

First nine months 2010

- ⊗ Sales increased with 47 % and operating profit increased by a factor of four
- ⊗ Net sales for the first nine months increased to SEK 252.9 m (172.3), corresponding to a 58 % increase in local currencies. Net sales for the last twelve months amounted to SEK 325.1 m (250.2)
- ⊗ Operating profit reached SEK 63.7 m (15.3), equal to a 25.2 % (8.9) operating margin. For the last twelve month period operating margin amounted to 24.4 % (16.9)
- ⊗ Order intake for the first nine months increased with 44 % to SEK 254.7 m (176.8)
- ⊗ Cash flow from operating activities improved with SEK 36.6 m reaching SEK 49.5 m (12.9)
- ⊗ Profit after taxes totaled SEK 46.6 m (9.0) and earnings per share amounted to SEK 4.10 (0.83)
- ⊗ Net sales for the third quarter amounted to SEK 87.6 m (56.7) and operating result reached SEK 23.5 m (13.3)

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

Comments of the CEO

It is a great pleasure to see that we now have completely recovered from the downturn in sales that we experienced in 2009. Net sales for the last twelve months reached SEK 325 m exceeding the 2008 sales volume with some percentage points. We have now initialized a new and exciting phase of expansion in the history of HMS. The present activities to accomplish a long term profitable growth includes extended resources in staff, product launches, and further improvements in the efficiency of our operations

The recovery we reported during the first half year leveled out during the third quarter and stabilized on a historical high level. We have experienced a continued uncertainty in the market during the third quarter resulting in an irregular order intake. The development in Europe especially on the German market continued on a good level but the Japanese market was weak during the third quarter.

As a part of our long term strategy we continue to strengthen our resources within product development, sales and marketing. These activities continue according to the plan established for the present year. During the year we have employed 21 new staff members. The effects of the increase in our resources will affect the cost level during the second half of 2010 but in the long term this will strengthen our market position

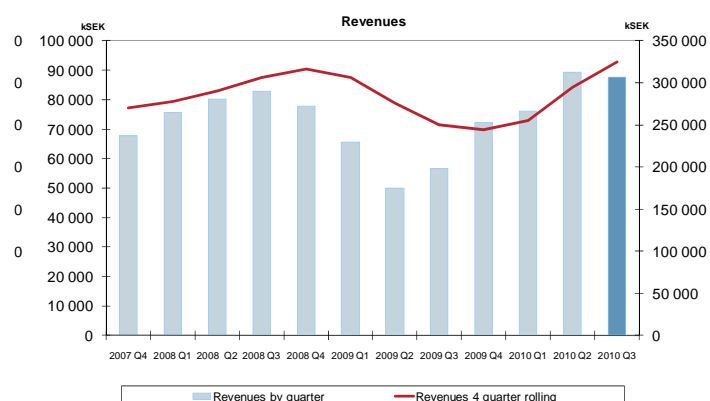


HMS Networks is a world-leading supplier of communication technology for industrial automation. Sales totaled SEK 325 million for the last twelve months. Over 90% of these sales were to customers located outside Sweden. All product development and parts of the manufacturing are performed at the head 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 325.1 m (250.2). In total the revaluation of the Swedish currency in relation to the major HMS currencies had a SEK 19.7 m negative effect on net sales compared to the previous twelve month period. The order intake for the last four quarters amounted to SEK 335.7 m (251.2).

Net sales for the third quarter totaled to SEK 87.6 m (56.7), corresponding to a 54 % increase compared to the same quarter the previous year. Adjusted for SEK -5.0 m in currency effects the increase amounted to 63.2 %. Order intake increased with SEK 27.7 m to SEK 86.9 m (59.2) corresponding to a 55.2 % increase in local currencies.

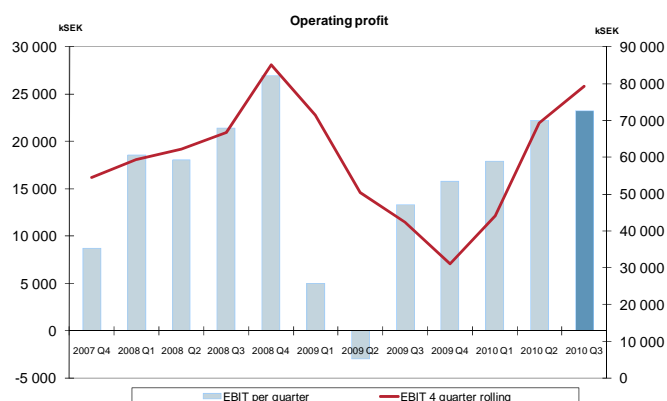


The graph shows turnover per quarter on the bars referring to the scale on the left axis. The line shows turnover for the latest 12 month period referring to the scale on the axis to the right.

