HMS Networks

Annual Report 2023

Hardware Meets Software™

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This is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish original, the latter shall prevail.

HMS — Hardware Meets Software™

HMS stands for Hardware Meets Software. We create products that enable industrial hardware to communicate and share information with software and systems. This increases productivity and sustainability for our customers.

10 quick facts about HMS

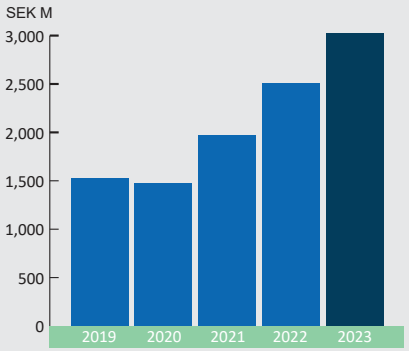
Founded in	1988
Sector	Industrial ICT (Information & Communication Technology)
Offices in	18 countries
Employees	+800
Major markets	Germany, US, Japan
Head office	Halmstad, Sweden
CEO	Staffan Dahlström
2023 sales	SEK 3,025 million
2023 operating profit	SEK 753 miliion
Product brands	Anybus, Ewon, Intesis, Ixxat, Owasys

2023 in brief

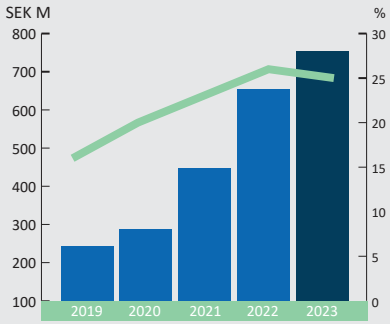
In 2023, HMS' sales amounted to SEK 3,025 (2,506) million, and operating profit amounted to SEK 753 (653) million. The average number of employees during the year was 821 (726).

FINANCIAL INFORMATION MSEK	2023	2022	2021	2020	2019
Incoming orders	2,303	3,064	2,538	1,447	1,470
Net sales	3,025	2,506	1,972	1,467	1,519
Growth in net sales, %	21	27	34	-3	11
Operating profit	753	653	446	288	243
Operating margin, %	25	26	23	20	16
Profit for the year	571	508	362	220	205
Net profit margin, %	18.9	20.2	18.4	15.0	13.5
Earnings per share before dilution, SEK	12.23	10.89	7.61	4.79	4.43
Earnings per share after dilution, SEK	12.19	10.31	7.57	4.77	4.40
Cash flow from operating activities	519	431	508	370	254
Average number of employees during the year	821	726	684	614	617

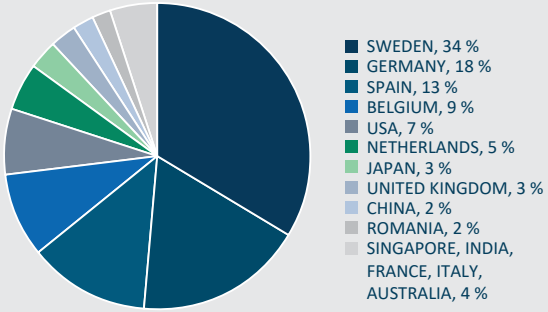
NET SALES



OPERATING PROFIT & OPERATING MARGIN



EMPLOYEES/COUNTRY



April: New solutions for industrial communication and IIoT
Anybus Diagnostics (formerly Procentec) improves safety and uptime in industrial applications. Ewon i4connected (formerly WEBfactory) visualizes machine data online.

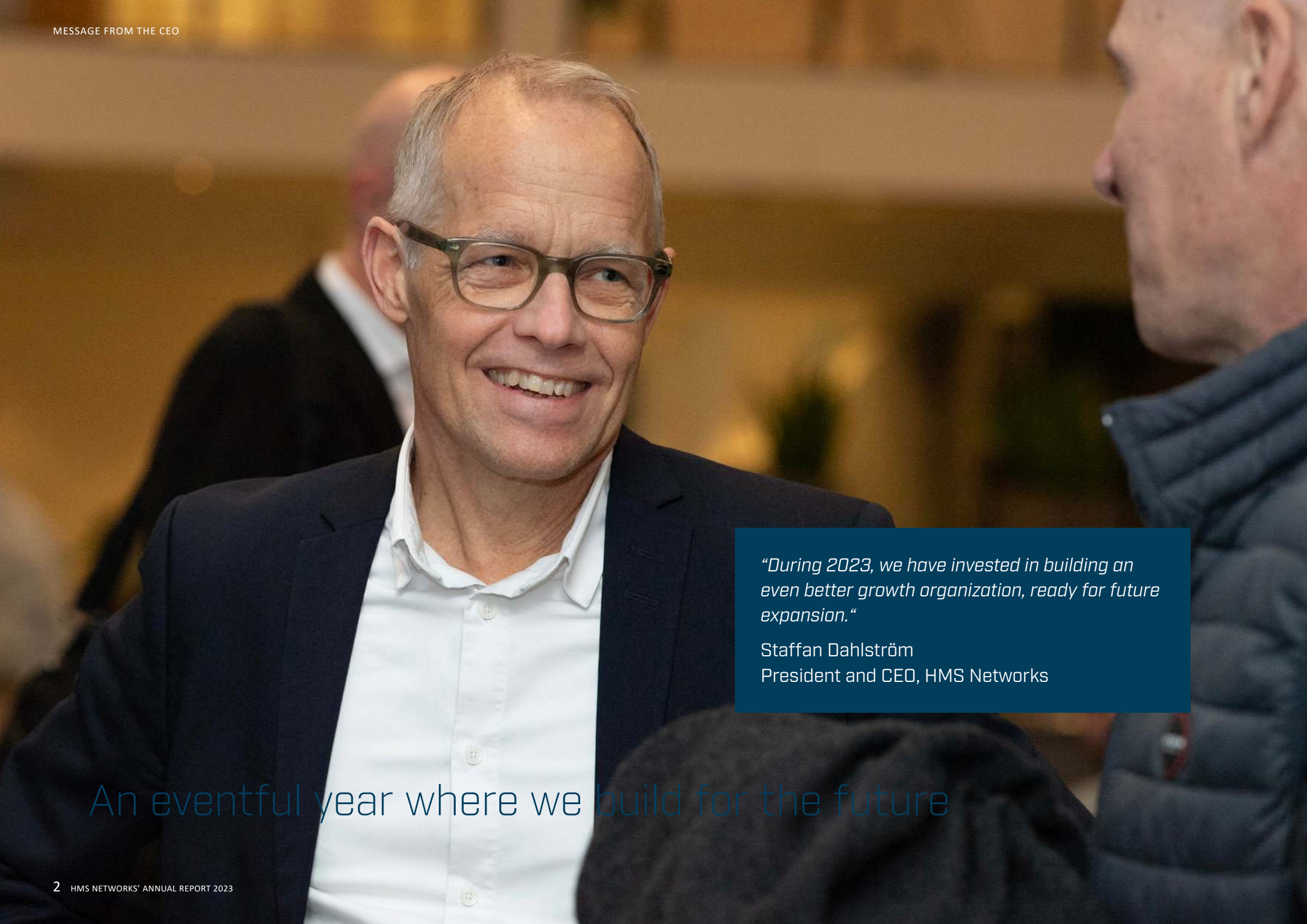
May: Top 10 workplaces for young people
HMS is named by students as one of Sweden's 10 most attractive employers, according to Karriärföretagen.

June: HMS opens a new office in Ho Chi Minh City, Vietnam
An initiative aimed at further expanding the growing market in Asia.

September: New strategic goals at HMS' Capital Markets Day.
Under the categories Planet, People and Growth, goals are presented for sustainability, employees and customers, as well as growth and profitability.

November: Chair of the year
Charlotte Brogren receives "Guldklubban" (Chair of the Year in Sweden) from Prince Daniel of Sweden.

December: HMS acquires Red Lion
HMS enters into an agreement to acquire Red Lion Controls, a well-established US industrial automation company.



"During 2023, we have invested in building an even better growth organization, ready for future expansion."

Staffan Dahlström
President and CEO, HMS Networks

An eventful year where we build for the future

2023 has been an eventful year, partly because of changes in our customers' purchasing behavior in the aftermath of a normalized supply of semiconductors, and partly because we have made internal changes to build a platform for future expansion. In December, we also announced the transformative purchase of the American company Red Lion Control, which increases our size by more than 40 percent.

Financially, the year has been strong, partly driven by a large, accumulated order book from previous years, improved gross margin and a significantly better delivery capacity compared to the challenging component situation of recent years. Our turnover reaches the record level 3,205 MSEK, a growth of 21 percent compared to the previous year. 15 percent of this is organic growth. This has also boosted our profitability and this year's operating profit of 753 MSEK gives a profit per share of SEK 12.23, an increase of 12.3 percent from 2022.

Coinciding with these record numbers, we see that our customers and distributors have quickly gone from large safety stocks to reducing their capital commitment and holding off on new orders until their stocks are at low levels. This, together with an improved lead time from HMS means that we see a contraction in our order intake at the end of the year. Not completely unexpected, but we are surprised at how quickly our customers have changed orders placing.

NEW INNOVATIONS FOR THE FUTURE

We have continued with product development and innovation within our four brands with several new product releases in 2023. We are also working intensively on a new product platform that will improve our technical solutions and reduce development time. The first product on this platform to be launched in 2024 is a completely new generation of Ewon remote access products. We have also continued to work with our new 5G products and after the initial hype, we now see several new industrial applications where 5G solves real and challenging problems for our customers. It is still early days for 5G in industrial automation, but we are still happy about these applications, which testify that we are on the right track.

BUILDING FOR THE FUTURE

We have continued to expand our sales and marketing organization and during the year have established our own operations in Vietnam, an area we believe will become increasingly important to our customers in the coming years.

In 2023, we invested in building an even better growth organization, in order to be ready for future expansion. We have expanded the group management with new functions for HR, Operations and our two largest Business Units, which now have representatives in the group management. We have rolled out a completely new business system, strengthened IT, started using AI tools to increase internal efficiency and we have worked on developing our leaders. This has resulted in record levels when we measure NPS (Net Promoter Score) among our employees every four months – one of our strategic goals for 2025.

When it comes to sustainability, we have switched up our internal work to become more systematic and we have decided to apply to join the Science Based Targets initiative (SBTi) in 2024 with the ambition of ensuring that our sustainability work is in line with the Paris Agreement. Like many other companies, we have also started working with CSRD (Corporate Sustainability Reporting Directive), which should be ready in 2024.

After a few years where we have made no major acquisitions, we were able to announce in December that we are buying the American group Red Lion Controls Inc. from British Spectris. Red Lion gives us good market access to the important North American market, a complementary product offering and own production capacity in the USA. The deal is expected to close in the first half of 2024.

TRENDS THAT DRIVE OUR BUSINESS

We see that the trends that created underlying growth in recent years continue in the near future. Our customers are digitizing their processes and investing in increased automation. There will continue to be further investments in energy efficiency, operational reliability and remote monitoring of industrial machines. We see that switching from fossil fuels to renewable energy and increased electrification creates new growth opportunities as these new areas require communication, data and information from industrial machines. We believe that our market will be interesting in the long term going forward.

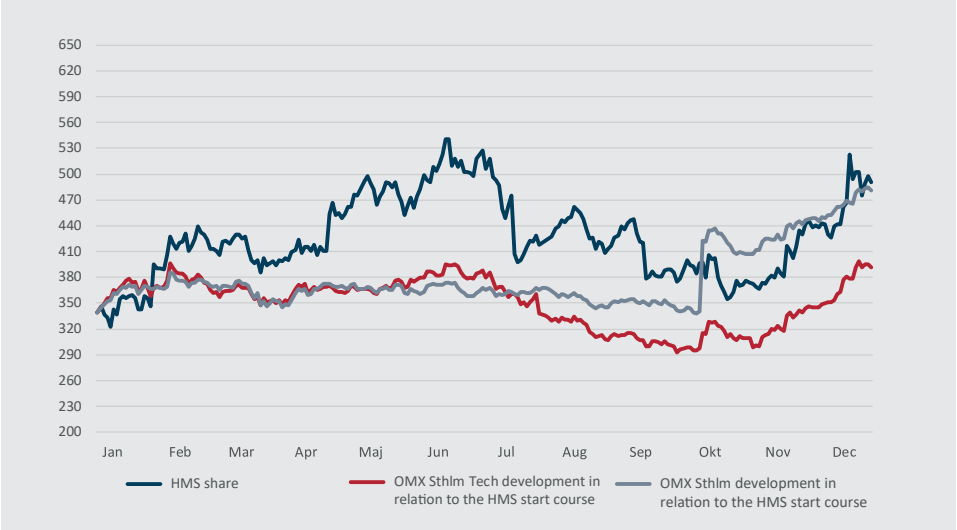
In conclusion, together with the company's management, I would like to extend a big thank you to all employees, customers, partners, suppliers and shareholders for a successful year for HMS. We look forward with confidence to the coming years and a continued growth journey together.

Staffan Dahlström
President and CEO

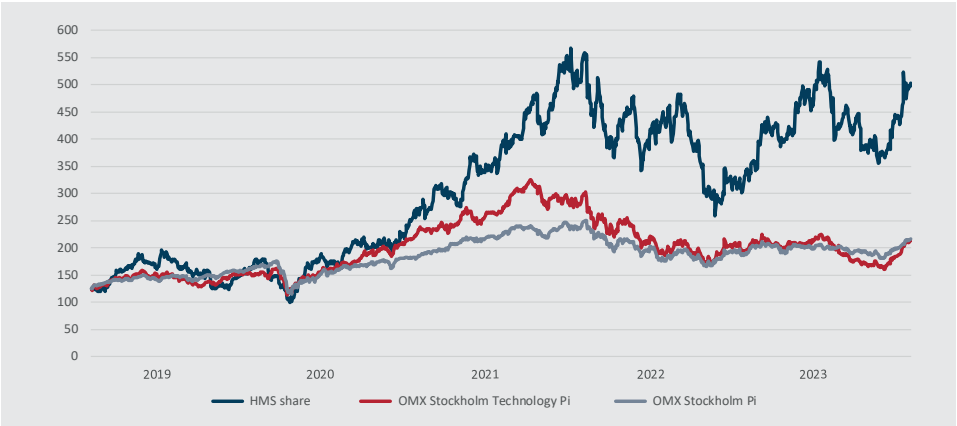
The HMS Networks share

HMS is listed on NASDAQ OMX Stockholm in the Large Cap[1] segment and the Information Technology sector. The share's ISIN code is SE0009997018. The share is traded under the ticker HMS. A trading item comprises one (1) share.

HMS SHARE PERFORMANCE IN 2023 (SEK)



HMS SHARE PERFORMANCE IN 2019-2023 (SEK)



[1]HMS Networks AB was promoted to Nasdaq's Large Cap list as of 3 January 2022.

NUMBER OF SHARES AND SHARE CAPITAL

The number of shares in HMS amounts to 46,818,868. The share capital amounts to SEK 1,170,472. All shares have the same voting rights.

PRICE TREND

During 2023, the price of HMS' share increased by 46 percent to SEK 497 (340) per share. The Nasdaq OMX Information Technology Index increased by 11 percent during the same period, and in total the Nasdaq OMX Stockholm Index rose by 16 percent. During the year, the price of HMS' share peaked at SEK 555 as of December 12, while the lowest price paid was SEK 322 on January 5. At the end of 2023, HMS' market capitalization amounted to SEK 23,288 million (15,900).

TRADING VOLUME

During the year, 12.9 million shares were traded at a value of SEK 5,542 million (4,959), corresponding to an annual turnover rate of 28 percent (27). On average, 51,663 (50,715) shares were traded at a value of SEK 22,082 thousand (19,602) per trading day.

DIVIDEND POLICY

HMS' policy is to pay an annual dividend in the range of 30–50 percent of earnings per share. The dividend proposal is based on the company's earnings level, financial position and future growth opportunities. For 2023, the Board of Directors is proposing a dividend of SEK 4.40 (4.00) per share, corresponding to approximately 36 percent of earnings per share. Over the past five years, the average return for HMS' share has amounted to 0.8 percent per year.

SHAREHOLDERS AND OWNERSHIP STRUCTURE

The number of shareholders in HMS Networks AB (publ.) amounted to 8,341 (7,767) as of December 31, 2023. The ten largest shareholders accounted for 72.0 percent (71.3) of the votes and capital.

ONGOING ANALYSES

The following analysts monitor HMS on an ongoing basis:
Viktor Högberg, Danske Bank
Joachim Gunell, DNB
Gustav Berneblad, Nordea
Simon Granath, ABG Sundal Collier

SHAREHOLDERS BASED ON HOLDINGS AS OF 31 DECEMBER 2023

Shareholding	Number of shareholders
1–500	7,131
501–1,000	492
1,001–5,000	469
5,001–10,000	99
10,001–15,000	32
15,001–20,000	20
20,001–	98
Total	8,341

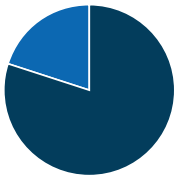
SHARE CAPITAL DEVELOPMENT

Year	Transaction	Change in number of shares	Total number of shares	Change in share capital SEK	Total share capital SEK
2004	Company formation	100,000	100,000	100,000	100,000
2004	New share issue	900,000	1,000,000	900,000	1,000,000
2005	New share issue	22,100	1,022,100	22,100	1,022,100
2006	New share issue	1,900	1,024,000	1,900	1,024,000
2007	Warrants	33,165	1,057,165	33,165	1,057,165
2007	Split 10:1	9,514,485	10,571,650	0	1,057,165
2009	Warrants	581,250	11,152,900	58,125	1,115,290
2012	Warrants	169,500	11,322,400	16,950	1,132,240
2016	Issue in kind	382,317	11,704,717	38,232	1,170,472
2017	Split 4:1	35,114,151	46,818,868	0	1,170,472

KEY PERFORMANCE INDICATORS	2023	2022	2021	2020	2019
Share price (last day of trading)	497	340	558	260	173
Volume-weighted average price	427	387	402	174	151
Average turnover per day, MSEK	22.1	19.6	17.7	9.8	6.2
Average number of shares traded per day	51,663	50,715	43,953	56,603	41,061
Number of shares (thousands)	46,819	46,819	46,819	46,819	46,819
Earnings per share before dilution, SEK	12.23	10.89	7.61	4.79	4.43
Earnings per share after dilution, SEK[1]	12.19	10.85	7.57	4.77	4.40
Market capitalisation, MSEK	23,288	15,900	26,125	12,173	8,090
Corporate value, EV (market capitalisation + net debt), MSEK	23,577	16,200	26,472	12,371	8,492
P/E ratio	40.7	31.2	73.3	54.3	39.0
Net debt/EBITDA	0.33	0.4	0.6	0.5	1.2
EV/EBITDA	26.9	21.5	48.3	30.8	25.5
EV/Net sales	7.8	6.5	13.4	8.4	5.6

[1]Dilution due to future allocation of shares in HMS' share savings programme.

OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2023



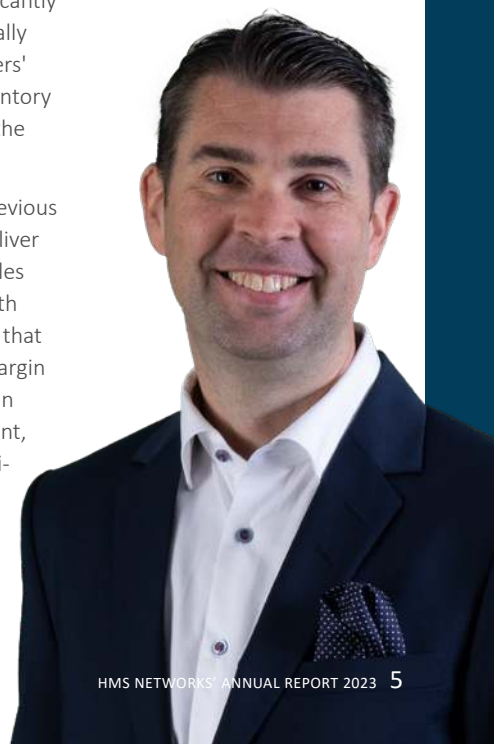
HMS' TEN LARGEST SHAREHOLDERS, 31 DECEMBER 2023	NUMBER OF SHARES	SHARE OF VOTES AND CAPITAL
Investment AB Latour	12,109,288	25.9%
Staffan Dahlström and companies	6,101,252	13.0%
AMF Fonder	4,057,901	8.7%
Första AP-fonden	2,815,000	6.0%
SEB	2,682,804	5.7%
State Street Bank & Trust	1,783,054	3.8%
Cliens Fonder	1,253,578	2.7%
JP Morgan Chase Bank	1,160,641	2.5%
Lannebo Fonder	1,084,297	2.2%
Spiltan Fonder	697,219	1.5%
Others	13,073,834	27.9%
Total	46,818,868	100%

The CFO on 2023:

In 2023, market conditions changed as the availability of semiconductors improved significantly and the entire industry's lead times gradually became shorter. This affected our customers' order placement and management of inventory levels, resulting in a lower order intake in the second half of 2023.

Following the build-up of order book in previous years, we have been well-positioned to deliver good sales levels and we have achieved sales in excess of SEK 3 billion and organic growth of 15 percent. We are particularly pleased that we have managed to improve our gross margin to 65 percent and can once again deliver an adjusted operating margin above 25 percent, which is just above our long-term profitability targets.

Joakim Nideborn
Chief Financial Officer



Continued successful work with AI

Machines produce a lot of data. HMS makes this data available.

HMS Labs, which is HMS' hub for new technologies and ideas, has already presented several new AI concepts. For example, they have developed ways in which AI can recognize error signals from machines, as well as a way of detecting whether a person is wearing the right protective clothing before entering a particular area.

Above all, HMS' products act as an enabler for AI. Machines produce an enormous amount of data on uptime, status, fuel levels, energy consumption, etc. However, this information is not available to overlying systems and often gets stuck on the factory floor.

With the aid of HMS' communication products, this data can be made available to IT systems and to various AI applications, making it possible to make calculations based on machine data. Consequently, HMS' products act as an enabler of AI in many ways.

As a tech company, HMS is a frequent user of AI in development, production, sales and marketing. We see AI fundamentally changing manufacturing and automation as machines and systems can understand and adapt to things like energy prices, operational data and customer behaviors.

Jörgen Palmhager
Chief Technical Officer

Trends driving HMS business

Deglobalization

An increasing number of manufacturing companies are moving their manufacturing operations home, an approach known as nearshoring, in order to shorten supply chains and streamline their production processes. This means investments in more efficient communication between machines and systems.

Data analysis

Access to data from machines and industrial systems is a prerequisite for being able to optimize and improve processes. HMS' products are often used to extract valuable operating data from machines for the purpose of analysis and decision-making.

Sustainability

HMS is contributing to sustainability by supplying products that optimize energy usage at customers and reduce service trips.

Network security

Connected machines go hand in hand with high demands for security. Attacks by hackers are becoming increasingly common, and our customers are therefore very careful to only select established, reliable and knowledgeable communication partners such as HMS.

Energy efficiency

Connecting industrial and building equipment to IT systems is opening up new opportunities for energy savings.

Operational reliability

Production downtime is extremely expensive and must be avoided at all costs. Using network diagnostics, it is possible to predict faults before they occur and to minimize downtime.

HMS makes products for Industrial ICT (Information- and Communication Technology)

HMS products make it possible for industrial machines to communicate with software and systems – Hardware Meets Software™. Our customers are mainly found within industrial automation and building automation. Industrial automation, which makes up the largest part of HMS' turnover, is divided into Control, i.e. the commands that are sent between control systems and machines, and Information, where information is exchanged with the machines.

Industrial automation

OBJECTIVES: REAL-TIME CONTROL, SMART MANUFACTURING, UPTIME, SUSTAINABILITY

OBJECTIVES: INSIGHT FOR BETTER DECISIONS, PRODUCTIVITY AND SUSTAINABILITY.

Building automation

OBJECTIVES: ENERGY EFFICIENCY, BUILDING SYSTEM CONTROL AND SUSTAINABLE BUILDINGS.

Our customers

Within both industrial automation and building automation, HMS adresses makers and users of industrial equipment.

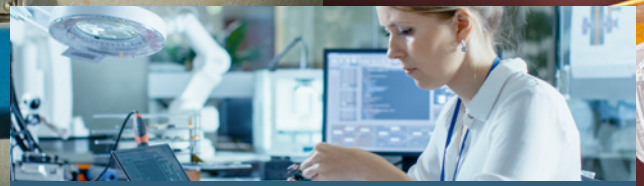
Makers include device manufacturers who make, for example, drives. Here, HMS technology is often integrated into the customer product — a so-called Design-Win where HMS is in direct contact with the customer.

Another type of maker is machine builders who use HMS products to solve different communication issues. Here, HMS is either in direct contact with the customer or via distribution.

Users include owners of factories or buildings. It can also be the system integrators installing a solution on site for an end user. This business is usually via distribution.

Examples of customer groups

Makers



Industrial devices

INDUSTRIAL AUTOMATION

Machines

INDUSTRIAL AUTOMATION

Air conditioning

BUILDING AUTOMATION

Users

Factory owners

INDUSTRIAL AUTOMATION

Building owners

BUILDING AUTOMATION

Control

Control refers to real-time communication between devices, machines and systems in industrial automation. HMS' products connect different communication technologies - wired or wireless. This is HMS' core market, and most of our revenue comes from this area.

Bartek S Candell
Senior Vice President Control Centric

HMS position

Global leader in network connectivity and network diagnostics.

70%
of HMS revenue

7-9%
Market growth

HMS brands:

Anybus | Ixxat

DRIVERS

DEGLOBALIZATION

DATA ANALYSIS

SUSTAINABILITY

NETWORK SECURITY

RELIABILITY

Customer example

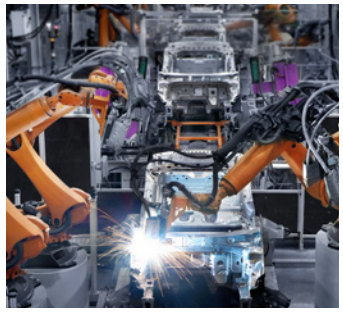
Automated Guided Vehicle wireless evolution

When Mercedes-Benz wanted to improve their wireless installation in their state-of-the-art automotive factory, they called HMS. HMS provided the wireless expertise, products, and hands-on support, enabling the AGVs to move efficiently and safely around the factory, and allowing Mercedes-Benz to focus on what they do best: manufacturing some of the world's best cars.

HMS' contribution to Agenda 2030 - Goal 9

Through automation and control, HMS products enable efficient industrial automation systems, and this contributes to reduced resource and energy consumption.

HMS provides:



Multi-network connectivity for automation products

Anybus products are often integrated into the customer's machine, enabling it to communicate on any industrial network. As there are a many different industrial networks depending on market or geographical location, this opens up new markets for manufacturers of industrial devices.

Network-to-network integration in factories

Anybus gateways enable communication between different networks and machines on the factory floor, and are often used for retro-fitting - ie connecting older parts of a factory to newer.

Connectivity for CAN & embedded control

CAN is a widely used communication protocol used in the automotive industry and many other fields. Ixxat products from HMS are the industry standard for this type of communication. This area also includes connectivity to safety systems used for ensuring safe operation where machines and humans meet.

Network diagnostics in Factory Automation

Factory downtime is expensive. Anybus diagnostics solutions enable factories to monitor and diagnose their business critical industrial networks and ensure maximum uptime.

Wireless connectivity in Industrial Automation

Although physical wires are still the standard for industrial networking, more and more industrial machines are connected via Bluetooth, WiFi or cellular technology such as 5G. Anybus wireless solutions are especially suitable for connecting mobile robots and other moving equipment.

Anybus® BY HMS NETWORKS

Anybus® BY HMS NETWORKS

Ixxat® BY HMS NETWORKS

Anybus® BY HMS NETWORKS

Anybus® BY HMS NETWORKS

Industrial automation

Information

Within information-centric applications, data from industrial equipment and processes is provided to IT systems in a secure manner. Customers can collect, process, and visualize data from sensors and machines, enabling them to benefit from improved insights and simpler decision-making. Data can be provided remotely via the internet, as well as via internal systems on site. HMS is a market leader in remote access and data connectivity for machines.

Alexander Hess
Senior Vice President Information Centric

HMS position

Global leader in remote access for industrial machines.

23%
of HMS revenue

14-17%
Market growth

HMS brands:

Ewon | Owasys

DRIVERS

DEGLOBALIZATION

DATA ANALYSIS

SUSTAINABILITY

RELIABILITY

Customer example

Power Networks Services from the UK has been commissioned to install remote monitoring of a large British water treatment plant. The customer needed access to operational data in order to streamline the process.

"With the aid of Ewon Cosy, we are able to connect securely from the office to the meters at the water treatment plant. We can view the records from the power meter, review the events list, and see if there are any disruptions."

Rinu Ravikumar - Senior Design Engineer, UK Power Networks

HMS' contribution to Agenda 2030 - Goal 7 and Goal 12

With improved transparency of industrial equipment, HMS' solutions are helping to speed up the global move towards to more efficient energy resource management.

HMS provides:

Remote access and data for PLC-based machines

Ewon remote solutions from HMS was “Internet of Things” before the term even existed. Ewon gateways connect to PLC-based machines to provide remote access for troubleshooting and maintenance purposes and also provide data and information from the machine. All is done in an industrially certified and secure way.

Ewon® BY HMS NETWORKS

Remote connectivity for mobile machines

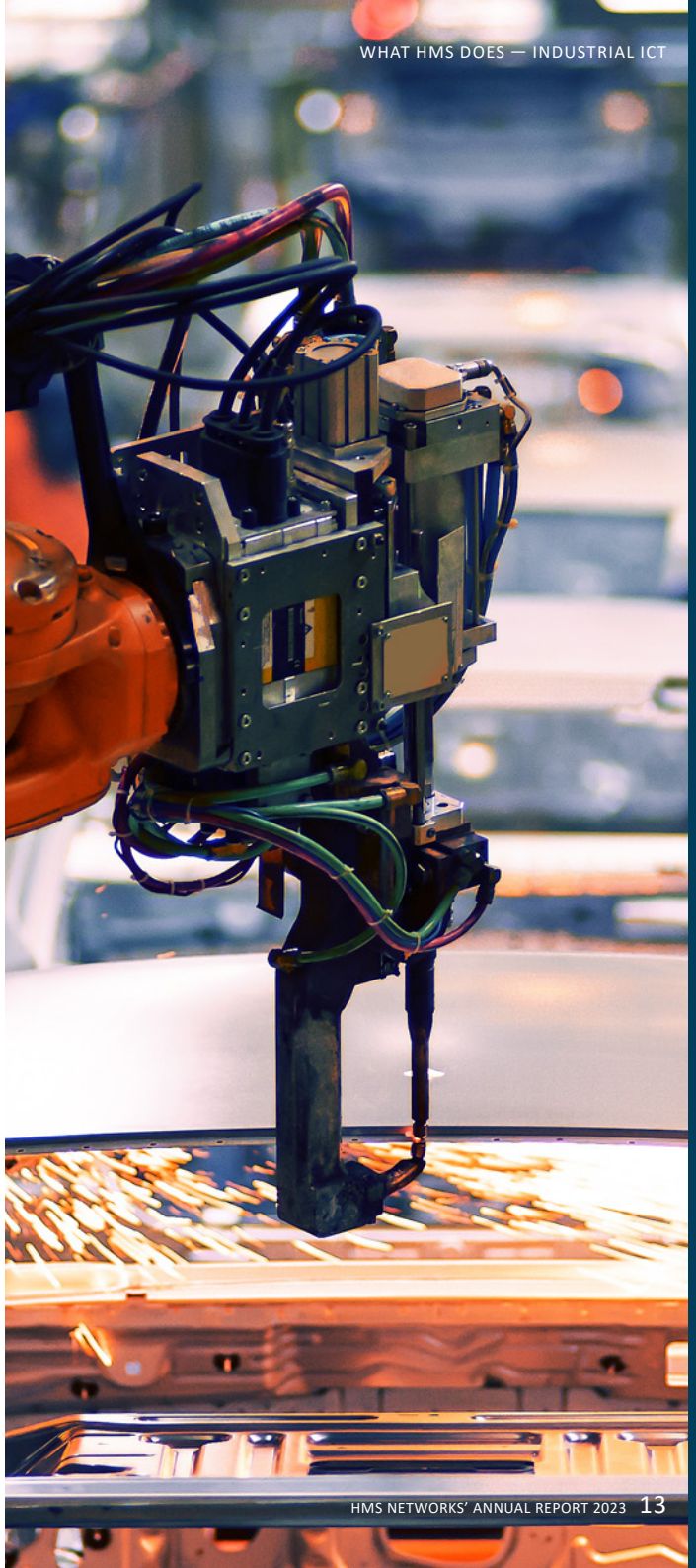
Owasys provides rugged and customizable communication solutions for heavy-duty machinery in demanding moving applications such as mines and quarries.

owasys® Member of the HMS group

Monitoring of equipment in industrial automation

How can you make sure that remote machinery is operational without expensive service trips? With a Netbiter gateway and the Argos cloud service, you can track performance, get alarms if something is wrong, and even program your equipment from anywhere..

Ewon® BY HMS NETWORKS



Building Automation

Modern buildings contain highly advanced networks with thousands of devices and machines that need to communicate. Intesis' products focus specifically on this, offering communication solutions that are designed for buildings, such as air conditioning, lighting, fire systems, meters, etc. Building automation is a rapidly growing market, where HMS enjoys excellent growth opportunities for the future.

David Garcés
General Manager Business Unit Intesis

HMS position

Global leader in communication solutions for HVAC equipment.

7% of HMS revenue

8-10% Market growth

HMS brands:

Intesis

DRIVERS

ENERGY EFFICIENCY

DATA ANALYSIS

SUSTAINABILITY

RELIABILITY

Customer example

The hotel chain Roomers uses Intesis AC interfaces to enable communication between Hitachi air conditioners and the hotel's building automation network.

"The fact that Intesis AC interfaces are approved by Hitachi was an important quality consideration."

Lior Golani, CEO of system integrator Consyst

HMS' contribution to Agenda 2030 - Goal 11

Building automation and reduced energy consumption from buildings are helping to reduce the environmental impact of cities as well as enabling sustainable society development.

HMS provides:

Multi-network connectivity for HVAC equipment

Buildings are accountable for more than 40 percent of the world´s energy consumption and Heating, Ventilation & Air Conditioning (HVAC) accounts for a large part of that. Intesis solutions from HMS enable HVAC equipment to communicate, which means that major savings are available for building owners and HVAC manufacturers.

Protocol conversion in Building Automation

Smart buildings require a lot of communication between, lighting, heating, water systems and the building management system (BMS). Intesis gateways make this communication happen.

Intesis® BY HMS NETWORKS

HMS acquires Red Lion

HMS Networks AB (publ) ("HMS") has entered into a binding agreement with Spectris Group Holdings Limited to acquire the Red Lion Controls business, a well-established US-based provider of industrial automation solutions, through the acquisition of 100 percent of the shares in Red Lion Controls Inc. and Red Lion Europe GmbH as well as certain assets in other jurisdictions ("Red Lion"), significantly expanding HMS' presence in the North American market and complementing HMS' offering.

Summary of the acquisition

- HMS has entered into a binding agreement to acquire Red Lion for a cash consideration of USD 345 million (approximately SEK 3,600 million), on a cash and debt free basis (Enterprise Value).
- The acquisition is expected to be accretive to HMS' earnings per share from completion of the acquisition (excluding any non-cash amortization impacts from the transaction).
- The combination of HMS and Red Lion had annual sales exceeding SEK 4.4 billion, during the twelve-month period ending on September 30, 2023, with an adjusted EBIT margin of approximately 24 percent.
- The acquisition is expected to close during the first half of 2024, subject to customary regulatory approvals and closing conditions.

Marcel van Helten, CEO Red Lion Controls, and Staffan Dahlström, CEO HMS Networks, after signing the agreement in December 2023.

Red Lion at a glance

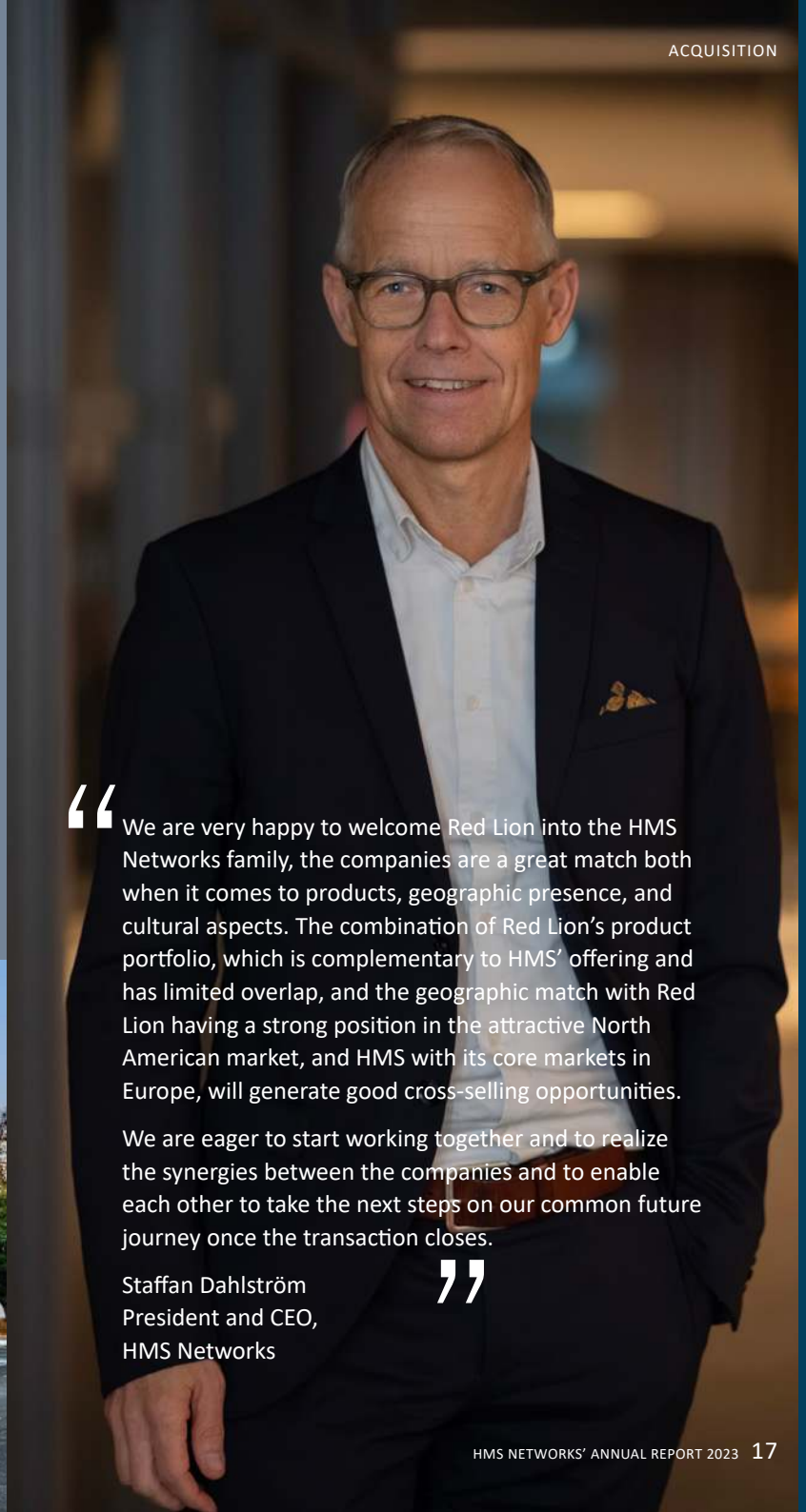
Red Lion, headquartered in York, Pennsylvania, United States, is a well-established industrial data business with a 50 year plus history, empowering industrial organizations around the world to unlock the value of data by developing and manufacturing innovative and scalable products and solutions supporting their customers to gain real-time data and visibility to drive productivity. Red Lion's main customers are active in factory automation, alternative energy, oil and gas, power and utilities, transportation and water and wastewater segments.

The Red Lion offering is centered around three core product lines:

- Access products allow industrial end customers to get the most value out of their remote assets by offering enhanced cloud connectivity, edge intelligence, and remote device management. This product line includes Industrial Gateways, Protocol Converters, Routers and Access Points.
- Connect products protect and streamline communication between plant operators and their assets in a secure, reliable, and easy way to maximize operating performance and system uptime with Industrial Layer 1 and 2 Ethernet Switches representing the main parts of this product line.
- Visualize products allow plant operators to acquire, manage, and interact with their data to further optimize performance in challenging and harsh environments with Human Machine Interfaces (HMI) and Panel Meters constituting the main products.

Red Lion has four development sites, located in York, Pennsylvania (US), Mobile, Alabama (US), Dinkelsbühl, Germany and Pune, India, and manufacturing sites located in York and Dinkelsbühl. Red Lion employs about 400 people globally, of which about 300 employees in the United States.

Red Lion's office in York, Pennsylvania.

