment who make their own network cards represent the largest portion of the market, worth approximately SEK 6.0 billion. Other external suppliers, like HMS, share in the remaining portion, valued at approximately SEK 1.5 billion. This market is expected to continue growing by around 10 percent per year during the next few years.

HMS has a leading position in the market for external suppliers, with market share of nearly 20 percent. At the same time, there is considerable potential for growth within the portion of the market where manufacturers of industrial automation equipment design their own solutions.

Solutions that create independence

The use of automated machinery and production processes is growing for discrete manufacturing in both mature and growing markets. More automation increases the demand for communications solutions. Equipment, such as robots, motor drives, sensors, pumps and fans requires flexible solutions so that it can communicate in industrial networks, regardless of the protocol or protocol versions being used.

Diverse target group, many solutions

The buyers of embedded network interface cards are manufacturers of automation equipment for process and discrete manufacturing industries. The target group is thus easy to define, yet it is spread across a very large number of application areas, which is reflected in HMS's wide range of flexible solutions.

One of HMS's strengths has always been its ability to create high performance communication solutions that can be used in many different types of automation equipment. This ensures high market penetration in relation to the development time required.



Customers all over the world

HMS's customers are small, medium and large companies all over the world, primarily in mature markets that are highly automated, such as Germany, USA and Japan. Recently, however, more and more customers are from growth markets like China, India and Brazil.

Competition and potential

Looking at the total market for network interface cards, HMS's largest competitors are manufacturers of automation equipment who make their own embedded network cards. Currently, this type of in-house development and manufacturing represents most of the total global volume of embedded network cards.

HMS sees a huge potential in convincing more of these manufacturers to purchase their communications solutions from HMS. As a specialist in industrial communication, HMS



can offer the best and most future-proof solutions so that customers can focus on their own core technology instead.

Few direct competitors

There are very few competitors to HMS's unique, wide-ranging product portfolio for Embedded. Its closest competitor is the German company Hilscher, which develops and manufactures network interface cards (and gateways). However, their offering is only comparable to a certain extent.

Some engineering consultants develop customized solutions designed for one or more network protocols. There are also manufacturers of network cards designed for a single protocol, or small number of specific protocols.

Anybus® Gateways – more interoperability creates growth



HMS's technology development currently focuses on a number of new market requirements, such as powerful solutions that can be used in increasingly large and complex network systems; solutions with embedded functions for energy control and machine safety; environmental solutions like green automation and energy-efficient solutions with the latest silicon architecture.

A stable, but also dynamic market

The market for gateways is estimated to be worth approximately SEK 3 billion, with an annual growth rate of around 15 percent.

Rapid technological developments result in an increasingly higher level of interoperability in industrial networks. On the whole, this creates a stable, but also dynamic market for gateways. The market becomes stable due to the increasingly higher level of automation along with a large installed base of automation equipment that must be connected to new or upgraded networks. The market also becomes dynamic because of the lack of clear boundaries between the various technologies and network systems used for such purposes as factory automation, building automation and power plants. At the same time, this creates a constant demand for new connection solutions.

Overall, this results in an increasing number of access points to automation devices and hence also a need for gateways as a protocol bridge and to ensure intelligent network communication at all levels.

Streamlining in industry

The underlying driving forces are the same as they are for Embedded, i.e. industry must continually streamline, upgrade and refine production systems.

In certain industry segments where there is high growth, capacity is also being expanded, which results in a higher demand for Gateways.

One specific driving force is that customers typically would like to retain automation equipment that is already installed and which is working fine in the factory. However, they also want to coordinate it with equipment that is connected to new networks. This creates an additional market for Anybus Gateways.

Further along in the value chain

Customers are primarily industrial and infrastructure facilities that need to become more automated and connect more networks and automation devices to each other. This usually involves connecting existing mechanical

equipment to new network systems and integrating various sub-processes in a larger system.

Gateways usually contain two different network interfaces so that two different industrial networks can be connected. Other than that, the basic technology and technical functionality is the same as the Embedded products. The difference is that gateways can be used to connect existing equipment to an automation solution that has been created by industry. Embedded products, on the other hand, are integrated when the equipment is designed and manufactured.

System integrators – an important target group

Gateways are thus used later on in the value chain compared to Embedded, so the target groups and sales channels differ.

For gateways, system integrators and machine engineers are increasingly important target groups. The trend of an increasingly higher level of interoperability and automation has created a growing market for specialized system integrators who assist industry with network and communication solutions. The newly launched HMS Partner Program is thus an important sales channel aimed at more cooperation with these target groups.

Nevertheless, the end user in industry is also an important target group when marketing Anybus Gateways, because this is how brand recognition is created.

No competitor can match HMS

For gateways, there are a number of suppliers offering specialized solutions that compete with one or more of the HMS products.

None of these competitors, however, is able to offer such a wide range of products as HMS, which currently offers around 300 protocol combinations. The competitors are primarily independent manufacturers of customized solutions, usually in local or regional markets, or manufacturers who only offer a few product models.

Current research shows that industrial networks play a key role in improving energy efficiency on the factory floor. HMS is providing more and more solutions for green automation, such as embedded network cards that support PROFenergy. HMS Gateways facilitate optimal energy consumption in equipment that typically lacks an embedded network card – such as circuit breakers or compressors – through intelligent control via a connected PLC. This saves energy, raises productivity and lowers costs.



Installations located across a wide geographic area, like wind farms, are monitored and controlled using technology for remote management in order to ensure efficient operations and minimal maintenance.

netbiter®

Netbiter® Remote Management – growing demand for remote control

Fragmented market

The market for remote monitoring and control of industrial machinery and systems (also called M2M – Machine-to-Machine) is young and fragmented, which makes it difficult to assess. However, several important driving forces indicate that the market is growing. HMS is currently investing in higher market recognition of the Netbiter brand and the unique Netbiter solution. At the same time, sales efforts are focused on a number of vertical segments where there is particularly high potential, such as emergency power systems, building automation and infrastructure systems.

Bridges geographic distances

The requirements on reliability are becoming more stringent for mission-critical systems and this drives the demand for intelligent control and monitoring systems. Examples of such installations are telecommunications base systems, traffic systems, power plants and emergency power systems for data centers, hospitals and banks.

Technology development creates new possibilities

At the same time, the Internet and expansion of mobile networks has opened up new oppor-

tunities for remote monitoring and control of geographically dispersed equipment. Intelligent remote control and monitoring systems are being introduced at a rapid pace in many new areas, such as mission-critical emergency power systems, traffic and transportation systems and other social infrastructures.

The energy sector is another growth area due to progressively more production of electricity using renewable energy sources like wind and water, as well as new advanced systems for energy distribution and management.

Lower total cost of ownership

The need for cost control, reliability and time savings is resulting in new solutions. With remote monitoring, it is no longer necessary to make unnecessary trips to remote facilities for the sole purpose of inspection.

In addition, an advanced solution for remote monitoring and control can provide the system owner with new, value-enhancing information for streamlining operations and increasing the useful life of the investment.

Target groups

Like Gateways, Netbiter Remote Management is typically used at a later stage in the value chain. Important target groups are system

integrators and machine engineers who integrate Netbiter support into their applications.

There is also sales potential for Netbiter in the manufacturing segment. By integrating Netbiter into their automation equipment, manufacturers can obtain a competitive advantage by equipping their products for remote monitoring in the systems where they will be used.

The concept is also marketed to end users in industry and for use in infrastructures with geographically dispersed equipment that could benefit greatly from being able to remotely monitor and control their installations. Netbiter provides a turnkey solution for collecting, storing, managing and graphically visualizing data, which helps improve operational reliability, while saving both time and costs.

Fragmented competition

There are many suppliers of sub-systems and products for remote management. However, none of these competitors is able to offer an equally cost-effective, fast and simple turnkey solution as Netbiter. Most of the other systems being sold today are customized solutions designed for specific needs.

Leading high-technology

Intelligent network communication

Many network systems

The proliferation of industrial network systems (hardware) and protocols (software) makes it complicated and expensive for manufacturers of automation equipment to offer products on a wide, global market.

There are many different standards and they are continuously being developed for new application areas. This also makes it difficult to predict which connection technology the customer will request or know what the conformity and certification requirements will be.

End users and system integrators are faced with the same challenges when trying to further develop, modernize or expand automation systems and industrial networks in industry.

Anybus overcomes the problems

HMS technology overcomes the problems associated with the use of so many different systems and network protocols. With an Anybus Embedded network card, essentially all automation equipment can communicate with the leading network systems.

In the same way, Anybus Gateways enable communication between a network and automation device that lacks an embedded network card, or between several networks with different protocols.

Anybus embedded network cards and gateways are certified and approved by all the leading OEM companies. The product range supports around 20 of the most widely used network protocols, such as Profibus, ControlNet, DeviceNet, CANopen and CC-Link, as well as the Ethernet-based Profinet, EtherNet/IP, Modbus-TCP and EtherCAT.

Flexibility creates value for customers

The flexibility that Anybus provides has created value added for thousands of customers since it was launched in 1994. HMS is currently a world leader in communication technology for industrial networks, with more than two million installed network products in operation and the world's leading OEM companies as repeat customers.



HMS's range of approximately 1,000 items includes approximately 100 types of embedded network interface cards and gateways for more than 300 protocol combinations, as well as a large number of customized solutions. During 2012, HMS delivered approximately 320,000 network interface cards to customers all over the world. At 2012, HMS had a total of 909 active design wins.

Smart remote control and monitoring

Netbiter Remote Management*

Netbiter Remote Management is a turnkey solution for online remote control and monitoring of geographically dispersed installations. The concept represents a small but growing portion of HMS's sales.

The solution provides network contact over the internet (fixed or mobile networks) and relays critical real-time data and reports from remote installations to their system owners, 24/7.

* The Netbiter Remote Management concept was developed by IntelliCom, a company which has been partly owned by HMS since 1997 and fully owned since 2011. The concept has been integrated into HMS's operations and sales since 2011.

Lower cost of ownership and environmental impact

Netbiter Remote Management creates value for customers in many ways. With remote control and monitoring, numerous visits to installations for the purpose of inspection and control become unnecessary, which saves resources and is good for the environment.

It can also make management more efficient and improve reliability through advanced real-time information on operations, which results in lower costs, higher availability and a longer useful life of the investment.



In addition, the HMS concept is web based, which makes it easy and quick to install and use, without a lot of training or specific technology required.

Anybus® Embedded

Manufacturers of automation equipment are becoming more competitive

Anybus embedded network cards enable an automation device to communicate with all network systems, largely independent of network protocols and connectivity technologies.

Manufacturers of automation equipment, such as motor drives, robots, drive systems and measuring equipment thus become more competitive in many ways. They save significantly on development cost – studies show that the savings are up to 70 percent – and thus shorten the time to market launch considerably. They can offer a shorter delivery time to the customer because the solution can be adapted to the end user's specifications more quickly. Above all, with Anybus, they can offer their customers a completely flexible product that can easily be configured, adapted and changed according to the circumstances.

Connectable turnkey solutions

Anybus embedded network cards are primarily sold as proven standard solutions, with complete system functionality for industrial networks – including the physical connection, hardware interfaces, configuration files and protocol functionality. The products make it possible to immediately connect to all leading fieldbuses, industrial Ethernet systems and series, USB connected or wireless solutions. The products are certified for the various network standards and they fulfill CE, UL and RoHS standards for full interoperability.

HMS's wide range of around 100 standard products are grouped by product family – Anybus-CC, Anybus-IC, Anybus-S and Anybus-M – based on the application area and technical requirements.

The customer can adapt both the card and casing as desired and fully customized products are also offered to larger customers.

Patented technology

Early on, HMS focused on developing an optimized microprocessor for communication in industrial networks and in 2006, the company launched NP30, which is the compact communications processor that has provided the platform for Anybus since then.

The technology used in NP30 combines a powerful RISC processor with peripherals for the various industrial networks. An innovative combination of integrated memory, high performance, low energy consumption and small size – just 10x10 mm – makes this an optimal platform for industrial network interfaces.

NP40 – even more powerful and simpler

In 2012, HMS launched NP40, which is its next generation of network processors. It combines a powerful ARM® kernel with the flexibility of an FPGA device, so that even the hardware becomes programmable. NP40 is based on Microsemi's latest SmartFusion family and it contains HMS's unique, patent-pending RTA (Real-Time Accelerator) that enables network solutions for the most demanding real-time solutions. This means that a single circuit can be programmed according to different network standards in terms of both hardware and protocol. This is a major advantage for such reasons as the trend of an increasing number of communication solutions being based on industrial Ethernet, rather than conventional fieldbuses.

NP40 is based on the latest semiconductor technology and it offers even higher performance with the same low energy consumption as NP30. NP40 is already starting to be introduced in products for new, demanding network applications and it will serve as the primary platform for HMS's new embedded concept, CBM (Chip, Brick and Module) and in customized products.

Anybus CBM – Chip, Brick and Module

In 2012, HMS presented its next generation embedded concept, CBM (Chip, Brick and Module). It is an evolution of the Anybus CC technology and it offers more integration options in customer products. The CBM concept is backward compatible with Anybus-CC, and thanks to NP40, CBM offers significantly improved functionality, performance and real-time properties.

The chip format makes it possible for customers who have traditionally designed their own network solutions to now integrate an NP40-based Anybus chip into their design. By doing so, HMS will be able to offer solutions to customers who previously were not able to use HMS Anybus modules, or ones who elected to design their own integrated solutions.

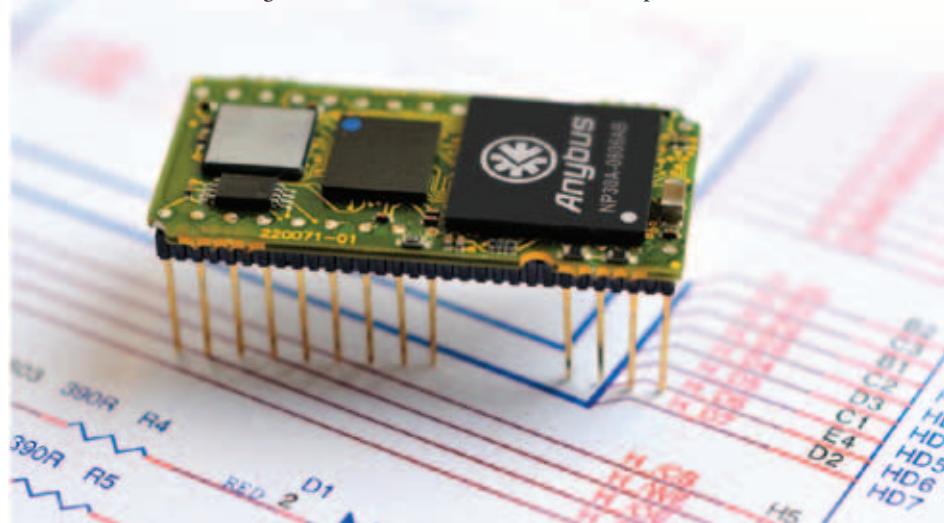
The brick format makes it possible for customers who need encapsulation for harsh industrial environments to use HMS's proven Anybus solutions. The customer takes care of the encapsulation, i.e. network contacts and housings and HMS supplies a plug-in, interchangeable network card.

The module format is the same as the one for Anybus-CC, but with improved functionality, performance and real-time properties.

Thanks to CBM, HMS can now offer an Anybus solution for the most time-critical industrial applications.

Anybus ASM – a solution for systems with personal safety requirements

In 2012, HMS launched its first ASM (Anybus Safety Module) for systems with personal safety requirements. With this solution, customers who need to transfer safety-critical information over the network for emergency shutdown and similar operations can now also use the proven Anybus technology. ASM is a stand-alone module used for all safety-critical functions and which uses an Anybus standard module for network access. ASM makes it possible for HMS customers to offer safety solutions without having to invest in large-scale, expensive development initiatives. The first version in the ASM series is designed for PROFI-safe, which is the leading standard in Europe.



Anybus® Gateways

Communication within and between industrial networks

Anybus Gateways are protocol converters with basically the same functionality and technology as embedded network interface cards. A gateway consists of two connected network cards and a communication interface between them for “traffic exchange”.

Gateways are installed between industrial networks and their task is to make communication possible at all levels of an automation system regardless of the existing communication standards.

They are also used to connect individual industrial apparatus that lack an embedded network card to a network. Examples are control devices, sensors, measuring equipment, actuators, circuit breakers and smaller PLCs in an industrial network.

Optimal solution for system integrators

HMS Gateways enable system integrators to quickly and easily connect two networks, or an automation device and a network, for quick and secure data transfer. No extra programming is required thanks to the gateway's embedded configuration interface.

Anybus Gateways are available for approximately 300 different protocol combinations and more are being introduced all the time based on the market needs. The products have been tested and verified by leading manufacturers of network systems, such as Siemens, Rockwell Automation, Schneider Electric, Mitsubishi, ABB, Omron, Hitachi, Beckhoff, Phoenix Contact, Bosch Rexroth and others.

Vertical or horizontal connection

The product range primarily consists of two product families with standardized products.

Anybus Communicator connects automation equipment with industrial networks, i.e. vertical connection. This applies to existing or new equipment without an embedded network interface card. Connection is quick and easy. No hardware or software adaptations are necessary.

Anybus X-gateway establishes communication between two industrial networks, i.e. horizontal connection. The products are designed and certified for tough industrial conditions, with standard DIN rail mounting and a port for 24 volt DC power. The product range supports more than 200 network combinations and 17 fieldbusses.



Jörgen Palmhager
Chief Operating Officer

Netbiter® Remote Management

Remote control and monitoring is increasing

Rapid technological development and higher demands on both functionality and reliability in critical systems are rapidly increasing the number of application areas for remote control and remote monitoring. Examples are emergency power systems, building automation, telecommunications base stations, wind farms and process equipment used by the petrochemical, water treatment and pulp & paper industries, to name just a few.

There is also a growing need in the area of social infrastructures, such as monitoring of traffic systems and traffic flows like subways, roads, bridges and tunnels, as well as power infrastructures like power lines, substations and grids that are critical to society.

Savings and higher reliability

Netbiter Remote Management generates significant savings for system owners. Fewer site visits are necessary and they can be planned more efficiently. The solution also benefits the environment, due to the reduction in travel and more energy-efficient monitoring processes.

At the same time, reliable monitoring and control of critical parameters 24/7 improve reliability, and thus availability, in these installations that are often critical to businesses and society. This increases the useful life of the investment and reduces the total cost of ownership.

Reliability with high functionality

Other important benefits that customers all over the world have noticed are the solution's simplicity, reliability and functionality. The concept has also been praised for its flexible connectivity, powerful alarm function and for providing a graphic overview of data.

Simple turnkey solution

Netbiter Remote Management consists of a specially adapted gateway, Netbiter Easy-Connect, which provides network contact via Internet or a mobile network. It automatically connects a facility to Netbiter Argos data center, which collects, processes and visualizes data from all monitored parameters. The operator receives real-time information, along with trend analyses and automatically generated reports through the user-friendly and easy-to-grasp web interface in Netbiter Argos. Alarm reporting is via email or SMS.

The solution is standardized and simple to implement and use. No particular software or programming is required. Options are available for wired or wireless connection and all the required components are included to achieve a safe, seamless and scalable solution.

The system is web based and no extra security (such as firewall settings or VPN tunnels) is required.

netbiter®





Quality control

is crucial to providers of high value added

In a short period of time, HMS has become a world-leading supplier of complete communications solutions for industrial networks. The company offers approximately 1,000 network products for a large number of application areas and network systems. One important factor behind HMS's growing, loyal customer base is that the company delivers interoperable turnkey solutions with high delivery precision and quality. This requires precise control and quality management of the entire value chain.

Quality control pays off

The products must be easy to install and they must work flawlessly in various types of automation equipment and industrial environments. To ensure the highest possible quality, all processes in the value chain are carefully controlled and coordinated – from design, development and manufacturing to sales, distribution, information, training and support.

HMS's quality policy is all about continual improvements and it provides the basis for how the company works with systematic process control and quality control throughout the entire value chain.

HMS's operations in Sweden are certified according to the ISO 9001:2008 quality management standard, in accordance with the company's process-oriented operations.

HMS currently achieves delivery precision of 98 percent on average and returns are less than 100 ppm (300 ppm in 2011). Although this is proof of both high performance and quality, HMS aims to become even better.

Evaluated by leading automation companies

HMS is regularly evaluated by leading automation companies like Motoman Robotics, Pilz, Socomec, Yaskawa, Emerson and ABB.

These systematic evaluations cover ISO 9001 quality management standards and specific requirements having to do with customers, products, processes or other special issues. Requirements span everything from manufacturing and development processes, product quality and overall delivery/cooperation performance to reaction times, delivery precision, information and customer support.

The results of these evaluations are used when designing measures to continually improve.

Continual improvement with BMS

HMS uses its business management system (BMS) to assure the quality of its processes. The aim is to ensure that focus is on the customer and continual improvement in all cross-functional processes.

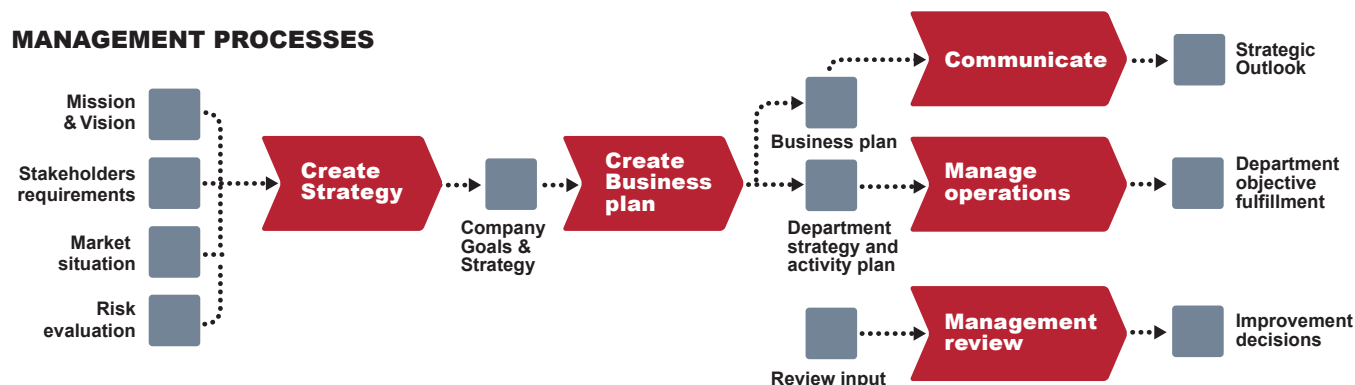
The BMS provides a structured overview of the company's processes and how they interact, including aspects that are important from the customer perspective, and how employees and tasks add value and enhance quality. Process maps help in identifying and evaluating improvement measures.

