

hms networks

INTERIM REPORT 2013

JANUARY - MARCH 2013

Last twelve months

- ❑ Net sales for the last twelve months totaled to 393 MSEK (389), corresponding to a 4 % increase in local currencies
- ❑ Operating profit for the last twelve months was 63 MSEK (69), equal to a 16.1 % (17.7) operating margin
- ❑ Order intake for the twelve-month period was 427 MSEK (407)
- ❑ Cash flow from operating activities for the twelve month period amounted to 124 MSEK (55)
- ❑ Profit after tax for the last twelve months amounted to 51 MSEK (55) and earnings per share was 4.52 SEK (4.66)

First quarter

- ❑ Net sales for the first quarter totaled to 107 MSEK (96) corresponding to a 17.4 %, increase in local currencies, and the operating profit was 14 MSEK (14).
- ❑ Order intake for the first quarter was 119 MSEK (116)
- ❑ IXXAT Automation was acquired during the quarter and has affected the company's revenue for two months.



Comment from the CEO

During the first quarter, HMS acquired the German company IXXAT Automation. IXXAT develops and sells industrial communication products to companies within, for example, machine building, the automotive industry, and medical technology.

We have started to co-ordinate IXXAT's sales and marketing resources with HMS's organization in order to create a common global sales organization for our brands Anybus®, IXXAT® and Netbiter®. In the long term, we also see opportunities to co-ordinate technology and development projects from the acquired business which will affect forthcoming product generations from HMS.

During the first quarter of the year, we saw a continually cautious market without underlying growth, but as we now, as of February, include IXXAT in our results, we reach a new turnover record of 107 MSEK.

Our goal is now to take full advantage of the newly acquired business as well as the resource investments made during the past few years.

During the first quarter, we saw a growing level of orders. Despite this, the previously communicated market uncertainty remains. We see an inflow of new design-wins, which confirms our strong market position. The conditions for continued long-term growth are unchanged, despite the short-term uncertainty among our customers.

We will continue to drive growth through our three product brands Anybus, Netbiter and IXXAT. Our market is continually uncertain in the short term, which means that we continue to balance our long-term growth strategy with a restrictive view on costs. In the long term, we see the markets for industrial communication and remote management to be growth sectors.

“
We see great opportunities for co-ordinating the HMS and IXXAT organizations.”



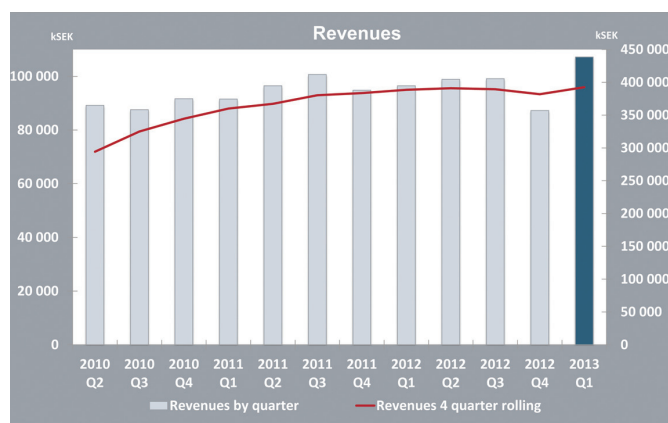
Staffan Dahlström
CEO, HMS Networks AB

Quarterly data	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	2013	2012	2012	2012	2012	2011	2011	2011
Net sales (SEK m)	107	87	99	99	96	95	101	97
Order intake (SEK m)	119	100	95	113	116	83	108	100
Operating profit (SEK m)	14	6	23	20	14	10	24	20
Gross margin (%)	61	57.6	59.9	60.6	61.9	60.8	60.6	61.3
Operating margin (%)	12.8	7.2	23.4	20.2	14.9	10.5	24.2	21.0
Return on capital (%)	15.4	16.3	16.2	17.7	17.6	18.6	21.6	22.1
Earnings per share (SEK)	0.82	0.86	1.49	1.36	0.94	0.71	1.67	1.34
Equity per share (SEK)	31.17	30.21	29.43	28.23	27.74	26.77	25.96	24.41
Cash flow for operating activities per share (SEK)	4.47	1.67	2.23	2.63	0.73	0.25	1.74	2.06

Net sales

Net sales for the last twelve months amounted to 392.5 MSEK (388.6) corresponding to a 1.0 % increase. In total, the revaluation of the Swedish currency in relation to the major HMS currencies had a negative effect on net sales by -9.9 MSEK compared to the previous twelve-month period. The order intake amounted to 427.0 MSEK (407.1).