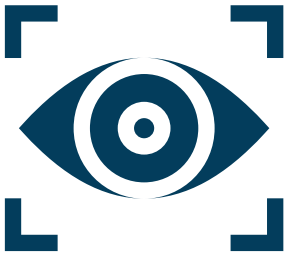


"We are very happy to welcome Red Lion into the HMS Networks family, the companies are a great match both when it comes to products, geographic presence, and cultural aspects. The combination of Red Lion's product portfolio, which is complementary to HMS' offering and has limited overlap, and the geographic match with Red Lion having a strong position in the attractive North American market, and HMS with its core markets in Europe, will generate good cross-selling opportunities.

We are eager to start working together and to realize the synergies between the companies and to enable each other to take the next steps on our common future journey once the transaction closes."

Staffan Dahlström
President and CEO,
HMS Networks

HMS vision & mission



VISION

To become the World's greatest Industrial ICT company.

(ICT = Information & Communication Technology.)

We enable valuable data and insights from industrial equipment allowing our customers to increase productivity and sustainability.

MISSION

Focus areas & goals

HMS goals are divided into three focus areas: Planet, People & Growth.

Planet

Science based targets

The HMS Effect x3 by 2030

Net zero emissions according to the standards for the Science Based Targets initiative (SBTi), with the focus on meeting the goals of the Paris Agreement to limit global warming to 1.5°C. Our aim is to be an enabler of sustainable development by offering solutions to our customers that reduce their carbon footprint.

Planet

Sustainability agenda & commitments

Agenda 2030 and the ten principles of the UN Global Compact are fundamental to our sustainability agenda. HMS is striving to minimize the climate impact in our own operations and in our value chain, as well as to maximize our positive impact, by offering products and services that enable our customers to improve their energy efficiency and reduce their carbon dioxide emissions.

WE SUPPORT UN GLOBAL COMPACT

Climate goals according to Science Based Targets

HMS has made a commitment that confirms our intention to set a science-based target in line with the Paris Agreement, which aims to limit global warming to 1.5°C. Using a scientific approach, we can further develop our ambitious climate goals and accelerate our work in order to minimize our climate footprint.

What does the commitment entail?

- To develop science-based targets that include the elimination of emissions within our operations and value chain (scopes 1-3).
- Carbon offsetting can only be used for remaining emissions when the target has been achieved.

As part of our preparations for developing science-based targets, we have expanded our climate calculations in 2023 to include all relevant scope 3 categories, and continued work is in progress to validate methods. These preparatory activities have provided us with a more comprehensive understanding of the Group's climate impact and we are ready to take the next step.

Science based targets

UNITED NATIONS PARIS CLIMATE AGREEMENT

The HMS Effect x3 by 2030

The HMS effect

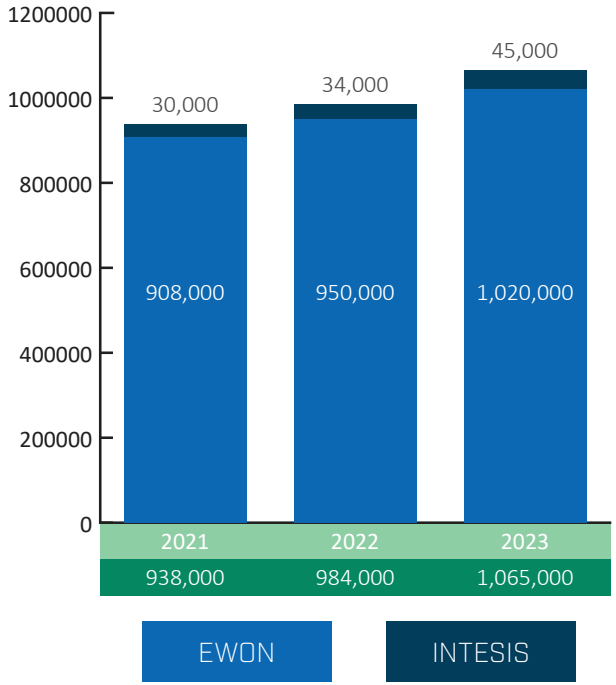
We are helping our customers to reduce their greenhouse gas emissions, with the aim of tripling the share of avoided emissions by 2030 (from 2021 baseline).

Our products and services enable effective control of industrial equipment and industrial processes, which contributes to reduced consumption of resources and energy on the part of our customers. With our innovative solutions, we are able to contribute to the UN's Sustainable Development Goals. Our main contribution to the SDGs is achieved through energy efficiency and resource management, which in turn contribute to a reduced climate footprint. The positive climate benefit of HMS' products is calculated annually for selected product groups that directly demonstrate resource and energy streamlining at HMS' customers. As in previous years, the main lesson is clear: With technology as the driving force and the intelligent use of information and data, HMS is generating a positive impact on the environment and the climate.

THE GLOBAL GOALS

The HMS effect in numbers

In 2023, the carbon dioxide emissions avoided by our customers were estimated at 1,065,000 tons.



Ewon Remote Access

By using Ewon solutions for remote access to industrial equipment, we are creating the opportunity for our customers to minimize emissions from service trips.*

Intesis AC-Gateways

By controlling AC units via Intesis AC gateways, we are creating the conditions for customers to minimize their energy consumption.**

Avoided emissions through the use of Ewon and Intesis products (tCO_2e). The method of calculation has been adjusted for Intesis, previous reporting was based on an accumulated method while the share from EWON refers to avoided emissions for the reporting year. The calculation method has now been harmonized and refers to avoided emissions for the reporting year, historical data for Intesis has been adjusted.

**How we have performed calculations: We calculate the emissions from the service trips that would have been necessary without the remote connection. Remote connections lasting longer than fifteen minutes are assumed to replace service trips. Flight distance is estimated on the basis of an average-haul flight.*

***Our customers' energy savings are based on data from customer reports. AC devices that are controlled by Intesis AC gateways are assumed to have the typical power consumption of an industry-standard AC unit.*

Sustainability at HMS 2023

In 2023, we have increased the ambitions of our sustainability work. Due to our decision to join the Science Based Target initiative, an inventory of our climate footprint and verification of calculations was carried out during the fall. We have also focused heavily on making preparations for the EU's Sustainability Reporting Directive, CSRD.

During the year, we have improved our processes for responsible purchasing and have integrated these into our daily work. The process is based on the OECD Due Diligence Guidance for Responsible Business Conduct. As part of this work, we have also introduced an internal forum for responsible purchasing work and conducted mandatory training regarding processes and working methods for all employees who are involved in purchasing work.

"Our commitment to the Paris agreement and the Science Based Target initiative (SBTi), together with the HMS effect, clearly underlines our commitment to supporting the net-zero targets consistent with limiting global temperature rise to 1.5°C."

Richard Skog
Chief Operating Officer

Key performance indicators and sustainability initiatives

27%
Share of electric cars

THROUGH COOPERATION WITH DHL AND UPS, INVESTMENTS WERE MADE IN VERIFIED CLIMATE PROJECTS, DURING 2023 885 tCO_2e WERE INVESTED IN CARBON OFFSETS.

77%
Electricity from renewable sources

FOR PURCHASE ORDERS BELOW €1,000, HMS MARKET UNIT CONTINENTAL EUROPE CHARGES A FEE WHICH IS DONATED TO SUSTAINABILITY INITIATIVES. IN 2023, THE INITIATIVE RAISED €44,000 WHICH WAS INVESTED IN LOCAL CARBON OFFSETS PROJECTS.

14% increase of HMS-effect since base year 2021

3
INSTALLED SOLAR CELL SYSTEMS. THERE ARE A TOTAL OF 5 SOLAR CELL SYSTEMS AT FACILITIES WHERE HMS OPERATES.

22%
SHARE OF FEMALE MANAGERS IN 2023. THE GOAL IS TO REACH 30% BY 2025.

77%
SHARE OF KEY SUPPLIERS EVALUATED ON THE BASIS OF SUSTAINABILITY ASPECTS.

GOLD 2023 ecovadis Sustainability Rating

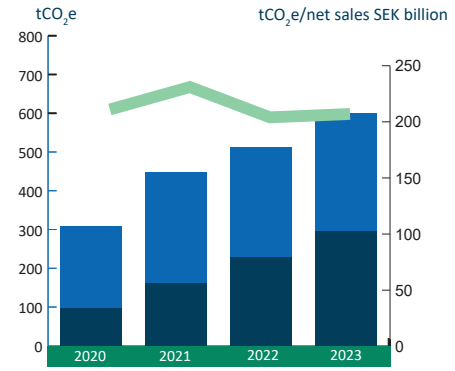
HMS IS PLACED IN THE TOP 5% OF THE COMPANIES ASSESSED BY ECOVADIS

HMS' carbon footprint 2023

	Scope 1	tCO_2e	Andel
	Company's facilities and vehicles	295	<1%
	Scope 2		
	Purchased electricity, heat and cooling	312	<1%
	Scope 3		
	Purchased goods and services	23,325	28%
	Capital goods	4,503	5.5%
	Fuel and energy-related activities	197	<1%
	Upstream transport and distribution	1,494	2%
	Waste generated in operations	<1	<1%
	Business travel	1,663	2%
	Employee commuting	553	1%
	Downstream transport and distribution	558	1%
	Use of sold products	50,000	60%
	End-of-life treatment of sold products	85	<1%

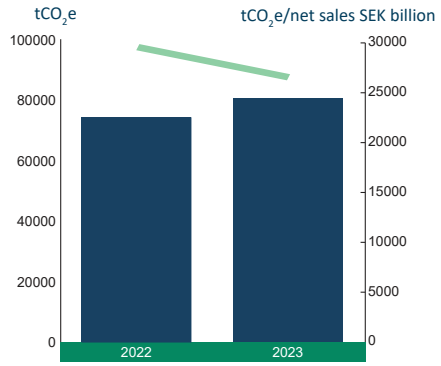
The data covers all production sites and sales offices globally. Reporting of Scope 3 emissions has been expanded to include the emission categories capital goods, employee commuting, use of sold products and end-of-life treatment of sold products. Remaining categories in scope 3 have been evaluated and are considered not applicable, this applies to upstream and downstream leased assets, processing of sold products, franchises and investments. Method and scope have been adjusted for emission categories purchased goods and services, extent has also been adjusted for the emission categories upstream and downstream transport and distribution. Read more about method on pages 109-111.

SCOPE 1 & 2



- Scope 1 (direct emissions)
- Scope 2 (indirect emissions)
- Emission intensity tCO_2e/net sales SEK billion

SCOPE 3

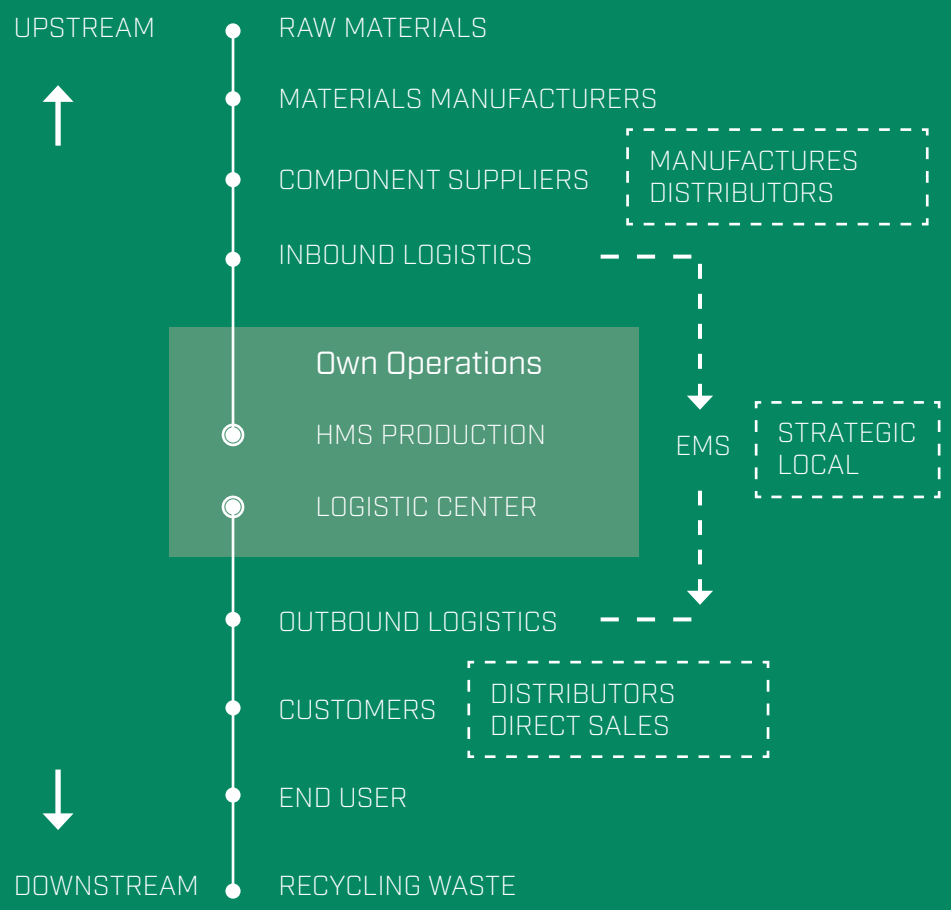


- Scope 3 (other indirect emissions)
- Emission intensity tCO_2e/net sales SEK billion

Measuring energy and emission intensity becomes a measure of the operations' relative climate impact. With ambitious growth targets, intensity becomes an important factor in monitoring the impact of activities aimed at streamlining operations and reducing greenhouse gas emissions. Read more on page 109-111.

Responsibility and impact in the value chain

A significant portion of HMS' actual and potential impact on the economy, the environment and people, including human rights, can be found in the value chain. The majority of our greenhouse gas emissions occur in our value chain. In 2023, the value chain's climate footprint (scope 3) accounted for 99 percent of HMS' total climate footprint. Close collaboration with suppliers is therefore a precondition for ensuring a responsible value chain and for achieving our sustainability goals.



Happy and high-performing employees generate loyal customers

We are convinced that high job satisfaction among employees results in better treatment and service for our customers. We prioritize four areas in which we invest in our staff and, by extension, our customers.

WELL-BEING

We encourage our employees to take part in physical exercise and support various health promotion initiatives. Many HMS offices offer voluntary health tests. We offer training and courses to ensure that the organization possesses the knowledge and skills required for the future.

CORPORATE CULTURE

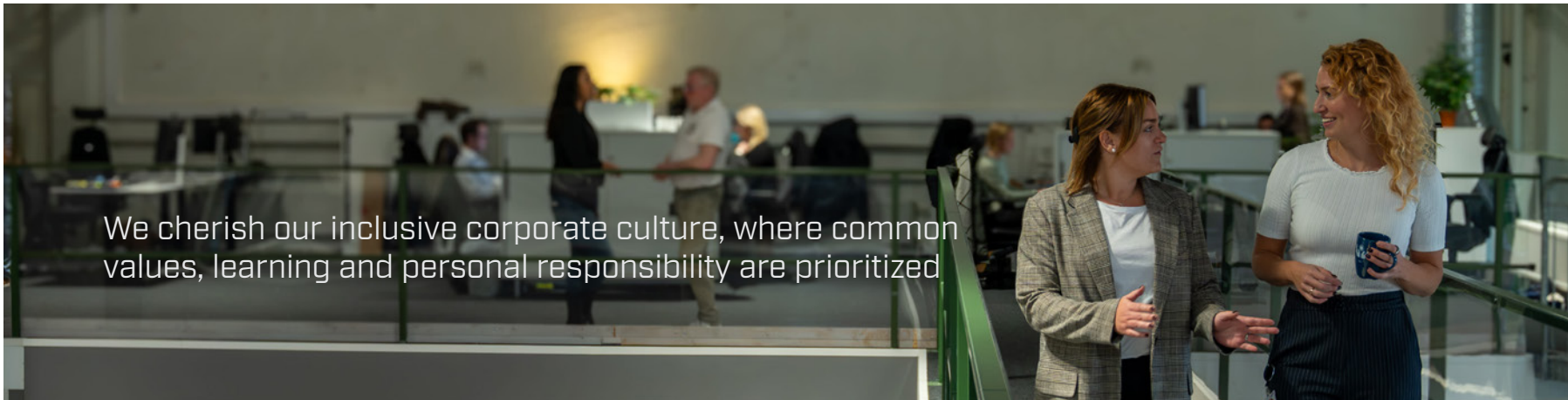
Our organizational structure, with Business Units and Market Units, ensures that the product development and sales teams do not become too large, thereby helping to maintain the entrepreneurial feel. Our inclusive culture, alongside good relations and cooperation, are important cornerstones of our corporate culture.

LEADERSHIP

With leadership programs and international collaboration at managerial level, we are constantly striving to develop our managers. External mentors, training, coaching sessions and employee surveys help to develop and challenge our managers to inspire our employees and lead the organisation forward.

DIVERSITY, EQUALITY & INCLUSION

With employees in 18 countries and around 30 nationalities, diversity is the norm at HMS. We operate in a traditionally male-dominated industry, and we are constantly monitoring the employee distribution between men and women. As we had achieved our goal of 20 percent female managers, we raised the target to 30 percent in order to work towards an even distribution among both managers and employees.



Employee Net Promoter Score (eNPS)

NPS measures the response to the question "How likely are you to recommend the company to a friend or colleague?" The results are ranked from -100 to 100. HMS' target is 50.

In 2023, HMS received a number of awards and certifications, confirming that our corporate culture is a winning concept.

2020	2021	2022	2023
23	29	43	50

HEART, MIND AND SOUL IN WHAT WE DO

HEART, MIND AND SOUL = HMS

Heart, Mind and Soul summarizes how we do things (it's also a pretty good abbreviation).

Heart means cooperation, commitment and taking responsibility for the things we do. **Mind** means that we are building for the future, focusing on sustainable growth and creating win-win situations for ourselves and our customers. **Soul** means that we dare, show drive and provide inspiration when it comes to our work. Heart, Mind and Soul has been launched within the framework of HMS' 2025 strategy and is a key starting point for ongoing activities with all our employees.

HEART

MIND

SOUL

Clear focus on satisfied customers

We have historically reported a high Customer NPS, achieving a highest score of 54 in 2019 and 2021. Factors such as the Covid pandemic and component shortages meant that we were unable to deliver in line with our customers' expectations, which has had a negative impact on the score. Our goal is to once again exceed 50 in cNPS, and thereafter to continue to achieve high scores.

Customer Net Promoter Score (cNPS)

NPS measures the response to the question "How likely are you to recommend the company to a friend or colleague?" The results are ranked from -100 to 100. HMS' target is 50.

2021	2022	2023
54	**38**	**27**

Increased share of female managers

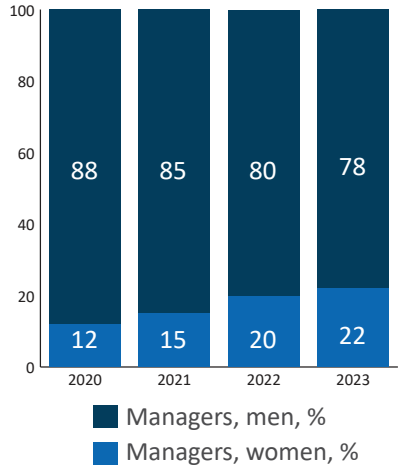
Greater diversity and gender equality are crucial cornerstones when it comes to strengthening HMS' corporate culture and building our organization for the future. We achieved our 2025 target of 20 percent female managers in 2022, which resulted in the target being adjusted during the year to 30 percent female mangers by 2025.

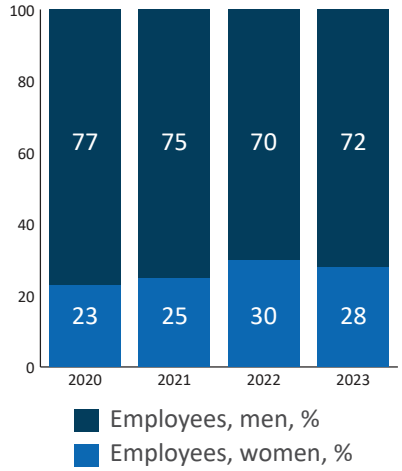
"I have the privilege of being the group manager for two of the teams at Business Unit Anybus. One of these teams develops user interfaces for all Anybus products, while the other develops and maintains Anybus' wireless products. My role is to remove barriers so that everyone can work as efficiently and successfully as possible, to coach and support individuals and teams, to ensure that they possess the right skills to carry out their tasks, as well as to communicate with internal and external parties, such as product managers, product owners and management teams."

Karin Karltorp,
Group Manager Software
Business Unit Anybus

Professions within Industrial ICT are traditionally male-dominated. HMS is working actively to achieve an even distribution among both employees and managers in the long term.

In 2023, we increased the proportion of female managers in the organization, which is positive, but decreased the proportion of female employees (the figures in the bottom table include both employees and managers). We continue to work to increase both of these to reach the target of 30 percent female managers by 2025.





Growth

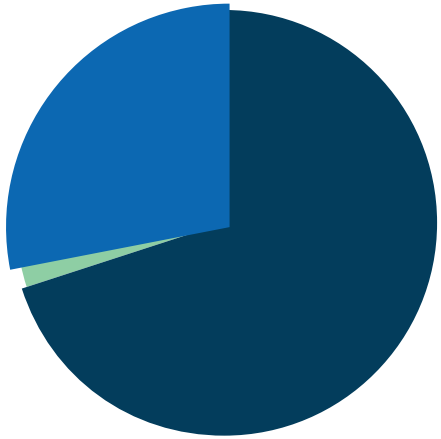
DEVICES CONNECTED BY HMS' PRODUCTS AROUND THE WORLD

How HMS generates revenue

HMS' products are sold to customers in all parts of the value chain – manufacturers of automation products, machine builders, system integrators and end users. The business models vary depending on the customer, market and product range. HMS normally has three ways of generating revenue: direct sales targeting Design Wins, indirect sales through distributors and partners, and technical services and subscriptions.

Indirect sales 28%

HMS' gateways and routers are mostly sold through partners. With high levels of technical and commercial expertise, they integrate HMS' products into automation projects all over the world. HMS has a network of around 300 independent distributors covering some 50 countries.



Direct sales 70%

HMS is in direct contact with the customer for product and project sales — often working towards a Design Win. This means that the customer integrates support for HMS' technology into their product and then repeatedly orders HMS' products. For some customers, HMS offers customized hardware and software solutions that meet customer-specific requirements.

Technical services and subscriptions 2%

Customers who purchase HMS' products are also offered product-related technical services. These services are supplied by HMS or HMS' partners, and are focused on ensuring that the products are used correctly. When HMS sells a product in the field of "Information" - for example for remote connection to industrial equipment - the customer is also offered the option of subscribing to a cloud-based service which generates additional recurring revenue for HMS.

In 2023, HMS has continued its work to secure new Design Wins that will generate revenue in the future. We work closely with our partners and distributors, with the aim of reaching the wider market of machine manufacturers, system integrators and end users. We also run joint initiatives in this area, both within digital marketing as well as trade fairs and events that have now resumed following Covid. Despite a slightly weaker market during the second half of the year, we are confident that the activities we are conducting will generate positive results in both the short and the long term.

Hans Larsson
Chief Commercial Officer

The HMS World

With offices in 18 countries and distributors in a further 50, HMS is represented on all the major industrial markets. HMS' products are installed all over the world, although they are mainly found in countries that have a strong manufacturing industry.

Head office

HMS CORPORATE
HALMSTAD, SWEDEN
Head office for HMS' operations with staff functions such as IT, accounting/finance, global sales and marketing.

Business Units — Product Development

BUSINESS UNIT ANYBUS
HALMSTAD, SWEDEN
ROTTERDAM, NETHERLANDS
Centre for the development of Anybus products.

BUSINESS UNIT EWON
NIVELLES, BELGIUM
BUCHEN, GERMANY
Centre for the development of Ewon products.

BUSINESS UNIT IXXAT
RAVENSBURG, GERMANY
Centre for the development of Ixxat products.

BUSINESS UNIT INTESIS
IGUALADA (BARCELONA), SPAIN
Centre for the development of Intesis products.

Development Center

WETZLAR, GERMANY
HMS Technology Center Wetzlar, which focuses on technology and platform development within HMS.

Independent group members

OWASYS
Bilbao (Spain).

Market Units — Local Sales, Marketing and Technical Support

MARKET UNIT CONTINENTAL EUROPE
KARLSRUHE, GERMANY
Also offices in Mulhouse (France) and Milan (Italy).

MARKET UNIT AMERICAS
CHICAGO, USA

MARKET UNIT ASIA PACIFIC
Offices in Shin-Yokohama (Japan), Pune (India), Singapore, Melbourne (Australia) and Seoul (South Korea) and Ho Chi Minh City (Vietnam).

MARKET UNIT GREATER CHINA
BEIJING, SUZHOU (CHINA)

MARKET UNIT NORTHERN EUROPE AND THE REST OF THE WORLD
HALMSTAD, SWEDEN
Also offices in Coventry (UK), Hedel (Netherlands) and Dubai (UAE).

CONTINENTAL EUROPE

In 2023 we achieved many of our goals and closed the year with more than €100 million in revenue for the first time. In the field of Building Automation we saw an increase of over 40%. The consistent focus on new vertical markets and the expansion of our distribution network continue to show significant success.

Looking ahead to 2024, we see numerous challenges but although the economy in Europe is slowing down, we remain optimistic. The demand for industrial communication solutions remains high and there is still potential for new business in several vertical markets.

Thilo Döring
General Manager, Market Unit Continental Europe

NORTHERN EUROPE AND THE REST OF WORLD

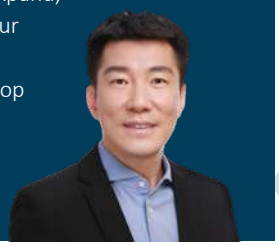
Early 2023 saw stable order intake but the latter part was affected by the backlog built up at our customer base. Despite this, customers invested in new developments and efficiency improvement projects across our playing field.

2024 will be fueled by cross-selling into our existing customer base. We aim to promote new products and target new customers being with a strengthened customer acquisition agenda.

Martin Hoffert
General Manager,
Market Unit Northern Europe and the rest of the World

CHINA

2023 was a special year for China, Covid restrictions were removed and our activities went back to normal. However, the economy has not recovered as good as expected. This impact our customers' confidence to invest in new projects. We hope the situation will improve in 2024 but there are still many uncertainties. Our team continues to expand, and we will consolidate our competence in 2024 to keep and grow our customer base. We also see new markets in energy transformation, electric vehicles and Chinese OEMs going global where we can develop our business.



Jianying Zhao
General Manager, Market Unit Greater China

AMERICA

In 2023 our Americas business experienced healthy growth. Trends in manufacturing efficiency such as the use of data analytics and the need for more connected devices, coupled with well-executed commercial plans, have continued to yield attractive opportunities for HMS.

Our commitment to sales excellence and operational efficiency in 2024 will help us enhance our industry leadership, expertise and capabilities to remain competitive in a very uncertain and dynamic market landscape.

Sergio Resendiz
General Manager, Market Unit Americas

ASIA PACIFIC

The Asia Pacific region witnessed two distinct developments in 2023. Our business with Japanese makers of industrial equipment has remained robust, despite certain industries being affected by a weaker-than-expected Chinese market. High inflation costs and uncertainties stemming from the Chinese real estate market have additionally had a negative impact on our end-user markets throughout the year. Despite these challenging economic conditions, we successfully opened HMS's 18th office, this time in Vietnam.

Looking ahead to 2024, we anticipate our key industry sectors—Automotive, Consumer, and Semi-Conductor—to return to a growth path. The economies of Korea and South-East Asia are expected to show stronger numbers, while India is projected to maintain its current high growth rate.

Hans-Joachim Sommer
General Manager, Market Unit APAC

CORPORATE GOVERNANCE

Chair Report

Like many other businesses, HMS has been exposed to major changes in recent years, such as pandemics, global unrest, and problems with access to components etc. But through strong leadership, an efficient organization, and many competent and committed employees, we have been able to continue to deliver and develop. 2023 is another year with major fluctuations, where sales and deliveries to customers have once again broken records, while order intake has temporarily slowed down after a few expansive years. The focus for 2023 has been to be able to both counter the current market situation in the short term while simultaneously managing and prioritizing more long-term structural investments in the organization for future expansion and growth. The year ended with the presentation of the acquisition of American company Red Lion Controls, which broadens our future product offering, increases our geographical footprint, and improves HMS' market position.

In an ever-changing world, where change is taking place faster and faster, the need to have control over one's own value chain is becoming increasingly important. And many industrial companies see increased digitization through automation and robotization as important elements in their strategy to both increase their own robustness but also to reduce their environmental impact. HMS and our offerings meet this need, and through both long-term and new strong customer contacts, we see a strong market development.

For a growth company in a fast-growing sector, the Board has an important role to play in both governance and support. The latter is particularly important in connection with the broadening of product and application areas that has taken place in recent years, which increases the demands on HMS management to be able to handle a greater complexity of markets and products. For the Board, it is important to actively support the management team in strategic matters and to ensure a good balance between risk and opportunities, access to the right human capital, and that set plans are followed.

The work of the Board follows a fixed annual cycle with planned meetings and a division of work and responsibilities established in the rules of procedure. One of the board meetings is specifically focused on strategy, although strategic aspects of the business are continuously addressed because experience has shown that quick decisions and agility are crucial when it comes to dealing with fluctuations in both directions. Despite tough macroeconomic conditions, we have made significant progress towards achieving the 2025 goals.

The Board does its work very well, with a good balance of different skills and experiences. During the year, a Board evaluation was carried out based on a model developed by the Latour Group. This evaluation is of great importance for ensuring that the work done by the Board is efficient, but it also serves as guidance in terms of whether the composition and competence of the Board is adequate. This year's summary was once again indicative of good work by the Board, with good dynamics both within the Board and between the Board and management. The committees are working well; the audit and remuneration committees aim to ensure that we work efficiently with financial management, accounting, and staff issues, while the development committee is tasked with monitoring the important issues relating to product and technology development.

The Board's future challenges are to assist and encourage the management in continuing to develop HMS' business in our journey towards the goals we have set for HMS 2025.

Charlotte Brogren
Chair of the Board

Corporate Governance Report

The goal of good corporate governance is to ensure that the HMS Networks Group is managed in an efficient, sustainable, and responsible manner to create value for the shareholders. This is achieved through a clear division of responsibilities within the governing bodies and internal control systems, along with an application of external control instruments.

CORPORATE GOVERNANCE FRAMEWORK

Corporate governance is based on the Articles of Association, the Swedish Companies Act, the Swedish Annual Accounts Act, the Board's rules of procedure, the stock exchange's regulations, and the Swedish Corporate Governance Code. Corporate governance within HMS is primarily exercised through the AGM and the Board, and in a broader perspective also includes the management, its tasks, and the control and reporting functions within the Group. The Board is answerable to the owners for the organization of the Group and management of the Group's affairs. The auditors report on their audit at the AGM.

SHAREHOLDERS AND AGM

The shareholders' right to decide on the company's affairs and governance is exercised at the general meeting of shareholders, which is the company's highest decision-making body. The Annual General Meeting (AGM) decides on the adoption of the income statement and balance sheet, appropriation of profits, discharge from liability for the CEO and the Board, election of board members and auditors, and remuneration to the chairman of the Board, other board members, and auditors. The AGM also decides on guidelines for remuneration to senior executives and on how the nomination committee is to be appointed.

In addition, the shareholders at the AGM decide on any amendments to the company's Articles of Association, any new share issues, and the introduction of share-based incentive schemes. The Articles of Association are the fundamental governing document for the company, which state, among other things, what activities the company conducts, the size of the share capital, the shareholders' right to participate in the AGM, and the agenda of the AGM. For a shareholder to have a matter addressed at the AGM, they must submit a written request to the Board in sufficient time for the matter to be included in the notice of the meeting. Information on the deadline for when such a request must be received by the Board is available on the company's website. Information prior to and minutes from the company's AGM can be found on the company's website: www.hms-networks.com.

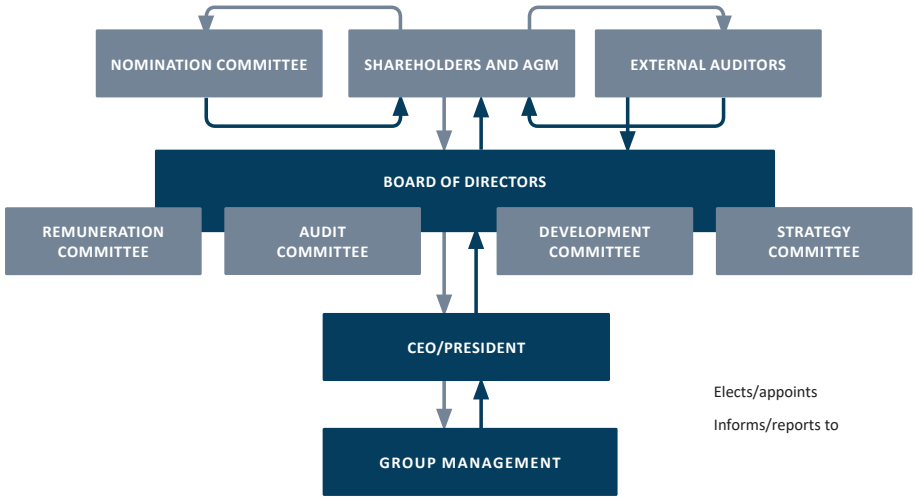
The AGM must be held within six months of the end of the financial year. All shareholders in the shareholders' register on the record date (six banking days prior to the date of the AGM) and who have notified the company of their intention to participate are entitled to participate. Each share entitles shareholders to one vote. Notice of the AGM must be given no earlier than six weeks and no later than four weeks in advance by means of advertisements in newspapers Dagens Industri and Post- och Inrikes Tidningar.

In terms of shareholding in the company, Investment AB Latour and Staffan Dahlström (through own holdings) each represent more than one tenth of all shares in the company. More information on the exact number of votes can be found under the section on the nomination committee.

ANNUAL GENERAL MEETING 2023

The AGM was held on April 25, 2023. Approximately 75 percent (51) of the number of shares and voting rights were represented at the meeting. The chairman of the Board, Charlotte Brogren, and the company's CEO, Staffan Dahlström, were present. At the AGM, the shareholders decided, among other things:

- to pay a dividend of SEK 4.00 (3.00) per share, corresponding to a total paid dividend of SEK 186,624 thousand (139,928)
- that the Board shall consist of six members elected by the AGM with no deputies
- to re-elect Charlotte Brogren as chair of the Board and to re-elect Anders Mörck, Fredrik Hansson, Cecilia Wachtmeister, Niklas Edling, and Anna Kleine as board members
- that remuneration to the Board would be SEK 2,085 thousand for the next term, of which SEK 695 thousand shall be paid to the chair of the Board and SEK 278 thousand to each of the other AGM-elected board members
- that remuneration for work in the audit committee would be SEK 114 thousand to the chair and SEK 57 thousand to each of the other members
- to elect Öhrlings PricewaterhouseCoopers AB (PwC) as auditor with authorized public accountant Johan Palmgren as senior auditor
- to approve the Board's remuneration report
- on the authority of the Board to decide on a new share issue
- on a Share Savings Plan for all permanent employees within the Group
- to buy shares in HMS Networks AB in connection with the established Share Savings Plan.



NOMINATION COMMITTEE

The Annual General Meeting appoints the members of the nomination committee and must adopt a set of instructions for them. The nomination committee is tasked with submitting proposals for the chair and other members of the Board, as well as for fees and other remuneration for Board assignments. The nomination committee also submits proposals for choosing and remunerating the auditor.

In accordance with the nomination committee instructions adopted by the AGM, the company must have a nomination committee consisting of at least five members, one of whom must be chair of the Board. Chair of the nomination committee must be the member appointed by the largest shareholder unless the nomination committee agrees otherwise. In this context, Staffan Dahlström's knowledge and experience have been considered so important for the work of the nomination committee and the continuity of the senior management of the company that this justifies representation on the nomination committee.

The composition of the nomination committee is published on the company's website no later than six months before the next AGM. The aim is to have an appropriate composition of the Board that is characterized by diversity and breadth in terms of, among other things, age, gender, education, background, and experience.

NOMINATION COMMITTEE FOR THE 2024 AGM

NAME/REPRESENTING	SHARE OF VOTES 2023-08-31
Johan Menckel, Investment AB Latour (publ)	26%
Staffan Dahlström, own holdings	13%
Sofie Larsén, AMF Fonder	9%
Patrik Jönsson, SEB Fonder	6%
Charlotte Brogren, Chair of the Board	<1%

AUDITOR

Johan Palmgren

Authorized Public Accountant

Senior auditor for HMS Networks AB since 2021.

Education: MSc in Business and Economics, authorized public accountant since 2004.

Assignment: Senior auditor for, among others, Bulten AB (publ), Troax Group AB (publ), and Transtema Group AB (publ)

Born: 1974

EXTERNAL AUDITORS

The auditor is appointed by the AGM to review the company's annual report and consolidated financial statements as well as the administration of the Board and the CEO. The audit is conducted in accordance with International Standards on Auditing and generally accepted auditing practices in Sweden.

The auditor works on the basis of an established audit plan and reports their observations to the audit committee and to certain members of the group management team on a continuous basis during the year, and to the Board at least once annually. The auditor also participates in the AGM to present the audit report and describe the audit work and observations made.

The 2023 AGM elected Öhrlings PricewaterhouseCoopers AB (PwC) as the audit firm, with authorized public accountant Johan Palmgren as senior auditor until the date of the next AGM. In addition to the audit, PwC has provided advice on financial reporting and taxes. This advice is not considered to be subject to a conflict of interest.

The total remuneration to PwC in 2023 amounted to SEK 2,635 thousand (2,035). Further information on remuneration to the auditors can be found in Note 7.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for the company's organization and manages the company's affairs on behalf of the owners. The Board continuously assesses the company's financial situation and ensures that the company is organized in such a way that the accounting, asset management, and the company's financial matters in general are taken care of in a satisfactory manner. The Board adopts policies and instructions for how this is to be done and adopts rules of procedure for the Board and instructions for the CEO. The central governing documents indicate how responsibilities and authority are distributed between the Board as a whole, committees, and between the chairman of the Board and the CEO. The Board appoints the CEO. The chair is responsible for evaluating the work of the Board and provides the nomination committee with the results of this evaluation.

BASIS FOR BOARD WORK

The fundamental issues concerning the division of competence between the Board, its committees, the chair, and the CEO are expressed in the Board's rules of procedure and instructions for the CEO. The rules of procedure govern, among other things, how often the Board convenes and the items to be addressed at each meeting. The rules of procedure also indicate the division of responsibilities between the Board, its chair, and the CEO.

The Board is tasked with adopting strategies, business plans, budgets, interim reports, year-end reports, and annual reports. The Board of Directors also has the task of appointing and dismissing the CEO and deciding on significant changes in HMS' organization and operations. The rules of procedure state the monetary limits that apply when the Board is to decide on investments, acquisitions, transfers of company ownership, loans, etc.

EVALUATION OF THE WORK OF THE BOARD

Evaluation of the Board's work and performance takes place on an ongoing basis through a systematic and structured process. It covers both the work done by the Board as a whole and the contributions of its individual members. The purpose is to ensure that HMS has a well-composed Board in terms of competence and commitment, and to ensure that sustainability work is included in the work. Each year, the work done by the Board is evaluated by having every board member answer a number of questions that the chair compiles and

ATTENDANCE AND REMUNERATION OF THE BOARD

	Attendance at board meetings	Remuneration 2023 [1]
Charlotte Brogren	100%	695,000
Fredrik Hansson	100%	335,000
Niklas Edling	100%	278,000
Anders Mörck	100%	384,000
Anna Kleine	100%	278,000
Cecilia Wachtmeister	100%	278,000
Mikael Mårtensson	100%	
Freddy Dahlberg	93%	

[1] *Refers to the period from the 2022 AGM to the 2023 AGM.*

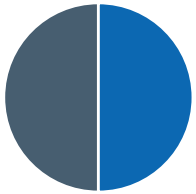
presents to the Board. The evaluation includes an assessment of how the Board has managed the sustainability impact. The evaluation, which is shared with the nomination committee, among others, is important for ensuring that the work done by the Board is effective.

BOARD COMPOSITION

The Board consists of six members elected by the AGM and two employee representatives. The AGM-elected board members have extensive professional experience from the business world, and all AGM-elected board members are or have been CEOs and/or senior executives at large companies, with most of them holding other positions as board members of large companies. Some of the company's board members have served on the company's Board for a long time and are well acquainted with the company's operations.

The Swedish Corporate Governance Code stipulates that the majority of the AGM-elected board members must be independent in relation to the company and the group management team and that at least two of the independent members must also be independent in relation to shareholders who control 10 percent or more of the shares or voting rights in the company. In an overall assessment of each board member's relationship to the company, the group management team, and major shareholders, the nomination committee has found that all members are independent in relation to the company and its management. Except for Anders Mörck, all board members have been assessed as being independent in relation to the company's major shareholders. The unique expertise of individual members and thereby also the cumulative expertise of the Board, along with information on remuneration and attendance at board meetings, is provided in the section on the Board in this Corporate Governance Report and in Note 9.