The BMS was introduced in 2010 and since then, process and work flows have been documented and clarified. This has resulted in updated process descriptions and activity support. Two process improvement projects were implemented last year. One aims to improve the process for qualifying suppliers through such measures as better adaptation of the supporting documentation to the type of supplier. The other aims to improve the process of moving a newly developed product into mass production via better control of the processes for test analysis, control planning and production optimization.

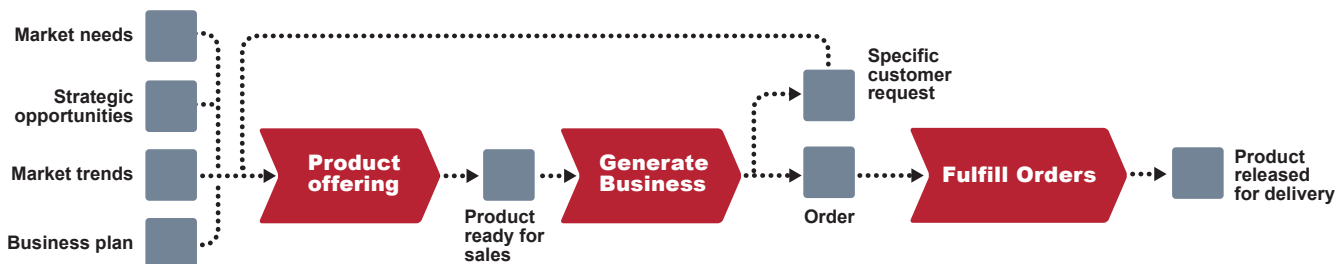
In-house development

One important component of HMS's core competence is the company's technology and prod-

MANAGEMENT PROCESSES



CORE PROCESSES



The process maps in the BMS provide a concrete and simplified picture of how value is created, i.e. how activities move between different roles and the interfaces that arise when activities are handed off. This is often where most improvements can be made and the schematic presentation of the process flows makes them easier to identify.

uct development. All development efforts are performed in-house at Halmstad and the development office in Gothenburg. Of the 260 employees in total, 75 work with development, which comprises the entire chain of events, i.e. from the specification of requirements and design, to hardware design, programming, system integration and verification.

Many development projects are performed in close cooperation with the customer, which contributes to ever-increasing industrial expertise and the ability to develop products that meet customers' commercial needs and requirements.

Industry-wide improvements

For many years, HMS has been involved in many of the sector's international organizations and other forums that strive to develop and diversify industrial communications standards. One example is the US based organization, ODVA, which is responsible for the specification and development of four different industrial networks that are all CIP-based (Common Industrial Protocol). HMS is a member of the organization's Technical Review Board and is also active in several work groups that develop proposals for specification improvements in different areas. This type of involvement enables the company to influence and remain up to date on important technology issues.

Controlled production

Prototypes, pilot series and shorter product series are manufactured at HMS's facilities in Halmstad. This is where final assembly occurs for most network interface cards using the company's specially developed assembly lines, which have been optimized for short lead times and high productivity.

High volume manufacturing is also performed by selected suppliers in Europe and Asia to achieve economies of scale and optimal balance in price, quality and flexibility. More tasks are performed in-house at higher levels in the value chain. For example, most final assembly and all delivery processing take place at the Halmstad facilities in order to ensure control and quality.

Strategic component procurement

A network interface card consists of hundreds of sub-components. Strategic component procurement is thus an important success factor

for HMS and the company has developed long-term relationships with component manufacturers and market-leading suppliers to ensure access to high quality components. All strategic suppliers are ISO certified and regularly evaluated by HMS to ensure that their processes are qualitative and efficient.

Optimized supply chain

Manufacturing and inventory are planned based on optimal order size and accurate forecasts. A new, simplified forecast tool is now being used at all HMS offices. It quickly and accurately captures market fluctuations, with a particular focus on volume-critical projects.

In order to achieve cost-effective, environmentally efficient logistics solutions, HMS has shipping partnership agreements in place with a few freight companies. This helps the company achieve optimal volumes and set standards for quality and environmental performance.

For larger customers, an EDI connection is used to automatically process orders and generate forecasts, invoices and order confirmations. This results in efficient administrative flows.

For its major contract manufacturers, HMS has a system in place to reuse customized and ESD protected boxes for shipping and storage purposes.

HMS has a high level of material traceability from the point when it receives a customer order, all the way back in the supply chain to the production method and design.

Sales

For Swedish customers and major global customers, sales efforts are performed by the company's own sales organization at Halmstad. HMS also has its own sales offices in 9 countries, as well as exclusive distributors in over 50 countries.

The company recently introduced the HMS Partner Program, which aims to capture sales opportunities and increase sales particularly for gateways and remote management solutions. The program is primarily for system integrators all over the world who assist industries and other system owners with connecting equipment in order to achieve a higher level of automation. Besides increasing sales, the program is also designed to further improve the quality of installation, commissioning and support for HMS products.

High rating for HMS customer service

HMS has a high level of after sales service and the company is always working to improve it even further. A customer survey was conducted in 2011 and HMS received a very high service level rating for technical support (82 out of 100) and warranty administration (81 out of 100).

Every return is carefully analyzed to avoid repeat problems. This includes reporting back to the customer about corrective measures that have been implemented. The company has also gathered customers' service expectations for warranty administration. In 2012, it took HMS 6 calendar days, on average, to process warranty returns.

HMS also increased the warranty period for Gateways and Remote Management products from 12 to 36 months. This is proof of the company's continual improvements in quality and service.

Training and support

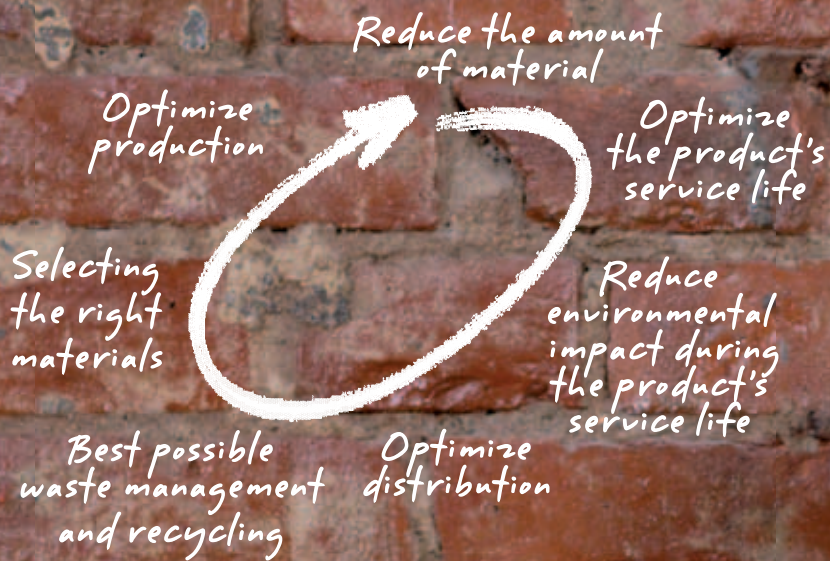
Training and good technical support are important quality aspects for retaining a world-leading position. This applies both externally to customers and distributors, as well as internally, in a growing, learning organization.

HMS continually develops and implements effective training programs as part of the HMS Academy concept. For customers, system integrators, distributors and HMS employees, the concept makes it easier to present and install HMS products and solutions.

During the year, the number of courses and seminars offered was significantly increased. This applies to webinars as well as training provided at HMS's facilities or at the customer's site. Trainings are offered free-of-charge via HMS's websites: anybus.com and netbiter.com.

Yet another of HMS's strengths is its local presence, particularly when it comes to local technical support. Free support in the local language, which HMS provides from its various sales and marketing offices, is highly appreciated and it is an important component of HMS's total offering to the customer.

The Eco Strategy Wheel ensures



environmental consideration

HMS cares about its impact on the environment and it strives to achieve sustainability in its product development efforts, manufacturing and all other business activities. HMS's main contribution is developing and manufacturing products that make energy conservation possible for its users, with the lowest possible environmental impact during the product's useful life. The Eco Strategy Wheel is HMS's model for considering the environmental aspects associated with developing, manufacturing, shipping and using HMS products. In other words, it considers the entire product life cycle. The model is used for generating improvement suggestions as well as checks and follow-up on the Group's sustainability efforts.

“ *More and more customers are demanding sustainable solutions that use environmentally friendly materials and conserve energy through the entire life cycle.*

Katarina Lekander
Quality manager

Focus on energy efficiency

HMS strives to develop products and solutions that contribute to efficient energy consumption and resource-efficient production.

By using automated processes and intelligent industrial communication, it is possible to achieve more efficient energy consumption for industrial equipment, such as motor drives, pumps and fan systems.

Intelligent remote control of equipment also results in energy savings, due to more efficient operations and fewer necessary site visits for the purpose of inspection and control. This is how HMS's products lead to higher energy efficiency and thus lower environmental impact.

Product development and environmental aspects

During the product development process, HMS considers many environmental aspects.

HMS uses energy-efficient technology and low-energy components in its products. NP30 and NP40, which are HMS microprocessors, have been designed using modern silicon geometry. This makes components more powerful, as well as more energy efficient.

Products are designed so that they are easy to repair and upgrade on site. This helps achieve a maximum useful life, while avoiding unnecessary transportation.

They are also designed and packaged to be as compact as possible to save on packaging material and reduce the transport volume.

Packaging is designed to have the lowest possible environmental impact in terms of the materials used and to enable reuse and recycling.

Controlled material selection

There are routines and work methods in place for selecting the right materials during the design phase. Symbols are used to display the environmental category of all items.

HMS complies with the EU Directive on electronic products, RoHS, when it develops and manufactures its products. This means that no hazardous substances are used, such as lead or flame retardants. HMS also complies with REACH, the EU Directive on restricted use of chemicals and PFOS, which pertains to perfluorinated substances.

Green automation

More and more of HMS's products are now available with PROFlenergy, which is an open standard solution for energy management, i.e. green automation. This makes it possible to significantly reduce the energy consumption of machines and processes by turning them off when they are in standby mode. It also offers factories a standardized way of shutting down equipment during short or long production breaks rather than keeping them in standby mode, which consumes electricity.

Manufacturing – control and routines

It is also important to consider a number of important environmental aspects during manufacturing. Through careful control of production processes, it is possible to achieve efficient manufacturing with minimal use of materials, waste and energy consumption.

The manufacturing process is also designed to minimize each of the following: emissions, the use of chemicals and human exposure to chemicals.

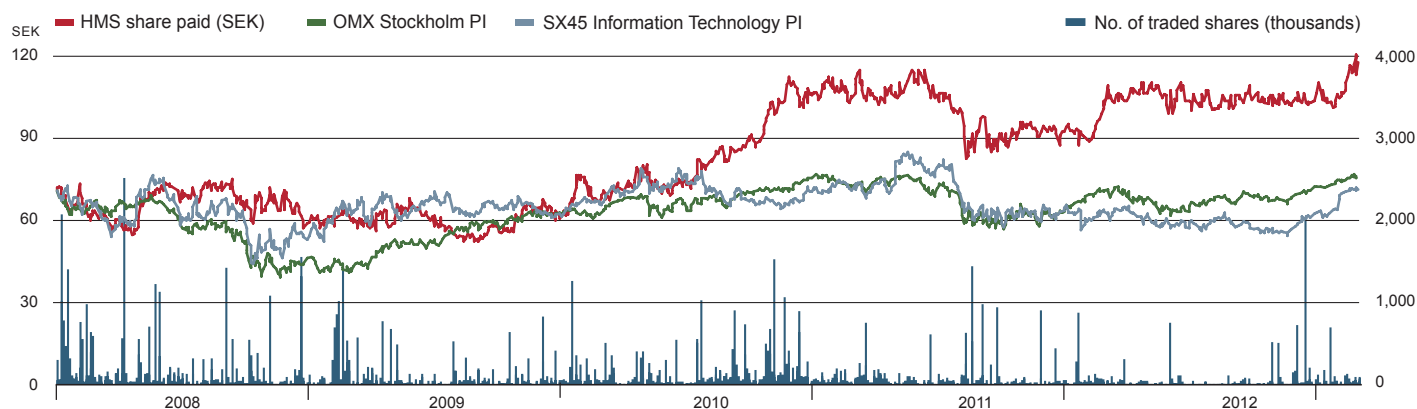
There are established routines for waste management so that there is as much recycling as possible.

Evaluation of suppliers

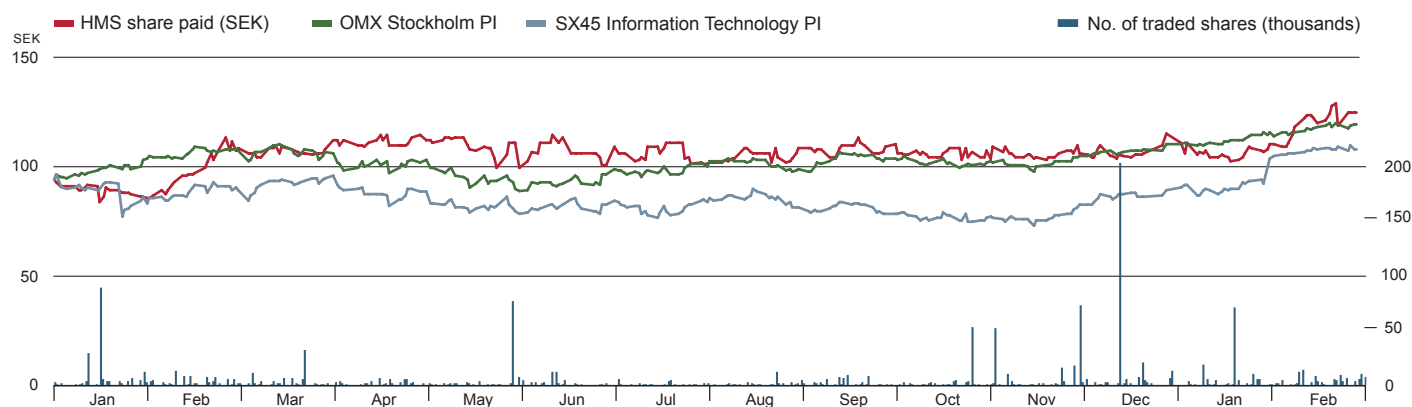
HMS uses around 75 suppliers and 15 of them represent approximately 95 percent of all purchases. These strategic suppliers are continually evaluated in terms of environmental certification, environmental performance and related policies, work environment and code of conduct.

HMS shares

The HMS shares 2008–2012



The HMS shares 2012



The HMS share has been listed on the NASDAQ OMX Stockholm Small Cap list, in the Information Technology sector, since 19 October 2007. The ISIN code is SE0002136242. Shares are traded under the HMS ticker. A trading lot is one share.

Number of shares and share capital

HMS has a total of 11,322,400 shares. Share capital amounts to SEK 1,132,240. All shares have the same voting rights.

Price trend

In 2012 HMS's share price rose by 18 percent to SEK 112.25 (94.75). The OMX Industrial Index rose by 16.4 percent during the same period. The highest price paid during the year for HMS shares was SEK 112.25 and the lowest price paid was SEK 87.00. At year-end 2012, HMS's market capitalization was SEK 1,270.9 (1,056.7) million.

Trading volume

A total of 1,193,208 shares were traded during the year, valued at SEK 123 million, which corresponds to an annual turnover rate of 11 percent. On average, 4,754 shares valued at SEK 488 thousand were traded each trading day.

Dividend policy

HMS's policy is to pay annual dividends of approximately 50 percent of the net profit for the year.

Warrants and options

On the closing day, HMS did not have any outstanding warrant schemes.

Shareholders and shareholder structure

As of 31 December 2012, HMS Networks AB (publ) had approximately 2,546 (3,030) shareholders. The 10 largest shareholders represented 77.8 (77.6) percent of the voting rights and capital.

Analysts that monitor HMS on an ongoing basis

Andreas Joelsson, SEB Enskilda, Equity Research and Håkan Wranne, Swedbank Markets.

Key figures*

	2012	2011	2010	2009	2008
Share price (final day of trading)	112.3	94.8	108.0	59.8	57.5
Volume-weighted average share price	102.7	99.8	87.2	58.7	64.9
Average sales per day (SEK m)	0.5	0.7	1.1	0.5	1.0
Average number of shares traded per day	4,754	7,204	12,059	8,879	15,603
Number of shares (including dilution)	11,254	11,169	11,158	11,121	11,114
Earnings per share (including dilution)	4.64	4.83	5.40	1.81	5.17
Market capitalization (SEK m)	1,271	1,057	1,205	667	641
Enterprise value, EV (Market cap.+ net debt, SEK m)	1,240	1,056	1,189	697	684
P/E	24.2	19.6	20.0	33.0	11.1
Net debt/EBITDA	N/A	N/A	N/A	0.8	0.5
EV/EBITDA	16.6	12.8	12.8	17.7	7.3
EV/Net sales	3.2	2.8	3.5	2.9	2.2

* HMS's shares became listed in 2007

Share capital trend

Year	Transaction	Change in number of shares	Total number of shares	Change in share capital (SEK)	Total share capital (SEK)
2004	Company formed	100,000	100,000	100,000	100,000
2004	New share issue	900,000	1,000,000	900,000	1,000,000
2005	New share issue	22,100	1,022,100	22,100	1,022,100
2006	New share issue	1,900	1,024,000	1,900	1,024,000
2007	Warrants	33,165	1,057,165	33,165	1,057,165
2007	Split 10:1	9,514,485	10,571,650	0	1,057,165
2009	Warrants	581,250	11,152,900	58,125	1,115,290
2012	Teckningsoption	169,500	11,322,400	16,950	1,132,240

HMS's largest shareholders, 31 December 2012

	No. of shares	Share of votes and equity
Investment AB Latour	2,827,322	25.0%
Staffan Dahlström	1,617,073	14.3%
Nicolas Hassbjer	1,611,872	14.2%
Swedbank Robur fonder	1,146,500	10.1%
SEB Fonder	838,218	7.4%
Deka Bank	200,200	1.8%
AMF	174,078	1.5%
Avanza pension	145,829	1.3%
Nordea småbolagsfond	130,030	1.1%
SSB	120,000	1.1%
Greenspecialisten AB	119,168	1.1%
Other	2,392,110	21.1%
Total	11,322,400	100.0%

Distribution according to shareholdings, 31 December 2012

Shareholding	No. of shareholders	%
1–500	2,019	79.3%
501–1,000	254	10.0%
1,001–5,000	182	7.1%
5,001–10,000	48	1.9%
10,001–15,000	4	0.2%
15,001–20,000	5	0.2%
20,001–	34	1.3%
Total	2,546	100.0%

Chairman's comments

Growth in HMS's most important markets weakened in the latter part of 2012. Despite that, HMS was still able to report a good profit, even though there was no growth in sales for the year.

As Chairman of the Board, I have been able to identify several factors behind the company's stable performance. By investing 16 percent of its sales in product development and by focusing on new technology platforms, HMS has continued to increase its competitiveness and lay the foundation for long-term growth. The company has followed its strategy and strived to achieve its goals of long-term profitable growth by taking advantage of new business opportunities and doing its homework when it comes to technology, products and quality, in particular. The proof is not only in the figures, but also in the growing number of customers and their loyalty.

We are on the right track. Rapid technology and IT developments are quickly reaching many new areas of industry and society, with a positive impact on the demand for HMS's products and technology. For example, the new solutions for Remote Management are now receiving greater attention even outside the core area of industrial automation.

At the start of 2013, HMS took a historic step forward. With its acquisition of the German company, IXXAT, the company obtained important complementary technology plat-

forms for hardware and software, along with access to new, exciting market segments. It also expanded its existing development resources by adding more than 50 competent development engineers to its staff. As a supplier of communications technology for industrial automation used in the machine and automotive industries, IXXAT is a good strategic fit with HMS. However, an acquisition of this size always involves challenges and in 2013, the Board, together with the management team, will put a great deal of effort into realizing the identified potential synergies.

For a growth company in a rapidly growing sector, the Board of Directors plays an important role. We actively support the management team by listening and coaching on strategic matters. We also play an important role in the area of governance, by making sure that strategies are correctly formulated and followed up, and ensuring that there is both risk awareness and risk management.

The Board's work basically follows a fixed annual cycle, with scheduled meetings and an allocation of tasks and responsibilities according to the company's rules of procedure. Already at the first Board meeting held in conjunction with the AGM, we set the structure for the upcoming Board year.

The Board members complement each other well. Several of them hold top management positions and they understand and have insight into the challenges faced by the HMS management team. Others are able to contribute valuable input about such areas as the stock market, company acquisitions, technology development and marketing based on their own experience in top managerial positions. We invite the entire management team to take part in discussions about strategic issues and this mix results in exciting and valuable debates.

Each year, the work done by the Board is evaluated by having every member of the Board answer a number of questions, which I then compile and discuss with the entire Board. The results of these evaluations, which are also made available to the nomination committee, help ensure that the work done by the Board is effi-

cient and provide us with valuable feedback on whether the composition and competence of the Board is adequate. The summary for the year once again showed that the Board has performed its tasks well.

