

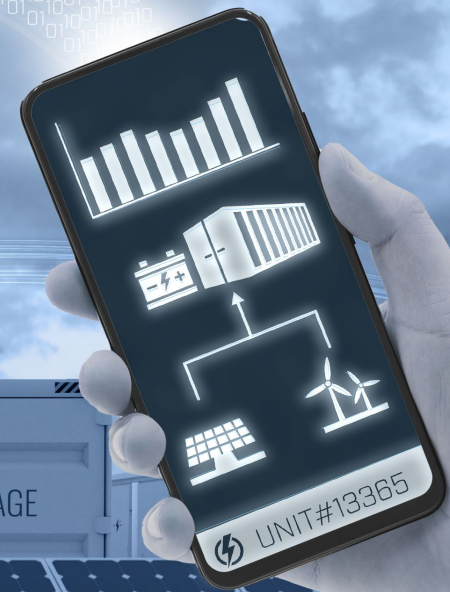
HMS Networks

Annual Report 2022



Hardware Meets Software™

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.



10 quick facts about HMS:

Founded in	1988
Sector	Industriell ICT (Information & Communication Technology)
Offices in	17 countries
Employees	>750
Major markets	Germany, US, Japan
Head office	Halmstad, Sweden
CEO	Staffan Dahlström
2022 sales	SEK 2,506 million
2022 operating profit	SEK 653 million
Product brands	Anybus, Ewon, Intesis, Ixxat (WEBfactory, Procentec, Dwasys)

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.

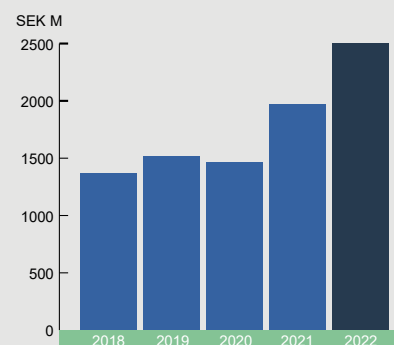
2022 in brief

In 2022, HMS' sales amounted to SEK 2,506 (1,972) million, and operating profit amounted to SEK 653 (446) million. The average number of employees during the year was 726 (684).

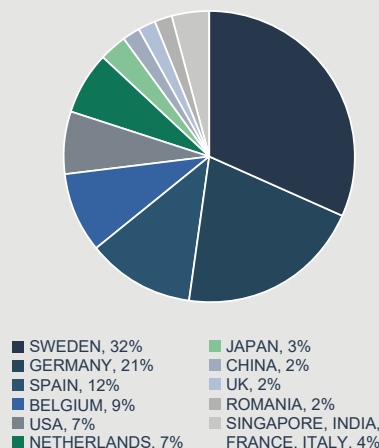
- January: HMS Networks is transferred to Nasdaq's Large Cap list. The revision is based on the fact that the company's average market capitalization in November 2021 exceeded the Large Cap list's threshold of 50 per cent above EUR 1 billion.
- March: HMS Networks presents communication solutions for the rapidly growing market of Battery Energy Storage Systems.
- April: HMS Networks acquires the remaining shares in Procentec B.V.
- June: American machine builders deem HMS Networks to be the best choice for network connectivity and remote access via the trade magazine Control Design.
- July: HMS Networks acquires the Australian company Global M2M Pty Ltd, which has been HMS' primary distributor of products in Oceania for several years.
- August: HMS Networks is awarded "Gold" status by EcoVadis – the world's leading evaluator of corporate sustainability work.
- September: An evaporator from Ehaled becomes the 400,000th machine to be connected to HMS' cloud service Ewon Talk2M.
- September: HMS Networks begins construction of a state-of-the-art Supply Logistics Center (SLC) on Stationsgatan in Halmstad, in order to handle incoming and outgoing goods.
- December: HMS Networks acquires Control Specialists Ltd. – a smaller UK company partnering with previously acquired Procentec.
- December: For the first time, HMS Networks is named one of Sweden's Career Companies for 2023.

FINANCIAL INFORMATION					
MSEK	2022	2021	2020	2019	2018
Incoming orders	3,064	2,538	1,447	1,470	1,433
Net sales	2,506	1,972	1,467	1,519	1,366
Growth in net sales, %	27	34	-3	11	15
Operating profit	653	446	288	243	251
Operating margin, %	26	23	20	16	18
Profit for the year	508	362	220	205	171
Net profit margin, %	20,2	18,4	15,0	13,5	12,5
Earnings per share before dilution, SEK	10,89	7,61	4,79	4,43	3,68
Earnings per share after dilution, SEK	10,31	7,57	4,77	4,40	3,65
Cash flow from operating activities	431	508	370	254	193
Average number of employees during the year	726	684	614	617	536

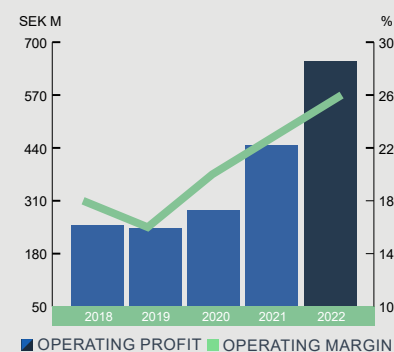
NET SALES



EMPLOYEES/COUNTRY




OPERATING PROFIT & OPERATING MARGIN



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A successful year, despite troubled times



“Our customers are digitalizing their processes and investing in increased automation to achieve better productivity and sustainability. We are proud when we see the effect at our customers and the CO² reductions they are able to make by using our products.”

*Staffan Dahlström
President and CEO, HMS Networks*

2022 has in many ways been a troubled year with a terrible war in Ukraine, major macroeconomic challenges with inflation and higher interest rates. However, here at HMS Networks, our business and operations have continued to develop well. During the year, we have mainly worked with our three focus areas for 2025: Sustainability, customer & employee satisfaction, and growth & profitability.

SUSTAINABILITY

During 2022, we invested in systemizing and expanding our sustainability efforts. Internal sustainability ambassadors across our operations have made great efforts to identify and implement various projects in order to become CO₂ net positive in 2025. During 2022, we have invested in solar energy in several of our buildings, shifted to electric cars and continued focusing on optimizing our products' energy consumption.

During the year, we achieved Gold status in the international sustainability ranking EcoVadis, something which of course makes us very proud. But we are even prouder when we see the effects our customers achieve - and the CO₂ reductions they are able to make - by using our products for remote management of machines, control of energy systems in buildings and more. The effect is a CO₂ reduction of millions of tons thanks to HMS products.

CUSTOMER & EMPLOYEE SATISFACTION

During the year, we continued to work according to our motto "satisfied and high-performing employees create loyal customers." Therefore, it is gratifying to see that we improved the NPS result (Net Promoter Score, i.e. employees who

recommend us as an employer) in our global employee surveys – from 29 to 43 in 2022.

However, it has been challenging to keep our customers as satisfied as before. The general shortage of electronic components and long delivery times from our subcontractors resulted in long deliveries to our customers around the world. Also, the increased inflation forced us to make several price increases. These factors are not only affecting HMS. Several players in our industry are in a similar situation - but of course this means that our customers are not as satisfied as before and our high customer NPS of 54 from 2021 has dropped to 38 for 2022. This is still a good NPS score, but we want to do better. We see that the situation in the electronics component market started to stabilize at the end of 2022 and we will work hard to regain our customers' high confidence in HMS as a supplier.

GROWTH & PROFITABILITY

Same as in previous years, our growth strategy is to increase our turnover both organically and via new acquisitions, with good profitability. Looking back at 2022, we conclude that the organic growth was stronger than expected, whilst we have not identified any major acquisition opportunities.

All in all, we have had a fantastic 2022 with a revenue growth of 27 per cent, partly boosted by currency effects, but even without these currency effects our organic growth reached 17 per cent in 2022. This is an excellent development which comes from a combination of a strong demand from our existing customers as well as continued good development in attracting new customers.

During the year, we made two small acquisitions. Firstly we purchased 100 per cent of the shares in our long-standing Australian

distributor, Global M2M. We believe this will increase growth for us in the coming years in this geographic market. Secondly we also bought 100 per cent of the shares in the small British company Control Specialist Ltd, one of our partners in training and certification for Industrial networks. However, neither of these acquisitions has any major impact on the total turnover and profitability, but both acquisitions are nevertheless important for our future growth and development.

The strong 2022 results, with an operating profit of SEK 653 M, combined with a good cash flow have resulted in that the company has insignificant interest-bearing net debts, which creates good conditions for being more active in future acquisitions.

TRENDS THAT DRIVE OUR BUSINESS

We believe that the trends that created growth in recent years will continue in the coming years. Our customers are digitalizing their processes

and continue to invest in increased automation. Investments in energy efficiency, operational reliability and remote monitoring of industrial machines will most likely continue. We see that the switch from fossil fuels to renewable energy and increased electrification create new growth opportunities for HMS, as these new areas require communication solutions and data transfer to and from industrial machines and facilities. We believe that our market will be continually strong in the long term going forward.

Together with the company's management team, I would like to extend a big thank you to all our staff, customers, partners, suppliers and shareholders for a successful year for HMS. We look to the future with confidence and look forward to a continued growth journey together.

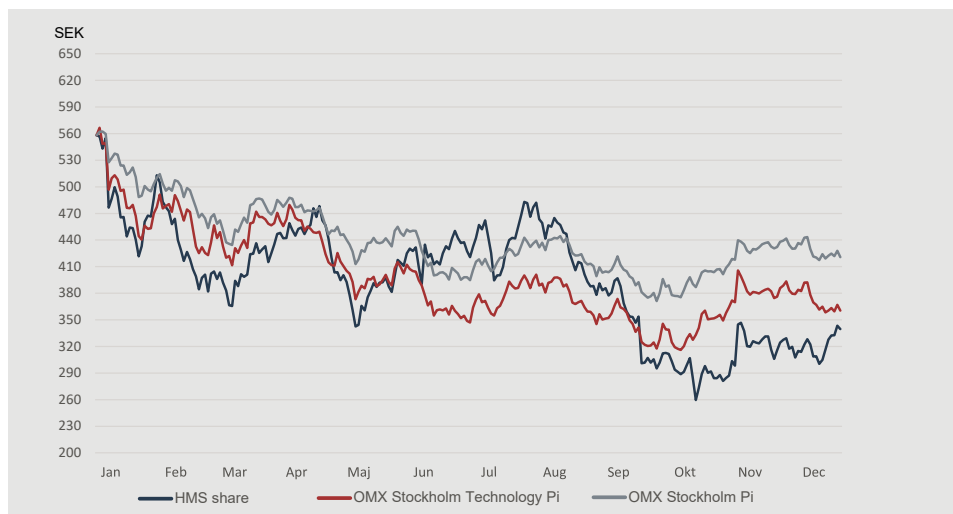
Staffan Dahlström
President and CEO



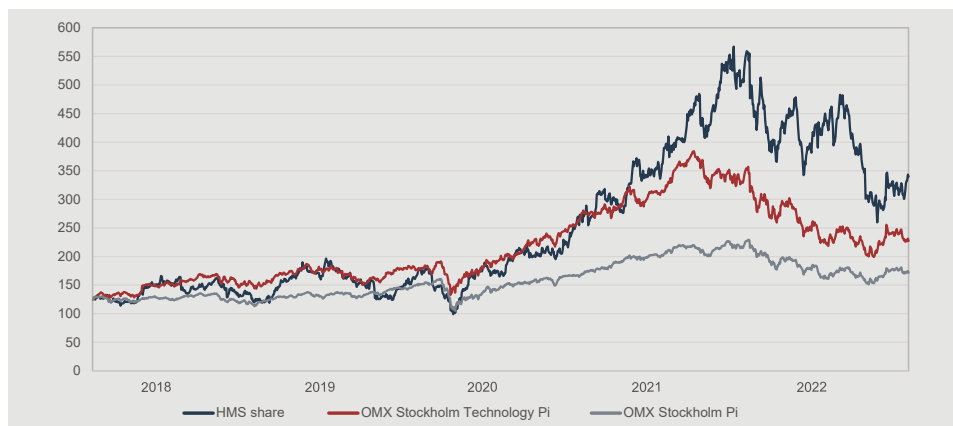
The HMS Networks share

HMS is listed on NASDAQ OMX Stockholm in the Large Cap¹ 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 2022



HMS SHARE PERFORMANCE IN 2018-2022



¹HMS 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 2022, the price of HMS' share decreased by 39 per cent to SEK 340 (558) per share. The Nasdaq OMX Information Technology Index sunk by 35 per cent during the same period, and in total the Nasdaq OMX Stockholm Index rose by 25 per cent. During the year, the price of HMS' share peaked at SEK 570 as of 4 January, while the lowest price paid was SEK 255 on 21 October. At the end of 2022, HMS' market capitalisation amounted to SEK 15,900 million (26,125).

TRADING VOLUME

During the year, 12.8 million shares were traded at a value of SEK 4,959 million (4,470), corresponding to an annual turnover rate of 27 per cent (24). On average, 59,715 (43,953) shares were traded at a value of SEK 19,602 thousand (17,668) per trading day.

DIVIDEND POLICY

HMS' policy is to pay an annual dividend in the range of 30–50 per cent of earnings per share. The dividend proposal is based on the company's earnings level, financial position and future growth opportunities. For 2022, the Board of Directors is proposing a dividend

of SEK 4.00 (3.00) per share, corresponding to approximately 37 per cent of earnings per share. Over the past five years, the average return for HMS' shares has amounted to 0.8 per cent per year.

SHAREHOLDERS AND OWNERSHIP STRUCTURE

The number of shareholders in HMS Networks AB (publ.) amounted to 7,767 (7616) as of 31 December. The ten largest shareholders accounted for 71.3 per cent (72.2) of the votes and capital.

ONGOING ANALYSES

The following analysts monitor HMS on an ongoing basis:

Viktor Högberg, Danske Bank

Joachim Gunell, DNB

Klas Danielsson, Nordea

Simon Granath, ABG Sundal Collier

Thibault Morel, Bryan Garnier

SHAREHOLDERS BASED ON HOLDINGS AS OF 31 DECEMBER 2022

Shareholding	Number of shareholders
1–500	6 550
501–1 000	487
1 001–5 000	498
5 001–10 000	89
10 001–15 000	26
15 001–20 000	19
20 001–	98
Totalt	7 767

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

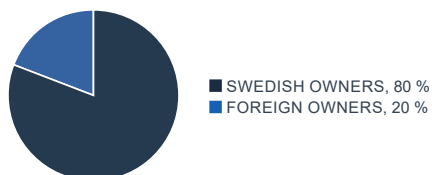
KEY PERFORMANCE INDICATORS

	2022	2021	2020	2019	2018
Share price (last day of trading)	340	558	260	173	123
Volume-weighted average price	387	402	174	151	140
Average turnover per day, MSEK	19,6	17,7	9,8	6,2	5,3
Average number of shares traded per day	50 715	43 953	56 603	41 061	38 038
Number of shares (thousands)	46 819	46 819	46 819	46 819	46 819
Earnings per share before dilution, SEK	10,89	7,61	4,79	4,43	3,68
Earnings per share after dilution, SEK ¹	10,85	7,57	4,77	4,40	3,65
Market capitalisation, MSEK	15 900	26 125	12 173	8 090	5 759
Corporate value, EV (market capitalisation + net debt), MSEK	16 200	26 472	12 371	8 492	6 101
P/E ratio	31,2	73,3	54,3	39,0	33,4
Net debt/EBITDA ²	0,4	0,6	0,5	1,2	1,1
EV/EBITDA	21,5	48,3	30,8	25,5	20,2
EV/Net sales	6,5	13,4	8,4	5,6	4,5

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

²As of 2019, lease liabilities are recognised in net debt in accordance with IFRS 16.

OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2022



HMS' TEN LARGEST SHARE-HOLDERS, 31 DECEMBER 2022

	Number of shares	Share of votes and capital
Investment AB Latour	12,109,288	25,9 %
Staffan Dahlström and companies	6,091,459	13,0 %
AMF Fonder	3,905,486	8,3 %
SEB Fonder	3,190,522	6,8 %
Första AP-fonden	2,598,931	5,6 %
State Street Bank & Trust	1,455,657	3,1 %
JP Morgan Chase Bank	1,205,832	2,6 %
Cliens fonder	1,003,578	2,1 %
Handelsbanken Fonder	921,122	2,0 %
Livförsäkringsbolaget Skandia	883,555	1,9 %
Others	13,453,438	28,7 %
Totalt	46,818,868	100 %

CFO ON 2022:

In 2022, we saw a continued good development for HMS Networks and a strong demand for our entire offering. It was a year with a quite unusual market dynamic where our customers' willingness to invest was accelerated by the long lead times caused by the global component shortage.

Several customers chose to increase their safety stocks, which for HMS has contributed to an order intake exceeding SEK 3 billion. We see record numbers on basically all fronts and it is particularly satisfying to see that we have succeeded in strengthening our gross margins to over 63 per cent, which is a major contributing reason for the strong operating margin of 26 per cent.

Joakim Nideborn
Chief Financial Officer

Productivity and sustainability increase when machines communicate

Millions of robots, generators, air conditioning units, vehicles and other machines use HMS' communication solutions. Not only for control and operation, but also to exchange information about how they are performing, their service requirements and energy consumption.

The future is connected!

Our customers are under pressure to become more energy efficient and sustainable. Using HMS' solutions, they can achieve better control of their machines and streamline energy consumption, service and maintenance.

We see a number of trends on the market that are driving machines to become more connected. In order for this to happen, industrial hardware must be able to communicate with software and systems.

Which is precisely what HMS does – Hardware Meets Software™.

Hans Larsson
Chief Commercial Officer



Trends driving HMS business

DIGITALIZATION OF INDUSTRIAL PROCESSES



With the Industrial Internet of Things, data from industrial processes is made available no matter where you are, making collaboration across borders easier. When operators and decisionmakers can get immediate access to information from industrial processes, it is possible to optimize processes and resource usage.

SUSTAINABILITY & ENERGY EFFICIENCY



The ability to connect industrial equipment to information systems opens up new opportunities for optimizing energy and equipment in industrial systems. HMS's main contribution to sustainable development is delivering products that optimize energy usage and decrease service traveling.

SMART MANUFACTURING – INDUSTRY 4.0



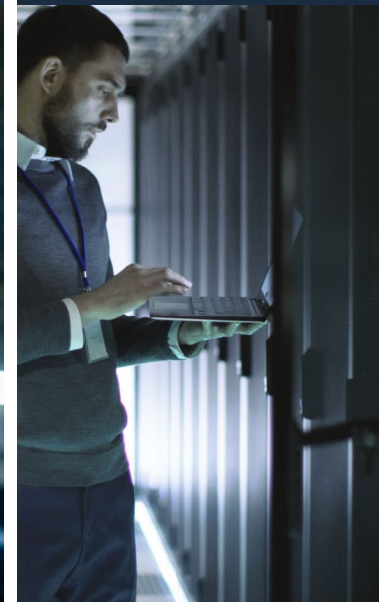
Industry 4.0 enables bespoke production in large scale – for example when you buy a car that is customized to your specific requirements. Manufacturing customized products in large volumes require a lot of communicationsolutions.

REMOTE ACCESS TO EQUIPMENT 24/7



With remote access, machine builders can do service, maintenance and commissioning without traveling to site. And factory owners can keep track of production from anywhere. The savings in downtime and service traveling are enormous.

SECURITY & DATA INTEGRITY



Connected devices go hand in hand with high demands for security — increasingly important in the light of new internet-based technologies which open up for hackers. Security is an important, prioritized area for HMS and our customers, who tend to be very careful in selecting only established, reliable and knowledgeable communication partners such as HMS.

HMS playing field - 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. All areas in the playing field are predicted to have good market growth in the coming years.



Industrial automation

CONTROL: AUTOMATION OF MANUFACTURING AND OTHER INDUSTRIAL PROCESSES

Within “Control” HMS enables networking and communication for devices, machines and systems in real-time. HMS products connect different communication technologies — wired or wirelessly.

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

INFORMATION: DIGITALIZATION OF OPERATIONS AND PRODUCTION PROCESSES

Within “Information” HMS provides remote connectivity to industrial equipment via cloud solutions. Customers can collect, process and visualize data from sensors, devices and machines and enable Industrial IoT.

OBJECTIVES: INSIGHT FOR BETTER DECISIONS, PRODUCTIVITY AND SUSTAINABILITY.

Building Automation

AUTOMATION AND SMART MANAGEMENT OF BUILDINGS

Within “Building Automation” HMS provides network connectivity for building automation equipment such as HVAC, lighting, fire, access control, elevators, metering etc.

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

OUR CUSTOMERS: MAKERS AND USERS

Within both industrial automation and building automation, HMS addresses 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.



Industrial Automation



Control

Control refers to control-centric real-time communication between devices, machines and systems in industrial automation. This is a core market for HMS and most of our revenue comes from this area. Increased automation and industry 4.0 are strong driving trends.

Drivers:

DIGITALIZATION OF INDUSTRIAL PROCESSES	SUSTAINABILITY & ENERGY EFFICIENCY	SMART MANUFACTURING – INDUSTRY 4.0
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HMS position

Global leader in network connectivity and network diagnostics.

70 % OF HMS REVENUE	MARKET GROWTH: 7-9 %	HMS BRANDS: ANYBUS, IXXAT, PROCENTEC
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Customer example

Anybus provides industrial communication

Robot System Products (RSP) in Sweden specializes in robot accessories. Their new range of tool changers needed to connect to several different factory networks, as they are shipped to different factories worldwide. With an Anybus module integrated into their tool changer, they get connectivity to any network, and can focus their core competence – industrial robotics.



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.



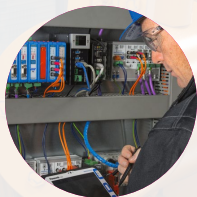
Network-to-network integration in factories

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 extremely expensive! Procentec 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.

Product examples:



Anybus[®]
BY HMS NETWORKS



Anybus[®]
BY HMS NETWORKS



Ixxat[®]
BY HMS NETWORKS

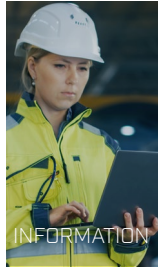


PROCENTEC[®]
Member of the HMS group.



Anybus[®]
BY HMS NETWORKS

Industrial Automation



Information

Within information-centric applications, data from industrial equipment and processes is provided securely to IT systems for improved insights and decision-making. Data can be provided remotely as well as on premise. HMS is market-leading in remote access and data connectivity for machines.

Drivers:

DIGITALIZATION OF INDUSTRIAL PROCESSES	SUSTAINABILITY & ENERGY EFFICIENCY
SMART MANUFACTURING – INDUSTRY 4.0	REMOTE ACCESS TO EQUIPMENT 24/7

HMS position

Global leader in remote access for industrial machines.

23 % OF HMS REVENUE	MARKET GROWTH: 14-17 %	HMS BRANDS: EWON, WEBFACTORY, QWASYS
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Customer example

Remote access to wind turbines

Wind Energy Solutions (WES) in the Netherlands uses Ewon gateways to establish a secure connection to their wind turbines, for remote maintenance purposes. They also use Ewon gateways and software to display data from the wind turbines to optimize efficiency and uptime.

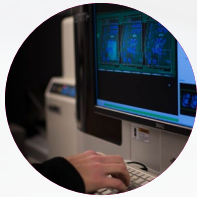


HMS' contribution to Agenda 2030 - Goal 7 and Goal 12



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.



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.



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.

Product examples:



Ewon[®]
BY HMS NETWORKS

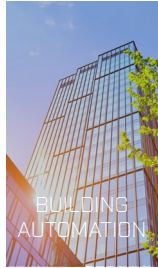


owasys[®]
Member of the HMS group



Ewon[®]
BY HMS NETWORKS

Building Automation



Modern buildings include highly advanced networks with thousands of devices and machines that need to communicate. Intesis offers communications solutions designed for buildings. Building automation is a rapidly growing market where HMS has identified excellent growth opportunities for the future.

Drivers

SUSTAINABILITY & ENERGY EFFICIENCY	REMOTE ACCESS TO EQUIPMENT 24/7
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HMS position

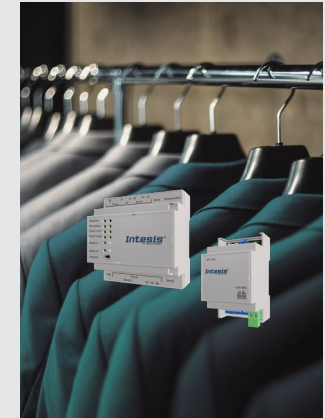
Global leader in communication solutions for HVAC equipment.

7 % OF HMS REVENUE	MARKET GROWTH: 8-10 %	HMS BRANDS: INTESIS
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Customer example

Saving energy

Spanish ECOMT (Ecomanagement Technology) have installed Intesis gateways in more than 3400 retail facilities worldwide. By making HVAC systems communicate with the building management systems in the local building, it has been possible to reduce energy consumption by 20%.



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.

Product example:



Intesis[®]
BY HMS NETWORKS

HMS vision & mission



To become the World's greatest Industrial ICT company.

(ICT = Information & Communication Technology.)

