

Yearend report 2010

- ⊗ Net sales increased by 41 % and profit after tax increased by 200%
- ⊗ Net sales for the year increased to SEK 344.5 m (244.5), corresponding to a 52 % increase in local currencies
- ⊗ Operating profit reached SEK 83.5 m (31.1), equal to a 24.2 % (12.7) operating margin
- ⊗ Order intake amounted to SEK 342.3 m (257.9)
- ⊗ Cash flow from operating activities improved to SEK 74.8 m (31.0)
- ⊗ Profit after taxes totaled SEK 60.3 m (20.1) and earnings per share amounted to SEK 5.41 (1.88)
- ⊗ Net sales for the fourth quarter amounted to SEK 91.6 m (72.2) and the operating result reached SEK 19.8 m (15.8)
- ⊗ The Board of Directors propose a dividend of SEK 2.00 (1.00) per share

Quarterly data	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Net sales (SEK m)	91.6	87.6	89.2	76.1	72.2	56.7	50.0	65.6
Order intake (SEK m)	87.5	86.9	89.7	78.1	81.0	59.7	60.2	57.0
Operating profit (SEK m)	19.8	23.5	22.2	17.9	15.8	13.3	-3.0	5.0
Gross margin (%)	60.4	61.6	60.2	58.5	60.1	60.4	53.5	58.4
Operating margin (%)	21.7	26.8	24.9	23.6	21.9	23.5	-6.0	7.6
Earnings per share (SEK)	1.31	1.46	1.48	1.16	1.02	0.84	-0.34	0.32
Yearly data	2010	2009	2008	2007	2006			
Net sales (SEK m)	344.5	244.5	316.6	270.4	227.4			
Order intake (SEK m)	342.3	257.9	313.2	268.4	233.4			
Operating profit (SEK m)	83.5	31.1	85.0	54.5	51.7			
Gross margin (%)	60.2	58.4	57.4	52.6	50.9			
Operating margin (%)	24.2	12.7	26.9	20.2	22.7			
Earnings per share (SEK)	5.41	1.88	5.43	2.81	3.16			

Comment from the CEO

During 2010 net sales reached a new record level for HMS. Net sales amounted to SEK 345 m which is 41% more than 2009, but more important almost 9% more than the previous record year 2008. The strong recovery during the first half of 2010 has leveled out with a sales increase for the last quarter of 27%. The strengthening of the Swedish currency in relation to the most important currencies for HMS affected sales negatively with SEK 26 m compared to the previous year. The strengthened Swedish currency also had a somewhat negative effect on the gross margin during the later part of the year. The inflow of new design wins related to Embedded products continued as expected, resulting in 913 (814) design wins at the end of the year. In all we have added 200 design wins in the area of Embedded products during the last two years. These new design wins build up an important foundation for our future growth in the area of Embedded products.



On the important geographical markets Germany continues its good development, we have noticed a recovery on the US market while the Japanese market is still difficult to predict. During the fourth quarter HMS carried out a lot of customer activities and participated in several trade shows. We are happy to conclude that the interest for HMS, our brand names Anybus® and Netbiter® together with our product launches of new products are on record levels.

As a part of our long term strategy we have strengthened the development-, marketing- and international sales departments. To accomplish this we have employed 25 new people during the year taking us to a total number of 190 employees. During 2011 we will continue to work in line with our strategy to achieve a long term profitable growth. This means that we will continue to recruit new people mainly in the area of sales and development. We will launch new products in order to offer a broader product range and we continue to establish new sales channels and to strengthen the HMS position as the preferred supplier of industrial communication solutions.

After the year end HMS acquired the remaining minority shareholding of Intellicom Innovation AB. We see a great opportunity with Intellicom and their Netbiter concept which together with the HMS' technology for industrial communication takes us a step closer to providing solutions to our customers communication needs. Netbiter makes remote control and remote management of devices and machines possible creating cost savings and improved productivity for our customers.

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 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 2010 amounted to SEK 344.5 m (244.5) corresponding to a 41% increase. In total the revaluation of the Swedish currency in relation to the major HMS currencies had a SEK 26.5 m negative effect on net sales compared to the previous year. The order intake for the year amounted to SEK 342.3 m (257.9).

Net sales for the fourth quarter was SEK 91.6 m (72.2), corresponding to a 27 % increase compared to the same quarter the previous year. Adjusted for SEK -6.4 m in currency effects the increase amounted to 36 %. Order intake increased by SEK 6.5 m to SEK 87.5 m (81.0) corresponding to a 16 % increase in local currencies.