Besides the work done by the audit and remuneration committees, the new development committee also made important contributions. It is responsible for monitoring important issues concerning product development, technology development and ensuring that HMS has the right expertise.

Going forward, the Board's challenges are to support the management team on issues within a number of strategically important focus areas. We need to ensure that HMS remains competitive in a changing and growing market by keeping the right focus on product development, market expansion, customer needs and the skills of our employees.

We also need to monitor and manage the various risks associated with our growing company and its increasingly global operations – HMS now has customers in more than 50 countries – as well as giving appropriate consideration to environmental requirements and sustainability. In 2012, the Board came up with a more structured working method for identifying significant risks in the company's operations and processes. In the coming year, this risk assessment will become an integral part of the strategic work for future growth. At the same time, we must monitor the turbulent macro-economic situation and help in assessing how various developments impact the company.

HMS is both a growth and knowledge company and its success depends on quick actions, goal-orientation and the right expertise. Those are difficult and important challenges that we have enormous respect for. It is, however, very stimulating to be a part of it all and assist HMS in meeting its goals and continuing on this successful journey.

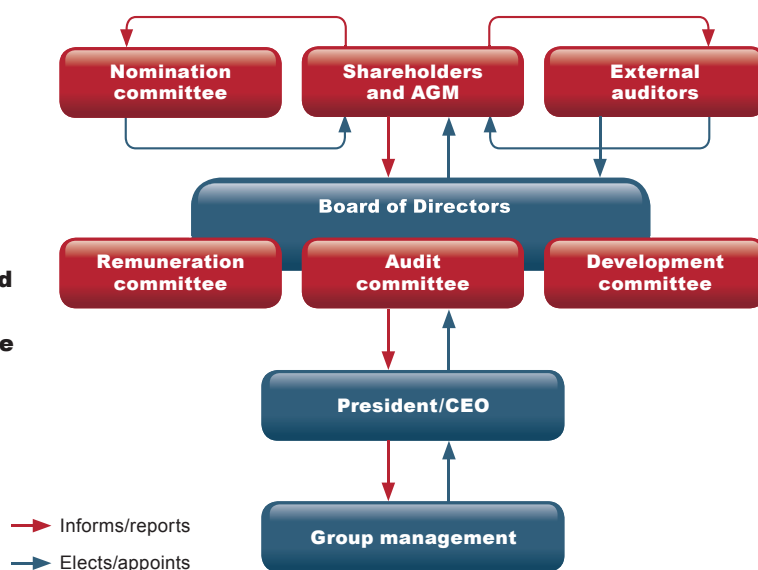
Urban Jansson
Chairman



Corporate governance report

HMS's Board and management team work to ensure that the company lives up to the requirements that NASDAQ OMX, shareholders and other stakeholders have on the company. The Board also monitors all issues having to do with the recommendations and requirements from the company's stakeholders. HMS complies with the directives in the Swedish Code of Corporate Governance.

Corporate governance at HMS is primarily exercised at the Annual General Meeting and through the work done by the Board. In a broader perspective, corporate governance also applies to management, its duties and the Group's control and reporting functions.



Structure for corporate governance

HMS's shareholders are ultimately responsible for making decisions on corporate governance. The AGM elects the Board of Directors, the Chairman of the Board and the auditors. It also decides how the nomination committee will be elected. The Board is responsible to the shareholders for the organization of the Group and the administration of the Group's affairs. The auditors report their findings at the Annual General Meeting.

Shareholders and AGM

The shareholders exercise their right to decide on the company's affairs at the Annual General Meeting, which is the company's highest decision-making body. The Annual General Meeting (AGM) decides, among other things, on the adoption of the financial statements, balance sheets, appropriation of profits, discharge of responsibility for the Board, new Board members, new auditors and remuneration to the Chairman of the Board, other Board members and auditors. The meeting also decides on guidelines for remuneration to the management team.

In addition, the AGM decides on any changes to the company's Articles of Association, new share issues and the introduction of any share-based incentive schemes. The Articles of Association is the fundamental governing document for the company. It stipulates the type of operations, the size of share capital,

shareholders' right to attend the AGM and the agenda of the AGM.

Any shareholder who wishes to have a particular item dealt with at the AGM must submit a written request to the Board well in advance so that the item can be included in the notice of the AGM. Information on the deadline for submitting such requests to the Board is available on the company's website. Information relevant to the AGM and the minutes from the AGM are available on the company's website: www.hms.se.

The AGM must be held within six months following the end of the financial year. All shareholders registered in the shareholders' register on the record day (five calendar days before the day of the AGM) and who have applied, have the right to attend. Each share entitles the shareholder to one vote. Notice of the AGM must be issued no earlier than six weeks and no later than four weeks in advance by advertising in Dagens Industri and the Swedish Gazette.

Annual General Meeting 2012

The AGM was held on 19 April 2012 at the company's office in Halmstad. Present at the meeting were shareholders representing approximately 73% of the number of shares and votes. Those in attendance at the AGM were Chairman of the Board Urban Jansson and the following Board members: Nicolas Hassbjer, Göran Sigfridsson, Henrik Johans-

son, Ray Mauritsson, Charlotte Brogren and Gunilla Wikman. Also at the meeting were Jan Svensson, Chairman of the nomination committee and Olof Enerbäck from the firm of auditors. Shareholders at the AGM decided:

- to issue dividends of SEK 2.25 per share, totaling SEK 25,094,025
- that the Board would consist of seven members
- to re-elect all of the Board members
- to re-elect Urban Jansson as Chairman of the Board
- that remuneration to the Board would be SEK 1,200,000 for the next term, of which SEK 300,000 to the Chairman of the Board and SEK 150,000 to each Board member who is not employed by the company.
- on principles for appointing the nomination committee
- on guidelines for remuneration and other conditions of employment for the CEO and other senior executives
- on the authority of the Board to issue new shares
- to set up an incentive program open to all employees of the Group.

Nomination committee

The AGM decides on how the nomination committee is appointed. It is the duty of the nomination committee to, prior to the next AGM, prepare and submit proposals for a Chairman of the Board and other Board mem-

bers, as well as remuneration to the Chairman and other Board members. The nomination committee is also responsible for evaluating the work done by the Board of Directors based on the report it receives from the Chairman. The nomination committee also proposes the election of auditors and their remuneration.

At the 2012 AGM, there was a decision on the principles for establishing a nomination committee at HMS Networks AB. In accordance with the nomination committee's proposal, the shareholders at the AGM decided that the nomination committee would consist of the Chairman of Board, along with representatives from the largest shareholders (as of 31 August) up until the next AGM is held or, when necessary, until such time as a new nomination committee has been appointed.

The nomination committee appoints one of its members as chairman (however, neither the Chairman of the Board nor any other member of the Board of Directors may be elected as chairman of the nomination committee). Should any of the three largest shareholders decline their right to appoint a representative, the right is transferred to the shareholder with the next largest shareholding on the specific date. If a member leaves the nominations committee in advance then, if appropriate, a replacement will be appointed by the same shareholder that appointed the one departing, or if this shareholder no longer ranks among the three largest shareholders, by the shareholder who in terms of shareholding is next in line.

The composition of the nominations committee will be published on the company's website no later than six months before the next AGM.

Members of the nomination committee and voting rights

Representative	Shareholder	Voting rights (% of total) as of 31 Dec 2012
Nicolas Hassbjer	Representing Staffan Dahlström and own holdings	28.5
Jan Svensson, Chairman	Investment AB Latour	25.0
Evert Carlsson	Swedbank Robur Fonder	10.1
Urban Jansson, styrelseordförande		

The nomination committee strives to achieve gender balance on the Board of Directors. The Board of Directors currently has 29% women serving on it.

External auditors

Auditors are currently appointed to serve for a period of four years, which ensures continuity and depth of the audit work. The auditors are accountable to the shareholders at the AGM and they must provide an auditor's report on the financial statements and the administration by the Board of Directors. The auditors report verbally and in writing on an ongoing basis to the audit committee about how the audit has been carried out and give their views on the level of order and control in the company. Auditors also report in person twice a year to the entire Board about their audit and state their views about internal controls.

At the 2009 AGM, shareholders elected PwC as the audit firm, with Certified Accountant Olof Enerbäck as the auditor in charge, for a period of four years. In addition to the audit, PwC also provides advice concerning auditing and tax. This advice is not considered to be biased.

In 2012 total remuneration paid to HMS's auditors amounted to SEK 1,245 (602) thousand. Further information regarding auditors' remuneration is available in Note 7.

Board of Directors

The Board is responsible for how the company is organized and for administration of the company's affairs on behalf of the owners. The Board assesses the company's financial situation on an ongoing basis and makes sure that it is organized such that there are adequate controls on its bookkeeping, fund management and other financial matters. The Board sets policies and instructions for how this is to be achieved. It also adopts rules of procedure for the Board and instructions for the CEO. These central governance documents specify how responsibilities and authority are allocated between the Board and its committees, as well as between the Chairman of the Board and the CEO. The Board appoints the CEO. The Chairman is responsible for evaluating the work of the Board and providing the nomination committee with the results of that evaluation.



Basis for Board work

The fundamental issues concerning the division of responsibility between the Board, Board committees, Chairman and CEO are expressed in the Board's rules of procedure and instructions for the CEO. The rules of procedure regulate such things as how often the Board convenes and the items that it should address at Board meetings. The rules of procedure also explain the allocation of responsibility between the Board, its Chairman and the CEO.

The Board is responsible for adopting strategies, business plans, budgets, quarterly reports, financial statements and the annual report. The Board is also responsible for appointing and dismissing the CEO and decisions involving significant changes to the HMS organization and operations. The rules of procedure state the thresholds that apply when the Board must decide on investments, company mergers and acquisitions, loans, etc.

Evaluation of the work done by the Board occurs continually, in part on its overall efforts and in part on the contribution made by each individual member. The purpose is to ensure that the HMS Board of Directors has the right structure in terms of its expertise and dedication.

Board structure

The Board consists of seven members. The Board members have extensive professional experience and are, or have at some time, been CEOs and/or senior executives in large companies and many are also Board members in large companies. Some of the company's Board members have served on the Board for quite some time and they are well acquainted with the company's operations.

The Swedish Code of Corporate Governance stipulates that the majority of elected Board members must be independent in relation to the company and Group management. Furthermore, at least two of the independent members must also be independent in relation to the shareholders that control 10 percent or more of the shares or voting rights in the company. The nomination committee has, during a joint assessment of each member's relationship to the company, Group management and major shareholders, found that two of the members are not independent in relationship to major shareholders (Nicolas Hassbjer, representing the two main owners, Nicolas Hassbjer and Staffan Dahlström, who together have 29 percent of the shares and voting rights in the company and Henrik Johansson, representing Investment AB Latour, which has 25 percent of the shares and voting rights in the company). The unique expertise of each individual Board member and the resulting competence of the entire Board is presented on pages 36-37.

The total amount of fees paid to the Board in 2012 was SEK1,200(1,103) thousand. For a more detailed description of Board members' attendance at meetings, please see Note 26.

Chairman

The Board's rules of procedure stipulate that the Chairman must ensure that the Board's work is run effectively and that the Board meets its obligations. This includes organizing and leading the Board's efforts and creating the best possible conditions for meeting its

responsibilities. It is also the duty of the Chairman to ensure that Board members regularly update and deepen their knowledge of the company and that new members receive the requisite introduction and training. Furthermore, the Chairman must meet with the CEO to provide advice and discuss important issues. He must also evaluate the CEO's work and report these findings to the Board. In addition, it is the Chairman's duty to ensure that the work of the Board is evaluated annually and that a report on this evaluation is provided to the nomination committee.

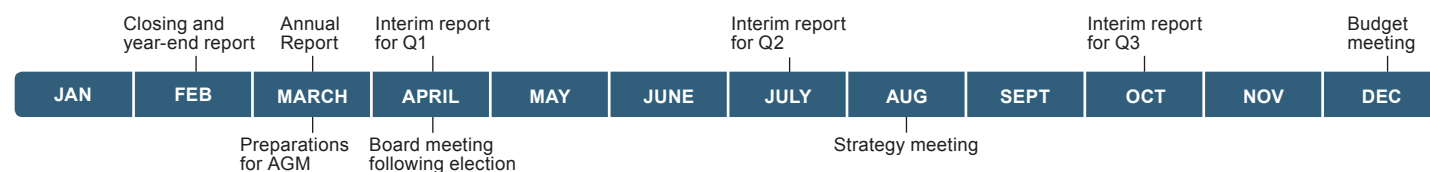
At the AGM on 19 April 2012 Urban Jansson was re-elected as Chairman of the Board. The Chairman of the Board is not involved in the operational management of the company.

Work of the Board in 2012

During the period between the AGM on 19 April 2012 and the adoption of this annual report, the Board has held eight meetings at which the minutes were taken. Both the CEO and CFO of HMS Networks AB participate in Board meetings, with the CEO serving as rapporteur and the CFO serving as secretary. At each of its meetings, the Board has dealt with the mandatory standing items, as stipulated in the Board's rules of procedure. This includes discussion of the company's business situation, budgets, quarterly reports and annual financial statements. The work of the Board otherwise focused on the further development of previously established market and acquisition strategies. Besides its scheduled meetings, the Board's work consists of regular follow-up on



Board work follows a structure that includes certain standing items. It is depicted below:



financial matters, strategic product development, providing recommendations on remuneration levels, dealing with company acquisition issues and matters having to do with accounting and auditing.

Remuneration committee

The Board appoints some of its members to serve on the remuneration committee, which is responsible for regularly reviewing the employment terms of senior executives by making comparisons with persons holding similar positions in other companies. The Board decides on the principles for remuneration to senior executives and the CEO.

The remuneration committee consists of the Chairman of the Board (Urban Jansson) and two other appointed Board members (Ray Mauritsson and Nicolas Hassbjer). Ray Mauritsson was elected as Chairman of the remuneration committee.

Audit committee

The Board nominates an audit committee, which monitors the financial reporting by examining all critical audit issues and other conditions that might affect the content and quality of the financial statements. The committee also monitors the effectiveness of the company's and Group's internal controls, risk management systems and the external auditors' impartiality and independence. The audit committee evaluates the audit work and assists the nomination committee in the selection of auditor. The committee also makes decisions regarding all purchases of consulting services (not related to the audit) from the company's auditor.

The audit committee consists of the Chairman of the Board (Urban Jansson) and two other appointed Board members (Gunilla Wikman and Henrik Johansson). Gunilla

Wikman was elected as Chairman of the audit committee.

The committee has regular contact with external auditors, who report to the committee concerning important details that arose during the statutory audit, specifically concerning possible inconsistencies in the internal controls over the financial reporting.

Development committee

The Board appoints some of its members to serve on the development committee. This committee is meant to serve as a sounding board for the HMS management team on issues having to do with research and development, specific projects and the company's portfolio of development projects, the organizational structure of the R&D department and how it is managed, as well as the training and development of employees. Furthermore, the committee should serve as a resource when it comes to preparing and obtaining support for R&D initiatives that require a decision by the Board due to the strategic importance, investment decisions or collaboration with others. The committee should ensure that the HMS Board stays up to date on R&D issues relevant to the company and its future. The development committee consists of the Vice Chairman Nicolas Hassbjer and two other appointed Board members (Charlotte Brogren and Göran Sigfridsson). Charlotte Brogren was elected as Chairman of the development committee.

CEO and Group management

The CEO is responsible for developing the company's business, as well as leading and coordinating daily operations in accordance with the instructions and directions adopted by the Board. This means, among other things, responsibility for the financial reporting, compiling the supporting information for decisions

and ensuring that obligations, contracts and other legal documents do not contravene Swedish or international laws and regulations. The CEO must also ensure that the company's goals, policies and strategic plans are being followed and that they are updated whenever necessary. The CEO appoints the other members of the Group management team.

Furthermore, the CEO is responsible for providing the Board with required information and supporting documentation for decisions. Such information must be sent to each Board member at least seven days prior to scheduled Board meetings, where the CEO serves as rapporteur. The CEO keeps the Board and its Chairman continually updated about the company's and Group's financial position and performance.

The six member Group management team is headed by the CEO and its other members are the individuals who hold the following positions: Chief Financial Officer, Chief Operating Officer, HR Manager, Global Sales Director and Marketing Director. For additional information about the Group management team, please see pages 38-39.

The Group management team has overall responsibility for ensuring that the activities of the Group are in accordance with the strategy and long-term objectives stipulated by the Board. The Group management team meets every month. These meetings deal with strategic issues that concern the entire Group. The meetings are led by the CEO, who makes decisions after consulting with the other members of the Group management team.

In 2012, the total remuneration (including pension provision) to the CEO amounted to SEK 1,920 (1,465) thousand. For more information about remuneration to the CEO and Group management team, see Note 26.

The Board's report on the internal controls over financial reporting

HMS's work with internal controls has been designed to ensure that the company's financial reporting is correct and reliable* and that its financial statements have been prepared in accordance with applicable laws and regulations, accounting standards and other requirements for listed companies. The work with internal controls provides value by clarifying roles and responsibilities, improving the efficiency of processes, increasing risk awareness and improving the reliability and quality of financial reporting and follow up.

Description

At HMS, the internal controls over financial reporting are an integral part of corporate governance. They consist of processes and methods for protecting the Group's assets and ensuring the accuracy of its financial reporting. The purpose of such internal controls is to protect the owners' investment in the company. To organize and further improve this work, HMS uses the COSO framework, which provides structure when evaluating and monitoring the internal controls over financial reporting.

Control environment

The foundation for internal controls consists of the overall control environment that has been established by the Board and management team. This is built on an organization with clear decision-making paths where authority and responsibility are defined with clear instructions. It is also built on a corporate culture with common values and individual awareness of each person's role in maintaining good internal control.

The Group strives to ensure that the entire organization lives by these values (page 7). There is much emphasis on making sure that these core values guide all behavior, both internally and externally. HMS has established a Code of Conduct. It explains the desired behavior in different situations.

The Board has overall responsibility for the internal controls concerning financial report-

ing. The Board has established written rules of procedure that clarify the Board's responsibilities and how work should be allocated within the committees. The Board has also appointed an audit committee, which is primarily responsible for ensuring the reliability of financial reporting and adequacy of internal controls. It also interacts with the company's auditors for that same purpose. Furthermore, the Board has drawn up instructions pertaining to financial reporting for both the CEO and the Board of HMS. Responsibility for maintaining an effective control environment and the ongoing work concerning internal controls is delegated to the CEO who in turn delegates function-specific responsibility to managers at different levels throughout the Group.

The purpose of HMS's internal control efforts is to ensure that the Group achieves its goals for financial reporting. A minimum requirement is for the control activities to address the key identified risks within the Group.

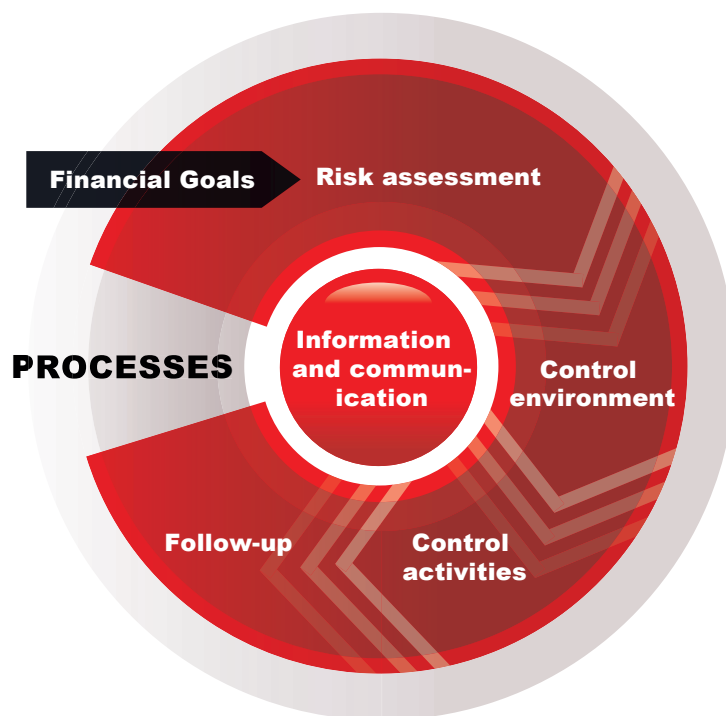
Responsibility and authority are defined in the instructions for the right to sign on behalf of the company, manuals, policies and routines. Examples include HMS's manual for accounting and reporting, the finance and

credit policy, information policy, IT security policy and HR policies. These guidelines, together with laws and other external regulations, are the components of the control environment. Every employee must follow these guidelines.

During 2012, in accordance with established guidelines, HMS continued its review of the existing internal controls so that the Board has adequate supporting documentation for establishing the appropriate level of stringency. The result of this effort will be an evaluation and verification of the governing documents and guidelines that form the basis of corporate governance.

Risk assessment

Risk assessment stems from the Group's financial targets. The overall financial risks are liquidity risk, currency risk, interest rate risk and customer credit risk. These are primarily dealt with via the accounting and finance functions, in accordance with the Group's financial policy. For more detailed information, please see Note 3. Through quantitative and qualitative risk analyses based on the Group's balance sheet and income statement, HMS identifies the key risks that could pose a threat to the company achieving its business



* Financial reporting relates to quarterly reports, financial reports, annual reports and internal reporting.

” *Information and communication about risks, controls and control outcomes throughout the HMS Group help ensure that the right business decisions are made.*



objectives and financial targets. Risk assessment involves identifying the risks that could arise if the fundamental requirements on financial reporting (completeness, accuracy, valuation and presentation) by the Group are not fulfilled.

The focus is on risks in the financial reporting related to significant income statement and balance sheet items, which, on the whole, are more dependent on an underlying complex process or where the effect of errors could be very large, since the transaction amounts are significant. These investigations result in specific measures such as improved control routines for further safeguarding correct financial reporting.

