

## 12 Months

- ⊗ Net sales for the last twelve months increased to SEK 360.0 m (255.0), corresponding to a 52 % increase in local currencies
- ⊗ Operating result for the last twelve months was SEK 83.3 m (44.1), equal to a 23 % (17) operating margin
- ⊗ Order intake for the twelve-month period was SEK 361.0 m (279.0)
- ⊗ Cash flow from the operating activities for the twelve month period increased to SEK 63.4 m (38.7)
- ⊗ Result after tax for the last twelve months amounted to SEK 60.7 m (30.4) and earnings per share was SEK 5.36 (2.37)

## First quarter 2011

- ⊗ Net sales for the first quarter increased to SEK 91.5 m (76.1) corresponding to a 20 % increase
- ⊗ Operating result amounted to SEK 17.7 m (17.9) equal to a 19.3 % operating margin
- ⊗ Order intake for the first quarter increased to SEK 96.8 m (78.1)

Quarterly data	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009
Net sales (SEK m)	91.5	91.6	87.6	89.2	76.1	72.2	56.7	50.0
Order intake (SEK m)	96.8	87.5	86.9	89.7	78.1	81.0	59.7	60.2
Operating profit (SEK m)	17.7	19.8	23.5	22.2	17.9	15.8	13.3	-3.0
Gross margin (%)	59.6	60.4	61.6	60.2	58.5	60.1	60.4	53.5
Operating margin (%)	19.3	21.7	26.8	24.9	23.6	21.9	23.5	-6.0
Earnings per share (SEK)	1.11	1.31	1.46	1.48	1.16	1.02	0.84	-0.34

## Comment from the CEO

During the first quarter we can report a continued growth compared with the corresponding period 2010. As previously communicated we can now see a weaker growth development compared to the strong recovery we experienced during 2010. Nevertheless we are happy to report a historical record level when it comes to order intake during a single quarter.

During the first quarter Japan suffered from a terrible earthquake and subsequent tsunami. Our contacts with local Japanese customers and suppliers so far indicate that their operations continue on a relatively normal level. The short term effects on HMS could result in a weaker sales development on the Japanese market, but in the long term we still see good opportunities for a successful development here.

Net sales during the last twelve months amounted to SEK 360 m which is 41% higher than the previous twelve-month period. Growth for the first quarter was 20% compared to the corresponding quarter 2010. The strengthening of the Swedish currency affected the net sales of the first quarter negatively with SEK 9.2 m compared to the corresponding quarter the previous year. The inflow of Design Wins continues according to expectations. Our strategy for the expansion of the HMS operations is unchanged and develops as planned. In line with this strategy we established sales offices in India, Great Britain and Denmark during the quarter. Simultaneously, the strengthening of the existing organization continues according to plan. The initial effect from this is an expansion of operating expenses. We are convinced that on the long term this will lead to a growth in volumes.

The German market still shows a strong performance and we can see a recovery on the US market while the development in Japan is uncertain.

During the period, we acquired the remaining shares of the subsidiary Intellicom Innovation AB. Intellicom develops communication solutions for remote management of industrial devices, and gives us the possibility add further value to our customer offer. The market for this type of management, i.e. Remote Management / M2M (Machine-to-Machine), is expected to grow quickly during the following years.



