

HMS Networks AB (publ)

Interim report January-March 2009

First quarter 2009

- ⊗ **Net sales for the first three months 2009 amounted to SEK 65.6 m (75.6). Net sales for the last four quarters totalled SEK 306.8 m (278.0)**
- ⊗ **Operating profit reached SEK 5.0 m (18.6), representing a 7.6 % (24.6) operating margin. For the last four quarters the operating margin amounted to 23.3%**
- ⊗ **Negative SEK -7.1 m impact from currency hedging contracts realized in the first quarter**
- ⊗ **Profit after taxes totalled SEK 3.6 m (11.5)**
- ⊗ **Earnings per share amounted to SEK 0.32 (1.02)**

- The market continued to weaken during the first quarter of 2009, which affects sales volumes. Our long term investment in future growth increases our operating expenses compared to the previous year, at the same time the weak Swedish currency and currency hedging contracts realized during the period also affected the operating result. We can see an increased inflow of new customers i.e. Design Wins which supports us in our opinion that we in the long term will reach our financial targets, says Staffan Dahlström, CEO of HMS.



HMS Networks is a world-leading supplier of communication technology for industrial automation. Sales totalled SEK 317 million in 2008. Over 90% of these sales were to customers located outside Sweden. All development and the major portion of manufacturing are performed at the head office in Halmstad. Sales offices are located in Tokyo, Beijing, Karlsruhe, Chicago, Milan and Mulhouse. HMS has 155 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.

In 2008 HMS was awarded to Sweden's best export company by H.M. the King of Sweden. HMS is listed on NASDAQ-OMX Nordic Exchange in Stockholm in the category Small Cap, Information Technology.

Comments of the CEO

During the first quarter the global economic downturn continued. Net sales and order intake decreased with 13% and 28% respectively. This decrease is partly due to our customers making inventory adjustments to adapt to a further weakening market. This makes the short term market situation difficult to evaluate.

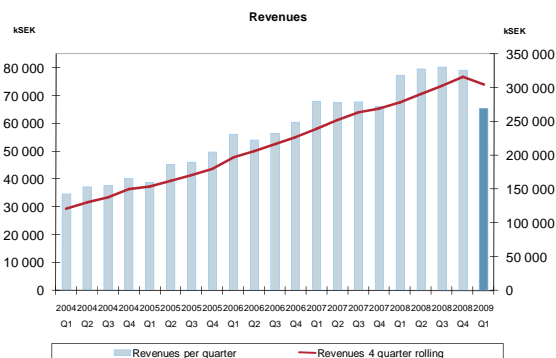
As a part of our long term investment for future growth our expenses have increased compared to the same period last year. The exchange rate development of the Swedish currency and a SEK 7.1 m effect from currency hedging contracts realized during the period added to this increase. Our efforts to further improve efficiency in our manufacturing processes continue and we can see that the interest for customer adaptations of HMS products is still high. Our customer base continues to grow through new Design Wins, which gives us a solid ground and an improved position when the market situation for industrial automation picks up again.



Net sales

Net sales for the last twelve months amounted to SEK 306.6 m (278.0). In total the devaluation of the Swedish currency in relation to the major HMS currencies added SEK 19 m to net sales compared to the previous twelve month period. The order intake for the last four quarters amounted to SEK 291.1 m (286.1).

Net sales for the first quarter totalled to SEK 65.6 m (75.6) corresponding to a 13.2 % decrease compared to the same period the previous year. Adjusted for SEK 11.2 m in currency effects the decrease in net sales amounted to 28.0 %. Order intake during the fourth quarter decreased with 27.8 % equal to 41.9% in local currencies.