Control activities

Control activities mitigate the identified risks and ensure that financial reporting is both correct and reliable and that processes are efficient. The control activities include both the overall and specific controls and they aim to prevent, discover and correct inaccuracies and deviation.

The central finance and accounting department is responsible for the consolidated financial statements, as well as the financial and administrative control systems. The department's responsibilities also include

ensuring that relevant instructions for the financial reporting are made known and available to the employees concerned.

The accounting and control functions regularly perform reconciliations and checks of reported amounts, along with analyses of the income statements and balance sheets. The control function performs control activities at all levels of the company. The function analyzes and follows up on any budget deviations, makes forecasts, monitors significant fluctuations over defined periods and reports findings to the rest of the company, thus minimizing the risk of errors in the financial reporting.

The financial managers of the subsidiaries are responsible for ensuring that the control activities for the financial reporting of their respective units are adequate, which means that they have been designed to prevent, discover and correct errors and deviations, and that they comply with internal guidelines and instructions.

A high degree of IT security is required for good internal control in financial reporting. Rules and guidelines are therefore in place to ensure accessibility, accuracy, confidentiality and traceability of the information in the ERP. Access to the various components of the ERP is limited, based on the employee's authorization level, responsibilities and position. Fur-

thermore, segregation of duties helps prevent both intentional and unintentional entries.

As part of the effort to ensure the quality of the financial statements, the Board has set up an audit committee consisting of the Chairman of the Board and two additional Board members. The committee deals with critical auditing issues and monitors the effectiveness of internal controls and risk management concerning the financial reporting.

Information and communication

Information and communication about risks, controls and control outcomes throughout the HMS Group help ensure that the right business decisions are made. The Group strives to make certain that the information and communication routes for the internal controls pertaining to financial reporting work as intended and are known throughout the Group.

The guidelines for financial reporting are communicated to all employees concerned within the Group via policies, manuals and work instructions. The information includes methods, instructions and practical checklists, descriptions of roles and responsibilities and a comprehensive schedule. The HMS Group's published financial statements for external reporting purposes are derived from all of its

legal entities and they are prepared in accordance with standardized reporting routines.

The HMS Group's accounting policies and any changes that are made to them are always communicated by direct mail to all employees concerned within the organization. Furthermore, each month, all subsidiaries prepare a monthly report, which contains information about its financial status and performance.

To ensure that information reported externally is correct and complete, the Board has established an information policy. It specifies which items must be communicated, who is responsible for communicating the information, and how this should be done. There are also instructions for how financial information should be relayed between managers and other employees.

There must also be adequate information security routines to ensure correct dissemination of information.

HMS's information routines and systems aim at providing the market with relevant, reliable, correct and up-to-date information about the Group's performance and financial position. HMS's information policy meets the requirements that have been established for listed companies.

Financial information is regularly published in the form of:

- Quarterly and year-end reports, which are published as press releases
- Annual Report
- Press releases about important news and events that could have a significant impact on the share price
- Presentations and teleconferences for financial analysts, investors and the media on the same day as the financial statements and quarterly reports are published and in conjunction with the publication of other important information
- Meetings with financial analysts and investors

All reports, presentations and press releases are published simultaneously on the Group's website at: <http://investors.hms.se>.

Follow up

Follow up and tests of controls are regularly performed to ensure that all risks have been taken into account and dealt with satisfactorily. Follow up includes both formal and informal routines used by managers, process owners and controllers. They include such things as comparing results to budgets and plans, analyses and key figures.

If controls fail, actions are taken to address the problem and correct whatever weaknesses were identified.

The Board studies and approves all of the Group's quarterly reports, year-end reports and annual reports prior to publication. The Board also receives monthly financial reports concerning the Group's position and earnings trend and the Group's financial situation is discussed at each Board meeting. The finance department and management team carry out detailed monthly analyses of financial reports.

Rolling forecasts are another important component of Group-wide internal control. Product level sales forecasts are made quarterly with a 12-month horizon by managers from the sales organization. Sales forecasts are consolidated and validated in connection with compiling the forecasts for the entire business. Comprehensive forecasts are compiled twice per year. In addition to the comprehensive forecasts, a budget is also drawn up, which is presented to the Board for its approval in Q4. Besides the forecasts and budgets, Group management also works with overall strategic plans.

The audit committee follows up the financial reports and receives information from the company's auditor about their findings and recommendations. Checks on how well internal control activities are working are regularly performed at various levels within the Group.

In view of the scope of the business and the existing control activities, the Board has decided that there is no need to introduce a special internal audit function.

Auditor's report on the Corporate Governance Statement

To the annual meeting of the shareholders of HMS Networks AB (publ) corporate identity number 556661-8954

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2012 on pages 29-35 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Halmstad 20 March 2013
PricewaterhouseCoopers AB

Olof Enerbäck
Authorized Public Accountant

Board of Directors



URBAN JANSSON born in 1945

Chairman of the Board 2007. Board member since 1999. Independent from the company and its main owners.

Other assignments: Chairman of the Board of EAB and Svedbergs. Vice Chairman of the Board of Skandinaviska Enskilda Banken AB (publ). Board member of Lindéngruppen AB, Claes Ohlson AB (publ) and Höganäs AB.

Education: Advanced degree in banking from Skandinaviska Banken.

Shareholding: 59,750 shares.



NICOLAS HASSBJER born in 1967

Vice Chairman and founder of HMS. Board member since 1988, not independent in relation to major shareholders*.

Other assignments: Management and strategy adviser in rapidly expanding companies throughout Hassbjer Development AB. Chairman of the Board at the Chamber of Commerce and Industry of Southern Sweden and Board member at Sigicom, Magcomp, Almi and a number of private companies.

Professional experience: President and CEO of HMS from June 1988 to March 2009.

Education: Honorary Doctorate in Information Technology.

Shareholding: 1,611,872 shares.

* On 5 March 2013, Nicolas Hassbjer sold 1,187,872 shares, which made him independent in relation to major shareholders.



CHARLOTTE BROGREN born in 1963

Board member since 2010. Independent from the company and its main owners.

Other assignments: General Director of Vinnova and Chairman of the Board of Industrifonden, Board member of Q-Free AS and Gunnebo AB.

Professional experience: Head of Development and Group Vice President of ABB Robotics until September 2009. Prior to that, she worked in senior positions within ABB's research organization.

Education: PhD in Chemical Engineering from Lund University.

Shareholding: 1,000 shares.



RAY MAURITSSON born in 1962

Board member since 2007. Independent from the company and its main owners.

Other assignments: CEO of Axis AB (publ).

Education: M.Sc. in Technical Physics and Executive MBA from Lund University.

Shareholding: 5,000 shares.

**GÖRAN SIGFRIDSSON** born in 1948

Board member since 2008. Independent from the company and its main owners.

Other assignments: runs own management consulting company, SimaCon AB.

Other Board assignments: Chairman of the Board of Svep Design Center AB and Board member of Borgestad Industries ASA (publ), Scan Coin AB and Energy Converting Wind Sweden AB.

Professional experience: Senior positions in industrial automation and former President of Beijer Electronics AB (publ) from 1981 to 2008.

Education: M.Sc. in Electronics.

Shareholding: 1,000 shares

**HENRIK JOHANSSON** born 1966

Board member of HMS since April 2009. Not independent of the company's major shareholders.

Other assignments: Head of Investment AB Latours for the Latour Industries business area.

Chairman of the Board of Nord-Lock International AB, LSAB Group AB, REAC AB, Specma Seals AB. Kabona AB and AVT Group AB. Board member of Hultafors AB.

Professional experience: Senior positions at Tradex Converting and Brady Corporation and extensive experience of globally expanding businesses.

Education: M.Sc. in Industrial Economics from Chalmers University of Technology.

Shareholding: 6,400 shares.

**GUNILLA WIKMAN** born in 1959

Board member since 2010. Independent from the company and its main owners.

Other assignments: Business and leadership development consultant at Ekman & Partners, Communications consultant at Carrara Communication.

Other board assignments: Vice Chairman of the Swedish Equestrian Federation, Board member of AMF Fonder, SJ AB, Flyinge AB and Oatly AB.

Professional experience: Information manager at Swedish Match, financial journalist at Veckans affärer and SVT, information manager at Bankstöds nämnden, Information Manager at Riksbanken, Corporate Information Manager at SEB.

Education: M.Sc. in Business and Economics.

Shareholding: 0 shares.

Group management



STAFFAN DAHLSTRÖM

Chief Executive Officer

Born 1967. President and CEO of HMS. Staffan has previously worked as the head of global marketing and sales at HMS. He has a degree in Computer Systems Engineering, specializing in Mechatronics, from Halmstad University and an Executive MBA from Lund School of Economics and Management.

Shareholding: 1,617,073 shares.



ANDERS HANSSON

Marketing Director

Born 1968. Marketing Director at HMS since 2010. Anders started working at HMS in 2000 and since then he has held a number of positions in international sales and marketing, such as Product Manager, Sales and Marketing Manager for HMS France and Head of HMS Global Key Account Management. Anders has master's degree in Industrial Management and Economics from Halmstad University.

Shareholding: 7,100 shares.



GUNNAR HÖGBERG

Chief Financial Officer

Born 1956. CFO of HMS since August 2006. Gunnar has previously been the CFO at Roxtec AB, Kipling Holding AB (publ) and the Group Controller at Althin Medical AB (publ). Gunnar also has many years of accounting and auditing experience, such as Certified Public Accountant at Ernst & Young. He has an M.Sc. in Business and Economics from Uppsala University.

Shareholding: 46,500 shares.

**NICLAS JOHANSSON***Global Sales Director*

Born 1972. Global Sales Director at HMS since 2008. Niclas has a M.Sc. in Business Administration and Economics from Halmstad University and extensive experience of international sales.

Shareholding: 16,000 shares.

**SABINA LINDÉN***HR Manager*

Born in 1979. HR Manager at HMS since April 2006. She has a B.Sc. in Social Science from the University of Gothenburg.

Shareholding: 6,500 shares.

**JÖRGEN PALMHAGER***Chief Operating Officer*

Born 1968. Chief Operating Officer at HMS since January 2007. Prior to that, Development Manager at HMS from 1992 until 2006. Since 2005, Jörgen has been a member of the Technical Review Board at Open Devicenet Vendor Association. Jörgen has a B.Sc. in Computer Systems Engineering from Halmstad University.

Shareholding: 39,750 shares.

Glossary

ARM – a family of 32-bit processor kernels with RISC architecture, developed by ARM Ltd. ARM is the most widely used RISC based architecture for high performance solutions and low energy consumption.

CBM – Chip Brick Module, the formats in which HMS's new embedded concept is offered.

Design win – a framework agreement with an OEM company. It enables a company to use Anybus in its products as long as the products are manufactured.

Discrete manufacturing – involves manufacturing volumes consisting of discrete units of a product, which are manufactured according to a description and component's list, such as computers, cars and toasters. This type of manufacturing is usually in batches and the final product can typically be disassembled into its original components.

ESD protection – Protection against electrostatic discharge.

FPGA – Field Programmable Gate Array, programmable semiconductor devices that are based around a matrix of configurable logic blocks. The FPGA circuit's logic function can be adapted to different functional requirements, which makes possible flexible solutions with high, optimal performance.

Gateway – a connecting point between different networks where some form of data conversion takes place. It is actually a collection of hardware and software, such as routers that convert data between networks, or between networks and equipment with different standards.

NP40 – HMS's network processor technology that is foundation for its new embedded concept.

Network – a general term for a system with interconnected computers that can be designed in various ways. In an industrial network, such as a manufacturing facility, machines and equipment are connected and controlled by programmable logic controllers (PLCs), which enable the devices to interact with one another.

Network protocol – a collection of rules or a standard, for how two or more computer programs communicate and exchange information with each other. Examples of communication protocols are HTTP (transfer of websites between computers over the internet), TCP/IP (for basic internet communication) and SMTP (transfer of emails).

High real time demands – involves knowing exactly when data arrives. There are high real time performance demands when the data is extremely time-critical and millisecond precision is required. Email has comparatively low real time demands, since not even second precision is required.

OEM – Original Equipment Manufacturer is a company that manufactures and sells products under its own brand, even though their products can contain products and components from other companies.

PFOS – EU Directive 2006/122/EG restricts the use of perfluorooctane sulfonates and substances that can be broken down into PFOS in chemical products and goods.

PLC – Programmable Logic Controller. Programmable control system that controls all or parts of an automation system or equipment in discreet manufacturing.

Port – a computer interface to which a device can be connected. Personal computers (PCs) have different types of ports. Internally there are many ports to which hard drives, monitor cards and other devices can be connected. Externally there are ports for connecting modems, printers, mouse and other external devices.

Process manufacturing – a branch of manufacturing that is associated with formulas and manufacturing recipes, such as quantities of liquid, gas or powder. Once an output is produced by this process, it cannot be distilled back to its basic components.

Reach – EU framework legislation (2006/1907/EG) the registration, evaluation, authorization and restriction of chemicals. This legislation came into force on 18 December 2006.

RISC – Reduced Instruction Set Computing, a processor architecture that requires fewer logic levels and thus achieves higher clock speeds while consuming less silicon. It provides high performance and high cost effectiveness.

RoHS – EU Directive (2002/95/EG) on the restriction of the use of certain hazardous substances in electrical or electronic equipment. The Directive has been in force since 1 July 2006. The banned substances are mercury, lead, cadmium, hexavalent chromium, poly-brominated biphenyls (PBB) and polybrominated diphenyl ethers (PBDE). The government authority in charge of enforcing this in Sweden is the Swedish Chemicals Agency.

RTA – Real Time Accelerator. HMS's unique IP that makes it possible for HMS network interface cards to be used in the most demanding real-time applications.

Serial port – a physical interface through which information is transferred serially as in or out data (one bit at a time). It is often used for communication with terminals and modems. A single PC typically has 2-4 serial ports. Serial ports have a maximum data transfer capacity of 115.2 kbit/s and are therefore increasingly being replaced by USBs that support data transmission at 12 Mbit/s (version 1.0) and 480 Mbit/s (version 2.0).

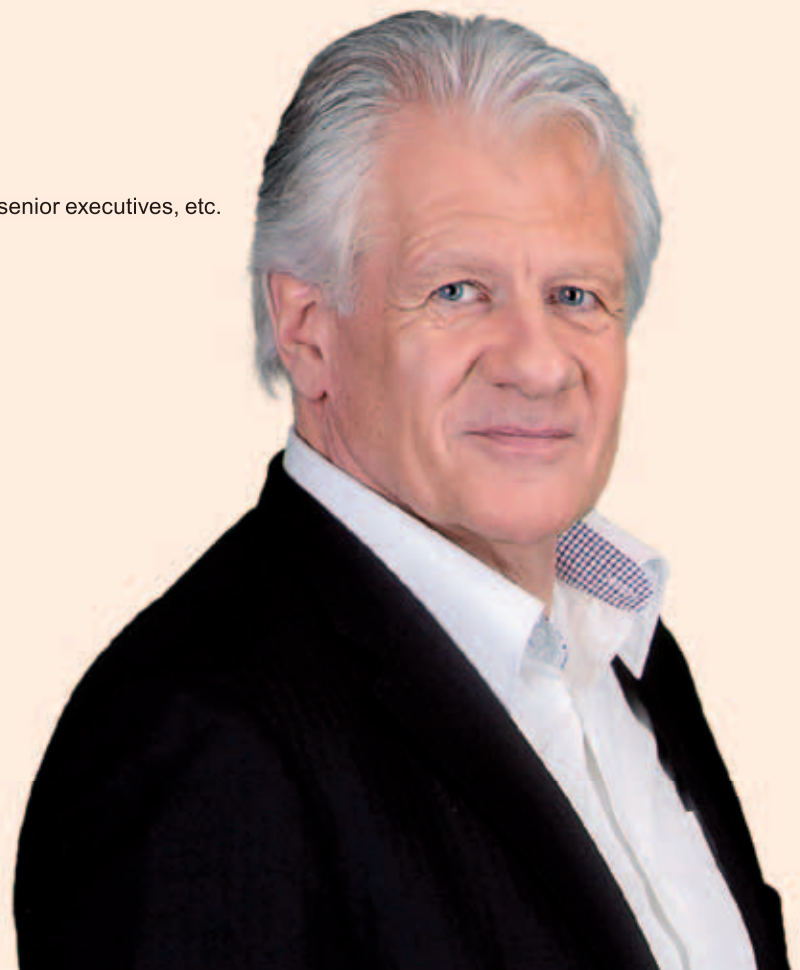
WEEE – EU Directive (2002/96/EG) on waste that is comprised of, or contains, electrical or electronic equipment. The Directive has been in force since 27 January 2003. The government authority in charge of enforcing this in Sweden is the Swedish Environmental Protection Agency.

VPN – virtual private network is a technology used for creating strong connections, or tunnels, between two points in a computer network.

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Gunnar Högberg
Chief Financial Officer
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Directors' report

Operations

HMS is one of the world's leading suppliers of communication technology for industrial automation. The Group develops and manufactures flexible, reliable solutions for connecting industrial products to networks and gateways, thus enabling interconnection between various networks. HMS's patented Anybus® technology has received many industrial awards and is used the world over in products from many of the world's leading automation companies. The Group also develops, markets and sells products for remote management under the Netbiter® brand. HMS was founded in 1988 and, over the past 10 years, the company has had average organic growth of 16% per year. Sales are conducted from the head office in Halmstad and through the company's sales offices in Chicago, Tokyo, Beijing, Karlsruhe, Milan, Mulhouse, Pune, Coventry and Copenhagen.

Seasonality

The business is not subject to any significant seasonal variations.

Significant events

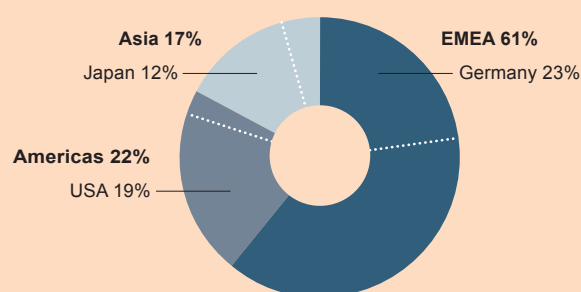
There was a strong inflow during the year of new design wins, which creates good conditions for even more growth with time. At year end, the total number of active design wins was 979 (909). Of that number, 787 (782) are in the production phase. The average revenue per design win in the production phase amounted to SEK 0.48 (0.37) million.

On 19 April 2012, HMS held its AGM. All of the proposals by the Board and nomination committee were adopted by the AGM. Urban Jansson was re-elected as Chairman of the Board. Ray Mauritsson, Göran Sigfridsson, Henrik Johansson, Nicolas Hassbjer, Gunilla Wikman and Charlotte Brogren were re-elected as Board members. At the first Board meeting, Nicolas Hassbjer was elected as Vice Chairman of HMS's board and Staffan Dahlström was appointed President and CEO of HMS Networks AB.

Significant events in brief:

- In January, the Swedish company moved into its new, expanded facilities in Halmstad.
- HMS received the largest single order, SEK 16 million, in the company's history.
- HMS received a SEK 2 million order from one of Europe's leading manufacturers of industrial energy metering and monitoring solutions.
- The 2009 warrants scheme was concluded and a total of 169,500 new shares were subscribed for.
- HMS delivered its two millionth Anybus module.
- HMS signed a SEK 6 million framework agreement with one of Europe's leading manufacturers of automation equipment.
- HMS signed a global supply agreement with a world-leading supplier of technology used in mobile phone base stations.
- HMS received a SEK 7 million order for development and delivery of Anybus network cards to one of Japan's leading manufacturers of frequency converters.
- The Swedish royal couple visited HMS's facility in Halmstad.
- At the trade fair for SPS/IPC/Drives in Nurnberg, HMS's impressive "wall of fame" showed the many manufactured products containing Anybus and Netbiter solutions.
- HMS launched a new Anybus CompactCom module with M12 contacts for installations in demanding environments.
- HMS presented its processor technology, Anybus-NP40, which will be used in the new generation of Anybus CompactCom.
- HMS received a SEK 2.4 million order for Profibus Master modules from a world-leading manufacturer of industrial automation equipment.
- HMS received a SEK 3.3 million order that stretches over the next 24 months for welding equipment control technology used in the automotive industry.
- HMS received a SEK 2.5 million order to customize Anybus Ethernet/IP communication modules from a leading manufacturer of industrial automation equipment.
- HMS received a SEK 3.5 million volume commitment that stretches over the next two years for Profibus modules.

HMS Group's revenue distribution by market in 2012



Summary of results

	2012	2011
Net sales, SEK m	381.8	383.6
Operating profit, SEK m	63.7	72.2
Operating margin, %	16.7	18.8
Profit after financial items, SEK m	65.2	73.8
Profit for the year, SEK m	52.2	53.9
Earnings per share, SEK	4.64	4.84

Financial data in summary (sek m)	2012	2011	2010	2009	2008	2007
Net sales	382	384	345	245	317	270
Growth in net sales, %	-0.5	11	41	-23	17	19
Gross profit	229	232	208	143	182	142
Gross margin, %	60	61	60	58	57	53
Operating profit	64	72	84	31	85	55
Operating margin, %	17	19	24	13	27	20
Profit for the period	52	54	62	21	59	30
Earnings per share before dilution, SEK	4.64	4.84	5.41	1.88	5.43	2.81
Dividend per share, SEK	2.25*	2.25	2.00	1.00	1.50	1.00
Total assets	418	391	392	339	390	352
Equity	342	299	286	240	224	182
Shareholders' equity per share before dilution, SEK	30	27	26	22	21	18
Equity/assets ratio, %	82	76	72	70	57	52
Net debt/equity ratio %	0	0	-5	13	19	52
Return on shareholders' equity, %	16	19	23	9	29	18
Return on capital employed, %	20	23	28	11	27	19
Investments in non-current assets	42	20	15	7	7	8
Cash flow from operating activities	83	46	75	31	68	34
Cash flow from operating activities per share before dilution, SEK	7.27	4.13	6.71	2.89	6.52	3.24
Average number of employees	241	213	164	153	154	144
Revenue per employee	1.6	1.8	2.1	1.6	2.1	1.9

* Board's proposal

Significant events after the end of the fiscal year

At the start of 2013, HMS acquired the German company, IXXAT GmbH, with sales of approximately EUR 14 million and 85 employees. IXXAT's product and service offering is an excellent addition to HMS's business. IXXAT has a strong position in the German market, which will strengthen HMS's position in the world's leading market for industrial communication solutions.