VISION

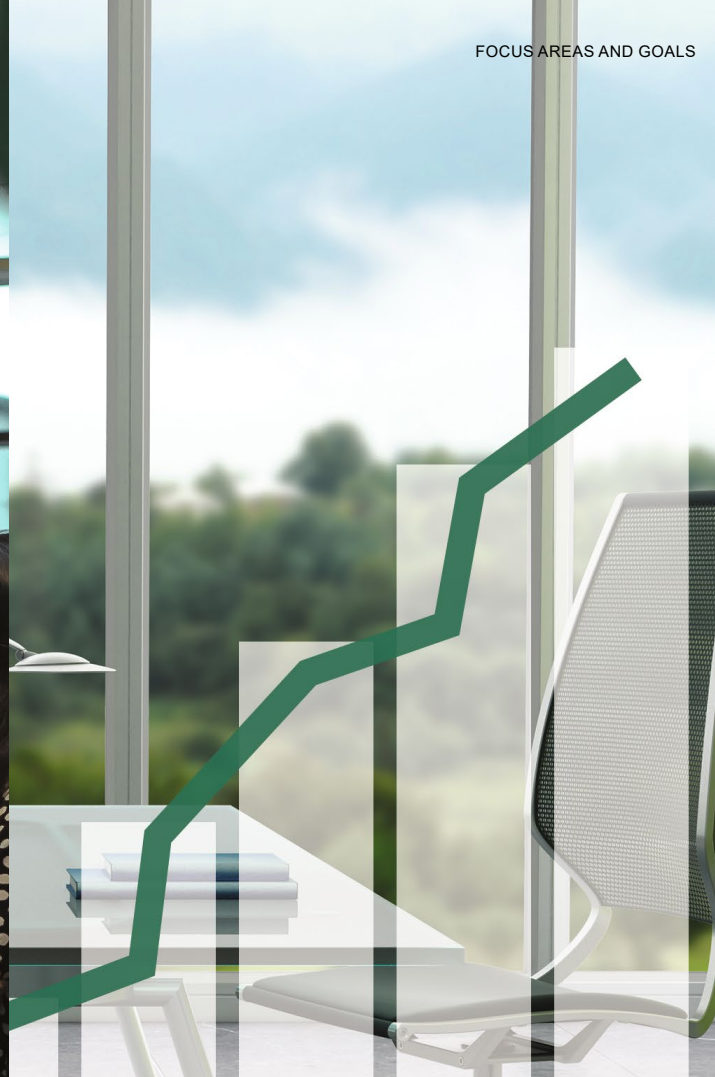
We enable valuable data and insights from industrial equipment allowing our customers to increase productivity and sustainability.



MISSION

Focus areas

HMS has defined three focus areas towards 2025: Sustainability & Environment, Staff & Customers, and Growth & Profitability. Each focus area has its own specific goals.



Sustainability and Environment

Net positive CO₂ footprint

HMS is aiming to be carbon positive by 2025. This means that we will save more carbon dioxide than we emit.

Staff and Customers

Net Promoter Score (eNPS) of more than 30

At HMS, we believe that satisfied and high-performing employees are crucial when it comes to creating loyal customers, which in turn is the foundation for a successful business. Our goal is to reach an eNPS above 30 by 2025.

Growth and Profitability

SEK π billion in sales

HMS intends to continue its sustainable and profitable growth in the coming years, and is striving to achieve sales of more than SEK π billion (3,14) with an operating margin of 20 per cent by 2025.

Focus area: Sustainability & environment

CO₂ net positive by 2025

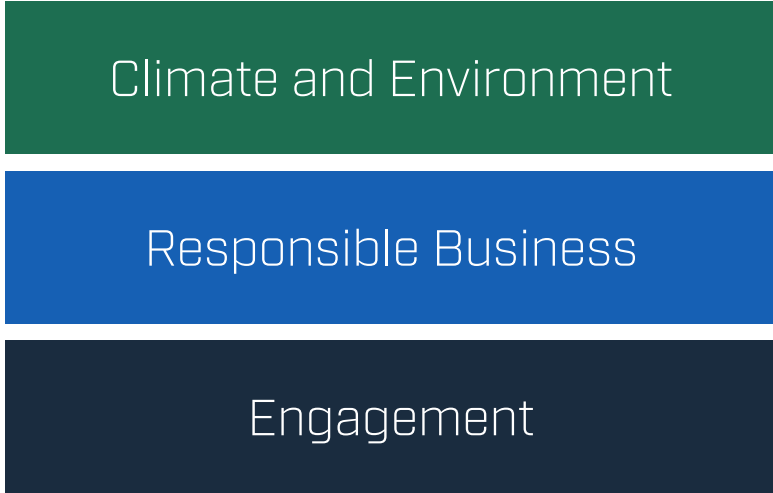
A positive impact for the climate and the environment

HMS is striving to minimize the climate impact in its own operations and in the value chain, with the goal of achieving a net positive CO₂ footprint by 2025. We are focusing on reducing our carbon footprint where we have the greatest impact, replacing fossil energy and materials with renewable alternatives, as well as offsetting remaining emissions that have not yet been eliminated. Our climate-smart products are a part of the solution, and are making it possible for our customers to improve their energy efficiency and reduce their carbon dioxide emissions.

Focus on sustainability

Sustainable development is a central part of HMS' strategy for 2025. We work in three areas to minimize negative impact and maximise the positive effects in our value chain: responsibility for climate and the environment, social responsibility and commitment. These areas form the basis for prioritized activities, follow-up and communication.

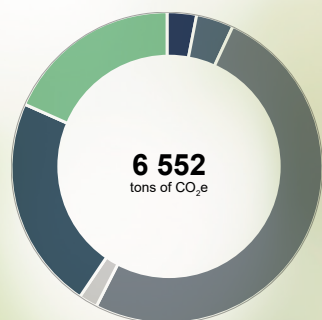
Read more about HMS' sustainability work in the Sustainability Report on pages 100-127.



WHAT DOES THE GOAL IMPLY?

- Minimize direct emissions from HMS operations (scope 1 and 2) with the ambition of zero emissions by 2025.
- Minimize indirect emissions in the value chain (scope 3) as far as possible with the long-term ambition of net zero emissions.
- Offsetting remaining emissions that have not yet been eliminated.

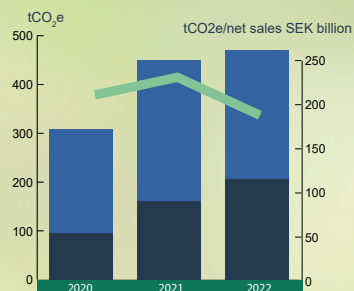
HMS' carbon footprint 2022



Scope	tCO ₂ e	Share
Scope 1		
Company's facilities and vehicles	207	3 %
Scope 2		
Purchased electricity, heat and cooling	263	4 %
Scope 3		
Purchased materials and products	3 298	50 %
Fuel and energy-related activities	138	2 %
Product transports and distribution	1 453	22 %
Waste	<1	<1 %
Business travel	1 193	18 %
<i>Climate offsets</i>	6 766	

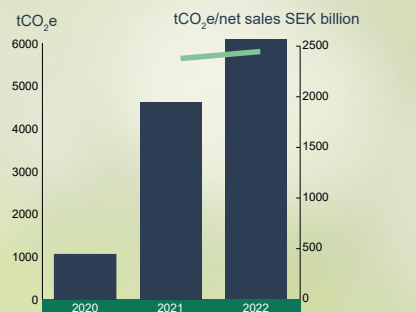
The data includes all production facilities and sales offices globally, with the exception of contract manufacturers and smaller sales offices. Accounting for 2021 has been adjusted for comparability. Extended reporting in scope 3 contributes to data for 2020 being incomparable with later years, a number of essential emission categories for HMS in scope 3 remain to be investigated, e.g. use and waste management of sold products.

SCOPE 1 & 2



- Scope 1 (direct emissions)
- Scope 2 (indirect emissions)
- Emission intensity tCO₂e/net sales SEK billion

SCOPE 3



- Scope 3 (other indirect emissions)
- Emission intensity tCO₂e/net sales SEK billion

As the covid pandemic subsided and restrictions were lifted, business travel increased in the HMS group, the increase is shown in emissions for scope 1 and 3. 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.

“ Sustainability is at the core of HMS' strategy for 2025. With our primary environmental goal of becoming CO₂ net positive by 2025, we are focusing in particular on the climate.

Kristina Altner
Sustainability Manager

”



Sustainability at HMS 2022

During the year activities were initiated to further evaluate HMS' emissions in the value chain.. Life cycle assessments were initiated for three priority products and the extended mapping of emissions was performed for purchased material.

Solar cell systems were installed at HMS' operations in Igalada and Ravensburg. In the coming year, solar cell systems are planned for the operations in Halmstad, Karlsruhe and Nivelles.

A number of decisions were taken to minimize HMS' direct emissions, including the decision to only purchase electric cars for the company's car fleet as from 1 January 2023, where possible. HMS has already introduced renewable energy as standard. In 2022, the share of green energy was 77 per cent in the HMS Group.

The focus on sustainable business travel was also increased during the year, and a Group-wide travel and meeting policy was developed and implemented. HMS' supplier code of conduct and associated process for responsible sourcing were also updated, with the aim of improving follow-up procedures and cooperation with suppliers in respect of sustainability.

A number of productivity-enhancing initiatives were implemented for HMS' operations and products, including energy-saving measures in HMS' network processor Anybus NP40. Even though the energy consumption of a microchip is counted in milliwatts, the effect of the saving is considerable as millions of HMS products are delivered every year, are always on and have a long lifespan.

As we are minimizing our climate impact, we are offsetting remaining emissions that have not yet been eliminated. Through collaborations with DHL and UPS, offsetting measures were implemented for emissions generated by product transport operations. Since 2020, HMS Market Unit Continental Europe has encouraged customers to avoid small orders. For orders of less than EUR 1,000, HMS charges a fee that is then donated to sustainability initiatives. The initiative raised EUR 70,000 in 2022, which was invested in projects relating to renewable energy, waste management, energy efficiency and reforestation. For the remaining emissions, an investment in offsets was conducted through Gold Standard Climate+, for projects focusing on wind power and energy efficiency.

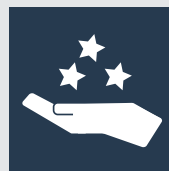


The HMS effect



HMS' products enable effective control of industrial equipment and industrial processes, which contributes to reduced consumption of resources and energy. Automated processes and intelligent industrial communication are facilitating lower energy consumption for industrial equipment, such as motor controls, pumps and fan systems. Intelligent remote monitoring of industrial equipment is enabling energy savings, both through more efficient operation as well as a reduced need for service trips.

The HMS effect is calculated annually for selected product groups that directly demonstrate resource and energy streamlining at HMS' customers. As in previous years, the main learning 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.



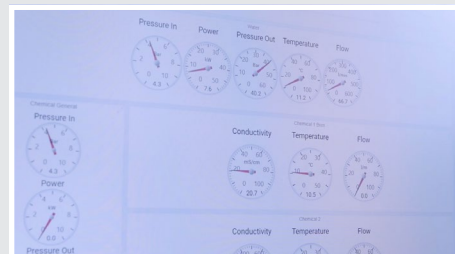
Customer case LAGAFORS, SWEDEN

Lagafors manufactures modern cleaning systems for the food industry. Their cleaning equipment is used in fish farms, abattoirs, dairy farms or within other food industry.

Lagafors' systems are always online, thanks to Ewon remote solutions from

HMS. All the data is logged and made available online for remote monitoring, reports and even remote maintenance.

"If our customers detect a problem, we can log in and help them remotely instead of getting on an airplane and travelling halfway around the world – we can solve the problem for them remotely," says Martin Johansson, Export Manager at Lagafors.



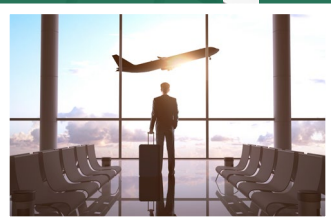
Martin Johansson, Export Manager, Lagafors

950 000

tons of CO₂ saved in 2022 by using Ewon remote solutions

EWON - REMOTE ACCESS REDUCES TRAVELS DUE TO MAINTENANCE AND SERVICE

By using our Ewon solutions for remote access and remote operation of industrial equipment, we estimate that HMS' customers were able to reduce their environmental impact by 950,000 tons of CO₂ in 2022.



How we have calculated

- Remote connections to Ewon's Talk2M cloud service lasting longer than fifteen minutes are assumed to replace service trips. The emissions from the service travel that would have been necessary without the remote connection can then be calculated.
- Air travel is assumed to entail a 2,800 km round trip, which corresponds to 0.13 kg of CO₂ emission per km.



213 000

tons of CO₂ saved in 2022 due to more efficient use of air conditioners

INTESIS - MORE EFFICIENT USE OF AIRCONDITIONING UNITS

Through the use of Intesis AC gateways conditions are created to minimize climate impact. In 2022, we calculated to avoid CO₂ emissions into the atmosphere to 213,000 tons of CO₂, thanks to the control of 1,240,600 AC units. This corresponds to 725 GWh of energy, which is comparable with the annual consumption of a town of 32,000 inhabitants or the amount of carbon dioxide absorbed by 8.5 million trees.

How we have calculated

- Customer reports show that using Intesis' AC interfaces generates savings of 20-40 per cent of customers' energy consumption for AC units. When calculating the HMS effect, an energy saving of 30 per cent has been assumed.
- AC units controlled by Intesis AC interfaces are assumed to have the typical power consumption of an industry-standard AC unit.

Focus area: Staff and customers

High-performing employees generate loyal customers

HMS wants to offer our employees opportunities for personal and professional development in a growing, dynamic and international organization. We cherish our inclusive corporate culture, where common values, learning and personal responsibility are prioritized. We believe that work should be challenging, rewarding and fun. With committed, high-performing employees, our goal is to achieve a Net Promoter Score (eNPS) of more than 30 by 2025 (which we exceeded in 2022). We are convinced that high employee satisfaction also results in better service to our customers. We are investing in our staff, and in the long run in our customers, within the following four prioritized areas.

HEALTH AND DEVELOPMENT



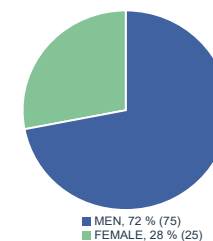
We encourage physical exercise and we support various health promotion initiatives. Many HMS offices offer voluntary health tests. We offer training and courses to ensure that the organization possesses the knowledge and skills required for the future.

DIVERSITY AND EQUALITY



With employees in 17 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. In 2022, we achieved our 2025 goal of 20 per cent female managers. We will therefore review our objectives in order to eventually achieve an even distribution among both managers and employees.

DISTRIBUTION OF EMPLOYEES AND MANAGERS



CORPORATE CULTURE

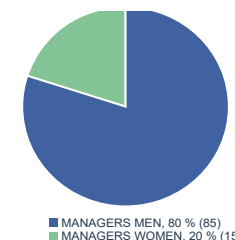


Our organizational structure, with Business Units and Market Units, ensures that the product development and sales teams do not become too large, thereby helping to maintain the entrepreneurial feel. Our inclusive culture, alongside good relations and cooperation, are important cornerstones of our corporate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



Employee Net Promoter Score (eNPS)

eNPS 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’ 2025 target is 30.

2020	2021	2022
23	29	43



HMS is a Great Place to Work

In 2022, HMS was named a Great Place to Work as well as Career Company 2023 in independent evaluations of HMS as a workplace.

“We are delighted with the results from the evaluations, although we can see several areas where we can improve further. HMS’ engineers, sales staff, marketing staff, etc., are working with leading-edge technology. The processes, the technology and the business are advanced and it takes a long time to familiarize yourself with them. It is therefore critical for us to attract and retain talented employees who want to stay with us for a long time. These recognitions are proof that we are on the right track.”

Anna Hoffert,
HR Director Sweden,
Benelux & United Kingdom



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

Focus area: Growth and profitability

SEK π billion in sales by 2025



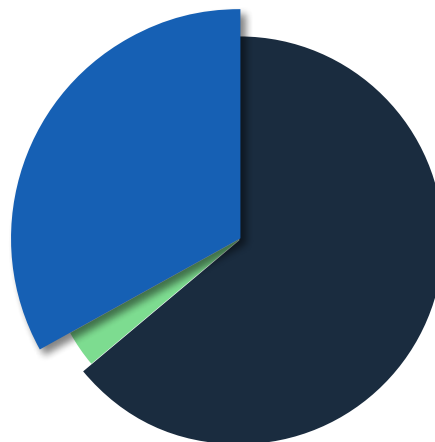
DEVICES CONNECTED BY HMS' PRODUCTS AROUND THE WORLD

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 33%

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 64%

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 3%

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.

The HMS World

With offices in 17 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

Centre for the development of Anybus products.

BUSINESS UNIT EWON

NIVELLES, BELGIUM

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.

Members of the HMS Group

PROCENTEC

Rotterdam (Netherlands). Also offices in Delft and Wateringen (Netherlands), Karlsruhe, Gera, Nuremberg (Germany), Manchester (UK) and Brescia (Italy)

WEBFACTORY

Buchen (Germany), Sibiu (Romania).

DWASYS

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 ASIA PACIFIC

Offices in Shin-Yokohama (Japan), Pune (India), Singapore, Melbourne (Australia) and Seoul (South Korea).

MARKET UNIT AMERICAS

CHICAGO, USA

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

2022 was another very successful year for HMS in Continental Europe with growth approaching 30 per cent. Order intake reached a new record and is above 100 MEUR for the first time. Our strategy of focusing on vertical markets is clearly paying off and we will continue to pursue this path in 2023.

Secure networking to avoid hacker attacks and energy management to reduce energy consumption with intelligent and secure networking are the hot topics for the next years in Europe. This will open up further opportunities for us to expand our business, and we are looking very confidently into the future.

Thilo Döring
General Manager, Market Unit Continental Europe.



NORTHERN EUROPE AND REST OF WORLD

Despite challenges in sourcing components we managed to achieve a +20 per cent organic growth in our region and the majority of our markets have contributed positively to our result. In 2022, we also established ourselves as a complete IIoT solution provider for our customers, something we will continue to expand upon in a bright-looking 2023.

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



CHINA

We managed to achieve a nice growth in 2022 despite many challenges and we successfully executed our strategy across different sales functions. A new legal entity was established, which will help us provide more local services in mainland China.

In 2023, there will be lots of opportunities for automation and digitalization after Covid and we plan many activities to deliver solutions to our existing customer base as well as new areas.

Jianying Zhao
General Manager, Market Unit Greater China.



AMERICAS

2022 was a very successful year in every business metric. Continued favorable technology trends in the industry – e.g. more connected devices, more robotics, and more data analytics in the manufacturing ecosystem – coupled with new customer acquisition efforts and productivity initiatives yielded record order growth and record profitability.

With strategic investments in Latin America and in growing vertical markets, infused with a significant exit backlog and solid commercial execution, we remain optimistic for 2023.

Sergio Resendiz
General Manager, Market Unit Americas



ASIA PACIFIC

During 2022, HMS has seen strong growth of 27.5 per cent in order intake and 31.4 per cent in net sales throughout the Asia Pacific region, reaching new record levels. We extended our organizational footprint through the establishment of HMS Australia, which became the 17th HMS office worldwide.

The business outlook for 2023 remains optimistic. The diversification of manufacturing hubs towards Southeast Asia and India, the strong demand for Japanese robots and devices, as well as the continuous introduction of IoT in Building Automation will be the basis for further growth.

Hans-Joachim Sommer
General Manager, Market Unit APAC.



CORPORATE GOVERNANCE

Chairman's comments

Over the last few years, which have been marked by the pandemic, global unrest and component shortages, HMS has demonstrated how, with good leadership, an efficient organization and dedicated employees, we have continued to deliver both growth and good earnings. In terms of order intake, sales and operating profit, 2022 was another record year.

With new, and above all rapidly changing, conditions occurring both locally and globally, it is becoming increasingly important to have control over the value chain. Furthermore, many industrial companies have taken note of the growing trend of digitalization through automation and robotics and have integrated this into their strategies for not only increasing their own robustness, but also lowering their environmental impact. HMS and our offering meet that very need and we have obtained a strong market position via both new and existing customer contacts.

For a growth company in a fast-growing sector, the Board has an important role to play both in governance and in a more supportive role. The latter is 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, ensure a good balance between risk and opportunities, access to the right human capital and to ensure that set plans are followed.

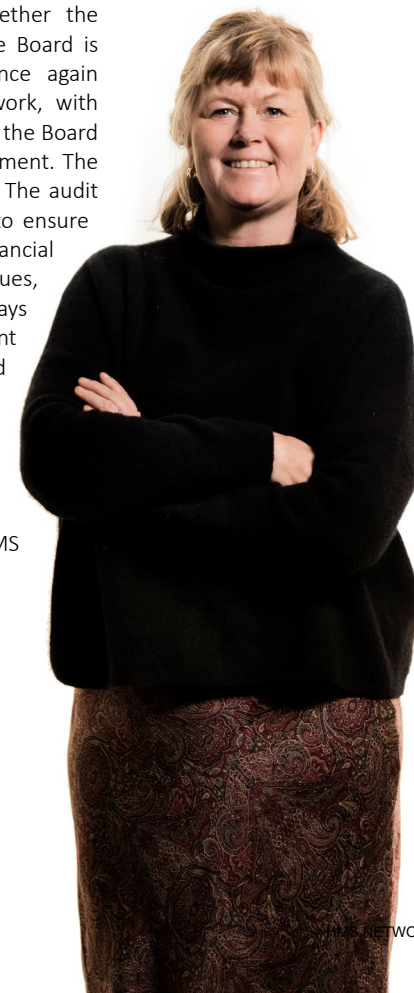
The Board's work follows a fixed annual cycle with planned meetings and a division of work and responsibilities established in the rules of procedure. One of the Board meetings is specifically focused on strategy, although strategic aspects of the business are continuously addressed because experience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

The work of the Board functions very well and we have a good balance of different skills and experiences. During the year, a Board evaluation was performed based on a model developed by the Latour Group. The results of

these evaluations help ensure that the work done by the Board is efficient and they provide us with valuable feedback on whether the composition and competence of the Board is adequate. This year's summary once again showed a well-functioning Board work, with good dynamics both internally within the Board and between the Board and management. The committee work also functions well. The audit and remuneration committees aim to ensure that we work efficiently with both financial management, accounting and staff issues, while the development committee pays special attention to the important issues surrounding product and technology development.

The Board's challenges in the future are to assist and help the management to continue to develop HMS business during our journey to achieve the goals we have set for HMS 2025.

Charlotte Brogren
Chairman of the Board



Corporate governance report

The goal of good corporate governance is to ensure that the HMS Group is run in an efficient, sustainable and responsible way in order to generate value to its shareholders. It is achieved via a clear allocation of responsibilities within the governing bodies and internal control systems, along with an application of various external control instruments.

STRUCTURE FOR CORPORATE GOVERNANCE

Corporate governance is based on the Articles of Association, the Swedish Companies Act, the Annual Accounts Act, the board's rules of procedure, the stock exchange's regulations and the Swedish Corporate Governance Code. Corporate governance at HMS is primarily exercised at the Annual General Meeting and through the work done by the Board. In a broader perspective, corporate governance also applies to management, its duties and the Group's control and reporting functions. The Board is responsible to the shareholders for the organization of the Group and the administration of the Group's affairs. The auditors report their findings at the Annual General Meeting.

SHAREHOLDERS AND AGM

The shareholders exercise their 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 statements and balance sheets, appropriation of profits, discharge of responsibility for the Board, election of Board members and auditors, as well as remuneration to the Chairman of the Board, other Board members and auditors. The AGM also decides on guidelines for remuneration to the management team and how the nomination committee shall be appointed.

In addition, the AGM decides on any changes to the company's Articles of Association, new share issues and the introduction of any share-based incentive schemes. The Articles of Association is the fundamental governing

document for the company. It stipulates the type of operations, the size of share capital, shareholders' right to attend the AGM and the agenda of the AGM. Any shareholder who wishes to have a particular item dealt with at the AGM must submit a written request to the Board well in advance so that the item can be included in the notice of the AGM. Information on the deadline for submitting such requests to the Board is available on the company's website. Information relevant to the AGM and the minutes from the AGM are available on the company's website: www.hms-networks.com.

The AGM must be held within six months following the end of the financial year. All shareholders registered in the shareholders' register on the record day (six calendar days before the day of the AGM) who have applied, have the right to attend. Each share entitles the shareholder to one vote. Notice of the AGM must be issued no earlier than six weeks and no later than four weeks in advance by advertising in Dagens Industri and the Swedish Gazette.

Both Investment AB Latour and Staffan Dahlström (through own holdings) have shareholdings in excess of one-tenth of the total number of shares in the company. More information on the exact number of votes is provided in the section on the nomination committee.

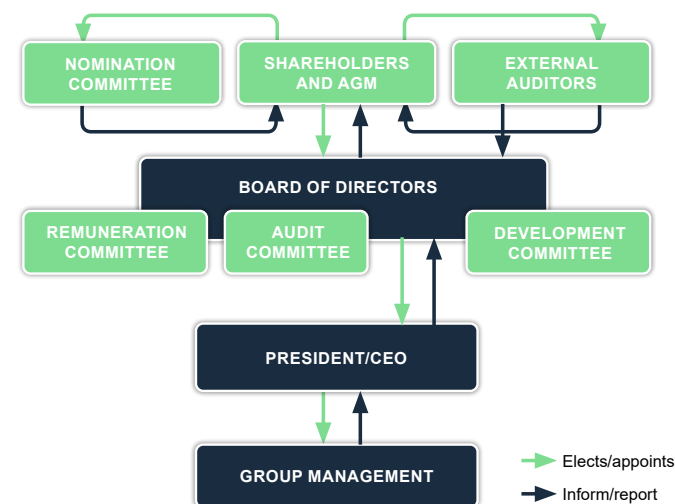
ANNUAL GENERAL MEETING 2022

The AGM was held on 21 April 2022. Shareholders representing approximately 51 per cent (76%) of the number of shares and votes participated in the AGM. The Chairman of the Board, Charlotte Brogren and CEO Staffan Dahlström were present. Shareholders at the AGM decided:

- to pay dividends to SEK 3.00 (2.00) per share. corresponding to a paid dividend of SEK 139,928 (93,323) thousand.
- that the Board of Directors shall consist of six Board Members elected at the AGM, without Deputies.
- to re-elect Charlotte Brogren as Chairman of the Board and to re-elect Anders Mörck, Fredrik Hansson, Cecilia Wachtmeister and Niklas Edling as Directors.
- to elect Anna Kleine as Director.
- that remuneration to the Board would be SEK 2,025 thousand for the next term, of which SEK 675 thousand to the Chairman of the Board and SEK 270 thousand to each of the other AGM-elected Board members.
- that remuneration for work in the audit

committee would be SEK 110 for the Chairman of the committee and SEK 55 thousand for each of the other members.