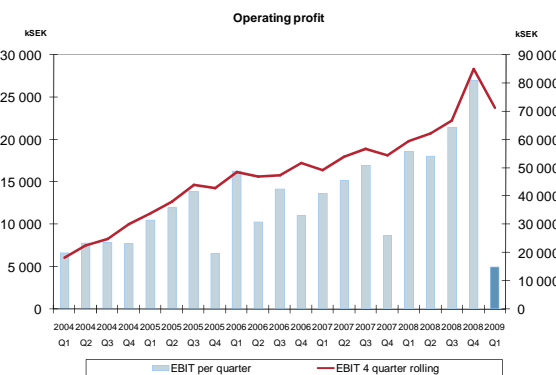
The graph shows turnover per quarter on the bars referring to the scale on the left axis. The line shows turnover for the latest 12 month period referring to the scale on the axis to the right.

Operating profit

Operating profit totalled to SEK 71.4 m (59.4) for the last four quarters, equivalent to an operating margin of 23.3 %. Currency effects improved the operating result with SEK 13.9 m compared to last year.

The operating profit for the first quarter 2009 totalled to SEK 5.0 m (18.6). Realization of early 2008 currency hedging contracts had a negative impact of SEK 7.1 m in the first quarter.

Compared to the same period last year operating expenses increased by SEK 5.6 m of which SEK 1.8 m was attributable to currency effects. The remaining SEK 3.8 m being a part of the Company's long term growth strategy.



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. The graph shows the result without adjustments for non recurring expenses.

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 60 % in EURO, 20% in USD, 8% in Japanese Yen and 12% in SEK and other currencies. Operating expenses consists of 18% in EURO, 10% in USD, 7% in Japanese Yen and 65% of SEK. The group applies a policy for currency hedging described in the annual report.

Cash flow, investments and financial position

Cash flow from operating activities amounted to SEK 2.8 m (5.9) for the first quarter. The investments in tangible assets for the period totalled SEK 0.6 m (0.3). Investments in intangible assets for the period totalled SEK 1.2 m (1.2) and comprise internal development projects. At the end of the period the cash equivalents totalled SEK 63.3 m (30.2) and unutilised credit facilities SEK 20.0 m. The Group's net debt fell to SEK 41.2 m (90.7) during the quarter.

Tax

The first quarter tax charge was SEK 1.4 m (4.9). The tax charge for the current year 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 SEK 229.9 m. The total number of shares at the end of the year was 10,571,650. After full dilution, the total number of shares is 11,152,900. The Group's equity/assets ratio was 58.9 %.

Changes in Group Equity (SEK 000s)	2009-03-31	2008-03-31	2008-12-31
Balance at 1 January	224 426	182 211	182 211
Total comprehensive income for the period	5 489	11 682	52 787
Dividends	0	0	-10 572
Closing balance	229 914	193 893	224 426

Dividend, annual general meeting and annual report

The established HMS policy is to distribute 30% of the financial year's net profit in dividend. The Annual General Meeting of shareholders on April 2, 2009 decided to distribute SEK 1.50 (1.00) per share in dividend. The 2008 Annual Report is available at the Company's home page. A printed version of the Annual Report can be requested by sending your address details to ir@hms.se.

Important events

During the period HMS successfully recertified its quality system according to ISO 9001:2008.

The Annual General Meeting of shareholders on April 2, 2009 approved all of the proposals put forward by the Board of Directors' and the nomination committee. Urban Jansson was re-elected as the chairman of the board. As members of the board Ray Mauritsson and Göran Sigfridsson were re-elected. Henrik Johansson and Nicolas Hassbjer were elected as new members of the board. At the board meeting following the election, Nicolas Hassbjer was elected as vice chairman of the board.

Outlook

All markets except China show a decline for HMS. Japan shows the strongest decline as their automation industry is affected by both a weak market and a strong currency. This explains, to large extent, the decline in HMS volumes in the first quarter. The American market shows a stabilisation with volumes slightly below the corresponding period in 2008.

Due to the weaker market conditions HMS initiated a review of the internal resource requirements. This review may lead to restructuring of the existing resources during the following quarters.

Despite the lower order intake HMS have increased its number of customers i.e. Design Wins. A continued focus on customer adaption's of the HMS product range will create revenues from 2010 and onwards and contribute to the long term growth of the HMS Group.