Net sales for the first quarter 2013 was 107.2 MSEK (96.5) corresponding to a 11.1 % increase compared to the same quarter the previous year. Adjusted for -6.1 MSEK in currency effects, the increase amounted to 17.4 %. During the quarter, the newly acquired IXXAT companies contributed to the group's sales of 16.1 MSEK. Order intake for the first quarter increased by 2.9 MSEK to 119.2 MSEK (116.3), of which 101.7 MSEK is expected to be delivered during the next twelve months. In local currencies, the order intake for the quarter increased by 7.7 %.

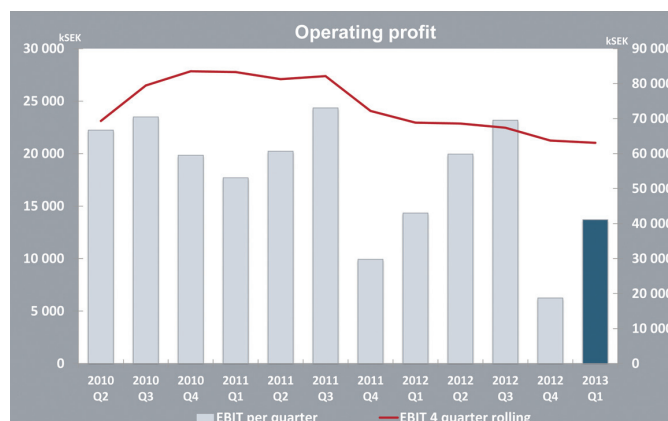


The graph shows turnover per quarter on the bars referring to the scale on the left axis. The line shows turnover for the latest 12 month period referring to the scale on the axis to the right.

Operating profit

Operating profit totaled to 63.1 MSEK (68.8) for the last twelve months, equivalent to an operating margin of 16.1 % (17.7). Currency effects had a negative impact on the operating result with 4,8 MSEK compared to the previous twelve month period.

The operating profit for the first quarter 2013 totaled to 13.7 MSEK (14.3). Changes in exchange rates had a 3.4 MSEK negative impact compared to the same period the previous year. During the first quarter the acquired group, including the effect of depreciation on goodwill and acquisition costs, had no impact on the Group's operating result



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

Tax

The tax charge for the first quarter was 2.7 MSEK (3.9). The tax charge for the current period has been calculated on the basis of the tax situation applying to the Group at present and the profit development of the reporting entities belonging to the Group.

Equity

The Group's equity amounted to 353.0 MSEK (309.4). The total number of shares at the end of the year was 11,322,400. The Group's equity/assets ratio amounted to 46.4 % (78.4)

Change in Group Equity (SEK 000s)	Mar 31 2013	Mar 31 2012	Dec 31 2012
Balance at 1 january	342,056	298,543	298,543
Total comprehensive income for the period	10,924	10,808	53,318
Issue of new shares through the exercise of warrants	0	0	15,289
Dividends	0	0	-25,094
Closing balance	352,980	309,351	342,056

Currency effects

Assets and liabilities in foreign currencies are revaluated at closing date. Currency hedging contracts are revaluated at the date of closing and are also affecting the result on the date of expiration. Changes in book value due to revaluation of operating balance sheet items and currency hedging contracts are disclosed as other operating income and other operating expenses. Changes in book value related to assets in foreign currencies i.e. liquid funds, are disclosed as financial income and expenses. Net sales and expenses are affected by changes in exchange rates. This will have an impact on income and costs. Net sales for the quarter consist of 62 % in EURO, 24 % in USD, 8 % in Japanese Yen and 6 % in SEK and other currencies. Cost of goods sold consists of 43 % in EURO, 18 % in USD and 1 % in Japanese Yen. Operating expenses consists of 33 % in EURO, 9 % in USD, 4 % in Japanese Yen and 54 % of SEK and other currencies. The Group applies a policy for currency hedging described in the annual report.

