

HMS Networks AB

Semi-annual report, January – September 2007

Continued growth with strong underlying profitability

- **Net sales increased by 21.8% to MSEK 203.3 (166.9).**
- **Operating profit totalled MSEK 40.8 MSEK (40.7). Adjusted for non-recurring IPO expenses the operating profit totalled MSEK 45.6 which corresponds to an operating margin of 22.4%.**
- **Cash flow from ongoing operations improved to MSEK 22.7 (10.0).**
- **Profit after taxes totalled MSEK 24.7 (25.9) and earnings per share was SEK 2.31 (2.48).**

- We are satisfied with the development, especially on the most competitive market in Germany, that gives HMS continued organic growth of slightly over 20%. The product mix in the third quarter continued to improve and gave an operating margin of 22.4% for the first nine months, excluding expenses for IPO, says Nicolas Hassbjer, CEO of HMS.



HMS Networks is a world-leading supplier of communication technology for industrial automation. Sales totalled MSEK 227 in 2006. 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, Peking, Karlsruhe, Chicago, Milan and Mulhouse. HMS has 150 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. HMS was formed in 1988 and has had an average organic growth of 35% per year over the last 10 years. HMS is listed on OMX Nordic Exchange in Stockholm in the category Small Cap, Information Technology.

Comments of the CEO

On Friday October 19, HMS was listed on OMX Nordic Exchange in Stockholm. The interest for the initial public offering was strong. The share price was set at SEK 74 and the offering was over-subscribed more than three times at this price level. Although we have spent much time and efforts in the preparations of the public offering, HMS can show a continued strong growth and profitability. The gross margin has improved to 51.6% on trailing 12 months. On shorter term we normally have variations in gross margin due to different customer- or product mix that results in fluctuations between individual quarters.

We are satisfied with the development during the period and are just finalizing the relocation to new offices that will enable further expansion.



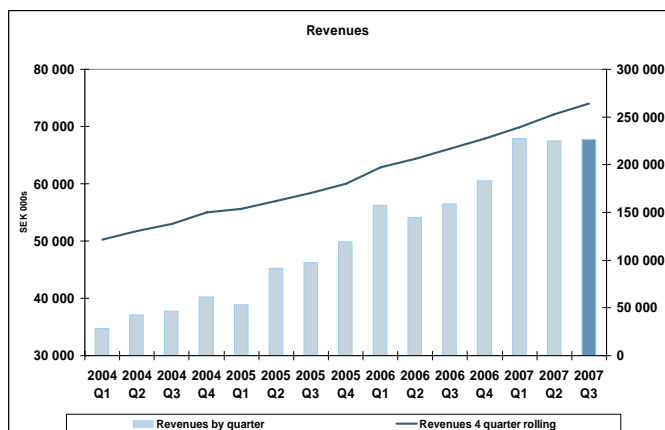
Nicolas Hassbjer,
President & CEO

Third quarter

Growth in sales

Net sales for the third quarter totalled MSEK 67.8 (56.5), which is 20.1% higher than in the equivalent quarter of the previous year. During the year's third quarter, the Group's gross margin continued to improve, mostly because of a favourable mix of products. Order intake for the third quarter totalled MSEK 69.8 (58.1) which is equivalent to an increase of 20.1%.

Sales for the last four quarters totalled MSEK 263.9, equivalent to an annual growth rate of 21.8 %.

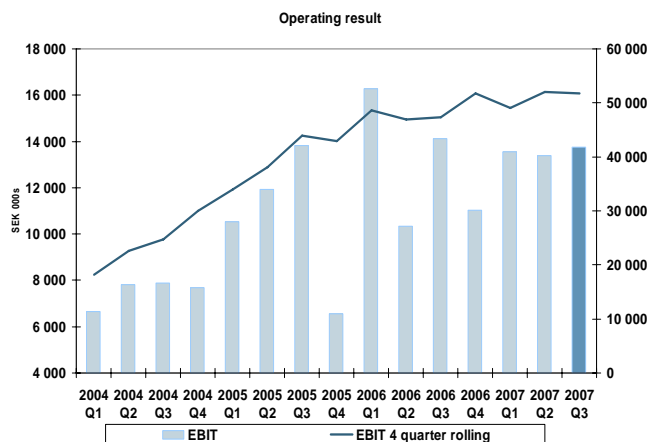


The bars show revenue per quarter with the scale on left hand side. The line shows revenues on trailing 12 months with the scale on the right hand side.