The HMS comprehensive goals are unchanged. A long term average growth of 20% per year and a operating margin above 20%. The Company's strategy to reach these goals includes a continued effort to build a strong portfolio of design wins within embedded network cards and to broaden the offer to closely related areas within network technology based on the Company's technology platform.

HMS Networks AB's shares

HMS Networks AB is listed on the NASDAQ-OMX Nordic Exchange in the category Small Cap, Information Technology. The total number of shares amounted to 10,571,650.

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 2008. In addition to the risks described in these documents, no additional significant risks have been identified.

Accounting policies

This interim report has been prepared in accordance with the Swedish Annual Accounts Act and IAS 34, for Interim Reporting. For information on the accounting policies applied, refer to the annual report for 2008. The accounting policies are unchanged compared to those applied in 2008.

Segment reporting

As of January 1 2009 HMS implemented IFRS 8 segment reporting. According to this new standard information regarding segments should be disclosed from a management perspective similar to how the information is used in internal reports to the top management. The Group CEO has been determined as top management of the HMS Group. Based on a management analysis of internal reporting the top management on a frequent basis receives sales reports, quality reviews and the Group income statement and cash flow reports. These reports are all based on the fact that the common technology platform, development process, manufacturing process, market strategy and the joint sales resources makes it neither possible nor necessary to a further break down of the operations. Consequently no review of the result for an individual part of the operations is performed.

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 three months amounted to SEK 0.6 m (1.5). Cash and cash equivalents amounted to SEK 0.04 m (0.05) and borrowing amounted to SEK 101.6m (116.6).

Reporting occasions

- Q2 report will be published on July 15, 2009
- Q3 report will be published on October 27, 2009

Halmstad, April 24, 2009

Staffan Dahlström
CEO

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

Further information can be obtained from the CEO Staffan Dahlström or the CFO Gunnar Högberg on telephone +46-35-17 29 00. See also <http://investors.hms.se>

Financial accounts

Key ratios

Group	Q1 2009	Q1 2008	Q1-Q4 2008	0804 - 0903 12 months
Net increase in revenue (%)*	-13,2	11,1	17,5	10,3
Gross margin (%)*	58,4	51,4	57,4	59,1
Operating margin EBIT (%)*	7,6	24,6	26,9	23,3
Return on capital employed (%)**	23,0	19,7	27,1	23,0
Return on total equity (%)**	24,0	18,1	28,6	24,0
Working capital in relation to sales (%)**	8,1	8,8	5,7	8,1
Capital turnover rate	0,83	0,81	0,86	0,83
Debt/equity ratio	0,18	0,47	0,19	0,18
Equity/assets ratio (%)	58,9	55,0	56,6	58,9
Capital expenditure in property, plant and equipm. (SEK 000s)	642	298	2 521	2 865
Capital expenditure in intangible fixed assets (SEK 000s)	1 224	1 170	4 900	4 954
Depreciation of property, plant and equipment (SEK 000s)	1 029	961	4 043	4 111
Amortisation of intangible fixed assets (SEK 000s)	990	995	4 283	4 278
Number of employees (average)	154	155	153	155
Revenue per employee (SEK m)**	2,0	1,8	2,1	2,0
Cash flow from operating activities per share, SEK	0,26	0,45	6,52	6,23
Cash flow from operating activities per share, diluted, SEK	0,25	0,43	6,21	5,92
Basic number of shares, average, thousands	10 572	10 570	10 572	10 572
Number of shares, diluted average, thousands	11 112	10 972	11 114	11 112

* Change in fair value of derivate has been relabeled from revenue to other operating income/costs when applicable.

