

First six months 2010

- ⊗ Net sales for the first six months amounted to SEK 165.3 m (115.6), corresponding to a 43.0 % increase. Net sales for the last twelve months amounted to SEK 294.3 m (276.5)
- ⊗ Order intake for the first half year increased with 43.2 % to SEK 167.8 m (117.2)
- ⊗ Cash flow from operating activities improved with SEK 26.5 m reaching SEK 28.8 m (2.3)
- ⊗ Operating profit reached SEK 40.2 m (2.0), equal to a 24.3 % (1.7) operating margin. For the last twelve month period operating margin amounted to 23.6 % (18.2)
- ⊗ Profit after taxes totaled SEK 30.0 m (0.1) and result per share amounted to 2.64 kr (- 0.01)

Quarterly data	Q2	Q1	Q4	Q3	Q2	Q1
	2010	2010	2009	2009	2009	2009
Net sales (SEK m)	89.2	76.1	72.2	56.7	50.0	65.6
Order intake (SEK m)	89.7	78.1	81.0	59.7	60.2	57.0
Operating profit (SEK m)	22.2	17.9	15.8	13.3	-3.0	5.0
Gross margin (%)	60.2	58.5	60.1	60.4	53.5	58.4
Operating margin (%)	24.9	23.6	21.9	23.5	-6.0	7.6
Earnings per share (SEK)	1.48	1.16	1.02	0.84	-0.34	0.32
Half-year data	Q1-Q2	Q3-Q4	Q1-Q2	Q3-Q4	Q1-Q2	Q3-Q4
	2010	2009	2009	2008	2008	2007
Net sales (SEK m)	165.3	129.0	115.6	160.9	155.7	134.9
Order intake (SEK m)	167.8	140.7	117.2	149.8	163.3	133.5
Operating profit (SEK m)	40.2	29.2	2.0	48.4	36.6	25.7
Gross margin (%)	59.4	60.2	56.3	62.4	52.4	54.9
Operating margin (%)	24.3	22.6	1.7	30.1	23.5	19.0
Earnings per share (SEK)	2.64	1.86	-0.01	3.34	2.10	1.27

Comments of the CEO

Order intake, net sales and operating profit continued to increase during the second quarter of the year resulting in a 17 % growth in sales and a SEK 4.3 m improvement in operating result corresponding to 24 % increase compared to the previous quarter. Supported by our growing Design Win portfolio and improved activities on our important markets HMS can show a new historical record in net sales for one quarter. Customer base and market activities on the German and Japanese markets are stable and here we have experienced a continued strong recovery. During the later part of the period we have also noticed an increase in volumes on the American market.

The recruitment of new employees continues. Primarily we will strengthen the sales- and development departments. During the first six months we added 17 new employees to the HMS Group. The cost effects from these reinforcements will impact operating result from the third quarter and onwards. The reinforcement is a part of our plan to expand our business and to continue to deliver a long term profitable growth.

We continue to widen our customer base through new Design Wins and we are beginning to see the effects from a growing customer base as the activities by end users of our technology increases.



-Our growing portfolio of Design Wins in production phase and a higher market activity on our customers markets resulted in a new historical sales record for HMS both for the second quarter and for the first half year. Consequently we are now showing growth figures also compared with the year 2008, says Staffan Dahlström, CEO for HMS.

HMS Networks is a world-leading supplier of communication technology for industrial automation. Sales totaled SEK 245 million in 2009. 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 and Mulhouse. HMS has 164 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 months amounted to SEK 294.3 m (276.5). In total the revaluation of the Swedish currency in relation to the major HMS currencies had a SEK 9.4 m negative effect on net sales compared to the previous twelve month period. The order intake for the last four quarters amounted to SEK 308.0 m (267.0).

Net sales for the second quarter totaled to SEK 89.2 m (50.0) , corresponding to a 79 % increase compared to the same quarter the previous year. In local currencies the increase amounted to 93 %. Order intake increased with SEK 29.5 m to SEK 89.7 m (60.2) corresponding to a 61 % increase in local currencies.