- to elect Öhrlings PricewaterhouseCoopers AB (PwC) as auditor, with Johan Palmgren, Authorized Public Accountant, in charge.
- regarding the Board's remuneration report.
- regarding guidelines for remuneration to senior executives.
- on the authority of the Board to issue new shares.
- to set up a share savings plan open to all permanent employees of the Group.
- to purchase own shares in HMS Networks AB in connection with the established Share Savings Plan.



NOMINATION COMMITTEE

The AGM appoints the members of the nomination committee and must also adopt a set of instructions for them. It is the duty of the nomination committee to submit proposals for a Chairman of the Board and other Board members, as well as fees and other compensation for Board assignments. The nomination committee also submits proposals on choice of auditor and auditor fees.

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 shall be the Chairman of the Board. The Chair of the nomination committee shall be the member appointed by the largest shareholder unless the nomination committee agrees otherwise. Staffan Dahlström's knowledge and experience, in this context, is considered to be so important to the nomination committee's work and continuity of the top management of the company, that it justifies having him represented on the 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 an appropriate composition for the Board of Directors, characterized by diversity and breadth regarding such things as the age, gender, education, background and experience of its members.

AUDITOR



Johan Palmgren
Authorized Public Accountant
 Senior Auditor for HMS Networks AB since 2021.
Education: M.Sc. in Business and Economics, Authorized Public Accountant since 2004.
Assignment: Also serves as Senior Auditor for Bulten AB (publ), Troax Group AB (publ) and Transtema Group AB (publ)
Born: 1974

NOMINATION COMMITTEE FOR THE AGM 2023

Name/representing	Share of votes 2022-08-31
Johan Menckel, Investment AB Latour (publ)	26%
Staffan Dahlström, own holdings	13%
Tomas Risbecker, AMF Fonder	8%
Patrik Jönsson, SEB Fonder	8%
Charlotte Brogren, Chairman of the Board	<1%

EXTERNAL AUDITORS

Auditors are appointed by the AGM to review the company's annual report and consolidated financial statement as well as the administration of the Board and CEO. The audit is conducted in accordance with International Standards on Auditing (ISA) 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 certain members of the Group management team continuously during the year. The auditor must also report to the Board at least once per year. The auditor also participates in the AGM to present the audit report, as well as describe the audit work that was done and any findings.

At the 2022 AGM, shareholders elected Öhrlings PricewaterhouseCoopers AB (PwC) as the audit firm, with Authorized Public Accountant Johan Palmgren as the auditor in charge until the date of the next AGM. In addition to the audit, PwC also provides advisory services relating to financial reporting and taxes. This advice is not considered to be biased.

In 2022 total remuneration paid to PwC amounted to SEK 2,035 (1,883) thousand. Further information regarding auditors' remuneration is available in Note 7.

THE BOARD'S RESPONSIBILITIES

The Board is responsible for how the company is organized and for administration of the company's affairs on behalf of the owners. The Board assesses the company's financial situation on an ongoing basis and makes sure that it is organized such that there are adequate controls on its accounting, fund management and other financial matters. The Board sets policies and instructions for how this is to be achieved. It also adopts rules of procedure for the Board and instructions for the CEO. The central governing documents specify how responsibilities and authority are allocated between the Board and its committees, as well as between the Chairman of the Board and the CEO. The Board appoints the CEO. The Chairman is responsible for evaluating the work of the Board and providing the nomination committee with the results of that evaluation.

BASIS FOR BOARD WORK

The fundamental issues concerning the division of responsibility between the Board of Directors, Board committees, Chairman and CEO are expressed in the Board's rules of procedure and instructions for the CEO. The rules of procedure regulate such things as how often the Board convenes and the items that it should address at Board meetings. The rules of procedure also explain the allocation of responsibility between the Board, its Chairman and the CEO.

The Board is responsible for adopting strategies, business plans, budgets, quarterly reports, financial statements and the annual report. The Board is also responsible for appointing and dismissing the CEO and decisions involving significant changes to the HMS organization and operations. The rules of procedure state the thresholds that apply when the Board must

decide on investments, company mergers and acquisitions, loans, etc.

EVALUATION OF THE BOARD'S WORK

Evaluation of the Board's work and performance occurs on an ongoing basis via a systematic and structured process. It covers both the work done by the Board overall and the contribution of its individual members. The purpose is to ensure that the HMS Board of Directors has the right structure in terms of its expertise and dedication, as well as ensuring that sustainability is included in its work. Each year, the work done by the Board is evaluated by having every member of the Board answer a number of questions, which the Chairman then compiles and presents to the Board. The evaluation includes an assessment of how the Board has managed the sustainability impact. The evaluation, which is also distributed to the nomination committee, is important for ensuring that the work done by the Board is effective.

BOARD STRUCTURE

The Board consists of six members elected by the AGM and two employee representatives. The AGM-elected Board members have extensive professional experience and are, or have at some time, been CEOs and/or senior executives in large companies and many are also Board members in large companies. Several of the company's Board members have served on the Board for a long time and they are well acquainted with the company's operations.

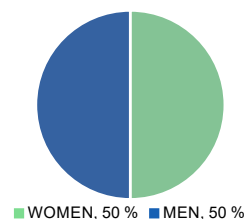
The Swedish Code of Corporate Governance stipulates that the majority of elected Board members must be independent in relation to the company and Group management. Furthermore, at least two of the independent members must also be independent in relation

to the shareholders that control 10 per cent or more of the shares or voting rights in the company. The nomination committee has, during a joint assessment of each member's relationship to the company, Group management and major shareholders, found that all members are independent in relation to the company and its management. Except for Anders Mörck, all the members have been assessed as being independent in relation to 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 Board in this Corporate Governance Report and in Note 9.

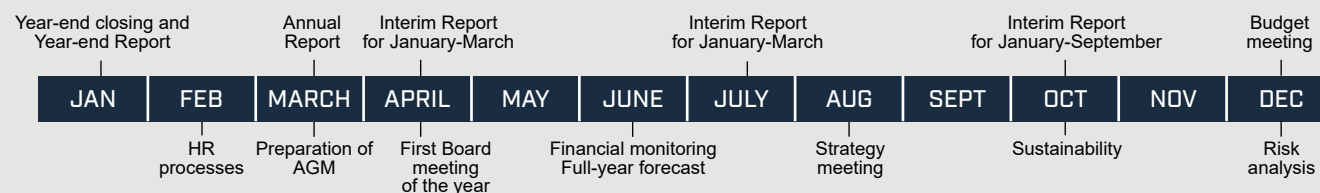
DIVERSITY POLICY

HMS Networks, through the nomination committee, applies rule 4.1 of the Swedish Code of Corporate Governance as its diversity policy when preparing nominations for the election of board members. The rule stipulates that the Board should have a composition appropriate to the company's operations, phase of development and other relevant circumstances. The Board members elected by the shareholders' meeting must, as a whole, reflect diversity and

GENDER DISTRIBUTION FOR THE AGM-ELECTED BOARD MEMBERS



Board work follows a structure that includes certain standing items, mainly in accordance with the following plan:



breadth in terms of their qualifications, experience and background. The company must also strive for gender balance on the Board. The aim of the diversity policy is to satisfy the need of sufficient diversity on the Board regarding gender, age and nationality, as well as experience, work background and business areas. The nomination committee has concluded that the Board of HMS Networks in this respect has an appropriate composition.

CHAIRMAN OF THE BOARD

The Board's rules of procedure stipulate that the Chairman must ensure that the Board's work is run effectively and that the Board meets its obligations. This includes organizing and leading the Board's efforts and creating the best possible conditions for meeting its responsibilities. It is also the duty of the Chairman to ensure that Board members regularly update and hone their

know-how about the company and that new members receive the requisite introduction and training. The Chairman must be available as an advisor and discussion partner to the executive director. The Chairman must also, together with the Board, evaluate the work done by the CEO and address this matter within the Board each year. In addition, it is the Chairman's duty to ensure that the work of the Board is evaluated annually and that a report on this evaluation is provided to the nomination committee.

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

THE BOARD'S WORK DURING THE YEAR

Since the AGM of 21 April 2022, the Board has held 10 minuted meetings up to the adoption of this annual report. It expects to have one

additional meeting prior to the AGM on 25 April 2023. Both the CEO and CFO of HMS Networks AB participate in Board meetings, with the CEO serving as rapporteur and the CFO serving as secretary. At each of its meetings, the Board has dealt with the mandatory standing items, as stipulated in the Board's rules of procedure. This includes discussion of the company's business situation, budgets, quarterly reports and annual financial statements. The work of the Board otherwise focused on the further development of previously established market and acquisition strategies and a review of the sustainability work. Besides its scheduled meetings, the Board's work consists of regular follow-up on financial matters, strategic product development, providing recommendations on remuneration levels, dealing with company acquisition issues and matters having to do with accounting and auditing.

REMUNERATION TO GROUP MANAGEMENT 2022, SEK THOUSANDS

	Basic salary	Variable remuneration	Pension costs	Share-related remuneration	Total
CEO	3,620	1,356	1,082	323	6,381
Group management, other (5 individuals)	9,898	3,043	3,731	402	17,074
Total	13,518	4,399	4,813	725	23,454

REMUNERATION COMMITTEE

The Board appoints some of its members to serve on the remuneration committee, which is responsible for regularly reviewing the remuneration and employment terms of senior executives by making comparisons with individuals holding similar positions in other companies. The committee also prepares matters that the Board will decide on regarding principles for remuneration levels and other employment terms for senior executives. Besides that, any ongoing and concluded variable remuneration programs for senior executives are evaluated and such programs must be linked to pre-determined, measurable criteria that are designed to promote long-term value creation.

The remuneration committee consists of the Chairman of the Board (Charlotte Brogren) and one other Board member (Cecilia Wachtmeister) who was appointed by the Board. Cecilia Wachtmeister was elected as Chairman of the remuneration committee. The attendance was 100 per cent at all the meetings.

AUDIT COMMITTEE

The audit committee monitors the financial reporting by examining critical audit issues and other conditions that might affect the reliability of the financial statements. Effectiveness of the company's internal control and risk management system is evaluated. The committee also monitors sustainability reporting and its process, along with the external auditors' impartiality and independence. The audit effort 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 preparing its proposal for selection of the auditor. The committee has regular

contact with the external auditors and they report to the committee any of the important findings from the statutory audit. This covers, 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 elected as Chairman of the audit committee. Attendance was 100 per cent at all the meetings.

DEVELOPMENT COMMITTEE

The Board appoints some of its members to serve on the development committee. This committee is meant to serve as a sounding board for the HMS management team on issues having to do with research and development, specific projects and the company's portfolio of development projects, the organizational structure of the R&D department and how it is managed, as well as the training and development of employees. Furthermore, the committee should serve as a resource when it comes to preparing and obtaining support for R&D initiatives that require a decision by the Board due to the strategic importance, investment decisions or collaboration with others. The committee should ensure that the HMS Board stays up to date on R&D issues relevant to the company and its future.

The development committee consists of three appointed Board members (Charlotte Brogren, Niklas Edling and Anna Kleine). During the year, Anna Kleine replaced Ulf Södergren when he resigned from the Board. Niklas Edling was elected as Chairman of the development committee. Each of the elected committee members had 100 per cent attendance at the meetings.

CEO AND GROUP MANAGEMENT

The Group management team is headed by the CEO and its other members are the Chief Financial Officer (and Deputy CEO), the Chief Technology Officer, the Chief Commercial Officer, the Chief Marketing Officer and the Senior Vice President Information Centric. For more information in the Group management team, please see the section Group management in this Corporate Governance Report and in Note 9.

The Group management team has overall responsibility for ensuring that the activities of the Group are in accordance with the strategy and long-term objectives stipulated by the Board. They meet 10 to 15 times per year and deal with matters of strategic importance to the Group. The meetings are led by the CEO, who makes decisions after consulting with the other members of the Group management team.

The CEO is responsible for developing the company's business, as well as leading and coordinating daily operations in accordance with the instructions and directions adopted by the Board. The CEO also ensures that the company's goals, policies and strategic plans are being followed and that they are updated whenever necessary. The CEO appoints the other members of the Group management team. Furthermore, the CEO is responsible for providing the Board with required information and supporting documentation for decisions. Such information must be sent to each Board member at least seven days prior to scheduled Board meetings, where the CEO serves as rapporteur. The CEO keeps the Board and its Chairman updated about the company's and Group's financial position and growth.



Board's internal control report

The internal control consists of processes and methods to limit the risks of material errors in the financial reporting and to provide reasonable assurance about the reliability and accuracy of the financial reporting. The internal control is maintained by the Board, management and employees. The work with internal controls provides value by clarifying roles and responsibilities, improving the efficiency of processes, increasing risk awareness and improving the reliability and quality of financial reporting.

DESCRIPTION

At HMS, the internal controls over financial reporting are an integral part of corporate governance. They consist of processes and methods for protecting the Group's assets and ensuring the accuracy of its financial reporting. The purpose of such internal controls is to protect the owners' investment. To organize and further improve this work, HMS uses the COSO framework, which provides structure when evaluating and monitoring the internal controls over financial reporting.

CONTROL ENVIRONMENT

The foundation for internal controls consists of the overall control environment that has been established by the Board and management team. This is built on an organization with clear decision-making paths where authority and responsibility are defined with clear instructions. It is also built on 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 the entire organization lives by these values. There is much emphasis on making sure that the core values

guide all behavior, both internally and externally. HMS has established a Code of Conduct. It explains the desired behavior in different situations. As before, there is a global program in place for raising the knowledge of the employees of information security. The goal is to gain a better understanding of the risks associated with information security, along with the operational, reputational and financial consequences.

The Board has overall responsibility for the internal controls concerning financial reporting. The Board has established written rules of procedure that clarify the Board's responsibilities and how the work within the committees should be allocated. The Board has also appointed an audit committee, which is primarily responsible for ensuring the reliability of financial reporting and adequacy of internal controls. It also interacts with the company's auditors for that same purpose. Furthermore, the Board has drawn up instructions for the CEO and instructions for financial reporting to the Board. Responsibility for maintaining an effective control environment and the ongoing work

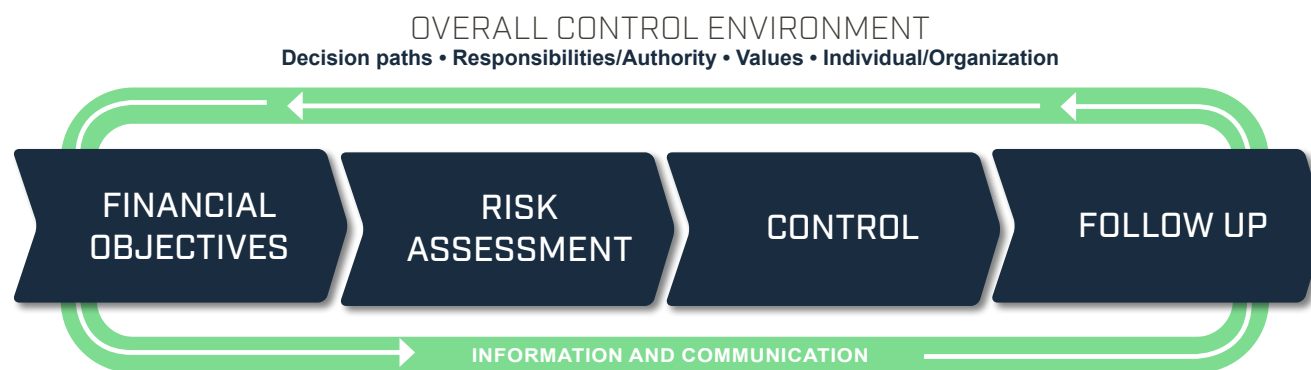
concerning internal controls is delegated to the CEO who in turn delegates function-specific responsibility to managers at different levels throughout the Group. A minimum requirement is for the control activities to address the key identified risks within the Group.

Responsibility and authority are defined in the instructions for the right to sign on behalf of the company, manuals, policies and routines. Examples include HMS's manual for accounting and reporting, the finance and credit policy, information policy, IT security policy and HR policies. These guidelines, together with laws and other external regulations, are the components of the control environment. All employees must follow these guidelines.

RISK ASSESSMENT

Risk assessment includes identifying and evaluating the risk of a material error in the accounting and reporting, as well as risks of irregularities and fraud. When assessing risks that impact the internal control regarding financial reporting, an assessment is made based on likelihood and

impact. The overall financial risks are liquidity & financing risk, currency risk and interest rate risk. These are primarily dealt with via the accounting and finance functions, in accordance with the Group's financial policy. For more detailed information, please see Note 20. Through the risk analyses that have been carried out based on the Group's balance sheet and income statement, HMS identifies the key risks that could pose a threat to the company achieving its business objectives and financial targets. Risk assessment involves identifying the risks that could arise if the fundamental requirements on financial reporting (completeness, accuracy, valuation and presentation) by the Group are not fulfilled. For internal control, the focus is on risks in the financial reporting related to significant income statement and balance sheet items, which are more dependent on an underlying complex process or where the effect of errors could be very large, since the transaction amounts are significant.



¹⁾ Financial reporting consists of the interim reports, year-end report, annual report and internal reporting.

CONTROL ACTIVITIES

Control activities are designed to prevent, discover and remedy deviations. There are controls at all levels of the company and within all functions. The control activities include both overall and individual controls that are automatic and/or manual.

The central Group function is responsible for the consolidated financial statements, as well as the financial and administrative control systems. The function's responsibilities also include ensuring that relevant instructions for the financial reporting are made known and available to the employees concerned. The Group function regularly performs reconciliations and controls of the reported amounts, analyzing such things as the income statements and balance sheets, cash flows and working capital. The function analyzes and follows up on any budget deviations, makes forecasts, monitors significant

fluctuations over defined periods and reports findings to the rest of the company, thus minimizing the risk of errors in the financial reporting. The control function also performs control activities at all levels of the company.

A high degree of IT security is required for good internal control in financial reporting. Rules and guidelines are therefore in place to ensure accessibility, accuracy, confidentiality and traceability of the information in the ERP. Access to the various components of the ERP is limited, based on the employee's authorization level, responsibilities and position. Furthermore, Segregation of Duties helps prevent both intentional and unintentional entries.

There is a Group-wide internal control program for significant processes that has been implemented at both subsidiary and Group levels. The internal control program covers significant process and is aimed at ensuring that

suitable controls have been designed and implemented to prevent errors from occurring in the financial reporting based on the risks that exist in the processes. The Group's reporting units regularly perform self-evaluations on the effectiveness of the internal control over financial reporting. The evaluations are reported back to the group function, which assesses effectiveness and reviews the evaluations with the units. There is also a dialog on how, if applicable, the internal control environment can be improved. If there are any critical deviations arising from the self-evaluations, careful follow up will be done to ensure that the deviations have not impacted the financial reporting. Results are compiled and reported to the audit committee for discussion on any measures to be taken and continuous monitoring.

INFORMATION AND COMMUNICATION

HMS has internal information and communication channels aimed at ensuring completeness and accuracy in the financial reporting. One example of that is governing documents in the form of internal guidelines, directives and policies. Regular updates and messages about changes in accounting policies, reporting requirements or other dissemination of information is made available to, and known for 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 continually reminded about the whistleblower system and its availability.

The HMS Group's accounting policies and any changes that are made to them are always

communicated by direct mail to all employees concerned within the organization. Furthermore, each month, all subsidiaries prepare a report, which contains information about its financial status and performance.

To ensure that information reported externally is correct and complete, the Board has established an information policy. It specifies which items must be communicated, who is responsible for communicating the information, and how this should be done. There are also instructions for how financial information should be communicated between managers and other employees. There must also be adequate information security routines to ensure correct dissemination of information. HMS's information routines and systems aim at providing the market with relevant, reliable, correct and current information about the Group's development and financial position.

Financial information is regularly published in the form of:

- Quarterly and year-end reports, which are published as press releases
- Annual reports
- 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 financial statements and quarterly reports are published and in conjunction with the publication of other important information, and
- Meetings with financial analysts and investors.

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



FOLLOW UP

Follow up and tests of controls are regularly performed to ensure that all risks have been taken into account and dealt with satisfactorily. Follow up includes both formal and informal routines used by managers, process owners and controllers. If controls are ineffective, actions are taken to address the problem and correct whatever weaknesses were identified.

The Board studies and approves all the Group's interim reports, year-end reports and annual reports prior to publication. The Board also receives monthly financial reports concerning the Group's position and earnings trend and the Group's financial situation is discussed at each Board meeting. The central Group function carries out detailed monthly analyses of financial reports.

Budgets and forecasts are other important components of Group-wide internal control. Sales are budgeted at the product level by managers within the sales organization. They are then consolidated and validated in conjunction with compilation of the complete, overall budget for operations. This is done during the fourth quarter of the year, to be approved by the Board. Besides the budget, a forecast is also prepared during May-June. Besides the forecast and budget, Group management also works with overall strategic plans.

The audit committee follows up the financial reports and receives information from the company's auditor about their findings and recommendations. Checks on how well internal control activities are working are regularly performed at various levels within the Group and reported back to the Group by the audit committee. In view of the scope of the business

and the existing internal control program, the Board has decided that there is no need to introduce an internal audit function.

The Board is of the opinion that the company complies with the Swedish Code of Corporate Governance with regard to internal audit and the composition of members of the nomination committee. Motivation for this is provided in the current Corporate Governance Report.

Halmstad, March 23, 2023

Charlotte Brogren Chairman of the board	Fredrik Hansson Director
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Niklas Edling Director	Anders Mörck Director
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Anna Kleine Director	Cecilia Wachtmeister Director
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Mikael Mårtensson Employee representative	Freddy Dahlberg Employee representative
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Auditor's report on the Corporate Governance Statement

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

ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the corporate governance statement for the year 2022 on pages 30-36 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Halmstad, 23 March, 2023
Öhrlings PricewaterhouseCoopers AB

Johan Palmgren
Authorised Public Accountant



Board of Directors



CHARLOTTE BROGREN



FREDRIK HANSSON



NIKLAS EDLING



ANDERS MÖRCK

Board position	Chairman of the Board	Board member	Board member	Board member
Special skills to contribute to HMS	Years of 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.	Mergers and acquisitions, company business values, stock exchange experience and financial management.
Current employment	CTO and responsible for sustainability at Alimak Group AB (publ).	Active in own company.	CEO at ScandiNova Systems AB.	CFO at 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.	Bachelor of Science, Economics and Finance from the University of North Alabama.	M.Sc. in Mechanical Engineering from KTH and Master of Business Administration from Stockholm School of Economics.	M.Sc. in Business and Economics, Växjö University.
Year elected	2010	2015	2020	2016
Born in	1963	1971	1963	1963
Resident of	Stockholm	Karlskrona	Stockholm	Gothenburg
Other posts	Chairman of the board at Avassa AB and Board member at OrganoClick AB and SEEL AB.	Chairman of the Board at Scanbox Thermoproducts AB and Board member of Anocca AB and Troax Group AB (publ).	Board member at Cavotec SA (publ).	Chairman of the Board at Troax Group AB and Board member at Bemsig AB, Latour Industries AB, Swegon Group AB, Hultafor Group AB and Nord-Lock International AB.
Dependence	Independent from the company and its main owners.	Independent from the company and its main owners.	Independent from the company and its main owners.	Independent from the company. Not independent of the major shareholders.
Previous experience	Development Manager for ABB Robotics and executive positions within ABB's research organization as well as General Director of Vinnova.	CEO at Roxtec Group AB, Chairman of the board at Hedson Technologies International AB and board member of Nord-Lock International AB.	Sr VP Corporate Development and Vice president at Mycronic AB (publ), VP Supply Chain & Manufacturing at Laerdal Medical and VP Operations at Hudson RCI.	CFO at Bure Equity AB, Nilörngruppen AB and previously authorized public accountant at Ernst & Young (now EY).
Shareholding ¹ (own and related parties)	5,500	2,400	5,000	4,000
Audit committee		X		X (Chair)
Remuneration committee	X (Chair)			
Development committee	X		X (Chair)	
Attendance at Board meetings	100%	100%	100%	100%
Remuneration 2022 ²	675,000	325,000	270,000	380,000

¹ Pertains to holding as of December 31, 2022, including shares from Share Savings Plans.

² Pertains to the period between AGM 2021 and AGM 2022.



ANNA KLEINE



CECILIA WACHTMEISTER



MIKAEL MÅRTENSSON



FREDDY DAHLBERG

Board member	Board member	Employee representative	Employee representative
Years of experience in IT and digital transformation.	Several years of complex system sales in the telecommunication industry.	Employee of HMS.	Employee of HMS.
CEO and Regional Director at Fellowmind Sweden AB.	CCO at Kambi Plc.	Global Technical Services Systems Manager at HMS.	Global Platform Manager at HMS.
B.Sc. in Information Technology.	M.Sc. in Industrial Engineering from The Institute of Technology at Linköping University.	B.Sc. in Computer Systems Engineering.	Product management at Product Management Institute.
2022	2018	2019	2021
1973	1966	1972	1987
Limhamn	Stockholm	Halmstad	Halmstad
Chairman of the Board of a number of Fellowmind companies and Board member of Länsförsäkringar Skåne and Ikano Bostad AB.	Board member at Smart Eye AB (publ), I.A.R. Systems Group AB and Dirac AB.	None.	None.
Independent from the company and its main owners.	Independent from the company and its main owners.	Employee of HMS.	Employee of HMS.
Years of experience in leading positions at HiQ, where Anna was also part of group management for eight years.	Several years of experience in leading positions at Ericsson AB.	More than 20 years of experience in Industrial Automation / Communication as product manager and developer at HMS.	More than ten years of experience in sales and business development, of which the last four years in business development of HMS' Ixxat brand with a focus on communication in energy.
435	3,000	24,518	258
	X		
X			
100%	100%	100%	100%
270,000	270,000	0	0

Group management



STAFFAN DAHLSTRÖM



ANDERS HANSSON



HANS LARSSON



JOAKIM NIDEBORN



JÖRGEN PALMHAGER



ALEXANDER HESS

Current position	Chief Executive Officer - CEO	Chief Marketing Officer - CMO	Chief Commercial Officer - CCO	Chief Financial Officer - CFO Deputy CEO	Chief Technology Officer - CTO	Senior Vice President Information Centric
Education	Degree in Computer Systems Engineering from Halmstad University and Executive MBA from Lund University, School of Economics and Management.	M.Sc. in Industrial Management and Economics from Halmstad University and B.Sc. in Innovation Engineering from Halmstad University.	B.Sc. in Innovation Engineering from Halmstad University.	M.Sc. in Industrial Economics from Lund Institute of Technology.	B.Sc. in Computer Systems Engineering from Halmstad University.	B.Sc. in Computer Engineering from Esslingen University of Applied Sciences, Germany and MBA from Steinbeis University in Berlin, Germany.
Born in	1967	1968	1970	1983	1968	1981
Nationality	Swedish	Swedish	Swedish	Swedish	Swedish	German
Other posts	Board member of Mycronic AB (publ) and Clavister Holding AB (publ).	None.	Board member of Bemsiq AB.	Board member of Axiell Group AB.	Board member of Allgon AB.	None.
Previous experience	Sales and Marketing Manager at HMS.	Previous positions at HMS: Global Marketing Director, Head of HMS Global Key Account Management Team, Global Key Account Manager, Sales and Marketing Manager for HMS in France, Benelux, Spain and Portugal, Product Manager.	Vice President Life Science at Getinge AB, General Manager Sweden at GEA Food Solutions A/S.	CFO at Beijer Electronics Group AB, Management and Strategy Consultant at Axholmen Consulting and Celerant Consulting.	Developer, Project Manager, Development Manager and COO at HMS.	Business Unit Director Safety at Leuze electronic GmbH & Co. KG, Marketing Director, Senior Product Manager at Hengstler GmbH / Danaher Corp. and Team Manager, Software Engineer at SMART Electronic Development GmbH.
Shareholding ¹ (own and related parties)	6,100,729	12,969	3,236	2,320	190,062	1,170
Employed since	1989	2000	2017	2017	1992	2020
Member of Group management team since:	2007	2010	2017	2017	2007	2022

¹ Pertains to holding as of December 31, 2022, including shares from Share Savings Plans.