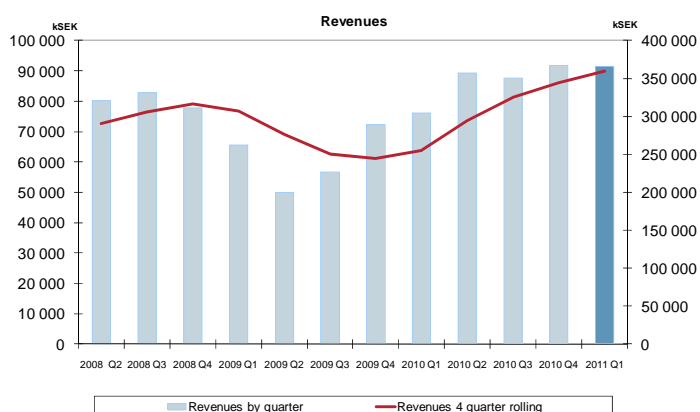
---

HMS Networks is a world-leading supplier of communication technology for industrial automation. Sales totaled SEK 345 in 2010. Over 90% of these sales were to customers located outside Sweden. All product development and parts of the manufacturing are performed at the head office in Halmstad. Sales offices are located in Tokyo, Beijing, Karlsruhe, Chicago, Milan, Pune, Copenhagen, Coventry and Mulhouse. HMS has 190 employees and produces network interface cards and products to interconnect different networks under the trademark Anybus®. The network interface cards are embedded in automation equipment such as robots, control systems, motors and sensors. This allows subcomponents in machines to communicate with one another and with different networks in order to build more efficient and flexible manufacturing systems. HMS is listed on NASDAQ-OMX Nordic Exchange in Stockholm in the category Small Cap, Information Technology.

## Net sales

Net sales for the last twelve month period amounted to SEK 360.0 m (255.0) corresponding to a 41 % increase. In total the revaluation of the Swedish currency in relation to the major HMS currencies had a SEK 27.9 m negative effect on net sales compared to the previous year. The order intake for the year amounted to SEK 361.0 m (279.0).

Net sales for the first quarter 2011 was SEK 91.5 m (76.1), corresponding to a 20 % increase compared to the same quarter the previous year. Adjusted for SEK -9.2 m in currency effects, the increase amounted to 32.3 %. Order intake increased by SEK 18.7 m to SEK 96.8 m (78.1) corresponding to a 36 % increase in local currencies.

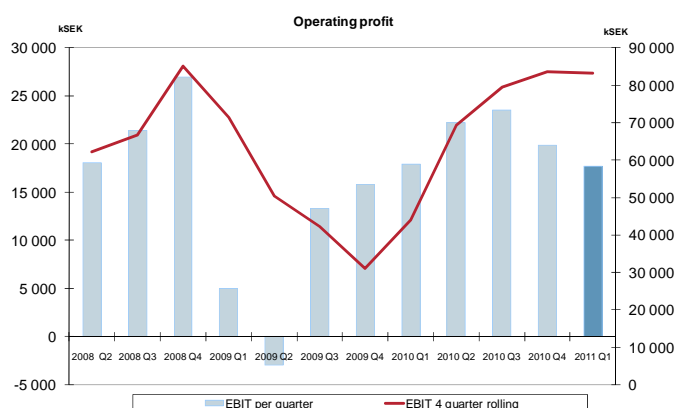


The graph shows turnover per quarter on the bars referring to the scale on the left axis. The line shows turnover for the latest 12 month period referring to the scale on the axis to the right.

## Operating profit

The operating profit was SEK 83.3 m (44.1) for the last twelve month period, equivalent to an operating margin of 23 %. Currency effects had a negative impact on the operating result with SEK 14.7 m compared to the previous twelve month period.

The operating profit for the first quarter 2011 was SEK 17.7 m (17.9). Changes in exchange rates had a SEK 4.6 m negative impact compared to the same period the previous year.



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.

## Equity

The Group's equity amounted to SEK 279.8 m. The total number of shares at the end of the year was 11,152,900. After full dilution, the total number of shares is 11,322,400. The Group's equity/assets ratio improved to 73.3 % (70.8).

Change in Group Equity (SEK 000s)	Mar 31 2011	Mar 31 2010	Dec 2010
Balance at 1 January	285,815	240,434	240,434
Total comprehensive income for the period	12,181	13,390	60,934
Dividends	0	0	-11,153
Acquisition non-controlling interests	-18,227	0	-4,400
<b>Closing balance</b>	<b>279,769</b>	<b>253,823</b>	<b>285,815</b>

## 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 income and other 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 expenses. Net sales consist of 62 % in EURO, 21 % in USD, 9 % in Japanese Yen and 8 % in SEK and other currencies. Cost of goods sold consists of 53 % in EURO, 28 % in USD and 1 % in Japanese Yen. Operating expenses consists of 15 % in EURO, 7 % in USD, 6 % in Japanese Yen and 72 % of SEK. The group applies a policy for currency hedging described in the annual report

## Tax

The tax charge for the first quarter 2011 was SEK 4.6 m (4.9). 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.

## Cash flow, investments and financial position

Cash flow from operating activities in the first quarter 2011 amounted to SEK – 0.9 m (10.5). During the last six months the company deliberately increased the level of working capital by increasing its inventory of strategically important components. This increase was made to secure future deliveries.