There will be continued focus on the growth of our three product brands: Anybus®, Netbiter® and IXXAT®.

In accordance with a decision at the 2012 AGM, all HMS employees were invited to participate in an incentive program. Sign-up continued through December and approximately 60% of employees elected to participate. With this incentive program, savings in HMS shares will be implemented during 2013.

Net sales

The Group's net sales decreased by 0.5 % and amounted to SEK 381.8 (383.6) million. Exchange rate fluctuations had a negative impact on net sales of SEK 2.2 million during the year. Invoiced sales by region were as follows: EMEA 61 (64)%, North and South America 22 (19)% and Asia 17 (17)%. The Group's largest markets are Germany, USA and Japan.

Profit (loss)

Operating profit after depreciation amounted to SEK 63.7 (72.2) million. Operating margin was 16.7 (18.8) %. Financial items amounted to SEK 1.5 (1.6) million and profit after financial items amounted to

SEK 65.2 (73.8) million. Tax expense was SEK -13.0 (-19.8) million and profit after tax amounted to SEK 52.2 (53.9) million.

Investments

Investments in items of property plant and equipment during the period amounted to SEK 12.3 (9.3) million and investments in intangible assets amounted to SEK 30.7 (10.7) million. The investments in intangible assets were the capitalization of development costs associated with in-house projects.

Financial position

As of 31 December 2012, the Group had cash and cash equivalents of 31.5 (26.6) million, excluding unutilized credit of SEK 30.5 (20.0) million. Cash flow from operating activities amounted to SEK 83.1 (45.6) million. After net investments of SEK -43.4 (-38.2) million plus amortization, new share issues and dividends paid totaling SEK -33.9 (-36.1) million, cash flow for the year amounted to SEK 5.7 (-28.7) million.

The Group's net cash increased to SEK 30.7 (1.4) million. The net debt to equity ratio was -0.1 (0.0) times and the equity to assets ratio was 81.9 (76.3)%.

Group structure

HMS Networks AB (publ), CIN 556661-8954, is the parent company of the wholly-owned subsidiary, HMS Industrial Networks AB. HMS Industrial Networks AB is in turn the parent company of HMS Industrial Networks Inc, HMS Industrial Networks GmbH, HMS Electronics AB,

HMS Industrial Networks SAS, HMS Industrial Networks S.r.l., HMS Industrial Networks K.K., HMS Industrial Networks India Private Limited, HMS Industrial Networks Ltd, HMS Industrial Networks ApS and Intellicom Innovation AB.

Representative offices abroad

The Group has a foreign branch, which is called a Registered Representative Office, in Beijing. The office offers sales, marketing and support to the Chinese market.

Environmental impact and sustainable development

HMS cares about its impact on the environment and it strives to achieve sustainability in its product development efforts, manufacturing and all other business activities. HMS's main contribution is developing and manufacturing products that make energy conservation possible for its users, with the lowest possible environmental impact during the product's useful life. The Eco Strategy Wheel is HMS's model for considering the environmental aspects associated with developing, manufacturing, shipping and using HMS products. In other words, it considers the entire product life cycle. The model is used for generating improvement suggestions as well as checks and follow-up on the Group's sustainability efforts.

Since 2006, the HMS Group has used lead-free soldering in production processes in accordance with the RoHS Directive. The legal requirements mainly cover electronics in consumer products. However, HMS decided early on to phase out lead, mercury, hexavalent chromium, cadmium and flame retardant agents from its Anybus® products and production processes. The Group does not conduct any activities that require compulsory registration or permits.

Research and development

The Group expensed SEK 34.6 (36.7) million for research and development during the year. In addition, development costs of SEK 30.3 (10.7) million were capitalized, of which SEK 16.8 (10.6) million was work performed by the company for its own use and SEK 13.5 (0) million was customer-specific work. Total research and development expenses make up 17 (12)% of sales. The Group's policy is to only capitalize major projects for developing its own integrated circuits and new platforms for products intended for use in embedded systems. Development of additional products or applications based on these are not capitalized. Customer-specific projects are capitalized when the development costs are covered by future volume commitments.

Personnel

At year-end the Group had 265 (240) employees. The Group now has the resources in place for strengthening its market position over the long term even further.

Principles for remuneration to senior executives

At the first Board meeting of 2012, a remuneration committee was appointed by the Board. The following principles, which were proposed to the company's remuneration committee, will be brought forth for approval at the 2013 AGM. Remuneration to the CEO and other members

of the HMS Group management team consists of basic salary, short-term and long-term incentive schemes and pension. Other benefits and remuneration are awarded on the same terms that apply to other employees.

The aim of the HMS remuneration policy for Group management is to offer remuneration that promotes the retention and recruitment of qualified expertise to HMS Networks AB. Basic salary is established on the basis that it, in combination with both short and long-term incentives, must be competitive. The absolute level depends on the position in question and individual performance. Remuneration to the CEO is established by the Board based on the proposal from the remuneration committee. Remuneration to other senior executives is decided by the CEO after approval by the remuneration committee.

Short-term incentive schemes to the CEO and senior executives are based on the financial targets for the Group. Incentive schemes must be primarily based on growth and profitability. In addition to that, other personal goals may be established. For the CEO and other senior executives, the highest possible individual bonus amount is 30% of basic salary in 2012.

The retirement age for the CEO is 65 years. The pension premium must equal 35% of the fixed monthly salary. For other senior executives, the ITP agreement is applied with a retirement age of 65.

In the case of notice of termination, the mutual period of notice for the CEO is six months. In the case of notice of termination of the CEO from the company's side, a severance payment is made corresponding to 12 month's salary. Other earnings are not deducted from the severance pay. In the case of notice of termination from the CEO's side, no severance payment is made. The mutual notice of termination period between the company and other senior executives is six months.

For information on the composition of the remuneration committee, see page 32.

Risks and uncertainty factors

Market-related risks

The company is exposed to market-related risks that are beyond the company's control. These risks are mainly connected with the business climate, competitive situation, world market demand and access to resources that are important for the Group's business.

Business cycle

The company's products are primarily used in industry. Industry is affected by the general economic situation and investment levels, which in turn can be affected by a number of factors beyond the company's control, such as interest rates, currency exchange rates, inflation, deflation, political uncertainty, taxes, stock market trends, unemployment and other factors that impact the economic outlook. These factors can impact the Group's profit and overall financial situation.

Competitors

The market for HMS's products is competitive. HMS competes in local markets where there are a number of competitors and it is possible

for new entrants to become established. HMS's strategy is to improve the Group's already strong market position and thereby prepare it for possibly tougher competition in the future. A change in the competitive situation affects both sales volumes and gross profit margins. HMS must be able to successfully compete because a failure to do so could affect the Group's profit and overall financial position.

Operational risks

The company is exposed to operational risks in its business. These risks are associated with the company's strategy, activities and its relations with the world at large.

Suppliers

HMS is dependent on well-functioning cooperation with suppliers. HMS is also dependent on its component suppliers, but other suppliers are important as well. If cooperation with these suppliers should deteriorate or be terminated, the Group would be forced to replace them with new suppliers, alternative components or it might possibly even need to redesign its products. This could have a negative effect on the Group's earnings and financial position.

Customers

The Group's sales are to professional firms. It is of the utmost importance for HMS to be able to offer attractive and competitive products in order to maintain its market position. It is therefore essential that HMS is able to develop and market new products that are both accepted by the market and fulfill customer requirements. HMS must also have the capacity for improving its existing products. If major changes should occur in the purchasing patterns of the Group's largest customers, this would affect the company's profitability. However, because HMS has such a large number of customers, its dependence on any individual customer is limited. Nevertheless, if the Group were to encounter difficulty in maintaining its relations with one or more customers, this could negatively affect the company's business, earnings and financial position.

Employees

The Group's future growth is partly dependent on retaining key employees. There are no guarantees that HMS can succeed in retaining such individuals. The loss of one or more key employees could have a negative impact on the business. Thus far, HMS has not had difficulty recruiting qualified employees. However, the Group cannot guarantee that it will be able to recruit equally skilled individuals in the future. Going forward, if HMS is less successful in recruiting and retaining highly qualified managers and other skilled employees, it could find it difficult to maintain and further develop the business.

Acquisitions

In the future, HMS could acquire, divest or discontinue certain operations and/or companies. All such transactions are associated with uncertainties and risks. A thorough valuation is carried out prior to a transaction in order to reduce risks and avoid inaccurate price setting for acquisitions. However, that is not always sufficient to ensure success or minimize the associated risks.

Risk related to new products

If HMS is unsuccessful in introducing new, innovative products or keeping up with technological developments, there could be a negative impact on the business and revenues. HMS is convinced that much of its success stems from the Group's ability to introduce new, innovative products and further develop its existing products continuously. There could be a negative impact on the Group's revenues and market shares if its competitors are more successful in introducing new or improved products or services that customers find attractive. If HMS doesn't succeed in keeping up with product development and technological developments, or fails to meet customers requirements, it could have an impact on the Group's earnings and financial position.

Defects in products

When manufacturing and selling industrial products there is an associated risk of warranty claims and product liability. Therefore, HMS typically designs its products according to detailed technical specifications in order to meet the requirements of industry. Even though the company tests its products thoroughly to ensure that they meet the relevant specifications, the activities in this area could nevertheless be associated with an increased risk of warranty claims and product liability. When HMS carries out detailed studies on product safety, it relies on both internal and external analyses to ensure that its products correspond to the agreed product specifications. Even though the Group considers that these measures are sufficient in each individual case, it cannot guarantee that warranty claims or product liability suits will not occur, despite its efforts to prevent this from happening.

The purchasing and ordering of components from subcontractors also carries a risk that defects in the supplied components are only discovered at a later stage of production or after the product has been sold. In these types of situations, it can be difficult to pinpoint where the defect occurred and obtaining compensation for lost revenue and the costs associated with warranty claims and product liability suits from the supplier who was responsible for the defect can also be difficult.

Even though HMS considers that it has adequate insurance protection for product liability, it still cannot guarantee that the insured amount will be sufficient to cover claims that could be brought forth against the Group in the future. Product liability or warranty claims can result in significant costs of litigation and damages. Claims successfully made on HMS that exceed the Group's insurance cover, or claims that entail considerable negative publicity, could significantly impact the Group's earnings and financial position.

Legal risks

Legislation and regulation

HMS and its markets are, to a certain extent, affected by legislation and other directives that regulate the business. Changes in legislation, or political decisions, can thus negatively affect HMS's ability to run or develop its business.

Intellectual property rights

HMS's intellectual property rights are essential to its business. HMS has registered patents and brands in a number of countries. HMS has

strived to protect its brand by registering it in each country where it currently has operations, or expects to soon become established. HMS has also sought patent protection where the company considers it to be commercially justified. Nevertheless, there is no guarantee that these measures are, or will be, sufficient to protect the company's intellectual property rights. HMS cannot prevent its competitors from using the HMS brand and logotype to market their own products in a way that infringes or in any other way poses a threat to the company's intellectual property rights. If the intellectual property rights cannot be protected, regardless of the reason, the Group's business can be affected in a negative way.

Disputes

The company is not currently involved in any disputes. However, although no potential future disputes have been identified, the Group could nevertheless still become involved in disputes that could have a negative impact on its earnings and financial position.

Financial risks

The Group's international operations entail a number of financial risks, which are dealt with in accordance with policies that have been established by the Board. The overall objective is for the Group to be able to provide financing to its companies and manage its financial risks so that there is minimal effect on the Group's earnings. The Group is mainly exposed to liquidity, currency, interest rate and credit risks. For further information, see Note 3.

Currency exposure

Assets and liabilities in foreign currencies are revalued at each closing. Hedging contracts are also revalued at each balance sheet date and there is also an effect when they are settled. The revaluation of balance sheet items associated with operations and the result from settlement of any hedging contracts are reported in either Other operating income or Other operating expenses. Changes in the value of other balance sheet items in foreign currency, such as cash and cash equivalents, are reported in net financial items. Operating income and expenses are also affected by changes in exchange rates. These changes have a direct impact on income and expenses items. The currency composition of operating income is approximately 57% in EUR, 25% in USD, 10% in JPY and 8% in SEK and other currencies. Of the cost of goods sold, 15% is in USD, 44% in EUR, 1% in JPY and 40% in SEK. The currency composition of operating expenses is 18% in EUR, 9% in USD, 7% in JPY and 66% in SEK and other currencies. The Group's policy is to minimize currency exposure by entering into forward exchange agreements.

Future outlook

Long-term growth of the Group is dependent upon the following factors: a steady inflow of design wins, a wider range of products, development of new product generations, more customer focus and expansion of HMS's sales channels in accordance with the established strategy.

The acquisition of IXXAT is an important addition to HMS's business and it strengthens HMS's position in the German market. HMS will also be able to broaden the market opportunities for IXXAT's

product offering to new geographic markets where HMS is already established.

Over the short-term, the global market for HMS's products is expected to remain weak. The effects of the weak market, as well as the currency impact, are difficult to assess but over the long term, we anticipate that the market for industrial data communication and remote monitoring will be an important growth area. HMS's long-term goals remain the same: Long-term growth averaging 20% per year and an operating margin that exceeds 20%.

HMS shares

HMS Networks AB is listed on Nasdaq OMX Stockholm Small Cap in the Information Technology category. On average, 4,754 (7,204) shares were traded each day. The shares' volume-weighted average price in 2012 was SEK 102.73 (99.75). The total number of shares at the end of the period was 11,322,400. All shares have the same voting rights.

Ownership structure as of 31 December 2012

Shareholder	Number of shares	Share of capital and voting rights
Investment AB Latour	2,827,322	25.0%
Staffan Dahlström and companies	1,617,073	14.3%
Nicolas Hassbjer and companies	1,611,872	14.2%
Swedbank Robur fonder	1,146,500	10.1%
SEB fonder	838,218	7.4%
Other	3,281,415	29.0%
	11,322,400	100.0%

PARENT COMPANY

Information about the business

The parent company's activities focus on Group-wide administration and financing. Apart from the CEO, the parent company has no employees.

Proposed distribution of profit in the parent company

The following profits are at the disposal

Profit brought forward and other non-restricted reserves	102,714,119
Profit (loss) for the year	-6,855
Total equity	102,707,264

The Board of Directors and CEO propose:

Distributing dividends to shareholders of SEK 2.25 per share	25,475,400
Carried forward	77,231,864
	102,707,264

It is the Board's opinion that the proposed dividend would not inhibit the company, or any other company belonging to Group, from meeting its obligations over the short or long term, nor would it prevent the Group from being able to make necessary investments. The proposed dividend is thus justifiable, having considered what is stated in Chapter 17, Sections 2-3 of the Swedish Companies Act (prudence rule).

Consolidated income statement

SEK thousands	Note	2012	2011
Net sales	5	381,804	383,592
Cost of goods and services sold		-152,433	-151,099
GROSS PROFIT		229,371	232,493
Selling expenses		-105,962	-92,543
Administrative expenses		-32,997	-30,643
Research and development expenses		-26,476	-36,725
Other operating income	10	3,960	1,120
Other operating expenses	10	-4,169	-1,490
OPERATING PROFIT	6, 7, 8, 26, 27	63,726	72,213
Financial income	10, 29	1,926	2,591
Financial expenses	10, 30	-456	-1,036
Total income from financial investments		1,470	1,555
PROFIT BEFORE TAX		65,197	73,768
Income tax	9	-13,024	-19,839
PROFIT (LOSS) FOR THE YEAR		52,173	53,929
Earnings per share before dilution, SEK	11	4.64	4.84
Earnings per share, diluted, SEK	11	4.64	4.83
Average number of shares, basic, thousands		11,252	11,153
Average number of shares, diluted, thousands		11,254	11,169
Dividends per share, SEK	12	2.25	2.00

Consolidated statement of comprehensive income

SEK thousands	2012	2011
Profit (loss) for the year	52,173	53,929
Other comprehensive income		
Cash flow hedges	2,205	-1,035
Exchange rate differences	-480	94
Income tax attributable to components in other comprehensive income	-580	273
Other comprehensive income for the year, net after tax	1,145	-668
Total comprehensive income for the year	53,318	53,261

Consolidated balance sheet

SEK thousands	Note	2012-12-31	2011-12-31
ASSETS			
Non-current assets			
Intangible assets	13		
Patents		318	358
Capitalized development work		48,592	22,996
Goodwill		236,071	236,071
Total intangible assets		284,981	259,424
Property, plant and equipment	14, 25		
Plant and machinery		9,062	4,747
Equipment, tools and other installations		12,044	10,600
Total property, plant and equipment		21,106	15,347
Deferred tax asset	22	852	770
Total non-current assets		306,939	275,541
Current assets			
Inventories	17	26,843	35,584
Accounts receivable - trade	16	35,501	42,781
Derivatives	15	2,211	7
Other receivables	16	6,606	5,620
Prepaid expenses and accrued income	31	8,028	5,007
Cash and cash equivalents	18	31,487	26,573
Total current assets		110,676	115,572
TOTAL ASSETS		417,615	391,113

SEK thousands	Note	2012-12-31	2011-12-31
EQUITY AND LIABILITIES			
Equity			
Share capital	19	1,132	1,115
Other contributed capital	19	125,641	110,369
Reserves		2,267	1,122
Retained earnings		213,015	185,936
Total equity		342,056	298,543
Non-current liabilities			
Borrowings	21	501	788
Deferred income tax liabilities	22	23,168	20,705
Total non-current liabilities		23,669	21,493
Current liabilities			
Borrowings	21	286	24,404
Accounts payable - trade		25,462	22,216
Income tax liabilities		1,685	1,263
Other liabilities		5,045	6,036
Accrued expenses and deferred income	20,32	19,412	17,158
Total current liabilities		51,890	71,077
TOTAL EQUITY AND LIABILITIES		417,615	391,113

Consolidated cash flow statement

SEK thousands	Note	2012	2011
Operating activities			
Operating profit		63,726	72,213
Adjustment for items not included in cash flow:			
Amortization		10,710	9,685
Impairment of intangible assets	13	411	0
Profit (loss) from the sale of PPE	14	-47	-35
Disposals of PPE	14	0	15
Cash flow hedging		2,205	-1,035
Exchange rate differences		1,719	2,442
Interest received	29	89	194
Interest paid	30	-456	-1,036
Income tax paid		-10,721	-18,560
Cash flow from operating activities before changes in operating capital		67,636	63,883
Change in working capital			
Change in inventories		8,801	-11,915
Change in accounts receivables - trade		8,582	-4,497
Change in other current receivables		-5,841	-1,122
Change in accounts payable - trade		3,192	-6,488
Change in other current liabilities		720	5,753
Cash flow from operating activities		83,090	45,614
Investing activities			
Acquisition of non-controlling interests	33	0	-18,227
Investments in PPE	14	-12,282	-9,341
Investments in intangible assets	13	-30,709	-10,743
Sales of PPE	14	114	84
Changes in current financial investments		-547	3
Cash flow from investing activities		-43,424	-38,224
Financing activities			
Proceeds from issue of warrants		15,289	0
Borrowings		0	1,197
Repayment of debt		-24,118	-15,000
Dividends paid to the parent company's shareholders	12	-25,094	-22,306
Cash flow from financing activities		-33,923	-36,109
CHANGE IN CASH AND CASH EQUIVALENTS		5,743	-28,719
Cash and cash equivalents at beginning of year	18	26,573	54,984
Exchange rate differences in cash and cash equivalents		547	-3
Translation differences		-1,375	311
Cash and cash equivalents at year-end	18	31,487	26,573

Consolidated statement of change in equity

SEK thousands	Note	Attributable to the parent company's shareholders					Non-controlling interests	Total equity
		Share capital	Other contributed capital	Reserves	Profit (loss) carried forward	Total		
Opening balance on 1 January 2011		1,115	110,369	1,790	168,931	282,207	3,609	285,815
Comprehensive income								
Profit (loss) for the year					53,929	53,929		53,929
Other comprehensive income								
Cash flow hedges				-1,035		-1,035		-1,035
Exchange rate differences				94		94		94
Income tax attributable to components in other comprehensive income				273		273		273
Total comprehensive income		0	0	-668	53,929	53,262	0	53,261
Transactions with shareholders								
Dividend for 2010	12				-22,306	-22,306		-22,306
Total contribution from and dividend to shareholders		0	0	0	-22,306	-22,306	0	-22,306
Changes of ownership in subsidiaries that did not lead to a loss of control								
Acquisition of non-controlling interests					-14,618	-14,618	-3,609	-18,227
Total transactions with shareholders		0	0	0	-36,924	-36,924	-3,609	-40,533
Closing balance on 31 December 2011		1,115	110,369	1,122	185,936	298,543	0	298,543

SEK thousands	Note	Attributable to the parent company's shareholders					Non-controlling interests	Total equity
		Share capital	Other contributed capital	Reserves	Profit (loss) carried forward	Total		
Opening balance on 1 January 2012		1,115	110,369	1,122	185,936	298,543	0	298,543
Comprehensive income								
Profit (loss) for the year					52,173	52,173		52,173
Other comprehensive income								
Cash flow hedges				2,205		2,205		2,205
Exchange rate differences				-480		-480		-480
Income tax attributable to components of comprehensive income				-580		-580		-580
Total comprehensive income		0	0	1,145	52,173	53,318	0	53,318
Transactions with shareholders								
Employee incentive program:								
Payment of issued shares	19	17	15,272			15,289		15,289
Dividend for 2011	12				-25,094	-25,094		-25,094
Total transactions with shareholders		17	15,272	0	-25,094	-9,805	0	-9,805
Closing balance on 31 December 2012		1,132	125,641	2,267	213,015	342,056	0	342,056