Cash flow, investments and financial position

Cash flow from operating activities in the first quarter 2013 amounted to -3.8 MSEK (8.1).

The investments in tangible assets for the quarter totaled 1.1 MSEK (5.5). Investments in intangible assets for the period totaled 14,7 MSEK (4.8) and comprise internal development costs. Investments in subsidiaries was 257.8 MSEK. The acquisition of IXXAT has generated a overvalue for the group of approximately 250 MSEK of which 141 MSEK is allocated on technology platforms, customers and brand name. The annual depreciation on the purchase price allocated to technical platforms and customers is estimated to 7 MSEK. During the first quarter 2013 depreciation on purchase price allocated to assets was reflected with 1,1 MSEK in the income statement.

To balance the Group's currency exposure a 32 m€ loan was used to finance the acquisition made in the first quarter. At the end of the period, the cash equivalents totaled 32.4 MSEK (20.7) and unutilized credit facilities 30.0 MSEK. The Group's net debt amounted to 235.1 MSEK (0.7).

Important events

- Bosch Rexroth renews a volume commitment for Anybus products worth approximately 9 MSEK during 2013.
- Crouzet chooses Netbiter for remote management of their Millennium 3 PLCs.
- HMS acquires German company IXXAT Automation GmbH.

Outlook

The HMS long term growth is supported by a continuing inflow of design-wins, a wider product offering in the area of Gateway products and Remote Management, new technology platforms from IXXAT and a stronger customer focus in line with our strategy.

The global economy is likely to continue to be weak. The effects on the market for HMS products and the currency effect are difficult to assess. Still, HMS long-term goals are unchanged: A long term average growth of 20 % per annum and a operating margin exceeding 20 %.



Accounting policies

This report has been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34, for Interim Reporting. Amendments to existing standards, new interpretations and new standards that came into effect as of January 1, 2013 did not affect the Groups reporting as of March 31, 2013.

HMS continues to apply the same accounting principles and valuation methods as those described in the most recent Annual Report. The parent company report is prepared in accordance with RFR 2, accounting for legal entities, and the Swedish Annual Accounts Act and accounting principles and the valuation methods as those described in the most recent Annual Report.

HMS Networks AB's share

HMS Networks AB (publ) is listed on the Nasdaq OMX Stockholm Small Cap list, in the Information Technology sector. The total number of shares amounted to 11,322,400.

Risk management

The HMS Group is exposed to business and financial risks through its operations. These risks have been described at length in the Company's annual report 2012. In addition to the risks described in these documents, no additional significant risks have been identified.

The parent company

The Parent Company's operations are primarily focused on Group-wide management and financing. Apart from the Group's CEO, the Parent Company has no employees. The operating profit for the first quarter 2013 amounted to 0 MSEK (0.1). Cash and cash equivalents amounted to 0.7 MSEK (0.5) and borrowing amounted to 0 MSEK (20.4).

HALMSTAD COVENTRY PUNE
GOTHENBURG BEIJING TOKYO
COPENHAGEN WEINGARTEN
KARLSRUHE CHICAGO PARIS
MILAN BOSTON MULHOUSE LA

Short of the company

Strategies

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

Development strategy - The Company's core expertise is made up of an extensive understanding of industrial network communication.

Product strategy - HMS markets four product lines, which to a certain degree are based on a common technical platform:

- Anybus Embedded - Embedded network interface cards
- Anybus Gateways - Communication translators between different networks
- IXXAT - Communication platforms for industrial machines and equipment
- Netbiter Remote Management - Remote monitoring and controlling of industrial devices

Production strategy - HMS maintains an in-house low-volume production of Anybus products in Halmstad. Volume production takes place in close partnership with subcontractors in Europe and Asia in order to achieve flexible costs and to make use of economies of scale.