Extended management team



PATRIK ARVIDSSON

Global Supply Chain Manager
Born in 1969, Sweden

Education: B.Sc. in Production and Quality Management from Chalmers University of Technology, Gothenburg.

Previous experience: Distribution Manager at Retlog, Head of Planning at Svenska Foder, Section Manager for Mechanics at SP Tekniska Forskningsinstitut, and the following positions at Nolato; COO Europe, Purchasing Manager, Site Manager and Logistics Manager.



THILO DÖRING

General Manager,
Market Unit Continental Europe
Born in 1971, Germany.

Education: B.Sc. in Computer Technology from University of Technology in Weilburg, Germany and Technical Business Administration from SGD in Darmstadt, Germany.

Previous experience: Sales Manager at Mitsubishi Electric.



DAVID GARCÉS

General Manager,
Business Unit Intesis
Born in 1977, Spain

Education: M.Sc. in Telecommunications Engineering from University of Bilbao, Spain and MBA from Collège des Ingénieurs in Paris, France.

Previous experience: Deputy Director at HMS Industrial Networks SLU, Product manager at Softing AG and Entrepreneur.



SERGIO RESENDIZ

General Manager,
Market Unit Americas
Born in 1982, Mexico

Education: M.A. General Management, Harvard University in Cambridge and MA. B.S. Mechanical Engineering, Oral Roberts University in Tulsa, OK.

Previous experience: President and SVP, Americas, Leuze Inc.; VP Sales, Americas and Global Strategic Accounts, Belden; Regional Sales Direction US East and LATAM, Belden; Regional Sales Manager, Southeast, Belden.



THOMAS CONZ

General Manager,
Business Unit Ixxat
Born in 1985, Germany

Education: B. Eng. in Industrial Engineering, Cooperative State University in Stuttgart, Germany and M. Sc. in Business Management from University of Leeds, UK.

Previous experience: Product Line Director at HMS Global Manager Application Center, Customer Unit Manager at Atlas Copco and Sales Unit Manager at SCHUNK GmbH & CO.KG.



MARTIN HOFFERT

General Manager,
Market Unit Northern
Europe and RoW

Born in 1977, Sweden

Education: B.Sc. in Computer Engineering from Halmstad University.

Previous experience: Senior Solution Architect and Certified Project Manager at Ericsson and Product Manager and Sales Manager at HMS.



BARTEK S. CANDELL

General Manager,
Business Unit Anybus

Born in 1980, Sweden

Education: Bachelor in Innovation Engineering from Halmstad University and Latour Executive Program from University of Gothenburg.

Previous experience: Export manager at Sveico.



JIANYING (JERRY) ZHAO

General Manager,
Market Unit Greater China

Born in 1972, China

Education: M. Sc. in Electrical Engineering from Beijing Jiaotong University, China.

Previous experience: Country Manager China at HMS.



HANS-JOACHIM SOMMER

General Manager,
Market Unit APAC

Born in 1974, Germany

Education: Diploma in Business Administration from Augsburg University, USA and Japanese Language Studies from Waseda University, Japan.

Previous experience: VP Asia-Pacific at IEE Sensing.

Financial definitions

Adjusted profit

Profit exclusive items affecting comparability.

Average number of outstanding shares

The average number of registered shares during the year, less repurchased shares that are held as treasury shares.

CAGR

Compound annual growth rate.

Capital employed

Total assets less non-interest-bearing liabilities, provisions and deferred income tax liabilities.

Capital turnover

Net sales in relation to average balance sheet total.

Cash flow from operating activities per share

Cash flow from operating activities as a percentage of the average number of outstanding shares.

Earnings per share, undiluted

Share of the profit after tax attributable to the parent company's shareholders as a percentage of the average number of outstanding shares.

Earnings per share, diluted

Share of the profit after tax attributable to the parent company's shareholders as a percentage of the average number of outstanding shares plus an adjustment for the average number of shares that are added when converting the outstanding number of convertibles and options.

EBIT

Operating income according to income statement.

EBIT excl aquisition-related costs

Operating income excluding amortization and impairment of acquired overvalues and goodwill as well as acquisition-related transaction costs.

EBITDA

Operating profit excluding depreciation and amortization of tangible and intangible assets.

Enterprise value

Market capitalization and net debt.

Equity per share

Average equity attributable to the parent company's shareholders divided by the number of outstanding shares at the end of the period.

Equity/assets ratio

Shareholders' equity as a percentage of total assets.

Financial assets

Long-term- and current financial receivables plus cash and cash equivalents.

Gross margin

Gross profit as a percentage of net sales.

Net debt

Long-and short-term interest-bearing financial liabilities, additional purchase price and option liability, reduced with financial interest-bearing assets and cash and cash equivalents.

Net debt /equity ratio

Net debt in relation to Shareholders' equity.

No. of outstanding shares

The number of registered shares, less repurchased own shares that are held as treasury shares.

Operating margin

Operating profit as a percentage of net sales.

Organic change

Change in order intake, net sales and operating expenses excluding increase attributable to acquisitions, converted to 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 first turn of the month, which falls 12 months after the acquisition date.

P/E Ratio

Market price as a percentage of earnings per share.

Return on capital employed

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

Return on shareholders' equity

Share of the profit after tax attributable to the parent company's shareholders as a percentage of the 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'S GOALS?

In 2020, HMS presented new goals in these areas: Sustainability, Employees & Customers and Growth & Profitability. In addition, the dividend target was adjusted to be 30-50 percent of earnings per share.

In terms of sustainability, HMS has set ambitious goal of being net positive regarding carbon dioxide emissions by 2025. All companies need to take their responsibility and help save our planet, and given the great impact that carbon dioxide emissions have on the climate, HMS has chosen to focus on this area.

Furthermore, we have a strong belief that if our employees thrive and develop, they will do a good job, creating loyal customers, who in turn create growing business. This is why we set the target of having an NPS over 25. Because the outcome was very good in both 2021 and 2022, we decided to raise the target for 2023 of an NPS above 30.

The growth target has been set to reach π (3.14) billion in sales by 2025. We believe that the recipe for achieving the target will be equal parts organic and acquired growth. For profitability, the target is for the operating margin to be above 20 percent. After two good years, 2021 and 2022, we can see that we are well on our way towards achieving both the sales and profitability targets. Thanks to the good rate of growth and focused efforts with our gross margins, we already have an operating margin that exceeds the target.

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: Control Centric, where the offering primarily consists of connecting machines to various types of industrial networks 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.

Around 70 percent of sales is derived from Control Centric, a segment that is expected to grow between 7-9 percent per year. Approximately 23 percent of sales is derived from Information Centric, which is expected to grow between 14-17 percent per year and 7 percent of sales is derived from Building Automation, which is expected to grow by 8-10 percent per year. HMS has market-leading positions in all of these niches.

CAN YOU DESCRIBE THE HMS BUSINESS MODEL AND CUSTOMER TYPES?

HMS is primarily aimed at two types of customers. “Makers” is our expression for manufacturers of automation products and machines, and “Users”, is how we name the end users where all automation equipment ends up.

Regarding 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, HMS receives a Design-Win, after which the customer usually orders the HMS product for many years. We normally sell directly to Makers through our own sales force.

When it comes to Users, HMS usually aims at system integrators, delivering gateway solutions that help the customers 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 we are present in many end-user industries with our solutions – especially factory automation – the end-user is in most cases not a direct customer of HMS.

CAN YOU SAY A FEW WORDS ABOUT THE HMS ACQUISITION STRATEGY?

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

as well as add-on acquisitions to our existing business operations.

The primary 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.

CAN YOU DESCRIBE HMS'S 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 1,843 active Design-Wins, which adds an extra long-term dimension to the business. In addition, HMS is known for being flexible in adapting its products to customer requirements, which also contributes to the long-term relationships with customers. An important part of HMS's offering is also security. 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 and services for network diagnostics and troubleshooting via Procentec, software solutions for displaying data from industrial applications in an intuitive interface via WEBfactory and solutions for wireless communications to enable remote monitoring and control of mobile machinery via Owasys. HMS products and solutions make it possible for industrial equipment to communicate and share information with software and systems.

Development takes place at the head office in Halmstad, 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, USA, Japan, China, Singapore, Italy, France, Spain, Netherlands, India, UK, Sweden, South Korea, Australia and United Arab Emirates (UAE), as well as via a wide network of distributors and partners across the globe. HMS has approximately 780 employees and sales in 2022 were SEK 2,506 million. HMS is listed on the NASDAQ OMX in 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 the fourth quarter, primarily associated with the number of large marketing events that occur in that period.

Significant events

HMS Networks continued to performed well in 2022, with strong growth in all of the company's product areas. There were unusual market dynamics during the year, where the strong underlying investment rate of HMS's customers further accelerated via the long lead times caused by the global shortage of components.

Several customers opted to increase inventory levels, which led to an order intake of SEK 3,064 million for HMS. Sales for the year amounted to SEK 2,506 million and the Group is reporting record figures for nearly all items. Particularly satisfying is the gross margin of 63 percent, which a major contributing factor to the very favorable operating margin of 26 percent.

At the start of the second quarter in 2022, HMS acquired the

remaining minority of 30 percent in Procentec, making HMS the sole owner. The main purpose of the acquisition was to speed up the integration effort with the rest of the HMS organization. The most important future synergies on the market side are in North America and Asia.

On 1 July 2022, the Australian distributor, Global M2M was acquired. Australia is an increasingly interesting market for HMS. To speed up the market penetration, HMS signed an agreement with our main distributor in Australia, Global M2M, to acquire the company. It has four employees and had already been a distributor for most of the HMS brands. Australia thus became the 17th country where HMS has its own sales organization.

At the end of 2022, HMS acquired 100 percent of the shares in the UK company, Control Specialist Ltd, a small partner to HMS for training and certification in industrial networks.

None of these acquisitions, however, significantly impact the Group's total sales or profitability, although they each will play an important role for future growth and development.

There was progress and growth in all of the geographic markets during the year. The largest increase came from APAC, with growth of 40 percent (24%), primarily driven by the Japanese market, where there was a high rate of investment during the year. On the product side, it was primarily Anybus that was driving growth in 2022, with an increase of 35 percent compared to 2021.

In 2022, HMS has a continued steady inflow of new Design-Wins in. In total, there were 146 (174) new Design-Wins during the year, which brings the total number of active Design-Wins to 1,843 (1,790). Of these Design-Wins, 1,493 (1,447) are in production and 280 (343) are expected to enter production in the coming years.

On 21 April 2022, HMS held its AGM. All the proposals by the Board and nomination committee were adopted by the AGM. Charlotte Brogren, Fredrik Hansson, Anders Mörck, Cecilia Wachtmeister and Niklas Edling were re-elected as Directors and Anna Kleine was newly elected as a Director. At the first Board meeting following election, Staffan Dahlström was appointed President and CEO of HMS Networks AB.

At the end of December 2021, the 2018 Share Savings Plan was concluded. During the first quarter of 2022, a total of 62,251 shares, of which 31,228 were performance shares, were distributed free-of-charge to the remaining participants. For this distribution, the company used shares that were held in treasury Based on the authorization from the Annual General Meeting, the Board of Directors has

decided to purchase own shares. The purpose of the repurchase is to ensure that HMS is able to fulfill its commitment to deliver shares in accordance with the company's Share Savings Plan. A total of 74,159 shares for a value of SEK 34 million were acquired during the year. The total holding of own shares after acquisition was 176,320.

Significant events subsequent to year-end

An acquisition of an additional 20 percent of the shares in Owasys Advanced Wireless Devices S.L. were acquired. No other significant events have occurred subsequent to year-end up until the signing of the annual report.

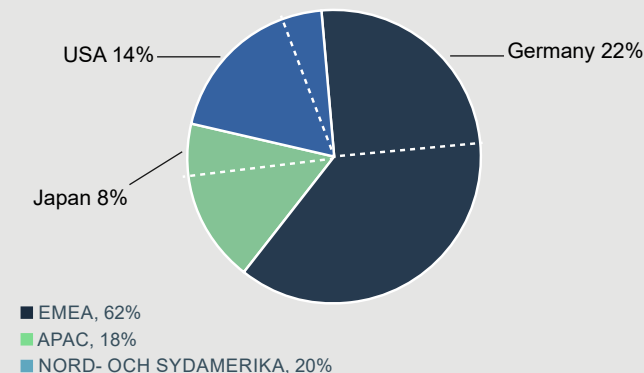
Net sales

The Group's net sales increased by 27 percent and amounted to SEK 2,506 (1,972) million. Exchange rate fluctuations positively affected net sales during the year by SEK 158 million (-75), compared to last year. Invoiced sales by region were as follows: EMEA Middle East and Africa 62 percent (61%), North and South America 20 percent (22%) and APAC 18 percent (17%). The Group's largest markets are Germany, USA and Japan.

Profit (loss)

Gross profit amounted to SEK 1,577 (1,230) million with a gross margin of 62.9 percent (62.4%). Operating expenses amounted to

HMS Group's revenue distribution by market in 2022



SEK 958 (787) million. Organically, operating expenses increased by 15 percent, corresponding to SEK 115 million, primarily attributable to increased investments in our sales and marketing resources and a strengthened IT organization.

Operating profit before depreciation/amortization and impairment (EBITDA) amounted to SEK 760 (548) million, which corresponds to an operating margin of 30.3 percent (27.8%). Depreciation/amortization and impairment amounted to SEK 108 (102) million. Operating profit amounted to SEK 653 (446) million, corresponding to a margin of 26.0 percent (22.6%). Included in operating profit is a non-recurring item of SEK 27 million related to revaluation of the option liability for Procentec during the first quarter. Adjusted operating profit is thus SEK 626 million, corresponding to an adjusted margin of 25.0 percent. Currency translation impacted operating profit by SEK 39 (-31) million.

Net financial items amounted to SEK -29 (3) million, the majority of which is attributable to a weaker SEK, which had negative translation effects on, primarily, the option liability and contingent consideration. Profit before tax thus amounted to SEK 623 (448) million.

The reported tax expense was SEK -116 (-86) million. Profit after tax thus amounted to SEK 508 (362) million.

Summary of performance

	2022	2021
Net sales, SEK m	2,506	1,972
Operating income before depreciation (EBITDA), SEK m	760	548
Operating margin before depreciation (EBITDA), %	30	28
Operating income after depreciation (EBIT), SEK m	653	446
Operating margin after depreciation (EBIT), %	26	23
Profit after financial items, SEK m	623	448
Profit (loss) for the year, SEK m	508	362
Earnings per share, basic, SEK	10.89	7.61
Earnings per share, diluted, SEK	10.85	7.57

Investments

The year's investments in property, plant and equipment, along with intangible assets, amounted to SEK 83 (39) million. Investments in intangible assets primarily consist of the costs associated with development of new technology platforms and investments in a new ERP system. Amortization and impairment of capitalized development costs amounted to SEK 25 (24) million.

Additionally, the acquisition of the remaining 30 percent of the shares in Procentec and the acquisition of Global M2M where the main impacting items on investing activities by SEK 280 (45) million. Investments in financial assets amounted to SEK 3 (16) million during the year.

Financial position

As of 31 December 2022, the Group had cash and cash equivalents of 144 (172) million, excluding unutilized credit facilities of SEK 397 (490) million. The Group's net debt amounted to SEK 300 (347) million and net debt in relation to EBITDA was 0.39 (0.63). The net debt to equity ratio was 19 percent (30%) and the equity to assets ratio was 59 percent (53%). As of 2021, the anticipated exercise price of options related to the remaining shares in Procentec B.V. and Owasys S.L., totaling SEK 391 million is included in net debt. As of 31 December 2022, only Owasys is included for SEK 99 million.

Last year, the financing agreement with the existing bank was extended 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 112 (-174) million and amortization of lease liability was SEK 41 (36) million. Repurchase of shares occurred for SEK 34 (19) million. Dividends of SEK 140 (93) million were paid to shareholders.

Cash flow from operating activities amounted to SEK 431 (508) million. After net investments of SEK -366 (-100) million and amortization, dividends paid, and repurchase of shares totaling SEK -99 (-321) million, the cash flow for the year amounted to SEK -34 (87) million.

Group structure

HMS Networks AB (publ), CIN 556661-8954, is the Parent Company of the wholly-owned subsidiary, HMS Industrial Networks AB, which, in turn is the Parent Company of several subsidiaries, see Note 36.

During the year, an acquisition of another 30 percent of the Dutch company, Procentec B.V. was made, along with 100 percent of the

shares in the Australian company, Global M2M Pty Ltd and 100 percent of the shares in the UK company, Control Specialist Ltd.

HMS Industrial Networks AB, HMS Technology Center Ravensburg GmbH, HMS Technology Center Wetzlar GmbH, HMS Industrial Networks SA, HMS Industrial Networks SLU, WEBfactory GmbH, Procentec B.V. and Owasys Advanced Wireless Devices S.L. comprise the development center for the HMS 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 Annual Accounts Act, HMS Networks AB (publ) prepared a Sustainability Report, on pages 100-127, that 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 2022 has been prepared in accordance with Chapter 6, Section 11 of the 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 units that are consolidated in the consolidated financial statements for HMS Networks AB 2022, which are listed in Note 36.

Research and development

The Group expensed SEK 261 (235) million for research and development during the year. In addition, capitalized development costs were SEK 30 (23) million, none of which came via acquisitions (13). Total costs for research and development expenses make up 10 percent (12%) of sales. The Group's policy is to only capitalize major projects for developing its own integrated circuits and new platforms for products intended for use in embedded systems. Development of additional products or applications based on these are not capitalized. Customer-specific projects are capitalized when it has been determined as likely that the development costs will be covered by future volume commitments.

Employees

At year-end, the number of employees for the Group was 781 (751).

Guidelines for remuneration to senior executives

Whom the guidelines apply to and their applicability

These guidelines apply to persons who are member of the HMS Group management team. New guidelines were adopted at the AGM on 21 April 2022. The guidelines shall be applied to contractual remuneration, and any changes made to already agreed remuneration, after the guidelines are 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 is a market-leading supplier of solutions for industrial communication and Industrial ICT (Information and Communication Technology). HMS's industrial communication products enable millions of devices, such as robots, frequency converters and air conditioning equipment to be connected to various types of systems, which is necessary for meeting future requirements on energy efficiency and sustainability. In brief, the HMS business strategy aims to achieve profitable growth in strategic markets, focus on sustainable product development, be a global player with a local presence and have a sustainable supply chain. A successful implementation of the HMS business strategy and safeguarding the company's interests, including its sustainability, depends on HMS being able to both recruit and retain skilled 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. Additional 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 which are not covered by these guidelines. The incentive schemes apply to all employees of HMS, with the aim of motivating them to take greater interest in the business and its performance, while creating a sense of solidarity with the company by establishing long-term ownership interests. The incentive schemes also help make it possible for HMS to offer competitive total remuneration packages and thereby create the prerequisites for being able to recruit and retain talented employees. Performance requirements are currently linked to profit per share. The incentive schemes require own investment during a certain

holding period. For more information about these programs, see the HMS website www.hms-networks.com.

Types of remuneration, etc.

Remuneration to senior executives shall be market-based and it 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 independent of these guidelines, decide on share-based and share-price-based remuneration. Fixed cash salary shall be established on the basis that it, in combination with both short and long-term incentives, will be competitive. The absolute level shall be established based on the person's position, expertise, experience and performance. The fixed cash salary amount shall be reviewed and revised each year.

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 remuneration shall be one year and annual variable cash remuneration may amount to no more than 50 percent of the fixed cash salary. In addition to annual variable cash compensation, senior executives must be able to receive a long-term variable cash bonus (LTI bonus) amounting to a maximum of 50 percent of the fixed cash salary as of the last year of the measurement period. The LTI bonus must be based on achieved financial and operational goals, linked to, for example, growth and operating results, after a multi-year measurement period of three to five years. The distribution between fixed and variable cash compensation shall be proportionate to the executive's responsibilities and authority. The goal shall primarily relate to growth and profitability, where the relationship between these KPIs shall be used for determining the amount of variable cash compensation. In addition to that, other individual goals may be established. The goals shall be formulated such that they promote HMS's 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 senior executive's long-term development at HMS.

For the CEO, both pension and insurance benefits shall be defined contribution benefits. Variable cash compensation shall be pensionable. The pension premium shall amount to, at most, 35 percent of the pensionable income up to 28.5 times the price base

amount and at most, 25 percent on salary amounts in excess of that.

For other senior executives, both pension and insurance benefits shall be defined contribution benefits. Variable cash compensation shall be pensionable. The pension premiums shall follow the ITP-1 plan and amount to, at most, 30 percent of the pensionable income.

Other benefits may include such things as health insurance, occupational health care and car benefits. In total, such benefits may amount to, at most, 10 percent of the fixed cash salary.

Additional variable cash compensation may be awarded in extraordinary circumstances, provided that such decisions 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 an employee may only receive it, at most, once per year. Decisions on such compensations shall be made by the Board of Directors based on recommendations by the remuneration committee.

As regards employment terms for pension benefits and other benefits that are subject to rules that apply outside Sweden, adaptations may be made to conform with such rules or the established local practices. In doing so, there must still be, to the extent possible, adherence with 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 having to do with variable compensation on behalf of the Board. When the measurement period for fulfilling criteria for payment of variable cash compensation has elapsed, an assessment shall be made on the extent to which the criteria have been fulfilled. Assessments on the extent to which financial targets have been fulfilled shall be based on adopted financial statements and documentation pertaining to that period. Remuneration to the CEO shall be 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 remuneration may be paid after the end of the measurement period. Or, it may be deferred for later payment. The Board of Directors is entitled to, by law or agreement, fully or partially demand repayment of variable remuneration that has been paid out on incorrect grounds.

Termination of employment

Senior executives shall have permanent employment. In the case of notice of termination, the mutual period of notice for the CEO is six months. In the case of notice of termination of the CEO from the company's side, a severance payment corresponding to 12 month's salary may possibly be awarded. Other earnings are not deducted from the severance pay. In the case of notice of termination from the CEO's side, no severance payment is made. The mutual notice of termination period between the company and other senior executives is six months, without the right to severance pay.

It shall be possible for senior executives to obtain compensation for a non-compete clause that they have signed after termination of their employment. However, this is only allowed if severance pay has simultaneously been awarded during that same period. Such remuneration shall be aimed at compensating 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 pursuits. The compensation may be paid during the period of time that the non-compete clause is in effect. The maximum period of time that it may be paid, however, is for 12 months subsequent to the termination of employment. For more information on remuneration to senior executives, please see Note 9.

Salary and employment terms for employees

The Board of Directors' proposal for these remuneration guidelines has been made after having given consideration to the salary and employment terms for employees of HMS, which has included their total remuneration package, the various components of that package and the rate of increase over time. The reasonableness of the guidelines and the limitations that follow have been based on that.

Decision 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's decisions will be based and making proposals for guidelines on remuneration to senior executives. The Board must make proposals on new guidelines for remuneration every four years and present those proposals for decisions to the AGM. The guidelines shall apply until new guidelines have been adopted by the AGM. The remuner-

ation committee is also required to follow and evaluate the variable remuneration schemes for senior executives, application of the guidelines for remuneration to senior executives and applicable remuneration structures and levels at HMS. Members of the remuneration committee are independent in relation to the company and its senior executives. When the Board considers and makes decisions on remuneration issues, the CEO and other members of the Group management team are not present and do not participate.

Deviation from the guidelines

The Board of Directors may decide on temporary deviations from the guidelines, either in part or fully, if there are special reasons for doing so in individual cases and it has been deemed necessary for meeting the long-term needs (including sustainability) of HMS or for safeguarding the company's economic viability. As stated above, the remuneration committee's tasks include preparing the material upon which the Board's decisions will be based, which includes decisions on deviating from the guidelines.

Future outlook

HMS has a record-large order backlog that is expected to gradually decrease 2023 as customer return to more normal inventory levels when the component shortages improve and lead times shorten. The rate and extent that this happens is difficult to predict but the majority of HMS's customers are prepared to keep maintaining higher inventory levels in order to ensure their delivery capacity.

The willingness of customers to invest in digitalization, productivity improvements and sustainability is high and the underlying demand is assessed as still being good, although there is some concern associated with how industry will be impacted by a weaker consumer purchasing power, higher energy costs and the serious geopolitical situation.