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

Income statements

Group (SEK 000s)	Q1 2009	Q1 2008	Q1-Q4 2008	0804 - 0903 12 months
Revenue	65 616	75 556	316 563	306 623
Cost of goods and services sold	-27 303	-36 740	-134 721	-125 284
Gross profit	38 313	38 816	181 842	181 339
Sales and marketing costs	-13 964	-10 967	-50 885	-53 882
Administrative expenses	-5 506	-4 466	-19 173	-20 213
Research and development costs	-7 686	-6 236	-27 003	-28 453
Other operating income	864	1 789	6 320	5 395
Other costs	-7 058	-343	-6 070	-12 785
Operating profit	4 963	18 594	85 031	71 401
Financial income	1 411	0	1 881	3 292
Financial costs	-1 346	-2 172	-5 961	-5 135
Profit before tax	5 028	16 422	80 951	69 558
Tax	-1 393	-4 891	-22 140	-18 642
Profit for the period	3 635	11 531	58 811	50 916
Profit attributable to shareholders of the parent company	3 394	10 818	57 429	50 005
Profit attributable to minority interest	241	713	1 382	910
Basic earnings per share, SEK	0,32	1,02	5,43	4,73
Earnings per share, diluted, SEK	0,31	0,99	5,17	4,50

Statements of comprehensive income

Group (SEK 000s)	Q1 2009	Q1 2008	Q1-Q4 2008	0804 - 0903 12 months
Profit for the period	3 635	11 531	58 811	50 916
Other comprehensive income				
Cash flow hedges	2 649	0	-10 194	-7 545
Translation differences	-94	151	140	-105
Change in deferred tax	0	0	346	346
Settlement tax	0	0	1 003	1 003
Income tax relating to components of other comprehensive income	-701	0	2 681	1 980
Other comprehensive income for the period, net of tax	1 854	151	-6 024	-4 321
Total comprehensive income for the period	5 489	11 682	52 787	46 595
Profit attributable to:				
Owners of the parent	5 248	10 969	51 405	45 685
Minority interest	241	713	1 382	910

To enable the reader to analyze changes in the company's shareholders' equity due to transactions with its equity holders (as owners) and to recognize items of the same character in the same account, in the 'new' IAS 1, a more extensive income statement, called the Comprehensive income statement, has been introduced. In addition to the traditional income statement, it also includes the profit/loss items previously reported in shareholders' equity (not transactions with owners) such as currency effects when translating foreign operations.

Balance Sheets

Group (SEK 000s)	2009-03-31	2008-03-31	2008-12-31
ASSETS			
Goodwill	236 071	236 071	236 071
Other intangible assets	14 005	13 913	13 770
Property, plant and equipment	9 998	11 178	10 388
Deferred tax assets	921	762	862
Total fixed assets	260 995	261 924	261 091
Inventories	17 988	16 255	17 549
Trade and other receivables	32 848	39 336	37 952
Other current receivables	9 274	4 872	7 498
Cash and cash equivalents	63 281	30 199	66 177
Total current assets	123 364	90 662	129 176
TOTAL ASSETS	384 359	352 586	390 267
EQUITY AND LIABILITIES			
Equity	226 326	191 221	221 078
Minority interest in equity	3 589	2 672	3 348
Total equity	229 914	193 893	224 426
Liabilities			
Non-current liabilities	104 435	120 939	108 592
Deferred income tax liabilities	10 408	6 537	9 554
Total non-current liabilities	114 842	127 476	118 146
Trade payables	14 696	18 486	15 292
Other current liabilities	24 906	12 731	32 403
Total current liabilities	39 602	31 217	47 695
TOTAL EQUITY AND LIABILITIES	384 359	352 586	390 267

Cash flow statements

Group (SEK 000s)	Q1 2009	Q1 2008	Q1-Q4 2008
Cash flow from operating activities before changes in working capital	4 937	14 318	66 952
Cash flow from changes in working capital	-2 171	-8 404	2 024
Cash flow from operating activities	2 766	5 914	68 976
Cash flow from investing activities	-1 865	-1 452	-7 344
Cash flow from financing activities	-3 797	-4 380	-25 572
Cash flow for the period	-2 896	82	36 060
Cash and cash equivalents at beginning of the period	66 177	30 117	30 117
Cash and cash equivalents at end of period	63 281	30 199	66 177

*Capitalization of development costs has been relabeled from operating activities to investing activities when applicable.