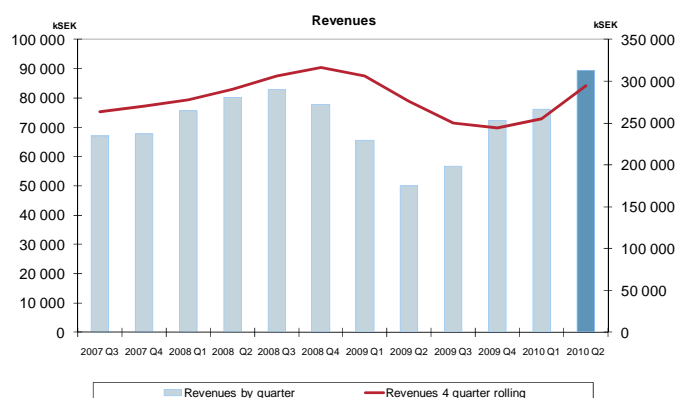
Operating profit

Operating profit totaled to SEK 69.3 m (50.4) for the last four quarters, equivalent to an operating margin of 24 %. Currency effects had a negative impact on the operating result with SEK 5.3 m compared to the previous year.

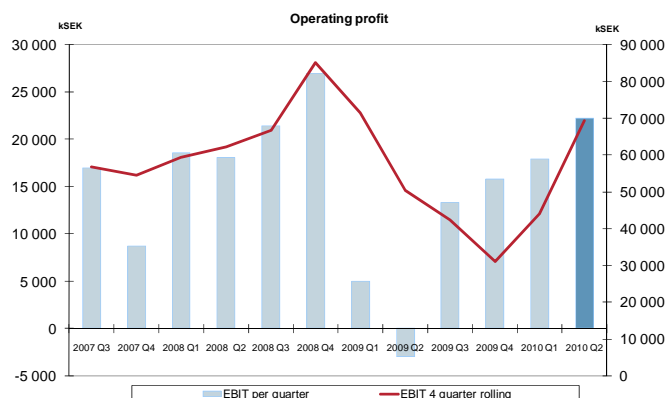
The operating profit for the second quarter 2010 totaled to SEK 22.2 m (-3.0). Changes in exchange rates had a SEK 4.0 m negative impact compared with the same period the previous year. The second quarter operating profit was affected by a SEK 2.2 m provision for reorganization of the Japanese subsidiary.

Equity

The Group's equity amounted to SEK 258.4 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 69.7 % (60.4).



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.



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.

Change in Group Equity (SEK 000s)	June 30 2010	June 30 2009	Dec 31 2009
Balance at 1 January	240,434	224,426	224,426
Total comprehensive income for the period	29,072	7,654	28,961
Warrants	0	937	3,384
Dividends	-11,153	-16,337	-16,337
Closing balance	258,353	216,680	240,434

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, 19 % in USD, 11 % in Japanese Yen and 10 % in SEK and other currencies. Cost of goods sold consists of 51 % in EURO, 16 % in USD and 2 % in Japanese Yen. Operating expenses consists of 15 % in EURO, 8 % in USD, 8 % in Japanese Yen and 69 % of SEK. The group applies a policy for currency hedging described in the annual report

Tax

The tax charge for the period was SEK 11.1 m (0.0). 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 amounted to SEK 28.8 m (2.3) for the first six months.

The investments in tangible assets for the period totaled SEK 1.9 m (1.2). Investments in intangible assets for the period totaled SEK 3.5 m (2.8) and comprise internal development projects.

At the end of the period the cash equivalents totaled SEK 30.3 m (41.6) and unutilized credit facilities SEK 20.0 m. The Group's net debt decreased to SEK 17.4 m (58.8) compared to SEK 30.3 m at the beginning of the year. During the second quarter HMS distributed dividend payments to its shareholder equal to SEK 1.00 per share, in total SEK 11.5 m.