GENDER DISTRIBUTION FOR THE AGM-ELECTED BOARD MEMBERS



WOMEN, 50% MEN, 50%

DIVERSITY POLICY

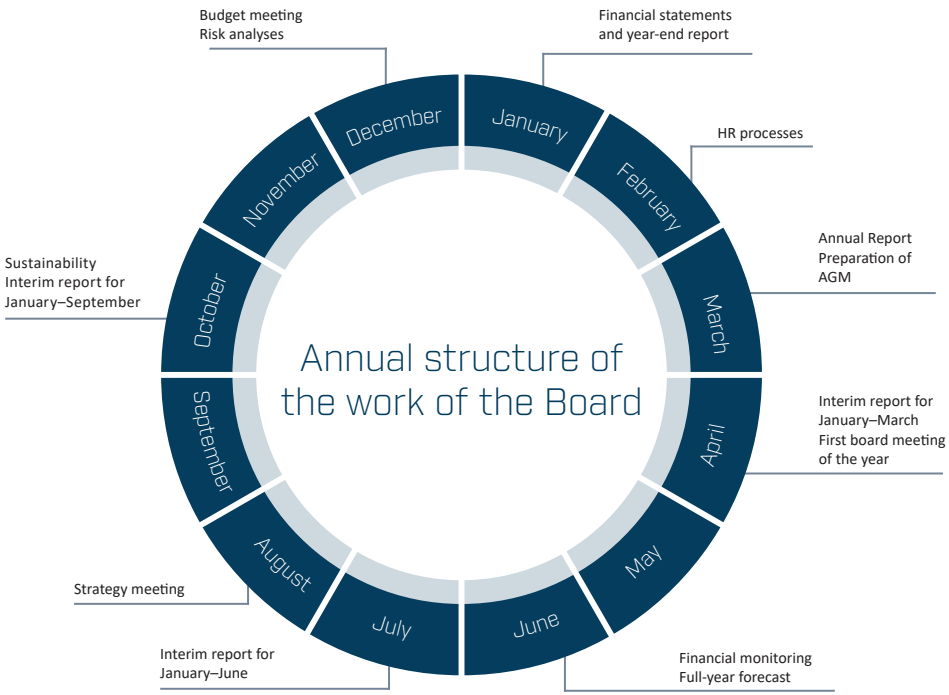
HMS Networks, through the nomination committee, applies rule 4.1 of the Swedish Corporate Governance Code as its diversity policy when preparing proposals for the election of board members. The rule means that the Board must have an appropriate composition, considering the company's operations, stage of development, and other circumstances, characterized by diversity and breadth in terms of the competence, experience, and background of the board members elected by the AGM. Gender balance must be sought. The aim of the diversity policy is to ensure sufficient diversity on the Board in terms of gender, age, and nationality as well as experience, professional background, and business areas. The nomination committee has concluded that the Board of HMS Networks has an appropriate composition in this respect.

CHAIR OF THE BOARD

The Board's rules of procedure state, among other things, that the chair must ensure that the Board's work is conducted efficiently and that the Board fulfils its obligations. This includes organizing and directing the work of the Board and creating the best possible conditions for its work. The chair must also ensure that the board members continuously update and improve their knowledge of the company and that new members receive the requisite introduction and training. The chair must be available as an advisor and discussion partner to the CEO. The chair must also, together with the Board, evaluate the work done by the CEO and address this within the Board annually. In addition, it is the responsibility of the chair to ensure that the work of the Board is evaluated annually and to provide a report on this evaluation to the nomination committee.

At the AGM, Charlotte Brogren was elected chair of the Board. The chair of the Board is not involved in the operational management of the company.

THE WORK OF THE BOARD FOLLOWS A STRUCTURE WITH STANDING AND RECURRING ITEMS, MAINLY ACCORDING TO THE FOLLOWING PLAN:



THE WORK OF THE BOARD DURING THE YEAR

Since the AGM on April 25, 2023, the Board has held 12 minuted meetings up to the date this annual report was adopted and expects to hold two more meetings before the AGM on April 23, 2024. The CEO and CFO of HMS Networks AB participate in the board meetings as a rapporteur and secretary, respectively. At its meetings, the Board dealt with the standing items that, in accordance with the Board's rules of procedure, were presented at each board meeting. This includes discussion of the business situation, budget, interim reports, and annual financial statements. The work was otherwise focused on further developing the previously established market and acquisition strategies and reviewing the sustainability work. In 2023, there was a particular focus on the acquisition of Red Lion Controls. In addition to the planned meetings, the Board's work consists of regular follow-up on financial matters, strategic product development, recommendations regarding remuneration levels, acquisition issues, and issues relating to accounting and auditing.

REMUNERATION TO GROUP MANAGEMENT 2023, KSEK

	BASIC SALARY	VARIABLE REMUNERATION	PENSION EXPENSES	SHARE-BASED PAYMENT	TOTAL
CEO	4,007	1,202	1,451	149	6,809
Group Management, other (7 individuals)	12,717	3,466	3,120	687	19,990
Total	**16,724**	**4,668**	**4,571**	**836**	**26,799**

REMUNERATION COMMITTEE

The Board establishes a remuneration committee from among its members to continuously evaluate the remuneration and terms of employment of senior executives in the light of current market conditions for executives holding similar positions in other companies. The committee also prepares matters that the Board will decide on regarding principles for remuneration and other employment terms for senior executives. In addition, ongoing and concluded programs for variable remuneration to senior executives are evaluated. These must be linked to predetermined and measurable criteria that are designed to promote long-term value creation.

The remuneration committee consists of the chair of the Board (Charlotte Brogren) and one other board member (Cecilia Wachtmeister). Charlotte Brogren was appointed chair of the remuneration committee. Attendance has been 100 percent at all meetings.

AUDIT COMMITTEE

The audit committee monitors the financial reporting by examining critical accounting issues and other conditions that may affect the reliability of the financial reporting. The effectiveness of internal control and risk management systems is evaluated. The committee also monitors sustainability reporting and its process and reviews the impartiality and independence of the external auditors. The audit work is evaluated, and a position is taken on services from the company's auditor that do not relate to auditing. The audit committee also assists the nomination committee in the preparation of proposals regarding the election of an auditor. The committee is in regular contact with the external auditors, who report to the committee on important findings from the statutory audit. In particular, any deficiencies in the internal control regarding the financial reporting.

The audit committee consists of two board members appointed by the Board (Anders Mörck and Fredrik Hansson). Anders Mörck was appointed chair of the audit committee. Attendance has been 100 percent at all meetings.

DEVELOPMENT COMMITTEE

The Board appoints a development committee from among its members. The committee acts as a sounding board for HMS management on issues relating to research and development, specific projects and the company's portfolio of development projects, the organization of the R&D department and its management, and staff and skills development. The committee is also a resource for preparing and anchoring research and development matters that require a decision by the Board due to strategic direction, investment decisions, or collaboration with others. The committee ensures that HMS' Board is familiar with and kept up to date on issues relevant to HMS' development in the field of research and development.

The development committee consists of three board members appointed by the Board (Charlotte Brogren, Niklas Edling, and Anna Kleine). Niklas Edling was appointed chair of the development committee. Attendance for the individuals in question has been 100 percent at all meetings.

STRATEGY COMMITTEE

The strategy committee was formed in 2023 and assists the Board by preparing issues linked to HMS's long-term strategy, as well as following up on the implementation of activities linked to the strategy. The committee also evaluates various strategic choices for acquisitions and various acquisition opportunities. The strategy committee consists of three board members appointed by the Board (Charlotte Brogren, Niklas Edling and Anna Kleine). Niklas Edling was appointed chair of the strategy committee. Attendance has been 100 percent at all meeting.

CEO AND GROUP MANAGEMENT

The group management team is led by the CEO and at the end of 2023 consists of an additional seven members: Chief Financial Officer, Chief Technical Officer, Chief Commercial Officer, Chief Operating Officer, Chief Human Resource Officer, Senior Vice President Control Centric, and Senior Vice President Information Centric. During the first 10 months of 2023, five people were classed as other senior executives. For more information about the group management team, please refer to the section on Group Management in this Corporate Governance Report and to Note 9.

The group management team has overall operational responsibility in accordance with the strategy and long-term objectives established by the Board. They meet between 10 and 15 times a year and deal with issues of a strategic nature of importance to the Group. The meetings are chaired by the CEO, who makes decisions after consultation with the other members.

The CEO is responsible for the company's business development and leads and coordinates the day-to-day operations in accordance with the instructions adopted by the Board. The CEO also monitors compliance with objectives, policies, and strategic plans and, if necessary, updates them. The CEO appoints the other members of the group management team. In addition, the CEO is responsible for ensuring that the Board receives information and the necessary documentation for decisions. This is sent to all members seven days before board meetings, at which the CEO serves as rapporteur. The CEO keeps the Board and the chair of the Board continuously informed of the company's and the Group's financial position and development.

Board's Internal Control Report

The internal control consists of processes and methods to limit the risk of material errors in financial reporting[1] and to provide reasonable assurance of the reliability and accuracy of the financial reporting. The internal control is maintained by the Board, management, and employees. The work with internal control adds value by clarifying roles and responsibilities, improving the efficiency of processes, increasing risk awareness, improving decision-making data, and increasing the reliability of financial reporting and monitoring.

DESCRIPTION

At HMS, the internal control of financial reporting is an integral part of corporate governance. This involves processes and methods to protect the Group's assets and the accuracy of its financial reporting and aims to protect the owners' investment in the company. To organize and further improve this work, HMS uses the COSO framework, which provides a structured basis for evaluation and monitoring of internal control of financial reporting.

CONTROL ENVIRONMENT

The foundation for internal control is the overall control environment defined by the Board and the management team. This is built on an organization with clear decision-making paths where authority and responsibility are defined with clear instructions, as well as a corporate culture with common values and individual awareness of each person's role in maintaining good internal control.

The Group strives to ensure that its values permeate the organization. Great emphasis is placed on ensuring that the core values guide all behavior, both internally and externally. HMS has also established a Code of Conduct that describes the desired approach in different situations. A global program is already in place to raise awareness of information security for employees. The goal of the program is to better understand information security-related risks in terms of operational, reputational, and financial consequences.

The Board has overall responsibility for internal control of financial reporting. The Board has adopted written rules of procedure that clarify the Board's responsibilities and govern the division of work between its committees. The Board has also appointed an audit committee, whose primary task is to ensure financial reporting and internal control and to maintain appropriate relationships with the company's auditor. The Board has also prepared instructions for the CEO and instructions for financial reporting to the Board. Responsibility for maintaining an effective control environment and the ongoing work on internal control is delegated to the CEO, who in turn delegates function-specific responsibility to managers at various levels in the Group. A minimum requirement is for the control activities to address the key risks identified within the Group.

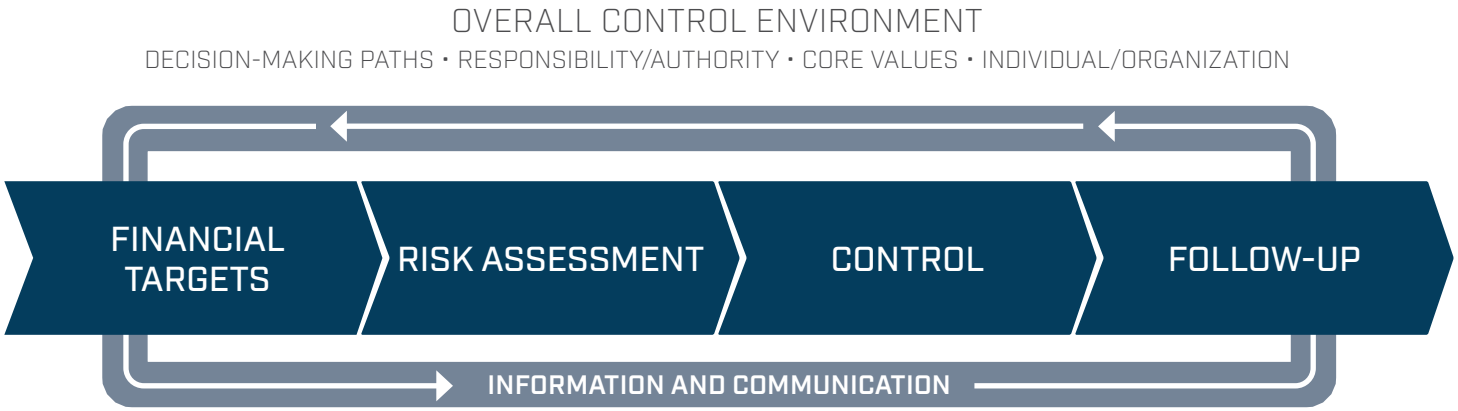
Responsibility and authority are defined in instructions for authorizations, manuals, policies, and procedures. Examples include the HMS manual for accounting and reporting, the finance and credit policy, the information policy, the IT security policy, and HR policies. These guidelines, together with laws and other external regulations, constitute the control environment. All employees must follow these guidelines.

RISK ASSESSMENT

Risk assessments are continuously carried out within the Group to identify and assess significant risks. HMS' risk management consists of identifying, measuring, and taking active positions on identified risks, with the aim of accepting, minimizing, or eliminating a potential risk based on an adopted strategy. The Group's risk management program encompasses all parts of the business with the aim of working in a structured way to prevent various risks and support continuous improvements. Feedback with a review of significant risks is provided to the Board of Directors annually.

The risk assessment includes identifying and evaluating the risk of material errors in accounting and reporting, as well as the risk of irregularities and fraud. When assessing risks that affect the internal control of financial reporting, an evaluation is made based on likelihood and impact. Risk management is built into every process, and various methods are used to evaluate and limit risks and to ensure that the risks to which HMS is exposed are managed in accordance with established policies, instructions, and follow-up procedures. The overall financial risks are identified as liquidity and financing risk, currency risk, and interest rate risk. These are primarily managed by the finance function in accordance with the Group's finance policy. For more detailed information, see Note 20.

Through risk analyses that have been carried out based on the Group's balance sheet and income statement, HMS also identifies the key



[1]) Financial reporting means interim reports, year-end reports, and annual reports, as well as internal reporting.

risks that could pose a threat to the company achieving its business objectives and financial targets. The risk assessment includes identifying risks that may arise if the basic requirements for financial reporting (completeness, accuracy, valuation, and presentation) in the Group are not satisfied. Regarding internal control, the focus is on risks in the financial reporting relating to significant income statement and balance sheet items, which are relatively higher due to the complexity of the process or where there is a risk that the effects of any errors will be large, as the transaction amounts are significant.

CONTROL ACTIVITIES

Control activities must prevent, detect, and remedy deficiencies. There are controls at all levels of the company and within all functions. The control activities include both general and detailed controls and can be both automatic and/or manual.

The central Group function is responsible for the consolidated financial statements and for financial and administrative control systems. The function's responsibilities also include ensuring that instructions of significance to financial reporting are made known and available to the relevant personnel. The Group function conducts regular reconciliations and controls of reported amounts, analyzing, among other things, income statements and balance sheets, cash flows, and working capital. The function analyzes and follows up on any budget deviations, prepares forecasts, monitors significant fluctuations over defined periods, and reports findings to the rest of the company, which minimizes the risk of errors in the financial reporting. In addition, the function carries out control activities at all levels of the company.

A high level of IT security is a prerequisite for good internal control of financial reporting. Rules and guidelines are therefore in place to ensure the availability, accuracy, confidentiality, and traceability of the information in the business system. Access to business systems is limited according to permissions, responsibilities, and roles based on segregation of duties, in order to prevent unintentional/intentional entries.

A Group-wide internal control program for significant processes at subsidiary and Group level has been implemented. The internal control program covers significant processes and aims to ensure that appropriate controls are designed and implemented to prevent errors in the financial reporting based on the risks that exist in the processes. The Group's reporting units regularly perform self-assessments on the effectiveness of the internal control of financial reporting. These assessments are reported back to the Group function, which judges the effectiveness and reviews the assessments with the units in addition to conducting a dialogue on how, if applicable, the internal control environment can be improved. If there are any critical deficiencies in the self-assessments, careful follow-up takes place to ensure that the deficiencies have not impacted the financial reporting. The results are compiled and reported to the audit committee for discussions on any measures to be taken and continuous monitoring.

In 2023, HMS established a special audit function (internal audit) that is integrated into the Group function. The function reports to the Group's CFO on an ongoing basis and directly to the audit committee at least once a year. The focus and scope of the internal audit work is determined by the audit committee. The purpose of internal audit is to ensure that the Group's objectives are achieved through appropriate and efficient processes and that financial reporting has been prepared in accordance with applicable laws and regulations.

INFORMATION AND COMMUNICATION

HMS has internal information and communication channels that aim to promote completeness and accuracy in financial reporting, for example through governing documents in the form of internal guidelines, directives, and policies. Regular updates and announcements of changes in accounting policies, changes to reporting requirements, or other disclosure of information are made available and known to the employees concerned. Through the Group's intranet, the organization has access to all central governing documents for internal control and governance.

HMS has a whistleblower system, WhistleB, to increase accessibility for all employees to anonymously report problems and/or irregularities within the business. Employees are continuously reminded about the whistleblower system and its availability.

The HMS Networks Group's accounting policies and any changes are always communicated by direct mail to all relevant persons in the organization. In addition, all subsidiaries submit a monthly report on their financial status and development.

The Board has adopted an information policy that specifies what is to be communicated, by whom, and in what way the information is to be disclosed in order to ensure that the external information is correct and complete. In addition, there are instructions on how financial information is to be communicated between management and other employees. A prerequisite for the correct disclosure of information is also good information security procedures. HMS' procedures and systems for disclosing information aim to provide the market with relevant, reliable, accurate, and up-to-date information about the Group's development and financial position.

Financial information is published in the form of:

- Interim reports and year-end reports, which are published as press releases
- Annual Report
- Press releases about important news and events that could have a significant impact on the share price
- Presentations and teleconferences for financial analysts, investors, and the media on the same day as the year-end and interim reports are published and in connection with the publication of other important information
- Meetings with financial analysts and investors.

All reports, presentations, and press releases are published simultaneously on the Group's website: www.hms-networks.com.

FOLLOW-UP

Follow-up and testing of control activities is carried out continuously to ensure that risks have been considered and dealt with satisfactorily. The follow-up includes both formal and informal procedures used by managers and process owners as well as controllers. Ineffective controls are corrected, meaning that measures are taken and implemented to correct the deficiencies.

The Board reviews all of the Group's interim reports, year-end reports, and annual reports before they are published. The Board receives monthly financial reports on the Group's financial position and earnings trend, and the Group's financial situation is discussed at each board meeting. The central Group function and management analyze the financial reporting in detail on a monthly basis.

Other significant Group-wide parts of the internal control are budgets and forecasts. Sales are budgeted at product level, by those responsible within the sales organization, consolidated, and validated in connection with the preparation of the complete budget for the business. This is done during the fourth quarter of the year and forms the basis for the Board's approval. In addition to the budget, a forecast is also prepared in May–June. In addition to budgets and forecasts, the group management team works with overall strategic plans.

The audit committee follows up on the financial report and receives reports from the company's auditor with observations and recommendations. The effectiveness of internal control activities is monitored regularly at various levels within the Group by means of clear requirements, debriefing, and follow-up. Reports are submitted to the Board via the audit committee.

It is the opinion of the Board that the company complies with the Swedish Corporate Governance Code, except with respect to the composition of members of the nomination committee. Justification for this can be found in this Corporate Governance Report.

Halmstad, 26 March 2024

Charlotte Brogren Chair of the Board	Fredrik Hansson Board member
Niklas Edling Board member	Anders Mörck Board member
Anna Kleine Board member	Cecilia Wachtmeister Board member
Mikael Mårtensson Employee representative	Freddy Dahlberg Employee representative

Auditor's Statement on the Corporate Governance Report

To the AGM of HMS Networks AB (publ), CIN 556661-8954

ASSIGNMENT AND DIVISION OF RESPONSIBILITIES

The Board of Directors is responsible for the 2023 Corporate Governance Report on pages 34–40 and for it being prepared in accordance with the Swedish Annual Accounts Act.

FOCUS AND SCOPE OF THE REVIEW

Our review has been conducted in accordance with FAR's recommendation RevR 16 Auditor's Review of the Corporate Governance Report. This means that our review of the Corporate Governance Report has a different focus and a significantly smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our conclusions.

CONCLUSION

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, points 2–6 of the Swedish Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same Act are consistent with the annual report and consolidated financial statements, and are also in accordance with the Swedish Annual Accounts Act.

Halmstad, March 26, 2024
Öhrlings PricewaterhouseCoopers AB

Johan Palmgren
Authorized Public Accountant

HMS

Board of Directors

	CHARLOTTE BROGREN	FREDRIK HANSSON	NIKLAS EDLING	ANDERS MÖRCK
Board position	Chair of the Board	Board member	Board member	Board member
Special expertise to contribute to HMS	Extensive experience in automation and development.	Leadership, business development, and internationalization with a strategic perspective in sales and marketing.	Business development, strategy development, company acquisitions and purchasing, production and logistics issues.	Corporate affairs, values, stock market experience, and financial management.
Current employment	CTO and Sustainability Manager at Alimak Group AB (publ).	Active in own company.	CEO of ScandiNova Systems AB.	CFO of Investment AB Latour (publ).
Education	PhD in Chemical Engineering from Lund University, Executive Programme in Resilience Thinking from Stockholm University, and doctoral studies in environmental engineering.	BSc in Economics and Finance from the University of North Alabama.	MSc in Mechanical Engineering from the Royal Institute of Technology (KTH), and Master of Business Administration from Stockholm School of Economics.	MSc in Business and Economics from Växjö University.
Year elected	2010	2015	2020	2016
Born	1963	1971	1963	1963
Resident of	Stockholm	Karlskrona	Stockholm	Gothenburg
Other posts	Chair of the Board of Avassa AB and 7D AB. Board member of OrganoClick AB and SEEL AB.	Chair of the Board of Scanbox Thermoproducts AB, and board member of Anocca AB and Troax Group AB (publ).	Board member of Cavotec SA (publ).	Chair of the Board of Troax Group AB. Board member of Bemsiq AB, Latour Industries AB, Swegon Group AB, Hultafors Group AB, and Nord-Lock International AB.
Dependence	Independent in relation to the company and its principal shareholders.	Independent in relation to the company and its principal shareholders.	Independent in relation to the company and its principal shareholders.	Independent in relation to the company. Dependent on major shareholders.
Previous experience	Development Manager for ABB Robotics and executive positions within ABB's research organization, and Director General of Vinnova.	CEO of Roxtec Group AB, Chair of the Board of Hedson Technologies International AB, and board member of NordLock International AB.	Sr VP Corporate Development and Executive Vice President at Mycronic AB (publ), VP Supply Chain & Manufacturing at Laerdal Medical, and VP Operations at Hudson RCI.	CFO of Bure Equity AB and Nilörngruppen AB, and former authorized public accountant at Ernst & Young (now EY).
Shareholding [1] (own and related parties)	5,500	2,400	5,000	4,000

[1] *Refers to holdings as of December 31, 2023, including shares in Share Savings Plan.*

	ANNA KLEINE	CECILIA WACHTMEISTER	MIKAEL MÅRTENSSON	FREDDY DAHLBERG
Board position	Board member	Board member	Employee representative	Employee representative
Special expertise to contribute to HMS	Extensive experience in IT and digital transformation.	Several years of sales experience in complex system sales in the telecommunications industry.	Employee of HMS.	Employee of HMS.
Current employment	CEO and Regional Director of Fellowmind Sweden AB.	CCO of Kambi Plc.	Global Technical Services Systems Manager at HMS.	Global Platform Manager at HMS.
Education	BSc in Information Technology.	MSc in Industrial Engineering from the Institute of Technology at Linköping University.	BSc in Computer Systems Engineering.	Product Management at Product Management Institute. Pragmatic Certified Product Manager from Pragmatic Institute.
Year elected	2022	2018	2019	2021
Born	1973	1966	1972	1987
Resident of	Limhamn	Stockholm	Halmstad	Halmstad
Other posts	Chair of the Board of a number of Fellowmind companies, and board member of Länsförsäkringar Skåne.	Board member of Smart Eye AB (publ), I.A.R. Systems Group AB, and Dirac AB.	None.	None.
Dependence	Independent in relation to the company and its principal shareholders.	Independent in relation to the company and its principal shareholders.	Employee of HMS.	Employee of HMS.
Previous experience	Extensive experience of senior positions at HiQ, where Anna was also part of group management for eight years.	Many years of experience in senior positions within Ericsson AB.	More than 20 years of experience in Industrial Automation/Communication as a product manager and developer at HMS.	Over ten years of experience in sales and business development, complemented by specialist knowledge through roles in HMS' Ixxat brand and as a product manager.
Shareholding [1] (own and related parties)	435	3,000	24,518	604

Group Management

	STAFFAN DAHLSTRÖM	JOAKIM NIDEBORN	HANS LARSSON	JÖRGEN PALMHAGER
Current position	Chief Executive Officer	Chief Financial Officer, Deputy CEO	Chief Commercial Officer	Chief Technology Officer
Education	Degree in Computer Systems Engineering from Halmstad University, Executive MBA from Lund University, School of Economics and Management, and Executive Programme in Resilience Thinking from Stockholm University.	MSc in Industrial Economics from Lund Institute of Technology.	BSc in Innovation Engineering from Halmstad University.	BSc in Computer Systems Engineering from Halmstad University.
Born	1967	1983	1970	1968
Nationality	Sweden	Sweden	Sweden	Sweden
Other posts	Board member of Mycronic AB (publ) and Clavister Holding AB (publ).	Board member of Axiell Group AB.	Board member of Bemsiq AB.	Board member of Allgon AB.
Previous experience	Sales and Marketing Manager at HMS since 1998 and board member of HMS 1989–2008.	CFO at Beijer Electronics Group AB, Management and Strategy Consultant at Axholmen Consulting and Celerant Consulting.	Vice President Life Science at Getinge AB, General Manager Sweden at GEA Food Solutions A/S.	Developer, Project Manager, Development Manager, and Chief Operating Officer at HMS.
Shareholding [1] (own and related parties)	6,101,252	2,649	3,490	181,562
Employed since	1989	2017	2017	1992
Member of Group management team since:	2007	2017	2017	2007

[1] *Refers to holdings as of December 31, 2023, including shares in Share Savings Plan.*

	ALEXANDER HESS	BARTEK S. CANDELL	RICHARD SKOG	MIRA JHAVERI WINTHER
Current position	Senior Vice President Information Centric	Senior Vice President Control Centric	Chief Operating Officer	Chief Human Resource Officer
Education	BSc in Computer Engineering from Esslingen University of Applied Sciences, Germany and MBA from Steinbeis University in Berlin, Germany.	BSc in Innovation Engineering from Halmstad University. Latour Executive Program, University of Gothenburg.	BSc Accounting and Finance from Lund University.	Behavioral Science, Lund University.
Born	1981	1980	1969	1974
Nationality	Germany	Sweden	Sweden	Sweden
Other posts	None.	None.	None.	None.
Previous experience	Business Unit Director Safety at Leuze electronic GmbH & Co. KG, Marketing Manager and Senior Product Manager at Hengstler GmbH/Danaher Corp., Team Manager and Software Engineer at SMART Electronic Development GmbH.	General Manger Business Unit Anybus, General Manager Market Unit APAC and China, and Key Account Manager at HMS.	Vice President Supply Chain at GPV Group, Supply Chain Director at Kitron Group, various management positions within PartnerTech, including Vice President Supply Chain and IT.	Several senior HR positions at Alfa Laval, most recently as Vice President Human Resources. Previously also HR positions at companies including Assa Abloy and Sony Ericsson.
Shareholding [1] (own and related parties)	1,552	3,888	1,000	100
Employed since	2020	2011	2023	2023
Member of Group management team since:	2022	2023	2023	2023

Financial Definitions

Adjusted profit
Profit excluding items affecting comparability.

Average number of shares outstanding
Average number of registered shares during the year, less repurchased shares, which are held by the company.

Basic earnings per share
Share of profit after tax attributable to shareholders of the parent company in relation to the average numbers of shares outstanding.

CAGR
Compound annual growth rate.

Capital employed
Assets total less non-interest-bearing current liabilities and provisions as well as deferred tax liability.

Capital turnover rate
Net sales in relation to average balance sheet total.

Cash flow from operating activities per share
Cash flow from operating activities in relation to the average number of shares outstanding.

Company value
Market capitalization plus net debt.

Diluted earnings per share
Share of profit after tax attributable to shareholders of the parent company in relation to the average number of shares outstanding, plus the average number of shares that are added upon conversion of the outstanding number of convertibles and options.

EBIT
Operating profit according to the income statement.

EBIT excl. acquisition-related costs
Operating profit excluding amortization and impairment of surpluses and goodwill from acquisitions, as well as acquisition-related transaction costs.

EBITDA
Operating profit excluding amortization and depreciation of intangible assets and property, plant, and equipment.

Equity/assets ratio
Shareholder's equity in relation to the assets total.

Equity per share
Average equity attributable to shareholders of the parent company in relation to the number of shares outstanding at the end of the period.

Financial assets
Non-current and current financial receivables plus cash and cash equivalents.

Gross margin
Gross profit in relation to net sales.

Net debt
Non-current and current interest-bearing liabilities plus contingent consideration and option liability less financial interest-bearing assets and cash and cash equivalents.

Net debt/equity ratio
Net debt in relation to shareholder's equity.

Number of shares outstanding
Number of registered shares, less repurchased shares, which are held by the company.

Operating margin
Operating profit (EBIT) in relation to net sales.

Organic change
Change in order intake, net sales, and operating expenses, excluding increases attributable to acquisitions, translated at the previous year's exchange rates and calculated as a percentage of the previous year's figures. Amounts from acquired companies are included in the calculation of organic change from the end of the first month that falls 12 months after the acquisition date.

P/E ratio
Share price in relation to earnings per share.

Return on capital employed
Share of profit after financial income in relation to average capital employed.

Return on equity
Share of profit after tax attributable to shareholders of the parent company in relation to average equity.

Working capital
Current assets less cash and cash equivalents and current liabilities, calculated on average values.

FINANCIAL STATEMENTS

CFO explains

Joakim Nideborn

COULD YOU EXPLAIN HMS' GOALS?

HMS launched new goals in 2020 to achieve by 2025. In 2023, HMS presented some revised goals in the areas of Planet, People, and Growth.

With regard to sustainability, HMS' ambition is to follow the Paris Agreement's "Science Based Targets", the main aim of which is to limit global warming to no more than 1.5 degrees. All companies need to take responsibility and help save our planet. Following these global science-based targets gives us more concrete goals to work towards as part of reducing our CO_2 footprint.

Furthermore, we have a strong belief that if our employees thrive and develop, they will do a good job, thereby creating loyal customers, who in turn provide more business. This is why we've raised the net promoter score (NPS) target from 25 to 50 for both customer and employee satisfaction. We can confirm that we achieved this target for employees in 2023, but we still have some way to go to meet the customer satisfaction target after a period of longer lead times.

The growth target has been revised to SEK π+ (3.14+) billion in sales by 2025, where "+" represents the acquisitions we make. Previously, our aim was to reach SEK 3.14 billion, including acquisitions, but after several years of good organic growth, this target has also been increased.

WHAT DOES THE HMS MARKET LOOK LIKE AND HOW RAPIDLY IS IT GROWING?

HMS operates within the field of Industrial ICT – Information and Communication Technology. The company focuses on three separate offerings, which are as follows: Control Centric, where the offering primarily consists of connecting machines to various types of industrial network for real-time control and monitoring; Information Centric, where the offering consists of remote control of machines; and Building Automation, where HMS primarily connects different systems found in commercial properties.

70 percent of sales comes from Control Centric, a segment that is expected to grow by approximately 8 percent per year, while 23 percent of sales comes from Information Centric, which is expected to grow by approximately 15 percent per year. The final 7 percent of sales comes from Building Automation, which is expected to grow by approximately 10 percent per year. HMS has market-leading positions in all these niches.

CAN YOU DESCRIBE THE HMS BUSINESS MODEL AND CUSTOMER TYPES?

HMS is primarily aimed at two types of customers. "Makers" is our term for manufacturers of automation products and machines, while "Users" is what we call the end users, where all automation equipment ends up. With Makers, HMS strives to achieve long-term relationships with customers who integrate HMS products into their automation products and machines. When a customer decides to integrate an HMS product in this way, this is a Design-Win for HMS, with the customer usually ordering the same HMS product for many years. We normally sell directly to Makers through our own sales force.

When it comes to Users, HMS usually targets system integrators, delivering gateway solutions that help them achieve well-integrated systems of automation products, machines, and software in end-user factories. Here, HMS usually sells indirectly to system integrators and end users through distributors, and for this purpose we have a wide network of distributors covering more than 50 countries. So even though our solutions are found in many end-user industries – especially within factory automation – in most cases the end user is not a direct customer of HMS.

CAN YOU SAY A FEW WORDS ABOUT THE HMS ACQUISITION STRATEGY AND THE ACQUISITION OF RED LION?

A basic principle is that HMS focuses on acquiring prosperous companies that complement the existing operations well and where HMS can add value as an owner. This can be independent acquisitions, as well as add-on acquisitions to our existing business operations.

Our major focus is on the information-centric area where a lot is happening, and we see great opportunities to further strengthen our position through acquisitions. For example, the market for remote monitoring and remote control is developing at a rapid pace, and here we see opportunities to expand in selected industrial segments and software solutions.

The acquisition of Red Lion Controls, which is expected to close in the first half of 2024, was primarily aimed at providing HMS with a platform in the USA, where HMS sees opportunities to exploit Red Lion's strong position in the North American market, and its complementary product portfolio, to drive further growth. In the same way, HMS sees opportunities to sell parts of Red Lion's product portfolio through the strong channels HMS has developed, especially in the European market.

CAN YOU DESCRIBE HMS' COMPETITIVE ADVANTAGES?

HMS is a well-known company in the industrial arena and has been around for more than 30 years. The company has gradually increased its international presence and is today represented in all important industrial markets. HMS offers proven, high-quality solutions that are trusted by thousands of automation companies, including several large multinational industrial companies. The strong position in the industry is confirmed by the fact that HMS currently has 1,945 active Design-Wins, which provides long-term stability for HMS' business. An important part of HMS' offering is also future-proofing all products. By continuously offering secure solutions, software updates, certifications for the latest standards, and – most importantly – high-quality products, HMS not only ensures that the customer's products work today, but also that they meet the requirements of tomorrow.

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Directors' report

THE GROUP

Operations

HMS is a market-leading supplier of solutions for Industrial ICT (Information and Communication Technology) sold under the Anybus®, Ewon®, Ixxat®, and Intesis® brands. HMS also offers products for wireless communication in mobile industrial applications through Owasys. HMS products and solutions make it possible for industrial equipment to communicate and share information with software and systems.

Product development takes place at the head office in Halmstad, Sweden, as well as in Ravensburg, Nivelles, Igualada, Wetzlar, Buchen, Delft, Sibiu, Rotterdam, and Bilbao. Local sales and support are managed by our sales offices in Germany, the United States, Japan, China, Singapore, Italy, France, Spain, the Netherlands, India, the United Kingdom, Sweden, South Korea, Australia, the United Arab Emirates (UAE), and Vietnam, as well as via a worldwide network of distributors and partners. HMS has more than 800 employees, and sales in 2023 were SEK 3,025 million. HMS is listed on NASDAQ OMX Stockholm in the Large Cap segment and Telecommunications sector.

Seasonality

HMS does not have any significant seasonal variations in its operations, except for normally higher costs in Q4, primarily associated with the high number of large marketing events in that period.

Significant events

In financial terms, it was a strong year, partly driven by a large accumulated order book from previous years, an improved gross margin, and a significantly improved delivery capacity compared with the challenging component situation of recent years. HMS' sales reached a record level of SEK 3,025 million, a growth of 21 percent compared with the previous year. Organic growth accounted for 15 percent of this figure and has also boosted profitability, with the year's operating profit of SEK 753 million giving earnings per share of SEK 12.23, an increase of 12.3 percent from 2022. However, at the same time as these record figures, this year's order intake has largely been affected by customers' downward adjustment of their inventory levels and thus waiting to place new orders. Reported order intake decreased by 25 percent to SEK 2,303 million compared with 2022.

HMS' Design-Win business model (approximately 52 percent of sales) showed a continued stable inflow of new customers in 2023. In total, HMS secured 139 (146) new Design-Wins during the year, with the overall number of active Design-Wins amounting to 1,945 (1,843), an increase of 6 percent compared with 2022. Of these, 1,582 (1,493) are in production, while 259 (280) are expected to enter production in the next few years.

On January 4, 2023, the Group acquired an additional 20 percent of the shares in Owasys Advanced Wireless Devices S.L., at the same value as which the option liability was recognized. The acquisition was financed by utilizing an existing credit facility. The total holding now amounts to 80 percent of the company's total number of shares.

At the end of December 2022, the 2019 Share Savings Plan was closed. During the first quarter of 2023, a total of 46,440 performance shares were distributed free of charge to the remaining participants. Shares held in treasury were used for the distribution. Based on the authorization granted by the Annual General Meeting (AGM), the Board of Directors has decided to purchase own shares. The purpose of the repurchases is to ensure that HMS is able to fulfill its commitment to deliver shares in accordance with the company's Share Savings Plans. A total of 33,000 shares for a value of SEK 13 million were acquired during the year. The total holding of own shares at the end of the year was 162,880.

HMS held its AGM on April 25, 2023. All the proposals by the Board of Directors and the Nomination Committee were adopted by the AGM, and Charlotte Brogren, Fredrik Hansson, Anders Mörck, Cecilia Wachtmeister, Niklas Edling, and Anne Kleine were re-elected as Directors. At the first Board meeting following election, Staffan Dahlström was appointed President and CEO of HMS Networks AB.

In September 2023, HMS held a Capital Markets Day in Stockholm at which updated strategic goals were presented. The net sales target from 2020 of SEK π (3.14) billion has been adjusted to π+ by 2025, where SEK π billion refers only to organic growth and π+ to potential acquisitions. The profitability target of an annual operating margin of 20 percent has been adjusted to 25 percent. Targets for employee satisfaction and customer loyalty were also presented. With regard to sustainability, the company presented its ambition to apply to join the Science Based Targets initiative (SBTi).

On December 11, 2023, HMS entered into a binding agreement with Spectris Group Holdings Limited to acquire Red Lion Controls, a well-established US-based provider of industrial automation solutions. The acquisition will significantly strengthen HMS' presence in the North American market and enable cross-selling, while also expanding the Group's product offering. The acquisition provides HMS with a solid platform for continued growth in the US market. The acquisition is expected to be completed in the first half of 2024.

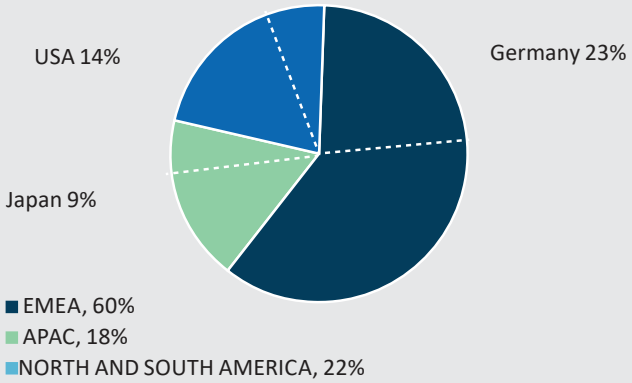
Significant events subsequent to year-end

On January 26 at 10:30 a.m., HMS held an Extraordinary General Meeting at the company's premises in Halmstad. The Board of Directors passed a resolution to authorize the Board to decide on a new share issue, of a maximum number of shares corresponding to sufficient issue proceeds, mainly for the purpose of refinancing the company's bridge loan facility for the acquisition of Red Lion Controls Inc. No other significant events have occurred since the end of the period up until the signing of this annual report.

Net sales

The Group's net sales increased by 21 percent and amounted to SEK 3,025 million (2,506). Exchange rate fluctuations during the year had a positive impact on net sales of SEK 135 million (158) compared with the previous year. Invoiced sales by region were as follows: EMEA 60 percent (62), North and South America 22 percent (20), and APAC 18 percent (18). The Group's largest individual markets are Germany, the USA, and Japan.

HMS Networks Group's revenue by market in 2023



Profit

Gross profit amounted to SEK 1,967 million (1,577) with a gross margin of 65.0 percent (62.9). Operating expenses amounted to SEK 1,223 million (958). These include restructuring costs of SEK 7 million, primarily from the realization of efficiency improvements due to the integration of the sales organization from a previous acquisition, Procentec, plus transaction costs of SEK 17 million, related to the acquisition of Red Lion Controls. Operating expenses increased organically by 20 percent, or SEK 189 million, mainly due to increased investments in our sales and marketing resources, but also in conjunction with IT and the change in business systems.

Operating profit before depreciation/amortization and impairment (EBITDA) amounted to SEK 877 million (760), which corresponds to a margin of 29.0 percent (30.3). Depreciation/amortization and impairment amounted to SEK 124 million (108). Operating profit amounted to SEK 753 million (653), corresponding to a margin of 24.9 percent (26.0). Adjusted operating profit for the above-mentioned restructuring and transaction costs came to SEK 777 million (626), corresponding to a margin of 25.7 percent (25.0). Currency translation impacted operating profit by SEK 25 million (39).

Net financial items amounted to SEK -36 million (-29), the majority of which is attributable to a stronger SEK, which had negative translation effects on primarily internal receivables and loans. Profit before tax thus amounted to SEK 717 million (623).

The recognized tax expense was SEK -147 million (-116). Profit after tax thus amounted to SEK 571 million (508).