Parent company's income statement

SEK thousands	Note	2012	2011
Net sales	5	7,995	7,428
GROSS PROFIT		7,995	7,428
Administrative expenses	7, 8, 26	-7,642	-6,589
OPERATING PROFIT		353	839
Profit from financial investments			
Interest expenses and similar items	30	-353	-839
Total income from financial investments		-353	-839
PROFIT AFTER FINANCIAL ITEMS		0	0
Tax on profit for the year		-7	-8
PROFIT (LOSS) FOR THE YEAR		-7	-8

Parent company's balance sheet

SEK thousands	Note	2012-12-31	2011-12-31
ASSETS			
Non-current assets			
Financial assets			
Participations in Group companies	28	244,039	244,039
Total financial assets		244,039	244,039
Total non-current assets		244,039	244,039
Current assets			
Current receivables			
Tax receivables		114	100
Other receivables		842	344
Total current receivables		955	444
Cash and bank balances		684	18
Total current assets		1,639	462
TOTAL ASSETS		245,678	244,501
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	19	1,132	1,115
Statutory reserve		19,446	19,446
Total restricted equity		20,578	20,561
Non-restricted equity			
Retained earnings		84,117	109,219
Share premium reserve		18,598	3,326
Profit (loss) for the year		-7	-8
Total non-restricted equity		102,707	112,536
Total equity		123,285	133,097
Untaxed reserves		8	8
Current liabilities			
Borrowings	21	0	24,118
Accounts payable - trade		1,277	525
Liabilities to Group companies		120,073	85,769
Other liabilities		301	290
Accrued expenses and deferred income	32	734	693
Total current liabilities		122,385	111,395
TOTAL EQUITY AND LIABILITIES		245,678	244,501
PLEDGED ASSETS	24	244,039	244,039
CONTINGENT LIABILITIES	24	30,000	19,911

Parent company's cash flow statement

SEK thousands	Note	2012	2011
Operating activities			
Operating profit		353	839
Interest paid	30	-353	-839
Income tax paid		-21	-10
Cash flow from operating activities before changes in working capital		-21	-11
Change in working capital			
Change in other current receivables		-497	-176
Change in accounts payable - trade		752	394
Change in other current liabilities		34,356	37,018
Cash flow from operating activities		34,589	37,225
Financing activities			
Proceeds from issue of warrants		15,289	0
Repayment of debt		-24,118	-15,000
Dividend paid		-25,094	-22,306
Cash flow from financing activities		-33,923	-37,306
CHANGE IN CASH AND CASH EQUIVALENTS		666	-81
Cash and cash equivalents at beginning of year		18	99
Cash and cash equivalents at year-end		684	18

Parent company's statement of changes in equity

SEK thousands	Note	Restricted equity		Non-restricted equity			Total
		Share capital	Statutory reserve	Retained earnings	Share premium reserve	Profit (loss) for the year	
Opening balance on 1 January 2011		1,115	19,446	131,564	3,326	-39	155,411
Transfer of profit (loss) from 2010				-39		39	0
Dividend for 2010				-22,306			-22,306
Profit (loss) for the year						-8	-8
Closing balance on 31 December 2011		1,115	19,446	109,219	3,326	-8	133,097

SEK thousands	Note	Restricted equity		Non-restricted equity			Total
		Share capital	Statutory reserve	Retained earnings	Share premium reserve	Profit (loss) for the year	
Opening balance on 1 January 2012		1,115	19,446	109,219	3,326	-8	133,097
Transfer of profit (loss) from 2011				-8		8	0
Employee incentive program:							
Payment of issued shares	19	17			15,272		15,289
Dividend for 2011	12			-25,094			-25,094
Profit (loss) for the year						-7	-7
Closing balance on 31 December 2012		1,132	19,446	84,117	18,598	-7	123,285

Notes

All amounts in SEK thousands unless otherwise stated

Note 1 General information

The HMS Group is one of the world's leading suppliers of communication technology for industrial automation. The Group develops and manufactures flexible, innovative and reliable solutions to connect industrial products to networks and gateways, thus enabling interconnection between various networks under the Anybus brand, as well as products for remote monitoring under the Netbiter brand. Nearly all development and most of the manufacturing takes place at the company's head office in Halmstad, Sweden. Sales are conducted from the head office in Halmstad and from sales offices in Chicago, Karlsruhe, Tokyo, Beijing, Mulhouse, Milano, Pune, Coventry and Copenhagen.

The parent company, HMS Networks AB (publ), is a listed Swedish limited liability company based in Halmstad, Sweden. The head office address is Stationsgatan 37, Halmstad, Sweden. The company is listed on the NASDAQ-OMX Nordic Exchange in the Small Cap, Information Technology category.

The consolidated financial statements were approved for publication by the Board of Directors on 15 March 2013.

Note 2 Accounting policies

The most important accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis for preparation of financial statements

The consolidated financial statements of the HMS Group have been prepared in accordance with the Swedish Annual Accounts Act and RFR 1 Additional Accounting Regulations for Groups and the International Financial Reporting Standards (IFRS) that have been adopted by the EU. The annual report has been prepared in accordance with the cost method, with the exception of certain financial assets measured at fair value in other comprehensive income.

The parent company's financial statements have been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities. In cases where the parent company has applied different accounting policies than the Group, this is specifically stated in the respective sections below.

Preparing financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the management team to make certain judgments in the process of applying the accounting policies. Note disclosures are provided for areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

2.1.1 Changes in accounting policies and disclosures

a) New and amended standards adopted by the Group

None of the IFRS or IFRIC interpretations that became mandatory for financial years starting on 1 January 2012 have had a significant impact on the Group.

b) New standards, amendments and interpretations of existing standards that have not yet come into force and have not been early adopted by the Group

At the time when the consolidated financial statements for 31 December 2012 were prepared, several standards and interpretations applicable to the Group had been published, but had not yet come into force. The following are preliminary assessments of the effects that the standards relevant to the Group are expected to have:

IFRS 13 Fair Value Measurement aims to make measurements at fair value more consistent and less complex by providing in the standard an exact definition and common source of information on IFRS fair value measurements and associated information. This standard comes into force on 1 January 2013. The Group has not yet fully evaluated the full effects of this standard. The standard has not yet been adopted by the EU.

IFRS 9 Financial instruments deals with the classification, measurement and recognition of financial assets and liabilities. There are two main measurement categories: amortized cost and fair value. Classification is based on the company's business model and the characteristics of contractual cash flows. This standard comes into force on 1 January 2015. The Group has not yet fully evaluated the full effects of this standard. This standard has not yet been adopted by the EU.

None of the other IFRS or IFRIC interpretations that have still not come into force are expected to have a significant impact on the Group.

2.2 Consolidated financial statements

a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. This typically occurs via a shareholding of more than half the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has a controlling influence over another company. The Group also assesses whether it has a controlling influence even though its shareholding is less than half of the voting rights. This can occur when it nevertheless is able to govern the financial and operational strategies via de facto control. De facto control may occur under circumstances where the proportion of the Group's voting rights in relation to the size and

distribution of other shareholders' voting rights give the Group the ability to control financial and operational strategies.

Subsidiaries are fully consolidated as of the date when the Group obtains a controlling influence. They are no longer consolidated as of the date when the Group no longer has a controlling influence.

The purchase method is used for reporting the Group's business combinations. The purchase price for the acquisition of a subsidiary is the fair value of the transferred assets, liabilities that the Group incurs to former owners of the acquired company and the shares issued by the Group. The purchase price also includes the fair value of all assets or liabilities that result from an agreement on contingent payment. Identifiable assets acquired and liabilities assumed in a business combination are initially measured at fair value on the acquisition date. For each acquisition, the Group determines whether the non-controlling interest in the acquired company should be reported at fair value or at the holding's proportionate share of the carrying amount of the acquired company's identifiable net assets.

The costs associated with acquisitions are expensed as incurred.

If a business combination is carried out in several steps, the prior equity interests in the acquired company are remeasured at the fair value at the time of the acquisition. Any profit or loss that arises is reported in the income statement.

Any contingent consideration that will be paid by the Group is reported at fair value at the time of acquisition. Subsequent changes to the fair value of contingent consideration classified as an asset or liability are reported in accordance with IAS 39 Financial Instruments, either in the income statement or in other comprehensive income. Conditional consideration that is classified as equity is not remeasured and any adjustments to such amounts are also recognized in equity.

Goodwill is initially measured as the amount by which the total purchase price and fair value of the non-controlling interest exceeds the fair value of identifiable assets acquired and liabilities assumed. If the purchase price is lower than the fair value of the acquired company's net assets, the difference is reported directly to the income statement.

Intra-Group transactions, balance sheet items and the income and expenses from transactions between Group companies are eliminated. Gains and losses that arise from intra-Group transactions that are reported as assets are also eliminated. The accounting policies of subsidiaries have been adjusted, where necessary, to ensure consistency with the policies applied by the Group.

b) Changes in the ownership interest of a subsidiary without a change of controlling interest

Transactions with non-controlling interests that do not result in a loss of control are reported as equity transactions, i.e. as transactions with

the owners in their role as owners. For acquisitions from non-controlling interests, the difference between the fair value of paid consideration and the actual acquired share of the carrying amount of the subsidiary's net assets, is reported in equity. Gains and losses on disposals to non-controlling interests are also reported in equity.

c) Divestment of a subsidiary

When the Group no longer has a controlling interest, each remaining holding is measured at fair value as of the point in time when the loss of control occurred. The change in carrying amount is reported in the income statement. The fair value is used as the first reported value and provides the basis for future reporting of the remaining holding as an associated company, joint venture or financial asset. All amounts concerning the divested unit that were previously reported in other comprehensive income are reported as if the Group had directly divested the attributable assets or liabilities. This could mean that amounts previously recognized in other comprehensive income are reclassified and recognized in profit or loss instead.

2.3 Reporting of segments

Segment disclosures must be presented from the management's perspective, i.e. in the same way that they are presented for internal reporting purposes. The point of departure for identifying reportable segments is the internal reporting used by the highest-ranking executive decision-maker. Management has analyzed the internal reporting and concluded that the Group's highest-ranking executive decision-maker, the Group management team, regularly analyses the sales reports, quality reports, consolidated income statement and cash flow statement. This reporting is based on the fact that the common technology platform, development process, manufacturing process, market strategy and sales resources do not motivate further segmentation of the business. Therefore, there is no follow-up on the profit of any particular segment of the business.

2.4 Translation of foreign currency

a) Functional currency and reporting currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (i.e. the functional currency). The consolidated financial statements are presented in Swedish kronor (SEK), which is the Group's reporting currency.

b) Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction dates

or the date when items were remeasured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of closing day rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. However, this does not apply to transactions that fulfill the requirements for hedge accounting of cash flows. Such gains or losses are recognized in other comprehensive income.

Foreign exchange gains and losses attributable to loans and cash equivalents are reported in the income statement as financial revenue or financial expenses. Foreign exchange gains and losses attributable to purchases of raw materials and products are reported in the income statement as cost of goods sold. Other foreign exchange gains and losses are reported in the income statement as 'Other operating income' and 'Other operating expenses' respectively.

c) Group companies

The profit or loss and financial position of all Group entities (none of which has the functional currency of a hyperinflationary economy) that have a different functional currency than their reporting currency, are translated into the Group's reporting currency as follows:

- a) assets and liabilities are translated at the closing rate of exchange,
- b) income and expenses are translated at the average rate of exchange, and
- c) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are reported at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of a replaced part is derecognized. All other repairs and maintenance are expensed in the same period as they are incurred.

Depreciation is based on original cost and the estimated useful life of the asset as follows:

Machinery and equipment	3- 7 years
Equipment and other installations	3- 7 years

The residual value and useful life of assets are tested at the end of every reporting period and adjusted if necessary. In cases where the carrying amount exceeds the estimated recoverable amount, the asset is immediately written down to its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and reported under Other operating income or Other operating expenses.

2.6 Intangible assets

a) Goodwill

Goodwill arises from the acquisition of subsidiaries, associated companies and joint ventures. Goodwill is the amount that the consideration exceeds the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company, along with the fair value of the non-controlling interest in the acquired company.

Goodwill is tested for impairment on an annual basis or more often if events or changed conditions indicate possible impairment. The carrying amount of goodwill is compared to the recoverable amount, which is equal to the value-in-use or fair value less selling expenses, whichever is higher. Impairment losses are immediately expensed and they are never reversed. The Group only has one cash-generating unit that is expected to benefit from the company acquisition that generated the goodwill and which is tested for impairment.

b) Development work

HMS's technology is based on internally developed solutions for connecting industrial equipment to networks, as well as gateways for the interconnection of different networks. The technology used in the company's products is based on the patented Anybus technology.

Costs that are directly associated with the development of identifiable and unique integrated circuits, strategic IP blocks, new product line platforms and costs up until the first protocol version for a specific network in a product line and that are controlled by the Group are recognized as intangible assets if the following criteria are fulfilled:

- it is technically possible to complete the above development project so that the development results can be used,
- the company's intention is to complete the development project and to either use it or sell it,
- it is likely that the development results can be used or sold,
- it can be shown how the development results generate probable future economic benefits,
- there is access to adequate technical, financial and other resources to complete development and to either use or sell the development results, and the expenditure attributable to the project during its development can be estimated in a reliable way.

Customer-specific projects are capitalized when the development costs are covered by future volume commitments.

Costs include the employee costs for internal work with development, external expenses and a reasonable share of the indirect costs.

Intangible assets resulting from development work are reported at cost. In cases where the carrying amount exceeds the estimated recoverable amount, the asset is immediately written down to its recoverable amount.

The development of new product platforms is capitalized during the development phase. Maintenance of software and expansions of existing products and product lines are treated as adjustments of the core product and are not capitalized. Projects in the development phase are not capitalized.

Development costs that were previously expensed are not capitalized as assets in later periods.

Advances attributable to external development are reported as intangible assets provided that the company has control over the asset.

Amortization is calculated on the original cost and is based on the assessed useful life of the asset as follows:

Capitalized development work	5-7 years
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2.7 Impairment

Assets with an indefinite useful life, such as goodwill or intangible assets not yet ready for use, are not subject to amortization but they are tested annually for impairment. Assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the asset's fair value less selling expenses or its value-in-use, whichever is higher.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Capitalized development work is tested annually for impairment before it is ready to be put into use.

2.8 Financial instruments

2.8.1 Classification

The Group classifies its financial assets as follows: financial assets measured at fair value through profit or loss, loan receivables, accounts receivable and derivatives.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets valued at fair value through profit or loss

Financial assets valued at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it was acquired primarily for the purpose of selling it in the short-term. Derivatives are classified as held for trading if they have not been identified as hedging instruments. Assets in this category are classified as current assets if they are expected to be settled within 12 months. Otherwise, they are classified as non-current assets.

b) Loan receivables and accounts receivable

Loan receivables and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, with the exception of items that mature more than 12 months after the balance sheet date. These are classified as non-current assets. Loan receivables and accounts receivable consist of 'Accounts receivable and other receivables' and 'Cash and cash equivalents' in the balance sheet (Note 2.10 and 2.11).

c) Derivative instruments and hedging

The Group utilizes derivatives to cover the risks associated with exchange rate fluctuations on future commercial cash flows (both external and internal) in a foreign currency. The holdings of derivative financial instruments are currency forwards.

Derivatives are reported in the balance sheet on the contract date. They are measured at fair value both initially and upon subsequent revaluation. All derivative instruments are classified as either current assets or current liabilities. Information about the fair value of various derivative financial instruments used for hedging is provided in Note 15.

When determining the fair value of a hedging instrument, the quoted rate of the currency on the closing date is used. At each balance sheet date, the Group assesses whether there is objective evidence of impairment of a financial asset or a group of financial assets. If there is objective evidence of impairment, the asset is written down to its fair value.

When the transaction is entered into, the relationship between the hedging instrument and the hedged item is documented, as well as the Group's objectives for risk management and its hedging strategy. The Group also documents its assessment, both at the start of the hedging period and on an ongoing basis, of how the derivative instruments used in the hedging transaction are effective in terms of counterbalancing changes in fair value or cash flows attributable to the hedged items.

Hedges are designed with the expectation that they will be effective. The effective part of changes in fair value of the hedging instrument is reported in other comprehensive income. The gain or loss attributable to any ineffective part is reported immediately under operating profit (loss) in the income statement. The accumulated amount in equity is reversed to the income statement in the periods when the hedged item affects earnings.

Accumulated gains or losses in equity will be retained in equity when the hedging instrument expires, is sold, or when the hedge no longer meets the hedge accounting criteria. These gains and losses are taken to profit or loss when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected, the accumulated profit or loss that was reported in equity is immediately moved to the income statement and reported in operating profit.

2.8.2 Reporting and valuation

Purchases and sales of financial assets are recognized on the trade date, which is the date on which the Group commits to purchase or sell the asset. Financial instruments, except for financial assets reported at fair value via the income statement, are initially recognized at fair value plus transaction costs. Financial assets carried at fair value via the income statement are initially recognized at fair value, and associated transaction costs are reported in the income statement.

Financial assets are removed from the balance sheet when the rights to receive cash flows from the instruments have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership. Financial assets that can be sold and financial assets valued at fair value via the income statement are reported at fair value after the acquisition date. Loan receivables and accounts receivable are measured at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of any assets in the category 'financial assets at fair value through profit or loss' are reported in the income statement as 'Other operating income' or 'Other operating expenses' in the same period that the gain or loss arises.

2.8.3 Offsetting financial instruments

Financial assets and liabilities are offset and reported at a net sum in the balance sheet, only when there is a legally enforceable right to set off the amounts and an intention either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.9 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) principle. Raw materials are measured at cost. Finished goods are measured at standard cost. The cost of finished goods and work-in-progress consists of raw materials/components, direct labor, and other direct and indirect directly attributable manufacturing costs (based on normal manufacturing capacity). Borrowing costs are not included. The net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inter-company profit from sales between Group companies is eliminated.

2.10 Accounts receivables - trade

Accounts receivable are amounts to be paid by customers for goods or services provided by the company as part of its operating activities. If payment is expected within one year or less (or during the normal business cycle, if it is longer than one year), they are classified as current assets. If not, they are reported as non-current assets.

Accounts receivable are initially measured at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment. A provision for impairment of accounts receivable is set up when there is objective evidence that the Group will not be able to collect all amounts that have fallen due according to the original terms that applied.

2.11 Cash and cash equivalents

Cash and cash equivalents are reported in both the balance sheet and cash flow statement. They include cash in hand, deposits held in bank accounts and other current investments with maturities of three months or less.

2.12 Provisions

Provisions for restructuring costs and legal claims are recognized when the Group has a legal or informal obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions for restructuring include costs of layoffs and severance pay. No provision is made for future operating losses.

Where there are a number of similar obligations, an assessment is made of the likelihood that an outflow of resources will be required to settle the obligations. That assessment covers the entire group of similar obligations. A provision is made for the entire group of similar obligations even if the likelihood of an outflow of resources to settle a particular item in that group is low.

The returns and warranty provision is based on a routine developed specifically for the company.

2.13 Accounts payable

Accounts payables are obligations to pay for goods or services acquired by suppliers as part of operating activities. Accounts payables are classified as current liabilities if they fall due for payment within 1 year or sooner (or over a normal business cycle if this is longer). Otherwise, they are reported as non-current liabilities.

Accounts payable are initially measured at fair value and subsequently measured at amortized cost using the effective interest method.

2.14 Income tax

Tax expense for the period includes current tax and deferred tax. Income tax is recognized in the income statement, except when the tax relates to items reported in other comprehensive income or directly in equity. In such cases the tax is also recognized in other comprehensive income and equity respectively.

Current tax expense is calculated using the tax regulations that have been decided or announced at year-end in the countries where the parent company and its subsidiaries have operations and generate taxable income.

In accordance with the balance sheet method, deferred tax is reported in the consolidated financial statements on all differences arising between the tax base and the carrying amounts of assets and liabilities (temporary differences). However, deferred tax is not reported if it arises in conjunction with the initial recognition of goodwill. Furthermore, deferred tax is not recognized if it arises from a transaction associated with the initial recognition of an asset or liability that is not a business combination and which, at the time of the transaction, has no effect on either reported profit or taxable profit.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is calculated on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities should be offset in the balance sheet only if the entity has the legal right to settle on a net basis and they are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time.

2.15 Remuneration to employees

a) Pension commitments

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

Pension commitments for salaried employees in Sweden are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 3, this is a defined benefit plan, which covers a number of employers. For the financial year 2012 the company has not had access to sufficient information to enable it to report this plan as a defined benefit plan. The pension commitments are thus reported as a defined contribution plan.

For defined contribution plans, the Group pays contributions to privately administered pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they fall due for payment.

b) Share-based remuneration

The Group has option schemes in place for some of its employees. The option schemes aim to facilitate recruitment to leading positions and stimulate long-term commitment from employees regarding the Group's profit and business development. Warrants have been issued at market rates and thereafter transferred to the employees. The warrants give the owner the right to acquire shares at a predetermined price. The payments that HMS receives when warrants are transferred are reported in equity. The Group does not incur any costs when an employee exercises warrants, because the employee pays market price for them. New shares are issued when warrants are exercised. The option scheme was concluded in 2012.

2.16 Revenue recognition

Revenue is recognized at the fair value of the consideration received or to be received for goods and services sold as part of the Group's operating activities. Revenue is recognized after deductions for VAT, returns, rebates and discounts and after the elimination of intra-Group sales.

The Group recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the company.