Operating profit

Operating profit totaled to SEK 79.5 m (42.3) for the last four quarters, equivalent to an operating margin of 24.4 %. Currency effects had a negative impact on the operating result with SEK 10.9 m compared to the previous year.

The operating profit for the third quarter 2010 totaled to SEK 23.5 m (13.3). Changes in exchange rates had a SEK 2.8 m negative impact compared with 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 276.1 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 71.5 % (64.5).

Change in Group Equity (SEK 000s)	Sep 30 2010	Sep 30 2009	Dec 31 2009
Balance at 1 January	240,434	224,426	224,426
Total comprehensive income for the period	46,864	19,387	28,961
Warrants	0	937	3,384
Dividends	-11,153	-16,337	-16,337
Closing balance	276,145	228,413	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, 18 % in USD, 11 % in Japanese Yen and 11 % in SEK and other currencies. Cost of goods sold consists of 52 % in EURO, 19 % in USD and 2 % in Japanese Yen. Operating expenses consists of 15 % in EURO, 8 % in USD, 9 % in Japanese Yen and 68 % of SEK. The group applies a policy for currency hedging described in the annual report

Tax

The tax charge for the period was SEK 17.2 m (3.5). 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 49.5 m (12.9) for the first six months.

The investments in tangible assets for the period totaled SEK 3.3 m (2.0). Investments in intangible assets for the period totaled SEK 5.6 m (3.8) and comprise internal development projects.

At the end of the period the cash equivalents totaled SEK 43.7 m (31.5) and unutilized credit facilities SEK 20.0 m. The Group's net debt decreased to SEK 0.0 m (49.7) 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 Shin-Yokohama.
- 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.
- During the first nine months the group hired 21 new employees.
- Intellicom Innovation AB, a member of the HMS Group, receives a break through order in the area of energy and building automation.

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. 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 future development of the global economy and its effects on the market for the HMS product offering is still unpredictable but 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 September 30, 2010.

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 0.5 m (1.2). Cash and cash equivalents amounted to SEK 0.3 m (0.0) and borrowing amounted to SEK 42.9 m (79.2).

Nomination committee

In accordance with principles adopted at HMS 2010 annual general meeting, the following persons have been assigned to be a part of the Nomination Committee: Nicolas Hassbjer representing 29% of the shares, Jan Svensson, Investment AB Latour, representing 15% of the shares, KG Lindvall, Swedbank Robur Fonder AB representing 10% of the shares and Urban Jansson, Chairman of the Board. At a meeting following the assignment Jan Svensson was elected as the Chairman of the nomination committee.

Reporting occasions

- Year-end report will be published on February 2, 2011
- Annual general meeting will be held on April 14, 2011
- 1 Q report will be published on April 14, 2011
- Half year report will be published on July 14, 2011
- 3 Q report will be published on October 26, 2011

Halmstad October 21, 2010

Urban Jansson
Chairman of the Board

Staffan Dahlström
Chief Executive Officer

Nicolas Hassbjer
Vice Chairman of the Board

Göran Sigfridsson

Henrik Johansson

Ray Mauritsson

Gunilla Wikman

Charlotte Brogren

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>



Review report

We have reviewed this report for the period 1 January 2010 to 30 September 2010 for HMS Networks AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Halmstad, October 21, 2010
PricewaterhouseCoopers