Financial performance in summary

	2023	2022
Net sales, SEK million	3,025	2,506
Operating profit before depreciation (EBITDA), SEK million	877	760
Operating margin before depreciation (EBITDA), %	29	30
Operating profit after depreciation (EBIT), SEK million	753	653
Operating margin after depreciation (EBIT), %	25	26
Profit after financial items, SEK million	717	623
Profit for the year, SEK million	571	508
Basic earnings per share, SEK	12.23	10.89
Diluted earnings per share, SEK	12.19	10.85

Investments

The year's investments in property, plant, and equipment, along with intangible assets, amounted to SEK 74 million (83). Investments in intangible assets primarily consist of the costs associated with developing new technology platforms together with investments in a new ERP system. Amortization and impairment of capitalized development costs amounted to SEK 24 million (25).

In addition to this, the acquisition of another 20 percent of the shares in Owasys Advanced Wireless Devices S.L impacted investing activities by SEK 55 million (280).

Financial position

As of December 31, 2023, the Group had cash and cash equivalents of SEK 124 million (144), excluding unutilized credit facilities of SEK 529 million (397). The Group's net debt amounted to SEK 289 million (300), while net debt in relation to EBITDA was 0.33 (0.39). The net debt to equity ratio was 15 percent (19) and the equity to assets ratio was 64 percent (59). Net debt includes the present value of future cash outflows for options related to the remaining shares in Owasys S.L. totaling SEK 127 million (99).

The financing agreement with the existing bank was extended in 2021 on similar terms. It concerns a revolving facility of EUR 45 million that runs until September 2024.

In total, the Group's external loans changed by a net amount of SEK -140 million (112) and amortization of lease liability was SEK 60 million (41). Shares were repurchased at a cost of SEK 13 million (34). Dividends totaling SEK 187 million (140) were paid to shareholders.

Cash flow from operating activities amounted to SEK 519 million (431). After net investments of SEK -135 million (-366) as well as amortization, dividends paid, and repurchase of shares totaling SEK -400 million (-99), the cash flow for the year amounted to SEK -16 million (-34).

Group structure

HMS Networks AB (CIN 556661-8954) is the parent company of the wholly-owned subsidiary HMS Industrial Networks AB, which in turn is the parent company of most of the subsidiaries, see Note 34.

During the year, another 20 percent of the Spanish company Owasys Advanced Wireless Devices S.L. was acquired.

HMS Industrial Networks AB, HMS Technology Center Ravensburg GmbH, HMS Technology Center Wetzlar GmbH, HMS Industrial Networks SA, HMS Industrial Networks SLU, WEBfactory GmbH, HMS Technology Center B.V. (formerly Procentec B.V.), and Owasys Advanced Wireless Devices S.L comprise the development center for the HMS Networks Group. The other subsidiaries are responsible for sales, marketing, and support in their respective geographic markets.

Sustainability report

In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, HMS Networks AB (publ) prepared a Sustainability Report, on pages102–126, which is separate from the Directors' Report. The Sustainability Report describes the Group's work based on economic, environmental, and social aspects. The Sustainability Report for 2023 has been prepared in accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act and in accordance with the Global Reporting Initiative Standards 2021.

The Sustainability Report pertains to the parent company, HMS Networks AB (CIN 556661-8954) and all entities included in the 2023 consolidated financial statements of HMS Networks AB, which are indicated in Note 34.

Research and development

The Group expensed SEK 319 million (261) for research and development during the year. SEK 28 million (30) in development costs have been capitalized. Total costs for research and development accounted for 11 percent (10) of sales. The Group's policy is to only capitalize major projects for developing new products, product generations, or technology platforms. Development of secondary products or applications based on these are not capitalized. Customer-specific projects are capitalized whenever it is considered likely that the development costs will be covered by future revenue.

Employees

At year-end, the number of employees within the Group was 866 (781).

Guidelines for remuneration to senior executives

Whom the guidelines apply to and their applicability

These guidelines apply to members of the HMS Networks Group management team. New guidelines were adopted at the AGM held on April 21, 2022. The guidelines must be applied to contractual remuneration and to any changes made to already agreed remuneration after the guidelines were adopted at the 2022 AGM. The guidelines do not apply to remuneration that is decided by the AGM.

Alignment of the guidelines with the HMS business strategy, long-term interests, and sustainability

HMS Networks is a market-leading supplier of solutions for Industrial ICT (Information and Communication Technology). HMS' industrial communication products enable millions of machines, such as robots, frequency converters, and air-conditioning equipment, to be connected to different types of systems – something which is necessary for meeting future requirements for energy efficiency and sustainability. In short, the HMS business strategy consists of pursuing profitable growth in strategic markets, focusing on sustainable product development, being a global player with a local presence, and having a sustainable value chain. Successful implementation of the HMS business strategy and safeguarding of the company's interests, including its sustainability, depends on HMS being able to recruit and retain qualified employees. The goal for the HMS remuneration policy for senior executives is thus to offer competitive and market-based remuneration so that it is possible to attract, motivate, and retain talented and skilled employees. These guidelines make it possible to offer senior executives a competitive total remuneration package. Further information about the HMS business strategy is available at www.hms-networks.com.

HMS has ongoing long-term share-based incentive schemes that have been adopted by the AGM and therefore are not covered by these guidelines. These incentive schemes apply to all employees of HMS, with the aim of increasing their interest in the business and its performance, as well as boosting their motivation and fostering a sense of solidarity with the company by establishing long-term ownership interests. The incentive schemes also enable HMS to offer competitive total remuneration packages and in doing so create the prerequisites for recruitment and retention of talented employees. Performance requirements are currently linked to earnings per share. The incentive schemes also require personal investment over a certain holding period. For more information about these schemes, see the HMS website www.hms-networks.com.

Types of remuneration etc.

Remuneration to senior executives shall be market-based and may consist of fixed cash salary, variable cash compensation, pension benefits, and other benefits, as well as additional variable cash compensation in certain extraordinary circumstances. The AGM may also – and independently of these guidelines – decide on for example, share-based and share-price-based payment. Fixed cash salary shall be set on the basis that, in combination with short- and long-term incentives, it shall be competitive. The absolute level shall be set based on the person's position and their expertise, experience, and performance. The fixed cash salary amount shall be reviewed annually.

Variable cash compensation shall be based on predetermined and measurable financial and non-financial targets for the Group. The measurement period for the targets for annual variable cash compensation is one year and annual variable cash compensation may not amount to more than 50 percent of the fixed cash salary. In addition to annual variable cash compensation, senior executives will be able to receive a long-term incentive bonus (LTI bonus) amounting to no more than 50 percent of the fixed cash salary as of the last year of the measurement period. The LTI bonus shall be based on achieved financial and operational goals, linked to, e.g., growth and operating profit, after a multi-year measurement period of three to five years. The split between fixed and variable cash compensation must be proportionate to the executive's responsibilities and authority. The goals should primarily relate to growth and profitability, with the relationship between these KPIs being used to determine the outcome of variable cash compensation. Individual goals may also be set in addition to these. The goals shall be structured so that they promote HMS' business strategy and long-term interests, including sustainability. For example, there should be a clear link to the Group's strategic focus areas and/or promoting the executive's long-term development at HMS.

For the CEO, pension benefits, including health insurance benefits, shall be premium defined. Variable cash compensation shall be pensionable. The pension premium shall amount to a maximum of 35 percent of the pensionable income up to 28.5 times the price base amount and a maximum of 25 percent on salary amounts in excess of that.

For other senior executives, pension benefits, including health insurance benefits, shall be premium defined. Variable cash compensation shall be pensionable. The pension premium must follow the ITP1 plan and amount to a maximum of 30 percent of the pensionable income, which may not exceed 30 income base amounts as of January 1, 2023.

Other benefits may include health insurance, occupational health care, a company car, etc. In total, such benefits may not amount to more than 10 percent of the fixed cash salary.

Additional variable cash compensation may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are only made for the purpose of recruiting or retaining senior executives. Such compensation may not exceed an amount corresponding to 50 percent of the fixed cash salary and may not be paid out more than once per year per individual. Decisions on such compensation shall be made by the Board of Directors based on recommendations by the Remuneration Committee.

With regard to employment governed by non-Swedish rules, adjustments may be made to pension benefits and other benefits to comply with such rules or established local practice, taking into account, to the extent possible, the overriding goals of these guidelines.

Determining the outcome of variable cash compensation etc.

The Remuneration Committee is tasked with preparing, monitoring, and evaluating matters relating to variable cash compensation on behalf of the Board. When the measurement period for fulfilling criteria for payment of variable cash remuneration has ended, an assessment shall be made of the extent to which the criteria have been fulfilled. Assessments of whether financial targets have been met shall be based on adopted financial statements and documentation for the period in question. Remuneration to the CEO is decided by the Board based on the recommendations of the Remuneration Committee. Remuneration to other senior executives is decided by the CEO after consultation with the Remuneration Committee.

Variable cash compensation may be paid after the measurement period has ended or be deferred for later payment. The Board of Directors is entitled, by law or agreement, to demand full or partial repayment of variable compensation that has been paid out erroneously.

Termination of employment
Senior executives shall be employed on a permanent basis. In the case of notice of termination, the mutual notice period for the CEO is six months. In respect of notice of termination on the company's side, severance pay corresponding to a maximum of 12 months' fixed cash salary may also be paid. Other earnings shall not be deducted from the severance pay. In respect of notice termination from the CEO's side, no severance pay shall be paid. A mutual notice period of six months applies between the company and the other senior executives, without any right to severance pay.

It will be possible for senior executives to obtain compensation for a non-compete clause after termination of employment, but only to the extent that severance pay is not paid for the corresponding period of time. The purpose of such compensation is to compensate the senior executive for the difference between the fixed cash salary at the date of termination and the (lower) income that is received via a new employment contract, assignment, or own business. This compensation may be paid during the period of time that the non-compete clause is in effect, although for no more than 12 months after termination of the employment. For more information on remuneration to senior executives, please see Note 9.

Salary and terms of employment for employees
The Board of Directors' proposal for these remuneration guidelines has given due consideration to the salary and terms of employment for employees of HMS, by means of information on their total remuneration package, the components of that package, any increase, and rate of increase over time being factored into the Remuneration Committee's and the Board of Directors' decision when evaluating whether the guidelines and the subsequent limitations are reasonable.

Decision-making process for establishing, monitoring, and implementing the guidelines
The Board of Directors has set up a Remuneration Committee. The Committee's tasks include preparing the material upon which the Board will base its decisions on proposed guidelines for remuneration to senior executives. The Board must prepare proposals for new guidelines at least every four years and present these proposals to the AGM for a decision. The guidelines shall apply until new guidelines have been adopted by the AGM. The Remuneration Committee is also required to monitor and evaluate variable remuneration schemes for senior executives, the application of the guidelines for remuneration to senior executives, and the current remuneration structures and levels at HMS. The members of the Remuneration Committee are independent in relation to the company and its management team. When the Board considers and makes decisions on remuneration issues affecting them, the CEO and other members of the management team are not present and do not participate.

Deviating from the guidelines
The Board of Directors may decide to make temporary deviations from the guidelines, either in full or in part, if there are special reasons for doing so in individual cases and it has been deemed necessary in order to meet the long-term interests, including sustainability, of HMS, or to ensure HMS' financial viability. As stated above, the Remuneration Committee's tasks include preparing the material on which the Board's decisions are based, which includes decisions on deviating from the guidelines.

Outlook
In the short term, the market continues to be characterized by inventory adjustments and uncertainties due to the macroeconomic situation. The market is in "wait-and-see mode", which means customers are wary of placing orders until they have a clearer picture of market demand. The assessment is that order intake will not improve until the second half of 2024, with a gradual improvement during Q2. The willingness of customers to invest in digitalization, productivity improvements, and sustainability is high, and underlying demand is still considered to be good, although there is some concern associated with how industry will be impacted by weaker consumer purchasing power, rising energy costs, and the serious issues affecting security policy.

HMS is continuing to pursue long-term growth based on a balanced view of our costs. In the longer term, it is still expected that the market for Industrial ICT (Information and Communication Technology) will remain an interesting area, both in terms of organic growth and acquisitions.

HMS stock
HMS Networks AB (publ) is listed on the Nasdaq OMX Stockholm Stock Exchange in the Large Cap segment and Telecommunications sector. On average, 51,663 (50,715) shares were traded each trading day. The volume-weighted average share price in 2023 was SEK 427.42 (386.52). The total number of shares at the time this annual report was submitted was 46,818,868, of which 162,880 are held in treasury after allotment for the 2020 Share Savings Plan. All shares have the same voting rights.

PARENT COMPANY

Information about the business
The parent company's operations focus on Group-wide administration and financing. Apart from the CEO, the parent company has no employees.

Proposed distribution of profit in the parent company
The following profits are at the disposal of the AGM:

Retained earnings and other non-restricted reserves	478,007
Profit for the year	465,468
SEK 000s	**943,475**

The Board of Directors proposes the following distribution of profits:	
A dividend of SEK 4.40 per share* will be paid to the shareholders	205,372
Carried forward	738,103
SEK 000s	**943,475**

* The dividend is calculated on the total number of shares outstanding as of 03/26/2024.

It is the Board's opinion that the proposed dividend does not prevent the company, or any other company in the Group, from meeting its obligations in the short and long term, nor from being able to make necessary investments. During April 2024, a new issue of shares is planned which could result in an additional 3-3.5 million shares and increase the dividend by approximately SEK 13-16 million. The board's assessment is that the company's and the group's equity will still be sufficiently strong. The proposed dividend is thus justifiable with regard to what is stated in Chapter 17, Section 3(2–3) of the Swedish Companies Act ("the precautionary principle").

Risks and risk management

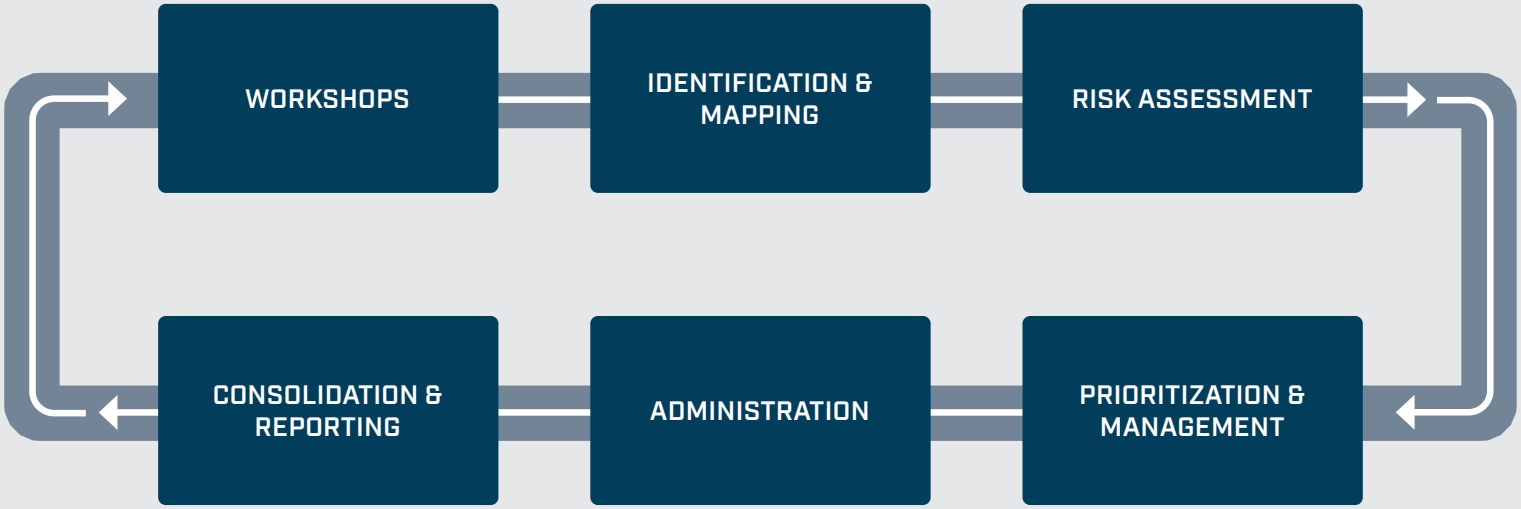
A prerequisite for creating long-term value is the ability to understand and manage relevant and significant risks. HMS is impacted by the general economic climate, changes in the currency market, and events relating to and impacting sustainability, as well as the geopolitical situation, in addition to exposure to industry- and company-specific factors. This section describes HMS' risk management process and the most significant risk areas that impact HMS' ability to achieve its set goals, along with its management and control of each risk area.

Work with materiality analyses, identification, measurement, and risk management is an integral and key component of HMS' corporate governance. Risk assessments are continuously carried out within the Group to identify and assess significant risks. HMS' risk management consists of identifying, measuring, and taking active positions on identified risks, with the aim of accepting, minimizing, or eliminating a potential risk based on an adopted strategy. The Group's risk management program encompasses all parts of the business with the aim of working in a structured way to prevent various risks and support continuous improvements. Feedback with a review of significant risks is provided to the Board of Directors annually.

In 2023, the risk management process was further developed. External risk factors and the complexity of the risk environment have increased in recent years, something which has made it even more important to ensure that processes are in place to identify, analyze, evaluate, and manage the risks to which HMS may be exposed. The focus is to ensure that the right decisions are made in every part of the Group in order to give HMS the prerequisites to create long-term value and achieve set goals. In the improvement work that has taken place, processes and ownership have been clarified, while work has also been done to increase proactivity in risk management, including through greater dialogue between divisions and the involvement of more people within the Group. The methodology and process for assessing risks have been made clearer and several workshops have been held. The risk reporting tool has also been discussed and improved.

HMS risk process

HMS works continuously and in a structured way with risk management, the process for which is illustrated below. This work is not strictly limited to the order of the cycle. Identification, evaluation, prioritization, and administration take place on an ongoing basis throughout the year based on external monitoring and the needs of each division and area.



DESCRIPTION OF RISK AND IMPACT	MANAGEMENT AND CONTROL
CYBERSECURITY AND IT INFRASTRUCTURE INTERRUPTION RISKS AND INFORMATION AND/OR DATA LEAKAGE Risk that disruptions, deviations, or total interruptions, generated by intrusion or destruction, in critical systems impact the infrastructure of business processes such as production, logistics, and sales, and that IT infrastructure is partially, or completely, destroyed. This area also includes the risk of information in the IT environment being disseminated to external parties due to hacker attacks or intrusions that are not stopped. Should business-critical and sensitive information be disclosed, it could be used against HMS.	HMS has a global IT security policy and strives to identify and monitor vulnerabilities and take appropriate action to avoid, prevent, or mitigate their effects. Security at HMS is continuously evaluated, both through internal controls and tests carried out by external partners. Effort is put into continuity planning and a globally secure network equipment and server environment, as well as clear monitoring and segmentation of all assets and IT users. A continuous risk assessment is carried out to focus on maintaining a secure IT infrastructure at all times. Awareness of the risks and more resources deployed within cybersecurity increase the readiness to respond quickly to an attack, as well as the application of cybersecurity frameworks that have been implemented. When acquisitions are made, a great deal of effort goes into ensuring that new devices introduced into the environment are compliant.
LEGAL COMPLIANCE REGULATORY CHANGES Changes in regulatory requirements, and in particular to sustainability requirements, can lead to increased costs for production and development to continue, as well as impact product relevance.	Guidelines in the HMS Code of Conduct and Environmental Policy. Proactive efforts to develop new, relevant products that consider the entire life cycle, with improved environmental and social footprints aimed at reducing the risk of external negative impact and consequences of potential additional regulation. Ensuring compliance with binding requirements and the presence of a whistleblowing channel. Giving consideration to the resource and energy efficiency of products, along with transport operations, material composition, and waste management.

CONTINUED OVERLEAF

DESCRIPTION OF RISK AND IMPACT	MANAGEMENT AND CONTROL
EMPLOYEES	
BUSINESS ETHICS	
A varying risk of corruption in the different markets where HMS does business. Risk of non-compliance with applicable legislation and HMS values.	Guidelines in the HMS Code of Conduct on business principles for employees and representatives. Training in these guidelines for employees and the Board of Directors. Externally managed whistleblower system for anonymous reporting of irregularities.
WORK ENVIRONMENT	
A poor work environment can lead to the loss of, or impact on, employees. Increased costs due to employees being absent from work and high employee turnover, which in turn can mean that the workplace becomes less attractive and the company's reputation is damaged, in some cases leading to fines. The work environment includes the physical and psychosocial health of employees.	Guidelines in the HMS Code of Conduct plus local work environment policies. Regular employee surveys and health and safety inspections to ensure there is a good work environment. Occupational health services are offered to employees and preventive wellness initiatives are key to creating healthy workplaces.
DIVERSITY AND EQUALITY	
Not giving everyone equal opportunities and limiting the ability to attract and retain the best talents lead to high employee turnover and a shortage of expertise, which in turn can mean that the workplace becomes less attractive and the company's reputation is damaged.	Guidelines in the HMS Code of Conduct plus Group targets for increasing the proportion of female managers. Externally managed whistleblower system for anonymous reporting of irregularities.
EXPERTISE	
Fierce competition for qualified labor means that it is important for the Group to enhance its attractiveness as an employer by proactively working on the corporate culture, work environment, benefits, and leadership. There is a risk that the workplace will become less attractive, which reduces the possibility of adding expertise to the workforce. This leads to recruitment and onboarding costs, as well as skills shortages.	Investment in personal development and provision of workplace training to ensure that the organization possesses the knowledge and skills required for the future. Regular employee surveys and performance reviews to ensure there is a good work environment. Proactive work on health, development, and an inclusive corporate culture.
ENVIRONMENTAL IMPACT	
GREENHOUSE GAS EMISSIONS	
Negative environmental impact through emissions from production and transportation for own operations and value chain.	Guidelines in the HMS Environmental Policy, Code of Conduct, and Supplier Code of Conduct, along with Group goals that include commitments to reduce emissions from own operations and value chain. Management system for systematic environmental work and supplier audits that include environmental requirements.

DESCRIPTION OF RISK AND IMPACT	MANAGEMENT AND CONTROL
VALUE CHAIN	
ECONOMIC SITUATION AND GEOPOLITICAL CHANGE	
Risk that HMS, which operates in a global market, will be negatively impacted by political, legal, and macroeconomic conditions.	Careful monitoring and analysis of factors that could adversely impact the Group. Changes in the economy are analyzed and form an integral part of the strategy work. The macroeconomic situation affects market behavior in the short term, which has an impact on HMS because of customers being more cautious. In recent years, political instability has changed due to increased unrest relating to Taiwan and China, which could affect access to resources and markets, as well as result in changes in customer behavior that have a negative impact on the Group's sales.
HUMAN RIGHTS	
Risk of poor working conditions and lack of respect for fundamental principles in, e.g., the ILO's core conventions in the HMS value chain. Supplier transparency or the discovery of human rights abuses can lead to impacts on workers' health and well-being and on legal situations, as well as damage to reputation and brand image.	Guidelines in the HMS Supplier Code of Conduct. Follow-up through supplier reviews and audits as well as annual assessment to identify risks associated with conflict minerals. Integrated processes with mitigation measures to address risks in the value chain.
RESILIENCE IN THE VALUE CHAIN	
Disruptions in the value chain linked to climate-related risks as well as trade and market barriers. These result in production and delivery delays as well as increased costs. Long delivery times impact the customer's experience and satisfaction.	Securing our sourcing of components with additional alternative suppliers and also safeguarding inventory levels of critical components. Strategic forecast planning and collaboration with our partners.
SHORTAGE OF RESOURCES AND MATERIALS	
Lack of availability of materials and components, which in turn results in price increases and supply disruptions that affect the manufacturing process and delivery to the end customer.	Processes with mitigating measures to reduce the level of risk, which include alternative plans for product design and production, more alternative suppliers, and review of inventory levels of critical components. Increase the proportion of recycled materials in our products, proactive product returns and recovery.

For information on financial risks and sensitivity analysis, please see Note 20.

Consolidated income statement

SEK 000s	Note	2023	2022
Net sales	4	3,024,720	2,506,201
Cost of goods and services sold		-1,057,437	-929,580
GROSS PROFIT		**1,967,284**	**1,576,621**
Selling expenses		-588,061	-457,420
Administrative expenses		-282,190	-212,492
Research and development expenses		-319,433	-260,625
Other operating income	5	8,563	33,557
Other operating expenses	5	-32,834	-27,091
OPERATING PROFIT	6, 7, 8, 9, 10	**753,328**	**652,549**
Financial income	11	11,945	7,596
Financial expenses	12	-47,362	-35,689
Net financial items		**-35,418**	**-28,093**
Share of profit after tax from associates	32	-582	-1,017
PROFIT BEFORE TAX		**717,328**	**623,440**
Income tax	13	-146,683	-115,653
PROFIT FOR THE YEAR		**570,645**	**507,787**
Profit attributable to:			
HMS Networks AB's shareholders		570,645	507,787
Total		570,645	507,787
Earnings per share, basic, SEK [1]	14	12.23	10.89
Earnings per share, diluted, SEK [1]	14	12.19	10.85
Average number of shares, basic, thousands	14	46,653	46,645
Average number of shares, diluted, thousands	14	46,800	46,802
Dividend paid per share, SEK	15	4.00	3.00

[1] Attributable to parent company's shareholders

Consolidated statement of comprehensive income

SEK 000s	Note	2023	2022
Profit for the year		570,645	507,787
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Cash flow hedges		40,603	-7,981
Hedging of net investments		-4,302	-16,323
Exchange differences arising from translation of foreign operations		-5,053	108,035
Income tax attributable to the items above	13	-7,478	5,006
Other comprehensive income for the year, after tax		**23,770**	**88,737**
Total comprehensive income for the year		**594,415**	**596,524**
Total comprehensive income for the year attributable to:			
HMS Networks AB's shareholders		594,415	596,524
Total		**594,415**	**596,524**

Consolidated balance sheet

SEK 000s	Note	2023-12-31	2022-12-31
ASSETS			
Non-current assets			
Intangible assets	16		
Capitalized development work		136,572	130,630
Goodwill		1,116,804	1,119,632
Customer relations and technology platforms		16,592	41,863
Brands		101,284	103,036
Other intangible assets		21,159	14,740
Total intangible assets		**1,392,410**	**1,409,901**
Property, plant, and equipment	17		
Buildings and land		11,607	6,997
Plant and machinery		15,783	16,526
Equipment, installations, and facilities		42,480	23,175
Construction in progress		-	21,975
Rights of use	17, 18	265,885	163,570
Total property, plant, and equipment		**335,756**	**232,243**
Financial assets			
Interest in associates	32	13,261	13,843
Deferred tax assets	13	20,948	21,909
Derivatives	23	5,200	151
Other non-current assets	20	15,400	14,978
Total financial assets		**54,810**	**50,881**
Total non-current assets		**1,782,976**	**1,693,025**

SEK 000s	Note	2023-12-31	2022-12-31
Current assets	20		
Inventories	21	588,841	362,044
Trade receivables	22	385,113	412,114
Current tax assets		37,746	25,424
Derivatives	23	20,562	-
Other receivables		40,314	68,362
Prepaid expenses and accrued income	24	31,387	24,932
Cash and cash equivalents	25	124,032	144,168
Total current assets		**1,227,995**	**1,037,044**
TOTAL ASSETS		**3,010,971**	**2,730,069**

Cont. Consolidated Balance Sheet

SEK 000s	Note	2023-12-31	2022-12-31
EQUITY AND LIABILITIES			
Equity			
Share capital	26	1,170	1,170
Other contributed capital	26	218,318	218,318
Reserves	26	193,924	170,154
Retained earnings including profit for the year		1,519,142	1,220,066
Equity attributable to HMS Networks AB's shareholders		1,932,555	1,609,709
Total equity		**1,932,555**	**1,609,709**
Non-current liabilities	20		
Interest-bearing liabilities	27	15,612	114,366
Non-interest-bearing liabilities	28	127,194	112,054
Lease liabilities	18	202,074	118,125
Derivatives	23	-	529
Deferred tax liability	13	103,700	88,999
Total non-current liabilities		**448,580**	**434,073**
Current liabilities	20		
Interest-bearing liabilities	27	1,256	36,301
Non-interest-bearing liabilities	28	8,439	20,634
Lease liabilities	18	58,582	42,112
Trade payables		250,281	242,976
Current tax liabilities		102,667	97,959
Derivatives	23	-	14,463
Other liabilities		32,116	50,487
Accrued expenses and deferred income	29	171,256	179,606
Other provisions	30	5,239	1,750
Total current liabilities		**629,836**	**686,288**
TOTAL EQUITY AND LIABILITIES		**3,010,971**	**2,730,069**

Consolidated statement of cash flows

SEK 000s	Note	2023	2022
Cash flow from operating activities			
Profit after financial items		717,328	623,440
Adjustment for items not included in cash flow:			
Depreciation/amortization and impairment		125,190	107,872
Share Savings Plan	8	10,347	10,218
Unrealized exchange differences		6,925	13,541
Other provisions		3,344	156
Impairment of inventories	21	13,045	13,162
Settlement of option liability	5	-	-26,707
Other non-cash items on the income statement		3,074	-10,247
Income tax paid		-128,742	-84,024
Cash flow from operating activities before changes in working capital		**750,511**	**647,411**
Change in working capital			
Change in inventories		-242,410	-166,153
Change in trade receivables		-2,824	-84,970
Change in other current receivables		14,873	-46,547
Change in trade payables		36,712	50,564
Change in other current liabilities		-37,999	30,808
Cash flow from operating activities		**518,863**	**431,113**

SEK 000s	Note	2023	2022
Investing activities			
Investments in intangible assets	16	-35,801	-49,453
Investments in property, plant, and equipment	17	-38,081	-33,601
Investments in subsidiaries	31	-55,056	-280,410
Change in financial assets		-6,180	-2,506
Sale of property, plant, and equipment		-	42
Cash flow from investing activities		**-135,118**	**-365,928**
Financing activities	33		
Borrowings		151,970	259,712
Loan amortization		-292,009	-144,953
Amortization of lease liability	18	-59,817	-40,549
Repurchase of own shares		-13,137	-34,240
Dividend to parent company shareholders	15	-186,624	-139,928
Change in non-interest-bearing liabilities		-613	999
Cash flow from financing activities		**-400,230**	**-98,959**
CHANGE IN CASH AND CASH EQUIVALENTS		**-16,485**	**-33,774**
Cash and cash equivalents at beginning of year	25	144,168	172,174
Exchange differences in cash and cash equivalents		-3,651	5,768
Cash and cash equivalents at year-end	25	**124,032**	**144,168**
Interest paid and received			
Interest paid	12	-12,364	-6,059
Interest received	11	1,052	219

Consolidated Statement of Changes in Equity

		Attributable to HMS Networks AB's shareholders				
SEK 000s	Note	Share capital	Other contrib-uted capital	Reserves	Retained earnings including profit for the year	Total equity
Opening balance as of January 1, 2022		**1,170**	**218,318**	**81,417**	**876,229**	**1,177,134**
Total comprehensive income		-	-	88,737	507,787	596,524
Costs of share-based remuneration		-	-	-	10,218	10,218
Repurchase of own shares		-	-	-	-34,240	-34,240
Dividend	15	-	-	-	-139,928	-139,928
Closing balance as of December 31, 2022		**1,170**	**218,318**	**170,154**	**1,220,066**	**1,609,709**
Total comprehensive income		-	-	23,770	570,645	594,415
Costs of share-based remuneration		-	-	-	11,168	11,168
Repurchase of own shares		-	-	-	-13,137	-13,137
Option*		-	-	-	-82,976	-82,976
Dividend	15	-	-	-	-186,624	-186,624
Closing balance as of December 31, 2023		**1,170**	**218,318**	**193,924**	**1,519,142**	**1,932,555**

* During the course of 2023, a call/put option was redeemed via the acquisition of an additional 20 percent of the shares in Owasys. At the time of the acquisition, a new call/put option was subscribed for the remaining 20 percent of the shares. As of January 1, 2023, options are now recognized at the present value of expected future cash outflows.

Parent company's income statement

SEK 000s	Note	2023	2022
Net sales	4	25,189	18,986
GROSS PROFIT		**25,189**	**18,986**
Administrative expenses	7, 8, 9, 10	-24,274	-18,986
OPERATING PROFIT		**916**	**-**
Profit from interest in Group companies – dividend		455,176	229,362
Financial income		12,318	8,865
Financial expenses		-	-14
Net financial items		**467,495**	**238,212**
PROFIT BEFORE TAX		**468,410**	**238,212**
Income tax	13	-2,942	-2,027
PROFIT FOR THE YEAR		**465,468**	**236,185**

Parent company's balance sheet

SEK 000s	Note	2023-12-31	2022-12-31
ASSETS			
Non-current assets			
Financial assets			
Interest in subsidiaries	34	337,324	337,324
Total financial assets		**337,324**	**337,324**
Total non-current assets		**337,324**	**337,324**
Current assets			
Receivables from Group companies		639,827	370,617
Other receivables		252	242
Prepaid expenses and accrued income	24	-	118
Cash and cash equivalents		2,124	2,602
Total current assets		**642,203**	**373,579**
TOTAL ASSETS		**979,527**	**710,904**

SEK 000s	Note	2023-12-31	2022-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		1,170	1,170
Statutory reserve		19,446	19,446
Total restricted equity		**20,616**	**20,616**
Non-restricted equity	15		
Retained earnings		380,457	343,653
Share premium reserve		97,549	97,549
Profit for the year		465,468	236,185
Total non-restricted equity		**943,475**	**677,387**
Total equity		**964,091**	**698,003**
Current liabilities			
Trade payables		1,393	427
Current tax liability		1,768	496
Other liabilities		1,720	2,490
Accrued expenses and deferred income	29	10,557	9,487
Total current liabilities		**15,437**	**12,901**
TOTAL EQUITY AND LIABILITIES		**979,527**	**710,904**

Parent company statement of cash flows

SEK 000s	Note	2023	2022
Operating activities			
Profit after financial items		465,468	238,212
Adjustments for items not incuded in the cash flow:			
Dividend received		-455,176	-229,362
Share Savings Plan		381	402
Income tax paid		1,272	-1,561
Cash flow from operating activities before changes in working capital		**11,944**	**7,691**
Change in working capital			
Change in other current receivables		186,074	167,201
Change in trade payables		965	244
Change in other current liabilities		299	-684
Cash flow from operating activities		**199,283**	**174,452**
Financing activities			
Repurchase of own shares		-13,137	-34,240
Dividend paid		-186,624	-139,928
Cash flow from financing activities		**-199,761**	**-174,168**
CHANGE IN CASH AND CASH EQUIVALENTS		**-478**	**284**
Cash and cash equivalents at beginning of year		2,602	2,318
Cash and cash equivalents at year-end		**2,123**	**2,602**
Interest paid and received			
Interest paid		-	-14
Interest received		12,318	8,865

Parent company statement of changes in equity

		Restricted equity		Non-restricted equity			
SEK 000s	Note	Share capital	Statutory reserve	Retained earnings	Share premium reserve	Profit for the year	Total
Opening balance as of January 1, 2022		**1,170**	**19,446**	**94,924**	**97,549**	**422,495**	**635,584**
Distribution of profit/loss for 2021		-	-	422,495	-	-422,495	-
Repurchase of own shares		-	-	-34,240	-	-	-34,240
Costs of share-based remuneration		-	-	402	-	-	402
Dividend (SEK 3.00 per share)	15	-	-	-139,928	-	-	-139,928
Profit for the year		-	-	-	-	236,185	236,185
Closing balance as of December 31, 2022		**1,170**	**19,446**	**343,653**	**97,549**	**236,185**	**698,003**
Distribution of profit/loss for 2022		-	-	236,185	-	-236,185	-
Repurchase of own shares				-13,137	-	-	-13,137
Costs of share-based remuneration		-	-	381	-	-	381
Dividend (SEK 4.00 per share)	15	-	-	-186,624	-	-	-186,624
Profit for the year		-	-	-	-	465,468	465,468
Closing balance as of December 31, 2023		**1,170**	**19,446**	**380,457**	**97,549**	**465,468**	**964,091**

Notes

All amounts in SEK thousands unless otherwise stated.

NOTE 1 General information

HMS Networks AB (publ), CIN 556661-8954, is a Swedish limited liability company whose shares are traded on the Nasdaq OMX Nordic Exchange in Stockholm in the Large Cap segment and Telecommunications sector. HMS Networks AB (publ) is the parent company of the HMS Networks Group and has its head office in Halmstad, Sweden. The head office address is Stationsgatan 37, Halmstad, Sweden. HMS Networks AB (publ) is the ultimate parent company of the Group.

HMS is a market-leading supplier of solutions for Industrial Information and Communication Technology (Industrial ICT). HMS develops and manufactures products sold under the Anybus®, Ixxat®, Ewon®, and Intesis® brands. Product development takes place at the head office in Halmstad, as well as in Ravensburg, Wetzlar and Buchen (Germany), Nivelles (Belgium), Igualada and Bilbao (Spain), Delft and Rotterdam (the Netherlands), and Sibiu (Romania). Local sales and support are managed by our sales offices in Germany, the United States, Japan, China, Singapore, Italy, France, Spain, the Netherlands, India, the United Kingdom, Sweden, South Korea, Australia, the United Arab Emirates (UAE), and Vietnam, as well as via a worldwide network of distributors and partners.

This annual report and the consolidated financial statements were approved for publication by the Board of Directors on March 26, 2024.

NOTE 2 Summary of important accounting policies

This note describes the important accounting policies that were applied in the preparation of these consolidated financial statements, to the extent that they are not described in the notes that follow. However, most of the accounting policies applied are detailed in each of the notes. All of the accounting policies presented in this annual report have been applied consistently to all the years presented, unless otherwise stated. The consolidated financial statements cover HMS Networks AB and its subsidiaries.

BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the HMS Networks Group have been prepared in accordance with the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups, as well as the International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRS IC) as adopted by the EU.

The consolidated financial statements have been prepared in accordance with the cost method, except for certain financial assets and liabilities measured at fair value.

Parent company accounting policies

The parent company's financial statements have been prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. The application of RFR 2 means that the parent company in its annual report for the legal entity applies all IFRS standards and opinions adopted by the EU as far as possible within the framework of the Annual Accounts Act and the Pension Obligations Vesting Act, and with regard to the relationship between accounting and taxation.

New and amended standards adopted by the Group

Disclosure of Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2. The amendments mean that companies must disclose material accounting policies rather than significant ones, as has been the case previously. This change will apply from January 1, 2023.

New standards and interpretations that have not yet been applied by the Group

International Tax Reform – Pillar Two Model Rules – amendments to IAS 12. These rules are designed to ensure that, within the framework of the rules, large multinational groups pay a minimum tax on income arising during a given period in each of the jurisdictions in which they operate. The HMS Networks Group does not meet the criteria for being covered by the OECD's (Organization for Economic Co-operation and Development) model rules for Pillar Two, and these rules have not had any impact on the Group's financial statements for the current year.

A number of other new standards, amendments to standards, and interpretations that have been published enter into force for financial years beginning after January 1, 2023 and have not been applied in the preparation of these financial statements. These new standards, amendments, and interpretations are not expected to have a material impact on the Group's financial statements for the current or future periods, nor on future transactions.

CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries

The acquisition method is used for reporting the Group's business combinations (see Note 31).

The accounting policies for subsidiaries have been adapted, where appropriate, to ensure consistency with the policies applied by the Group.

Associates

Holdings in associates are recognized using the equity method. According to this method, holdings in associates are initially recognized in the consolidated balance sheet at acquisition cost.

The accounting policies for associates have been adjusted where appropriate to ensure consistency with the Group's accounting policies.

SEGMENT REPORTING

Segment disclosures must be presented from the management's perspective, which means in the same way as for internal reporting purposes. The starting point for identifying reportable segments is the internal reporting which is reported to and followed up on by the highest ranking executive decision-maker. Management has analyzed the internal reporting and concluded that the Group's highest ranking decision-maker, i.e., the Group management team, regularly analyzes sales reports, quality follow-up, and the Group's income statement and statement of cash flows. This reporting is based on the fact that the common technology platform, development process, manufacturing process, marketing strategy, and shared sales resources do not create any need for further segmentation of the business. There is thus no follow-up carried out of the financial performance of any particular part (segment) of the business.

TRANSLATION OF FOREIGN CURRENCY

Functional currency and reporting currency

Items included in the financial statements of the Group's various entities are measured in their respective functional currency (none of the entities has a high-inflation currency as its functional currency). The consolidated financial statements are presented in Swedish kronor (SEK), which is the parent company's functional currency and the reporting currency of both the Group and the parent company.

Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction dates or the date on which the items are remeasured. Exchange rate gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities in foreign currency at the exchange rate on the balance sheet date are recognized in the income statement. An exception to this is transactions constituting hedges that meet the conditions for hedge accounting of cash flows or net investments, in which case gains/losses are recognized in other comprehensive income.

Exchange rate gains and losses attributable to loans and cash and cash equivalents are recognized in the income statement as financial income or expenses. Exchange rate gains and losses attributable to the sale of products and services are recognized in the income statement as net sales. Exchange rate gains and losses attributable to the purchase of raw materials and products are recognized in the income statement as cost of goods sold. Other exchange rate gains and losses are recognized in the income statement as other operating income and other operating expenses, respectively.

Group companies

In the consolidated financial statements, exchange differences attributable to the translation of a net investment in a foreign operation, along with exchange differences attributable to borrowing or other financial instruments classified as hedging instruments for such investments, are recognized in other comprehensive income.