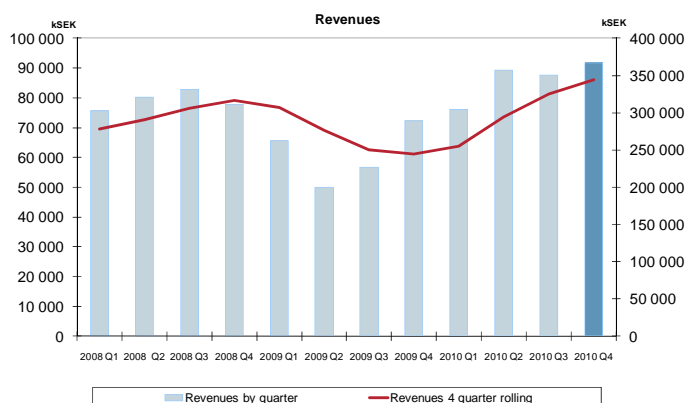
Operating profit

The operating profit was SEK 83.5 m (31.1) for the year, equivalent to an operating margin of 24.2 %. Currency effects had a negative impact on the operating result with SEK 14.8 m compared to the previous year.

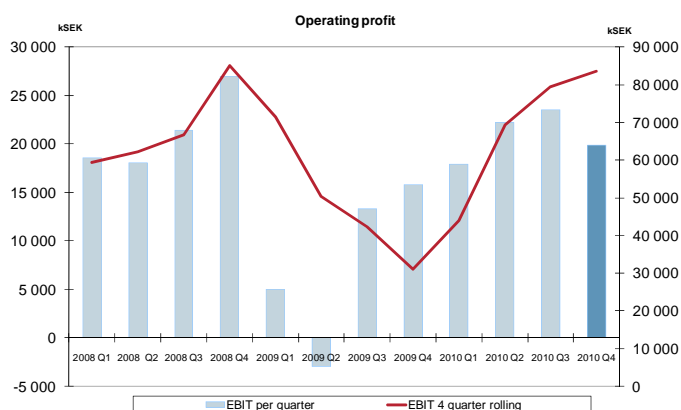
The operating profit for the fourth quarter 2010 was SEK 19.8 m (15.8). Changes in exchange rates had a SEK 3.4 m negative impact compared to the same period the previous year.

Equity

The Group's equity amounted to SEK 285.8 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 71.9 % (70.0).



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)

	Dec 31 2010	Dec 31 2009
Balance at 1 January	240,434	224,426
Total comprehensive income for the period	60,934	28,961
Warrants	0	3,384
Dividends	-11,153	-16,337
Acquisition minority share	-4,400	0
Closing balance	285,815	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 59 % in EURO, 19 % in USD, 11 % in Japanese Yen and 11 % in SEK and other currencies. Cost of goods sold consists of 50 % in EURO, 20 % in USD and 2 % in Japanese Yen. Operating expenses consists of 17 % in EURO, 8 % in USD, 9 % in Japanese Yen and 66 % of SEK. The group applies a policy for currency hedging described in the annual report

Tax

The tax charge for the period was SEK 22.4 m (7.8). 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 74.8 m (31.0) for the year.

The investments in tangible assets for the period totaled SEK 6.4 m (2.4). Investments in intangible assets for the period totaled SEK 8.4 m (5.0) and comprise internal development projects.

At the end of the period the cash equivalents totaled SEK 55.0 m (25.5) and unutilized credit facilities SEK 20.0 m. The Group's net cash amounted to SEK 15.5 m (-30.3). During the second quarter HMS distributed dividend payments to its shareholder equal to SEK 1.00 per share, in total SEK 11.2 m.

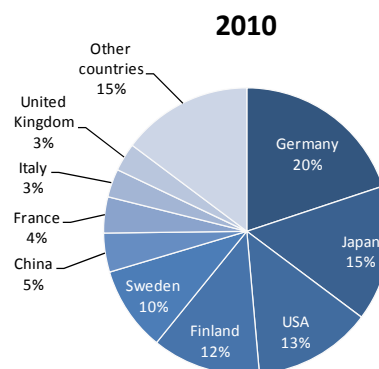
The parent company

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 year amounted to SEK 0.6 m (1.5). Cash and cash equivalents amounted to SEK 0.1 m (0.1) and borrowing amounted to SEK 39.2 m (54.1).

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 Eastern-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 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.
- Intellicom Innovation AB, a member of the HMS Group, receives break through orders in the area of Telecom, energy and building automation.
- The launch of the HMS Partner Program is initiated in France.
- HMS US operations move into new premises in the center of Chicago.
- During the year 25 new people were employed in the Group.
- In January 2011 HMS acquires the minority shareholding in Intellicom Innovation AB.

Sales



Sales by geographical area are presented in the above graph.

The number of design wins increased by 99 (83) during the year. At year end the total number of design wins amounted to 913 (814) of which 750 (654) was in the production phase and 163 (160) was in the design phase.

Embedded products reached 72% (66) of the group's total sales and Gateway products amounted to 24% (28).