The investments in tangible assets for the first quarter totaled SEK 3.6 m (1.1). Investments in intangible assets for the first quarter totaled SEK 3.4 m (1.9) and comprise internal development projects.

Cash flow from investment activities includes a SEK 18.2 investment in the remaining 36 % of the shares in the subsidiary Intellicom Innovation AB.

At the end of the quarter the Group's net debt amounted to SEK 10.5 m (22.4).

## 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 2011 amounted to SEK 0.2 m (0.2). Cash and cash equivalents amounted to SEK 0.0 m (0.0) and borrowing amounted to SEK 35.4 m (50.4).

## Important events

- HMS acquires the remaining part of the shares in the subsidiary Intellicom Innovation AB
- HMS establishes new sales offices in India, Denmark and the United Kingdom
- HMS signs a blanket agreement with one of Europe's leading manufacturers of industrial automation equipment. The agreement concerns solutions for industrial Ethernet communication with a total order value of SEK 7 m

## Outlook

The HMS Group long term growth is supported by a continued inflow of design wins, a broader product offering within the Gateway product family, a strengthened customer focus and an expansion of the HMS sales channels. The HMS Group expansion plan is unchanged and continues mainly by hiring new employees to strengthen the development- and sales departments. Consequently we will have higher operating expenses going forward.

HMS's assessment of the short term effect from the Japanese earthquake is that this will have negative impacts on the Group's net sales. On the long term HMS still believes that the Japanese market will have a positive development.

At present the market for electronic components is improving and the risk of disruptions in HMS's future possibilities to deliver its products is today lower despite the situation in Japan. The indirect effects of this situation are still difficult to evaluate.

The improvement of the global economy is considered to continue. The market for the HMS product offering and the exchange rate development is still unpredictable but the HMS overall goals are unchanged - A long term average growth of 20 % per year and an operating margin above 20 %.

## Accounting policies

This report has been prepared in accordance with the Swedish Annual Accounts Act and IAS 34, for Interim Reporting. Amendments to existing standards, new interpretations and new standards that came into effect as of January 1, 2011 did not affect the Groups reporting as of March 31, 2011.

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 Annual Accounts Act and accounting principles and the valuation methods as those described in the most recent Annual Report.

## 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 2010. In addition to the risks described in these documents, no additional significant risks have been identified.

## HMS Networks AB's share

HMS Networks AB (publ) is listed on the NASDAQ-OMX Nordic Exchange in the category Small Cap, Information Technology. The total number of shares amounted to 11,152,900.

## Reporting occasions

- Half year report will be presented on July 14, 2011
- Third quarter report will be presented on October 26, 2011

Halmstad April 14, 2011

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, on telephone +46 (0) 35-17 29 01 or  
CFO Gunnar Högberg, on telephone +46 (0) 35-17 29 95  
See also: <http://investors.hms.se>



## Financial accounts

### Key ratios

Group	Q1	Q1	Q1-Q4	1004-1103
	2011	2010	2010	12 months
Net increase in revenue (%)	20.3	15.9	40.9	41.2
Gross margin (%)	59.6	58.5	60.2	60.4
Operating margin EBIT (%)	19.3	23.6	24.2	23.1
Return on capital employed (%)*	27.4	14.1	27.6	27.4
Return on total equity (%)*	22.6	12.4	23.2	22.6
Working capital in relation to sales (%)*	8.9	9.3	6.3	8.9
Capital turnover rate	0.98	0.69	0.94	0.98
Debt/equity ratio	0.04	0.09	-0.05	0.04
Equity/assets ratio (%)	73.3	70.8	71.9	73.3
Capital expenditure in property, plant and equipm. (SEK 000s)	3,605	1,071	6,433	8,967
Capital expenditure in intangible fixed assets (SEK 000s)	3,390	1,876	8,354	9,867
Depreciation of property, plant and equipment (SEK 000s)	-1,123	-1,000	-4,191	-4,314
Amortisation of intangible fixed assets (SEK 000s)	-1,204	-1,188	-4,855	-4,872
Number of employees (average)	197	154	167	177
Revenue per employee (SEK m)*	1.8	1.7	2.1	2.0
Cash flow from operating activities per share, SEK	-0.07	0.94	6.71	5.70
Cash flow from operating activities per share, diluted, SEK	-0.07	0.94	6.70	5.69
Basic number of shares, average, thousands	11,153	11,153	11,153	11,153
Number of shares, diluted average, thousands	11,182	11,153	11,158	11,166