NOTE 3 Important estimates and assumptions for accounting purposes

The Group makes estimates and assumptions about the future. The resulting estimates for accounting purposes may differ from the actual outcome. Management also makes assumptions when applying the Group's accounting policies.

Estimates and assumptions are evaluated continuously and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the prevailing conditions. The estimates and assumptions that involve a significant risk of material adjustments to the carrying amounts of assets and liabilities are presented in the following notes:

- Recognition of deferred tax assets on tax credits – Note 13 Income tax and deferred tax
- Impairment testing of goodwill, brands with an indefinite useful life, and capitalized development costs – Note 16 Intangible assets
- Recognition of leases – Note 18 Leases
- Recognition of liability for options and contingent consideration – Note 28 Non-interest-bearing liabilities.

NOTE 4 Revenue

ACCOUNTING POLICIES

REVENUE FROM PRODUCTS

Product sales amount to approximately 95 percent of the Group's total sales. Product sales are made for Industrial ICT (Information and Communication Technology) sold under the Anybus®, Ewon®, Ixxat®, and Intesis® brands. HMS also offers products for wireless communication in mobile industrial applications through Owasys. Revenue from product sales is recognized at the point in time that control over the product is transferred to the customer. In most cases, this is when delivery has been made to the customer and ownership rights have been transferred. The revenue is measured based on the payment specified in the agreement with the customer.

HMS payment terms are generally 30–60 days.

Provisions are made for estimated warranty costs for goods sold where the warranty is still valid at the end of the year. See Note 30.

REVENUE FROM SERVICES

In those instances where an agreement contains several separate performance obligations, the transaction price is allocated to each performance obligation based on their independent sales prices. Management assesses the independent sale price at the start of the contract based on observable prices for the same type of product to be delivered and services that will be performed under similar conditions for similar customers.

For fixed-price contracts, revenue is recognized based on the percentage of the total agreed service delivered during the financial year. Revenue is recognized according to the percentage-of-completion method. If the services delivered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services delivered, a contract liability is recognized. Estimates of revenue, costs, or the degree of completion of projects will be revised if the circumstances change. Increases or decreases in assessed income or expenses that are due to a revised estimate are recognized in the income statement in the period in which the Group management team became aware of the circumstances giving rise to the revised estimate.

If the agreement is an open account arrangement based on price per hour or price for materials, revenue is recognized to the extent that the Group is entitled to invoice the customer.

Licenses and cloud services

In previous years, licenses for software and cloud services have been deemed to be separate performance obligations. Revenue for the license and cloud service was recognized over time in the period in which they were provided.

In 2023, the Group assessed these as being immaterial. This means that the service is no longer separated from the product and the revenue is thus recognized at the point in time that control is transferred to the customer.

Regular assessments will be made as to whether these services are considered material and whether revenue should again be recognized over time instead of at a given point in time.

Development services

Revenue from the development services delivered is recognized in the period in which they are provided in cases where the Group has no alternative use for the work and is entitled to payment for work performed at any given time. If the Group is not entitled to payment for work performed at any given time, revenue is then recognized at a given point in time, i.e., when the customer obtains control of the service. The assessment is made on a contract-by-contract basis. In cases where the Group is entitled to payment for work provided at any given time, revenue is recognized over time. The vast majority of revenue from development services is recognized over time.

Breakdown of revenue from contracts with customers

The Group sells products and services primarily in 10 countries, as shown in the following table. See Note 2 for information on the Group's segments. The breakdown below is based on the country to which the product or service has been delivered.

Net sales per country	The Group		Parent company	
	2023	2022	2023	2022
Germany	684,818	552,637	-	-
USA	418,065	361,536	-	-
Japan	281,872	190,357	-	-
France	216,795	175,700	-	-
China	167,758	155,326	-	-
Netherlands	166,461	83,486	-	-
Italy	155,107	128,300	-	-
United Kingdom	142,704	88,531	-	-
Sweden	116,947	101,300	25,189	18,986
Spain	69,687	72,661	-	-
Other countries[1]	604,506	596,368	-	-
	3,024,720	**2,506,201**	**25,189**	**18,986**

[1] No single country represents more than SEK 50 thousand.

The parent company's net sales amounted to SEK 25,189 thousand (18,986), of which 100 percent were sales to Group companies. Purchases from Group companies amounted to SEK 0 thousand (0).

No single customer accounts for more than 10 percent of the Group's total revenue.

The products for Industrial ICT are sold under the Anybus®, Ixxat®, Ewon®, and Intesis® brands. The breakdown of net sales by brand is shown in the following table.

Net sales per brand	2023	2022
Anybus	1,757,224	1,231,805
Ewon	515,870	474,647
Ixxat	314,196	234,393
Intesis	239,708	177,554
Other[1]	197,722	387,802
Total	**3,024,720**	**2,506,201**

[1] For 2022, Other also includes net sales from Procentec and Owasys. For 2023, Procentec has been integrated into the Anybus brand.

Contract assets and liabilities

The Group recognizes the following revenue-related contract assets and liabilities:

	December 31, 2023	December 31, 2022
Current contract assets attributable to development services	1,002	1,089
Total contract assets	**1,002**	**1,089**
Contract liabilities – license and service agreements[1]	-	17,988
Total current contract liabilities	-	17,988

[1] See description under Accounting Policies. The Group no longer deems the service to be separate from cloud services and licences, and the previous reserve was dissolved in 2023. The decision is based on materiality.

No allowance for bad debt has been recognized for contract assets.

Remaining development contracts

The table shows performance obligations that are unfulfilled for fixed-price development contracts.

	December 31, 2023	December 31, 2022
The total amount of the transaction price allocated to development contracts that are unfulfilled or partially unfulfilled as of December 31	3,257	3,639

Management expects that 100 percent of the transaction price allocated to unfulfilled contracts as of December 31, 2023 will be recognized as revenue in the next financial year.

All other contracts for development services have an initial expected duration of no more than one year or are invoiced based on time spent. In accordance with the rules of IFRS 15, the transaction price for these unfulfilled obligations has not been disclosed.

NOTE 5 Other operating income and expenses

Other operating income	2023	2022
Settlement of option liability[1]	-	26,707
Exchange differences	4,525	6,804
Other operating income	4,037	46
Total	**8,563**	**33,557**

Other operating expenses	2023	2022
Acquisition costs[2]	-16,905	-
Exchange differences	-9,414	-26,188
Restructuring Costs	-6,515	-
Other operating expenses	-	-903
Total	**-32,834**	**-27,091**

[1] Refers to HMS Technology Center B.V. (formerly Procentec B.V.)
[2] Refers to Red Lion Controls Inc.

NOTE 6 Categorization by type of cost

	2023	2022
Cost of purchasing and handling materials	841,851	789,591
Costs of remuneration to employees (Note 8)	826,326	695,661
Depreciation, amortization and impairment (Notes 16 and 17)	124,466	107,575
Marketing costs	89,113	31,496
Freight costs	12,865	13,164
Other external costs	380,384	252,487
Capitalized development costs (Note 16)	-27,885	-29,857
Total costs of goods sold, sales, administration, and research and development	**2,247,121**	**1,860,118**

NOTE 7 Remuneration to auditors

	The Group		Parent company	
Remuneration to auditors	2023	2022	2023	2022
PwC				
Audit assignment[1]	2,635	2,012	2,253	1,698
of which PwC Sweden	2,253	1,698	2,253	1,698
Audit activities apart from the audit assignment	-	23	-	23
of which PwC Sweden	-	23	-	23
Tax advice	-	-	-	-
of which PwC Sweden	-	-	-	-
Other services	-	-	-	-
of which PwC Sweden	-	-	-	-
ARK Alliance LLP				
Audit assignment[1]	49	44	-	-
Cabrera Auditores				
Audit assignment[1]	168	150	-	-
IRT Auditores				
Audit assignment[1]	60	57	-	-
Bourner Bullock				
Audit assignment[1]	89	-	-	-
Michael Harwood & Co				
Audit assignment[1]	27	55	-	-
Total cost of remuneration to auditors	**3,029**	**2,341**	**2,253**	**1,720**

[1] The audit assignment refers to the fee for conducting the statutory audit, i.e., work necessary for issuing an audit report, as well as so-called audit advice provided in connection with the audit assignment.

NOTE 8 Remuneration to employees

ACCOUNTING POLICIES

Share-based payment

The purpose of the Group's incentive scheme is to promote recruitment and stimulate long-term commitment from employees in relation to the Group's profit and business development.

In 2023, all permanent employees within the Group were offered the opportunity to participate in a Share Savings Plan in which payment is made in shares and the Group receives services from employees as consideration for the Group's equity instruments.

The fair value of the work performed entitling employees to allotment of shares is expensed in the income statement under payroll expenses, with the corresponding posting to equity under retained earnings in the balance sheet. The total amount to be expensed is based on the fair value of the allotted shares, which is determined on the date they are allocated. Non-market vesting conditions are included in the assumption of how many shares are expected to vest. The total expense is recognized over the vesting period, which is the period during which all of the specified vesting conditions must be met.

The fair value per share is determined by taking the closing price of the HMS share for the first day of trading during the first year in which a new plan starts and the shares are acquired. At the end of each reporting period, the Group revises its estimates of how many shares are expected to vest based on the non-market vesting conditions. Any deviation from the original estimates due to this reassessment will be recognized in the income statement and corresponding adjustments made in equity.

Social security contributions that arise from the allotment of shares are regarded as an integral part of the allotment, with the cost treated as a cash-adjusted share-based payment, which means that social security contributions are calculated based on the fair value of the shares on each reporting date.

The input data in the model for share rights allotted during the year was as follows:

- allotment date: January 1, 2023
- vesting date: January 1, 2026
- share price on the first day of trading (January 2, 2023): SEK 346

Share-based payment

As a way of promoting long-term ownership commitment among employees, it is the Board's intention to present a proposal for a Share Savings Plan to the AGM each year. Since 2012, the AGMs have decided to offer a Share Savings Plan to all permanent employees within the Group.

In short, each Share Savings Plan means that employees who participate in the plan must make their own investment in HMS shares through savings during the investment period (January 1 to December 31 in year 1). They also need to retain the shares during the qualification period (years 2–4), and then during the spring of year 5 are allotted a maximum of two additional shares in HMS free of charge for each invested share. During the period 2013 to 2018, the Share Savings Plans consisted of both matching shares, which were issued in equal numbers as the number of shares saved, and performance shares, which were based on the achieved financial targets. As of 2019, the plans consist only of performance shares. However, no changes have been made to the possible outcome of a maximum of two shares for each saved share. Employees participating in the plan must set aside a minimum of 1 percent and a maximum of 3 percent of their annual gross salary, except for a few key employees who may set aside up to 6 percent of their gross salary for the purpose of saving shares during the investment period.

For all of the plans, in addition to the requirement for employment and retaining the shares, HMS needs to achieve certain financial targets for earnings per share during the qualification period. The financial targets are based on average annual growth of the Group's earnings per share calculated in accordance with the compound annual growth rate (CAGR) during the qualification period. Performance shares are awarded on a straight-line basis between 0 and 20 percent with maximum allotment occurring if the earnings per share during the qualification period are higher than 20 percent CAGR. Maximum outcome means that two performance shares would be issued as of the 2019 plan. A prerequisite for allotment of performance shares is that average annual growth is positive.

To safeguard the future allotment of shares under the Share Savings Plans, the AGM has resolved to acquire own shares for all plans.

	The Group		Parent company	
	2023	2022	2023	2022
Salaries and other remuneration[1]	639,582	543,646	7,457	7,166
Social security contributions	149,732	120,615	2,695	2,514
Pension expenses	37,012	31,400	1,451	1,082
Total	826,326	695,661	**11,603**	**10,762**

[1] Salaries paid in the parent company refer to the CEO and Board fees.

	2023			2022		
Salaries, other remuneration, and social security expenses	**Salaries and other remuneration**	**Social security expenses (of which pension expenses)**		**Salaries and other remuneration**	**Social security expenses (of which pension expenses)**	
Board members and CEO	29,439	8,352	(2,895)	28,583	6,929	(2,384)
Other employees	610,143	178,392	(34,117)	515,063	145,086	(29,016)
Total for the Group	639,582	186,744	(37,012)	**543,646**	**152,015**	**(31,400)**

CONT. NOTE 8 Remuneration to employees

Average number of employees	2023 Women	2023 Men	2023 Total	2022 Women	2022 Men	2022 Total
Sweden	86	190	**275**	75	159	**234**
Germany	36	115	**151**	35	115	**150**
Spain	25	78	**103**	20	67	**87**
Belgium	21	55	**76**	15	47	**62**
USA	13	42	**56**	12	37	**49**
Netherlands	11	34	**45**	10	38	**48**
Japan	9	17	**26**	5	16	**21**
United Kingdom	5	18	**23**	4	10	**14**
China	7	13	**20**	6	11	**17**
Romania	6	7	**13**	6	7	**13**
Other countries	6	28	**34**	7	24	**31**
Total for the Group	**225**	**596**	**821**	**195**	**531**	**726**

Shares held in treasury related to share-based payment			
Year	Repurchase	Allocation	Balance
2013	124,000	-	124,000
2017	350,200	-112,468	361,732
2018	70,000	-138,907	292,825
2019	-	-89,826	202,999
2020	40,000	-88,083	154,916
2021	56,841	-47,345	164,412
2022	74,159	-62,251	176,320
2023	33,000	-46,440	162,880
2024[1]	25,000	-44,464	143,416

[1] Calculated on the number of shares as of 03/26/2024.

Gender distribution within the Group (including subsidiaries) for Board members, President/CEOs, and senior executives	2023 Women	2023 Men	2023 Total	2022 Women	2022 Men	2022 Total
Board members, President/CEOs, and senior executives	4	16	20	3	15	18
Total for the Group	4	16	20	**3**	**15**	**18**

Ongoing Share Savings Plan				
Investment year (AGM decision)	Percentage of employees participating	Number of shares saved	Number of shares vested	Share price at time of allotment
2020 (2019)	41%	23,805	44,464	178.00
2021 (2020)	51%	13,065	-	274.50
2022 (2021)	53%	18,957	-	557.00
2023 (2022)	56%	21,393	-	346.00
2024 (2023)	55%	(not yet started)	-	488.60

NOTE 9 Remuneration to the Board of Directors and senior executives etc.

Remuneration to the Board and senior executives

The fees paid to the Chair and other Board members are as decided by the AGM. Employee representatives do not receive board fees.

Remuneration to the CEO and other senior executives consists of basic salary, variable remuneration, other benefits, and pension. Other senior executives are the seven people who, together with the CEO, make up the Group management team. During the first 10 months of 2023, five people were classed as other senior executives, while in the last two months of the year, there were seven people in this category.

See page 44 for details on the composition of the Group management team.

Variable cash compensation will be based on predetermined and measurable financial and non-financial targets for the Group. The measurement period for the targets for annual variable cash compensation is one year and annual variable cash compensation may not amount to more than 50 percent of the fixed cash salary. In addition to annual variable cash compensation, senior executives will be able to receive a long-term incentive bonus (LTI bonus) amounting to no more than 50 percent of the fixed cash salary as of the last year of the measurement period. The LTI bonus will be based on achieved financial and operational goals, linked to, e.g., growth and operating profit, after a multi-year measurement period of three to five years. The split between basic salary and variable remuneration must be proportionate to the executive's responsibilities and authority.

Variable remuneration is based on performance in relation to set targets. Pension benefits and other benefits for the CEO and senior executives are part of the total remuneration package. The retirement age for the CEO and other members of the Group management team is 65.

Variable remuneration for the financial year consists of an expensed bonus, which is paid out in the coming year.

For information on how the bonus is calculated, see more details below.

At the HMS AGM held on April 25, 2023, Charlotte Brogren was re-elected as Chair of the Board. Fredrik Hansson, Anders Mörck, Cecilia Wachtmeister, Niklas Edling, and Anna Kleine were also re-elected as Directors. Since the AGM on April 25, 2023, the Board has held 12 minuted meetings up to the date on which this annual report was adopted and expects to hold two more meetings before the AGM on April 23, 2024.

Variable remuneration

Variable remuneration for the CEO and senior executives is mainly based on growth in combination with profitability goals set by the Board. Personal goals may also be set in addition to these. For 2023, variable remuneration for the CEO corresponded to 33 percent (39) of basic salary, while for other senior executives it was 29 percent (32).

Defined benefit/defined contribution pension plans

The Group has both defined benefit and defined contribution pension plans. See Note 10. Pension expenses refer to the costs that affected profit/loss for the year.

Severance pay

A mutual notice period of six months applies between the company and the CEO. If the company gives notice of termination, severance pay amounting to 12 months' salary in addition to regular salary will be paid. However, if the CEO gives notice, no severance pay will be paid.

A mutual notice period of six months applies between the company and other senior executives.

Preparation and decision-making process

During the year, the Remuneration Committee prepared a proposal for the Board on principles for remuneration to senior executives. These principles covered the proportions between fixed and variable remuneration, as well as the size of any salary increases. Furthermore, the Remuneration Committee has proposed criteria for assessing the outcome of variable remuneration, allocation, and size in the form of financial instruments etc., as well as pension conditions and severance pay. The Remuneration Committee also examines the feasibility of remuneration to other Board members for performing consultancy assignments within the Group, where applicable.

The Board discussed the Remuneration Committee's proposals and made decisions based on the Committee's recommendations. Remuneration to the CEO for the 2023 financial year was decided by the Board based on the recommendation of the Remuneration Committee. Remuneration to other senior executives was decided by the CEO after consultation with the Remuneration Committee.

The Remuneration Committee consists of the Chair of the Board and one other Board member appointed by the Board.

CONT. NOTE 9 Remuneration to the Board of Directors and senior executives etc.

Remuneration and other benefits 2023	Salary/ Board fees	Variable remuneration	Pension expenses	Share-based payment	Total	Board attendance
Chair of the Board, Charlotte Brogren	695	-	-	-	695	100%
Board member, Niklas Edling	278	-	-	-	278	100%
Board member, Cecilia Wachtmeister	278	-	-	-	278	100%
Board member, Fredrik Hansson	335	-	-	-	335	100%
Board member, Anders Mörck	384	-	-	-	384	100%
Board member, Anna Kleine	278	-	-	-	278	100%
Total for the Board	**2,248**	**-**	**-**	**-**	**2,248**	
President and CEO, Staffan Dahlström	4,007	1,202	1,451	149	6,808	
Other senior executives[1] (7)	12,717	3,466	3,120	687	19,990	
Total	**18,972**	**4,668**	**4,571**	**836**	**29,047**	

Remuneration and other benefits 2022	Salary/ Board fees	Variable remuneration	Pension expenses	Share-based payment	Total	Board attendance
Chair of the Board, Charlotte Brogren	675	-	-	-	675	100%
Board member, Niklas Edling	270	-	-	-	270	100%
Board member, Cecilia Wachtmeister	270	-	-	-	270	100%
Board member, Fredrik Hansson	325	-	-	-	325	100%
Board member, Anders Mörck	380	-	-	-	380	100%
Board member, Anna Kleine	270	-	-	-	270	100%
Total for the Board	**2,190**	**-**	**-**	**-**	**2,190**	
President and CEO, Staffan Dahlström	3,620	1,356	1,082	323	6,381	
Other senior executives[2] (5)	9,898	3,043	3,731	402	17,074	
Total	**15,708**	**4,399**	**4,813**	**725**	**25,644**	

[1] Refers to other members of the Group management team. During the first 10 months of 2023, five people were classed as other senior executives, while in the last two months of the year, there were seven people in this category.
[2] Refers to other members of the Group management team.

NOTE 10 Pension obligations

ACCOUNTING POLICIES

The Group companies have different plans for post-employment benefits, defined benefit pensions, and defined contribution pensions. Some of the pension obligations for salaried employees in Sweden are secured through insurance schemes with Alecta and Skandia, which are defined benefit plans covering several employers. For the 2023 financial year, the company has not had access to sufficient information to enable it to recognize these plans as defined benefit plans. The pension obligations are therefore recognized as defined contribution plans.

Pension obligations of the foreign entities are largely classified as defined contribution plans.

For defined contribution pension plans, the Group pays contributions to privately administered pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as payroll expenses when they fall due for payment.

In Belgium, the Group has a defined benefit pension obligation. Benefit obligations are estimated using the Projected Unit Credit method. Under this method, each participant's benefits are allocated to period of service, taking into account future salary increases and the plan's distribution formula. The defined benefit pension obligation amounts to SEK 14,561 thousand (12,319); see Note 27.

Pension benefits

The vast majority of Group employees have a defined contribution pension and in Sweden this takes the form of the ITP 1 plan. Other employees in Sweden have an ITP 2 plan, which is a defined benefit pension plan. The premium is individually calculated and is based on factors such as salary, previously earned pension, and how many more years the person is expected to work before retirement. Contributions for the year for ITP 2 insurance policies taken out with Alecta amounted to SEK 2,690 thousand (3,367). The Group's share of the total contributions to the plan is negligible. The year's pension contributions for the Group amounted to SEK 37,012 thousand (31,400).

NOTE 11 Financial income

	2023	2022
Exchange differences	7,892	4,104
Interest income	1,052	219
Other items	3,001	3,273
Total	**11,945**	**7,596**

NOTE 12 Financial expenses

	2023	2022
Exchange differences	-29,760	-27,581
Interest expenses for leases	-6,732	-2,968
Interest expenses for bank loans	-5,632	-3,091
Banking fees	-3,394	-988
Other items	-1,845	-1,061
Total	**-47,362**	**-35,689**

Note 13 Income tax and deferred tax

ACCOUNTING POLICIES

Investment tax credits and other similar tax incentives

Some of the companies within the Group are entitled to special tax relief for investments in certain qualifying assets or attributable to qualifying expenses (e.g., research and development tax incentive plans or other investment tax credits). Such tax deductions are recognized in the Group as a reduction of the current tax liability and current tax expense. A deferred tax asset is recognized for tax relief that has not yet been declared.

IMPORTANT ESTIMATES AND ASSUMPTIONS

Deferred tax assets include tax deductions of SEK 17,461 thousand for Owasys Advanced Wireless S.L. attributable to the company's investments in research and development. The Group has assessed that it will be possible to offset the tax deductions against future tax profits. This assessment is based on a business plan and budget decided for the subsidiary and on the subsidiary reporting a profit in 2023. The tax deductions can be carried forward and do not have an expiration date.

	The Group		Parent company	
	2023	2022	2023	2022
Current tax	-138,503	-110,247	-2,942	-2,027
Deferred tax	-8,180	-5,406	-	-
Total tax	**-146,683**	**-115,653**	**-2,942**	**-2,027**

Income tax on the Group's profit before tax differs from the theoretical amount that would have arisen if the weighted average tax rate had been applied to the profit of the consolidated companies. This is shown below:

	The Group		Parent company	
	2023	2022	2023	2022
Profit before tax	717,328	623,440	468,410	238,212
Tax using the Swedish tax rate of 20.6%	-147,770	-128,429	-96,493	-49,072
Tax effect for items that are non-deductible/non-taxable	15,920	26,376	93,551	47,045
Adjustment for previous years	-592	1,312	-	-
Difference in foreign tax rates	-13,938	-12,587	-	-
Tax effect of loss carryforward where tax asset has not been recognized	-958	-2,325	-	-
Previously unrecognized loss carryforwards that have been used to lower the current tax expense	655	-	-	-
Tax expense	**-146,683**	**-115,653**	**-2,942**	**-2,027**
Weighted average tax rate	20.4%	18.6%		

Tax attributable to components in other comprehensive income for the Group amounted to SEK -8,364 thousand (1,644) for cash flow hedges and SEK 886 thousand (3,362) for hedging of net investments.

CONT. Note 13 Income tax and deferred tax

Gross changes in deferred tax assets and liabilities are recognized as follows:

Deferred tax assets	Inventories	Currency hedging	Leases	Loss carryforwards and tax reductions	Pensions	Other	Total
As of January 1, 2022	**2,864**	**3,708**	**478**	**17,922**	**2,554**	**4,967**	**32,495**
Reclassification to/from deferred tax liabilities	-	-	-53	-	-	-	-53
Recognized in income statement	4,634	-	957	-410	287	272	5,740
Recognized in other comprehensive income	-	5,006	-	-	-	-	5,006
Exchange differences	35	-	72	1,561	239	34	1,940
As of December 31, 2022	**7,533**	**8,714**	**1,455**	**19,073**	**3,080**	**5,273**	**45,128**
Reclassification to/from deferred tax liabilities	-	-	-2	-	-	-	-2
Recognized in income statement	11,888	-	130	-1,610	589	-2,112	8,885
Recognized in other comprehensive income	-	-7,478	-	-	-	-	-7,478
Exchange differences	-88	-	-3	-2	-28	-208	-329
As of December 31, 2023	**19,334**	**1,236**	**1,580**	**17,461**	**3,640**	**2,953**	**46,203**

Deferred tax liabilities	Leases	Tax allocation reserves	Intangible assets and property, plant, and equipment	Other	Total
As of January 1, 2022	**1,850**	**32,896**	**62,563**	**451**	**97,760**
Reclassification to/from deferred tax assets	-53	-	-	-	-53
Recognized in income statement	648	14,482	-4,031	47	11,146
Change in tax rate	-	-206	-	-	-206
Exchange differences	189	-	3,334	49	3,571
As of December 31, 2022	**2,633**	**47,172**	**61,866**	**547**	**112,218**
Reclassification to/from deferred tax assets	-2	-	-	-	-2
Recognized in income statement	353	20,775	-3,715	-348	17,064
Change in tax rate	-	-338	-	-	-338
Exchange differences	-19	-	23	9	13
As of December 31, 2023	**2,966**	**67,609**	**58,174**	**207**	**128,956**

NOTE 14 Earnings per share

The figure for earnings per share is calculated by dividing the profit according to the income statement attributable to parent company shareholders by a weighted average number of ordinary shares outstanding during the period.

Basic and diluted earnings per share	2023	2022
Profit attributable to parent company shareholders	570,645	507,787
Weighted average number of ordinary shares outstanding (thousands)	46,653	46,645
Basic earnings per share (SEK per share)	12.23	10.89
Diluted earnings per share (SEK per share)	12.19	10.85

Average number of basic and diluted shares (thousands)	2023	2022
Average number of shares used to calculate basic earnings per share	46,653	46,645
Adjustment for calculation of diluted earnings per share:		
Shares in Share Savings Plan	147	157
Average number of diluted shares	46,800	46,802

NOTE 15 Dividend per share and proposed distribution of profit in parent company

The dividend paid in 2023 was SEK 186,624 thousand (SEK 4.00 per share) and in 2022 it was SEK 139,928 thousand (SEK 3.00 per share).

At the AGM on April 23, 2024, a proposal will be made to distribute SEK 205,372 thousand[1] as a dividend for the 2023 financial year, which corresponds to SEK 4.40 per share. The proposed dividend has not been recognized as a liability in these financial statements.

The following profits are at the disposal of the AGM	
Retained earnings and other non-restricted reserves	478,007
Profit for the year	465,468
Total profits	**943,475**
The Board of Directors proposes the following distribution of profits:	
A dividend of SEK 4.40 per share[1] will be paid to the shareholders	205,372
Carried forward	738,103
Total	**943,475**

[1] The dividend is calculated on the total number of shares outstanding as of 03/26/2024. During April 2024, a new issue of shares is planned which could result in an additional 3-3.5 million shares and increase the dividend by approximately SEK 13-16 million. The board's assessment is that the company's and the group's equity will still be sufficiently strong.

NOTE 16 Intangible assets

ACCOUNTING POLICIES

Brands, customer relationships, and technology platforms acquired via business combinations are recognized at fair value on the acquisition date. Amortization is on a straight-line basis and based on the useful lives of the assets, starting from when the asset can be used. Useful lives are based on historical experience of the use of similar assets, areas of use, and other specific characteristics of the asset. Goodwill arising from business combinations is included in intangible assets.

The useful life periods are set out below:

- 10 years for brands with a definite useful life
- 3–10 years for customer relationships and technology platforms
- 5–7 years for capitalized development costs
- 3–10 years for other intangible assets
- Indefinite useful life for strategic brands
- Indefinite useful life for goodwill.

Capitalized development work

HMS' technology is based on solutions developed in-house (including but not limited to) for connecting industrial equipment to various networks, distributing information between processes and the IT environment, and providing smart industrial data and information solutions. Expenditure directly attributable to activities focused on developing new and unique platforms, products, software, technology, or patents, and which are controlled by the Group, is recognized as intangible assets when the applicable criteria in IAS 38 are fulfilled. Costs include payroll expenses for internal development work, external expenses, and a reasonable share of the indirect costs.

The development of new product platforms is capitalized on an ongoing basis throughout the development phase. Software maintenance and expansions of existing products and product lines are treated as adjustments to the core product and are not capitalized. Projects in the research phase are not capitalized. Development costs that were previously expensed are not capitalized as assets in later periods. Advances for external development are recognized as intangible assets as long as the company has control over the asset.

Impairment

Assets with a definite useful life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell or its value in use. When the need for impairment is assessed, assets are grouped at the lowest levels for which there are essentially independent cash flows (cash-generating units). For assets that have already been impaired, an assessment is made on each balance sheet date as to whether reversal is appropriate. Capitalized development work is tested annually for impairment before it is ready to be put in use.

Goodwill and other assets with an indefinite useful life are recognized in accordance with IAS 36. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies due to the acquisition. Each unit or group of units to which goodwill has been allocated corresponds to the lowest level in the group at which the goodwill in question is monitored as part of internal governance.

IMPORTANT ESTIMATES AND ASSUMPTIONS

Goodwill and brands with an indefinite useful life are tested annually for impairment, in accordance with the accounting policy described. The recoverable amount for the cash-generating units has been based on its value in use. This has included assumptions in respect of growth, profit margin, tied-up capital, investment requirements, and risk premium. The principle behind these assumptions is unchanged compared with the previous year. Financial forecasts are based on the company's budget for the coming year as well as its five-year financial plan and historical performance. Estimates of future cash flows have been made based on the asset's existing structure and do not include acquisitions. These estimates are adjusted to present value using an appropriate discount rate. The rate of return before tax amounts to 12.5 percent (11.5) for Integrated units and 14.2 percent (13.2) for Owasys. A weighted average growth rate of 2 percent has been used to extrapolate cash flows beyond the first five years.

There is no need for impairment as the calculated recoverable amount at year-end exceeded the carrying amounts by a good margin. Based on the sensitivity analyses that have been carried out, the management team believes that no feasible changes to important assumptions used in the impairment assessments would result in recoverable amounts being less than the carrying amounts of goodwill and brands with indefinite useful lives.

The company capitalizes expenditure associated with the development of identifiable and unique integrated circuits when the criteria in IAS 38 are fulfilled and the expenditure is deemed to be offset by future revenues that exceed the amount of the expenditure. Four times a year, the Group examines whether products for which a carrying amount has been recorded are being sold or will be sold. The Group records an impairment loss for those products where future economic benefits are estimated to be lower than their carrying amount. During the year, this impairment testing resulted in an impairment of SEK 571 thousand (7,126).

CONT. NOTE 16 Intangible assets

	Capitalized development work	Goodwill	Customers, technology platforms	Brands	Other	Total
As of January 1, 2021						
Cost	372,788	992,905	155,980	88,496	1,425	1,611,593
Accumulated amortization and impairment	-245,272	41,260	-99,978	7,533	-263	-296,719
Carrying amount	**127,516**	**1,034,165**	**56,002**	**96,029**	**1,162**	**1,314,874**
2022 financial year						
Opening carrying amount	127,516	1,034,165	56,002	96,029	1,162	1,314,874
Investments	29,857	-	6,007	-	13,589	49,453
Acquisition of subsidiaries	-	15,231	-	-	-	15,231
Exchange differences	2,062	70,236	3,902	8,399	-	84,599
Impairment	-7,126	-	-	-	-	-7,126
Depreciation/amortization	-21,679	-	-24,048	-1,392	-11	-47,130
Closing carrying amount	**130,630**	**1,119,632**	**41,863**	**103,036**	**14,740**	**1,409,901**
As of December 31, 2022						
Cost	402,645	1,008,136	161,987	88,496	15,014	1,676,277
Accumulated amortization and impairment	-272,015	111,496	-120,124	14,540	-274	-266,375
Carrying amount	**130,630**	**1,119,632**	**41,863**	**103,036**	**14,740**	**1,409,901**
2023 financial year						
Opening carrying amount	130,630	1,119,632	41,863	103,036	14,740	1,409,901
Investments	27,885	-	94	-	7,822	35,801
Reclassifications	5,979	-	-6,539	-	27	-533
Exchange differences	4	-2,828	388	-250	-	-2,686
Impairment	-571	-	-	-	-	-571
Depreciation/amortization	-27,355	-	-19,214	-1,503	-1,430	-49,502
Closing carrying amount	**136,572**	**1,116,804**	**16,592**	**101,284**	**21,159**	**1,392,410**
As of December 31, 2023						
Cost	436,509	1,008,136	155,542	88,496	22,863	1,711,544
Accumulated amortization and impairment	-299,936	108,668	-138,950	12,788	-1,704	-319,134
Carrying amount	**136,572**	**1,116,804**	**16,592**	**101,284**	**21,159**	**1,392,410**

Amortization and impairment are included in the consolidated income statement, allocated under costs of goods and services sold in the amount of SEK 39,207 thousand (37,100), costs to sell in the amount of SEK 11,019 thousand (10,031), and research and development expenses of SEK 571 thousand (7,126). The Group expensed a total of SEK 325,616 thousand (268,649) for research and development during the period. The Group's brands with an indefinite useful life are attributable to the Ixxat brand, which is part of the cash-generating unit Integrated units. The carrying amount is SEK 98,022 thousand (98,307). Details of changes in goodwill and other intangible assets as a result of acquisitions can be found in Note 31.

The Group's goodwill is attributable to the following cash-generating units:

	2023	2022
Integrated units	986,823	919,102
Owasys	129,981	130,360
Procentec	-	70,170
Total consolidated goodwill	**1,116,804**	**1,119,632**

The integration of Procentec was completed in 2023 and it is now part of the Anybus brand, which in turn means it is included in Integrated units as of 2023.

NOTE 17 Property, plant, and equipment

ACCOUNTING POLICIES

The cost of property, plant, and equipment includes expenditure directly attributable to the acquisition of the asset.

Additional costs are added to the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will pass to the Group and the cost of the asset can be measured reliably. The carrying amount of a replaced part is derecognized from the balance sheet. All other forms of repair and maintenance are expensed in the period in which they are incurred.

Depreciation is based on the original cost and the estimated useful life of the assets as follows:

Buildings	10–50 years
Plant and machinery	3–5 years
Equipment, installations, and facilities	3–5 years

The residual value and useful life of the assets are tested at the end of every reporting period and adjusted if necessary. The carrying amount of an asset is immediately written down to its recoverable amount if the carrying amount exceeds the estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds of sale with the carrying amount and then recognized under other operating income or other operating expenses.

Depreciation is included in the consolidated income statement, allocated under costs of goods and services sold in the amount of SEK 20,303 thousand (14,588), costs to sell in the amount of SEK 24,376 thousand (16,820), administration costs of SEK 11,664 thousand (6,811) and research and development expenses of SEK 18,051 thousand (15,397).

	Buildings and land	Plant and machinery	Equipment, installations, and facilities	Construction in progress	Right-of-use assets	Total
As of December 31, 2021						
Cost						
Accumulated cost	6,878	74,283	81,377	620	181,053	344,212
Accumulated depreciation	-171	-60,043	-58,074	-6	-100,038	-218,332
Carrying amount	**6,707**	**14,240**	**23,303**	**614**	**81,015**	**125,880**
2022 financial year						
Opening carrying amount	6,707	14,241	23,303	614	81,015	125,880
Investments	226	7,551	5,468	20,356	107,814	141,415
Increase via business combinations	-	216	456	-	-	672
Remeasurement	-	-	-	-	8,991	8,991
Sales and disposals	-	2	-378	-	-	-376
Exchange differences	475	219	1,409	1,005	6,169	9,277
Depreciation	-411	-5,703	-7,083	-	-40,419	-53,616
Closing carrying amount	**6,997**	**16,526**	**23,175**	**21,975**	**163,570**	**232,243**
As of December 31, 2022						
Accumulated cost	7,104	82,052	86,923	20,976	297,858	494,914
Accumulated depreciation	-107	-65,527	-63,748	999	-134,288	-262,671
Carrying amount	**6,997**	**16,526**	**23,175**	**21,975**	**163,570**	**232,243**
2023 financial year						
Opening carrying amount	6,997	16,525	23,175	21,975	163,570	232,243
Investments	3,772	6,806	28,574	-1,072	126,194	164,274
Increase via business combinations	-	-	77	-	-	77
Reclassifications	-	-	419	-21,591	-	-21,172
Remeasurement	-	-	-	-	39,170	39,170
Sales and disposals	-	-200	-1	-	-	-201
Exchange differences	1,430	28	205	688	-6,593	-4,242
Depreciation	-592	-7,376	-9,969	-	-56,456	-74,393
Closing carrying amount	**11,607**	**15,783**	**42,480**	**-**	**265,885**	**335,756**
As of December 31, 2023						
Accumulated cost	10,876	88,658	115,992	-1,687	463,222	677,061
Accumulated depreciation	731	-72,875	-73,512	1,687	-197,337	-341,306
Carrying amount	**11,607**	**15,783**	**42,480**	**-**	**265,885**	**335,756**

NOTE 18 Leases

ACCOUNTING POLICIES

The Group leases buildings, premises, machinery, and vehicles. Leases are normally signed for fixed periods, but there may be opportunities to extend these agreements. The terms are negotiated separately for each agreement and many different terms and conditions exist. The leases do not contain any special terms or restrictions that would result in the termination of the leases in the event of non-compliance, but the leased assets may not be used as collateral for loans.

Leases are recognized as right-of-use assets with a corresponding liability on the date that the leased asset is available for use by the Group. Each lease payment is divided into amortization of the debt and financial expense. The financial expense is allocated over the lease term so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability recognized in each period. The right-of-use asset is depreciated on a straight-line basis over the asset's useful life or the length of the lease, whichever is shorter. If the Group is reasonably certain that it will exercise a call option, the right of use is depreciated over the useful life of the underlying asset.

Assets and liabilities that arise from leases are initially recognized at present value. The lease liabilities include the present value of the following lease payments:

- fixed fees (including fees that are inherently fixed), less incentive receivables
- variable lease fees based on an index or price
- the guaranteed residual value that the lessee expects to pay to the lessor
- the expected future cash outflows for a call option, if it is reasonably certain that the lessee will exercise the option, and
- penalties for termination of the lease, if the duration of the lease reflects the assumption that the lessee will exercise this option.

The lease payments are discounted by the implicit interest rate if that interest rate can be determined. Otherwise, the incremental borrowing rate is used.

The Group is exposed to potential future increases in variable lease payments based on an index or interest rate; these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or interest rate do take effect, the lease liability is remeasured and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost and include the following:

- the amount at which the lease liability was originally measured
- lease fees paid on or before the commencement date, after deductions for any benefits received in connection with signing the lease
- initial direct expenditure, and
- expenditure required to restore the asset to the condition specified in the terms of the lease.

Payments for short-term and low-value leases are expensed on a straight-line basis in the income statement. Low-value leases include IT equipment and small items of office equipment.

Options to extend and terminate agreements are included in a number of the Group's leases, primarily those for buildings. These options are used to maximize flexibility in the management of the agreements. The vast majority of the options that provide the opportunity to extend and terminate agreements can only be exercised by the Group and not by the lessors.

IMPORTANT ESTIMATES AND ASSUMPTIONS

When determining the duration of a lease, management considers all available information that provides a financial incentive to exercise an extension option, or to not exercise an option in order to terminate a lease.

Extension options are only included in the duration of the lease if there is reasonable certainty that the lease will be extended (or not terminated). Most of the extension options relating to leases for office premises and vehicles have been included in the lease liability.

The lease term is reviewed if an option is exercised (or not exercised) or if the Group is compelled to exercise the option (or not exercise it). The assessment of reasonable certainty is reviewed only if there is a significant event or change in circumstances that impacts this assessment and the change is within the lessee's control.

The following amounts associated with leases are recognized in the balance sheet:

Right-of-use assets	2023	2022
Property	236,512	143,340
Vehicles	25,411	15,415
Equipment	3,962	4,815
Total	**265,885**	**163,570**

Lease liabilities	2023	2022
Current	58,582	42,112
Non-current	202,074	118,125
Total	**260,656**	**160,237**

The following amounts associated with leases are recognized in the income statement:

Depreciation of right-of-use assets	2023	2022
Property	-45,240	-31,214
Vehicles	-10,365	-9,045
Equipment	-851	-160
Total	**-56,456**	**-40,419**

Additional right-of-use assets in 2023 amounted to SEK 126,194 thousand (107,814) and pertained primarily to new rental agreements. Interest expenses attributable to leases amounted to SEK -6,677 thousand (-2,956). Expenses attributable to short-term leases for which the underlying asset is of low value amounted to SEK -3,304 thousand (-1,681). The total cash flow associated with leases in 2023 was SEK -59,076 thousand (-40,258). See also the maturity analysis on page 87.