Marketing strategy - The Anybus network interface cards are marketed and sold to players in industrial and infrastructure automation and Anybus Gateways to system integrators, machine manufacturers and end-users in industrial and infrastructure automation. Netbiter products are marketed and sold to a wide range of customers, from device manufacturers to owners of installations in need of remote management.

Sales strategy - Sales take place via the company's sales offices on defined key markets in 10 countries. Sales on the company's other markets, in some 50 countries, takes place via agents/ distributors.

Business model

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

Reporting occasions

- Half Year Report 2013 will be published on July 23, 2013
- Q3 Report 2013 will be published on October 29, 2013
- Year-end Report 2013 will be published in February, 2014

Halmstad April 19, 2013

Staffan Dahlström
Chief Executive Officer

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

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

Financial accounts

	Q1 2013	Q1 2012	Q1-Q4 2012	1204-1303 12 months
Net increase in revenue (%)	11.1	5.4	-0.5	1.0
Gross margin (%)	61.0	61.9	60.1	59.9
Operating margin EBIT (%)	12.8	14.9	16.7	16.1
EBITDA (SEK t)	17,713	16,839	74,620	75,494
EBITDA (%)	15.5	17.5	19.5	18.9
Return on capital employed (%)*	14.0	22.3	19.7	13.5
Return on total equity (%)*	15.4	17.6	16.3	15.3
Working capital in relation to sales (%)*	7.9	11.1	9.2	12.1
Capital turnover rate	0.70	1.00	0.94	0.70
Debt/equity ratio	0.57	0.00	-0.09	0.13
Equity/assets ratio (%)	46.4	78.4	81.9	68.7
Capital expenditure in property, plant and equipm. (SEK 000s)	1,085	5,455	12,202	7,832
Capital expenditure in intangible fixed assets (SEK 000s)	14,678	4,802	30,108	39,984
Depreciation of property, plant and equipment (SEK 000s)	-1,729	-1,386	-6,240	-6,583
Amortisation of intangible fixed assets (SEK 000s)	-2,239	-1,115	-4,553	-4,574
Number of employees (average)	346	233	241	269
Revenue per employee (SEK m)*	1.1	1.7	1.6	1.5
Total equity per share, SEK	31.17	27.74	30.21	31.17
Total equity per share, diluted, SEK	31.17	27.71	30.21	31.17
Cash flow from operations per share before dilution, SEK	4.47	0.73	7.27	10.97
Cash flow from operations per share after dilution, SEK	4.47	0.73	7.27	10.97
Basic number of shares, average, thousands	11,322	11,153	11,252	11,294
Number of shares, diluted average, thousands	11,322	11,163	11,254	11,294

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

Income statements

(SEK 000s)	Q1 2013	Q1 2012	Q1-Q4 2012	1204-1303 12 months
Revenue	107,215	96,493	381,804	392,526
Cost of goods and services sold	-41,769	-36,727	-152,433	-157,475
Gross profit	65,446	59,766	229,371	235,051
Sales and marketing costs	-29,668	-25,732	-105,962	-109,899
Administrative expenses	-13,104	-9,304	-32,997	-36,797
Research and development costs	-9,717	-8,911	-26,476	-27,282
Other operating income	1,486	307	3,960	5,139
Other costs	-698	-1,787	-4,169	-3,079
Operating profit	13,745	14,338	63,726	63,133
Financial income	0	143	1,926	1,020
Financial costs	-2,046	-195	-456	-1,543
Profit before tax	11,699	14,286	65,197	62,609
Tax	-2,388	-3,857	-13,024	-11,555
Profit for the period	9,311	10,429	52,173	51,055
Basic earnings per share, SEK	0.82	0.94	4.64	4.52
Earnings per share, diluted, SEK	0.82	0.93	4.64	4.52