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. At present the HMS Group implements an expansion plan mainly by hiring new employees to strengthen the development- and sales departments. Consequently we will have higher operating expenses going forward. At present the market for electronic components is improving and the risk of disruptions in HMS future possibilities to deliver its products is today lower. 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 comprehensive 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, 2010 did not affect the Groups reporting as of December 31, 2010.

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 2.3, 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 2009. In addition to the risks described in these documents, no additional significant risks have been identified.

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.

Dividend

The Board of Directors proposes a dividend to the amount of SEK 2.00 (1.00).

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.

Annual General Meeting

The Annual General Meeting will be held at the Company's head office on Thursday April 14, 2011 at 10.00 am. The 2010 Annual Report (in the Swedish language) will be available on the Company's homepage four weeks previous to the date of the Annual General Meeting. A printed version of the 2010 Annual Report can be ordered by sending name and address to ir@hms.se.

Reporting occasions

- Annual general meeting will be held on April 14, 2011
- First quarter report will be presented on April 14, 2011
- Half year report will be presented on July 14, 2011
- Third quarter report will be presented on October 26, 2011

Halmstad February 2, 2011

Staffan Dahlström
Chief Executive Officer

This yearend 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



Financial accounts

Key ratios

Group	Q4	Q4	Q1-Q4	Q1-Q4
	2010	2009	2010	2009
Net increase in revenue (%)	26.9	-7.3	40.9	-22.8
Gross margin (%)	60.4	60.1	60.2	58.4
Operating margin EBIT (%)	21.7	21.9	24.2	12.7
Return on capital employed (%)*	27.6	10.5	27.6	10.5
Return on total equity (%)*	23.2	8.8	23.2	8.8
Working capital in relation to sales (%)*	6.3	7.6	6.3	7.6
Capital turnover rate	0.94	0.67	0.94	0.67
Debt/equity ratio	-0.05	0.13	-0.05	0.13
Equity/assets ratio (%)	71.9	70.0	71.9	70.0
Capital expenditure in property, plant and equipm. (SEK 000s)	3,109	415	6,433	2,423
Capital expenditure in intangible fixed assets (SEK 000s)	2,705	1,128	8,354	4,955
Depreciation of property, plant and equipment (SEK 000s)	-1,129	-1,062	-4,191	-4,154
Amortisation of intangible fixed assets (SEK 000s)	-1,240	-1,098	-4,855	-4,075
Number of employees (average)	178	154	167	154
Revenue per employee (SEK m)*	1.9	1.6	2.1	1.6
Cash flow from operating activities per share, SEK	2.27	1.63	6.71	2.89
Cash flow from operating activities per share, diluted, SEK	2.26	1.63	6.70	2.79
Basic number of shares, average, thousands	11,153	11,153	11,153	10,717
Number of shares, diluted average, thousands	11,175	11,153	11,158	11,121

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

Income statements

Group (SEK 000s)	Q4	Q4	Q1-Q4	Q1-Q4
	2010	2009	2010	2009
Revenue	91,647	72,215	344,530	244,536
Cost of goods and services sold	-36,262	-28,807	-136,973	-101,818
Gross profit	55,385	43,408	207,557	142,718
Sales and marketing costs	-21,078	-15,598	-69,273	-54,983
Administrative expenses	-7,062	-5,386	-25,051	-20,854
Research and development costs	-8,704	-7,930	-31,530	-29,211
Other operating income	1,342	1,517	6,076	5,991
Other costs	-35	-209	-4,254	-12,535
Operating profit	19,848	15,802	83,525	31,125
Financial income	615	397	1,340	1,841
Financial costs	-232	-235	-802	-4,514
Profit before tax	20,232	15,965	84,063	28,452
Tax	-5,187	-4,275	-22,406	-7,782
Profit for the period	15,044	11,689	61,657	20,671
Profit attributable to shareholders of the parent company	14,595	11,386	60,288	20,116
Profit attributable to minority interest	449	303	1,369	555
Basic earnings per share, SEK	1.31	1.02	5.41	1.88
Earnings per share, diluted, SEK	1.31	1.02	5.40	1.81

Statements of comprehensive income

Group (SEK 000s)	Q4 2010	Q4 2009	Q1-Q4 2010	Q1-Q4 2009
Profit for the period	15,044	11,689	61,657	20,671
Other comprehensive income				
Cash flow hedges	-1,144	-2,627	-234	11,469
Translation differences	-130	-179	-551	-163
income	301	691	62	-3,016
Other comprehensive income for the period, net of tax	-973	-2,115	-723	8,290
Total comprehensive income for the period	14,070	9,574	60,934	28,961
Profit attributable to:				
Owners of the parent	13,622	9,271	59,565	28,406
Minority interest	449	303	1,369	555