Quarterly data

Revenue per region (SEK 000s)	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
EMEA	40 320	46 658	51 226	50 451	52 256	42 895	42 618	43 681	39 583
Americas	15 431	16 911	19 718	15 786	11 307	13 112	12 339	12 379	13 789
Asia	9 865	14 351	12 022	13 884	11 993	11 727	12 171	11 490	14 617

Income statement (SEK 000s)	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Revenue	65 616	77 920	82 966	80 121	75 556	67 734	67 128	67 550	67 989
Gross profit	38 313	55 075	46 597	42 682	38 816	36 318	37 782	35 313	32 795
Gross margin	58,4%	70,7%	56,2%	53,3%	51,4%	53,6%	56,3%	52,3%	48,2%
Operating profit	4 963	26 979	21 435	18 025	18 594	8 704	16 950	15 185	13 670
Operating margin	7,6%	34,6%	25,8%	22,5%	24,6%	12,9%	25,3%	22,5%	20,1%
Profit before tax	5 028	25 621	21 722	17 188	16 422	6 706	11 830	11 955	11 922

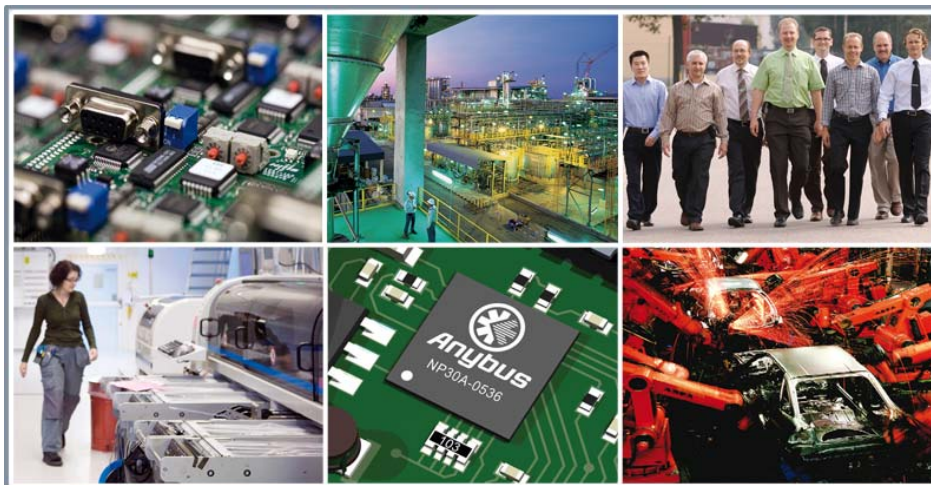
Parent company

Income Statements

Parent company (SEK 000s)	Q1 2009	Q1 2008	Q1-Q4 2008	0804 - 0903 12 months
Revenue	1 836	2 172	9 787	9 451
Cost of sales and services	0	0	0	0
Gross profit	1 836	2 172	9 787	9 451
Administrative expenses	-1 197	-625	-3 855	-4 427
Other costs - net	0	0	0	0
Operating profit	639	1 547	5 932	5 024
Financial costs	-639	-1 585	-5 932	-4 986
Profit before tax	0	-38	0	38
Tax	0	0	0	0
Profit for the period	0	-38	0	38

Balance Sheets

Parent company (SEK 000s)	2009-03-31	2008-03-31	2008-12-31
ASSETS			
Financial fixed assets	289 113	289 113	289 113
Total financial fixed assets	289 113	289 113	289 113
Other receivables	367	300	12
Cash and cash equivalents	45	54	115
Total current assets	412	354	127
TOTAL ASSETS	289 525	289 467	289 240
EQUITY AND LIABILITIES			
Equity	104 166	114 700	104 166
Liabilities			
Non-current liabilities	101 644	116 628	105 441
Trade payables	83	3	0
Liabilities to Group companies	82 866	57 188	78 450
Other current liabilities	765	948	1 183
Total current liabilities	83 715	58 139	79 633
TOTAL EQUITY AND LIABILITIES	289 525	289 467	289 240



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 reliable and flexible solutions to connect industrial devices to networks and products enabling interconnection between different industrial networks".

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