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

### Income statements

Group (SEK 000s)	Q1	Q1	Q1-Q4	1004-1103
	2011	2010	2010	12 months
Revenue	91,527	76,061	344,530	359,995
Cost of goods and services sold	-36,975	-31,544	-136,973	-142,404
<b>Gross profit</b>	<b>54,552</b>	<b>44,518</b>	<b>207,557</b>	<b>217,591</b>
Sales and marketing costs	-20,751	-14,104	-69,273	-75,920
Administrative expenses	-7,731	-5,887	-25,051	-26,896
Research and development costs	-8,337	-7,149	-31,530	-32,718
Other operating income	1,101	2,191	6,076	4,986
Other costs	-1,130	-1,637	-4,254	-3,746
<b>Operating profit</b>	<b>17,704</b>	<b>17,932</b>	<b>83,525</b>	<b>83,296</b>
Financial income	17	559	1,340	798
Financial costs	-748	-197	-802	-1,353
<b>Profit before tax</b>	<b>16,973</b>	<b>18,295</b>	<b>84,063</b>	<b>82,741</b>
Tax	-4,583	-4,934	-22,406	-22,054
<b>Profit for the period</b>	<b>12,390</b>	<b>13,361</b>	<b>61,657</b>	<b>60,687</b>
Profit attributable to shareholders of the parent company	12,390	12,923	60,288	59,756
Profit attributable to non-controlling interests	0	437	1,369	931
Basic earnings per share, SEK	1.11	1.16	5.41	5.36
Earnings per share, diluted, SEK	1.11	1.16	5.40	5.35

## Statements of comprehensive income

Group (SEK 000s)	Q1 2011	Q1 2010	Q1-Q4 2010	1003-1104 12 months
Profit for the period	12,390	13,361	61,657	60,687
<b>Other comprehensive income</b>				
Cash flow hedges	-259	419	-234	-911
Translation differences	-19	-280	-551	-290
Income tax relating to components of other comprehensive income	68	-110	62	240
<b>Other comprehensive income for the period, net of tax</b>	<b>-210</b>	<b>29</b>	<b>-723</b>	<b>-962</b>
<b>Total comprehensive income for the period</b>	<b>12,181</b>	<b>13,390</b>	<b>60,934</b>	<b>59,725</b>
<b>Profit attributable to:</b>				
Owners of the parent	12,181	12,953	59,565	58,794
Non-controlling interests	0	437	1,369	931

## Balance Sheets

Group (SEK 000s)	Mar 31 2011	Mar 31 2010	Dec 31 2010
<b>ASSETS</b>			
Goodwill	236,071	236,071	236,071
Other intangible assets	20,336	15,340	18,151
Property, plant and equipment	13,048	8,583	10,685
Deferred tax assets	701	807	756
<b>Total fixed assets</b>	<b>270,156</b>	<b>260,801</b>	<b>265,663</b>
Inventories	29,376	16,777	23,679
Trade and other receivables	48,119	36,135	38,612
Other current receivables	9,141	10,003	9,481
Cash and cash equivalents	25,128	29,332	54,984
<b>Total current assets</b>	<b>111,764</b>	<b>92,247</b>	<b>126,757</b>
<b>TOTAL ASSETS</b>	<b>381,920</b>	<b>353,048</b>	<b>392,420</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	279,769	249,963	282,207
Minority interest in equity	0	3,861	3,609
<b>Total equity</b>	<b>279,769</b>	<b>253,824</b>	<b>285,815</b>
<b>Liabilities</b>			
Non-current liabilities	35,599	51,748	39,509
Deferred income tax liabilities	17,102	11,639	16,484
<b>Total non-current liabilities</b>	<b>52,701</b>	<b>63,388</b>	<b>55,993</b>
Trade payables	25,048	17,316	28,714
Other current liabilities	24,403	18,521	21,897
<b>Total current liabilities</b>	<b>49,450</b>	<b>35,836</b>	<b>50,611</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>381,920</b>	<b>353,048</b>	<b>392,419</b>