Balance Sheets

Group (SEK 000s)	Dec 31 2010	Dec 31 2009
ASSETS		
Goodwill	236,071	236,071
Other intangible assets	18,151	14,652
Property, plant and equipment	10,685	8,564
Deferred tax assets	756	802
Total fixed assets	265,663	260,089
Inventories	23,679	13,043
Trade and other receivables	38,612	33,098
Other current receivables	9,481	7,073
Cash and cash equivalents	54,984	25,512
Total current assets	126,757	78,724
TOTAL ASSETS	392,420	338,814
EQUITY AND LIABILITIES		
Equity	282,207	237,010
Minority interest in equity	3,609	3,423
Total equity	285,815	240,434
Liabilities		
Non-current liabilities	39,509	55,828
Deferred income tax liabilities	16,484	11,319
Total non-current liabilities	55,993	67,147
Trade payables	28,714	16,432
Other current liabilities	21,897	14,800
Total current liabilities	50,611	31,233
TOTAL EQUITY AND LIABILITIES	392,419	338,814

Cash flow statements

Group (SEK 000s)	Q4 2010	Q4 2009	Q1-Q4 2010	Q1-Q4 2009
Cash flow from operating activities before changes in working capital	19,695	16,921	77,264	25,620
Cash flow from changes in working capital	5,584	1,205	-2,452	5,371
Cash flow from operating activities	25,279	18,126	74,812	30,991
Cash flow from investing activities	-10,214	-1,544	-19,187	-7,379
Cash flow from financing activities	-3,750	-22,611	-26,153	-64,277
Cash flow for the period	11,315	-6,029	29,472	-40,665
Cash and cash equivalents at beginning of the period	43,669	31,541	25,512	66,177
Cash and cash equivalents at end of period	54,984	25,512	54,984	25,512

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)	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
EMEA	55,109	57,441	53,697	47,979	46,284	38,184	34,789	40,320	46,658	51,226	50,451	52,256
Americas	19,354	15,715	14,206	12,611	13,373	10,892	8,221	15,431	16,911	19,718	15,786	11,307
Asia	17,184	14,423	21,339	15,471	12,558	7,659	6,959	9,865	14,351	12,022	13,884	11,993

Income statement (SEK 000s)	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Revenue	91,647	87,579	89,242	76,061	72,215	56,735	49,969	65,616	77,920	82,966	80,121	75,556
Gross profit	55,385	53,931	53,723	44,518	43,408	34,245	26,752	38,313	53,747	46,597	42,682	38,816
<i>Gross margin</i>	<i>60.4%</i>	<i>61.6%</i>	<i>60.2%</i>	<i>58.5%</i>	<i>60.1%</i>	<i>60.4%</i>	<i>53.5%</i>	<i>58.4%</i>	<i>69.0%</i>	<i>56.2%</i>	<i>53.3%</i>	<i>51.4%</i>
Operating profit	19,848	23,502	22,242	17,932	15,802	13,349	-2,989	4,963	26,979	21,435	18,024	18,594
<i>Operating margin</i>	<i>21.7%</i>	<i>26.8%</i>	<i>24.9%</i>	<i>23.6%</i>	<i>21.9%</i>	<i>23.5%</i>	<i>-6.0%</i>	<i>7.6%</i>	<i>34.6%</i>	<i>25.8%</i>	<i>22.5%</i>	<i>24.6%</i>
Profit before tax	20,231	22,702	22,834	18,295	15,965	12,423	-4,964	5,028	25,621	21,722	17,187	16,422

Parent Company

Income Statements

Parent company (SEK 000s)	Q4 2010	Q4 2009	Q1-Q4 2010	Q1-Q4 2009
Revenue	1,667	1,939	6,769	7,284
Cost of sales and services	0	0	0	0
Gross profit	1,667	1,939	6,769	7,284
Administrative expenses	-1,484	-1,634	-6,133	-5,784
Other costs - net	0	0	0	0
Operating profit	183	304	636	1,500
Profit from participations in group companies	0	0	0	74,926
Interest expense and similar items	-183	-182	-636	-1,496
Profit before tax	0	122	0	74,931
Appropriations	0	-8	0	-8
Tax	-39	-12	-39	-12
Profit for the period	-39	102	-39	74,911

Balance Sheets

Parent company (SEK 000s)	Dec 31 2010	Dec 31 2009
ASSETS		
Financial fixed assets	244,039	244,039
Total financial fixed assets	244,039	244,039
Other receivables	265	565
Cash and cash equivalents	99	143
Total current assets	364	708
TOTAL ASSETS	244,403	244,747
EQUITY AND LIABILITIES		
Equity	155,411	166,604
Untaxed reserves	8	8
Liabilities		
Non-current liabilities	39,118	54,118
Trade payables	131	972
Liabilities to Group companies	48,760	22,592
Other current liabilities	975	453
Total current liabilities	49,866	24,018
TOTAL EQUITY AND LIABILITIES	244,403	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".