Important events

- HMS Japanese operation is expanded and moves into new premises in Shinyokohama.
- HMS signs agreements with two new partners to strengthen the market position in East-Europe.
- Customized network cards supporting Profibus-DPV1 and Ethernet (Modbus TCP and Ethernet/IP) for installation in electrical motor drives are launched.
- HMS signs agreement with two new partners to further strengthen the market position in the Middle East.
- During the first quarter HMS successfully recertified its ISO 9001:2008 quality system.
- HMS receives a SEK 2.5 m order from one of the largest manufacturers of frequency converters in Japan.
- HMS introduces Anybus Java-Communicator for Profibus-DP for a German customer for use in the area of RFID-solutions.
- During the first half year the group hired 17 new employees.

Outlook

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 supports the HMS Group long term growth. At present the HMS Group implements an expansion plan mainly by hiring new employees. Consequently we anticipate higher operating expenses for the second half of the year and going forward. The future development of the global economy and its effects on the market for the HMS product offering is still unpredictable. At present the electronics market for components is strained resulting in longer supply chain lead times. This could implicate difficulties in HMS ability to deliver products.

The HMS comprehensive goals are unchanged. A long term average growth of 20 % per year and an 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 in the Gateway product area to penetrate the existing market and to expand into closely related areas within network technology based on the Company's technology platform.

Accounting policies

This interim 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, 2010 did not affect the Groups reporting as of June 30, 2010.

IFRS 8, Business segments.

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. 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.

HMS continues to apply the same accounting principles and 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 Nordic Exchange in the category Small Cap, Information Technology. The total number of shares amounted to 11,152,900.

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 2009. 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 six months amounted to SEK 0.3 m (1.6). Cash and cash equivalents amounted to SEK 0.2 m (0.1) and borrowing amounted to SEK 46.6 m (97.9).

Reporting occasions

- Q3 report will be published on October 21, 2010
- Year-end report will be published on February 2, 2011

Halmstad July 15, 2010

Staffan Dahlström
Chief Executive Officer

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

Further information can be obtained from:
CEO Staffan Dahlström, on telephone 035-17 29 01 or
CFO Gunnar Högberg, on telephone 035-17 29 95
See also: <http://investors.hms.se>



Financial accounts

Key ratios

Group	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4	Q3 2009
	2010	2009	2010	2009	2009	-Q2 2010
Net increase in revenue (%)	78.6	-37.6	43.0	-25.8	-22.8	6.4
Gross margin (%)	60.2	53.5	59.4	56.3	58.4	59.8
Operating margin EBIT (%)	24.9	-6.0	24.3	1.7	12.7	23.6
Return on capital employed (%)*	22.9	17.1	22.9	17.1	10.5	22.9
Return on total equity (%)*	21.2	17.3	21.2	17.3	8.8	21.2
Working capital in relation to sales (%)*	8.6	7.6	8.6	7.6	7.6	8.6
Capital turnover rate	0.82	0.78	0.82	0.78	0.67	0.82
Debt/equity ratio	0.07	0.27	0.07	0.27	0.13	0.07
Equity/assets ratio (%)	69.7	60.4	69.7	60.4	70.0	69.7
Capital expenditure in property, plant and equipm. (SEK 000s)	782	510	1,853	1,152	2,423	3,124
Capital expenditure in intangible fixed assets (SEK 000s)	1,628	1,562	3,504	2,786	4,955	5,673
Depreciation of property, plant and equipment (SEK 000s)	-1,058	-1,052	-2,058	-2,081	-4,154	-4,132
Amortisation of intangible fixed assets (SEK 000s)	-1,223	-992	-2,411	-1,982	-4,075	-4,504
Number of employees (average)	164	154	164	154	154	156
Revenue per employee (SEK m)*	1.8	1.8	1.8	1.8	1.6	1.9
Cash flow from operating activities per share, SEK	1.64	-0.05	2.58	0.22	2.89	5.22
Cash flow from operating activities per share, diluted, SEK	1.64	-0.04	2.58	0.21	2.79	5.16
Basic number of shares, average, thousands	11,153	10,572	11,153	10,572	10,717	11,008
Number of shares, diluted average, thousands	11,153	11,112	11,153	11,112	11,121	11,141