## Cash flow statements

Group (SEK 000s)	Q1 2011	Q1 2010	Q1-Q4 2010 12 months	1004-1103
Cash flow from operating activities before changes in working capital	15,486	16,185	77,264	76,565
Cash flow from changes in working capital	-16,370	-5,668	-2,452	-13,154
Cash flow from operating activities	-884	10,517	74,812	63,411
Cash flow from investing activities	-25,222	-2,947	-19,187	-41,462
Cash flow from financing activities	-3,750	-3,750	-26,153	-26,153
<b>Cash flow for the period</b>	<b>-29,856</b>	<b>3,820</b>	<b>29,472</b>	<b>-4,204</b>
Cash and cash equivalents at beginning of the period	54,984	25,512	25,512	29,332
<b>Cash and cash equivalents at end of period</b>	<b>25,128</b>	<b>29,332</b>	<b>54,984</b>	<b>25,128</b>

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

## Quarterly data

Revenue per region (SEK 000s)	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
EMEA	60,379	55,109	57,441	53,697	47,979	46,284	38,184	34,789	40,320	46,658	51,226	50,451
Americas	17,167	19,354	15,715	14,206	12,611	13,373	10,892	8,221	15,431	16,911	19,718	15,786
Asia	13,981	17,184	14,423	21,339	15,471	12,558	7,659	6,959	9,865	14,351	12,022	13,884

Income statement (SEK 000s)	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Revenue	91,527	91,647	87,579	89,242	76,061	72,215	56,735	49,969	65,616	77,920	82,966	80,121
Gross profit	54,552	55,385	53,931	53,723	44,518	43,408	34,245	26,752	38,313	53,747	46,597	42,682
<i>Gross margin</i>	59.6%	60.4%	61.6%	60.2%	58.5%	60.1%	60.4%	53.5%	58.4%	69.0%	56.2%	53.3%
Operating profit	17,704	19,848	23,502	22,242	17,932	15,802	13,349	-2,989	4,963	26,979	21,435	18,024
<i>Operating margin</i>	19.3%	21.7%	26.8%	24.9%	23.6%	21.9%	23.5%	-6.0%	7.6%	34.6%	25.8%	22.5%
Profit before tax	16,973	20,231	22,702	22,834	18,295	15,965	12,423	-4,964	5,028	25,621	21,722	17,187

## Parent Company

### Income Statements

Parent company (SEK 000s)	Q1 2011	Q1 2010	Q1-Q4 2010	1004-1103 12 months
Revenue	1,735	2,067	6,769	6,437
Cost of sales and services	0	0	0	0
<b>Gross profit</b>	<b>1,735</b>	<b>2,067</b>	<b>6,769</b>	<b>6,437</b>
Administrative expenses	-1,528	-1,905	-6,133	-5,757
<b>Operating profit</b>	<b>207</b>	<b>162</b>	<b>636</b>	<b>681</b>
Interest expense and similar items	-207	-162	-636	-681
<b>Profit before tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Tax	0	0	-39	-39
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>-39</b>	<b>-39</b>



## Balance Sheets

Parent company (SEK 000s)	Mar 31 2011	Mar 31 2010	Dec 31 2010
<b>ASSETS</b>			
Financial fixed assets	244,039	244,039	244,039
<b>Total financial fixed assets</b>	<b>244,039</b>	<b>244,039</b>	<b>244,039</b>
Other receivables	596	583	265
Cash and cash equivalents	5	37	99
<b>Total current assets</b>	<b>601</b>	<b>620</b>	<b>364</b>
<b>TOTAL ASSETS</b>	<b>244,640</b>	<b>244,659</b>	<b>244,403</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>155,411</b>	<b>166,604</b>	<b>155,411</b>
<b>Untaxed reserves</b>	<b>8</b>	<b>8</b>	<b>8</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>	<b>35,368</b>	<b>50,368</b>	<b>39,118</b>
Trade payables	124	69	131
Liabilities to Group companies	52,759	26,495	48,760
Other current liabilities	970	1,114	975
<b>Total current liabilities</b>	<b>53,853</b>	<b>27,679</b>	<b>49,866</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>244,640</b>	<b>244,659</b>	<b>244,403</b>

## 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.

**Our Vision**

"The vision of HMS is that all automation devices will be intelligent and networked. HMS shall be the market leader in connectivity solutions for industrial devices".

**Our Mission**

"We provide world class solutions to connect industrial devices to networks and products enabling interconnection between different industrial networks".

**Our purpose**

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