HMS continues pursuing long-term growth based on a balanced view of our costs. Looking more long term, it is expected that the market for Industrial ICT (Information & 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 in Stockholm in the Large Cap segment and Telecommunications sec-

tor. On average, 50,715 (43,953) shares were traded each day. The shares' volume-weighted average price in 2022 was SEK 386.52 (401.97). The total number of shares was at the time of delivery of this annual report 46,818,868, of which 162,880 are held in treasury allotment for the 2019 Share Savings Plan. All shares have the same voting rights

PARENT COMPANY

Information about the business

The Parent Company's activities 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:

Profit brought forward and other non-restricted reserves	441,202
Profit for the year	236,185
SEK 000s	677,387

The Board of Directors proposes the following appropriation of profits:


Distributing dividends to shareholders of SEK 4.00/share*	186,624
Carried forward	490,763
SEK 000s	677,387





* The dividend is calculated on the total number of outstanding shares as of 2023-03-23.

It is the Board's opinion that the proposed dividend would not inhibit the company, or any other company belonging to Group, from meeting its obligations over the short or long term, nor would it prevent the Group from being able to make necessary investments. The proposed dividend is thus justifiable, having considered what is stated in Chapter 17, Chapter 3, sections 2–3 of the Swedish Companies Act (prudence rule).

Risks and risk management

A prerequisite for being able to create long-term value is the ability to understand and manage relevant and significant risks. HMS is impacted both by the overall state of the economy, changes in the currency market, sustainability risks and the geopolitical situation. HMS is also impacted by factors specific to the industry and company. This section describes the most significant risk areas that impact HMS's ability to achieve the set goals, along with its management and control of each risk area. Work with materiality analyses, identification, valuation and risk management is an integral and core component of HMS's control activities.

RISK AREA	MANAGEMENT AND CONTROL	TREND
<p>ECONOMY AND GEOPOLITICAL CHANGE</p> <p>Risk that HMS, which is active in a global market, is negatively impacted by political, legal and macroeconomic conditions. Prevailing inflation levels and risk that price changes have a negative impact on the Group's earnings and position.</p>	<p>Careful monitoring and analysis of factors that could negatively impact the Group. Changes in the economy with inflation and price changes are analyzed and an integral part of strategy work. Over the last year, there has been increased political instability due to increased unrest in the area around Taiwan and China and a continuation of the war in Ukraine, which could affect access to markets and changes in customer behavior, with a negative impact on the Group's sales.</p>	
<p>RELEVANCE AND IMPACT OF PRODUCTS</p> <p>Risk of a negative external impact if HMS is unable to create innovative products for our customers, while consideration is given to minimizing the environmental and social impact of the product's entire life cycle. Additional changes to legislation in the sustainability area could impact product relevance.</p>	<p>Proactive efforts to develop new, relevant products that consider the entire life cycle, with improved environmental and social impact aimed at lowering the risk of external negative impact and consequences of potential additional regulation. Ensure compliance with mandatory requirements. Giving consideration to the resource and energy efficiency of products, along with transports, material composition and waste management. Policy for conflict minerals and Supplier Code of Conduct, which covers requirements on due diligence process and traceability reporting. Screening of product content to ensure compliance with laws and regulations. Implementation of life cycle analyses for selected products.</p>	
<p>SUPPLIERS AND COMPONENTS</p> <p>Risk that delivery delays and component shortages could impact the manufacturing process and delivery to the end customer.</p>	<p>Processes with mitigating measures to reduce the level of risk, which include, among other things, alternative plans of product design and production, more suppliers as alternatives and review of inventory levels of critical components.</p>	
<p>HUMAN RIGHTS</p> <p>Risk of deficient working conditions and respect for, among other things, basic principles in the ILO's core conventions in the HMS value chain.</p>	<p>Guidelines in the HMS Code of Conduct and Supplier Code of Conduct. Policy for conflict minerals and Supplier Code of Conduct covers requirements on due diligence process and traceability reporting. Annual risk inventory on conflict minerals. Follow up via supplier audits.</p>	

RISK AREA	MANAGEMENT AND CONTROL	TREND
<p>CLIMATE IMPACT</p> <p>Negative environmental impact through emissions from production and transport in own operations and value chain.</p>	<p>Ensure compliance with the applicable environmental legislation. Guidelines in the HMS Environmental Policy, Code of Conduct and Supplier Code of Conduct are communicated internally and externally. Management system for systematic environmental work and supplier audits, including environmental requirements. HMS Group goal of a net positive CO₂ footprint by 2025 is core to the work of driving initiatives to reduce emissions.</p>	
<p>BUSINESS ETHICS</p> <p>Varying corruption risk in the different markets where HMS does business. Risk of insufficient compliance with applicable legislation and the HMS values.</p>	<p>Guidelines in the HMS Code of Conduct on business principles for employees and representatives. Training on these guidelines for employees and the Board of Directors. Externally managed whistleblower system for anonymously reporting of irregularities.</p>	
<p>CYBERSECURITY AND IT INFRASTRUCTURE</p> <p>Risk that information in the IT environment is spread to external partners or that disruptions and deviations in critical systems impact the infrastructure of business processes like production, logistics and sales. The risks increase as growth, globalization and acquisitions increase.</p>	<p>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 through internal controls and tests that are run by external partners. Effort is put into continuity planning, globally secure network equipment and server environment as well as clear monitoring and segmentation. Awareness of the risks and more focus on cybersecurity increases the readiness to respond quickly to an attack. When acquisitions are made, much effort goes into ensuring that new devices introduced into the environment are compliant.</p>	
<p>EMPLOYEES - EXPERTISE AND WORK ENVIRONMENT</p> <p>Risk of a negative impact on HMS's growth and development if the Group does not succeed in attracting and maintaining qualified personnel, along with ensuring a good work environment. The work environment and various steps in the work process at HMS can involve risks to our employees' physical and psychosocial health.</p>	<p>Tough competition for qualified labor requires that the Group strengthens its attractiveness as an employer by proactively working with the company culture, work environment, benefits and leadership. Risk mitigation pertaining to the work environment is based on the applicable legislation and guidance, guidelines in the HMS Code of Conduct and specific HR policies. Systematic work environment efforts are carried out in accordance with established methodology. Regular employee surveys and performance reviews. Occupational health services and exercise/wellness benefits are fundamental to creating a healthy workplace.</p>	

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

Consolidated income statement

SEK 000s	Note	2022	2021
Net sales	4	2,506,201	1,971,725
Cost of goods and services sold		-929,580	-741,401
GROSS PROFIT		1,576,621	1,230,324
Selling expenses		-457,420	-372,157
Administrative expenses		-212,492	-174,187
Research and development expenses		-260,625	-234,846
Other operating income	5	33,557	2,135
Other operating expenses	5	-27,091	-5,656
OPERATING PROFIT	6, 7, 8, 9, 10	652,549	445,613
Financial income	11	7,596	11,252
Financial expenses	12	-35,689	-8,277
Net financial items		-28,093	2,975
Share of the profit after tax from associates	32	-1,017	-140
PROFIT BEFORE TAX		623,440	448,448
Income tax	13	-115,653	-86,022
PROFIT FOR THE YEAR		507,787	362,426
Profit attributable to:			
HMS Network AB's shareholders		507,787	354,853
Non-controlling interests		-	7,574
Total		507,787	362,426
Earnings per share, basic, SEK ¹	14	10.89	7.61
Earnings per share, diluted, SEK ¹	14	10.85	7.57
Average number of shares, basic, 000s	14	46,645	46,660
Average number of shares, diluted, 000s	14	46,802	46,859
Paid dividends per share, SEK	15	3.00	2.00

¹ Dividends paid to the Parent Company's shareholders

Consolidated statement of comprehensive income

SEK 000s	Note	2022	2021
Profit for the year		507,787	362,426
Other comprehensive income:			
Items that can later be reclassified to profit and loss			
Cash flow hedges		-7,981	-28,090
Hedging of net investments		-16,323	-3,103
Exchange differences arising from translation of foreign operations		108,035	19,432
Income tax attributable to the items above	13	5,006	6,426
Other comprehensive income for the year, after tax		88,737	-5,335
Total comprehensive income for the year		596,524	357,091
Total comprehensive income for the year attributable to:			
HMS Network AB's shareholders		596,524	349,517
Non-controlling interests		-	7,574
Total		596,524	357,091

Consolidated balance sheet

SEK 000s	Note	2022-12-31	2021-12-31
ASSETS			
Non-current assets			
Intangible assets	16		
Capitalized development work		130,630	127,515
Goodwill		1,119,632	1,034,165
Customer relations and technology platforms		41,863	56,002
Brands		103,036	96,029
Other intangible assets		14,740	1,162
Total intangible assets		1,409,901	1,314,873
Property, plant and equipment	17		
Buildings and land		6,997	6,707
Plant and machinery		16,526	14,241
Equipment, installations and facilities		23,175	23,303
Construction-in-progress		21,975	614
Rights-of-use	17, 18	163,570	81,015
Total property, plant and equipment		232,243	125,880
Financial assets			
Participations in associated companies	32	13,843	14,860
Deferred tax asset	13	21,909	18,584
Derivative instruments	23	151	-
Other long-term receivables	20	14,978	12,252
Total financial assets		50,881	45,696
Total non-current assets		1,693,025	1,486,449

SEK 000s	Note	2022-12-31	2021-12-31
Current assets	20		
Inventories	21	362,044	195,184
Accounts receivable - trade	22	412,114	286,377
Current tax assets		25,424	21,536
Derivative instruments	23	-	553
Other receivables		68,362	22,371
Prepaid expenses and accrued income	24	24,932	18,996
Cash and cash equivalents	25	144,168	172,174
Total current assets		1,037,044	717,191
TOTAL ASSETS		2,730,069	2,203,640

Cont. Consolidated balance sheet

SEK 000s	Note	2022-12-31	2021-12-31
EQUITY AND LIABILITIES			
Equity			
Share capital	26	1,170	1,170
Other contributed capital	26	218,318	218,318
Reserves	26	170,154	81,417
Retained earnings including profit for the year		1,220,066	876,229
Equity attributable to HMS Networks AB's shareholders		1,609,709	1,177,134
Non-controlling interests		-	-
Total equity		1,609,709	1,177,134
Non-current liabilities			
Interest-bearing liabilities	27	114,366	13,165
Non interest-bearing liabilities	28	112,054	417,664
Lease liabilities	18	118,125	49,793
Derivative instruments	23	529	1,330
Deferred tax liability	13	88,999	83,849
Total non-current liabilities		434,073	565,801
Current liabilities			
Interest-bearing liabilities	27	36,301	3,030
Non interest-bearing liabilities	28	20,634	7,426
Lease liabilities	18	42,112	28,364
Accounts payable - trade		242,976	164,638
Current tax liability		97,959	63,121
Derivative instruments	23	14,463	6,083
Other liabilities		50,487	40,532
Accrued expenses and deferred income	29	179,606	146,089
Other provisions	30	1,750	1,422
Total current liabilities		686,288	460,705
TOTAL EQUITY AND LIABILITIES		2,730,069	2,203,640

Consolidated cash flow statement

SEK 000s	Note	2022	2021	SEK 000s	Note	2022	2021
Cash flow from operating activities				Investing activities			
Profit before tax		623,440	448,448	Investments in intangible assets	16	-49,453	-24,143
Adjustment for items not included in cash flow:				Investments in PPE	17	-33,601	-15,041
Depreciation/amortization and impairment		107,872	102,328	Investments in subsidiaries	31	-280,410	-44,620
Share Savings Plan	8	10,218	9,465	Investments in associated companies	32	0	-15,000
Unrealized exchange differences		13,541	1,340	Change in financial assets		-2,506	-1,466
Other provisions		156	-1,308	Sale of property, plant and equipment	42		234
Impairment of inventories		13,162	5,505	Cash flow from investing activities		-365,928	-100,036
Settlement of option liability	5	-26,707	-	Financing activities	35		
Other non-cash items on the income statement		-10,247	3,428	Borrowings		259,712	25,939
Income tax paid		-84,024	-32,941	Loan amortization		-144,953	-199,730
Cash flow from operating activities before changes in working capital		647,411	536,265	Amortization of lease liability	18	-40,549	-35,681
Change in working capital				Repurchase of own shares		-34,240	-18,813
Change in inventories		-166,153	-28,959	Dividends paid to the Parent Company's shareholders	15	-139,928	-93,323
Change in accounts receivables - trade		-84,970	-92,511	Change in other non interest-bearing liabilities		999	746
Change in other current receivables		-46,547	2,669	Cash flow from financing activities		-98,959	-320,862
Change in accounts payable - trade		50,564	57,490	CHANGE IN CASH AND CASH EQUIVALENTS		-33,774	87,588
Change in other current liabilities		30,808	33,532	Cash and cash equivalents at beginning of year	25	172,174	81,544
Cash flow from operating activities		431,113	508,486	Exchange rate differences in cash and cash equivalents		5,768	3,042
				Cash and cash equivalents at year-end	25	144,168	172,174
				Interest paid and received			
				Interest paid		-6,059	-3,481
				Interest received		219	44

Consolidated statement of changes in equity

SEK 000s	Attributable to HMS Network AB' s shareholders							Non-controlling interests	Total equity
	Note	Share capital	Other contributed capital	Reserves	Retained earnings including profit for the year	Total			
Opening balance on 1 January 2021		1,170	218,318	86,752	897,518	1,203,758	16,730	1,220,488	
Total comprehensive income		-	-	-5,335	354,852	349,517	7,574	357,091	
Costs for share-based remuneration		-	-	-	9,465	9,465	-	9,465	
Repurchase of own shares		-	-	-	-18,813	-18,813	-	-18,813	
Transactions with non-controlling interests	33	-	-	-	-273,471	-273,471	-24,304	-297,775	
Dividend	15	-	-	-	-93,323	-93,323	-	-93,323	
Closing balance as of 31 December 2021		1,170	218,318	81,417	876,229	1,177,134	-	1,177,134	
Total comprehensive income		-	-	88,737	507,787	596,524	-	596,524	
Costs for share-based remuneration		-	-	-	10,218	10,218	-	10,218	
Repurchase of own shares		-	-	-	-34,240	-34,240	-	-34,240	
Dividend	15	-	-	-	-139,928	-139,928	-	-139,928	
Closing balance as of 31 December 2022		1,170	218,318	170,154	1,220,066	1,609,709	-	1,609,709	

Parent company's income statement

SEK 000s	Note	2022	2021
Net sales	4	18,986	20,613
GROSS PROFIT		18,986	20,613
Administrative expenses	7, 8, 9,10	-18,986	-20,613
OPERATING PROFIT		-	-
Profit from participation in subsidiaries	34	229,362	422,672
Financial income		8,865	0
Financial expenses		-14	-4
Net financial items		238,212	422,668
PROFIT BEFORE TAX		238,212	422,668
Income tax	13	-2,027	-173
PROFIT FOR THE YEAR		236,185	422,495

Parent company's balance sheet

SEK 000s	Note	2022-12-31	2021-12-31
ASSETS			
Non-current assets			
Financial assets			
Participations in Group companies	36	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		370,617	308,817
Other receivables		242	-
Prepaid expenses and accrued income	24	118	-
Cash and cash equivalents		2,602	2,318
Total current assets		373,579	311,135
TOTAL ASSETS		710,904	648,459

SEK 000s	Note	2022-12-31	2021-12-31
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		343,653	94,924
Share premium reserve		97,549	97,549
Profit for the year		236,185	422,495
Total non-restricted equity		677,387	614,968
Total equity		698,003	635,584
Current liabilities			
Accounts payable - trade		427	184
Current tax liability		496	30
Other liabilities		2,490	3,543
Accrued expenses and deferred income	29	9,487	9,118
Total current liabilities		12,901	12,875
TOTAL EQUITY AND LIABILITIES		710,904	648,459

Parent company's cash flow statement

SEK 000s	Note	2022	2021
Operating activities			
Profit before tax		238,212	422,668
Adjustments for items that do not affect cash flow:			
Dividend received		-229,362	-422,672
Share Savings Plan		402	298
Income tax paid		-1,561	-622
Cash flow from operating activities before change in working capital		7,691	-328
Change in working capital			
Change in other current receivables		167,201	114,711
Change in accounts payable - trade		244	-342
Change in other current liabilities		-684	-1,112
Cash flow from operating activities		174,452	112,929
Financing activities			
Repurchase of own shares		-34,240	-18,813
Dividend paid		-139,928	-93,323
Cash flow from financing activities		-174,168	-112,136
CHANGE IN CASH AND CASH EQUIVALENTS		284	793
Cash and cash equivalents at beginning of year		2,318	1,525
Cash and cash equivalents at year-end		2,602	2,318
Interest paid and received			
Interest paid		14	4
Interest received		8,865	0

Parent company's statement of changes in equity

SEK 000s	Note	Restricted equity		Non-restricted equity			Total
		Share capital	Statutory reserve	Retained earnings	Share premium reserve	Profit for the year	
Opening balance as of 1 January 2021							
		1,170	19,446	174,840	97,549	31,922	324,927
Distribution of profit (loss) from 2020		-	-	31,922	-	-31,922	-
Repurchase of own shares		-	-	-18,813	-	-	-18,813
Costs for share-based remuneration		-	-	298	-	-	298
Dividend (SEK 2.00 per share)	15	-	-	-93,323	-	-	-93,323
Profit for the year		-	-	-	-	422,495	422,495
Closing balance as of 31 December 2021							
		1,170	19,446	94,924	97,549	422,495	635,584
Distribution of profit (loss) from 2021		-	-	422,495	-	-422,495	-
Repurchase of own shares		-	-	-34,240	-	-	-34,240
Costs for 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 31 December 2022							
		1,170	19,446	343,653	97,549	236,185	698,003

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 and its shares are traded on 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 Group and its head office is in Halmstad, Sweden. The head office address is Stationsgatan 37, Halmstad, Sweden. HMS Networks AB (publ.) is the ultimate Parent Company for the Group.

The HMS Group is a market-leading supplier of Industrial Information and Communications Technology (Industrial ICT). HMS develops and manufactures products sold under the Anybus®, Ixat®, 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), Iguialada and Bilbao (Spain), Delft and Rotterdam, (Netherlands) and Sibiu (Romania). Local sales and support are managed by our sales offices in Germany, USA, Japan, China, Singapore, Italy, France, Spain, Netherlands, India, UK, Sweden, South Korea, Australia and United Arab Emirates (UAE), as well as via a wide network of distributors and partners across the globe.

This annual report and the consolidated financial statements were approved for publication by the Board of Directors on 23 March 2023.

Note 2 Summary of important accounting policies

This note describes the important accounting policies that have been applied when preparing these consolidated financial statements, to the extent that they are not described in the notes that follow. However, most of the accounting policies that have been applied are detailed in each of the specific notes that follow. All of the accounting policies presented in this annual report have been consistently applied 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 of the HMS Group have been prepared in accordance with the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups and the

International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRS IC) that have been adopted by the EU.

The annual report has been prepared in accordance with the cost method, except for certain financial assets and liabilities measured at fair value.

The Parent Company's accounting policies

The Parent Company applies the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal *Entities*. RFR 2 amounts to that parent companies, in groups that willingly have chosen to apply IFRS/IAS in their consolidated financial statement, shall, as the main rule, apply the IFRS/IAS that are applied in the Group. Hence, the Parent Company applies the principles that are applied in the consolidated financial statement, with the exceptions accounted for below. The principles have been consistently applied for all presented years, unless otherwise stated.

The Parent Company's revenue consists of Group-wide services that have been provided and invoiced costs.

Shares and participating interests in subsidiaries are accounted for using the historical cost, after deduction of possible impairments. Received dividends are accounted for as financial income. Dividends that exceed the subsidiary's comprehensive income for the period, or implies that the book value of the holding's net value in the consolidated financial statement falls short of the book value of the shares, indicate an impairment need. When there is indication that shares and participating interests in subsidiaries have decreased in value, a calculation of the recovery value is made. If this value is less than the carrying amount an impairment is made. Impairments are presented in section Profit/loss from shares in group and associated companies.

Shareholder's contribution is recognized in the equity of the receiver and as shares and participating interests of the shareholder, if impairments are not required. Group contributions are reported using the so-called alternative rule, according to RFR 2, IAS 27 p.2. The alternative rule means that group contributions, both received and paid, are recognized as appropriations in the income statement.

New standards and amendments

New and amended standards adopted by the Group

Some standards and amendments have been applied for the first time by the Group for the financial year starting on 1 January 2022.

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

A number of new standards, amended standards and interpretations that have been published enter into force for financial years starting after 1 January 2022, but which have not been applied when preparing these financial statements. These new standards, amendments and interpretations are not expected to have a material impact on the Group's financial statements in current or future periods, nor on future transactions.

CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries

Subsidiaries are all companies that are controlled by the Group. The Group has a controlling interest over a company when it is exposed to or entitled to a variable return from its holding in the company and it is able to affect the return via its controlling interest over the company. Subsidiaries are fully consolidated as of the date when the Group obtains a controlling influence. They are no longer consolidated as of the date when the Group no longer has a controlling influence.

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

Intra-Group transactions, balance sheet items and unrealized gains and losses on transactions between Group companies are eliminated. Intra-Group losses could be an indication of impairment that requires recognition in the consolidated financial statements. The accounting policies of subsidiaries have been adapted, where necessary, to ensure consistency with the policies applied by the Group.

Non-controlling interest in subsidiaries' earnings and equity are presented separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and the balance sheet.

Associated companies

Associated companies are all the companies in which the Group has a significant but not controlling influence, which generally applies to shareholdings that comprise between 20-50% of the votes.

Holdings in associated companies are reported according to the equity method. According to this method, holdings in associated companies are initially reported in the consolidated balance sheet at the cost of acquisition. The carrying amount is thereafter increased

or decreased so that it includes the Group's share of the associated company's profit or loss after the acquisition date. The Group's share of associated companies' profit after tax is reported in the consolidated income statement as "Share of the profit after tax from associates". Dividends from associated companies are reported as a decrease in the investment's carrying amount.

When the Group's share of the losses in an associated company is equal to, or does not exceed, the holding in that associated company (including all non-current receivables that in reality are actually part of the Group's net investment in that associated company), the Group will not recognize any additional losses as long as the Group has not assumed obligations or made payments on behalf of the associated company.

Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's holdings in associated companies. Unrealized losses are also eliminated unless the transaction is an indication of impairment of the asset that has been transferred. The accounting policies for associated companies have been adjusted, where necessary, to ensure that they are consistent with the Group's accounting policies.

Changes in the ownership share of a subsidiary without a change in controlling influence

Transactions with non-controlling interests that do not lead to loss of control are reported as equity transactions, i.e. as transactions with the owners in their role as owners. A change in ownership interest is reported via an adjustment to the carrying amount of the holdings with and without a controlling influence so that they reflect the changes in their relative holdings in the subsidiary. For acquisitions from holders without a controlling interest, the difference between the fair value of paid consideration and the actual acquired share of the carrying amount of the subsidiary's net assets is reported in equity. Gains and losses on disposals to holders without a controlling influence are also reported in equity.

When there are options to acquire the remaining shares of a company and when they are likely to be utilized, those acquisitions will be reported as if they were wholly-owned, without minority. Instead, a financial liability is reported in the consolidated balance sheet corresponding to the discounted anticipated exercise price of these options. Doing so eliminates the share without controlling influence that is attributable to the option. The anticipated consideration for the remaining ownership share is reported as a financial

liability in accordance with the rules of IAS 32/IFRS 9 and any future value changes are reported in the consolidated income statement.

When the Group no longer has a controlling interest, each remaining holding is measured at fair value as of the point in time when the loss of control occurred. The change in carrying amount is reported in the income statement. Fair value is used as the first reported value and provides the basis for future reporting of the remaining holding as an associated company, joint venture or financial asset. All amounts concerning the divested unit that were previously reported in other comprehensive income are reported as if the Group had directly divested the attributable assets or liabilities. This could mean that amounts previously recognized in other comprehensive income are reclassified and recognized in profit or loss instead.

If the ownership share in an associated company declines, but there is still a controlling influence, only a proportionate share of the amount that had previously been reported in other comprehensive income will be reclassified to profit or loss (in those cases where relevant).

SEGMENT REPORTING

Segment disclosures must be presented from the management's perspective, i.e. in the same way that they are presented for internal reporting purposes. The point of departure for identifying reportable segments is the internal reporting used by the highest-ranking executive decision-maker. Management has analyzed the internal reporting and concluded that the Group's highest-ranking executive decision-maker, the Group management team, regularly analyses the sales reports, quality reports, consolidated income statement and cash flow statement. This reporting is based on the fact that the common technology platform, development process, manufacturing process, market strategy and the shared sales resources do not create any need for further segmentation of the business. Therefore, there is no follow-up on the profit of any particular segment of the business.

TRANSLATION OF FOREIGN CURRENCY Functional currency and reporting currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (i.e. the functional currency). The consolidated financial statements are presented in

Swedish kronor (SEK), which is the Parent Company's functional currency and the Group's reporting currency.

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 when items were remeasured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of closing day rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. However, this does not apply to transactions that fulfill the requirements for hedge accounting of cash flows or net investments. Such gains or losses are recognized in other comprehensive income.

Foreign exchange gains and losses attributable to loans and cash equivalents are reported in the income statement as financial revenue or financial expenses. Exchange profits and losses attributable to the sale of products and services are reported in the income statement as net sales. Exchange profits and losses attributable to the purchasing of raw materials and products are reported in the income statement as cost of goods sold. Other foreign exchange gains and losses are reported in the income statement as 'Other operating income' and 'Other operating expenses' respectively.

Group companies

The profit or loss and financial position of all Group entities (none of which has the functional currency of a hyperinflationary economy) that have a different functional currency than their reporting currency, are translated into the Group's reporting currency as follows:

- a) assets and liabilities for each balance sheet are translated at the closing rate;
- b) income and expenses for each income statement are translated at the average exchange rate, and
- c) all resulting exchange differences are recognized in other comprehensive income.

Recognized in the consolidated financial statement (in other comprehensive income), are exchange rate differences attributable to the translation of a net investment in a foreign operation, along with exchange rate differences attributable to loans or other financial instruments designated as hedges for such investments.