Operating Profit

Operating profit for the third quarter totalled MSEK 13.8 (14.1). The operating margin totalled 20.3% (25.0). The third quarter of 2007 was charged with non-recurring expenses of MSEK 2.9 regarding the initial public offering. Adjusted for these non-recurring expenses, the operating profit totalled MSEK 16.7, which is equivalent to an operating margin of 24.6%.

The operating profit for the last four quarters totalled MSEK 51.8 (47.3). Non recurring expenses for IPO totalled MSEK 4.8. Adjusted for these non-recurring expenses the operating profit totalled MSEK 56.6 (47.3) corresponding to an adjusted operating margin of 21.4% (21.8).



The bars show operating profit per quarter with the scale on left hand side. The line shows operating profit on trailing 12 months with the scale on the right hand side. Operating profit in this graph has not been adjusted for non-recurring IPO expenses.

The first nine months

High volume growth and margin

All sales areas are showing solid growth. Especially in EMEA (Europe, Middle East, Africa) and the strong German market, net sales growth shows a good development. Net sales for the period January to September totalled MSEK 203.3 (166.9), which is equivalent to a growth rate of 21.8% compared with the same period in the previous year.

For the period January through September operating result totalled MSEK 40.8 (40.7). During the first nine months of 2007 the Company carried cost for the recent IPO amounting to MSEK 4.8. Adjusted for these costs the operating result reached MSEK 45.6, equivalent to an operating margin of 22.4%.

Cash flow and financial position

Net cash flow from operating activities improved to MSEK 22.7 (10.0) basically due to a better result before depreciations and a relatively lower increase in working capital requirements. Capital expenditure for the period totalled MSEK 3.7. At the end of the nine-month period, cash and cash equivalents totalled MSEK 26.1 (34.1) and unutilised credit facilities totalled MSEK 20. The Company thereby has MSEK 46.1 at its disposal as of September 30, 2007.

Tax

The tax charge for the period totalled MSEK 11.0 (10.3). 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 totals MSEK 177.8. The total number of shares at the end of the period was 10,571,650. After full utilisation of outstanding warrants, the total number of shares is 11,152,900. The Group's equity/assets ratio is 50.8 %.

Consolidated changes in equity (SEK 000s)	Nine-month period 2007	Nine-month period 2006	Full year 2006
Balance at 1 January	153,158	119,294	119,294
Currency translation differences	-103	-84	181
Transfer		149	149
Payment, warrants		-376	260
Proceeds from issuance of shares			2
Profit for the period	24,695	25,879	33,274
Closing balance	177,750	144,862	153,158

Important events during the first nine months of the year

The Company has been listed on OMX Nordic Exchange in Stockholm. The price at the introduction was set at 74 SEK per share and first day of trading was October 19, 2007. The Company is traded under the name HMS on OMX Nordic Exchange in the category Small Cap, Information Technology.

During the period, it was decided to move the Swedish operations to new and more appropriate premises. This decision, that has been previously announced, was done to secure the needs of expansion. By gathering all operations at the Company headquarters into one building, Communications, co-operation and efficiency will be improved. Total costs for the relocation have been calculated to MSEK 3.5. These expenses will be charged to the Group's operating profit in the fourth quarter of 2007.

The Company has as a long term investment completed a major expansion of the sales and marketing organisation. In November 2007 a number of important trade shows within the Industrial Automation segment will take place. HMS will be represented with its own trade show booth on the major trade shows in Lyon, Chicago, Tokyo and Nürnberg, where new products will be launched.



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 and in the prospectus prepared in connection with the recently completed initial public offering. In addition to the risks described in these documents, no additional significant risks have been identified.

Summary of significant accounting policies

This interim report has been prepared in accordance with the Swedish Annual Accounts Act and IAS 34, Interim Reporting. For information on the accounting policies applied, refer to the annual report for 2006. The accounting policies are unchanged compared to those applied in 2006.

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/loss for the period amounted to MSEK -7.6 (0). The operating profit/loss for the period has been charged with expenses in connection with the ongoing preparations for the initial public offering, amounting to MSEK 4.8. Cash and cash equivalents amounted to MSEK 0.1 (0.1) and borrowing to MSEK 124.2 (161.6).

Reporting occasions

Year-end report presented on February 14, 2008.
Annual General Meeting in Halmstad on April 30, 2008
First quarter report on April 30, 2008

The Board of Directors and CEO confirm that the interim report provides a fair presentation of the Company's and the Group's operations, financial position and results and describes the significant risks and uncertainties that the Company and the companies included in the Group face. This interim report has not been reviewed by the Company's auditor.