Olof Enerbäck
Authorised Public Accountant
Auditor in charge

Financial accounts

Key ratios

Group	Q3	Q3	Q1-Q3	Q1-Q3	Q1-Q4	Q4 2009
	2010	2009	2010	2009	2009	-Q3 2010
Net increase in revenue (%)	54.4	-31.6	46.8	-27.8	-22.8	29.9
Gross margin (%)	61.6	60.4	60.2	57.6	58.4	60.2
Operating margin EBIT (%)	26.8	23.5	25.2	8.9	12.7	24.4
Return on capital employed (%)*	25.9	13.9	25.9	13.9	10.5	25.9
Return on total equity (%)*	23.0	13.5	23.0	13.5	8.8	23.0
Working capital in relation to sales (%)*	8.4	9.2	8.4	9.2	7.6	8.4
Capital turnover rate	0.89	0.69	0.89	0.69	0.67	0.89
Debt/equity ratio	0.00	0.22	0.00	0.22	0.13	0.00
Equity/assets ratio (%)	71.5	64.5	71.5	64.5	70.0	71.5
Capital expenditure in property, plant and equipm. (SEK 000s)	1,471	856	3,324	2,008	2,423	3,739
Capital expenditure in intangible fixed assets (SEK 000s)	2,144	1,041	5,649	3,827	4,955	6,776
Depreciation of property, plant and equipment (SEK 000s)	-1,004	-1,011	-3,062	-3,092	-4,154	-4,124
Amortisation of intangible fixed assets (SEK 000s)	-1,205	-995	-3,616	-2,977	-4,075	-4,713
Number of employees (average)	170	151	163	153	154	161
Revenue per employee (SEK m)*	1.9	1.7	2.0	1.6	1.6	2.0
Cash flow from operating activities per share, SEK	1.86	1.00	4.44	1.22	2.89	6.07
Cash flow from operating activities per share, diluted, SEK	1.86	0.96	4.44	1.17	2.79	6.07
Basic number of shares, average, thousands	11,153	10,572	11,153	10,572	10,717	11,153
Number of shares, diluted average, thousands	11,153	11,106	11,153	11,110	11,121	11,153

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

Income statements

Group (SEK 000s)	Q3	Q3	Q1-Q3	Q1-Q3	Q1-Q4	Q4 2009
	2010	2009	2010	2009	2009	-Q3 2010
Revenue	87,579	56,735	252,883	172,321	244,536	325,098
Cost of goods and services sold	-33,648	-22,490	-100,711	-73,011	-101,818	-129,518
Gross profit	53,931	34,245	152,172	99,310	142,718	195,579
Sales and marketing costs	-15,668	-12,223	-48,196	-39,385	-54,983	-63,793
Administrative expenses	-6,149	-4,442	-17,989	-15,469	-20,854	-23,375
Research and development costs	-7,376	-5,958	-22,826	-21,281	-29,211	-30,756
Other operating income	1,576	3,610	4,734	4,474	5,991	6,250
Other costs	-2,812	-1,883	-4,219	-12,326	-12,535	-4,427
Operating profit	23,502	13,349	63,676	15,323	31,125	79,479
Financial income	5	6	726	1,444	1,841	1,123
Financial costs	-804	-932	-571	-4,280	-4,514	-806
Profit before tax	22,702	12,423	63,831	12,488	28,452	79,796
Tax	-6,123	-3,506	-17,217	-3,506	-7,782	-21,493
Profit for the period	16,580	8,917	46,614	8,982	20,671	58,303
Profit attributable to shareholders of the parent company	16,282	8,886	45,693	8,730	20,116	57,079
Profit attributable to minority interest	298	31	920	251	555	1,224
Basic earnings per share, SEK	1.46	0.84	4.10	0.83	1.88	5.12
Earnings per share, diluted, SEK	1.46	0.80	4.10	0.79	1.81	5.12

Statements of comprehensive income

Group (SEK 000s)	Q3 2010	Q3 2009	Q1-Q3 2010	Q1-Q3 2009	Q1-Q4 2009	Q4 2009 -Q3 2010
Profit for the period	16,580	8,917	46,614	8,982	20,671	58,303
Other comprehensive income						
Cash flow hedges	1,841	3,823	910	14,096	11,469	-1,717
Translation differences	-144	-2	-421	16	-163	-600
Income tax relating to components of other comprehensive income	-484	-1,005	-239	-3,707	-3,016	452
Other comprehensive income for the period, net of tax	1,213	2,816	250	10,405	8,290	-1,865
Total comprehensive income for the period	17,792	11,733	46,864	19,387	28,961	56,438
Profit attributable to:						
Owners of the parent	17,494	11,702	45,944	19,135	28,406	55,214
Minority interest	298	31	920	251	555	1,224

Balance Sheets

Group (SEK 000s)	Sep 30 2010	Sep 30 2009	Dec 31 2009
ASSETS			
Goodwill	236,071	236,071	236,071
Other intangible assets	16,685	14,622	14,652
Property, plant and equipment	8,707	9,196	8,564
Deferred tax assets	749	779	802
Total fixed assets	262,212	260,668	260,089
Inventories	19,544	14,495	13,043
Trade and other receivables	44,158	30,634	33,098
Other current receivables	10,821	12,057	7,073
Cash and cash equivalents	43,669	31,541	25,512
Total current assets	118,193	88,727	78,724
TOTAL ASSETS	380,405	349,395	338,814
EQUITY AND LIABILITIES			
Equity	271,801	225,293	237,010
Minority interest in equity	4,344	3,120	3,423
Total equity	276,145	228,413	240,434
Liabilities			
Non-current liabilities	43,589	81,246	55,828
Deferred income tax liabilities	12,194	11,126	11,319
Total non-current liabilities	55,783	92,371	67,147
Trade payables	23,220	14,552	16,432
Other current liabilities	25,257	14,059	14,800
Total current liabilities	48,477	28,611	31,233
TOTAL EQUITY AND LIABILITIES	380,405	349,395	338,814