NOTE 19 Fixed assets, by country

Total non-current assets, by country	2023		2022	
Sweden	237,719	*32%*	240,448	*33%*
Germany	203,148	*27%*	145,856	*20%*
Spain	169,313	*23%*	177,254	*25%*
Belgium	87,160	*12%*	63,232	*9%*
Netherlands	15,746	*2%*	89,811	*12%*
Other countries	28,259	*4%*	6,440	*1%*
Total	**741,343**		**723,041**	

Fixed assets by country comprise intangible assets and property, plant, and equipment, with the exception of goodwill attributable to integrated units, see Notes 16 and 17. Procentec was integrated into the Group during the course of 2023, which explains the lower figure for fixed assets in the Netherlands compared with the previous year.

NOTE 20 Financial instruments and financial risk management

ACCOUNTING POLICIES

Classification
The Group classifies its financial assets into the following categories:

- Financial assets/liabilities recognized at fair value through other comprehensive income
- Financial assets/liabilities recognized at fair value through the income statement, and
- Financial assets/liabilities recognized at amortized cost.

The classification of investments in debt instruments depends on the Group's business model for managing financial assets and the contractual terms for the cash flows of the assets.

The Group reclassifies debt instruments only in those cases where the Group's business model for the instruments changes.

Recognition in and derecognition from the balance sheet
Purchases and sales of financial assets are recognized on the trade date, i.e., the date on which the Group undertakes to buy or sell the asset. Financial assets are derecognized from the balance sheet when the right to receive cash flows from the instruments has expired or has been transferred and the Group has transferred almost all risks and rewards associated with ownership.

Measurement
Financial assets are initially measured at fair value plus, in cases where the asset is not recognized at fair value through the income statement, transaction costs directly attributable to the purchase. Transaction costs attributable to financial assets recognized at fair value through the income statement are expensed immediately in the income statement.

Investments in debt instruments
The subsequent measurement of debt instruments is based on the Group's business model for managing the asset as well as the type of cash flows generated by the asset. The Group classifies its investments in debt instruments into three measurement categories:

- *Amortized cost:* Assets held for the purpose of collecting contractual cash flows, and where these cash flows consist solely of principal and interest, are recognized at amortized cost. Interest income from such financial assets is recognized as financial income by applying the effective interest method. Gains and losses arising from derecognition from the balance sheet are recognized immediately in the income statement. Impairment losses are recognized on a separate line in the income statement.
- *Fair value through other comprehensive income:* Financial assets held for the purpose of collecting contractual cash flows and for the sale of the assets, where the cash flows of the assets consist solely of principal and interest, and have not designated the asset as measured at fair value, are measured at fair value through other comprehensive income. Changes in the carrying amount are recognized through other comprehensive income with the exception of impairment losses, interest income, and exchange differences, which are recognized in the income statement. When the financial asset is derecognized from the balance sheet, the accumulated gain or loss, previously recognized in other comprehensive income, is reclassified from equity to the income statement. Interest income from these financial assets is recognized as financial income by applying the effective interest method. Costs of impairment testing are recognized on a separate line in the income statement.
- *Fair value through the income statement:* Assets that do not meet the requirements for being recognized at amortized cost or fair value through other comprehensive income are measured at fair value through the income statement. A gain or loss on a debt instrument that is recognized at fair value through the income statement and that is not part of a hedging arrangement is recognized at the net amount in the income statement in the period in which the gain or loss arises.

Investments in equity instruments
The Group measures all equity instruments at fair value. In cases where the Group management team has chosen to recognize changes in the fair value of equity instruments through other comprehensive income, there is no subsequent reclassification of fair value changes to the income statement when the instrument is removed from the balance sheet.

Dividends from such investments are recognized in the income statement as other income when the Group's right to receive payment has been established.

Changes in the fair value of financial assets recognized at fair value through the income statement are recognized as other gains/losses in the income statement. Impairment losses (and reversals of impairment losses) of equity instruments recognized at fair value through other comprehensive income are not recognized separately from other changes in fair value.

Impairment
The Group measures its future expected credit losses related to investments in debt instruments recognized at amortized cost or fair value with changes through other comprehensive income, based on whether or not there has been a significant increase in credit risk. The Group recognizes a credit reserve for such expected credit losses at each reporting date.

Group 2023	Financial assets/liabilities measured at amortized cost	Financial assets/liabilities measured at fair value through the income statement	Derivatives used for hedging	Total
Financial assets				
Deposits	6,554	-	-	6,554
Long-term securities holdings	-	8,847	-	8,847
Trade receivables	385,113	-	-	385,113
Contract assets	1,002	-	-	1,002
Derivatives (used for hedging)	-	-	25,763	25,763
Cash and cash equivalents	124,032	-	-	124,032
Total	**516,701**	**8,847**	**25,763**	**551,310**
Financial liabilities				
Option liability*	127,194	-	-	127,194
Contingent consideration	-	8,220	-	8,220
Bank loans	2,308	-	-	2,308
Trade payables	250,281	-	-	250,281
Total	**379,783**	**8,220**	**-**	**388,003**

* In January 2023, part of the call/put option from previous years was exercised when an additional 20 percent of the shares in Owasys were acquired. In conjunction with this, a new call/put option was subscribed for the remaining 20 percent at the time of the acquisition. This new option can be exercised up to and including 2029. The new option liability will be recognized from January 1, 2023 at the present value of the expected strike price.

Group 2022	Financial assets/liabilities measured at amortized cost	Financial assets/liabilities measured at fair value through the income statement	Derivatives used for hedging	Total
Financial assets				
Deposits	6,126	-	-	6,126
Long-term securities holdings	-	8,852	-	8,852
Trade receivables	412,114	-	-	412,114
Contract assets	2,069	-	-	2,069
Derivatives (used for hedging)	-	-	151	151
Cash and cash equivalents	144,168	-	-	144,168
Total	**564,478**	**8,852**	**151**	**573,481**
Financial liabilities				
Option liability*	-	99,281	-	99,281
Contingent consideration	-	32,804	-	32,804
Derivatives (used for hedging)	-	-	14,992	14,992
Bank loans	138,349	-	-	138,349
Trade payables	242,976	-	-	242,976
Total	**381,325**	**132,085**	**14,992**	**528,401**

* The option held in 2022 was recognized at fair value through the income statement.

CONT. NOTE 20 Financial instruments and financial risk management

FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

Through its operations, the Group is exposed to various financial risks in the form of market risk (including currency and interest rate risk) and credit risk, as well as financing and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the Group's financial results.

Risk management is carried out by a central finance department according to policies established by the Board of Directors. The CFO for the Group identifies, evaluates, and hedges financial risks in close cooperation with the Group's operating units. The Board of Directors has drawn up written policies for overall risk management as well as for specific areas, such as currency risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments, and the investment of excess liquidity.

When the criteria for hedge accounting are fulfilled, hedge accounting is applied to eliminate the effect of differences between the hedging instrument and the hedged item that exist in the accounting. The Group uses derivatives to hedge certain risk exposures.

Risk	Exposure from	Measurement	Management
Market risk – currency risk	Future business transactions. Recognized financial assets and liabilities not denominated in Swedish kronor (SEK).	Cash flow forecasts Sensitivity analysis	Currency Futures Contracts
Market risk – interest rate risk	Long-term borrowing at variable interest rates	Sensitivity analysis	Interest rate derivatives, when they are expected to reduce the Group's interest expense
Credit risk	Cash and cash equivalents, trade receivables, and derivatives	Aging analysis Credit rating	Credit limits
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecast	Access to binding credit facilities and credit

Currency risk

Exposure

The Group's risk exposure to the most important foreign currencies at the end of the reporting period, in SEK thousands, was as follows:

Exposure	December 31, 2023		
	EUR	USD	JPY
Trade receivables	206,856	129,201	22,137
Bank loans	-2,308	-	-
Contingent consideration	-4,672	-	-
Option liability	-127,194	-	-
Trade payables	-126,855	-92,910	-1,407
Currency futures (cash flow hedges)[1]	314,116	86,931	137,643

Exposure	December 31, 2022		
	EUR	USD	JPY
Trade receivables	250,998	110,693	18,395
Bank loans	-138,349	-	-
Contingent consideration	-29,168	-	-
Option liability	-99,281	-	-
Trade payables	-126,364	-87,421	-1,360
Currency futures (cash flow hedges)[1]	188,189	56,393	73,879

[1] Nominal value

Instruments used by the Group

The Group operates internationally and is exposed to currency risks arising from various currency exposures, primarily to the US dollar (USD), the euro (EUR), and the Japanese yen (JPY). The Group's currency risks comprise not only the transaction risk arising from future business transactions in foreign currencies, but also the translation risk of recognized assets and liabilities, plus net investments in foreign subsidiaries.

Transaction risk is reduced by the Group using currency futures to manage its exposure to currency risk. The Group's risk management policy means that:

- the first future quarter's exposure is hedged between 60 and 80 percent
- the second future quarter's exposure is hedged between 50 and 70 percent
- the third future quarter's exposure is hedged between 40 and 60 percent
- the fourth future quarter's exposure is hedged between 30 and 50 percent
- the fifth future quarter's exposure is hedged between 0 and 40 percent
- the sixth future quarter's exposure is hedged between 0 and 30 percent.

Disclosures on the recognition of hedging instruments can be found in Note 23.

Translation risk arises when the Group's equity is impacted by exchange rate fluctuations on its investments in subsidiaries in foreign currency. The currency exposure arising from the net assets of the operations acquired by the Group is mainly managed through borrowing in the currency in question.

Hedges of net investments in foreign operations

In 2022, the Group raised new acquisition loans of EUR 25 million and amortized EUR 13 million on these loans. The loan totaling EUR 25 million was initially identified as a net investment hedge in the 2022 acquisition of additional shares in Procentec. In 2023, the remaining EUR 13 million of the raised loan has been amortized and at the end of 2023 there are no raised loans identified as hedging in net investments. There was thus no ineffective portion to be recognized from hedges of net investments in foreign operations

Impact of hedge accounting on the Group's financial position and earnings

The effects of hedge accounting of currency risks' impact on the Group's financial position and earnings are shown in the following tables:

Derivatives – currency futures	2023	2022
Carrying amount (asset)	25,763	151
Nominal amount	538,690	6,413
Maturity	April 2025	April 2024
Hedge ratio[1]	1:1	1:1
Change in value for outstanding hedging instruments since January 1	25,150	151
Change in value of the hedged item for determining the ineffective portion	-25,150	-151
Weighted average for outstanding hedging instruments	SEK 11.3810:EUR 1, SEK 10.4109:USD 1, SEK 0.0796:JPY 1	SEK 10.6890:USD 1,

[1] Currency futures contracts are in the same currency as the highly probable forecast future transactions, which is why the hedge ratio is 1:1.

Derivatives – currency futures	2023	2022
Carrying amount (liability)	-	-14,992
Nominal amount	-	312,048
Maturity	-	March 2023 – April 2024
Hedge ratio[1]	-	1:1
Change in value for outstanding hedging instruments since January 1	-	-10,968
Change in value of the hedged item for determining the ineffective portion	-	10,968
Weighted average for outstanding hedging instruments	-	SEK 10.7092:EUR 1, SEK 9.7422: USD 1, SEK 0.0769:JPY 1

[1] Currency futures contracts are in the same currency as the highly probable forecast future transactions, which is why the hedge ratio is 1:1.

Net investments in foreign operations	2023	2022
Carrying amount (bank loans)	-	278,208
Carrying amount in EUR	-	25,000
Hedge ratio	1:1	1:1
Change in the loan's carrying amount due to changes in exchange rates since January 1	-4,302	-16,323
Change in the value of the hedged item for determining the ineffective portion	4,302	16,323
Weighted average of exchange rates during the year	-	SEK 10.7173:EUR 1

Sensitivity analysis

In its operating activities, the Group is primarily exposed to changes in the EUR/SEK exchange rate. If the SEK had weakened/strengthened by 5 percent against the EUR with all other variables constant, the Group's equity as of December 31, 2023 would have been SEK 32.3 million (37.9) lower/higher. If the SEK had weakened/strengthened by 5 percent against the Group's most important currencies, the Group's equity as of December 31, 2023 would have been SEK 52.2 million (53.1) lower/higher.

If the SEK had weakened/strengthened by 5 percent against the EUR with all other variables constant, operating profit for the year as of December 31, 2023 would have been SEK 30.8 million (34.7) lower/higher, as a result of transactions in foreign currency.

If the SEK had weakened/strengthened by 5 percent against the USD with all other variables constant, operating profit for the year as of December 31, 2023 would have been SEK 7.9 million (7.1) lower/higher, as a result of transactions in foreign currency.

If the SEK had weakened/strengthened by 5 percent against the JPY with all other variables constant, operating profit for the year as of December 31, 2023 would have been SEK 11.9 million (7.6) lower/higher, as a result of transactions in foreign currency.

Derivatives

The Group holds financial derivatives in the form of currency futures contracts for the purpose of hedging purchases and sales in foreign currency. Derivatives are used only for commercial hedging purposes and not as speculative investments.

Disclosures on the fair value for various derivatives used for hedging purposes can be found in Note 23.

Hedging Reserve

The Group's hedging reserve is recognized in reserves in equity and is described in Note 26.

Effectiveness of hedge accounting

Hedge effectiveness is evaluated when the hedging relationship is entered into. The hedged item and hedging instrument are evaluated on an ongoing basis to ensure that the requirements are met. When the Group hedges transactions in foreign currency, hedging relationships are entered into in which critical terms in the hedging instrument exactly match the terms of the hedged item. This ensures that a qualitative evaluation of the effectiveness of the relationship has been made.

When hedging foreign currency transactions, an ineffective portion may arise if the timing of the forecast transaction changes compared with the initial estimate. There was no ineffective portion attributable to currency futures contracts in either 2023 or 2022.

Interest rate risk

The Group's primary interest rate risk arises through long-term borrowing at variable interest rates, which exposes the Group to interest rate risk relating to cash flows. The Group's finance policy states that interest expenses should be kept as low as possible. In order to minimize the Group's interest expenses, interest rate derivatives may be used. For 2023 and 2022, it was assessed that the use of interest rate derivatives would not reduce the Group's interest expenses.

Sensitivity analysis

If the interest rates on borrowing in EUR during 2023 had been one percentage point higher/lower with all other variables constant, profit before tax for the financial year would have been SEK 0.8 million (1.6) lower/higher.

If the SEK had weakened/strengthened by 5 percent against the EUR during 2023 with all other variables constant, profit before tax for the financial year would have been SEK 0.2 million (0.1) higher/lower, as a result of decreased/increased interest expenses.

CONT. NOTE 20 Financial instruments and financial risk management

Credit risk

Credit risk arises from holdings in cash and cash equivalents, derivatives, and deposits with banks and credit institutions, as well as client credit exposures, including outstanding receivables. See Note 22 for more information on the Group's outstanding receivables.

Credit risk is managed at Group level, except for credit risk associated with outstanding trade receivables. Each Group company is responsible for monitoring and analyzing the credit risk for each new customer before offering standard terms for payment and delivery. The Group's credit policy provides clear guidelines for granting credit to customers and on when collateral is required. It is the opinion of the Group management team that there is no significant concentration of credit risk associated with any particular customer, counterparty, or geographic region.

Impairment of financial assets

The Group has two types of financial asset that fall within the scope of the model for expected credit losses:

- Trade receivables attributable to the sale of goods and provision of services, and
- Contract receivables attributable to development contracts

Cash and cash equivalents also fall within the scope of impairment according to IFRS 9; however, the amount of possible impairment has been deemed to be insignificant.

The Group applies the simplified method for calculating expected credit losses. This method means that expected losses over the entire life of the receivable are used as a starting point for accounts receivable and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on allocated credit risk characteristics and the number of days that payments are past due. The Group applies future-oriented variables for expected credit losses. On each balance sheet date, the company must assess whether the credit risk for a financial instrument has increased significantly since initial recognition. In making this assessment, the company must use the change in the risk of default over the expected life of the financial instrument instead of the change in expected credit losses.

See Note 22 for more information on the Group's recognized credit losses.

Financing and liquidity risk

Financing risk is the risk that the refinancing of maturing loans will become more problematic or costly, making it difficult for the Group to fulfill its payment obligations. Liquidity risk is the risk of difficulties in fulfilling obligations associated with financial liabilities. See Note 27 for an analysis of the Group's interest-bearing liabilities, broken down by the time remaining until the contractual maturity date on the balance sheet date.

Cash flow forecasts are drawn up by the Group's operating companies and aggregated by the Group's central finance department. The CFO of the Group carefully monitors rolling forecasts of the Group's liquidity reserve (which consists of unutilized credit facilities as well as cash and cash equivalents) to ensure that the Group has sufficient cash to meet the needs of its operating activities. At the same time, the Group must maintain a sufficient margin in its agreed, utilized credit facilities at all times so that the Group does not breach any of its loan limits or loan terms. This is done centrally for all subsidiaries in the Group, in accordance with the practices and limits set for the company. Liquidity management also includes calculating expected cash flows in major currencies and determining the amounts of various liquid assets required to meet these, monitoring balance sheet-based liquidity measures in relation to internal and external regulatory requirements, and maintaining debt financing plans.

Financing risk arises when, at a given point in time, it becomes difficult to obtain financing. To minimize the cost of the Group's borrowing and financing, the finance function must provide credit facilities that cover the Group's need for working capital credit. HMS' objective is to always have access to approximately 8 percent of sales in cash and cash equivalents and excess liquidity including unutilized credit facilities, which at year-end corresponded to approximately 22 percent (22).

According to the Group's financial policy, excess liquidity can be invested in interest-bearing securities with a maximum maturity of one year. Counterparty risk is managed through provisions in the financial policy regarding long-term ratings of issuers. The policy states that investments may be made in Swedish corporate bonds with a Standard & Poor's rating of at least BBB+, Swedish commercial papers with a rating of at least K1, Swedish mortgage institutions, and the Swedish state. All borrowing is done in consultation with the parent company's finance function.

Maturity analysis for financial liabilities

The *Maturity analysis* table included in this note analyzes the Group's financial liabilities and net-settled derivatives that constitute financial liabilities, broken down by the time remaining until the contractual maturity date on the balance sheet date. The amounts stated in the maturity analysis are the contractual, undiscounted cash flows.

CAPITAL RISK MANAGEMENT

The Group's objectives with regard to capital structure are to:

- safeguard the Group's ability to continue operations so that it can continue to generate returns for shareholders and value for other stakeholders, and
- maintain an optimal capital structure to keep the cost of capital down.

The Group may change the dividend paid to shareholders, repay capital to shareholders, issue new shares, or sell assets to reduce debt in order to maintain or adjust the capital structure.

The Group evaluates the capital on the basis of the net debt/equity ratio. This KPI is calculated as net debt divided by total equity. Net debt is calculated as non-current and current interest-bearing liabilities, lease liabilities, and non-current and current non-interest-bearing liabilities (contingent consideration and option liability) less cash and cash equivalents. Total capital is calculated as equity in the Group's balance sheet plus net debt.

The net debt/equity ratios as of December 31, 2023 and December 31, 2022 were as follows:

	2023	2022
Interest-bearing liabilities (Note 27)	16,869	150,667
Non-interest-bearing liabilities (Note 28)	135,633	132,688
Lease liabilities (Note 18)	260,656	160,237
Less cash and cash equivalents (Note 25)	-124,032	-144,168
Net debt	**289,126**	**299,424**
Total equity	1,932,555	1,609,709
Total capital	**2,221,681**	**1,909,133**
Net debt/equity ratio	15%	19%

Maturity analysis

As of December 31, 2023	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Trade payables	-250,281	-	-	-	-	-250,281
Contingent consideration	-	-8,220	-	-	-	-8,220
Option liability	-	-	-	-	-150,906	-150,906
Bank loans	-322	-970	-657	-423	-	-2,373
Lease liabilities	-15,090	-45,270	-51,346	-121,602	-58,856	-292,165
Total	**-265,693**	**-54,460**	**-52,003**	**-122,025**	**-209,762**	**-703,944**

As of December 31, 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Trade payables	-242,976	-	-	-	-	-242,976
Derivatives	-6,789	-7,674	-529	-	-	-14,992
Contingent consideration	-	-29,168	-3,635	-	-	-32,803
Option liability	-	-	-	-102,700	-	-102,700
Bank loans	-36,006	-2,584	-103,139	-	-	-141,729
Lease liabilities	-10,378	-31,134	-35,996	-61,377	-33,481	-172,367
Total	**-296,149**	**-70,560**	**-143,299**	**-164,078**	**-33,481**	**-707,567**

The table refers to undiscounted amounts. Amortization and interest in foreign currency have been calculated based on applicable balance sheet date rates of exchange and interest rates in effect at the time.

CALCULATION OF FAIR VALUE

The tables show financial instruments measured at fair value, based on how the classification in the fair value hierarchy was made. The different levels are defined as follows:

Level 1: The fair value of financial instruments traded on an active market (such as listed derivatives and equity-related securities) is based on listed market prices on the balance sheet date. The listed market price used for the Group's financial assets is the current bid rate.

Level 2: The fair value of financial assets not traded on an active market (such as OTC derivatives) is determined using measurement techniques that rely as much as possible on market information, while using company-specific information as little as possible. All important inputs required for the fair value measurement of an instrument are observable.

Level 3: In cases where one or more important inputs are not based on observable market information. This applies to, e.g., unlisted instruments.

The following table shows the Group's assets and liabilities measured at fair value as of December 31, 2023:

	Note	Level 1	Level 2	Level 3	Total
Long-term securities holdings		-	-	8,847	8,847
Derivatives used for hedging	23	-	25,763	-	25,763
Total assets		**-**	**25,763**	**8,847**	**36,610**
Derivatives used for hedging	23	-	-	-	-
Contingent consideration	28	-	-	-8,220	-8,220
Total liabilities		**-**	**-**	**-8,220**	**-8,220**

The following table shows the Group's assets and liabilities measured at fair value as of December 31, 2022:

	Note	Level 1	Level 2	Level 3	Total
Long-term securities holdings		-	-	8,852	8,852
Derivatives used for hedging	23	-	151	-	151
Total assets		**-**	**151**	**8,852**	**9,003**
Derivatives used for hedging	23	-	-14,992	-	-14,992
Contingent consideration	28	-	-	-32,803	-32,803
Option liability	28	-	-	-99,281	-99,281
Total liabilities		**-**	**-14,992**	**-132,084**	**-147,076**

There have been no transfers between the levels during the year. The fair value of currency futures contracts is determined as the present value of future cash flows based on listed exchange rates for the currency on the balance sheet date.

The change in long-term securities holdings relates to acquired assets.

The Group has contingent consideration and option liabilities for acquisitions, which were previously financial instruments recognized at fair value through the income statement. From January 1, 2023, such option liabilities will instead be recognized at the present value of expected future cash outflows to settle the put option. Changes in this measurement are recognized immediately in equity. Fair values presented for these items have been calculated by management based on a discounted cash flow model.

CONT. NOTE 20 Financial instruments and financial risk management

The following table also shows the changes in the Group's financial liabilities measured at fair value in accordance with level 3 of the fair value hierarchy.

The Group	2023	2022
Long-term securities holdings		
Opening carrying amount	8,852	8,701
Changes in value recognized in the income statement	-5	151
Closing carrying amount	**8,847**	**8,852**
Contingent considerations		
Opening carrying amount	32,804	32,890
Estimated liabilities at acquisition	-	3,635
Settled liabilities	-25,121	-6,408
Changes in value recognized in the income statement	537	2,687
Closing carrying amount	**8,220**	**32,803**
Option liability		
Opening carrying amount	-	390,858
Redemption of option	-	-299,619
Exchange differences	-	8,042
Closing carrying amount	**-**	**99,281**

NOTE 21 Inventories

ACCOUNTING POLICIES

Inventories are recognized at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Raw materials are measured at cost. Finished goods are measured at standard cost. The cost of finished goods and work in progress consists of raw materials/components, direct labor costs, and other direct and indirect manufacturing costs (based on normal manufacturing capacity). Borrowing costs are not included.

The Group	2023	2022
Raw materials and consumables	414,295	263,361
Work in progress	83,103	16,546
Finished goods	91,443	82,137
Total	**588,841**	**362,044**

Costs for impairment of inventories (obsolescence) that were charged to profit for the year are included in the item cost of goods sold and had a negative impact on earnings of SEK -13,045 thousand (-13,162).

NOTE 22 Trade receivables and contract assets

ACCOUNTING POLICIES

Trade receivables are generally due for payment within 30–60 days, and all trade receivables have therefore been classified as current assets. See Note 20 for a description of the Group's impairment policies.

The Group	2023	2022
Trade receivables	388,759	413,678
Provision for doubtful debts	-3,646	-1,564
Net trade receivables	**385,113**	**412,114**

Fair value is considered to correspond to the carrying amount due to short maturity.

During the year, the Group recognized a loss of SEK -1,578 thousand (-273) for impairment of trade receivables. The provision for doubtful debts amounted to SEK 3,646 thousand (1,564) as of December 31, 2023.

As of December 31, 2023, trade receivables amounting to SEK 97,350 thousand (82,380) were overdue. An aging analysis of these is shown below:

The Group	2023	2022
1–15 days	48,674	49,841
15 days to 3 months	38,931	23,383
3 to 6 months	5,737	6,771
More than 6 months	4,007	2,385
Total	**97,350**	**82,380**

In the amount for trade receivables overdue by more than six months, a provision of SEK 3,646 thousand (1,564) has been made for doubtful debts.

Provisions for each reversal of the provisions for doubtful debts are included under selling expenses in the income statement. Amounts recognized in the provision for depreciation are usually written off when the Group is not expected to recover additional cash and cash equivalents.

Other categories of trade receivables and other receivables do not include any assets for which there is a need for impairment.

Carrying amount, by currency, for the Group	2023	2022
EUR	206,856	250,998
USD	129,201	110,692
JPY	22,137	18,395
SEK	13,428	18,965
GBP	7,049	3,865
CNY	5,530	10,014
AUD	4,559	751
Total	**388,759**	**413,679**

NOTE 23 Derivatives

ACCOUNTING POLICIES

Derivatives are recognized in the balance sheet on the contract date and measured at fair value, both on the first recognition date and upon subsequent revaluation at the end of each reporting period. When determining the fair value of a hedging instrument, quoted prices for the currency on the balance sheet date are used. The method of recognizing the gain or loss arising on revaluation depends on whether the derivative has been identified as a hedging instrument and, if so, the nature of the item being hedged.

The Group identifies derivatives as:

- hedging of a specific risk associated with the cash flow from a recognized asset, liability, or a highly probable forecast transaction (cash flow hedge), or
- hedging of a net investment in a foreign operation (hedging of net investment).

At the time of entering into the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as the Group's risk management objectives and risk management strategy for the hedging. The Group also documents its assessment, both when the hedge is entered into and on an ongoing basis, of whether the derivative instruments used in hedging transactions have been and will continue to be effective in terms of mitigating changes in fair value or cash flows attributable to the hedged items.

During the period, the Group did not have any derivatives for trading.

Cash Flow Hedging

The Group uses currency futures contracts to manage the risks of exchange rate fluctuations relating to highly probable forecast transactions, both external and internal, in foreign currency. The financial derivative instruments are held in the form of currency futures.

Hedges are designed with the expectation that they will be effective. The effective portion of the change in fair value of a derivative instrument that has been identified as a cash flow hedge and that meets the conditions for hedge accounting is recognized via other comprehensive income in the hedging reserve in equity. The ineffective portion of the change in value is recognized immediately in the income statement.

The Group identifies the entire change in the fair value of currency futures (including forward points) as hedging instruments. Gains or losses attributable to the effective portion of the change are recognized in other comprehensive income in the hedging reserve in equity.

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects earnings.

HMS recognizes the realized cash flow hedges (currency futures) in the line for net sales in the income statement. Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects earnings.

When a hedging instrument matures or is sold, or when the hedge no longer meets the criteria for hedge accounting and accumulated gains or losses related to the hedge are in equity, these gains/losses remain in equity and are recognized as income when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the accumulated gain or loss recognized in equity is immediately transferred to the income statement.

Hedging of Net Investments

The Group hedges net investments in EUR. Hedging of net investments in foreign operations are recognized in a similar way to cash flow hedges.

The portion of the gain or loss on a hedging instrument that is deemed to be an effective hedge is recognized in other comprehensive income and accumulated in equity. The gain or loss attributable to the ineffective portion is recognized immediately in the income statement as other income or other expenses.

Accumulated gains and losses in equity are reclassified to the income statement when the foreign operations are divested in whole or in part.

	2023	2022
Currency futures contracts – asset	25,763	151
Currency futures contracts – liability	-	14,992

Currency Futures Contracts

The nominal amount of outstanding currency futures contracts amounted to SEK 538,690 thousand (318,462) as of December 31, 2023.

The hedged (and highly probable forecast) foreign currency transactions are expected to occur at varying points in time over the next 15 months. Gains and losses on currency futures contracts as of December 31, 2023, which have been recognized in equity, are recognized in the income statement in the line for net sales in the periods when the hedged transaction affects earnings.

Realized currency futures contracts in 2023 had a negative impact on operating profit of SEK -22,603 thousand (-24,573).

Hedging of Net Investments in Foreign Operations

At the end of the financial year, the Group has no borrowings in EUR (123,570) to be identified as hedging of net investments relating to the acquisition of subsidiaries. The exchange loss on translation of borrowings into SEK recognized during the year amounted to SEK -4,302 thousand (-16,323) at the end of the reporting period, and this has been recognized in other comprehensive income.

NOTE 24 Prepaid Expenses and Accrued Income

	The Group		Parent company	
	2023	2022	2023	2022
Rents	3,890	4,759	-	-
Contract assets, see Note 4	1,002	2,069	-	-
Interest	-	1,719	-	-
Insurance	1,146	536	-	-
Leasing	543	217	-	-
Other accrued income	-	1,327	-	-
Other prepaid expenses	24,807	14,305	-	118
Total	**31,387**	**24,932**	**-**	**118**

NOTE 25 Cash and Cash Equivalents

ACCOUNTING POLICIES
Utilized overdraft facilities are recognized as borrowings in current interest-bearing liabilities but are not utilized on the balance sheet date.

Cash and cash equivalents consist of cash and bank balances of SEK 124,032 thousand (144,168). The Group has an approved overdraft facility of SEK 30,000 thousand (30,000).

NOTE 26 Share Capital and Reserves in Equity

ACCOUNTING POLICIES
Share capital
When the parent company purchases its own shares (repurchase of own shares), the purchase price paid, including any directly attributable transaction costs (net after tax), reduces equity until the shares are cancelled or sold. If these ordinary shares are later sold, the amounts received (net of any directly attributable transaction costs and tax effects) are recognized in equity.

Reserves
Reserves in equity consist of hedging and translation reserves. The hedging reserve comprises unrealized gains and losses on future contracts, which are recognized in the income statement in the periods during which the hedged transactions affect the income statement. The translation reserve comprises exchange differences that arise as a result of the translation of the income statements and balance sheets of all Group companies into the Group's reporting currency.

	Number of shares (thousands)	Share capital (KSEK)	Other contributed capital (KSEK)	Total (KSEK)
As of January 1, 2022	46,819	1,170	218,318	219,488
As of December 31, 2022	46,819	1,170	218,318	219,488
As of December 31, 2023	**46,819**	**1,170**	**218,318**	**219,488**

The total number of shares is 46,818,868 (46,818,868) with a quotient value of SEK 0.025 (0.025) per share.

Reserves	Hedge accounting	Currency translation	Total
As of January 1, 2022	**-5,559**	**86,976**	**81,417**
Revaluation – gross	-12,166	-	-12,166
Deferred tax	2,506	-	2,506
Reclassification to income statement – gross	4,185	-	4,185
Deferred tax	-862	-	-862
Hedging of net investments	-	-16,323	-16,323
Deferred tax	-	3,362	3,362
Other exchange differences	-	108,035	108,035
Other comprehensive income	**-6,337**	**95,074**	**88,737**
As of December 31, 2022	**-11,896**	**182,050**	**170,154**
Revaluation – gross	18,000	-	18,000
Deferred tax	-3,708	-	-3,708
Reclassification to income statement – gross	22,603	-	22,603
Deferred tax	-4,656	-	-4,656
Hedging of net investments	-	-4,302	-4,302
Deferred tax	-	885	885
Other exchange differences	-	-4,883	-4,883
Other comprehensive income	**32,239**	**-8,300**	**23,939**
As of December 31, 2023	**20,343**	**-173,750**	**194,094**

Hedging Reserve
The hedging reserve consists of a cash flow hedge reserve; see Note 23. The cash flow hedge reserve is used to recognize the effective portion of the change in fair value of derivative instruments that have been identified and qualifies as a cash flow hedge. In subsequent periods, the amounts are reclassified to the income statement as the futures expire.

Currency Translation
Exchange differences arising on translation of foreign subsidiaries are recognized in other comprehensive income as described in Note 2 and are accumulated in a separate component in reserves within equity. The accumulated amount is reclassified to the income statement when the net investment is disposed of.

NOTE 27 Interest-Bearing Liabilities

ACCOUNTING POLICIES
The Group does not have any development projects of such significance to necessitate capitalization of borrowing costs. All borrowing costs are thus expensed as incurred.

	2023	2022
Non-current interest-bearing liabilities		
Bank loans	1,051	102,048
Defined benefit pension plan	14,561	12,319
Total	**15,612**	**114,366**
Current interest-bearing liabilities		
Bank loans	1,256	36,301
Total	**1,256**	**36,301**
Total interest-bearing liabilities	**16,869**	**150,667**

The Group's maturity structure for interest-bearing liabilities at the end of the reporting period is as follows:

	2023	2022
3 months or fewer	311	35,361
Between 3 months and 1 year	946	940
Between 1 and 2 years	641	102,048
Between 2 and 5 years	410	-
More than 5 years	14,561	12,319
Total	**16,869**	**150,667**

In 2021, the financing agreement with the bank was extended. It concerns a revolving facility of EUR 45 million that runs until September 2024. At the end of the year, this credit facility was unutilized, and unutilized credit facilities amounted to SEK 529 million (397). Interest rates on bank loans are variable and linked to EURIBOR and STIBOR. The average interest rate in 2023 was 3.247% (1.279).

Loan terms for the revolving facility are based on the development of net debt and EBITDA. The carrying amount of the Group's interest-bearing liabilities corresponds to their fair value as the interest rate on these liabilities is in line with current market rates or because the liability is short-term.

NOTE 28 Non-Interest-Bearing Liabilities

ACCOUNTING POLICIES

Option liability

HMS has an option liability for acquisitions which were previously deemed to be financial instruments recognized at fair value through the income statement. From and including January 1, 2023, such put options will instead be recognized at the present value of expected future cash outflows to settle the put option. Changes in this measurement are recognized directly in equity.

A put option issued to shareholders with a non-controlling interest is related to agreements that give the minority shareholder the right to sell their holding in the company to HMS at a future date when the option can be exercised. The amount to be paid if the option expires is recorded at the present value of future settlement as a financial liability. As a result, HMS does not recognize any non-controlling interest within the framework of equity. Instead, the liability is revalued on an ongoing basis using the Group's best assessment of expected outcomes, and changes are reported directly against equity.

IMPORTANT ESTIMATES AND ASSUMPTIONS

On July 1, 2021, 60 percent of the shares in the Spanish company Owasys Advanced Wireless Devices S.L. were acquired. HMS then had a call/put option related to the remaining 40 percent of the shares in Owasys, which it was initially estimated would be exercised during 2025. As a result, on December 31, 2022, HMS recognized a liability corresponding to the present value of expected future cash outflows, amounting to SEK 99 million.

In January 2023, part of the call/put option was exercised when an additional 20 percent of the shares in Owasys were acquired. The parties chose not to exercise the remaining part of the option and instead signed a new call/put option for the remaining 20 percent with new terms. This new option can be exercised until 2029, which is considered likely to happen. As a result, as of December 31, 2023, HMS is recognizing a liability corresponding to the present value of expected future cash outflows, amounting to SEK 127 million.

The expected future cash outflows are determined by the company's future earnings (EBITDA). The value is based on the company's business plan for 2028 multiplied by a multiple (10). The expected future cash outflows have thereafter been discounted using the market interest rate during the term.

In connection with the acquisition of Owasys, a contingent consideration was also agreed. The contingent consideration, which amounts to a maximum of EUR 2.4 million, is based future earnings during 2021–2023. Based on how the company performed after the acquisition and the business plan for the coming years, the management team estimates that 100 percent of the contingent consideration will be paid out. For 2022, full compensation was paid out in 2023. The remaining amount will be paid out during 2024.

	2023	2022
Non-current non-interest-bearing liabilities		
Contingent consideration liability	-	12,773
Option liability	127,194	99,281
Total	**127,194**	**112,054**
Current non-interest-bearing liabilities		
Contingent consideration liability	8,220	20,031
Other current non-interest-bearing liabilities	219	603
Total	**8,439**	**20,634**
Total non-interest-bearing liabilities	**135,633**	**132,688**

The Group's maturity structure for non-interest-bearing liabilities at the end of the reporting period is as follows:

	2023	2022
3 months or fewer	219	603
Between 3 months and 1 year	8,220	20,031
Between 1 and 2 years	-	12,773
Between 2 and 5 years	-	99,281
More than 5 years	127,194	-
Total	**135,633**	**132,688**

NOTE 29 Accrued Expenses and Deferred Income

	The Group		Parent company	
	2023	2022	2023	2022
Accrued salaries	58,342	50,423	4,558	4,534
Vacation pay	27,143	23,034	1,025	903
Social security contributions	36,503	38,694	3,082	2,625
Deferred income	617	20,458	-	-
Leasing	3,908	1,514	-	-
Other items	44,743	45,485	1,892	1,425
Total	**171,256**	**179,606**	**10,557**	**9,487**

NOTE 30 Provisions

	2023	2022
Warranty provision	2,402	1,236
Restructuring reserve	2,328	-
Leasing	508	514
Total	**5,239**	**1,750**

Warranty Costs
Provisions have been made for estimated warranty costs for goods that have been sold where the warranty had not yet expired at the end of the financial year. The warranties are expected to be settled during the next financial year.

Restructuring Costs
During 2023, HMS implemented efficiency improvements with the integration of the sales organization from a previous acquisition, Procentec. The total restructuring costs are estimated to amount to SEK 6,515 thousand. These costs have been recognized in full in the income statement during the financial year. The outstanding provision of SEK 2,328 thousand is expected to be utilized over the next 12 months.

NOTE 31 Business Combinations

ACCOUNTING POLICIES
The acquisition method is used for recognizing the Group's business combinations, regardless of whether the acquisition consists of equity shares or other assets. The purchase price for the acquisition of a subsidiary consists of the fair values of

- transferred assets
- liabilities incurred by the Group to previous owners
- shares issued by the Group
- assets or liabilities resulting from a contingent consideration agreement
- a previous equity share in the acquired company

With a few exceptions, identifiable acquired assets, assumed liabilities, and assumed contingent liabilities in a business combination are initially measured at fair value on the acquisition date. For each acquisition, the Group determines whether non-controlling interests in the acquired company are recognized at fair value or at the proportional share of the holding in the carrying amount of the acquired company's identifiable net assets.

Acquisition of Owasys Advanced Wireless Devices S.L.
On January 4, 2023, the Group acquired an additional 20 percent of the shares in Owasys Advanced Wireless Devices S.L., at the same value as which the option liability was recognized. The acquisition was financed by utilizing an existing credit facility. The total holding now amounts to 80 percent of the company's total number of shares. The final acquisition analysis is presented in HMS' annual report for 2021.

HMS has a put option related to the remaining 20 percent of the shares, which is likely to be exercised. As a result of the option, the acquisitions in Owasys are recognized as if the company were wholly owned without a non-controlling interest and a liability corresponding to the present value of expected future cash outflows for the option.

Global M2M Pty Ltd
The acquisition analysis from the acquisition of all shares in Global M2M Pty Ltd was finalized in the third quarter of 2023, as one year has passed since the acquisition on July 1, 2022. The final acquisition analysis is presented in HMS' annual report for 2022.

NOTE 32 Interest in Associates

On December 8, 2021, the Group entered into a strategic partnership with Connectitude and acquired a non-controlling interest in their holding company Cenito AB. Connectitude offers a SaaS solution for industrial digitalization, enabling both machine builders and factory owners to collaborate and share valuable data-based insights from their production processes in real time. The investment is not expected to have any impact on the Group's earnings per share in the coming years, and the associate is considered immaterial and has been recognized using the equity method.

	2023	2022
Opening carrying amount of individual immaterial associates	13,843	14,860
Share of profit for the year after tax	-582	-1,017
Closing carrying amount	**13,261**	**13,843**

Name of company	Country of registration/operations	Participating interest[1]	Cost	Fair value	Carrying amount
Cenito AB	Sweden	20%	15,000	- [2]	13,261

[1] Participating interest is the same as share of voting power.

[2] Private company; no listed price available.

NOTE 33 Change in Liabilities Associated With Financing Activities

ACCOUNTING POLICIES

The consolidated cash flow statement is prepared in accordance with the indirect method.