Halmstad, 8 November 2007

Urban Jansson

Jörgen Centerman

Ray Mauritsson

Sebastian Ehrnrooth

Staffan Dahlström

Nicolas Hassbjer
President & CEO

Further information can be obtained from CEO Nicolas Hassbjer or CFO Gunnar Högberg on telephone +46-35-17 29 00.
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CONSOLIDATED INCOME STATEMENT (SEK 000s)	Q3 2007	Q3 2006	Q1-Q3 2007	Q1-Q3 2006	Full year 2006	Q406-Q307 12 months
Revenue	67,807	56,474	203,346	166,887	227,438	263,897
Cost of sales and services	-29,346	-27,295	-96,777	-80,676	-111,594	-127,695
GROSS PROFIT	38,461	29,179	106,569	86,210	115,844	136,203
Selling and marketing costs	-11,304	-7,709	-31,276	-22,029	-32,167	-41,414
Administrative expenses	-3,630	-2,396	-10,104	-7,153	-9,903	-12,854
Research and development costs	-5,339	-4,354	-17,888	-14,131	-19,487	-23,244
Other costs - net	-4,438	-585	-6,496	-2,181	-2,550	-6,865
OPERATING PROFIT	13,750	14,135	40,805	40,716	51,737	51,826
Finance income	98	0	305	233	556	628
Finance costs	-2,018	-1,794	-5,404	-4,815	-6,662	-7,250
Profit before income tax	11,830	12,341	35,706	36,134	45,631	45,203
Tax	-3,338	-3,890	-11,011	-10,255	-12,357	-12,614
PROFIT FOR THE PERIOD	8,492	8,451	24,695	25,879	33,274	32,520
Attributable to equity holders of the Parent Company	8,020	8,142	23,912	25,362	32,783	31,263
Attributable to minority interest	472	309	314	517	491	757
Key ratios						
Net increase in revenue (%)	20.1	22.2	21.8	28.1	26.3	21.8
Operating margin EBITA (%)	21.8	25.9	21.4	25.3	23.6	21.2
Operating margin EBIT (%)	20.3	25.0	20.1	24.4	22.7	19.6
Gross margin (%)	56.7	51.7	52.4	51.7	50.9	51.6
Return on capital employed (%)	17.1	16.5	17.1	16.5	18.6	17.1
Return on total equity (%)	19.6	20.0	19.6	20.0	24.3	19.6
Working capital in relation to sales (%)	8.1	8.2	8.1	8.2	11.7	8.1
Capital turnover rate	0.77	0.64	0.77	0.64	0.69	0.77
Debt/equity ratio	0.72	1.12	0.72	1.12	1.07	0.72
Equity/assets ratio (%)	50.8	43.0	50.8	43.0	46.6	50.8
Capital expenditure in property, plant and equipment	197	626	1,758	7,812	8,643	8,824
Capital expenditure in intangible fixed assets	780	960	1,991	1,673	2,633	2,951
Depreciation of property, plant and equipment	776	547	2,283	1,447	3,174	4,010
Amortisation of intangible fixed assets	996	492	2,715	1,474	1,964	3,205
Number of employees (average)	144	115	138	110	119	136
Revenue per employee	1.8	1.9	1.8	2.0	1.9	1.8
Basic earnings per share, SEK	0.76	0.80	2.31	2.48	3.21	3.03
Earnings per share, diluted, SEK	0.70	0.74	2.10	2.31	3.00	2.80
Basic operative cash flow per share, SEK	0.96	0.77	2.13	0.98	2.79	3.88
Operative cash flow per share, diluted, SEK	0.89	0.72	1.97	0.91	2.59	3.60
Basic number of shares ,average, thousands	10,570	10,220	10,350	10,220	10,220	10,320
Number of shares, diluted ,average, thousands	11,397	10,977	11,397	10,977	11,020	11,397

CONSOLIDATED BALANCE SHEET
(SEK 000s)
ASSETS

	30 Sep 2007	30 Sep 2006	31 Dec 2006
Goodwill	236,071	236,071	236,071
Other intangible assets	13,799	14,050	14,522
Property, plant and equipment	9,345	4,748	10,059
Deferred income tax assets	1,155	1,155	1,155