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

Income statements

Group (SEK 000s)	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4	Q3 2009
	2010	2009	2010	2009	2009	-Q2 2010
Revenue	89,242	49,969	165,304	115,586	244,536	294,254
Cost of goods and services sold	-35,520	-23,218	-67,063	-50,521	-101,818	-118,360
Gross profit	53,723	26,752	98,241	65,065	142,718	175,893
Sales and marketing costs	-18,423	-13,198	-32,528	-27,162	-54,983	-60,349
Administrative expenses	-5,954	-5,520	-11,840	-11,027	-20,854	-21,668
Research and development costs	-8,301	-7,638	-15,450	-15,323	-29,211	-29,338
Other operating income	2,330	0	4,521	864	5,991	9,647
Other costs	-1,132	-3,385	-2,770	-10,443	-12,535	-4,861
Operating profit	22,242	-2,989	40,174	1,974	31,125	69,325
Financial income	1,029	28	1,588	1,438	1,841	1,991
Financial costs	-437	-2,002	-634	-3,348	-4,514	-1,800
Profit before tax	22,834	-4,964	41,129	65	28,452	69,516
Tax	-6,161	1,393	-11,095	0	-7,782	-18,876
Profit for the period	16,673	-3,570	30,034	65	20,671	50,640
Profit attributable to shareholders of the parent company	16,489	-3,550	29,412	-156	20,116	49,684
Profit attributable to minority interest	185	-20	622	220	555	957
Basic earnings per share, SEK	1.48	-0.34	2.64	-0.01	1.88	4.51
Earnings per share, diluted, SEK	1.48	-0.32	2.64	-0.01	1.81	4.46

Statements of comprehensive income

Group (SEK 000s)	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Q1-Q4 2009	Q3 2009 -Q2 2010
Profit for the period	16,673	-3,570	30,034	65	20,671	50,640
Other comprehensive income						
Cash flow hedges	-1,349	7,624	-931	10,273	11,469	265
Translation differences	3	112	-277	18	-163	-458
Income tax relating to components of other comprehensive income	355	-2,001	245	-2,702	-3,016	-69
Other comprehensive income for the period, net of tax	-991	5,735	-962	7,589	8,290	-261
Total comprehensive income for the period	15,682	2,165	29,072	7,654	28,961	50,379
Profit attributable to:						
Owners of the parent	15,497	2,185	28,449	7,434	28,406	49,422
Minority interest	185	-20	622	220	555	957

Balance Sheets

Group (SEK 000s)	June 30 2010	June 30 2009	Dec 31 2009
ASSETS			
Goodwill	236,071	236,071	236,071
Other intangible assets	15,746	14,576	14,652
Property, plant and equipment	8,375	9,425	8,564
Deferred tax assets	864	855	802
Total fixed assets	261,056	260,927	260,089
Inventories	20,068	13,085	13,043
Trade and other receivables	45,168	27,820	33,098
Other current receivables	8,007	10,156	7,073
Cash and cash equivalents	30,306	41,588	25,512
Total current assets	103,548	92,649	78,724
TOTAL ASSETS	364,604	353,576	338,814
EQUITY AND LIABILITIES			
Equity	254,307	213,591	237,010
Minority interest in equity	4,046	3,089	3,423
Total equity	258,353	216,680	240,434
Liabilities			
Non-current liabilities	47,669	100,340	55,828
Deferred income tax liabilities	11,451	10,177	11,319
Total non-current liabilities	59,120	110,517	67,147
Trade payables	17,943	9,848	16,432
Other current liabilities	29,189	16,531	14,800
Total current liabilities	47,132	26,379	31,233
TOTAL EQUITY AND LIABILITIES	364,604	353,576	338,814