Accumulated gains and losses in equity are recognized in profit or loss when foreign operations are sold, either entirely or in part.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTE 3 Important estimates and assessments for accounting purposes

The Group makes estimates and assumptions about the future. The estimates for accounting purposes that result from these could deviate from the actual result. Management also makes estimates when applying the Group's accounting policies.

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

- Reporting of deferred tax assets on loss carry forwards and 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
- Reporting of leases - Note 18 Leases
- Inventory obsolescence - Note 21 Inventory
- Reporting of liability for options and contingent consideration - Note 28 Non-interest bearing liabilities

NOTE 4 Revenue

ACCOUNTING POLICIES

REVENUE FROM PRODUCTS

The revenue from product sales is recognized at the point in time when control over the product is transferred to the customer. In most cases, this occurs when the product has been delivered to the customer and ownership rights have been transferred. The revenue is valued based on the remuneration specified in the agreement with the customer. Product sales amount to approximately 95 percent of the Group's total sales.

REVENUE FROM SERVICES

In 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 sales price at the start of the contract based on observable prices for the same type of products to be delivered and services that will be performed under similar conditions for similar customers.

For fixed-price contracts revenue recognition is based on the percentage of the total agreed service that was delivered during the financial year. Revenue is recognized based on the percentage of completion as of the closing date. For fixed-price agreements, the customer pays the agreed price at the agreed payment due dates. If the services that the Group delivered exceed the payment, a contract asset is recognized. If the payments exceed the delivered services, a contract liability is recognized. Estimates that are made concerning revenue, expenses or percentage of completion for a project are revised if the conditions or circumstances change. Increases or decreases in assessed revenue or expenses that are due to a revised estimate are recognized in profit or loss in the period when the Group management team became aware of the circumstances giving rise to the revised estimate.

If the agreement is based on price per hour or price for material, revenue is recognized to the extent that the Group is entitled to invoice the customer.

Licenses

Licenses of software are deemed to be separate performance obligations in cases where they are not an integral part of the product and essential to its function. Licenses that are identified as separate performance obligations are either "right to use", which means that the revenue for the licenses is recognized at a specific point in time, i.e. when the customer gains control over the software, or as "right to access" for which revenue is recognized over time. "Right to use" means that the customer is entitled to use an intellectual property right as designed at a certain point in time. "Right to access" means that the customer is entitled to use an intellectual property right as designed throughout the license period. To identify a license as "right to access", the licensor must run activities that have a significant impact on the intellectual property right, the right must expose the customer

to the effects of these activities and the activities may not consist of a separate good or service.

Cloud services

In agreements with customers, cloud services may also be included, which are separated from the products. The service is then reported as a separate performance obligation. Revenue from the delivered services is recognized over time, in the period when the services are provided. If it is not possible to separate the service from the product, the entire performance obligation will then be recognized over time at the rate that performance is fulfilled.

Development services

Revenue from the delivered development services is recognized in the period that the services were provided in cases where the Group does not have any alternative use for the work and is entitled to payment for work provided at any given time. If the Group is not entitled to payment for the work that was provided at any given time, revenue is then recognized at a specific point in time, i.e. when the customer obtains control over the service. The assessment is made for each contract, individually. In cases where the Group is entitled to payment for work provided at any given time, revenue is recognized over time. Most revenue from development services is recognized over time.

Categorization of revenue from contracts with customers

The Group sells products and services primarily in ten countries, as shown in the following table. For information about the Group's segments, see Note 2. Categorization is based on the country that a product or service is delivered to.

Net sales per country	The Group		Parent Company	
	2022	2021	2022	2021
Germany	552,637	427,001	-	-
USA	361,536	345,122	-	-
Japan	190,357	139,263	-	-
France	175,700	124,364	-	-
China	155,326	113,382	-	-
Italy	128,300	106,368	-	-
Sweden	101,300	75,604	18,986	20,613
UK	88,531	79,407	-	-
The Netherlands	83,486	80,996	-	-
Spain	72,661	49,593	-	-
Other countries ¹	596,368	430,625	-	-
	2,506,201	1,971,724	18,986	20,613

¹ No single country represents more than SEK 50 thousand.

The Parent company's net sales amounted to SEK 18,986 (20,613) thousand, of which 100 percent were sales to Group companies. Purchases from Group companies amounted to SEK 0 (0) thousand.

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®. The breakdown of net sales by brand is shown in the following table.

Net sales per brand	2022	2021
Anybus	1,231,805	913,400
Ewon	474,647	379,489
Ixxat	234,393	191,937
Intesis	177,554	133,378
Other ¹	387,802	353,520
Total	2,506,201	1,971,724

¹ The item Other also includes net sales from Procentec and Owasy.

Contract assets and liabilities

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

	December 31, 2022	December 31, 2021
Current contract assets attributable to development services.	1,089	3,465
Total contract assets	1,089	3,469
Contract liabilities – license and service agreements	17,988	13,759
Total current contract liabilities	17,988	13,759

There has not been any loss reserve recognized for contract assets.

Remaining development agreements

The table shows the performance obligations that are unfulfilled on development agreements at a fixed price.

	December 31, 2022	December 31, 2021
The total amount of the transaction price that was allocated to development agreements that are unfulfilled or partially unfulfilled as of December 31	3,639	3,652

Management expects that 100 percent of the transaction price that has been allocated to unfulfilled contracts as of 31 December 2022 will be recognized as revenue during the next financial year.

All other contracts for development services have an original expected duration of at most 1 year or they are invoiced based on the time spent. In accordance with what is stated in IFRS 15, disclosures have not been provided on the transaction price for these unfulfilled obligations.

NOTE 5 Other operating income and expenses

Other operating income	2022	2021
Settlement of option liability ¹	26,707	-
Exchange rate differences	6,804	1,281
Other operating income	46	854
Total	33,557	2,135

Other operating expenses	2022	2021
Exchange rate differences	-26,188	-5,656
Other operating expenses	-903	0
Total	-27,091	-5,656

¹ Pertains to Procentec B.V.

NOTE 6 Categorization by type of cost

	2022	2021
Cost of purchasing and handling materials	789,591	619,996
Costs for remuneration to employees (Note 8)	695,661	613,574
Depreciation, amortization and impairment (Note 16, 17)	107,575	102,328
Marketing costs	31,496	21,453
Freight costs	13,164	12,307
Other external costs	252,487	175,897
Capitalized development costs (Note 16)	-29,857	-22,964
Total costs for goods sold, sales administration, research and development	1,860,118	1,522,591

NOTE 7 Remuneration to auditors

Remuneration to auditors	The Group		Parent Company	
	2022	2021	2022	2021
PwC				
Audit assignment ¹	2,012	1,860	1,698	1,496
<i>of which PwC Sweden</i>	1,698	1,496	1,698	1,496
Audit activities other than the audit assignment	23	23	23	23
<i>of which PwC Sweden</i>	23	23	23	23
Tax advice	-	-	-	-
<i>of which PwC Sweden</i>	-	-	-	-
Other services	-	-	-	-
<i>of which PwC Sweden</i>	-	-	-	-
ARK Alliance LLP				
Audit assignment ¹	44	-	-	-
Cabrera Auditores				
Audit assignment ¹	150	140	-	-
IRT Auditores				
Audit assignment ¹	57	-	-	-
Michael Harwood & Co				
Audit assignment ¹	55	-	-	-
Total cost for remuneration to auditors	2,341	2,023	1,720	1,519

¹ The audit assignment is the fee for conducting the statutory audit, i.e. work necessary for providing an audit report, and any audit advice provided in connection with the audit engagement.

NOTE 8 Remuneration to employees

ACCOUNTING POLICIES

Liabilities for wages and salaries, including non-monetary benefits and compensated absences that are expected to be settled within 12 months after the fiscal year-end, are recognized as current liabilities at the undiscounted amount that is expected to be paid when the liabilities are settled. The expense is recognized at the rate that employees perform the services. Liabilities for long-term paid absence that are not expected to be regulated in full within 12 months after the end of the reporting period in which the employees perform the services that are eligible for compensation are reported as long-term liabilities.

Share-based remuneration

The Group's incentive program aims to facilitate recruitment and stimulate long-term commitment from employees regarding the Group's profit and business development.

During 2022, all permanent employees of the HMS Group were offered the opportunity to participate in a Share Savings Plan, where payment is made in shares and where the Group receives services from employees as consideration for the Group's own equity instruments.

Fair value for the services that entitle employees to allotment of shares are expensed in the income statement as personnel costs, 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 allocated shares, which is established on the date they are allocated. Non-market vesting conditions are included in assumptions about the number of shares expected to vest. The total expense is recognized over the vesting period, which is the period during which all the specified vesting conditions are to be fulfilled.

The fair value per share is determined according to the share price on the first trading day during the first year when a new program starts and the shares are acquired. At the end of each reporting period, the Group revises its estimates of the number of shares expected to vest based on the non-market vesting conditions. Any deviation from the original assessments that are discovered during the reassessment, are recognized in the income statement with a corresponding adjustment to equity.

	The Group		Parent Company	
	2022	2021	2022	2021
Salaries and other remuneration ¹	543,646	471,573	7,166	7,273
Social security contributions	120,615	112,906	2,514	2,569
Pension costs	31,400	29,095	1,082	1,169
Total	695,661	613,574	10,762	11,012

¹ Salaries in the parent company pertain to the CEO and Board of Directors.

	2022			2021		
	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	28,583	6,929 (2,384)		23,260	4,840 (1,408)	
Other employees	515,063	145,086 (29,016)		448,313	137,161 (27,687)	
The Group, total	543,646	152,015 (31,400)		471,573	142,001 (29,095)	

	2022			2021		
	Average no. of employees	Women	Men	Total	Women	Men
Sweden	75	159	234	58	157	215
Germany	35	115	150	37	114	151
Spain	20	67	87	15	51	66
Belgium	15	47	62	12	54	66
USA	12	37	49	11	36	47
The Netherlands	10	38	48	14	40	54
Japan	5	16	21	4	16	20
China	6	11	17	5	8	13
UK	4	10	14	3	8	11
Romania	6	7	13	6	10	16
Other countries	7	24	31	4	21	25
The Group, total	195	531	726	169	515	684

CONT. NOTE 8 Remuneration to employees

CONT. ACCOUNTING POLICIES

Social security contributions that arise from the allocation of shares are regarded as an integral part of the allocation and the cost is treated as a cash-settled share-based compensation, which means that social security contributions are calculated based on the fair value of the shares at each reporting date.

Share-based remuneration

To promote long-term ownership commitment among employees, it is the Board's intention to present a proposal for a Share Savings Plan each year to the AGM. Ever since 2012, the AGMs have decided to offer a Share Savings Plan that would be open to all permanent employees of the HMS Group.

In brief, each Share Savings Plan works as follows: employees who choose to participate in the plan must make an initial investment in HMS shares during the investment period (1 January – 31 December of year 1). The shares must then be held during the qualification period (years 2-4). Then, during spring of year 5, they are distributed, free-of-charge, a maximum of two additional shares for each invested share. During the period 2013-2018, the Share Savings plan has consisted of both matching shares, which were issued in equal numbers as the amount of shares saved and performance shares, based on achievement of financial targets. As of 2019, the plan consists only of performance shares. However, no changes have been made to the possible outcome of distributing a maximum of two additional shares for each invested share. Employees who participate in the plan must set aside at least 1% of their annual gross salary and at most 3%, except for a few key employees, who may set aside up to 6% of their gross salary for the purpose of saving shares during the investment period.

For all of the plans, a requirement on receiving performance shares is, besides the requirements on employment and holding, that HMS achieves certain financial targets on profit per share during the qualification period. The financial targets are based on average annual growth for the Group's profit per share, calculated in accordance with CAGR (Compound Annual Growth Rate) during the qualification period. Performance shares are awarded on a straight-line basis in the interval between 0-20% and maximum allocation occurs if there is a higher profit per share during the qualification period than 20% CAGR. Maximum outcome means that two perfor-

Gender distribution of the Group (incl. subsidiaries) for Board members and President/CEOs and senior executives	2022			2021		
	Women	Men	Total	Women	Men	Total
Board members, President/CEOs and senior executives	3	15	18	2	17	19
The Group, total	3	15	18	2	17	19

Ongoing Share Savings Plan				
Investment year (AGM decision)	Share of participating employees	Number saved of shares	Total number allocated	Fair value
2019 (2018)	46%	(concluded)	46,440	125.80
2020 (2019)	41%	24,921	-	178.00
2021 (2020)	51%	13,766	-	274.50
2022 (2021)	53%	19,787	-	557.00
2023 (2022)	56%	(not yet started)	-	557.00

mance shares would be issued as of the 2019 plan. A prerequisite for allocation of performance shares is that average growth for the year must be positive.

In order to ensure allocation of shares in accordance with the Share Savings Plans, the AGM decided to acquire own shares for all plans.

The Group's costs for the Share Savings Plan are reported in accordance with IFRS 2 Share-based payment (see also the description under accounting policies).

Shares held in treasury related to share-based compensation			
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 ¹	33,000	-46,440	162,880

¹ Calculated on the total number of outstanding shares as of 2023-03-23.

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

Remuneration to the Board and senior executives

Remuneration to the Chairman and Board members is in accordance with the general meeting of shareholders' decision. Board fees do not pertain to employee representatives.

Remuneration to the CEO and other senior executives is comprised of basic salary, variable remuneration, other benefits and pension. In the context of this note, other senior executives are the five members of the Group management team that also includes the CEO. During the last eight months of 2021 there were 4 people in the category of other senior executives. For the first four months of 2021 and all of 2022, there were 5 people in this category. For details on the composition of the Group management team, please see page 40.

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 remuneration shall be one year and annual variable cash remuneration may amount to no more than 50 percent of the fixed cash salary. In addition to annual variable cash compensation, senior executives must be able to receive a long-term variable cash bonus (LTI bonus) amounting to a maximum of 50 percent of the fixed cash salary as of the last year of the measurement period. The LTI bonus must be based on achieved financial and operational goals, linked to, for example, growth and operating results, after a multi-year measurement period of three to five years. The distribution between basic salary and variable remuneration shall be proportionate to the executive's responsibilities and authority.

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

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

For details of how the bonus is calculated, see below.

At the AGM on 21 April 2022 Charlotte Brogren was re-elected as Chairman of the Board. In addition, Fredrik Hansson, Anders Mörck, Cecilia Wachtmeister, and Niklas Edling were reelected as Directors. Anna Kleine was newly elected as a Director. Since the AGM of 21 April 2022, the Board has held 10 minuted meetings up

to the adoption of this annual report. It expects to have one additional meeting prior to the AGM on 25 April 2023.

Variable remuneration

Variable remuneration for the CEO and other senior executives is based primarily on growth along with profitability goals set by the Board. In addition to that, other personal goals may be established. For 2022, variable remuneration for the CEO corresponded to 39 percent (50%) of basic salary and for other senior executives it was 32 percent (37%).

Defined benefit/Defined contribution pension plans

The Group has both defined benefit and defined contribution pension plans. See Note 10. Pension costs are costs that affect profit (loss) for the year.

Severance pay

The notification period for termination of employment of the CEO is 6 months for both sides. If the company initiates dismissal, severance pay amounting to 12 months' salary in addition to regular salary will be paid. In the case of notice of termination from the CEO's side, no severance payment is made.

The notification period for termination of employment of the other senior executives is 6 months for both sides.

Decisions on remuneration

During the year, the remuneration committee submitted a proposal to the Board on principles for remuneration to senior executives. The proposal specifies proportions between fixed and variable remuneration and the size of possible 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 assesses the feasibility of, in certain cases, giving remuneration to other Board members who provide consulting services to the Group.

The Board discussed the remuneration committee's proposal and reached a decision based on the recommendations. Remuneration to the CEO for the 2022 financial year was decided by the Board based on the recommendations of the remuneration committee. Remuneration for other senior executives was decided by the CEO after consultation with the remuneration committee.

The remuneration committee consists of the Chairman of the Board and one other appointed Board member who is appointed by the Board.

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

Remuneration and other benefits 2022	Salary/ Board fees	Variable remuneration	Pension expenses	Share-based remuneration	Total	Board attendance
Chairman 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, Board	2,190	-	-	-	2,190	
CEO Staffan Dahlström	3,620	1,356	1,082	323	6,381	
Other senior executives ¹ (5)	9,898	3,043	3,731	402	17,074	
Total	15,708	4,399	4,813	725	25,644	

Remuneration and other benefits 2021	Salary/ Board fees	Variable remuneration	Pension expenses	Share-based remuneration	Total	Board attendance
Chairman of the Board, Charlotte Brogren	583	-	-	-	583	100%
Board member, Niklas Edling	242	-	-	-	242	100%
Board member, Cecilia Wachtmeister	242	-	-	-	242	100%
Board member, Fredrik Hansson	292	-	-	-	292	100%
Board member, Anders Mörck	342	-	-	-	342	100%
Board member, Ulf Södergren	242	-	-	-	242	100%
Total, Board	1,942	-	-	-	1,942	
CEO Staffan Dahlström	3,603	1,646	1,169	261	6,679	
Other senior executives ² (5)	8,077	2,781	2,494	207	13,559	
Total	13,621	4,427	3,664	469	22,180	

¹ Pertains to others in the Group management team.

² Pertains to others in the Group management team. During the last eight months of 2021 there were 4 people in the category of other senior executives.

NOTE 10 Pension obligations

ACCOUNTING POLICIES

The Group companies have various plans for post-employment benefits, defined benefit and defined contribution pensions. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

Some of the pension obligations for salaried employees in Sweden are secured through insurance with Alecta and Skandia, which are defined benefit plans covering a number of employers. For the 2022 financial year, the company has not had access to sufficient information to enable it to report these plans as defined benefit plans. The pension commitments are thus reported as a defined contribution plans.

Otherwise, for foreign entities, pension obligations are classified as defined contribution plans.

For defined contribution 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 employee benefit expense when they fall due for payment.

Pension benefits

Most employees in the Group have a premium-based pension solution and in Sweden, it follows the ITP 1 plan. Other employees in Sweden have the ITP 2 plan, which is a defined benefit pension plan. The premium is individually calculated and based on such things as salary, previously earned pension and expected remaining period of service. In Belgium, the Group has a defined benefit pension obligation that amounts to SEK 12,319 (10,217) thousand, see Note 27. The year's fees for pension premiums amounted to SEK 31,400 (29,095) thousand.

NOTE 11 Financial income

	2022	2021
Interest income	219	44
Exchange rate differences	4,104	9,279
Other items	3,273	1,930
Total	7,596	11,252

NOTE 12 Financial expenses

	2022	2021
Interest expenses on bank loans	-3,091	-1,630
Interest expenses on lease agreements	-2,968	-1,851
Bank expenses	-988	-2,372
Exchange rate differences	-27,581	-1,823
Other items	-1,061	-601
Total	-35,689	-8,277

NOTE 13 Income tax and deferred tax

ACCOUNTING POLICIES

Tax expense for the period is comprised of current tax calculated on net taxable income for the period using the current tax rates. Current tax expense is then adjusted by changes in deferred tax assets and tax liabilities attributable to temporary differences and unutilized loss carryforwards.

Current tax expense is calculated using the tax regulations that have been decided or announced at year-end in the countries where the Parent Company and its subsidiaries have operations and generate taxable income.

Deferred tax is reported in the consolidated financial statements on all differences arising between the tax base and the carrying amounts of assets and liabilities (temporary differences). However, a deferred tax liability is not reported if it arises in conjunction with the initial recognition of goodwill. Furthermore, deferred tax is not recognized if it arises from a transaction associated with the initial recognition of an asset or liability that is not a business combination and which, at the time of the transaction, has no effect on either reported profit or taxable profit.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxes attributable to temporary differences associated with investments in subsidiaries and associated companies are recognized only to the extent that the Parent Company is able to control the reversal of the temporary differences and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legal right to settle the current tax assets and tax liabilities on a net basis and the tax liabilities relate to taxes levied by the same taxation authority and relate to either the same taxable entity or different taxable entities that intend to realize the asset and settle the liability at the same time.

Current and deferred tax is recognized in the income statement, except when the tax relates to items reported in other comprehensive income or directly in equity. In such cases the tax is also recognized in other comprehensive income and equity respectively.

Investment deductions and other similar tax incentives

Group companies may be entitled to special tax relief for investments in certain qualifying assets or attributable to qualifying expenses (for example, tax incentive plan for research and development or other investment deductions). Such tax deductions are reported in the Group as a reduction of the current tax liability and current tax expense. A deferred tax asset is reported for tax relief that has not yet been declared.

CONT. NOTE 13 Income tax and deferred tax

IMPORTANT ESTIMATES AND ASSESSMENTS

Included in the deferred tax assets is tax on loss carryforward of SEK 1,229 thousand for HMS Technology Center Wetzlar GmbH and tax reductions of SEK 17,843 thousand for Owasys Advanced Wireless S.L. attributable to the company's investments in research and development. The Group has assessed that the loss carryforwards and tax reductions will be able to be used against future taxable profit. The assessment is based on a business plan and budget that has been decided for each subsidiary and that both subsidiaries are reporting a surplus in 2022. The loss carryforwards and tax reductions can be rolled forward and they do not have any expiration date.

	The Group		Parent Company	
	2022	2021	2022	2021
Current tax	-110,247	-79,027	-2,027	-173
Deferred tax	-5,406	-6,995	-	-
Total tax	-115,653	-86,022	-2,027	-173

The following shows how income tax on the Group's profit before tax differs from the theoretical amounts that would have arisen if the weighted average tax rate had been applied to the profit of consolidated companies:

	The Group		Parent Company	
	2022	2021	2022	2021
Profit before tax	623,440	448,448	238,212	422,668
Tax calculated using the Swedish tax rate 20.6%	-128,429	-92,380	-49,072	-87,070
Tax effect for items that are not deductible/not taxable	26,376	12,272	47,045	86,891
Adjustment relating to prior years	1,312	2,866	-	5
Difference in foreign tax rates	-12,587	-9,056	-	-
Tax effect of loss carry-forward where tax asset has not been recognized	-2,325	-2,847	-	-
Prior non-reported loss carryforwards that have been utilized to lower the current tax expense	-	3,122	-	-
Tax expense	-115,653	-86,022	-2,027	-173
Weighted average tax rate	18.6%	19.2%		

Income tax relating to components of other comprehensive income for the Group amounted to, for cash flow hedges SEK 1,644 (5,787) thousand and for hedging of net investments to SEK 3,362 (639) thousand.

Gross changes regarding deferred tax assets and liabilities are reported as follows:

Deferred tax assets	Inventories	Currency hedging	Leases	Loss carry forwards and tax reductions	Pensions	Other	Total
As of 1 January 2021	6,499	-	423	1,881	1,606	2,849	13,259
Reclassification to/from deferred tax liabilities	-	-2,718	-56	-	-	-	-2,774
Reported in income statement	-3,637	2,504	97	-389	911	2,118	-900
Reported in other comprehensive income	-	3,922	-	-	-	-	6,426
Added via acquisition	-	-	-	16,337	-	-	16,337
Exchange rate differences	2	-	15	93	37	-	147
As of 31 December 2021	2,864	3,708	478	17,922	2,554	4,967	32,495
Reclassification to/from deferred tax liabilities	-	-	-53	-	-	-	-53
Reported in income statement	4,634	-	957	-410	287	272	5,740
Reported in other comprehensive income	-	5,006	-	-	-	-	5,006
Exchange rate differences	35	-	72	1,561	239	34	1,940
As of 31 December 2022	7,533	8,714	1,455	19,073	3,080	5,273	45,128

Deferred tax liabilities	Inventories	Currency hedging	Leases	Tax allocation reserves	Property, plant and equipment and intangible assets	Other	Total
As of 1 January 2021	0	2,718	1,186	22,081	63,404	425	89,814
Reclassification to/from deferred tax assets	-	-2,718	-56	-	-	-	-2,774
Reported in income statement	0	-	693	10,815	-5,426	12	6,095
Added via acquisition	-	-	-	-	3,849	-	3,849
Exchange rate differences	0	-	27	-	736	13	776
As of 31 December 2021	0	-	1,850	32,896	62,563	451	97,760
Reclassification to/from deferred tax assets	-	-	-53	-	-	-	-53
Reported in income statement	0	-	648	14,482	-4,031	47	11,146
Change in tax rate	-	-	-	-206	-	-	-206
Exchange rate differences	0	-	189	-	3,334	49	3,571
As of 31 December 2022	-	-	2,633	47,172	61,866	547	112,218

NOTE 14 Earnings per share

Earnings per share is calculated by dividing the amount of profit reported in the income statement that is attributable to the parent company's shareholders by the weighted average number of outstanding ordinary shares during the period.

Earnings per share, basic and diluted	2022	2021
Profit attributable to parent company shareholders	507,787	354,853
Weighted average number of outstanding ordinary shares (thousands)	46,645	46,660
Earnings per share, basic (SEK per share)	10.89	7.61
Earnings per share, diluted (SEK per share)	10.85	7.57

Average number of shares, basic and diluted (thousands)	2022	2021
Average number of shares used to calculate earnings per share, basic	46,645	46,660
Adjustment for calculation of earnings per share, diluted:		
Shares in Share Savings Plans	157	199
Average number of shares, diluted	46,802	46,859

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

In 2022, the dividend paid was SEK 139,928 thousand (SEK 3.00 per share). In 2021, the dividend paid was SEK 93,323 thousand (SEK 2.00 per share).

At the AGM on 25 April 2023 a proposal will be made to distribute SEK 186,624 thousand¹, as dividends for the 2022 financial year, which corresponds to SEK 4.00 per share. The proposed dividend has not been reported as a liability in these financial statements.

The following profits are at the disposal of the AGM:	
Profit brought forward and other non-restricted reserves	441,202
Profit for the year	236,185
Total profits	677,387

The Board of Directors proposes the following appropriation of profits:	
Distributing dividends to shareholders of SEK 4.00/share ¹	186,624
Carried forward	490,763
Total	677,387

¹ The dividend is calculated on the total number of outstanding shares as of 2023-03-23.