	Bank loans (Note 27)	Leases (Note 18)	Total
As of January 1, 2022	**5,978**	**78,157**	**84,135**
Cash flows	115,758	-40,549	75,209
Not affecting cash flow	16,613	122,629	139,242
As of December 31, 2022	**134,348**	**160,237**	**298,585**
Cash flows	-140,652	-59,817	-200,469
Not affecting cash flow	4,611	160,236	164,847
As of December 31, 2023	**2,308**	**260,656**	**262,963**

NOTE 34 Interest in Subsidiaries

Shares owned by the parent company	Registered office	CIN	Share	Number of shares	With quotient value	2023	2022
HMS Industrial Networks AB	Halmstad, Sweden	556529-9251	100%	6,540	100	244,039	244,039
HMS Industrial Networks SA [1]	Nivelles, Belgium	450350907	34.5%	431	100	93,285	93,285
Total						**337,324**	**337,324**

Shares owned by subsidiaries	Registered office	CIN	Share
Control Specialists Ltd	Cheshire, United Kingdom	2344009	100%
Ekitec Holding B.V.	Wateringen, Netherlands	74522108	100%
Glocohm Venture Capital S.L. [2]	Derio, Spain	B-42717165	80%
Intellicom Innovation AB	Halmstad, Sweden	556537-7826	100%
HMS Electronics AB	Halmstad, Sweden	556463-9374	100%
HMS Industrial Networks B.V.	Hedel, Netherlands	11060009	100%
HMS Industrial Networks France	Mulhouse, France	921182135	100%
HMS Industrial Networks GmbH	Karlsruhe, Germany	HRB 109414	100%
HMS Industrial Networks Inc	Chicago, USA	5983-659-5	100%
HMS Industrial Networks India Pvt. Ltd.	Pune, India	138298	100%
HMS Industrial Networks K.K	Tokyo, Japan	0200-01-060118	100%
HMS Industrial Networks Ltd	Coventry, United Kingdom	7521411	100%
HMS Industrial Networks Pte. Ltd.	Singapore	202123480W	100%
HMS Industrial Networks Pty Ltd	Tullamarine, Australia	110 127 074	100%
HMS Industrial Networks SLU	Igualada, Spain	B62202460	100%
HMS Industrial Networks S.r.l.	Milan, Italy	5260930960	100%
HMS Industrial Networks SA	Nivelles, Belgium	450350907	65.5%
HMS Networks Technology (Beijing) Co., Ltd.	Beijing, China	91110105MA7LKTJ32C	100%
HMS Technology Center Ravensburg GmbH	Ravensburg, Germany	29724241	100%
HMS Technology Center Wetzlar GmbH	Wetzlar, Germany	00340136310005	100%
Owasys Advanced Wireless Devices S.L. [2]	Derio, Spain	B-95218095	80%
HMS Technology Center B.V.	Wateringen, Netherlands	27165526	100%
Procentec Ltd	Manchester, United Kingdom	11112985	100%
Procentec S.r.l.	Brescia, Italy	BS-556730	100%
HMS Technology Center S.r.l.	Sibiu, Romania	J32/121/2002	100%
HMS Technology Center GmbH	Buchen, Germany	HRB460672	100%

[1] HMS Industrial Networks SA is 100% owned by HMS Networks AB and HMS Industrial Networks AB

[2] On July 4, 2023, another 20 percent of the shares in Owasys Advanced Wireless Devices S.L. were acquired.

HMS Industrial Networks GmbH (HRB 109414)
We hereby confirm that these consolidated financial statements contain figures for the German subsidiary HMS Industrial Networks GmbH (HRB 109414) for the year ending on December 31, 2023. We confirm that the German subsidiary made use of the exemptions in section 264(3) of the German Commercial Code (HGB) in relation to the preparation of a directors' report and notes for the financial statements, as well as the audit and publication of the annual report for the financial year ending on December 31, 2023.

HMS Technology Center Ravensburg GmbH (HRB 551905)
We hereby confirm that these consolidated financial statements contain figures for the German subsidiary HMS Technology Center Ravensburg GmbH (HRB 551905) for the year ending on December 31, 2023. We confirm that the German subsidiary made use of the exemptions in section 264(3) of the German Commercial Code (HGB) in relation to the preparation of a directors' report and notes for the financial statements, as well as the audit and publication of the annual report for the financial year ending on December 31, 2023.

NOTE 35 Pledged Assets and Contingent Liabilities

The Group	2023	2022
Pledged assets	none	none
Contingent liabilities	none	none

Parent company	2023	2022
Pledged assets	none	none
Contingent liabilities		
Guarantees for subsidiaries	-	133,349

NOTE 36 Transactions With Related Parties

There have not been any transactions with related parties except for those indicated in Note 9 – Remuneration to the Board and senior executives. The parent company's transactions with related parties consist of sales to and purchases from Group companies and are presented in Note 4.

NOTE 37 Subsequent Events

On January 26 at 10:30 a.m., HMS held an Extraordinary General Meeting at the company's premises in Halmstad. The Board of Directors passed a resolution to authorize the Board to decide on a new share issue, of a maximum number of shares corresponding to sufficient issue proceeds, mainly for the purpose of refinancing the company's bridge loan facility for the acquisition of Red Lion Controls, Inc. No other significant events have occurred after the end of the period up until the signing of this annual report.

NOTE 38 Alternative KPIs

HMS presents certain KPIs in the interim report that are not defined according to IFRS. The company feels that these measures provide valuable supplementary information to investors and its management, as it facilitates the evaluation of relevant trends and the company's performance. Because not all companies calculate KPIs in the same way, these are not always comparable to the KPIs used by other companies. These KPIs should therefore not be seen as a replacement for KPIs defined according to IFRS, unless otherwise stated.

EBITDA is a measure of the underlying operational activity and is an indicator of cash flow.

EBITDA	2023	2022
Operating profit	753,328	652,549
Depreciation of property, plant and equipment (incl. rights of use)	74,393	53,319
Amortization of intangible assets	49,502	47,130
Impairment of intangible assets	571	7,126
EBITDA	**877,794**	**760,125**
Net sales	**3,024,720**	**2,506,201**
EBITDA (%)	**29.0%**	**30.3%**

EBIT before amortization/depreciation and impairment of acquired surpluses and goodwill as well as transaction costs is a value that the company uses to describe how its operating activities are developing and performing without the impact of acquisition-related costs.

EBIT excl. acquisition-related costs	2023	2022
Operating profit	753,328	652,549
Amortization of surpluses from acquisitions	15,553	22,079
Acquisition-related transaction costs	17,169	663
EBIT excl. acquisition-related costs	**786,050**	**675,291**
Net sales	**3,024,720**	**2,506,201**
EBIT excl. acquisition-related costs (%)	**26.0%**	**26.9%**

The Board of Directors and the CEO certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and give a true and fair view of the Group's financial position and results. The annual report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the parent company's financial position and results.

The Directors' Report for the Group and the parent company gives a true and fair view of the development in the Group's and the parent company's operations, financial position, and results, as well as describing the material risks and uncertainty factors faced by both the parent company and the Group companies.

The income statements and balance sheets will be presented to the AGM on April 23, 2024 for adoption.

Halmstad, March 26, 2024

Charlotte Brogren
Chair

Staffan Dahlström
President and CEO

Cecilia Wachtmeister
Board member

Niklas Edling
Board member

Fredrik Hansson
Board member

Anders Mörck
Board member

Anna Kleine
Board member

Mikael Mårtensson
Employee representative

Freddy Dahlberg
Employee representative

Our auditor's report was submitted on March 26, 2024
Öhrlings PricewaterhouseCoopers AB

Johan Palmgren
Authorized Public Accountant

Auditor's report

Unofficial translation

To the general meeting of the shareholders of HMS Networks AB (publ), corporate identity number 556661-8954

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of HMS Networks AB (publ) for the year 2023. The annual accounts and consolidated accounts of the company are included on pages 50-96 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

When we designed our Group audit strategy and Group audit plan, we assessed the degree of audit required by the Group audit team and other auditors from the PwC network. As a result of the Group's decentralized financial organization, thus a part of the financial reporting occurs in entities outside Sweden. This means that a part of the audit must be performed by auditors operating in the PwC network in other countries. When we assessed the degree of audit required for each entity, we considered the group's geographic distribution, the size of each entity, as well as the specific risk profile of each entity. With that in mind, we assessed that, in addition to the Parent Company in Sweden, a full scope audit should be performed on the financial information prepared by two significant subsidiaries, in two different countries. For entities where we assessed that it was not necessary to conduct a full audit, specified audit procedures were performed on a total of five entities. The Group audit team performed specified procedures on four of them. For the other entities, which were assessed as being individually immaterial as regards the consolidated audit, the Group audit team performed analytical procedures at Group level. In cases where the entity's auditors carry out work that is essential to our audit of the Group, we evaluate, as Group auditors, the need and degree of involvement in the work of the entity auditors to determine whether sufficient audit evidence has been obtained for the basis of our opinion on the consolidated audit report.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the Key audit matter
Impairment testing of goodwill Goodwill amounts to SEK 1,117 million as of 31 December 2023, which corresponds to 37% of the total assets of the group's total assets. As described in Note 16, the group's goodwill is relating to two separate cash generating units, Owasys, and Integrated units. In accordance with IAS 36, the Group tests at least annually whether there is a need to write down goodwill. Impairment is determined by considering each cash-generating unit's recoverable amount compared to its carrying amount. Impairment testing is essential to our audit because goodwill represents significant amounts in the balance sheet. Furthermore, with performing an impairment test, management must make significant estimates and assumptions about the future. Based on management's impairment test, the Board has concluded that there is no need to write down goodwill as of December 31, 2023. The most significant assumptions used in the impairment test are described in Note 16.	Our audit procedures included an assessment of the mathematical accuracy of the cash flow calculation, along with a reconciliation of cash flow forecasts against budget and business plan. We have evaluated and assessed that the company's valuation model is compatible with accepted valuation techniques. We have assessed the sensitivity and the impact on the impairment tests in the assumptions that have the highest impact on the impairment test, which include sustainable growth rate, sustainable operating margin, and discount rate. Through our own carried out sensitivity analyses, we have challenged the management's assumptions and tested the existing safety margins to assess the risk that impairment could occur. We have also evaluated whether the Company has provided sufficient information in the annual report about the assumptions which, if changed, could lead to impairment of goodwill in the future.
Option liabilities As stated in Notes 28 and 31, HMS has a call/put option related to the remaining 20% of the shares in Owasys. The Management's assessment is that the options will likely be exercised. This means that HMS reports a liability corresponding to the present value of the expected future cash outflow for the option, which amounts to SEK 127 million. The option debt amounts to a substantial amount and includes calculations with significant estimates and judgments by the company management. This process involves management making estimates and assumptions, e.g. about the business's future profit development, probability of exercise of the buy/sell option and market interest rate. The exercise price of the options is determined by the companies' future EBITDA. The value is based on the companies' business plan for 2028 multiplied by a multiple (10). The future expected exercise price has subsequently been discounted at the current market interest rate.	Our audit procedures to assess the accounting for the option liability have included a review of agreements related to the transactions We have evaluated and assessed the accuracy of the calculation model. We have evaluated and assessed the company management's significant estimates and assumptions in the valuation, such as future profit development in relation to the business plan, probability of exercise of the option and market interest. Finally, we have also assessed the accuracy of the information provided by the Group in Notes 28 and 31 regarding this debt.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-33, 41-49 and 101-126. The other information also consists of the Remuneration Report for 2023, which we obtained before the date of this audit report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

The auditor's audit of the administration of the company and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of HMS Networks AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for HMS Networks AB (publ) for the financial year 2023.

Our examination and my (our) opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of HMS Networks AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors (and the Managing Director) determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts [and consolidated accounts]. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors (and the Managing Director), but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report has been marked with iXBRL in accordance with what follows from the Esef regulation.

Öhrlings PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of HMS Networks AB (publ) by the general meeting of the shareholders on the 25 April 2023 and has been the company's auditor since 14 January 2004.

Halmstad 26 March 2024

Öhrlings PricewaterhouseCoopers AB

Johan Palmgren
Authorized Public Accountant

Financial data in summary (SEK million)	2023	2022	2021	2020	2019
Order intake	2,303	3,064	2,538	1,447	1,470
Net sales	3,025	2,506	1,972	1,467	1,519
Growth in net sales, %	21	27	34	-3	11
Gross profit	1,967	1,577	1,230	909	928
Gross margin, %	65	63	62	62	61
Operating profit before depreciation/amortization (EBITDA)	877	760	548	401	334
Operating margin before depreciation/amortization (EBITDA), %	29	30	28	27	22
Operating profit after depreciation/amortization (EBIT)	753	653	446	288	243
Operating margin after depreciation/amortization (EBIT), %	25	26	23	20	16
EBIT excl. acquisition-related costs	786	675	467	311	240
EBIT excl. acquisition-related costs, %	26	27	24	21	16
Profit for the year	571	508	362	220	205
Basic earnings per share, SEK	12.23	10.89	7.61	4.79	4.43
Diluted earnings per share, SEK	12.19	10.85	7.57	4.77	4.40
Dividend per share, SEK[1]	4.40[1]	4.00	3.00	2.00	-
Total assets	3,011	2,730	2,204	1,837	1,758
Equity	1,933	1,610	1,177	1,220	1,010
Equity per share, SEK	37.82	28.97	26.15	24.07	19.87
Equity ratio, %	64	59	53	67	58
Net debt/equity ratio, %	15	19	30	16	40
Working capital in relation to sales, %	14	8.7	6.8	10.5	9.5
Return on equity, %	32	38	29	20	22
Return on capital employed, %[2]	36	41	33	19	17
Capital turnover rate	1.02	1.04	1.01	0.81	0.87
Investments in non-current assets	200	191	48	48	66
Cash flow from operating activities	519	431	508	370	254
Cash flow from operating activities per share, SEK	11.12	9.24	10.90	7.93	5.45
Average number of employees	821	726	684	614	617
Sales per employee	3.8	3.5	2.9	2.4	2.5

[1] The Board's proposal

[2] The key figure for 2021–2022 has been corrected due to incorrect values being reported in previous periods

SUSTAINABILITY REPORT 2023

Sustainability in Focus

Climate change and [illegible] and sustainable solutions and services enable a positive rature goal of [illegible] environment by reducing degrees, aiming for [illegible] measures are needed [illegible] warming and [illegible] legislation [illegible] and accelerating [illegible] [illegible] HMS' sustainability [illegible] [illegible] integral part of our strategy [illegible] [illegible] operations, and HMS' ability to offer innovative [illegible]

About the Sustainability Report

The HMS Networks Sustainability Report describes the Group's work based on economic, environmental, and social aspects. The Sustainability Report for 2023 has been prepared in accordance with Chapter 6, Section 11§ of the Swedish Annual Accounts Act and in accordance with the Global Reporting Initiative Standards (GRI) 2021.

HMS' Sustainability Report is presented each year as a section of the Annual Report. The fiscal year is the same as the calendar year, January 1 through December 31. The most recent annual report was published in March 2023 for the 2022 fiscal year. This Annual Report for the 2023 fiscal year was published on March 26, 2024.

The Sustainability Report pertains to the parent company, HMS Networks AB (CIN 556661-8954), and all units included in the consolidated financial statements of HMS Networks AB 2023, which are indicated in Note 34, "Interest in Group companies."

The Sustainability Report in accordance with the requirements of the Swedish Annual Accounts Act can be found in the following sections:

- Strategy and business model, pages 3, 6–15, 18–19, 104–105
- Policies, investigations, and results, pages 19–29, 104–105, 108–116
- Material risks and risk management, pages 54–57, 106–107
- Prioritized key performance indicators, pages 19–27, 108–116
- Reporting of the EU Taxonomy Regulation, pages 118–122.

The company's auditor has issued a statement that a sustainability report has been prepared; see page 127. The content of this sustainability report has not been subject to a third-party audit.

BOUNDARIES AND CHANGES COMPARED WITH PREVIOUS REPORTS

Changes compared with previous reports have been made to the accounting policies for employee information and subject-specific disclosures in the environmental area:

- Information on employees reported in accordance with general GRI disclosures 2–7 as the number of employees per employment contract on December 31. Reporting for the previous year has been adjusted for comparability.
- Adjustment of base year for reported Scope 3 greenhouse gas emissions. Refers to other indirect greenhouse gas emissions reported in accordance with GRI 305-3.
- Increased reporting for other indirect greenhouse gas emissions. Reported emissions for the previous year have been adjusted for comparability. The adjustment relates to the categories: purchased goods and services, upstream and downstream transportation and distribution.
- Changed calculation method for purchased goods and services linked to adjusted emission factors. Reported emissions for the previous year have been adjusted for comparability.

Collection and reporting of subject-specific disclosures was carried out by representatives of each unit, where most of the information was reported by a financial system support.

Greenhouse gas emissions are reported in accordance with the recommendations of the Greenhouse Gas Protocol Corporate Standard (GHG Protocol). An operational consolidation method is used for the reporting.

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For more information about the Sustainability Report and HMS' sustainability work, please contact:
Richard Skog, Chief Operating Officer, ris@hms.se.

Materiality assessment and stakeholder dialogue

We work continuously to link our day-to-day sustainability work to the UN Sustainable Development Goals. Through dialogue and cooperation with HMS' various stakeholders, the work is about reducing the risk of negative impact while at the same time increasing the positive contributions to these common goals.

HMS' prioritized sustainability areas and material sustainability issues form the basis for strategic choices, prioritized activities, reporting, and communication. The materiality analysis is therefore central to the systematic sustainability work and is updated at regular intervals and as needed, for example in the event of relevant changes in the business, the business environment, or in the stakeholders' focus and expectations.

The materiality assessment is based on stakeholder dialogues, identified risks and opportunities, and on our ability to influence the various sustainability issues. Stakeholder dialogues provide us with the necessary insight into the expectations, needs, and requirements of our stakeholders and help us identify and assess relevant sustainability issues.

The materiality assessment is anchored and validated annually by HMS' Board of Directors and the group management team. No changes were made to HMS' material issues in 2023. The material issues included in this report can be found in the table on page 105. HMS' material risk areas are presented in the Directors' Report (pages 54–57 in this Annual Report).

In 2023, a new materiality assessment was carried out based on the requirements of the EU Corporate Sustainability Reporting Directive (CSRD). The materiality assessment has been carried out based on the principle of double materiality, which includes both financial materiality and impact materiality. Further work will take place in 2024 to validate material issues and sustainability risks, which will then form a central part of future sustainability work to mitigate risks and impacts and promote opportunities.

Key stakeholders	Forums for dialogue	Important issues	How HMS addresses the issues
Owners and investors	Materiality assessment, annual and sustainability report, quarterly reports, Annual General Meeting, individual meetings, media.	Long-term profitability and growth, results of adopted Group goals, proactive management of risks, transparency, compliance with laws and regulations.	Group goals and follow-up, accounting and reporting, Code of Conduct and other governing policies, sustainability rankings, systematic work methods and transparency.
Employees	Materiality assessment, workplace meetings, internal training, employee surveys, intranet, performance reviews, and dialogue.	Working conditions, competence development, health and safety, diversity, health promotion, business ethics, results of adopted Group goals.	Group goals and follow-up, Code of Conduct and other governing policies, systematic work methods, whistleblower function, employee surveys, training initiatives, health promotion initiatives.
Customers	Materiality assessment, regular business contact, networking, trade fairs, seminars, customer surveys, external reporting systems, audits, website, social media.	Long-term profitability, guaranteed supply and lead times, high-quality and innovative products and services, environmental impact of our products, human rights in the value chain, compliance with laws and regulations.	Guaranteed supply and customer support, innovation and product development, Group goals and follow-up, environmental and quality certifications, guaranteed compliance with laws and regulations, sustainability rankings, accounting and reporting.
Suppliers and partners	Materiality assessment, purchasing, supplier evaluations, continuous dialogue and meetings, audits.	Long-term profitability and growth, contract terms, guaranteed supply and lead times, human rights, health and safety, innovation and sustainable materials, energy efficiency, compliance with laws and regulations.	Supplier assessments, Supplier Code of Conduct, Group goals and follow-up, guaranteed compliance with laws and regulations, innovation and collaborative projects, accounting and reporting.
Authorities and society	Annual Report, reporting and continuous dialogue, audits, networks.	Sustainable products and increased circularity, current political issues, compliance with laws and regulations, transparency.	Group goals and follow-up, accounting and reporting, policies and systematic work methods, transparency.

The table shows HMS' key stakeholders and forums for dialogue.

Material Sustainability Issues

SUSTAINABILITY AREA	MATERIAL SUSTAINABILITY ISSUE	DISCLOSURE ACCORDING TO GRI	RELATED SUSTAINABLE DEVELOPMENT GOALS
ENVIRONMENT	ENERGY AND CLIMATE	GRI 302 ENERGY GRI 305 EMISSIONS	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 17 PARTNERSHIPS FOR THE GOALS
	SUSTAINABLE PRODUCT DEVELOPMENT	GRI 306 WASTE GRI 308 SUPPLIER ENVIRONMENTAL ASSESSMENT	
SOCIAL RESPONSIBILITY	RESPONSIBLE VALUE CHAIN	GRI 414 SUPPLIER SOCIAL ASSESSMENT	8 DECENT WORK AND ECONOMIC GROWTH; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 17 PARTNERSHIPS FOR THE GOALS
	BUSINESS ETHICS AND CORRUPTION	GRI 205 ANTI-CORRUPTION	
EMPLOYEES	STAFF DEVELOPMENT	GRI 404 TRAINING AND EDUCATION	5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH
	EQUALITY AND DIVERSITY	GRI 405 DIVERSITY AND EQUAL OPPORTUNITY	
	HEALTH AND SAFETY	GRI 403 OCCUPATIONAL HEALTH AND SAFETY	

Membership in Organizations

HMS contributes to increased innovation, resource efficiency, and social development, among other things through membership in various initiatives and organizations. A selection of our strategic memberships and collaborations is presented below:

- HMS is a signatory of the UN Global Compact and is committed to working actively with the organization's Ten Principles relating to human rights, labor, environment, and anti-corruption, as well as the 17 Sustainable Development Goals.
- HMS also actively participates in a variety of organizations on standardization of network protocols, such as: PI, ODVA, ETG, CLPA, CiA, Modbus Organization, IO-Link Consortium, OPC Foundation, BACnet International, and KNX.
- HMS closely collaborates with its customers and in many cases is a prioritized partner, such as a Schneider Electric Technology Partner and a Rockwell Automation Technology Partner. We also participate in the Ericsson Industry 4.0 Partner Program.
- HMS participates in several different forums for industry collaborations on prioritized issues, such as the 5G Alliance for Connected Industry and Automation and TechSverige's Sustainability Council.
- Collaborations with academia are an important part of our long-term efforts to secure talent and improve equality in the tech industry. HMS collaborates with several different colleges and universities, including Halmstad University. HMS also has long-term collaborations with Techella, Amazing Digital Amazonas (ADA), and Women on Wednesday, a network for immigrant women seeking employment in Sweden.

Governance and Organization for Sustainability

The foundation of HMS' sustainability work is internationally recognized principles, such as the 17 UN Sustainable Development Goals, the Ten Principles of the UN Global Compact, and the UN Guiding Principles on Business and Human Rights. Global climate work in the form of climate agreements, regional and national principles, and legislation are also important starting points in the work. This encompasses the European Green Deal and its associated goals, declarations, and processes that have a major impact on HMS' future direction and priorities. The principles in these declarations and frameworks are reflected in HMS' policy commitments, frameworks, and Group goals.

Governance and Organization

Sustainability work is a high priority for HMS' Board of Directors and management. HMS' policy commitments are adopted and translated into strategies and goals by the Board of Directors and the group management team. The sustainability agenda is managed by the Board of Directors as a fixed and recurring issue in accordance with the work procedures described in the Corporate Governance Report. Group goals and long-term direction are discussed at the strategy meeting, which takes place annually in August. An in-depth review of the sustainability work takes place annually at the Board's meeting in October, where the Board discusses and provides input on the organization's impact on sustainable development, identified material issues, the direction of the sustainability work, and central work processes. Policies adopted by the Board are audited annually, sustainability reporting is handled by the Audit Committee, and the Sustainability Report is reviewed and approved by the Board.

Sustainability is a central part of HMS' strategy, and the Group goals govern the business' priorities and activities. The goals are integrated into business plans and follow-up. The group management team and the extended management team work with sustainability issues on an ongoing basis to ensure progress in the work. Management's review of the business management system is conducted annually to evaluate planned and implemented activities from a process perspective. HMS' Sustainability Department, together with the Global HR Manager, is responsible for driving, coordinating, and following up on the Group's sustainability agenda. The Sustainability Department is represented in the group management team by the COO.

Collaboration and division of responsibilities is an important starting point in HMS' business model and organization. HMS' operations comply with applicable national legislation together with HMS' policy commitments and Group goals. Direct responsibility for sustainability work is therefore delegated from the CEO to each business area manager and line managers. This means that each area of operations within HMS is responsible for implementing policy commitments and goals, initiating activities, and following up on the work within each area of responsibility.

HMS' Global Sustainability Team consists of selected ambassadors from each business area who are responsible for driving the common sustainability agenda, coordinating and driving initiatives, following up on the work, and increasing knowledge of sustainability issues among HMS employees. The team is coordinated by the Global Sustainability Department. During the year, the common agenda for the sustainability team consisted of, among other things, improving processes for responsible sourcing as well as training initiatives, preparatory work for Science Based Targets with increased climate calculations in Scope 3, and validation of methods.

Policy Commitments and Follow-Up

HMS' Code of Conduct, Supplier Code of Conduct, Environmental Policy, Quality Policy, and Conflict Minerals Policy set out HMS' commitments within sustainable business and operations. While the Code of Conduct is established by HMS' Board, other policies are handled by HMS' group management team. HMS' commitments include respect for human rights, application of the precautionary principle in order to minimize negative impact, and the establishment of systematic sustainability work, of which due diligence processes are an important part. All policies are communicated to all employees, representatives, and relevant partners on the intranet and on HMS' website, www.hms-networks.com.

HMS' Code of Conduct summarizes the values that HMS stands for and provides guidelines for how employees and HMS representatives are expected to behave. Respect for human rights and everyone's equal value is an important part of HMS' values and work. The principles in the Code of Conduct are based, among other things, on the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. Equal treatment and opportunity must apply to everyone, regardless of their ethnicity, nationality, gender, transgender identity or expression, sexual orientation, religion or other belief, political opinion, social origin, disability, age, or other characteristics protected by law.

HMS' Supplier Code of Conduct governs requirements and expectations for the Group's partners and suppliers and correlates with the requirements of the Code of Conduct. Read more about HMS' policy commitments on pages 113–114.

WHISTLEBLOWER FUNCTION

HMS employees are given the opportunity to anonymously report irregularities to HMS' whistleblower function, which is managed by an external independent partner. Reported cases are handled through a defined process, and the work is followed up on by the Board and management. In the first instance, questions and reports of irregularities should be reported to the immediate supervisor, another person in a senior position, the local HR department, or to a union representative. In 2023, no irregularities were reported through the web-based whistleblower system.

COMPLIANCE

HMS regularly reviews its compliance with laws and regulations using internal audits and evaluations via an external legislation monitoring system. No significant deficiencies in compliance were identified or reported to the Board in 2023.

CERTIFIED MANAGEMENT SYSTEMS WITHIN THE GROUP

The sustainability work is supported by systematic work and business management systems; several HMS management systems are certified and thus also subject to third-party audits. Internal audits take place annually in accordance with the defined audit plan and audit process. Process descriptions and governing documents are gathered in a digital management system.

Business unit	ISO certificate
Anybus, Halmstad	ISO 9001:2015, ISO 14001:2015
Ewon, Nivelles	ISO 27001:2013*
Intesis, Igualada	ISO 9001:2015, ISO 14001:2015
Ixxat, Ravensburg	ISO 9001:2015

* The certificate covers Talk2M and Ewon routers connected to the cloud service.

Read more about HMS' quality and sustainability work on the website:
www.hms-networks.com/about/quality-and-sustainability

If you are reading this annual report digitally, you can view the adopted documents by clicking on the relevant box.

CODE OF CONDUCT

SUPPLIER CODE OF CONDUCT

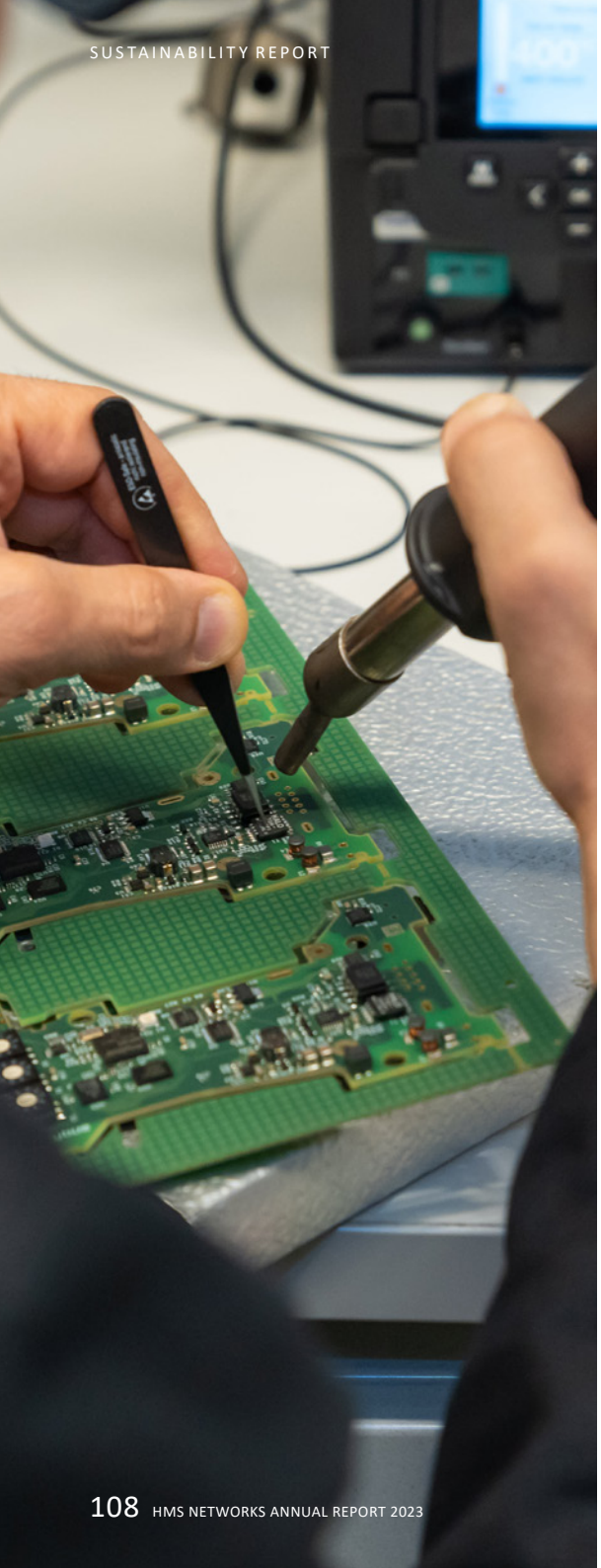
ENVIRONMENTAL POLICY

QUALITY POLICY

CONFLICT MINERALS POLICY

GOVERNANCE AND DIVISION OF RESPONSIBILITIES FOR HMS' MATERIAL SUSTAINABILITY ISSUES

Material issue	Legislation, policies, guidelines, and procedures for governance	Division of responsibilities within HMS	Evaluation of governance and performance
Energy and climate	National legislation, Code of Conduct, environmental policy, car policy, meeting and travel policy, ISO 14001, operational goals, and KPIs.	Group management team, business area managers, Global Sustainability Department, sustainability ambassadors.	Follow-up of activities and results in group management team and collaboration forums, reporting for the Annual Report, reporting to authorities.
Sustainable product development	National legislation, Code of Conduct, environmental policy, management system in accordance with ISO 9001 and ISO 14001, general purchasing terms and conditions, supplier agreements.	Group management team, product development managers, Global Sustainability Department, sustainability ambassadors.	Follow-up of activities and results in group management team, reporting for the Annual Report, reporting to authorities.
Responsible value chain	National legislation, Code of Conduct, Supplier Code of Conduct, Conflict Minerals Policy, management system in accordance with ISO 9001 and ISO 14001, general purchasing terms and conditions, supplier agreements.	Group management team, Global Supply Manager, Global Sustainability Department, sustainability ambassadors.	Dialogue and follow-up of suppliers, reporting for the Annual Report.
Business Ethics and Anti-Corruption	National legislation, Code of Conduct, Supplier Code of Conduct, training and education, work with core values, whistleblower function.	Group management team, Global Sustainability Department, HMS whistleblower function.	Continuous financial monitoring, monitoring of cases reported via the HMS whistleblower function, reporting for the Annual Report.
Staff development	Code of Conduct, HR policies, instructions and handbooks for employees, work with core values, business goals and key figures, employee surveys and reviews, training.	Group management team, business area managers, HR functions and collaboration forums, managers.	Follow-up of activities and results in group management team and collaboration forums, reporting for the Annual Report.
Equality and Diversity	National legislation, Code of Conduct, instructions and handbooks for employees, deviation management system, work with core values, Group objectives and key figures, employee surveys and reviews, training.	Group management team, business area managers, HR functions and collaboration forums, managers.	Follow-up of activities and results in group management team and collaboration forums, reporting for the Annual Report.
Health and safety	National legislation, Code of Conduct, HR policies, instructions and handbooks for employees, deviation management system, work with core values, business goals and key figures, employee surveys and reviews, training.	Group management team, business area managers, HR functions and collaboration forums, managers.	Follow-up of safety inspections and reported incidents in safety committees and management groups, reporting for the Annual Report.



Environment

HMS' material sustainability issues in the environmental area are energy and climate, along with sustainable product development. Subject-specific disclosures are reported as energy, emissions, and waste, where all areas are deemed to give rise to a negative environmental impact. HMS products enable a positive impact on the climate and environment by reducing resource and energy consumption in our customers' operations; read more about this on page 21.

Governance of environmental issues is based on HMS' Code of Conduct, Supplier Code of Conduct, Environmental and Quality Policies, Group-wide instructions, and established environmental goals; read more about our focus areas and goals on pages 19–21. We focus on reducing our carbon footprint where our impact is greatest, replacing fossil fuels and materials with renewable alternatives, and being an enabler of sustainable development by offering innovative solutions to our customers. The business' management system for quality and the environment has a supporting function for implementation, results, and follow-up of target and objectives. Results and activities carried out are followed up on by the group management team and the Board of Directors. Read more about governance and dialogue with stakeholders under the governance section on pages 104–107.

With regard to the business' commitment to set a science-based target in line with the Paris Agreement to limit global warming to 1.5°C, mapping of the remaining Scope 3 emission categories was carried out during the year. Continued work on validation of methods and calculations will be the main activities in 2024. The increased reporting in Scope 3 means that historical emissions data has been updated and adjusted for comparability. Due to the lack of data, the base year has been adjusted to 2022 for Scope 3. For emissions reported in Scope 1 and 2, the base year has been set to 2020.

To calculate emissions in Scope 1 and 2, as well as parts of Scope 3, we use the digital calculation tool Our Impacts, a platform with access to an updated database of emission factors. The emission factors used in the calculations are supplier-specific where statistics have been available or based on international sources such as the International Energy Agency (IEA) and the International Panel on Climate Change (IPCC). Emission factor data is presented on page 111.

Energy

GRI 302-1 – ENERGY CONSUMPTION WITHIN THE ORGANIZATION

	Electricity		Heating		Cooling	
Energy use (MWh)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Europe	1,755	1,751	1,024	864	394	407
Asia	60	46	-	-	6	3
USA	80	78	-	-	-	-
Oceania	5	4	-	-	-	-
Total	1,900	1,879	1,024	864	400	410

Energy consumption from renewable sources (MWh)	**2023**	**2022**
Europe	1,470	1,440
Asia	-	-
USA	-	-
Oceania	-	-
Total	1,470	1,440

Result

Total energy consumption increased during the year. This increase has taken place in all of HMS' business areas. Renewable energy is only used at facilities in Europe; the total use of renewable electricity was 77 (77) percent in 2023. In 2023, solar cells were installed at three business units within HMS, which has led to an increase in electricity sold.

Energy intensity decreased compared with the previous year, which is explained by an increase in the number of units delivered; energy consumption did not decrease in absolute terms.

Scope & Method

Reported data for energy consumption within the organization includes consumption of electricity, natural gas, district heating, and district cooling in owned, leased, or rented premises and is based on actual consumption in MWh or estimates based on the area of the premises. In the case

Total energy consumption (MWh)	2023	2022
Total	3,324	3,153

Total electricity sold (MWh)	2023	2022
Europe	27	1
Asia	-	-
USA	-	-
Oceania	-	-
Total	27	1

GRI 302-3 – ENERGY INTENSITY

Energy intensity (kWh/unit)	2023	2022
Total	1.7	2.1

Based on the Group's total energy consumption and number of units delivered.

of electric heating (e.g., direct-acting electricity, geothermal heating, or air source heat pump), the heat is reported as electricity consumption. Natural gas has not previously been included in reported energy data, so historical data has been updated.

Data on energy consumption from smaller offices (fewer than five employees) have not been collected. Instead, an average has been calculated per employee based on reported data from HMS' offices with corresponding operations and size. The energy consumption of smaller offices accounts for < 0.5 percent of HMS' total energy consumption.

Energy-related data was collected through financial system support and reported either as actual consumption of electricity or other fuels via data from energy suppliers, or by estimating the energy requirement based on the floor area of the facility (m^2). Renewable, origin-guaranteed electricity has only been reported in cases where it has been possible to prove it with a guarantee of origin or other equivalent documentation. The documentation was reviewed and assessed by an external party, U & We.

Emissions

305-1 – DIRECT (SCOPE 1) GHG EMISSIONS

Direct emissions (Scope 1) (tons CO_2e)	2023	2022	2021	2020
Total	295	229	161	96

GRI 305-2 – ENERGY INDIRECT (SCOPE 2) GHG EMISSIONS

Indirect emissions (Scope 2) (tons CO_2e)	2023	2022	2021	2020
Total (market-based)	312	282	288	213
Total (location-based)	400	361	332	271

GRI 305-4 – GHG EMISSIONS INTENSITY

Emission intensity (tCO_2e/MSEK sales)	2023	2022	2021	2020
Total	201	204	231	211

Emissions intensity includes the total emissions of the business in Scope 1 and Scope 2 based on a market-based calculation method.

Result

An increase in Scope 1 can be attributed to an increased number of company-owned cars within the Group and increased travel. The use of natural gas increased in 2023, which also results in an increase in Scope 1 emissions. The proportion of electric company cars increased from 12 percent in 2022 to 27 percent in 2023.

The business' energy consumption increased during the year, which has led to an increase in Scope 2. Total renewable electricity consumption was 77 percent (77) in 2023. A decrease in emission intensity is attributable to an increase in sales, emissions from the organization's total emissions in scope 1 and scope 2 did not decrease in absolute terms.

Scope & Method

Reported data refers to greenhouse gas emissions from the business' direct emissions (Scope 1) and the business' indirect emissions (Scope 2).

Direct emissions reported in Scope 1 include company-owned and leased cars and stationary fuels used for heating in owned, leased, or rented premises. Emissions for company-owned or leased cars have either been calculated based on fuel consumption or based on kilometers driven. A minor adjustment of emission figures for 2022 has been made for two units based on corrections in reported data.

Emissions reported in Scope 2 include consumption of electricity, district heating, and district cooling in owned, leased, or rented premises and is based on actual consumption in MWh or estimates based on the area of the premises. In the case of electric heating (e.g., direct-acting electricity, geothermal heating, or air source heat pump), the heat is reported as electricity consumption.

In cases where the units purchased renewable, origin-labelled electricity, the emissions are based on an emission factor for renewable sources if this has been verified by a certificate of origin or other equivalent documentation. In cases where no active choice has been made, the emissions are based on an emission factor for residual electricity for that country's electricity mix. The renewable energy documentation was reviewed and assessed by an external party, U & We. A minor adjustment of emission figures for 2022 has been made based on corrections to reported data regarding energy consumption and origin.

Emissions from electricity and district heating in Scope 2 have been calculated according to both the market-based and the location-based method in accordance with the guidelines of the GHG Protocol 2 standard.

GWP values used for the emission calculations are in accordance with the IPCC Fifth Assessment Report (AR6). The following gases are included in the calculation: CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, and NF_3. Emissions of biogenic CO_2 are included in the calculation and amounted to 0 tons in 2023.

GRI 305-3 – OTHER INDIRECT (SCOPE 3) GHG EMISSIONS

Other indirect emissions (Scope 3) (tons CO_2e)	2023	2022
Purchased goods and services	23,325	20,678
Capital goods	4,503	4,387
Fuel and energy-related activities	197	170
Upstream Transportation and Distribution	1,494	1,547
Waste generated in operations	<1	<1
Business Travel	1,663	1,193
Employee commuting	553	539
Downstream Transportation and Distribution	558	552
Use of Sold Products	50,000	47,000
End-of-life treatment of sold products	85	86
Total	82,378	76,152

Result

Scope 3 emissions reporting has been expanded to include the emission categories capital goods, employee commuting, use of sold products, and end-of-life treatment of sold products. The remaining categories in Scope 3 are not considered applicable; this refers to upstream and downstream leased assets, processing of sold products, franchises, and investments. The calculation method for purchased goods and services has changed since the previous year and has been expanded in scope. Emissions data for the previous year have been updated according to the new method and scope. Scope adjustment also applies to upstream and downstream transportation and distribution.

Emissions from downstream activities comprise 62 percent of total Scope 3 emissions in 2023, with the largest emissions category being use of sold products.

Scope & Method

Reported data refers to greenhouse gas emissions from the business' other indirect emissions.

GWP values used for the emission calculations are in accordance with the IPCC Fifth Assessment Report (AR6). The following gases are included in the calculation: CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, and NF_3.