Cash flow statements

Group (SEK 000s)	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Q1-Q4 2009	Q3 2009 -Q2 2010
Cash flow from operating activities before changes in working capital	20,124	-5,532	36,309	-3,834	25,620	65,763
Cash flow from changes in working capital	-1,837	5,047	-7,505	6,115	5,371	-8,249
Cash flow from operating activities	18,287	-485	28,804	2,281	30,991	57,514
Cash flow from investing activities	-2,410	-2,073	-5,357	-3,938	-7,379	-8,798
Cash flow from financing activities	-14,903	-19,135	-18,653	-22,932	-64,277	-59,998
Cash flow for the period	974	-21,693	4,794	-24,589	-40,665	-11,282
Cash and cash equivalents at beginning of the period	29,332	63,281	25,512	66,177	66,177	41,588
Cash and cash equivalents at end of period	30,306	41,588	30,306	41,588	25,512	30,306

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)	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
EMEA	53,697	47,979	46,284	38,184	34,789	40,320	46,658	51,226	50,451	52,256	42,895	42,618
Americas	14,206	12,611	13,373	10,892	8,221	15,431	16,911	19,718	15,786	11,307	13,112	12,339
Asia	21,339	15,471	12,558	7,659	6,959	9,865	14,351	12,022	13,884	11,993	11,727	12,171

Income statement (SEK 000s)	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Revenue	89,242	76,061	72,215	56,735	49,969	65,616	77,920	82,966	80,121	75,556	67,734	67,128
Gross profit	53,723	44,518	43,408	34,245	26,752	38,313	53,747	46,597	42,682	38,816	36,318	37,782
Gross margin	60.2%	58.5%	60.1%	60.4%	53.5%	58.4%	69.0%	56.2%	53.3%	51.4%	53.6%	56.3%
Operating profit	22,242	17,932	15,802	13,349	-2,989	4,963	26,979	21,435	18,024	18,594	8,704	16,950
Operating margin	24.9%	23.6%	21.9%	23.5%	-6.0%	7.6%	34.6%	25.8%	22.5%	24.6%	12.9%	25.3%
Profit before tax	22,834	18,295	15,965	12,423	-4,964	5,028	25,621	21,722	17,187	16,422	6,706	11,830

Parent Company

Income Statements

Parent company (SEK 000s)	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Q1-Q4 2009	Q3 2009 -Q2 2010
Revenue	1,553	2,318	3,620	4,154	7,284	6,750
Cost of sales and services	0	0	0	0	0	0
Gross profit	1,553	2,318	3,620	4,154	7,284	6,750
Administrative expenses	-1,415	-1,998	-3,320	-3,195	-5,784	-5,909
Other costs - net	0	0	0	0	0	0
Operating profit	138	320	300	959	1,500	840
Profit from participations in group companies	0	0	0	0	74,926	74,926
Interest expense and similar items	-138	-365	-300	-1,004	-1,496	-791
Profit before tax	0	-45	0	-45	74,931	74,975
Appropriations	0	0	0	0	-8	-8
Tax	0	0	0	0	-12	-12
Profit for the period	0	-45	0	-45	74,911	74,956

Balance Sheets

Parent company (SEK 000s)	June 30 2010	June 30 2009	Dec 31 2009
ASSETS			
Financial fixed assets	244,039	289,113	244,039
Total financial fixed assets	244,039	289,113	244,039
Other receivables	464	321	565
Cash and cash equivalents	159	89	143
Total current assets	623	410	708
TOTAL ASSETS	244,662	289,523	244,747
EQUITY AND LIABILITIES			
Equity	155,451	89,201	166,604
Untaxed reserves	8	0	8
Liabilities			
Non-current liabilities	46,618	97,909	54,118
Trade payables	64	59	972
Liabilities to Group companies	41,473	101,481	22,592
Other current liabilities	1,048	872	453
Total current liabilities	42,585	102,412	24,018
TOTAL EQUITY AND LIABILITIES	244,662	289,523	244,474

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 minority shares.

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.

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.

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 minority shares.

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".