It is not possible to reliably measure an amount of revenue until all contingencies relating to the sale have been satisfied or expired. The Group bases its estimates on historical outcomes, the type of customer, the type of transaction and the particular circumstances of each case.

The Group manufactures and sells products to connect industrial equipment to networks and gateways to enable the interconnection of different networks, as well as products for remote monitoring.

Revenue is recognized upon delivery of the products to the customer, in accordance with the sales conditions, at the point at which the material risks and benefits are transferred to the buyer.

The Group also sells development services associated with industrial network technology. These services are invoiced based on time and material or as fixed price contracts. Revenue from time and material contracts is recognized at the contractual rates as labor hours are provided and direct expenses are incurred.

For services provided as part of a fixed price contract, revenue is recognized on the balance sheet date in accordance with the percentage of completion method. Percentage of completion is determined by comparing the services already rendered to the total amount of services to be performed.

Estimates are revised if any circumstances arise that could alter the original estimate of revenue, expenses or the percentage of completion. These reassessments could result in an increase or decrease to the estimated revenue or costs and the effect is on revenue during the period when management became aware of such circumstances.

Interest income is recognized using the effective interest method. When an item reported in loan receivables or accounts receivable becomes impaired, the carrying amount is lowered to the recoverable amount, which is equal to the estimated future cash flows discounted at the original effective interest rate for the instrument. The discounting effect then continues to be dissolved as interest income. Interest income on impaired loan receivables is recognized using the original effective interest rate.

2.17 Leasing

Leases in which a significant portion of the risks and rewards associated with ownership are retained by the lessor are classified as operating leases. Payments made during the leasing period are expensed in the income statement linearly over the leasing period.

The Group leases certain items of property, plant and equipment. Leasing agreements for items of property, plant and equipment in which the Group essentially holds the financial risks and rewards associated with ownership, are classified as finance leases.

Each lease payment is apportioned between the finance charge and the reduction of the outstanding liability. Corresponding payment obligations, after deductions for financial expenses, are included in the balance sheet items 'Long-term borrowings' and 'Short-term borrowings'. The interest component of the financial expenses is recognized in the income statement over the leasing period so that the amount of the expense in each reporting period corresponds to a constant periodic rate of interest on the remaining balance of the liability. Items of property, plant and equipment that are obtained through a finance lease agreement are depreciated over the asset's useful life or the term of the lease, whichever is shorter.

2.18 Dividends

Dividends to the parent company's shareholders are reported as a liability in the consolidated financial statements in the same period that the dividend is approved by the parent company's shareholders.

2.19 Borrowing costs

The company does not have any major development projects that would necessitate capitalization of borrowing costs. All borrowings costs are thus expensed as incurred.

2.20 Cash flow statement

The cash flow statement for the Group has been prepared in accordance with the indirect method. The year's change in the cash balance is apportioned between operating, investing and financing activities. The starting point for the indirect method is operating profit adjusted for items that did not involve actual cash receipts or payments.

Cash and cash equivalents include cash/bank balances and short-term financial investments with maturities of less than three months. All items within cash and cash equivalents can be converted into cash at relatively short notice.

Note 3 Financial risk management

3.1 Financial risk factors

The Group's business activities are associated with a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and financing/liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial results. The Group uses derivative financial instruments to hedge certain risk exposures and it applies hedge accounting in accordance with IAS 39.

Risk management is carried out by a central finance department according to policies approved by the Board of Directors. The head of the Group's financial function identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board of Directors has provided written policies for overall risk management and for specific areas such as currency risk, interest rate risk, credit risk, use of derivatives and non-derivative financial instruments and investment of excess liquidity.

a) Currency risk

The Group operates internationally and is exposed to currency risks arising from currency exposure to, primarily, the USD, EUR and JPY. The Group's currency risk consists partly of the transaction risk, which arises when purchasing or selling in foreign currencies and partly of the translation risk, which arises when the net assets of foreign subsidiaries are translated at the current exchange rate.

Transaction risk is minimized by hedging anticipated net cash flows in foreign currencies over the next twelve months. The Group's risk management policy states that 60 percent of the exposure should be hedged for the next three months and 10 to 40 percent of the anticipated exposure should be hedged for the three to nine months thereafter.

Translation risk arises because the Group's equity amount is affected by currency rate fluctuations on its investments in subsidiaries. The Group does not currently hedge the effects of currency rate fluctuations on investments in subsidiaries. The Group has concluded that its exposure to translation risk is negligible.

If the SEK had weakened/strengthened by 5 percent against the EUR with all other variables held constant, the operating profit/loss for the year would have been SEK 6.1 million higher/lower, mainly as a result of purchases and sales in foreign currency, and from the gains/losses that would arise upon translation of accounts receivable and financial assets measured at fair value through profit or loss.

If the SEK had weakened/strengthened by 5 percent against the USD with all other variables held constant, the operating profit/loss for the year would have been SEK 2.9 million higher/lower, mainly as a result of purchases and sales in foreign currency, and from the gains/losses that would arise upon translation of accounts receivable and financial assets measured at fair value through profit or loss.

If the SEK had weakened/strengthened by 5 percent against the JPY with all other variables held constant, the operating profit/loss for the year would have been SEK 1.3 million higher/lower, mainly as a result of purchases and sales in foreign currency, and from the gains/losses that would arise upon translation of accounts receivable and financial assets measured at fair value through profit or loss.

b) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable interest rates expose the Group to interest rate risk on the cash flows. The Group's financing policy states that interest expenses should be as low as possible. In order to minimize the Group's interest expenses, interest rate derivatives may be utilized. For 2012, it was assessed that the use of interest rate derivatives would not decrease the Group's interest expenses.

If the interest rates on borrowings in SEK on 31 December 2012 had been 1 percent higher/lower, with all other variables held constant, then the profit before tax for the financial year would have been SEK 0.1 (0.3) million lower/higher.

c) Credit risk

Credit risk is dealt with at the Group level, except for credit risk associated with overdue accounts receivable. Each Group company is responsible for monitoring and analyzing credit risk for each customer before offering the standard terms for payment and delivery. There are clear guidelines in the Group's credit policy for when to grant credit to customers and when security is required. The Group management team has concluded that there is no significant credit risk associated with any particular customer, counterparty or geographical region.

According to the Group's financial policy, excess liquidity may be invested in interest-bearing securities with a maximum maturity of one year and an average maturity of six months. Counterparty risk is managed through regulations in the financial policy regarding the long-term rating of issuers. The policy states that investments may be made in Swedish corporate bonds with a Standard & Poor's rating of at least BBB+, Swedish commercial papers with a rating of at least K1, Swedish mortgage institutions and the Swedish State. All borrowing is done in consultation with the parent company's finance function.

a) Financing and liquidity risk

Financing risk is the risk that maturing loans cannot be refinanced without difficulty or added expense and that this situation would make it difficult for the Group to fulfill its payment obligations. Liquidity risk is the risk of difficulties in fulfilling obligations that are associated with financial liabilities. See Note 21 for an analysis of the Group's borrowings, classified according to the time remaining until maturity as of the closing date.

Cash flow forecasts are drawn up by the Group's operating companies and aggregated by Group finance. The Group carefully monitors rolling forecasts of its liquidity reserve (which consists of unused lines of credit and cash equivalents) to ensure that the Group has sufficient cash to meet the needs of its operating activities. At the same time, the Group must maintain a sufficient margin in its granted unused credit so that it does not breach any of its credit limits or loan terms. This is done centrally for all of the Group's operational units in accordance with the practices and limits established for the company. Liquidity management also involves calculating the expected cash flows in major currencies and determining the amount of various liquid assets thus required, monitoring solvency in relation to internal and external supervisory requirements and drawing up plans for debt financing.

Financing risk arises when, at a given point in time, it becomes difficult obtaining financing. To minimize the costs of the Group's borrowings and financing, the finance function must provide credit facilities that adequately meet the Group's need for working capital credit. HMS must always have access to cash equivalents, excess liquidity and unused credit facilities totaling approximately 10% of its sales.

The tables below show the Group's financial derivatives that will be settled gross within one year of each respective balance sheet date. The amounts reported in the tables are the contractual, undiscounted cash flows. The amounts maturing within 12 months are the same as the reported amounts because the discount effect is negligible.

As of 31 December 2012	Less than 1 year
Exchange contracts	
Cash flow hedges	
-Inflow	
-Outflow	37,567

As of 31 December 2011	Less than 1 year
Exchange contracts	
Cash flow hedges	
-Inflow	
-Outflow	34,106

3.2 Managing capital risks

The Group's objective with regard to capital structure is to safeguard the Group's ability to continue operations, so that it can continue to generate returns for shareholders and benefits for other stakeholders. It also strives to maintain an optimal capital structure in order to keep the cost of capital down.

To maintain or adjust the capital structure, the Group can change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt.

The Group evaluates its capital structure by calculating and monitoring the net debt/equity ratio. This ratio is calculated as net debt divided by the total equity, including non-controlling interest. The net debt is calculated as the total borrowings (including Short-term borrowings and Long-term borrowings in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as Equity in the consolidated balance sheet plus net debt.

The Group's strategy in 2012 was the same as it was in 2011, i.e. to reduce the Group's total borrowings in order to create flexibility for the future. The net debt/equity ratios on 31 December 2012 and 31 December 2011 were as follows:

	2012	2011
Total borrowings (Note 21)	787	25,192
Less cash and cash equivalents (Note 18)	-31,487	-26,573
Net debt	-30,700	-1,381
Total equity	342,056	298,543
Total capital	311,356	297,162
Net debt/equity ratio	0%	0%

3.3 Accounting for derivative instruments and hedging activities

The Group has financial derivatives in the form of foreign exchange contracts that hedge purchases and sales in foreign currency.

Information concerning fair values for the various derivative instruments used for hedging is available in Note 15.

3.4 Calculation of fair value

The following table shows the financial instruments measured at fair value, based on how the classification in the fair value hierarchy was made. The various levels are defined as follows:

- The quoted prices (not adjusted) on active markets for identical assets or liabilities (level 1)
- Other observable data for the asset or liability than the quoted prices included in level 1, either directly (i.e. as a price quotation) or indirectly (i.e. derived from price quotations) (level 2)
- Data for assets or liabilities not based on observable market data (i.e. non-observable data) (level 3)

The following table shows the Group's assets and liabilities valued at a fair value as of 31 December 2012:

	Level 2	Level 2	Level 3	Total
Assets				
Derivative instruments used for hedging		2,211		2,211
Total assets	0	2,211	0	2,211

The following table shows the Group's assets and liabilities valued at a fair value as of 31 December 2011:

	Level 2	Level 2	Level 3	Total
Assets				
Derivative instruments used for hedging		7		7
Total assets	0	7	0	7

The fair value of derivative instruments is determined using market prices for the currency on the closing date.

Note 4 Important estimates and assessments for accounting purposes

Estimates and assessments are evaluated continuously and they are based on past experience and other factors, including expectations of future events considered reasonable under the prevailing conditions.

The Group makes estimates and assumptions about the future. The estimates for accounting purposes that result from these, by definition, will rarely equate to the actual result. The estimates and assumptions that involve a considerable risk of needing to make significant adjustments to the carrying amounts of assets and liabilities during the next financial year are shown below.

a) Test of impairment for goodwill

Each year, in accordance with the accounting policies described in Note 2.7, the Group tests goodwill for impairment. The recoverable amount for the Group's cash-generating units is established by calculating the value in use. Various estimates must be made in order to make these calculations (Note 13). Reported goodwill amounted to SEK 236.1 (236.1) million.

The sensitivity analysis shows that increasing the required return after tax from 14% (corresponds to 10.9% before tax, which is used for impairment testing in Note 13) to 23% would not result in an impairment of goodwill.

b) Revenue recognition

The Group uses successive revenue recognition when reporting fixed-price agreements for sales of development services. Successive revenue recognition means that the Group must assess services already performed by the closing date as a proportion of the total services to be performed. If the proportion between services already performed and total services were to deviate by more than 10% from management's estimate, the amount reported for revenue for the year would increase by SEK 834 thousand if the already performed services portion had increased. The amount of revenue would decrease by SEK 1,480 thousand if the already performed services portion had decreased.

c) Capitalized development costs

The company capitalizes costs associated with the development of identifiable and unique integrated circuits when the criteria described in Section 2.6 b have been fulfilled and when the costs are expected to be covered and exceeded by future volume commitments from customers. Twice per year, the Group determines whether its products, for which a carrying amount has been recorded, are in the process of being sold, or are expected to be sold. The Group records impairment loss on products for which the future revenue is expected to be less than the carrying amount. In 2012, impairment testing resulted in a write-down of SEK 411 thousand.

Note 5 Segment information

The Group sells products primarily in five countries, as shown in the following table. These countries are not considered to be geographic segments. For information about the Group's segments, see Note 2.3. Categorization is based on the country that a product or service is delivered to.

Net sales per country	The Group		Parent company	
	2012	2011	2012	2011
Germany	86,681	88,472		
USA	70,352	58,473		
Japan	44,468	47,179		
Sweden	34,312	34,362	7,995	7,428
Finland	33,179	40,223		
Other countries	112,812	114,883		
Total	381,804	383,592	7,995	7,428

The carrying amounts for assets and investments outside Sweden amount to 9 (14)% of the Group's total assets.

Revenue of approximately SEK 23,035 (26,323) thousand is derived from a single external customer. This revenue is attributable to Finland.

Note 6 Categorization by type of cost

	2012	2011
Cost of purchasing and handling materials	113,845	121,119
Costs for remuneration to employees (Note 8)	150,118	127,571
Depreciation and Amortization (Note 13, 14)	10,985	10,215
Marketing costs	7,009	8,396
Freight costs	2,761	2,967
Other external costs	33,150	40,742
Total costs for goods sold, sales, administration, research and development	317,868	311,010

Note 7 Remuneration to auditors

	The Group		Parent company	
	2012	2011	2012	2011
PwC				
Audit assignment	531	437	474	380
Audit activities other than the audit assignment	0	93	0	93
Tax advice	98	20	98	20
Other services	581	13	581	
Total	1,210	563	1,153	532
Ernst & Young				
Other services	35	39	35	39
Total	35	39	39	39
Total	1,245	602	1,188	532

Note 8 Remuneration to employees

	The Group		Parent company	
	2012	2011	2012	2011
Salaries and other remuneration	108,532	92,504	2,592	2,200
Social security contributions	34,081	27,175	861	711
Pension costs	7,505	7,892	528	370
Total	150,118	127,571	3,981	3,282

Salaries in the parent company pertain to the CEO and Board of Directors.

	2012			2011		
	Salaries and other remuneration	Social security expenses (of which pension expenses)		Salaries and other remuneration	Social security expenses (of which pension expenses)	
Salaries, other remuneration and social security expenses						
Board members and CEO	3,624	1,769 (815)		3,863	1,801 (773)	
Senior executives	4,028	2,815 (1,247)		3,482	2,241 (923)	
Other employees	100,880	37,002 (5,443)		85,159	31,025 (6,196)	
The Group, total	108,532	41,586 (7,505)		92,504	35,067 (7,892)	

	2012		2011	
	Average no. of employees	Of which men	Average no. of employees	Of which men
Average no. of employees				
Sweden	173	130	170	128
Germany	20	15	20	15
USA	13	10	12	9
France	3	2	4	3
Italy	4	3	4	3
Japan	11	7	9	6
China	7	6	6	6
Great Britain	3	3	3	3
Denmark	1	1	1	1
India	4	4	3	3
The Group, total	239	181	232	177

	2012		2011	
	No. on closing date	Of which men	No. on closing date	Of which men
The Group's gender distribution for the Board of Directors and other senior executives				
Board members	7	5	7	5
CEO and other senior executives	7	6	8	7
The Group, total	14	11	15	12

Note 9 Income tax

	2012	2011
Current tax	11,046	15,345
Deferred tax (Note 22)	1,978	4,494
Tax	13,024	19,839

The following shows how income tax on the Group's profit before tax differs from the theoretical amounts that would have arisen if the weighted average tax rate had been applied to the profit of consolidated companies:

	2012	2011
Profit before tax	65,197	73,768
Income tax calculated using Swedish tax rates	17,147	19,401
Taxes, previous years' assessments	0	0
Non-taxable income, non-deductible costs	334	425
Differences in tax rates for foreign subsidiaries	-153	13
Revaluation of deferred tax due to change in the Swedish tax rate	-4,304	0
Tax expense	13,024	19,839
Average tax rate (%)	20,0	26,9

In 2012, the Swedish tax rate was 26.3 % and for 2013 it is 22.0%.

Note 10 Exchange rate differences – net

Exchange rate differences were reported in the income statement as follows:

	2012	2011
Cost of goods sold	2,987	2,451
Other operating income	3,960	1,120
Other operating expenses	-4,169	-1,490
Net financial items	1,837	2,397
	4,615	4,479

Note 11 Earnings per share*a) Before dilution*

Earnings per share before dilution is calculated by dividing the amount of profit reported in the income statement that is attributable to the parent company's shareholders by the weighted average number of outstanding ordinary shares during the period.

	2012	2011
Profit attributable to parent company shareholders	52,173	53,929
Weighted average number of outstanding ordinary shares (000s)	11,252	11,153
Earnings per share before dilution (SEK per share)	4.64	4.84

(b) After dilution

To calculate earnings per share after dilution, the weighted average number of outstanding ordinary shares is adjusted for the dilutive effect of all potential ordinary shares. The parent company has established a warrants scheme for staff, which constitutes the sole potential dilutive effect. For the share options, an estimate is made of the number of shares that could have been acquired at fair value (estimated as the year's average market price for parent company shares), for an amount equivalent to the monetary value of the subscription rights associated with the outstanding share options. The number of shares estimated as above is compared with the number of shares that would have been issued on the assumption that the warrants are utilized.

	2012	2011
Weighted average number of outstanding ordinary shares (000s)	11,252	11,153
Adjustments for share options (000s)	2	16
Weighted average no. of ordinary shares used to calculate EPS after dilution ('000)	11,254	11,169
Earnings per share after dilution (SEK per share)	4.64	4.83

Note 12 Dividend per share

The dividend paid in 2012 was SEK 25,094 thousand and dividends per share were SEK 2.25 per share. In 2011, the dividend paid was SEK 22,306 thousand and dividends per share were SEK 2.00 per share.

At the AGM on 19 April 2013 a proposal will be made to distribute SEK 25,475 thousand as dividends for the 2012 financial year, which corresponds to SEK 2.25 per share. The proposed dividend has not been reported as a liability in these financial statements.

Note 13 Intangible assets

	Patents	Capitalized development work	Goodwill	Total
As of 1 January 2011				
Cost	352	45,871	236,071	282,294
Accumulated amortization and impairment	-55	-28,018		-28,073
Carrying amount	297	17,853	236,071	254,221
Financial year 2011				
Opening carrying amount	297	17,853	236,071	254,221
Purchases	96	10,648		10,743
Amortization	-35	-5,505		-5,539
Closing carrying amount	358	22,996	236,071	259,424
As of 31 December 2011				
Cost	448	56,519	236,071	293,036
Accumulated amortization	-90	-33,523		-33,612
Carrying amount	358	22,996	236,071	259,424
Financial year 2012				
Opening carrying amount	358	22,996	236,071	259,424
Purchases		30,709		30,709
Impairment		-411		-411
Amortization	-41	-4,703		-4,743
Closing carrying amount	318	48,592	236,071	284,981
As of 31 December 2012				
Cost	448	87,228	236,071	323,745
Accumulated amortization and impairment	-130	-38,636	0	-38,766
Carrying amount	318	48,592	236,071	284,981

In the income statement, amortization and impairment losses of SEK 4,743 (5,539) thousand is included in the Costs of goods sold.

Through the acquisition of HMS Networks AB in 2004, the Group acquired expertise that has provided synergy effects in the form of management and financing opportunities. This has resulted in enhanced growth prospects, which are reflected in the amount reported for goodwill.

Patents and capitalized development costs are tested for impairment twice per year. In 2012, impairment testing resulted in a write-down of SEK 411 (0) thousand.

a) Test of impairment for goodwill

The Group's goodwill has been evaluated in accordance with IAS 36. The recoverable amount for the cash generating unit has been based on its value-in-use. This has included estimates for growth, profit margin, tied-up capital, investment requirement and risk premium. The principles behind these assumptions were unchanged compared with the previous year.

Financial forecasts are based on the company's budget for the coming year and its long-term financial plan. The company's market assessment for each period is also considered. Estimates of future cash flows are based on the existing structure of the assets. Acquisitions are not included.

The company's assumptions about future growth are based on prior experience, external sources of information and its long-term business plan. For this assumption, expected market growth and price development were also considered.

Assumptions about future margins are in line with the company's financial plan and historic performance.

Investment during the period is based on the company's internal investment plan and is expected to equal the replacement need.

The long-term working capital requirement (excluding cash and cash equivalents) is estimated at 8% of the company's net sales.

These estimates form the basis for calculating value-in-use and the cash flow forecast for a period covering the fixed budget and the company's five-year financial plan. Cash flow has then been extrapolated based on an assumption of 3% annual growth. The return requirement, WACC, before tax was set at 10.9 (12.7)%.

The calculated recoverable amount exceeds the carrying amount with a good margin. The management team has concluded that no reasonably significant adjustments are required to the assumptions that were made when testing for impairment of its cash generating unit such that the recoverable amount would fall below the carrying amount.