Statements of comprehensive income

(SEK 000s)	Q1 2013	Q1 2012	Q1-Q4 2012	1204-1303 12 months
Profit for the period	9,311	10,429	52,173	51,055
Other comprehensive income				
Income/expense recognized directly in equity				
Cash flow hedges	-519	624	2,205	1,062
Translation differences	-5,205	-81	-480	-5,604
Share savings program	136	0	0	136
Hedging of net investments	9,085	0	0	9,085
Income tax relating to components of other comprehensive income	-1,885	-164	-580	-2,301
Other comprehensive income for the period, net of tax	1,612	379	1,145	2,379
Total comprehensive income for the period	10,924	10,808	53,318	53,434

Balance Sheets

(SEK 000s)	Mar 31 2013	Mar 31 2012	Dec 31 2012
ASSETS			
Goodwill	380,272	236,071	236,071
Other intangible assets	204,193	26,630	48,910
Property, plant and equipment	21,832	19,298	21,106
Deferred tax assets	725	736	852
Total fixed assets	607,022	282,735	306,936
Inventories	35,418	31,673	26,843
Trade and other receivables	54,114	42,928	35,501
Other current receivables	31,429	16,485	16,845
Cash and cash equivalents	32,424	20,691	31,487
Total current assets	153,385	111,777	110,676
TOTAL ASSETS	760,407	394,512	417,615
EQUITY AND LIABILITIES			
Equity	352,980	309,351	342,056
Liabilities			
Non-current liabilities	234,182	21,370	787
Deferred income tax liabilities	65,026	21,744	23,168
Total non-current liabilities	299,208	43,114	23,955
Trade payables	27,690	17,764	25,462
Other current liabilities	80,528	24,283	26,142
Total current liabilities	108,218	42,047	51,604
TOTAL EQUITY AND LIABILITIES	760,407	394,512	417,615

Cash flow statements

(SEK 000s)	Q1 2013	Q1 2012	Q1-Q4 2012	1204-1303 12 months
Cash flow from operating activities before changes in working capital	6,355	6,307	65,257	65,305
Cash flow from changes in working capital	44,204	1,818	16,523	58,909
Cash flow from operating activities	50,559	8,125	81,780	124,214
Cash flow from investing activities	-241,540	-10,257	-42,944	-274,227
Cash flow from financing activities	191,918	-3,750	-33,923	161,746
Cash flow for the period	937	-5,882	4,913	11,733
Cash and cash equivalents at beginning of the period	31,487	26,573	26,573	20,691
Cash and cash equivalents at end of period	32,424	20,691	31,486	32,424

Changes in current receivables/liabilities related to derivate financial instruments are reported as cash flow from operating activities before changes in working capital.

Quarterly data

Revenue per region (SEK 000s)	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
EMEA	69,182	52,971	60,049	59,169	60,387	55,876	64,900	61,757	60,379	55,109	57,441	53,697
Americas	22,480	19,686	22,687	20,813	20,429	20,330	18,844	17,418	17,167	19,354	15,715	14,206
Asia	15,553	14,608	16,408	18,920	15,677	18,642	16,976	17,322	13,981	17,184	14,423	21,339

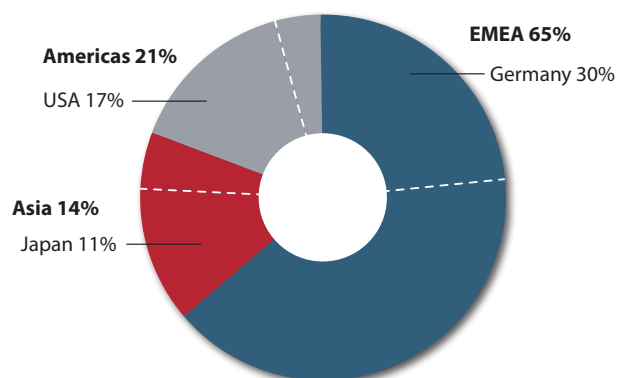
Income statement (SEK 000s)	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Revenue (SEK m)	107,215	87,265	99,144	98,902	96,493	94,848	100,720	96,498	91,527	91,647	87,579	89,242
Gross profit	65,446	50,269	59,382	59,953	59,766	57,686	61,062	59,193	54,552	55,385	53,931	53,723
Gross margin	61.0%	57.6%	59.9%	60.6%	61.9%	60.8%	60.6%	61.3%	59.6%	60.4%	61.6%	60.2%
Operating profit	13,745	6,248	23,186	19,953	14,338	9,925	24,360	20,224	17,704	19,848	23,502	22,242
Operating margin	12.8%	7.2%	23.4%	20.2%	14.9%	10.5%	24.2%	21.0%	19.3%	21.7%	26.8%	24.9%
Profit before tax	11,699	7,001	23,100	20,810	14,286	10,715	25,544	20,536	16,973	20,231	22,702	22,834