Total fixed assets	260,370	256,024	261,807
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Inventories	20,015	13,360	17,249
Trade and other receivables	37,596	27,144	25,057
Other current receivables	6,470	5,976	7,528
Cash and cash equivalents	26,063	34,086	17,326

Total current assets	90,144	80,566	67,160
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TOTAL ASSETS	350,514	336,590	328,967
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EQUITY AND LIABILITIES

Equity	175,670	143,543	151,864
Minority interest in equity	2,080	1,320	1,294

Total equity	177,750	144,862	153,158
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Liabilities

Non-current liabilities	128,371	161,909	138,173
Deferred income tax liabilities	3,209	2,995	3,329

Total non-current liabilities	131,580	164,904	141,502
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Trade payables	20,515	15,034	20,707
Other current liabilities	20,669	11,790	13,599

Total current liabilities	41,184	26,824	34,306
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TOTAL EQUITY AND LIABILITIES	350,514	336,590	328,967
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CONSOLIDATED CASH FLOW STATEMENT
(SEK 000s)

	Q3 2007	Q3 2006	Q1 – Q3 2007	Q1 – Q3 2006	Full year 2006
Cash flows from operating activities before changes in working capital	10,703	10,081	30,151	21,345	36,508
Cash flows from changes in working capital	-400	-2,221	-7,462	-11,352	-7,987
Cash flows from operating activities	10,303	7,860	22,689	9,993	28,520
Cash flows from investing activities	-924	-1,831	-3,696	-3,076	-36,949
Cash flows from financing activities	-4,611	-1,789	-10,266	-12,432	-13,847
Cash flows for the period	4,767	4,202	8,737	-5,515	-22,276
Cash and cash equivalents and short-term investments at beginning of period	21,296	29,847	17,326	39,602	39,602
Cash and cash equivalents at end of period	26,063	34,086	26,063	34,086	17,326

Quarterly data

Quarterly data (SEK 000s)	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue per region	2007	2007	2007	2006	2006	2006	2006
EMEA	42,618	43,681	39,418	36,265	33,844	31,319	34,743
Americas	13,018	12,379	13,789	11,608	12,223	11,290	11,728
Asia	12,171	11,490	14,617	12,679	10,407	11,548	9,785
Income statement							
Revenue	67,807	67,550	67,824	60,552	56,474	54,157	56,256
Gross profit	38,461	35,313	32,630	29,634	29,179	26,673	30,358
Gross margin	56.7%	52.3%	48.1%	48.9%	51.7%	49.3%	54.0%
Operating profit	13,750	13,385	13,549	11,021	14,135	10,322	16,259
Operating margin	20.3%	19.8%	20.0%	18.2%	25.0%	19.1%	28.9%
Profit before tax	11,830	11,935	11,821	9,497	12,341	8,751	15,042

Parent Company

PARENT COMPANY INCOME STATEMENT (SEK 000s)	Q3 2007	Q2 2006	Q1-Q3 2007	Q1-Q3 2006	Full year 2006	Q4 06- Q3 07 12 months
Revenue	100		100			100
Cost of sales and services						
GROSS PROFIT	100	0	100	0	0	100
Administrative expenses	-923	-4	-1,898	23	-315	-2,235
Other costs - net	-3,900		-5,800			-5,800
OPERATING PROFIT	-4,723	-4	-7,598	23	-315	-7,935
Finance costs	-1,454	-1,777	-4,617	-4,683	-6,400	-6,394
Profit before income tax	-6,177	-1,781	-12,215	-4,600	-6,715	-14,329
Tax	0	0	0	0	1,880	1,880
PROFIT FOR THE PERIOD	-6,177	-1,781	-12,215	-4,600	-4,835	-12,449

PARENT COMPANY BALANCE SHEET (SEK 000s)	30 Sep 2007	30 Sep 2006	31 Dec 2006
ASSETS			
Financial fixed assets	289,113	289,113	289,113
Deferred income tax assets			
Accumulated financial fixed assets	289,113	289,113	289,113
Other receivables	375		15
Cash and cash equivalents	86	14	582
Total current assets	460	14	597
TOTAL ASSETS	289,574	289,127	289,710
EQUITY AND LIABILITIES			
Equity	102,527	109,585	114,824
Liabilities			
Non-current liabilities	124,175	161,606	132,894
Trade payables		1	75
Liabilities to Group companies	58,136	17,900	41,605
Other current liabilities	4,735	36	312
Total current liabilities	62,871	17,936	41,992
TOTAL EQUITY AND LIABILITIES	289,574	289,127	289,710