Note 14 Property, plant and equipment

	Machinery and equipment	Equipment, tools and other installations	Total
As of 1 January 2011			
Cost	16,951	22,712	39,663
Accumulated depreciation	-13,550	-15,428	-28,978
Carrying amount	3,401	7,285	10,685
Financial year 2011			
Opening carrying amount	3,401	7,285	10,685
Exchange rate differences		44	44
Purchases	2,936	6,405	9,341
Sales and disposals (cost)	-1,757	-3,798	-5,555
Depreciation	-1,589	-3,072	-4,661
Sales and disposals (accumulated depreciation)	1,757	3,735	5,492
Closing carrying amount	4,747	10,600	15,347
As of 31 December 2011			
Cost	18,130	25,363	43,493
Accumulated depreciation	-13,383	-14,765	-28,147
Carrying amount	4,747	10,600	15,347
Financial year 2012			
Opening carrying amount	4,747	10,600	15,347
Exchange rate differences		-199	-199
Purchases	6,577	5,704	12,282
Sales and disposals (cost)	-115	-1,179	-1,294
Depreciation	-2,262	-3,992	-6,254
Sales and disposals (accumulated depreciation)	115	1,111	1,226
Closing carrying amount	9,062	12,044	21,106
As of 31 December 2012			
Cost	24,592	29,689	54,282
Accumulated depreciation	-15,530	-17,646	-33,175
Carrying amount	9,062	12,044	21,106

Depreciation costs of SEK 2,618 (1,805) thousand are included in the cost of goods sold, SEK 1,212 (952) thousand in selling costs, SEK 1,212 (952) thousand in administration costs and SEK 1,212 (952) thousand in research and development costs.

Note 15 Derivative instruments

The Group	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedging, forward contracts	2,211		7	
Total	2,211	0	7	0

Derivative held for trading are classified as either current assets or current liabilities. All of the fair value of a derivative instrument that

constitutes a hedge instrument is classified as a non-current asset or non-current liability if the hedged item's remaining term is longer than 12 months, and as a current asset or current liability if the hedged item's remaining term is less than 12 months.

(a) Forward contracts

The nominal amount of outstanding foreign exchange contracts as of 31 December 2012 was SEK 37,567 (34,106) thousand.

The hedged (and highly probable forecast) transactions in foreign currency are expected to occur at varying times over the next 12 months. Gains and losses on forward exchange contracts and currency options as of 31 December 2012, which are reported in equity, are reported in the income statement as operating profit or loss in the periods that the hedged transaction affects profit.

The value of derivatives had a positive effect on profit for 2012 equal to SEK 3,565 (1,120) thousand.

Note 16 Accounts receivable and other receivables

	2012	2011
Accounts receivable – trade	35,544	42,941
Provision for doubtful debts	-43	-160
Accounts receivable – net	35,501	42,781
The fair value of accounts receivables and other receivables is as follows:		
	2012	2011
Accounts receivable – trade	35,501	42,781
Other receivables	6,606	5,620
Prepaid costs and accrued income, see Note 31	8,028	5,007
	50,135	53,408

As of 31 December 2012, the Group reported a gain pertaining to a reversal and impairment of accounts receivable amounting to SEK 78 thousand (in 2011, a loss of SEK 36 thousand was reported). As of 31 December 2012, the provision for doubtful debts amounted to SEK 43 (160) thousand.

As of 31 December 2012, accounts receivable amounting to SEK 8,042 (7,949) thousand had fallen due and it was determined that a write-down requirement on that amount was not required. This amount concerns customers that have not previously had difficulties making payments.

An age analysis is presented in the table below.

	2012	2011
1-15 days	5,622	6,232
15 days to 3 months	2,084	1,648
3 to 6 months	336	69
	8,042	7,949

As of 31 December 2012, the Group reported accounts receivable for which there was a write-down requirement of SEK 43 (353) thousand. As of 31 December 2012, the provision for doubtful debts amounted to SEK 43 (160) thousand. The assessment is that a portion of the receivables is expected to be paid.

An age analysis is presented in the table below.

	2012	2011
Less than 3 months	0	18
3 to 6 months	0	11
more than 6 months	43	324
	43	353

Provisions for each reversal of the reserves for doubtful debts are included in the income statement under Selling expenses. Amounts reported in the provision are typically written off when the Group no longer expects to receive any additional payments.

Other categories of accounts receivable and other receivables do not include assets for which there is a write-down requirement.

Carrying amounts (by currency) for the Group's accounts receivable are as follows:

	2012	2011
EUR	19,161	17,291
USD	9,541	12,269
JPY	4,005	6,871
SEK	2,202	4,675
GBP	461	1,226
DKK	167	242
INR	7	8
Total	35,544	42,941

Note 17 Inventories

The Group	2012	2011
Raw materials and consumables	22,651	27,559
Work-in-progress	273	764
Finished goods	3,920	7,261
	26,843	35,584

Costs for impairment of inventories (obsolescence) that affected last year's profit are included in Cost of goods sold for SEK 131 (134) thousand. The Group does not have sufficient financial information to calculate the proportion of material in cost of goods sold.

Note 18 Cash and cash equivalents

The Group	2012	2011
Cash and bank balances	31,487	26,573
Short-term bank deposits	0	0
	31,487	26,573

Note 19 Share capital and other contributed capital

	Number of shares (000s)	Share capital	Other contributed	Total
As of 1 January 2011	11,153	1,115	110,369	111,484
As of 31 December 2011	11,153	1,115	110,369	111,484
New share issue when warrants were exercised	170	17	15,273	15,290
As of 31 December 2012	11,323	1,132	125,642	126,774

The total number of shares is 11,322,400 (11,152,900) with a quotient value of SEK 0.1 (0.1) per share.

Warrants entitling the holder to subscribe for 169,500 shares were exercised by employees in 2012.

The issued shares have the same rights as other shares.

Note 20 Allocations

	2012	2011
Provision for returned goods	1,021	1,021
Total	1,021	1,021

The returns and warranty provision is based on a routine developed specifically for the company, see Note 2.12.

Note 21 Borrowings

	The Group		Parent company	
	2012	2011	2012	2011
Long-term				
Bank loans	0	0	0	0
Leasing, see Note 25	501	788	0	0
	501	788	0	0
Current				
Bank loans	0	24,118	0	24,118
Leasing, see Note 25	286	286	0	0
Total borrowings	787	25,192	0	24,118
Payment due within one year	286	24,404	0	24,118
Payment due within 2 to 5 years	501	788	0	0
	787	25,192	0	24,118

Bank loans

Total borrowings includes bank loans and other loans against movable property for SEK 11,500 (11,500) thousand.

Note 22 Deferred tax

Deferred tax assets	Tax deficit			Total
As of 1 January 2011	756			756
Exchange rate differences	14			14
As of 31 December 2011	770			770
Exchange rate differences	82			82
As of 31 December 2012	852			852

Deferred tax liabilities	Untaxed reserves	Intangible assets	Futures	Total
As of 1 January 2011	16,076	133	275	16,484
Reported in income statement	4,533	-40		4,494
Reported in other comprehensive income			-273	-273
As of 31 December 2011	20,609	93	2	20,705
Reported in income statement	2,009	-31		1,978
Reported in other comprehensive income			485	485
As of 31 December 2012	22,618	62	487	23,168

Deferred tax assets are reported for tax loss carryforwards to the extent that it is probable that they can be utilized through future taxable profits. These loss carryforwards do not expire in the foreseeable future. The deferred tax asset of SEK 852 (770) thousand

pertains to loss carryforwards for the subsidiary in USA. Full utilization of this loss carryforward is expected. All deferred tax falls due more than 12 months in the future.

Note 23 Pension obligations

Pension benefits

Obligations for retirement and family pensions for most salaried employees in Sweden are secured via insurance with Alecta. For some of the company's first employees, retirement pension obligations have been secured via insurance with Skandia. For a few people in the Group, fee-based solutions are in place. In accordance with a statement from the Swedish Financial Reporting Council, UFR 3, Alecta is a defined-benefit pension plan covering several employers. For the 2012 financial year, the Group has not had access to information that would make it possible to report this plan as a defined-benefit plan. The pension plan according to the Swedish ITP plan secured through insurance with Alecta is therefore reported as a defined-contribution plan.

For 2012, the fees for pension insurance with Alecta amounted to SEK 4,659 (2,934) thousand. The year's fees for pension insurance with Skandia amounts to SEK 2,194 (2,474) thousand. Alecta's surplus can be allocated to the insurance beneficiaries and/or the insured. At year-end 2012, Alecta's surplus at the collective consolidation level was 129 (113)%. The collective consolidation level is comprised of the market value of Alecta's assets as a percentage of the pension obligations calculated in accordance with Alecta's actuarial assumptions, which are not in accordance with IAS 19.

For the foreign units, the pension obligations are classified as defined contribution plans and the amount reported in the income statement is SEK 2,637 (2,098) thousand.

Note 24 Pledged securities and contingent liabilities

Group	2012	2011
Pledged assets		
Chattel mortgages	11,500	11,500
Shares in subsidiaries	250,092	197,991

Contingent liabilities

Contingent liabilities	0	0
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Parent company	2012	2011
Pledged assets		
Shares in subsidiaries	244,039	244,039

Contingent liabilities

Security for subsidiaries	30,000	19,911
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Note 25 Leasing

Finance leases

The Group's property, plant and equipment includes leased items that are held in accordance with financial lease agreements.

Plant and machinery	2012	2011
Accumulated cost	11,337	11,337
Accumulated amortization	-10,550	-10,263
Carrying amount	787	1,074

The present value of future payment obligations related to financial lease agreements is reported as a liability to credit institutions as follows:

	2012	2011
Within 1 year	286	286
1 to 5 years	501	788
	787	1 074

Operating leases

Operating leases primarily pertain to office and manufacturing facilities, as well as office machinery.

	2012	2011
Total minimum leasing fees for the financial year	12,947	9,327
Total leasing costs for the financial year	12,947	9,327

Future contractual leasing payments	2012	2011
Within 1 year	13,541	10,269
1 to 5 years	55,530	42,113
Total future leasing payments	69,071	52,382

Note 26 Remuneration to the Board and senior executives

Remuneration to the Chairman and Board members is in accordance with the AGM decision. There is no separate remuneration for committee work. Board fees do not pertain to employee representatives.

Remuneration to the CEO and other senior executives at HMS Industrial Networks AB (the operating company) is comprised of basic salary, variable remuneration, other benefits and pension. The other senior executives are the five members of the Group management team that also includes the CEO.

The distribution between basic salary and variable remuneration shall be proportionate to the executive's responsibilities and authority. For the CEO and other senior executives, variable remuneration may not exceed 30% of basic salary. Variable remuneration is based on performance in relation to targets. Pension benefits and other benefits for the CEO and other senior executives are a part of the total remuneration package.

Remuneration and other benefits 2012	Basic salary/ Board fees	Variable remuneration	Pension expenses	Total 2012	Options held	Board attendance
Chairman of the Board, Urban Jansson	300			300		88%
Board member, Nicolas Hassbjer	150			150		100%
Board member, Ray Mauritsson	150			150		100%
Board member, Göran Sigfridsson	150			150		100%
Board member, Henrik Johansson	150			150		100%
Board member, Gunilla Wikman	150			150		88%
Board member, Charlotte Brogren	150			150		100%
Total	1,200			1,200		
CEO Staffan Dahlström	1,392		528	1,920		
Other senior executives	4,028		1,247	5,275		
Total	6,620	0	1,775	8,395	0	

Remuneration and other benefits 2011	Basic salary/ Board fees	Variable remuneration	Pension expenses	Total 2012	Options held	Board attendance
Chairman of the Board, Urban Jansson	275			275		100%
Board member, Nicolas Hassbjer	138			138		100%
Board member, Ray Mauritsson	138			138		100%
Board member, Göran Sigfridsson	138			138		100%
Board member, Henrik Johansson	138			138		100%
Board member, Gunilla Wikman	138			138		100%
Board member, Charlotte Brogren	138			138		100%
Total	1,103			1,103		
CEO Staffan Dahlström	1,094		370	1,465	20,000	
Other senior executives	3,482		923	4,405	65,000	
Total	5,679	0	1,293	6,973	85,000	

Variable remuneration for the financial year consists of expensed bonus, which is paid out in the coming year. For details of how the bonus is calculated, see below.

Options held refers to the number of warrants held by each individual/group. Each warrant entitles the holder to acquire one share in HMS Networks AB (publ). For further information about the HMS warrants scheme, see Note 2.

At the AGM on 19 April 2012 Urban Jansson was re-elected as Chairman of the Board. The following individuals were also re-elected at the AGM to serve on the Board of Directors: Nicolas Hassbjer, Ray Mauritsson, Göran Sigfridsson, Henrik Johansson, Gunilla Wikman and Charlotte Brogren.

During the period between the AGM on 19 April 2012 and the adoption of this annual report, the Board has held eight meetings at which the minutes were taken.

Variable remuneration

Variable remuneration for the CEO and other senior executives is based primarily on growth and operating profit as determined by the Board. For 2012 variable remuneration for the CEO represents 0 (0)% of basic salary and for other senior executives it was also 0 (0)%. Bonus may not exceed 30 (30)% of basic salary.

Defined benefit/Defined contribution pension plans

The Group has both defined benefit and defined contribution pension plans. See section 2.15. Pension costs are costs that affect profit (loss) for the year.

Pensions

The retirement age for the CEO is 65 years. For other senior executive, the retirement age is 65 years.

Severance pay

The notification period for termination of employment of the CEO is 6 months for both sides. If the company initiates dismissal, severance pay amounting to 12 months' salary in addition to regular salary will be paid. In the case of notice of termination from the CEO's side, no severance payment is made. The notification period for termination of employment of the other senior executives is 6 months for both sides.

Decisions on remuneration

The remuneration committee produced a proposal for the Board during the year concerning remuneration for senior executives. The proposal specifies proportions between fixed and variable remuneration and the size of possible salary increases. Furthermore, the remuneration committee has proposed criteria for assessing bonuses, allocation and size in the form of financial instruments, etc., as well as pension conditions and severance pay. The committee made an assessment of remuneration for other Board members on consulting assignments in the Group.

The Board discussed the remuneration committee's proposals and reached a decision based on the recommendations. Remuneration for the CEO for the 2012 financial year was decided by the Board based on the recommendations of the remuneration committee. Remuneration for other senior executives was decided by the CEO after consultation with the Chairman of the Board. The remuneration committee is comprised of the Chairman of the Board and two Board members.

Note 27 Sick leave

	2012	2011
Total sick leave	3%	3%
- sick leave for men	3%	2%
- sick leave for women	2%	4%
- employees - 29 years	2%	2%
- employees 30-49 years	3%	2%
- employees 50 years -	2%	0%

Sick leave is shown for the Swedish subsidiaries.

Note 28 Participations in subsidiaries

Shares owned by parent company	Registered office	CIN	Share of	Number of shares	With quotient value	12-12-31	11-12-31
HMS Industrial Networks AB	Halmstad, Sweden	556529-9251	100%	6,540	100	244,039	244,039

Shares owned by subsidiary	Registered office	CIN	Share of	Equity	Profit (loss)
HMS Industrial Networks GmbH	Karlsruhe, Germany	35006/39876	100%	7,085	1,941
HMS Industrial Networks Inc	Chicago, USA	5983-659-5	100%	1,190	976
Intellicom Innovation AB	Halmstad, Sweden	556537-7826	100%	7,932	189
HMS Industrial Networks SAS	Mulhouse, France	489154476	100%	943	180
HMS Industrial Networks S.r.l.	Milano, Italy	5260930960	100%	226	47
HMS Electronics AB	Halmstad, Sweden	556463-9374	100%	247	0
HMS Industrial Networks K.K.	Tokyo, Japan	0200-01-060118	100%	1,343	434
HMS Industrial Networks ApS	Copenhagen, Denmark	33363842	100%	211	62
HMS Industrial Networks Ltd.	Coventry, England	7521411	100%	171	105
HMS Industrial Networks Pvt.Ltd.	Pune, India	138298	100%	281	232

Note 29 Other interest income and similar items

	The Group	
	2012	2011
Interest income	89	194
Exchange rate differences	1,837	2,397
Total	1,926	2,591

Note 30 Other interest expenses and similar items

	The Group		Parent company	
	2012	2011	2012	2011
Interest expenses	-456	-1,036	-353	-839
Exchange rate differences				
Total	-456	-1,036	-353	-839

Note 31 Prepaid costs and accrued income

	The Group	
	2012	2011
Rents	2,141	2,059
Accrued income	2,972	837
Other items	2,914	2,111
Total	8,028	5,007

Note 32 Accrued expenses and deferred income

	The Group		Parent company	
	2012	2011	2012	2011
Accrued salaries	2,334	1,578		
Vacation pay	5,396	4,869	116	101
Social security contributions	6,633	5,523	339	292
Provision for returned goods	1,021	1,021		
Other items	4,029	4,168	279	300
Total	19,412	17,158	734	693

Note 33 Related parties

There have not been any related party transactions except for the ones specified in Note 26 Remuneration to the Board and senior executives.

Note 34 Subsequent events

At the start of 2013, HMS acquired the German company, IXXAT GmbH, a leading supplier of communications technology for industrial automation, the machine industry and the automotive industry. IXXAT's product and service offering is an excellent addition to HMS's business. IXXAT's strong position in the German market strengthens HMS's posi-

tion in the world's leading market for industrial communication solutions. IXXAT has approximately 85 employees and EUR 14 million in sales. The purchase sum was approximately EUR 32 million, which was entirely financed through external loans. The acquired business will be consolidated as part of the HMS Group as of 31 January 2013.

Note 35 Key financial figures**Return on shareholders' equity**

Share of profit after tax attributable to the parent company's shareholders in relation to the average shareholders' equity excluding non-controlling interests.

Return on capital employed

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

Return on total capital

Share of the profit after financial expenses attributable to the parent company's shareholders in relation to the average total capital excluding non-controlling interests.

EBIT

Operating income according to income statement excluding items affecting comparability.

EBITA

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

EBITDA

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

Financial assets

Long-term and short-term financial receivables plus cash and cash equivalents.

Net debt

Long-term and short-term financial liabilities less financial assets.

Net debt/equity ratio

Net debt in relation to shareholders' equity including non-controlling interests.

P/E ratio

Market price in relation to earnings per share.

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 plus an adjustment for the average number of shares that are added when converting the outstanding number of convertibles and options.

Operating margin

Operating profit (loss) in relation to net sales.

Equity/assets ratio

Shareholders' equity in relation to total assets.

Capital employed

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

The Board of Directors and CEO affirm that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and that they provide a true and fair view of the Group's financial position and results. The Annual Report has been prepared in accordance with generally accepted accounting principles, provides a true and fair view of the and Parent Company's financial position and results.

The Board of Directors' report for the Group and parent company provides a true and fair overview of the Group's and parent company's operations, financial position and results and also describes material risks and uncertainties faced by the parent company and the companies that comprise the Group.

The income statement and balance sheets will be brought forth at the Annual General Meeting on 19 April 2013 for adoption.

Halmstad 15 March 2013

Urban Jansson
Chairman

Staffan Dahlström
CEO

Göran Sigfridsson

Ray Mauritsson

Nicolas Hassbjer
Vice Chairman

Henrik Johansson

Gunilla Wikman

Charlotte Brogren

Our audit report was submitted on 20 March 2013
PricewaterhouseCoopers AB

Olof Enerbäck
Authorized Public Accountant

Auditor's report

To the annual meeting of the shareholders of HMS Networks AB (publ), corporate identity number 556661-8954

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of HMS Networks AB (publ) for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 42-75.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International

Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of HMS Networks AB (publ) for the year 2012.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Halmstad 20 March 2013
PricewaterhouseCoopers AB

Olof Enerbäck
Authorized Public Accountant

Notice of the AGM for HMS Networks AB (publ)

The shareholders of HMS Networks AB (publ) are hereby invited to the Annual General Meeting, which will be held at 10.30 AM on Thursday 19 April 2013 at the HMS head office, Stationsgatan 37, Halmstad. Registration for the Annual General Meeting will begin at 9.30 AM.

Right of participation in the Annual General Meeting

Shareholders who wish to participate in the Annual General Meeting must be registered in the share register kept by Euroclear Sweden (the former VPC AB – the Swedish Central Securities Depository) on Friday 12 April 2013 and give notice of their intention to participate at the Meeting to the Company no later than 4 PM on Monday 15 April 2013.

The registration must be communicated in one of the following ways: by phone: +46 (0)35-17 29 00, in writing: HMS Networks AB (publ), Box 4126, 300 04 Halmstad, by fax: +46 (0)35-17 29 09 or by email: ir@hms.se. The registration must include the following information: name, personal ID number/CIN, shareholding, address, daytime telephone number and, when applicable, information on assistants or deputies who will be attending. The notification must include, where applicable, complete authorization documents such as registration certificate, power of attorney, or equivalent.

Proxies

If a shareholder is represented by a proxy, the proxy must be issued with a power of attorney dated for this day. If the power of attorney is issued by a legal entity, a certified copy of the registration certificate, or other document demonstrating the signatory's authority to sign for the legal entity, must be included. The power of attorney and any registration certificate may not be more than one year old. The power of attorney (original), and registration certificate should be sent to the Company at the above stated address well in advance. The form is available on the Company's website: <http://investors.hms.se> and at the Company's head office.

Nominee registered shares

Shareholders whose shares are registered in the name of a nominee through a bank or Securities Register Centre must temporarily re-register the shares in their own name to be able to participate at the Meeting. Such registration must be done at Euroclear Sweden no later than Friday 12 April 2013, which means that shareholders must notify their intentions on this matter to the nominee well in advance of the stated date.

Halmstad, March 2013
HMS Networks AB (publ)
The Board of Directors

Shareholder information

Future reports

- Q1 interim report 19 April 2013
- Q2 interim report 23 July 2013
- Q3 interim report 29 October 2013
- Year-end report, February 2014

All interim reports, annual reports and certain presentations are available on the HMS website <http://investors.hms.se>. A printed version of the annual report is only distributed to shareholders and investors who have requested one. The annual report can be ordered by mailing a complete address to ir@hms.se.

Wall of fame

– a large number of manufacturers worldwide use Anybus and Netbiter in their products*



Millions of devices can't be wrong



From HMS's stand at the SPS/IPC/Drives trade fair in Nurnberg in 2012.



HMS Networks AB (publ) Box 4126, 300 04 Halmstad, Sweden, Tel: +46 35-17 29 00, info@hms.se, www.hms.se