NOTE 16 Intangible assets

ACCOUNTING POLICIES

Intangible assets are recognized at historical cost less accumulated amortization and any impairment. Brands, customer relations and technology platforms acquired via business combinations are recognized at fair value on the acquisition date. Amortization is on a straight-line basis and it is based on the estimated useful life of the assets, starting with when the asset is ready for use. The useful life is determined based on historical experience of the use of similar assets, the area of use and other specific characteristics of the asset. Goodwill resulting from business combinations is included in intangible assets.

Useful life periods are specified below:

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

Capitalized development work

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

The development of new product platforms is capitalized during the development phase. Maintenance of software and expansions of existing products and product lines are treated as adjustments of the core product and are not capitalized. Projects in the development phase are not capitalized. Development costs that were previously expensed are not capitalized as assets in later periods. Advances attributable to external development are reported as intangible assets provided that 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 asset's fair value less selling expenses or its value-in-use, whichever is higher. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are essentially independent cash flows (cash generating units). At each reporting date, an assessment is made regarding possible reversal of impairment loss on assets that have previously become impaired. Capitalized development work is tested annually for impairment before it is ready to be put into use.

Goodwill and other assets with an indefinite useful life are tested for impairment on an annual basis and whenever there is an indication that the asset has become impaired, in accordance with IAS 36. For the purpose of impairment testing, goodwill that was acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the acquisition. Each unit or group of units to which goodwill has been allocated correspond to the lowest level in the Group at which the goodwill is monitored as part of internal governance.

Impairment of assets subject to IAS 36 application area is reversed if there is an indication that the write-down requirement no longer exists and there has been a change in the assumptions upon which the calculation of recoverable amount was made. Impairment of goodwill is never reversed, however. A reversal of impairment losses is only made to the extent that the asset's carrying amount after the reversal does not exceed the value that would have been reported, with deduction for any amortization, if the impairment loss had not been recognized.

The recoverable amount for the cash generating units has been based on their value-in-use. This has included estimates for growth, profit margin, tied-up capital, investment requirement and risk premium. The principles behind these assumptions were unchanged compared with the previous year. Financial forecasts are based on the company's budget for the coming year and its five-year financial plan and historic performance. Estimates of future cash flows are based on the asset's existing structure and

discounted to present value using an appropriate discount rate. Acquisitions are not included. The weighted average cost of capital before tax amounts to 11.5% (11.2%) for Integrated units, 13.5% (13.0%) for Procentec and 13.2% (12.7%) for Owasys. Cash flow was extrapolated using an assumed annual growth rate of 2.0% (2.0%).

IMPORTANT ESTIMATES AND ASSESSMENTS

Each year, the Group tests goodwill and brands with an indefinite useful life for impairment, in accordance with the accounting policy on this. The recoverable amount for the Group's cash generating units has been established via a calculation of the value-in-use. Certain estimates are required in order to do that, which are described in this note. It has been assessed that no write-down requirement exists, since the recoverable amount at year end exceeded the carrying amounts with a good margin. The management team has concluded that no reasonably significant adjustments to the significant assumptions that were made when testing for impairment would result in the recoverable amounts falling below the carrying amounts of goodwill and brands with an indefinite useful life.

The company capitalizes expenditure associated with the development of identifiable and unique integrated circuits when the criteria described in the section "Capitalized development work" in the accounting policies above have been fulfilled and when the expenditure is expected to be compensated by future revenue that exceeds the amount of the expenditure. Four times per year, the Group determines whether its products, for which a carrying amount has been recorded, are in the process of being sold, or are expected to be sold. The Group records impairment loss on products for which the future economic benefits are expected to be less than the carrying amount. In 2022, this impairment testing resulted in a write-down of SEK 7,126 (8,524) thousand.

CONT. NOTE 16 Intangible assets

	Capitalized development work	Goodwill	Customers, technology platforms	Brands	Other	Total
As of 1 January 2020						
Cost	343,129	873,551	131,975	88,496	246	1,437,150
Accumulated amortization and impairment/ exchange rate effects	-213,161	28,418	-79,153	7,093	-246	-256,803
Carrying amount	129,968	901,969	52,822	95,589	-	1,180,348
Financial year 2021						
Opening carrying amount	129,968	901,969	52,822	95,589	-	1,180,348
Investments	22,964	-	-	-	1,179	24,143
Acquisition of subsidiaries	6,695	119,354	24,005	-	-	150,054
Exchange rate differences	423	12,843	905	1,769	1	15,940
Impairment	-8,524	-	-	-	-	-8,524
Depreciation/amortization	-24,010	-	-21,729	-1,328	-18	-47,086
Closing carrying amount	127,515	1,034,165	56,002	96,026	1,162	1,314,873
As of 31 December 2021						
Cost	372,788	992,905	155,980	88,496	1,425	1,611,593
Accumulated amortization and impairment/ exchange rate effects	-245,272	41,260	-99,978	7,533	-263	-296,719
Carrying amount	127,515	1,034,165	56,002	96,029	1,162	1,314,873
Financial year 2022						
Opening carrying amount	127,515	1,034,165	56,002	96,029	1,162	1,314,873
Investments	29,857	-	6,007	-	13,589	49,453
Acquisition of subsidiaries	-	15,231	-	-	-	15,231
Exchange rate 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 31 December 2022						
Cost	402,645	1,008,136	161,987	88,496	15,014	1,676,278
Accumulated amortization and impairment/ exchange rate effects	-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

Depreciation/amortization and impairment is included in the consolidated income statement, allocated in Cost of goods and services sold, for SEK 37,100 (39,034) thousand. Selling expenses for SEK 10,031 (7,838) thousand, and research and development expenses for SEK 7,126 (8,737) thousand. The total amount expensed during the period for research and development amounts to SEK 268,649 (233,396) thousand. The Group's brand with an indefinite useful life are attributable to the Ixxat brand, which is part of the cash-generating unit, Integrated units. The carrying value amounts to SEK 98,307 (90,344) thousand. Details concerning changes in goodwill and other intangible assets resulting from acquisitions is provided in Note 31.

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

	2022	2021
Integrated units	989,272	834,812
Procentec	70,170	64,487
Owasys	130,360	119,800
WEBfactory	-	15,066
Total consolidated goodwill	1,119,632	1,034,165

The integration of WEBfactory was completed in 2022, which means that it is now included in integrated units.

NOTE 17 Property, plant and equipment

ACCOUNTING POLICIES

Property, plant and equipment are reported at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of a replaced part is derecognized. All other repairs and maintenance are expensed in the same period that they incurred.

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

Buildings	10-50 years
Machinery and equipment	3-5 years
Equipment, installations and facilities	3-5 years

The residual value and useful life of 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 of the asset exceeds its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and they are reported under 'other operating income' or 'other operating expenses'.

Depreciation/amortization is included in the consolidated income statement, allocated in Cost of goods and services sold, for SEK 14,588 (13,046) thousand, Selling expenses for SEK 16,820 (14,767) thousand, Administration costs for SEK 6,811 (6,035) thousand and research and development expenses for SEK 15,397 (12,870) thousand.

	Buildings & Land	Plant & machinery	Equipment, installations and facilities	Construction-in-progress	Right-of-use assets	Total
As of 1 January 2020						
Cost						
Accumulated cost	4,968	67,843	73,976	587	170,666	318,040
Accumulated depreciation/amortization	-158	-54,161	-51,052	-17	-68,766	-174,154
Carrying amount	4,810	13,682	22,924	570	101,900	143,887
Financial year 2021						
Opening carrying amount	4,810	13,682	22,924	570	101,900	143,887
Investments	1,585	5,570	7,278	609	8,756	23,798
Increase via company acquisitions	-	332	142	-	-	474
Reclassifications	325	576	-	-576	-	325
Revaluation	-	-	-	-	1,631	1,631
Sales and disposals	-	-37	-19	-	-	-56
Exchange rate differences	89	40	293	11	2,105	2,539
Depreciation/amortization	-103	-5,922	-7,315	-	-33,378	-46,718
Closing carrying amount	6,707	14,241	23,303	614	81,015	125,880
As of 31 December 2021						
Accumulated cost	6,878	74,283	81,377	620	181,053	344,212
Accumulated depreciation/amortization, exchange rate effects	-171	-60,043	-58,074	-6	-100,038	-218,332
Carrying amount	6,707	14,241	23,303	614	81,015	125,880
Financial year 2022						
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 company acquisitions	-	216	456	-	-	672
Revaluation	-	-	-	-	8,991	8,991
Sales and disposals	-	2	-378	-	-	-376
Exchange rate differences	475	219	1,409	1,005	6,169	9,277
Depreciation/amortization	-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 31 December 2022						
Accumulated cost	7,104	82,052	86,923	20,976	297,858	494,914
Accumulated depreciation/amortization, exchange rate effects	-107	-65,527	-63,748	999	-134,288	-262,671
Carrying amount	6,997	16,526	23,175	21,975	163,570	232,243

NOTE 18 Leases

ACCOUNTING POLICIES

The Group leases buildings, facilities, machinery and automobiles. Depreciation of leased assets is typically over a fixed period, but there may be an option to extend the agreement. The terms are negotiated separately for each agreement and many terms and conditions exist. Lease agreements do not contain any special terms or restrictions that would result in the agreement being canceled if the terms are not met. However, leased assets may not be used as collateral for loans.

Lease agreements are recognized as rights-of-use with a corresponding liability as of date when the leased asset is available for use by the Group. Each lease payment is divided into amortization of the debt and financial expense. Interest is recognized in the income statement over the leasing period so that the amount of the expense in each reporting period corresponds to a constant periodic rate of interest on the remaining balance of the liability. The right-of-use is depreciated on a straight-line basis over the useful life of the asset or the length of the lease, whichever is shorter. If the Group is reasonably certain of exercising a call option, the right-of-use is depreciated over the useful life of the underlying asset.

Assets and liabilities that arise from the lease agreement are initially reported 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 claims
- variable lease fees that are based on an index or a price
- the guaranteed residual value that the lessee expects to pay to the lessor
- the exercise price for a call option, if it is reasonably certain that the lessee will exercise the option, and
- penalty for terminating the lease, if duration of the lease reflects the assumption that the lessee will utilize that option.

The lease payments are discounted using the implicit interest rate if such can be established. Otherwise, the marginal lending rate is used.

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

Right-of-use assets are measured at cost, which includes the following:

- the amount that the lease liability was originally valued at
- lease fees paid at or before the inception of the lease, less a deduction for any benefits received in conjunction with signing the lease
- initial direct expenditure, and
- expenditure associated with returning the asset to the condition specified in the lease agreement.

Payments for short-term agreements and lease agreements with insignificant value are expensed on a straight-line basis in the income statement. Short-term agreements are those with a lease term of 12 months or less. Agreements of insignificant value consist of IT equipment and various office equipment.

Options to extend or cancel agreements exist in several of the Group's lease agreements, primarily those for buildings. The options are used to obtain maximum flexibility in managing agreements. Most of the options to extend or cancel an agreement may only be utilized by the Group and not the lessor.

When the length of a lease agreement is established, management takes into consideration all available information that provides an economic incentive to utilize an extension option of not utilize an option to cancel an agreement. Opportunities to extend an agreement only add to the duration of an agreement if it is reasonable to assume that the agreement will be extended (or not canceled). The assessment is re-evaluated if significant events arise, or a change in circumstances, which impact the original assessment and also if the change is within the lessor's control.

IMPORTANT ESTIMATES AND ASSESSMENTS

When the length of a lease agreement is established, management takes into consideration all available information that provides an economic incentive to utilize an extension option of not utilize an option to cancel an agreement.

Opportunities to extend an agreement only add to the duration of an agreement if it is reasonable certain that the agreement will be extended (or not canceled). Most of the extension options that pertain to leases for office premises and vehicles have been included in the leasing liability.

The leasing period is re-evaluated if an option is exercised (or not exercised) or if the Group will have to exercise the option (or not exercise it). If the assessment is reasonably certain, it will only be re-evaluated if significant events arise, or a change in circumstances, which impact the original assessment and also if the change is within the lessor's control.

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

Right-of-use assets	2022	2021
Property	143,340	68,105
Equipment	4,815	353
Vehicles	15,415	12,558
Total	163,570	81,015

Lease liabilities	2022	2021
Current	42,112	28,364
Non-current	118,125	49,793
Total	160,237	78,157

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

Depreciation of right-of-use assets	2022	2021
Property	-31,214	-26,366
Equipment	-160	-158
Vehicles	-9,045	-6,612
Total	-40,419	-33,136

Additional right-of-use assets in 2022 amounted to SEK 107,814 (8,756) thousand and primarily pertain to rental agreements. Interest expenses attributable to leases amounted to SEK -2,956 (-1,846) thousand. Expenses attributable to short-term leases for which the underlying asset is of low value amounted to SEK -1,681 (-1,629) thousand. The total cash flow associated with leases in 2022 was SEK -40,258 (-35,621) thousand. See also the analysis of maturity on page 83.

NOTE 19 Fixed assets, by country

Total fixed assets, by country	2022		2021	
Sweden	240,448	33%	133,055	22%
Spain	177,254	25%	170,884	28%
Germany	145,856	20%	171,294	28%
The Netherlands	89,811	12%	81,030	13%
Belgium	63,232	9%	42,959	7%
Other countries	6,440	1%	6,718	1%
Total	723,042		605,941	

Fixed assets by country consist of intangible and tangible assets, with the exception of goodwill attributable to integrated units, see Note 16-17.

Investments in new IT systems have given rise to an increase in fixed assets in Sweden during 2022.

NOTE 20 Financial instruments and financial risk management

ACCOUNTING POLICIES

Classification

The Group classifies its financial assets in the following categories:

- Financial assets measured at fair value through other comprehensive income
- financial assets measured at fair value through profit or loss, and
- financial assets measured at amortized cost.

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

The Group reclassifies debt instruments only when the Group's business model for the instrument changes.

Recognition and derecognition in the balance sheet

Purchases and sales of financial assets are recognized on the trade date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are removed from the balance sheet when the rights to receive cash flows from the instruments have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership.

Measurement

Financial assets are initially measured at fair value plus (provided that the asset is not measured at fair value through profit or loss) transaction costs that are directly attributable to the purchase. Transaction costs for financial assets that are reported at fair value through profit or loss are expensed in the income statement.

Investments in debt instruments

Subsequent valuation of debt instruments is based on the Group's business model for management of the asset, along with the type of cash flow the asset generates. The Group classifies its investments in debt instruments in three measurement categories:

- *Amortized cost:* Assets held for the purpose of collecting contractual cash flows and where the cash flows only consist of principal and interest, are reported at amortized cost. Interest income from such financial assets is reported as financial income by applying the effective interest method. Gains and losses arising from removal from the balance sheet are recognized in earnings. Impairment losses are reported as a separate item in the income statement.
- *Fair value through other comprehensive income:* Financial assets that are held for the purpose of collecting contractual cash flows and for sale of the assets, where the assets' cash flows only consist of capital amount and interest, and not an identified asset measured at fair value, are measured at fair value through other comprehensive income. Changes in the carrying amount are reported in other comprehensive income except for impairment losses, interest income and exchange rate differences, which are reported in the income statement. When the financial asset is removed from the balance sheet, the accumulated gains or losses, which were previously reported in other comprehensive income, are reclassified from equity to the income statement. Interest income from these financial assets is reported at financial income by applying the effective interest method. Impairment losses are reported as a separate item in the income statement.
- *Fair value through profit or loss:* Assets that do not meet the requirements for being reported at amortized cost or fair value via other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt instrument that is measured at fair value through profit or loss and which is not part of a hedging arrangement is reported at the net amount in the income statement in the period that the gain or loss arises.

Investments in equity instruments

The Group measures all of its equity instruments at fair value. In cases where Group management has elected to report fair value changes in equity instruments via other comprehensive income,

there will not be any subsequent reclassification of fair value changes to the income statement when the instrument is removed from the balance sheet.

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

Changes in the fair value of financial assets that are reported at fair value through profit or loss are included in "other gains/losses" in the income statement. Impairment losses (and reversal of impairment losses) on equity instruments reported at fair value via other comprehensive income are not reported separately from other changes in fair value.

Impairment

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

Group 2022	Financial assets/liabilities measured at amortized cost	Financial assets/liabilities measured at fair value through profit or loss	Derivative instruments used for hedging	Total
Financial assets				
Deposits	6,126	-	-	6,126
Long-term securities holdings	-	8,852	-	8,852
Accounts receivable - trade	412,114	-	-	412,114
Contract assets	2,069	-	-	2,069
Derivative instruments (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
Additional consideration	-	32,804	-	32,804
Derivative instruments (used for hedging)	-	-	14,992	14,992
Bank loans	138,349	-	-	138,349
Accounts payable - trade	242,976	-	-	242,976
Total	381,325	132,085	14,992	528,401

Group 2021	Financial assets/liabilities measured at amortized cost	Financial assets/liabilities measured at fair value through profit or loss	Derivative instruments used for hedging	Total
Financial assets				
Deposits	3,551	-	-	3,551
Long-term securities holdings	-	8,701	-	8,701
Accounts receivable - trade	286,377	-	-	286,377
Contract assets	3,465	-	-	3,465
Derivative instruments (used for hedging)	-	-	553	553
Cash and cash equivalents	172,174	-	-	172,174
Total	465,567	8,701	553	474,821
Financial liabilities				
Option liability	-	390,858	-	390,858
Additional consideration	-	32,890	-	32,890
Derivative instruments (used for hedging)	-	-	7,413	7,413
Bank loans	5,978	-	-	5,978
Accounts payable - trade	164,638	-	-	164,638
Total	170,616	423,748	7,413	601,777

CONT. NOTE 20 Financial instruments and financial risk management

FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

The Group's business activities are associated with a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and financing/liquidity risk. The Group's overall risk management policy focuses on the unpredictability of 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 approved by the Board of Directors. The head of the Group's financial function identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board of Directors has provided written policies for overall risk management and for specific areas such as currency risk, interest rate risk, credit risk, use of derivatives and non-derivative financial instruments and investment of excess liquidity.

When the criteria for hedge accounting have been fulfilled, hedge accounting is applied to eliminate the effect of differences between the reported amounts for the hedging instrument and the hedged item. The Group uses derivatives to hedge some of its risk exposure.

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	31 December 2022		
	EUR	USD	JPY
Accounts receivable - trade	250,998	110,693	18,395
Bank loans	-138,348	-	-
Additional consideration	-29,168	-	-
Option liability	-99,281	-	-
Accounts payable - trade	-126,364	-87,421	-1,360
Currency futures (cash flow hedges) ¹	188,189	56,393	73,879

Exposure	31 December 2021		
	EUR	USD	JPY
Accounts receivable - trade	174,614	78,086	16,293
Bank loans	-5,977	-	-
Additional consideration	-32,890	-	-
Option liability	-390,858	-	-
Accounts payable - trade	-93,892	-50,732	-785
Currency futures (cash flow hedges) ¹	269,762	110,243	53,287

¹ Nominal value

Instruments used by the Group

The Group operates internationally and is exposed to currency risks arising from currency exposure to, primarily, the USD, EUR and JPY. The Group's currency risks comprise the transaction risk from future commercial transactions in foreign currencies, as well as the translation risk of recognized assets and liabilities and net investments in foreign subsidiaries.

Transaction risk is lowered by the Group's use of 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 60–80%
- the second future quarter's exposure is hedged between 50–70%
- the third future quarter's exposure is hedged between 40–60%
- the fourth future quarter's exposure is hedged between 30–50%
- the fifth future quarter's exposure is hedged between 0–40%
- the sixth future quarter's exposure is hedged between 0–30%

Disclosures on the reporting of hedging instruments are provided in Note 23.

Translation risk arises because the Group's equity amount is affected by currency rate fluctuations on its investments in subsidiaries in foreign currency. Currency exposure that has arisen from the net assets obtained from the businesses acquired by the Group are primarily dealt with by borrowing in the currency concerned.

(b) Hedging of net investments in foreign operations

In 2022, the Group obtained new acquisition loans for EUR 25 million and it amortized EUR 13 million on those loans. The loan of initially EUR 25 million has been identified to secure net investment in the 2022 acquisition of additional shares in Procentec. There was no ineffective portion to be reported from hedges of net investments in foreign operations.

Risk	Exposure arises from	Measurement	Management
Market risk – currency risk	Future business transactions. Recognized financial assets and financial assets that are not denominated in SEK.	Cash flow forecasts Sensitivity analysis	Currency futures contracts
Market risk – interest rate risk	Long-term borrowings with a variable interest rate	Sensitivity analysis	Interest rate derivatives, when they are expected to lower the Group's interest expense
Credit risk	Cash and cash equivalents, accounts receivable 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

Hedge accounting's impact on the Group's financial position and earnings

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

Derivative instruments – currency futures	2022	2021
Carrying amount (asset)	151	553
Nominal amount	6,413	62,644
Maturity	April 2024	Jan 2022 - Dec 2022
Hedge ratio ¹	1:1	1:1
Change in value for outstanding hedging instruments since 1 January	151	274
Value change in the hedged item for determining the ineffective portion	-151	-274
Weighted average for the outstanding hedging instrument	SEK 10.6890:1 USD,	SEK 10.2338:1 EUR, SEK 9.1237:1 USD, SEK 0.0848:1 JPY

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

Derivative instruments – currency futures	2022	2021
Carrying amount (liability)	-14,992	-7,413
Nominal amount	312,048	370,648
Maturity	March 2023 - April 2024	March 2022 - March 2023
Hedge ratio ¹	1:1	1:1
Change in value for outstanding hedging instruments since 1 January	-10,968	-8,556
Value change in the hedged item for determining the ineffective portion	10,968	8,556
Weighted average for the outstanding hedging instrument	SEK 10.7092:1 EUR, SEK 9.7422:1 USD, SEK 0.0769:1 JPY	SEK 10.1720:1 EUR, SEK 8.4761:1 USD, SEK 0.0779:1 JPY

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 investment in foreign operations	2022	2021
Carrying amount (bank loans)	278,208	173,417
Carrying amount in EUR	25,000	17,000
Hedge ratio	1:1	1:1
Change in the loan's carrying amount due to changes in the exchange rate since 1 January	-16,323	-3,103
Change in the value of the hedged item for determining ineffective portion	16,323	3,103
Weighted average for currency rates during the year	SEK 10.7173:1 EUR	SEK 10.1568:1 EUR

Sensitivity analysis

The Group is primarily exposed in its ongoing operations to changes in the EUR/SEK exchange rate. If the SEK had weakened/strengthened by 5% in relation to the EUR with all other variables constant, the Group's equity as of 31 December 2022 would have been SEK 37.9 (28.4) million lower/higher. If the SEK had weakened/strengthened by 5% in relation to the Group's most important currencies, the Group's equity as of 31 December 2022 would have been SEK 53.1 (42.6) million lower/higher.

If the SEK had weakened/strengthened by 5% in relation to the EUR with all other variables constant, the operating profit for the year as of 31 December 2022 would have been SEK 34.7 (26.8) million lower/higher, as a result of transactions in foreign currency.

If the SEK had weakened/strengthened by 5% in relation to the USD with all other variables constant, the operating profit for the year as of 31 December 2022 would have been SEK 7.1 (8.1) million lower/higher, as a result of transactions in foreign currency.

If the SEK had weakened/strengthened by 5% in relation to the JPY with all other variables constant, the operating profit for the year as of 31 December 2022 would have been SEK 7.6 (5.9) million lower/higher, as a result of transactions in foreign currency.

Derivative instruments

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

Information about the fair value of various derivative financial instruments used for hedging is provided in Note 23.

Hedging reserve

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

Hedge effectiveness

Hedge effectiveness is a forward-looking evaluation that is made when the hedge agreement is entered into. The hedged item and the hedging instrument are continually evaluated to ensure that the requirements for effectiveness are met. When the Group hedges transactions in foreign currency, the critical conditions in the hedging instrument exactly match the conditions for the hedged item. Accordingly, a quantitative evaluation of effectiveness of the hedge is thus ensured.

When hedging transaction in foreign currency, an ineffective portion can arise if the timing of the forecast transaction changes compared to what was initially estimated. There were no ineffective portions in currency futures contracts in 2022 or 2021.

Interest rate risk

The Group's primary interest rate risk arises from long-term borrowings with variable interest rates, which expose the Group to interest rate risk on the cash flow. The Group's financial policy states that interest expenses should be as low as possible. In order to minimize the Group's interest expenses, interest rate derivatives may be utilized. For 2022 and 2021, it was assessed that the use of interest rate derivatives would not decrease the Group's interest expenses.

Sensitivity analysis

If interest rates on borrowings in EUR during 2022 had been one percentage point higher/lower with all other variables constant then the profit before tax for the financial year would have been SEK 1.6 (0.8) million lower/higher.

If the SEK had weakened/strengthened by 5% against the EUR during 2022 with all other variables held constant, profit before tax for the financial year would have been SEK 0.1 (0.0) million higher/lower due to 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, derivative instruments, deposits with banks and credit institutions and other credit exposures, including outstanding receivables. See Note 22 for more information about the Group's outstanding receivables.

Credit risk is dealt with at the Group level, except for credit risk associated with overdue accounts receivable. Each Group company is responsible for monitoring and analyzing credit risk for each customer before offering the standard terms for payment and delivery. There are clear guidelines in the Group's credit policy for when to grant credit to customers and when security is required. The Group management team has concluded that there is no significant credit risk associated with any particular customer, counterparty or geographical region.

Impairment of financial assets

The Group has two types of financial assets that lie within the application area for the model for expected credit losses:

- Accounts receivable attributable to the sale of goods sold and services provided, and
- contract receivables attributable to development contracts.

Cash and cash equivalents also lie within the application area for impairment in accordance with IFRS 9. However, it has been assessed that the amount of possible impairment is insignificant.

The Group applies the simplified method for calculating its expected credit losses. With this method, expected credit losses during the entire duration of the receivable are used as the starting point for accounts receivable and contract assets. To measure the expected credit losses, accounts receivable and contract assets are grouped based on allocated credit risk characteristics and the number of days that payment is overdue. The Group applies future-oriented variables for expected credit losses. On each closing date, an assessment is made of whether the credit risk for a financial instrument has increased significantly since initial recognition. For this assessment, consideration is given to the change in the risk of a default during the expected duration rather than the change in expected credit losses.

See Note 22 for more information about the Group's reported credit losses.