Cash flow statements

Group (SEK 000s)	Q3 2010	Q3 2009	Q1-Q3 2010	Q1-Q3 2009	Q1-Q4 2009	Q4 2009 -Q3 2010
Cash flow from operating activities before changes in working capital	21,260	12,533	57,569	8,699	25,620	74,490
Cash flow from changes in working capital	-531	-1,949	-8,036	4,166	5,371	-6,831
Cash flow from operating activities	20,729	10,584	49,533	12,865	30,991	67,659
Cash flow from investing activities	-3,616	-1,897	-8,973	-5,835	-7,379	-10,517
Cash flow from financing activities	-3,750	-18,734	-22,403	-41,666	-64,277	-45,014
Cash flow for the period	13,363	-10,047	18,157	-34,636	-40,665	12,128
Cash and cash equivalents at beginning of the period	30,306	41,588	25,512	66,177	66,177	31,541
Cash and cash equivalents at end of period	43,669	31,541	43,669	31,541	25,512	43,669

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)	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
EMEA	57,441	53,697	47,979	46,284	38,184	34,789	40,320	46,658	51,226	50,451	52,256	42,895
Americas	15,715	14,206	12,611	13,373	10,892	8,221	15,431	16,911	19,718	15,786	11,307	13,112
Asia	14,423	21,339	15,471	12,558	7,659	6,959	9,865	14,351	12,022	13,884	11,993	11,727

Income statement (SEK 000s)	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Revenue	87,579	89,242	76,061	72,215	56,735	49,969	65,616	77,920	82,966	80,121	75,556	67,734
Gross profit	53,931	53,723	44,518	43,408	34,245	26,752	38,313	53,747	46,597	42,682	38,816	36,318
<i>Gross margin</i>	61.6%	60.2%	58.5%	60.1%	60.4%	53.5%	58.4%	69.0%	56.2%	53.3%	51.4%	53.6%
Operating profit	23,502	22,242	17,932	15,802	13,349	-2,989	4,963	26,979	21,435	18,024	18,594	8,704
<i>Operating margin</i>	26.8%	24.9%	23.6%	21.9%	23.5%	-6.0%	7.6%	34.6%	25.8%	22.5%	24.6%	12.9%
Profit before tax	22,702	22,834	18,295	15,965	12,423	-4,964	5,028	25,621	21,722	17,187	16,422	6,706

Parent Company

Income Statements

Parent company (SEK 000s)	Q3 2010	Q3 2009	Q1-Q3 2010	Q1-Q3 2009	Q1-Q4 2009	Q4 2009 -Q3 2010
Revenue	1,482	1,191	5,102	5,345	7,284	7,041
Cost of sales and services	0	0	0	0	0	0
Gross profit	1,482	1,191	5,102	5,345	7,284	7,041
Administrative expenses	-1,329	-955	-4,649	-4,149	-5,784	-6,284
Other costs - net	0	0	0	0	0	0
Operating profit	153	237	453	1,196	1,500	757
Profit from participations in group companies	0	74,926	0	74,926	74,926	0
Interest expense and similar items	-153	-309	-453	-1,314	-1,496	-635
Profit before tax	0	74,854	0	74,809	74,931	122
Appropriations	0	0	0	0	-8	-8
Tax	0	0	0	0	-12	-12
Profit for the period	0	74,854	0	74,809	74,911	102

Balance Sheets

Parent company (SEK 000s)	Sep 30 2010	Sep 30 2009	Dec 31 2009
ASSETS			
Financial fixed assets	244,039	244,039	244,039
Total financial fixed assets	244,039	244,039	244,039
Other receivables	333	215	565
Cash and cash equivalents	293	17	143
Total current assets	627	231	708
TOTAL ASSETS	244,666	244,270	244,747
EQUITY AND LIABILITIES			
Equity	155,451	164,055	166,604
Untaxed reserves	8	0	8
Liabilities			
Non-current liabilities	42,868	79,175	54,118
Trade payables	162	88	972
Liabilities to Group companies	44,725	153	22,592
Other current liabilities	1,452	799	453
Total current liabilities	46,339	1,040	24,018
TOTAL EQUITY AND LIABILITIES	244,666	244,270	244,747

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.

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 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".