Sales

Sales by geographical area for the first quarter 2013 are presented in the graph to the right.

Embedded products reached 57 % of the Group's total sales, IXXAT 15 %, Gateway products 19 % and Remote Management amounted to 3 %.

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



Parent company income statements

(SEK 000s)	Q1 2013	Q4 2012	Q1-Q4 2012	1204-1303 12 months
Revenue	2,243	1,891	7,995	8,347
Cost of sales and services	0	0	0	0
Gross profit	2,243	1,891	7,995	8,347
Administrative expenses	-2,249	-1,745	-7,642	-8,146
Other operating expenses	0	0	0	0
Operating profit	-6	146	353	201
Financial incomes	7	0	0	7
Financial expenses	-1	-146	-353	-208
Profit before tax	0	0	0	0
Year-end adjustments	0	0	0	0
Tax	0	0	-7	-7
Profit for the period	0	0	-7	-7

Parent company balance sheets

(SEK 000s)	Mar 31 2013	Mar 31 2012	Dec 31 2012
ASSETS			
Financial fixed assets	244,039	244,039	244,039
Total financial fixed assets	244,039	244,039	244,039
Other receivables	837	829	955
Cash and cash equivalents	717	542	684
Total current assets	1,554	1,371	1,639
TOTAL ASSETS	245,593	245,410	245,678
EQUITY AND LIABILITIES			
Equity	123,285	133,098	123,285
Untaxed reserves	8	8	8
Liabilities			
Non-current liabilities	0	20,368	0
Trade payables	104	150	1,277
Liabilities to Group companies	119,749	90,666	120,073
Other current liabilities	2,447	1,120	1,035
Total current liabilities	122,300	91,936	122,385
TOTAL EQUITY AND LIABILITIES	245,593	245,410	245,678

Definitions

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.

Capital employed

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

Capital turnover rate

Operating income in relation to total assets.

Earnings per share

Share of the profit after tax attributable to the parent company's shareholders in relation to the average number of outstanding shares.

Earnings per share after dilution

Share of the profit after tax attributable to the parent company's shareholders in relation to the average number of outstanding shares with addition for the average number of shares that are added when converting the outstanding number of convertible securities and options.

Working capital

Current assets less cash equivalents and current liabilities.

Operating margin

Operating income in relation to net sales.

Equity/assets ratio

Shareholders' equity in relation to total assets.

Net debt

Long-term and current financial liabilities less financial assets.

Net debt/equity ratio

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

Total equity per share

Total equity attributable to the parent company's shareholders in relation to total outstanding shares by the end of the period.



HMS Industrial Networks is the leading independent supplier of products for industrial communication including remote management. HMS develops and manufactures solutions for connecting automation devices and systems to industrial networks under the Netbiter, Anybus and IXXAT brands.

Development and manufacturing take place at the headquarters in Halmstad, Sweden and in Weingarten, Germany. Local sales and support are handled by branch offices in China, Denmark, France, Germany, India, Italy, Japan, UK, and USA. HMS employs over 350 people and reported sales of 58 million EUR in 2012. HMS is listed on the NASDAQ OMX in Stockholm.

Our vision

“All industrial devices will be intelligent and networked. We shall be the market leading partner in the world of industrial communication”

Our purpose

“To create long term value for our customers, employees and investors”.



Our mission

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

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Anybus®

IXXAT

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