Upstream

PURCHASED GOODS AND SERVICES

Purchased goods and services include, among other things, purchased materials and products used in the production and processing of products, purchased services, and other purchased materials for the business.

For purchased production materials, such as electronic components, metals, and plastics, material-specific emission factors have been used, and emissions are based on purchased weight. The emission factor for electronic components and electronic products is based on data from the life cycle assessment screening. This emission factor has not been used for previous reporting years, which means that historical emissions data has been adjusted.

Purchased services and goods that are not included in HMS' products have been calculated using a spend-based method. In total, they account for 40 percent of the emissions from purchased goods and services. The proportion of emissions reported according to the spend-based method has previously been excluded; emissions for the previous year have thus been updated. The calculation has been estimated based on average emission factors, which gives a higher uncertainty factor compared to an activity-based method.

CAPITAL GOODS

Reported emissions have been calculated based on a spend-based method in which average greenhouse gas emissions for Europe have been used. The investments included are presented in Note 17, page 79. Rights of use are excluded as they do not fall under the definition of capital goods. Capital goods also include purchased furniture.

FUEL AND ENERGY-RELATED ACTIVITIES

Includes upstream emissions from the production of fuels (e.g., diesel and gasoline) and transmission and distribution losses in electricity production. Emissions are reported in this category if they are not already included in Scope 1 and Scope 2. The emission calculations were carried out in the web-based calculation tool Our Impacts.

UPSTREAM TRANSPORTATION AND DISTRIBUTION

Includes transports between the company's facilities and between HMS and tier-1 suppliers, such as distribution of materials, components, etc. Includes both transports where HMS is responsible for the shipping cost and transports that are paid for by the supplier. Reported through direct data from transport companies or our own calculations based on the business' recorded purchases. All emissions are reported according to the well-to-wheel method, which takes into account all phases of the fuel's life cycle.

WASTE GENERATED IN OPERATIONS

Waste generated in operations is reported via direct information from waste management companies or estimates based on the scope and nature of the organization's activities. Waste from sales offices is excluded. Waste from sales offices consists mainly of paper, cardboard, plastic, and food waste. The waste is primarily recycled or incinerated with energy recovery. Landfill disposal is an unlikely treatment method for waste generated in sales offices. Only the climate impact of waste management (removal and treatment) is included in the calculation of emissions from waste, so the share of the sales offices is not considered significant. Emission calculations were carried out in the web-based calculation tool Our Impacts.

BUSINESS TRAVEL

Includes business travel by taxi, rental car, train, plane, and car travel in employees' own cars. Business travel was reported through data from travel agencies and internal accounting. Business travel data does not include hotel stays. The emission calculations were carried out in the web-based calculation tool Our Impacts.

EMPLOYEE COMMUTING

Emissions from commuting have been calculated using assumptions about distance to work and number of working days in the office based on data from HR and surveys conducted at two HMS offices. Calculations have been carried out based on the assumption that all commuting is done by gasoline-powered car, which means that the total emissions are expected to be slightly higher than the actual emissions.

Downstream

DOWNSTREAM TRANSPORTATION AND DISTRIBUTION

Includes transports between the company's facilities and customers. Includes both transports where HMS is responsible for the shipping cost and transports that are paid for by the customer and distributor. Reported through direct data from transport companies or our own calculations based on the business' recorded sales. Emissions from HMS distributor transports have been based on HMS' total share of sales that goes to distributors, after which an estimate has been made of the transports' emissions. Shipments from distributors have not previously been included; emissions data for the previous year has thus been adjusted.

All emissions are reported according to the well-to-wheel method, which takes into account all phases of the fuel's life cycle.

USE OF SOLD PRODUCTS

Use of sold products is calculated based on the energy consumed by the products during their lifespan. The total energy consumption of each product type over its lifespan is calculated by taking into account power consumption, daily use, and estimated lifespan.

Average power consumption from each product type has been determined by actual measurements, which can be found in hardware test results or estimates based on measured values for similar products.

The daily use of each product has been estimated based on experience and knowledge of how the products are used. The lifespan of the products is estimated based on the knowledge of how the products are used and how long electronic equipment in the industry is used before it is replaced for various reasons. The energy consumption of the products during their lifespan is calculated based on the emission factor that represents the global electricity mix.

As there is some uncertainty in terms of the service life, lifespan, and where the products are used in the world, the estimates have been conservative, which is expected to result in higher emissions.

END-OF-LIFE TREATMENT OF SOLD PRODUCTS

End-of-life treatment of sold products is calculated based on HMS' sales and the proportion of products delivered to areas where waste treatment through incineration without energy recovery may be used as a treatment method. For the remaining proportion, recycling as a treatment method is estimated. Only the climate impact of waste management (removal and treatment) is included in the calculation of emissions from waste.

Sources of Emission Factors

Scope 1, including fuel and energy-related activities belonging to Scope 3	Source of emission factors
	CO2 emissiefactoren (2022)
	CO2 emissiefactoren (2023)
	BEIS (2023)
	Swedish Energy Agency (2023)
	IPCC (2019)
Scope 2, including fuel and energy-related activities belonging to Scope 3	**Source of emission factors**
	AIB – European Residual Mixes (2023)
	Client-supplied MBI EF (2023)
	Commonwealth of Australia (2022)
	BEIS (2023)
	Ecometrica (2022)
	Energiföretagen (2023)
	EPA – eGrid (2023)
	HEM (2022)
	IPCC (2019)
	Umweltbundesamt (2022)
	United Nations (2023)
Scope 3	**Source of emission factors**
Use of sold products	Ember – Yearly Electricity Data (2023)
Waste generated in operations	Fortum (2023)
	WBCSD/WRI (2015)
End-of-Life Treatment of Sold Products	EPA – GHG Emission Factors Hub (2023)
Capital goods, Purchased goods and services	Exiobase 3
Purchased goods and services, Employee commuting, Business travel	BEIS (2023)
Purchased goods and services	GaBi LCA Databases, via IVL Svenska Miljöinstitutet AB
Transportation and distribution	Client-supplied shipping emissions (2023)
	DHL Carbon Calculator (2023)
Business travel	Swedish Energy Agency (2022 & 2023)
	EPA – GHG Emission Factors Hub (2023)
	SJ (2023)

Waste

GRI 306-3 – GENERATED WASTE IN OPERATIONS

Generated waste (kg)	2023	2022	2021
Hazardous waste	5,336	1,204	1,757
Combustion	450	27	-
Recycling	4,886	1,172	1,757
Landfill	-	5	-
Non-hazardous waste	179,561	165,296	157,768
Combustion	45,062	65,668	78,085
Recycling	102,212	59,743	39,798
Landfill	6,960	39,885	39,885
Reuse	25,327	16,701	12,768
Total	184,897	183,201	172,293

Result

Generated waste increased in 2023, as did the level of recycling. The increase in hazardous waste is due to the disposal and handling of circuit board waste that has been stored at HMS' Swedish operations for a longer period of time.

Scope & Method

Includes waste generated in operations, excluding waste generated in sales offices. Waste from sales offices is considered to constitute a small amount of waste that mainly consists of non-hazardous waste in the form of paper, cardboard, plastic, and food waste. Generated waste is reported in kilograms and sorted by treatment method.

Waste was reported through direct data from waste management companies; in cases where data was not obtained from the waste management companies, the amount of waste was estimated based on the area of the premises and the type of operations.

Social Responsibility

HMS' impact and responsibility extend throughout the value chain, and together with our suppliers and customers, we work to ensure responsible operations. HMS' material issues in this area are a responsible value chain as well as business ethics and anti-corruption. Subject-specific disclosures are presented as supplier assessment based on social and environmental criteria as well as anti-corruption. Governance in this area is based on HMS' Code of Conduct, Supplier Code of Conduct, and Conflict Minerals Policy.

Responsible value chain

GRI 308-1, 414-1

HMS partners with suppliers who supply the business with electronic components, plastic parts, packaging materials, transports, and indirect materials and services. HMS also has long-term partnerships with contract manufacturers. The majority of HMS suppliers are located in Europe, Asia, and North America. A significant part of HMS' actual and potential negative and positive impact on the economy, the environment, and people, including human rights, can be found in the value chain. For most of HMS' material sustainability issues, the impact is greatest at the supplier and customer level. Actual negative impact that has been identified consists of emissions to air and potential negative impact as a result of the use of rare metals and minerals in manufacturing. Close collaboration with suppliers is therefore a precondition for ensuring a responsible value chain and for achieving our sustainability goals.

Result

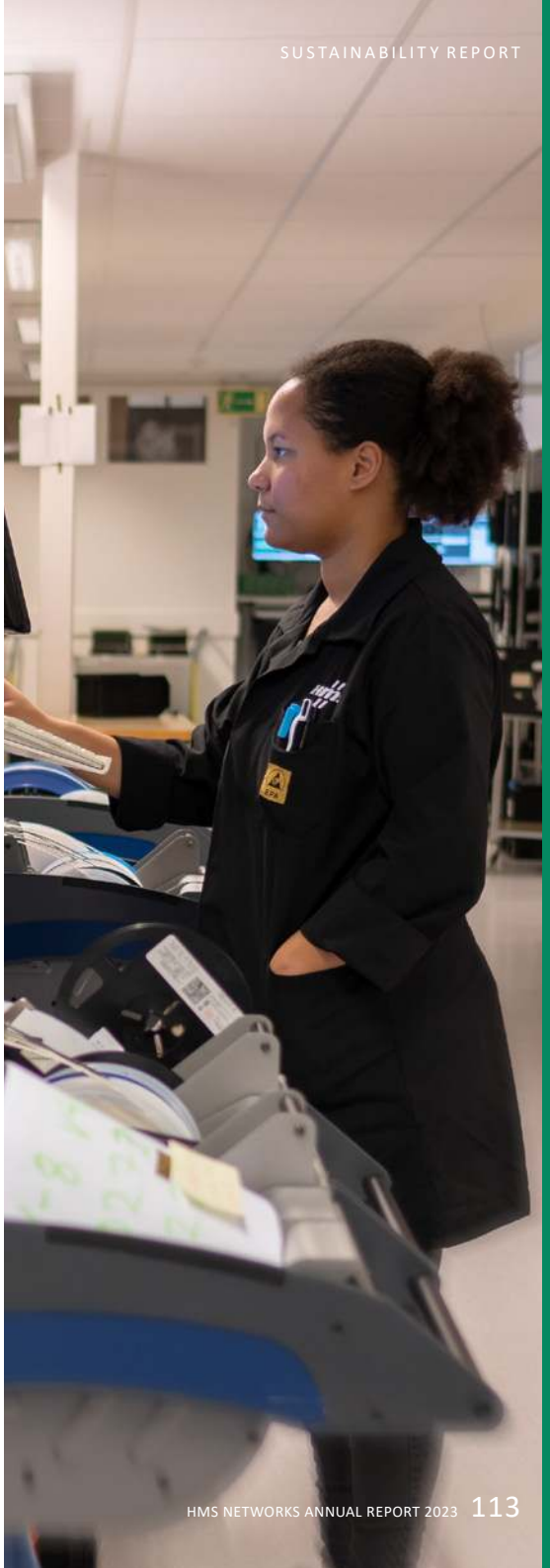
HMS' central purchasing function has the overall responsibility for the supply of components, products, and transports. The responsibility for the purchase of goods and services is also to a certain extent divided between HMS' various business areas and functions. HMS' Supplier Code of Conduct, general terms and conditions of purchase, and Conflict Minerals Policy are central documents in the work to ensure a responsible value chain. Strategic suppliers are asked to sign the Supplier Code of Conduct, or an equivalent agreed standard. As a strategic supplier, this means that the supplier creates great value in terms of HMS' ability to produce and deliver products, where we see a close and long-term partnership. By the end of 2023, 91 percent of HMS' strategic suppliers had signed the Supplier Code of Conduct.

The purchasing function follows a Group-wide process for monitoring supplier performance, and follow-up discussions are held continuously with strategically important suppliers. The process follows the OECD Due Diligence Guidance for Responsible Business Conduct and includes elements such as requirements for business partners, identification and evaluation of negative impacts, corrective measures, and follow-up in collaboration with suppliers. During the year, training initiatives were carried out on the Group-wide process for employees in purchasing and other relevant key roles. By the end of 2023, 84 percent of employees had undergone the training.

Environmental legislation and other legal requirements in the area of sustainability are regularly monitored and followed up on, including ensuring compliance with the REACH and RoHS directives. All strategic suppliers are asked to carry out a self-assessment that includes sustainability-related topics. By the end of 2023, 77 percent of HMS' strategic suppliers had carried out the self-assessment. Risk survey of conflict minerals and subsequent follow-up of high-risk suppliers is carried out annually. In this year's risk survey, the response rate was 81 (84) percent. The results of the survey showed that the majority of suppliers, 69 percent, have used components containing minerals from conflict-affected areas and/or high-risk areas. All suppliers with an identified high risk of using conflict minerals were followed up for corrective action with the aim of phasing out high-risk smelters. 63 percent of the high-risk suppliers have demonstrated action.

During the year, three (5) on-site audits were carried out at suppliers covering environmental and social criteria; no significant deviations linked to sustainability were identified.

HMS entered into partnerships with 9 (11) new suppliers in 2023. However, none of these suppliers were audited through an on-site audit in 2023.



Business Ethics and Anti-Corruption

GRI 205-2

HMS operates in a global market with customers in many different industries and geographies. HMS' business ethics and core values affect both employees and business partners in the value chain. There is a risk of negative potential impact and therefore the importance of proactive work in business ethics and anti-corruption is always relevant. HMS' principles in this area can be found in our Code of Conduct and Supplier Code of Conduct, which are communicated on both the intranet and on HMS' website.

Result

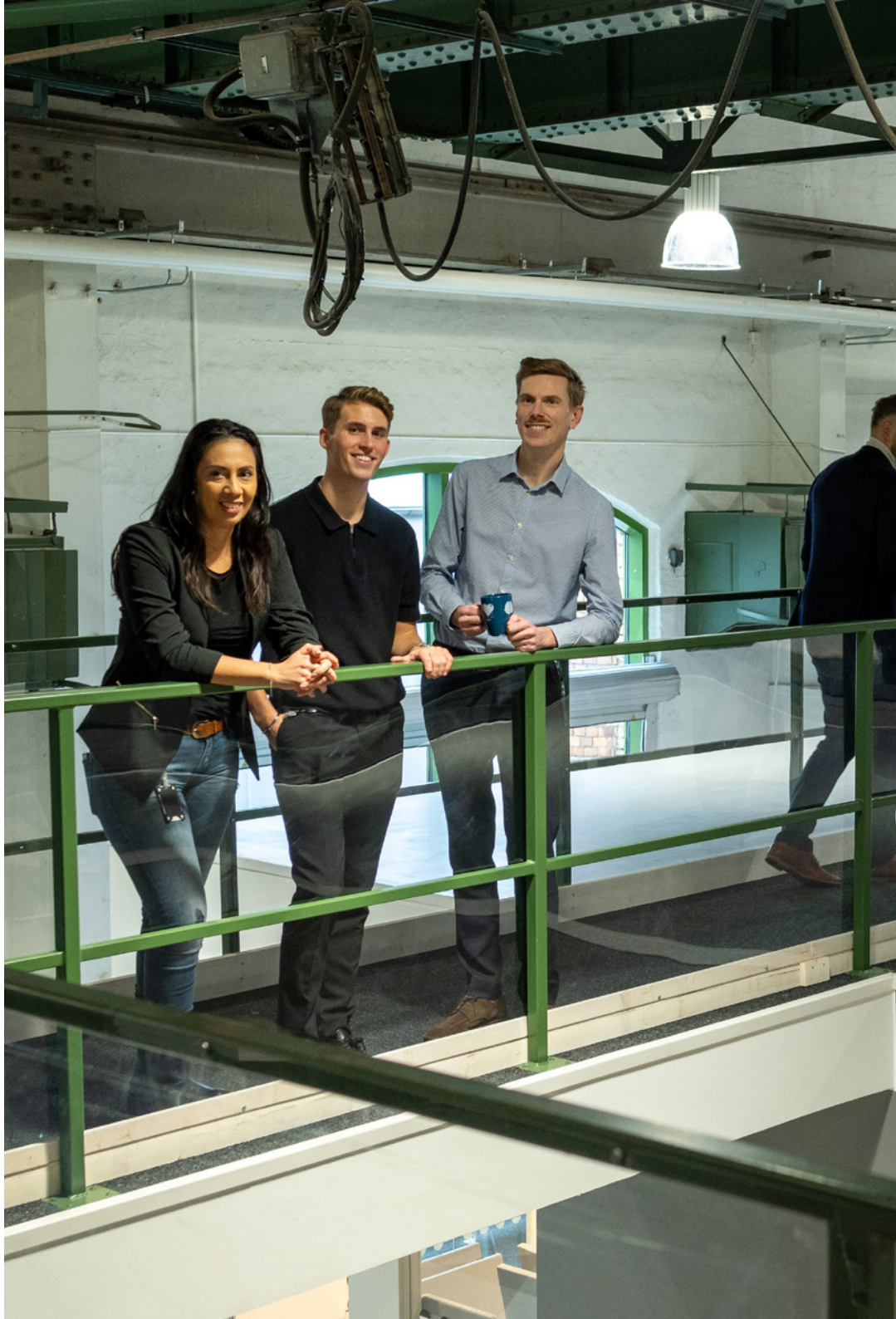
An extensive training initiative in HMS' Code of Conduct was carried out for all employees and the Board of Directors in 2022.

New employees undergo training in the Code of Conduct during the employee introduction, and the training is then continuously renewed during the employment.

Employees can report any irregularities anonymously via a whistleblower function; the results of activities carried out are followed up annually by the group management team and the Board of Directors. Read more about the whistleblower function and the results for 2023 on page 115.

HMS' Supplier Code of Conduct is communicated to external stakeholders on HMS' website; all strategic suppliers are asked to sign the Supplier Code of Conduct. Read more about supplier follow-up and outcomes on page 113.

Employees in purchasing/procurement and other relevant functions are required to complete training in HMS' process for follow-up of suppliers, of which HMS' Supplier Code of Conduct is an essential part; read more about this on page 113.



Employees

HMS wants to offer employees opportunities for personal and professional development in a growing, dynamic, and international organization. HMS' material issues and subject-specific information in the area are engagement and development, equality and diversity, and health and safety.

In its role as an employer, HMS has a major impact on the culture and work environment that characterizes our organization and employees. The work environment and work activities in HMS' operations can entail opportunities as well as risks to employees' physical and psychosocial health. We are therefore committed to our proactive work on health, development, and an inclusive corporate culture.

Governance in this area is based on the HMS Code of Conduct, specific HR policies, instructions and handbooks for employees, deviation management system, work with core values, business goals and key figures, employee surveys and reviews, and employee training.

HMS employees are given the opportunity to anonymously report irregularities to HMS' whistleblower function, which is managed by an external independent partner. The handling of reported cases follows a defined process and is handled by HMS' whistleblower representative; the work is followed up on by the Board and management. In 2023, no irregularities were reported through the web-based whistleblower system.

All HMS employees have the right to join trade unions. At the end of 2023, 49 (49) percent of the employees in the Group were covered by collective agreements. For HMS' Swedish operations, all staff are covered by collective agreements.

Commitment and Development

GRI 404-3

Fierce competition for qualified labor means that it is important for the Group to enhance its attractiveness as an employer by proactively working on the corporate culture, work environment, benefits, and leadership. HMS therefore constantly invests in staff development and offers development opportunities to ensure that the organization possesses the knowledge and skills required for the future. It is our belief that satisfied and high-performing employees are crucial to creating loyal customers, which in turn is the foundation of a successful business. As our objective of reaching a Net Promoter Score (eNPS) above 30 was achieved in 2022, we have revised our target to an eNPS above 50 by 2025. The score achieved in 2023 was 50.

A regular dialogue with employees is a crucial part of employee engagement and development; in 2023, performance reviews were conducted with 91 (83) percent of HMS' employees. We work systematically with skills development based on our business

Number of employees	2023			2022		
	Total	Women	Men	Total	Women	Men
Total number of employees	**866**	**244**	**622**	**803**	**227**	**576**
Permanent employees	833	229	604	774	214	559
– Full time	767	199	568	726	195	531
– Part time	65	29	36	48	19	28
Temporary employees	33	15	18	30	13	17
Europe						
Total number of employees	**746**	**210**	**536**	**688**	**197**	**491**
Permanent employees	715	197	518	660	184	476
– Full time	650	168	482	612	165	447
– Part time	65	29	36	48	20	28
Temporary employees	31	13	18	29	13	16
Asia						
Total number of employees	**60**	**21**	**39**	**56**	**17**	**39**
Permanent employees	58	19	39	56	17	39
– Full time	58	19	39	56	17	39
– Part time	0	0	0	0	0	0
Temporary employees	2	2	0	0	0	0
Oceania						
Total number of employees	**5**	**1**	**4**	**4**	**0**	**4**
Permanent employees	5	1	4	4	0	4
– Full time	5	1	4	4	0	4
– Part time	0	0	0	0	0	0
Temporary employees	0	0	0	0	0	0
North and South America						
Total number of employees	**55**	**12**	**43**	**55**	**13**	**42**
Permanent employees	55	12	43	54	13	41
– Full time	55	12	43	54	13	41
– Part time	0	0	0	0	0	0
Temporary employees	0	0	0	1	0	1

The table shows the number of employees per employment contract as of December 31.

Diversity and age distribution, (%)	2023			2022		
	Total	Managers	Employees	Total	Managers	Employees
< 30 years	16	2	19	16	4	18
– women	5	0	6	5	1	6
– men	11	2	13	10	3	12
30–50 years	62	66	61	62	65	61
– women	18	18	18	18	14	18
– men	44	48	43	44	51	43
> 50 years	22	32	21	23	31	21
– women	5	4	5	5	6	5
– men	18	27	16	17	26	16
Average age	-	-	-	-	-	-

The table shows diversity and age distribution as a percentage calculated based on the number of employees per employment contract as of December 31. No data on average age is available.

plans and in collaboration with our managers and employees. The training needs are inventoried and followed up on annually with each employee. Major, comprehensive skills initiatives are driven by HR, while individual training is based on the training catalog in our HR system.

Equality and Diversity

GRI 405-1

Greater diversity and gender equality are crucial cornerstones when it comes to strengthening HMS' corporate culture and building our organization for the future. Through our influence, HMS has great opportunities to improve diversity and equality within its own organization, but also the opportunity to influence the industry in a positive direction.

Through active efforts, the proportion of women among HMS' employees has steadily increased in recent years. These efforts have consisted of training initiatives aimed at creating an equal and inclusive environment throughout the company, breaking down targets in operations, and reviewing leadership profiles and recruitment processes. As our 2025 target of 20 percent female managers was achieved in 2022, we have revised our target to 30 percent female managers by 2025.

The distribution of women and men on HMS' Board of Directors in 2023 was three women and five men. The group management team consisted of one woman and seven men in 2023.

Health and Safety

GRI 403-1, 403-3, 403-8

HMS works actively to create a socially, physically, and mentally healthy workplace for all employees by preventing the risk of occupational injuries and work-related ill health. Systematic health and safety work involves investigating, preventing, implementing, and follow-up. All HMS operations comply with relevant national legislation and health and safety regulations.

HMS' Code of Conduct and Supplier Code of Conduct contain guidelines for health and safety, and systematic health and safety work is managed through various work environment policies and instructions in the organization. Safety inspections are carried out continuously within the framework of risk prevention work, and in most of HMS' operations there are safety committees that follow up on the work.

Consultants and temporary staff must follow procedures and guidelines for the HMS workplace where they work. At present, there is no overall follow-up of those who work on behalf of HMS but are employed by an external partner.

Several of HMS' operations have implemented occupational health and safety systems and systematic health and safety work, none of the management systems are currently certified according to international standards. In 2023, HMS' operations in Sweden, Germany, Spain, and Belgium implemented processes and systems for systematic health and safety work. These operations comprise 75 percent of HMS' employees.

Risks and incidents are reported in the deviation management system, to the responsible manager, or to designated responsible personnel within each unit. All reported incidents are followed up on, and corrective actions are determined. Operational responsibility for health and safety work usually lies with the units' HR functions. The ultimate responsibility for health and safety lies with the Global HR Manager. Since incidents, occupational injuries, and illnesses are reported according to local procedures and definitions in each country, this means that there is currently no data compiled at Group level.

In the Swedish operations, HMS employees are represented by union occupational health and safety representatives, and employees are also given the opportunity to participate in and share feedback in connection with safety inspections.

All relevant information regarding guidelines and preventive work is published on HMS' intranet. Information is provided when new employees are hired, and fire drills are carried out continuously. Employee surveys and performance reviews are carried out on a regular basis to get an overall view of how the staff experience the work situation; read more about this on page 115.

Most of HMS' operations offer employees various forms of occupational healthcare and insurance. HMS wants to encourage employees to do physical exercise and supports a variety of health-promoting activities through e.g., preventive healthcare benefits, access to gyms, group exercise, and health checks.

KINGSHILL
POLO CLUB

Reporting of the EU Taxonomy Regulation

The EU Taxonomy Regulation is a classification system for environmentally sustainable economic activities, and a key tool for achieving the EU's target to be climate-neutral by 2050. Mapping of HMS' operations based on the disclosure requirements and objectives that are included in the Taxonomy has been carried out at Group level. The mapping identified eligible and non-eligible activities in relation to the Taxonomy, according to the conclusions below. Activities aimed at increasing the proportion of Taxonomy-eligible activities have also been identified and initiated, including processes to ensure minimum safeguards. Up to and including 2022, alignment with the Taxonomy's environmental objectives 1–2 was evaluated. In 2023, taxonomy-eligible activities for environmental objectives 3–6 were evaluated.

- The majority of HMS' sales are generated through sales of physical products manufactured in-house, which generally fall within the activity "3.6 Manufacture of other low carbon activities". HMS has chosen a continued strict interpretation of the activity based on the requirement that the business must be "aimed at substantial GHG emission reduction" and has concluded that the positive reductions in greenhouse gas emissions generated by the products among HMS' customers should primarily be regarded as a side effect according to the Taxonomy. However, as of 2022, most of Intesi's product offering with building automation has been included, as energy efficiency is a core customer value. No additional economic activities have been identified as covered by the Taxonomy in 2023.
- HMS' cloud-based solutions account for a relatively small part of HMS' sales in 2023 and fall within the activity "8.1, Data processing, hosting, and related activities." These products are primarily related to Ewon Talk2M and WEBfactory i4, which are assessed as contributing to mitigating climate change, primarily by reducing the need for service travel.
- During the year, HMS primarily invested in a solar power plant related to Ewon's taxonomy-eligible activities. No investments were made related to other taxonomy-eligible activities. With regard to other investments, as in the previous year, it was not possible to follow up on suppliers' alignment with the Taxonomy as such data has not been available.

Accounting Policies

The Taxonomy-eligible KPIs are defined in accordance with Annex I of Art. 8 Delegated Act.

NET SALES

The proportion of Taxonomy-eligible economic activities in HMS' total sales has been calculated as the part of net sales derived from products and services associated with eligible economic activities (numerator) divided by net sales (denominator). The denominator is based on HMS' consolidated net sales in accordance with IAS 1.82(a), which corresponds to the consolidated income statement on page 56.

CAPITAL EXPENDITURE

The proportion of Taxonomy-eligible capital expenditure is defined as Taxonomy-eligible investments (numerator) divided by HMS' total investments (denominator). The numerator refers to total capital expenditure on new property, plant, and equipment and intangible assets during the fiscial year, before depreciation/amortization and any remeasurements, including those resulting from remeasurements and impairment, excluding changes in fair value. The investments include new property, plant, and equipment (IAS 16), intangible assets (IAS 38), and right-of-use assets (IFRS 16), which are presented in Notes 16 and 17 as investments and increases through company acquisitions. Goodwill is not included.

OPERATING EXPENSES

The proportion of Taxonomy-eligible operating expenses is defined as Taxonomy-eligible operating expenses (numerator) divided by HMS' total operating expenses (denominator). Total operating expenses consist of direct costs attributable to R&D, building renovations, short-term leases, maintenance and repairs, and all other direct costs associated with the day-to-day servicing of property and fixed assets. R&D expenditure can be found in the HMS Networks Group's income statement and non-capitalized leases in accordance with IFRS 16 can be found in Note 18 Leases. Maintenance and repairs have been determined based on the costs allocated to internal cost centers. The related cost items can be found in various items in the HMS Networks Group's consolidated income statement.

The following pages present the proportion of Taxonomy-eligible and aligned economic activities, as well as Table 1 in Annex XII to the Delegated Regulation (EU) 2022/1214 regarding operations in nuclear power or fossil gas.

Percentage of Taxonomy-Eligible Economic Activities

Percentage of sales from products or services associated with economic activities covered by the Taxonomy – disclosures covering the year 2023

	2023			CRITERIA FOR MATERIAL CONTRIBUTION						DO NO SIGNIFICANT HARM (DNSH) CRITERIA									
Economic activities	Code(s)	Absolute sales [MSEK]	Percentage of sales %	Climate change mitigation Y;N;N/EL	Climate change adaptation Y;N;N/EL	Water Y;N;N/EL	Pollution Y;N;N/EL	Circular economy Y;N;N/EL	Biodiversity Y;N;N/EL	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Percentage of sales covered by the Taxonomy requirements, 2022 %	Category (enabling activities)	Category (transition activities)
A. ACTIVITIES COVERED BY THE TAXONOMY																			
A.1. Environmentally sustainable activities (Taxonomy-eligible)																			
A.2 Activities covered by the Taxonomy that are not environmentally sustainable (non-Taxonomy-eligible)																			
Manufacture of other low carbon technologies	CCM 3.6	186	6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								6%		
Data processing, hosting, and related activities	CCM 8.1	35	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1%		
Sales of the activities covered by the Taxonomy that are not environmentally sustainable (non-Taxonomy-eligible)		221	7%	7%													7%		
A. Sales for activities covered by the Taxonomy		221	7%	7%													7%		
B. ACTIVITIES NOT COVERED BY THE TAXONOMY																			
Sales of activities not covered by the Taxonomy (B)		2,804	93%																
Total (A + B)		3,025	100%																

Percentage of capital expenditure from products or services associated with economic activities covered by the Taxonomy – disclosures covering the year 2023

	2023			CRITERIA FOR MATERIAL CONTRIBUTION						DO NO SIGNIFICANT HARM (DNSH) CRITERIA									
	Code(s)	Absolute sales	Percentage of sales	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Percentage of sales covered by the Taxonomy requirements, 2022	Category (enabling activities)	Category (transition activities)
Economic activities		[MSEK]	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL								%		
A. ACTIVITIES COVERED BY THE TAXONOMY																			
A.1. Environmentally sustainable activities (Taxonomy-eligible)																			
A.2 Activities covered by the Taxonomy that are not environmentally sustainable (non-Taxonomy-eligible)																			
Manufacture of other low carbon technologies	CCM 3.6	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1%		
Data processing, hosting, and related activities	CCM 8.1	1	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Capital expenditure of the activities covered by the Taxonomy that are not environmentally sustainable (non-Taxonomy-eligible)		1	0%	0%													1%		
A. Capital expenditure for activities covered by the Taxonomy		1	0%	0%													1%		
B. ACTIVITIES NOT COVERED BY THE TAXONOMY																			
Capital expenditure of activities not covered by the Taxonomy (B)		199	100%																
Total (A + B)		200	100%																

Percentage of operating expenditure from products or services associated with economic activities covered by the Taxonomy – disclosures covering the year 2023

	2023			CRITERIA FOR MATERIAL CONTRIBUTION						DO NO SIGNIFICANT HARM (DNSH) CRITERIA									
Economic activities	Code(s)	Absolute sales [MSEK]	Percentage of sales %	Climate change mitigation Y;N;N/EL	Climate change adaptation Y;N;N/EL	Water Y;N;N/EL	Pollution Y;N;N/EL	Circular economy Y;N;N/EL	Biodiversity Y;N;N/EL	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Percentage of sales covered by the Taxonomy requirements, 2022 %	Category (enabling activities)	Category (transition activities)
A. ACTIVITIES COVERED BY THE TAXONOMY																			
A.1. Environmentally sustainable activities (Taxonomy-eligible)																			
A.2 Activities covered by the Taxonomy that are not environmentally sustainable (non-Taxonomy-eligible)																			
Manufacture of other low carbon technologies	CCM 3.6	19	6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								5%		
Data processing, hosting, and related activities	CCM 8.1	10	3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								6%		
Operating expenditure of the activities covered by the Taxonomy that are not environmentally sustainable (non-Taxonomy-eligible)		29	10%	10%													11%		
A. Operating expenditure for activities covered by the Taxonomy		29	10%	10%													11%		
B. ACTIVITIES NOT COVERED BY THE TAXONOMY																			
Operating expenditure of activities not covered by the Taxonomy (B)		278	90%																
Total (A + B)		307	100%																

NUCLEAR ENERGY AND FOSSIL GAS RELATED ACTIVITIES

NUCLEAR ENERGY RELATED ACTIVITIES	
The company carries out, funds, or has exposures to research, development, demonstration, and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
The undertaking carries out, funds, or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
The undertaking carries out, funds, or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
FOSSIL GAS RELATED ACTIVITIES	
The undertaking carries out, funds, or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
The undertaking carries out, funds, or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
The undertaking carries out, funds, or has exposures to construction, refurbishment, and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

GRI Index

Statement of use	**HMS Industrial Networks has reported with reference to the GRI Standards during the period January 1 through December 31, 2023.**
GRI 1	**GRI 1: Foundation 2021**

GRI Standard	Disclosure	Reference	Departure	Departure	
			Departure	Motivation	Comment
General disclosures					
GRI 2: General disclosures 2021	2-1 Organizational details	30, 51, 94			
	2-2 Entities included in the organization's sustainability reporting	94, 103			
	2-3 Reporting period, frequency and contact point	103			
	2-4 Restatements of information	103			
	2-5 External assurance	103			
	2-6 Activities, value chain and other business relationships	7–15, 29–31, 50, 113–114			
	2-7 Employees	115–116			
	2-8 Workers who are not employees		2-8 a, b, c	The information is not available	
	2-9 Governance	34–40, 106–107			
	2-10 Nomination and selection of the highest governance body	34–37			
	2-11 Chair of the highest governance body	36, 42			
	2-12 Role of the highest governance body in overseeing the management of impacts	36, 106–107			
	2-13 Delegation of responsibility for managing impacts	106–107			
	2-14 Role of the highest governance body in sustainability reporting	37, 106–107			
	2-15 Conflicts of interest	35–36			
	2-16 Communication of critical concerns	38–40, 106–107			
	2-17 Collective knowledge of the highest governance body	38–40, 42–45, 106–107			
	2-18 Evaluation of the performance of the highest governance body	35			

GRI Standard	Disclosure	Reference	Departure	Departure	
			Departure	Motivation	Comment
	2-19 Remuneration policies	36–37, 72–73			
	2-20 Process to determine remuneration	36–37, 72–73			
	2-21 Annual total compensation ratio		2-21 a, b, c	The information is not available	
	2-22 Statement on sustainable development strategy	3			
	2-23 Policy commitments	106–107			
	2-24 Embedding policy commitment	106–107			
	2-25 Processes to remediate negative impacts	104–107, 113–114			
	2-26 Mechanisms for seeking advice and raising concerns	106–107			
	2-27 Compliance with laws and regulations	106–107			
	2-28 Membership associations	105			
	2-29 Approach to stakeholder engagement	104–105			
	2-30 Collective bargaining agreements	115			
Material topics					
GRI 3: Material topics 2021	3-1 Process to determine material topics	104–105			
	3-2 List of material topics	105			
Anti-corruption					
GRI 3: Material topics 2021	3-3 Governance of material topics	107, 113–114			
GRI 205: Anti-corruption 2016	205-2 Communication and training in anti-corruption policies and procedures	114			
Energy					
GRI 3: Material topics 2021	3-3 Governance of material topics	107–108			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	108-109			
	302-3 Energy intensity	109			
Emissions					
GRI 3: Material topics 2021	3-3 Governance of material topics	107–108			

GRI Standard	Disclosure	Reference	Departure	Departure	
			Departure	Motivation	Comment
GRI 305: Emissions 2016	305-1 Direct GHG emissions (Scope 1)	109			
	305-2 Indirect GHG emissions, energy (Scope 2)	109			
	305-3 Other indirect GHG emissions (Scope 3)	110–111			
	305-4 GHG emissions intensity	109			
Waste					
GRI 3: Material topics 2021	3-3 Governance of material topics	107–108			
GRI 306: Waste 2020	306-3 Waste generated	112			
Supplier environmental assessment					
GRI 3: Material topics 2021	3-3 Governance of material topics	107, 113			
GRI 308: Supplier environmental assessment 2016	308-1 Percentage of new suppliers that were screened using environmental criteria	113			
Occupational health and safety					
GRI 3: Material topics 2021	3-3 Governance of material topics	107, 115–116			
GRI 403: Occupational health and safety 2018	GRI 403-1 Occupational health and safety management system	116			
	403-3 Occupational health services	116			
	403-8 Workers covered by an occupational health and safety management system	116			
Training and education					
GRI 3: Material topics 2021	3-3 Governance of material topics	107, 115			
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	115			The information is not broken down by gender or employee category.
GRI 405: Diversity and equal opportunity 2016					
GRI 3: Material topics 2021	3-3 Management of material topics	107, 115–116			
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	116			
Supplier social assessment					
GRI 3: Material topics 2021	3-3 Governance of material topics	107, 113			
GRI 414: Supplier social assessment 2016	414-1 Percentage of new suppliers that were screened using social criteria	113			

Auditor's Statement on the Statutory Sustainability Report

To the Annual General Meeting of the shareholders in HMS Networks AB (publ), CIN 556661-8954.

ASSIGNMENT AND DIVISION OF RESPONSIBILITIES

The Board of Directors is responsible for the 2023 Sustainability Report and for it being prepared in accordance with the Swedish Annual Accounts Act. The company has defined the Statutory Sustainability Report in the Directors' Report on page 51.

FOCUS AND SCOPE OF THE REVIEW

Our review has been conducted in accordance with FAR's recommendation RevR 12 Auditor's Statement on the Statutory Sustainability Report. This means that our review of the Sustainability Report has a different focus and a significantly smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our conclusion.

CONCLUSION

A sustainability report has been prepared.

Halmstad, 26 March 2024

Öhrlings PricewaterhouseCoopers AB

Johan Palmgren

Authorized Public Accountant

Annual General Meeting on April 23, 2024

The shareholders of HMS Networks AB (publ), CIN 5566618954, are hereby invited to attend the AGM to be held on Tuesday, April 23, 2024 at 10:30 a.m. at the company's premises, Stationsgatan 37, Halmstad, Sweden. Registration for the meeting will commence at 9:30 a.m.

RIGHT TO ATTEND THE AGM

Shareholders who wish to attend the AGM must be recorded in the share register kept by Euroclear Sweden AB (the Swedish Central Securities Depository) on Monday, April 15, 2024, and must give notice the company of their intention to attend no later than Wednesday, April 17, 2024, preferably before 4:00 p.m.

Such notification must be made by telephone to +46(0)35 17 29 00, in writing to HMS Networks AB, "Annual General Meeting", PO Box 4126, SE-300 04 Halmstad, or via the website: www.hms-networks.com. The notification should include the shareholder's name, personal ID number/CIN, address, daytime telephone number, and, when applicable, information about assistants (not more than two).

PROXIES

If a shareholder is represented by a proxy, a proxy should be issued with a power of attorney for the proxy. Anyone representing a legal entity must present a copy of the registration certificate, or other document demonstrating the signatory's authority to sign for the legal entity. The power of attorney may not be more than one year old, unless a longer period of validity is stated in the power of attorney (no more than five years). The power of attorney in original and, if applicable, registration certificate must be sent to HMS Networks AB, "Annual General Meeting", P.O. Box 4126, 300 04 Halmstad, Sweden or by email to agm@innovatics.fi, well in advance of the Annual General Meeting. A form of power of attorney is available on the HMS website www.hms-networks.com and at the company's head office.

NOMINEE-REGISTERED SHARES

In order to be entitled to participate in the Annual General Meeting, a shareholder whose shares are registered in the name of a nominee must, in addition to giving notice of participation in the Annual General Meeting, register its shares in its own name so that the shareholder is listed in the presentation of the share register as of Monday, April 15, 2024. Such registration may be temporary (so-called voting right registration) and request for such voting right registration shall be made with the nominee in accordance with the nominee's routines at such a time in advance as decided by the nominee. Voting right registrations that have been made by the nominee no later than Wednesday, April 17, 2024, will be taken into account in the presentation of the share register.

Halmstad, March 2024
HMS Networks AB (publ)
Board of Directors

Follow HMS at www.hms-networks.com

All interim reports, annual reports and certain presentations are available on the HMS website: www.hms-networks.com/ir. A printes version of the annual report can be ordered by emailing ir@hms.se. Please make sure to include a complete delivery adress.

Important reporting dates

April 16, 2024	**First quarter Report**
April 23, 2024	**Annual General Meeting**
July 12, 2024	**Half-year Report**
October 18, 2024	**Third quarter Report**

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HMS – A leading company within industrial ICT

HMS develops and manufactures hardware and software for Industrial Information and Communication Technology. Our products enable industrial hardware such as robots, sensors, HVAC units etc. to communicate and share information with different industrial networks, building automation systems and IoT-applications.

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