Financing and liquidity risk

Financing risk is the risk that maturing loans cannot be refinanced without difficulty or added expense and that this situation would make it difficult for the Group to fulfill its payment obligations. Liquidity risk is the risk of difficulties in fulfilling obligations that are associated with financial liabilities. See Note 27 for an analysis of the Group's interest-bearing liabilities, classified according to the time remaining until maturity as of the closing date.

Cash flow forecasts are drawn up by the Group's operating companies and aggregated by Group finance. The Group carefully monitors rolling forecasts of its liquidity reserve (which consists of unused lines of credit 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 granted unused credit so that it does not breach any of its credit limits or loan terms. This is done centrally for all subsidiaries belonging to the Group in accordance with the practices and limits established for the Group. Liquidity management also involves calculating the expected cash flows in major currencies and determining the amount of various liquid assets thus required, monitoring solvency in relation to internal and external supervisory requirements and drawing up plans for debt financing.

Financing risk arises when, at a given point in time, it becomes difficult obtaining financing. To minimize the costs of the Group's borrowings and financing, the finance function must provide credit facilities that adequately meet the Group's need for working capital credit. HMS's goal is to always have access to approximately 8% of sales in cash, excess liquidity including unutilized credit facilities, which at year-end corresponded to approximately 22% (34%).

According to the Group's financial policy, excess liquidity may be invested in interest-bearing securities with a maximum maturity of one year. Counterparty risk is managed through regulations in the financial policy regarding the long-term rating 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.

Analysis of maturity for financial liabilities

The table on page 83 analyzes the Group's non-derivative financial liabilities and net-settled derivatives that are financial liabilities,

grouped according to the time remaining as of the balance sheet date until the contractual maturity date. The amounts reported in the analysis of maturity table are the contractual, undiscounted cash flows.

MANAGING CAPITAL RISKS

The Group's objective with regard to capital structure is to

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

To maintain or adjust the capital structure, the Group can change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt.

The Group evaluates its capital structure by calculating and monitoring the net debt/equity ratio. This key figure is calculated as net liabilities divided by total equity. Net debt is calculated as non-current and current interest-bearing liabilities, leasing liabilities and non-current and current non-interest-bearing liabilities (contingent consideration and option debt) less cash and cash equivalents. Total capital is calculated as equity in the consolidated balance sheet plus net debt.

The net debt/equity ratios on 31 December 2022 and 31 December 2021 were as follows:

	2022	2021
Interest-bearing liabilities (Note 27)	150,667	16,195
Non interest-bearing liabilities (Note 28)	132,688	425,090
Lease liabilities (Note 18)	160,237	78,157
Less cash and cash equivalents (Note 25)	-144,168	-172,174
Net debt	299,424	347,268
Total equity	1,609,709	1,177,134
Total capital	1,909,133	1,524,402
Net debt/equity ratio	19%	30%

CALCULATION OF FAIR VALUE

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

Level 1: The fair value of financial instruments that are traded on an active market (such as listed derivatives and equity securities) is based on listed market prices as of the closing 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 that are not traded on an active market (e.g. OTC derivatives) is established using valuation techniques which, to the greatest extent possible, are based on market information and company-specific information is used as little as possible. All important input required for fair value valuation of an instrument is observable.

Level 3: Instances where one or more important inputs are not based on observable market information. This applies, for example, to unlisted instruments.

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

	Note	Level 1	Level 2	Level 3	Total
Long-term securities holdings		-	-	8,852	8,852
Derivative instruments used for hedging	23	-	151	-	151
Total assets		-	151	8,852	9,003
Derivative instruments used for hedging	23	-	-14,992	-	-14,992
Contingent consideration	28	-	-	-32,804	-32,804
Option liability	28	-	-	-99,281	-99,281
Total liabilities		-	-14,992	-132,084	-147,076

The following table shows the Group's assets and liabilities valued at a fair value as of 31 December 2021:

	Note	Level 1	Level 2	Level 3	Total
Long-term securities holdings		-	-	8,701	8,701
Derivative instruments used for hedging	23	-	553	-	553
Total assets		-	553	8,701	9,254
Derivative instruments used for hedging	23	-	-7,413	-	-7,413
Contingent consideration	28	-	-	-32,890	-32,890
Option liability	28	-	-	-390,858	-390,858
Total liabilities		-	-7,413	-423,748	-431,161

Analysis of maturity

As of 31 December 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
Accounts payable - trade	-242,976	-	-	-	-	-242,976
Derivative instruments	-6,789	-7,674	-529	-	-	-14,992
Additional consideration	-	-29,168	-3,635	-	-	-32,803
Option liability	-	-	-	-99,281	-	-99,281
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	-160,658	-33,481	-704,148

As of 31 December 2021	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
Accounts payable - trade	-164,688	-	-	-	-	-164,638
Derivative instruments	-1,824	-4,259	-1,329	-	-	-7,413
Additional consideration	-	-6,136	-10,227	-17,181	-	-33,544
Option liability	-	-	-	-404,318	-	-404,318
Bank loans	-1,823	-1,240	-2,382	-589	-	-6,034
Lease liabilities	-7,031	-21,092	-19,938	-30,030	-1,615	-79,706
Total	-175,366	-32,727	-33,876	-452,119	-1,615	-695,703

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 quoted exchange rates for the currency on the balance sheet date.

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

The Group has contingent consideration and options liabilities in connection with acquisitions which constitute financial instruments that are reported at fair value through profit or loss. The fair value reported for those items has been calculated by management using a discounted cash flow model.

* Amortization and interest in foreign currency have been calculated based on the closing exchange rates in effect and interest rates in effect at the time.

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) principle. 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, and other direct and indirect attributable manufacturing costs (based on normal manufacturing capacity). Borrowing costs are not included. The net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inter-company profit from sales between Group companies is eliminated.

IMPORTANT ESTIMATES AND ASSESSMENTS

When assessing inventory obsolescence, an impairment loss is recorded based on an obsolescence calculation model, which is based on the most recent delivery receipt date for inventory. It is the management's assessment that the obsolescence calculation model applied reflects actual obsolescence. A supplementary manual write-down for obsolescence may also be recorded for products where management has assessed that there is an additional write-down requirement.

The Group	2022	2021
Raw materials and consumables	263,361	132,498
Work-in-progress	16,546	4,621
Finished goods	82,137	58,065
Total	362,044	195,184

Costs for impairment of inventories (obsolescence) that affected the year's profit are included in cost of goods sold and negatively impacted earnings by SEK -13,162 (-5,505) thousand.

NOTE 22 Accounts receivable and contract assets

ACCOUNTING POLICIES

Accounts receivable are amounts to be paid by customers for goods or services provided by the company as part of its operating activities. Accounts receivable primarily fall due for payment within 30-60 days and all accounts receivable have thus been classified as current assets.

Accounts receivable are initially reported at the transaction price. The Group has accounts receivable for the purpose of collecting contractual cash flows and it thus measures them at subsequent reporting occasions at amortized cost using the effective interest method. See Note 20 for a description of the Group's impairment policies.

	2022	2021
Accounts receivable - trade	413,678	288,030
Provision for doubtful debts	-1,564	-1,653
Accounts receivable – net	412,114	286,377

Fair value is a close approximation of the carrying amount, due to short maturity.

During the year, the Group reported a loss concerning the impairment of accounts receivable amounting to SEK -273 (-202) thousand. As of 31 December 2022, the provision for doubtful debts amounted to SEK 1,564 (1,653) thousand.

As of 31 December 2022, accounts receivable amounting to SEK 82,380 (42,950) thousand had fallen due. An aging analysis is provided below:

	2022	2021
1–15 days	49,841	31,057
15 days to 3 months	23,383	9,605
3 to 6 months	6,771	741
More than 6 months	2,385	1,547
Total	82,380	42,950

In the amount for accounts receivable overdue by more than 6 months, a provision to doubtful debts has been made for SEK 1,564 (1,547) thousand.

Provisions for each reversal of the reserves for doubtful debts are included under Selling expenses in the income statement. Amounts reported in the provision are typically written off when the Group no longer expects to receive any additional payments.

Other categories of accounts receivable and other receivables do not include assets for which there is a write-down requirement.

Carrying amounts, by currency, for the Group	2022	2021
EUR	250,998	174,614
USD	110,692	78,086
SEK	18,965	7,261
JPY	18,395	16,293
CNY	10,014	6,447
GBP	3,865	5,329
AUD	751	-
Total	413,679	288,030

NOTE 23 Derivatives

ACCOUNTING POLICIES

Derivatives are reported in the balance sheet on the contract date. They are measured at fair value both at the first reporting date and upon subsequent revaluation at the end of each reporting period. When determining the fair value of a hedging instrument, the quoted rate of the currency on the closing date is used. The method of recognizing the resulting gain or loss arising on revaluation depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group identifies derivatives as:

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

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

The entire fair value of a derivative instrument that constitutes a hedge instrument is classified as a non-current asset or non-current liability if the hedged item's remaining term is longer than 12 months, and as a current asset or current liability if the hedged item's remaining term is less than 12 months. 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 changes in exchange rates for very probable forecast transactions, both externally and internally, in foreign currency. The holdings of derivative financial instruments consist of currency futures.

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

The Group identifies the entire change in fair value of the currency futures (including spot price) as a hedging instrument. Gains and losses attributable to the effective portion of the change are reported in other comprehensive income in the hedging reserve, which is a component of equity.

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

HMS reports the realized cash flow hedges (currency futures) in the line item 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 expires or is sold or when the hedge no longer fulfills the criteria for hedge accounting and accumulated gains or losses for the hedged item exist in equity, these gains/losses remain in equity and are taken up as income/expense when the forecast transactions are ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the accumulated gains or losses that have been retained in equity must be immediately recognized in the income statement.

Hedging of net investments

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

The portion of the gain or loss on the hedging instrument relating to the effective hedge is recognized in other comprehensive income and accumulated in equity. The gain or loss relating 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 foreign operations are sold, either entirely or in part.

	2022	2021
Currency futures contracts – asset	151	553
Currency futures contracts – liability	14,992	7,413

Currency futures contracts

The nominal amount of outstanding currency futures contracts as of 31 December 2022 was SEK 318,462 (433,292) thousand.

The hedged (and highly probable forecast) transactions in foreign currency are expected to occur at varying times over the next 15 months. Gains and losses on currency forward contracts as of 31 December 2022, which are a component of equity, are reported in the income statement in the line item for net sales in the periods when the hedged transaction affects earnings.

In 2022, realized currency futures contracts had a negative impact on operating profit of SEK -24,573 (positive impact of 12,155) thousand.

Hedging of net investments in foreign operations

The Group's borrowings in EUR amounting to SEK 123,570 (-) thousand are identified as a hedging of net investments pertaining to the acquisition of subsidiaries. The Group's assessment is that the fair value corresponds to the carrying amount as of 31 December 2022. The exchange loss on translation of the borrowings into SEK that have been recognized during the year amounted to SEK -16,323 (-3,103) thousand at the end of the reporting period and this has been reported in other comprehensive income.

NOTE 24 Prepaid expenses and accrued income

	The Group		Parent Company	
	2022	2021	2022	2021
Rents	4,759	3,594	-	-
Contract receivables, see Note 5	2,069	3,465	-	-
Interest	1,719	-	-	-
Insurance	536	332	-	-
Leasing	217	45	-	-
Other accrued income	1,327	940	-	-
Other prepaid expenses	14,305	10,621	118	-
Total	24,932	18,996	118	-

NOTE 25 Cash and cash equivalents

ACCOUNTING POLICIES

Cash and cash equivalents are reported in both the balance sheet and cash flow statement. They include cash in hand and deposits held in bank accounts.

Utilized overdraft facility is recognized as borrowings in current interest-bearing liabilities.

Included in cash equivalents in the balance sheet and the cash flow statement are:

The Group	2022	2021
Cash and bank balances	144,168	172,174
Total	144,168	172,174

The Group has a granted, unutilized overdraft facility of SEK 30,000 (30,000) thousand.

NOTE 26 Share capital and reserves in equity

ACCOUNTING POLICIES

Share capital

Ordinary shares are classified as equity.

Transaction costs directly attributable to a new issue of shares or options are recognized, net after tax, in equity as a deduction from the emission proceeds.

When the Parent Company purchases own shares (repurchase of own shares), the purchase sum that was paid, including any directly attributable transaction costs (net after tax), reduces equity until its shares are canceled or sold. If these ordinary shares are later sold, the received amount (net after any directly attributable transaction costs and tax effects) is reported in equity.

Reserves

Reserves in equity are comprised of hedging and translation reserves. The hedging reserve is comprised of unrealized gains and losses on futures, which are recognized in profit or loss in the periods that the hedged transactions impact profit or loss. The translation reserve is comprised of exchange differences arising when the income statements and balance sheets of all the Group companies are translated to the Group's reporting currency.

	Number of shares (000s)	Share capital (SEK t)	Other contributed capital (SEK t)	Total SEK 000s
As of 1 January 2021	46,819	1,170	218,318	219,488
As of 31 December 2021	46,819	1,170	218,318	219,488
As of 31 December 2022	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 1 January 2021	16,744	70,008	86,752
Revaluation - gross	-15,935	-	-15,935
Deferred tax	3,283	-	3,283
Reclassification to income statement - gross	-12,155	-	-12,155
Deferred tax	2,504	-	2,504
Hedging of net investments	-	-3,103	-3,103
Deferred tax	-	639	639
Other exchange rate differences	-	20,434	20,434
Exchange rate differences attributable to non-controlling interests	-	-1,002	-1,002
Other comprehensive income:	-22,303	16,968	-5,335
As of 31 December 2021	-5,559	86,976	81,417
Revaluation - gross	-12,166	-	-12,166
Deferred tax	2,506	-	2,506
Reclassification to income statement (Net sales)	4,185	-	4,185
Deferred tax	-862	-	-862
Hedging of net investments	-	-16,323	-16,323
Deferred tax	-	3,362	3,362
Other exchange rate differences	-	108,035	108,035
Other comprehensive income:	-6,337	95,074	88,737
As of 31 December 2022	-11,896	182,050	170,154

Hedging reserve

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

Currency translation

Exchange differences arising on translation of foreign subsidiaries are reported in other comprehensive income in accordance with the description in Note 2 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the income statement when the net investment is disposed of.

NOTE 27 Interest-bearing liabilities

ACCOUNTING POLICIES

Borrowing is initially reported at fair value net after transaction costs. Afterwards, borrowing costs are reported at amortized cost and any difference between received amount (net after transaction costs) and the repayment amount is reported in profit or loss allocated over the loan period, applying the effective interest method.

Borrowings are removed from the balance sheet when the obligations have been settled, canceled or in some other manner extinguished. The difference between the carrying amount of a financial liability (or part of financial liability) that has been extinguished or transferred to another party and the consideration paid, including transferred assets which are not cash or liabilities assumed, is recognized in earnings.

Any utilized bank overdraft facility is reported as borrowings among current interest-bearing liabilities in the balance sheet, but as of the closing date, the bank overdraft facility had not been utilized and thus is not reported there as a liability. The company does not have any major development projects that would necessitate capitalization of borrowing costs. All borrowings costs are thus expensed as incurred.

	2022	2021
Non-current interest-bearing liabilities		
Bank loans	102,048	2,948
Defined benefit pension plan	12,319	10,217
Total	114,366	13,165
Current interest-bearing liabilities		
Bank loans	36,301	3,030
Total	36,301	3,030
Total interest-bearing liabilities	150,667	16,195

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

	2022	2021
3 months or less	35,361	1,812
Between 3 months and 1 year	940	1,217
Between 1 and 2 years	102,048	2,367
Between 2 and 5 years	0	582
More than 5 years	12,319	10,217
Total	150,667	16,195

During 2021, the financing agreement with the bank was extended. It concerns a revolving facility of EUR 45 million that runs until September 2024. At year-end, unutilized credit facilities amounted to SEK 397 (490) million. The interest rates on bank loans are variable and tied to EURIBOR and STIBOR. The average interest rate in 2022 was 1.279 percent (0.963%).

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 either because the interest rate on these liabilities is in line with current market rates or because the liabilities are short-term.

NOTE 28 Non interest-bearing liabilities

ACCOUNTING POLICIES

Liability for contingent consideration and options

When there are options to acquire the remaining shares of a company and when they are likely to be utilized, those acquisitions will be reported as if they were wholly-owned, without minority. Instead, a financial liability is reported in the consolidated balance sheet corresponding to the discounted anticipated exercise price of these options. The anticipated consideration for the remaining ownership share is reported as a financial liability in accordance with the rules of IAS 32/IFRS 9 and any future value changes are reported in the consolidated income statement.

Contingent consideration and options in connection with acquisitions which constitute financial instruments are reported at fair value through profit or loss. The fair value reported for those items has been calculated by management using a discounted cash flow model, which belongs to Level 3 in fair value hierarchy.

IMPORTANT ESTIMATES AND ASSESSMENTS

On 1 October 2020, 70 percent of the shares in Procentec B.V. (Netherlands) were acquired. HMS had a call option on the remaining 30 percent of the shares. During the third quarter of 2021, management updated its assessment that the option would likely be utilized in 2025, which meant that HMS reported a liability corresponding to the discounted expected exercise price for the option on 31 December 2021 amounting to SEK 299 million. On 12 April 2022, the remaining 30 percent of the shares were acquired, whereby the option liability was revalued with a positive effect of SEK 27 million, which is reported in other operating income in the consolidated income statement.

On 1 July 2021, 60 percent of the shares in Owasys Advanced Wireless Devices S.L. (Spain) were acquired. HMS has a call-/put option on the remaining 40 percent of the shares in Owasys, which initially was expected to be utilized in 2025. On 31 December 2021, HMS thus reported a liability corresponding to the discounted expected exercise price for the option, amounting to SEK 91 million. Revaluation based on currency changes has occurred in conjunction with the year-end closing, 31 December 2022 to SEK 99 million with unchanged assumptions about the anticipated exercise price. In January 2023, an additional 20 percent of the shares in Owasys were acquired, which impacts the 2023 reporting.

The exercise price of the options depends on the future results that those companies are able to achieve (EBITDA). Fair value is based on each company's business plan for 2024 multiplied by a multiple (10). The future expected exercise price has then been discounted using the actual market interest rate.

In conjunction with the acquisition of Owasys, there was also an agreement on contingent consideration. The additional consideration, which amounts to EUR 2.4 million is contingent on sales growth and earnings during the period 2021-2023. Based on how the company performed after the acquisition, and the business plan for the years ahead, management's assessment is that the 100 percent of the contingent consideration will be paid out. For 2021, full compensation was paid out in 2022.

	2022	2021
Non-current non interest-bearing liabilities		
Liability for contingent consideration	12,773	26,806
Liability for options	99,281	390,858
Total	112,054	417,664
Current non interest-bearing liabilities		
Liability for contingent consideration	20,031	6,084
Other current non interest-bearing liabilities	603	1,342
Total	20,634	7,426
Total non interest-bearing liabilities	132,688	425,090

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

	2022	2021
3 months or less	603	1,342
Between 3 months and 1 year	20,031	6,084
Between 1 and 2 years	12,773	10,055
Between 2 and 5 years	99,281	407,608
More than 5 years	-	-
Total	132,688	425,090

NOTE 29 Accrued expenses and deferred income

	The Group		Parent Company	
	2022	2021	2022	2021
Accrued salaries	50,423	43,632	4,534	1,816
Vacation pay	23,034	17,768	903	567
Social security contributions	38,694	38,170	2,625	2,349
Deferred income	20,458	14,324	-	-
Other items	46,999	32,195	1,425	4,386
Total	179,606	146,089	9,487	9,118

NOTE 30 Provisions

ACCOUNTING POLICIES

Provisions for legal claims, guarantees and restoration measures are recognized when the Group has a legal or informal obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. No provision is made for future operating losses.

When there are several similar obligations, an assessment is made of the likelihood that an outflow of resources will be required to settle the obligations. That assessment covers the entire group of similar obligations. A provision is made for the entire group of similar obligations even if the likelihood of an outflow of resources to settle a particular item in that group is low.

The returns and warranty provision is based on a routine developed specifically for the company.

	2022	2021
Warranty provision	1,236	974
Other items	514	448
Total	1,750	1,422

Warranty costs

A provision has been made to assess the warranty costs for goods that were sold under warranty and where the warranty period had not yet expired as of the end of the financial year. The warranties are expected to be settled during the next financial year.

NOTE 31 Business combinations

ACCOUNTING POLICIES

The acquisition method is used for reporting the Group's business combinations, regardless of whether the acquisition consists of equity interests or other assets. The purchase price for the acquisition of a subsidiary is the fair value of

- the transferred assets
- liabilities that the Group incurs to former owners
- shares issued by the Group
- assets or liabilities that result from an agreement on contingent consideration
- previously held equity interest in the acquired company.

Identifiable acquired assets, assumed liabilities and assumed contingent liabilities assumed in a business combination are measured, with very few exceptions, initially at fair value on the acquisition date. For each acquisition the Group determines whether the non-controlling interest in the acquired company should be reported at fair value or at the holding's proportionate share of the carrying amount of the acquired company's identifiable net assets. The costs associated with acquisitions are expensed as incurred. Goodwill is the amount that the

- purchase sum
- any non-controlling interest in the acquired company and
- the fair value as of the acquisition date of any previously held equity interest in the acquired company (if the business combination was done in stages)

exceeds the fair value of the identifiable net assets that were acquired. If the amount is lower than the fair value of the acquired net assets, e.g. acquisition at a low price, the difference is reported directly to profit or loss.

In cases where all or part of the purchase sum is deferred, future payments are discounted to their present value at the acquisition date whenever the discounting effect is significant. The discount rate is the company's marginal lending rate, which is the interest rate the entity would have paid for financing through loans during the same period and with similar terms and conditions.

Contingent consideration is classified as financial liabilities. Amounts classified as financial liabilities are revalued each period at fair value. Any gains and losses from revaluation are recognized in earnings. If a business combination is carried out in several steps, the prior equity interests in the acquired company are remeasured at the fair value at the time of the acquisition. Any profit or loss that arises from revaluation is reported in the income statement.

Acquisition of Global M2M Pty Ltd

On 1 July 2022, the Group acquired all of the shares in the Australian company, Global M2M Pty Ltd. For several years, Global M2M has been HMS's main distributor of products in Oceania. In 2022, Global M2M had sales of SEK 27.4 million, of which more than 90 percent was HMS products.

The acquisition price amounted to SEK 17,572 thousand. The acquisition was financed with own cash funds and the net cash outflow amounted to SEK 12,978 thousand. The acquisition has generated goodwill of SEK 10,026 thousand. The acquired company has been included in the HMS consolidated income statement and balance sheet since 1 July 2022. As of the acquisition date, Global M2M has contributed to the Group's sales by SEK 10,791 thousand. The acquisition's contribution to operating profit, including the acquisition costs, amounts to SEK 100 thousand. If the acquisition had occurred at the start of the financial year, the contribution to net sales would have been SEK 27,401 thousand and the contribution to operating profit, including the acquisition costs, would have been SEK 2,588 thousand.

According to the preliminary acquisition analysis, the purchase price, acquired net assets and goodwill are as follows:

Purchase price:	
Cash and cash equivalents	17,572
Total purchase price	17,752

The assets and liabilities recognized in conjunction with the acquisition are as follows:	Fair value
Property, plant and equipment	411
Current assets	4,005
Cash and cash equivalents	4,594
Current liabilities	-1,464
Total identifiable net assets	7,546
Goodwill ¹	10,026
Acquired net assets	17,572

¹ Goodwill is attributable to the company's market position in wireless communication and the expected synergies with existing operations.

Acquisition of Control Specialists Ltd

On 9 December 2022, the Group acquired all of the shares in the UK company, Control Specialists Ltd. The company delivers certifications and certification training related to industrial networks in the UK. Control Specialists had sales of SEK 6,383 thousand in 2022 and it will be integrated into HMS Industrial Networks Ltd in 2023 to further strengthen Procentec's training offering.

The acquisition price amounted to SEK 7,948 thousand. The acquisition was financed with own cash funds and the net cash outflow amounted to SEK 5,310 thousand. The acquisition has generated goodwill of SEK 4,994 thousand. The acquired company has been included in the HMS consolidated income statement and balance sheet since 9 December 2022. Since the acquisition date, Control Specialists has contributed to the Group's sales by SEK 94 thousand. The acquisition's contribution to operating profit, including the acquisition costs, amounts to SEK -176 thousand. If the acquisition had occurred at the start of the financial year, the contribution to net sales would have been SEK 6,383 thousand and the contribution to operating profit, including the acquisition costs, would have been SEK 565 thousand.

According to the preliminary acquisition analysis, the purchase price, acquired net assets and goodwill are as follows:

Purchase price:	
Cash and cash equivalents	7,948
Total purchase price	7,948

The assets and liabilities recognized in conjunction with the acquisition are as follows:	Fair value
Property, plant and equipment	218
Current assets	864
Cash and cash equivalents	2,638
Current liabilities	-766
Total identifiable net assets	2,954
Goodwill ¹	4,994
Acquired net assets	7,948

¹ Goodwill is attributable to the company's market position in wireless communication and the expected synergies with existing operations.

Additional acquisition Procentec

On 12 April 2022, HMS acquired the remaining 30 percent of the shares in its subsidiary, Procentec B.V. by exercising the existing call option. The acquisition was financed by utilizing the existing credit facility. In conjunction with the acquisition, a positive revaluation effect of the option liability was realized of SEK 27 million and reported in the other operating income in the consolidated income statement. The final acquisition analysis is presented in the HMS Annual Report for 2021.

Final acquisition analysis for Owasys

The acquisition analysis from the acquisition of 60 percent of the shares in Owasys Advanced Wireless Devices S.L. was finalized in the third quarter of 2022, since one year had elapsed since the acquisition took place on 1 July 2021. The final acquisition analysis was presented in the HMS Annual Report for 2021.

NOTE 32 Shares in associated companies

On 8 December 2021, the Group entered into a strategic partnership with Connectitude and acquired a minority position in their holding company, Cenito AB. Connectitude offers a Software as a Service (SaaS) for industrial digitalization, that allows both Machine Builders and Factory Owners to cooperate and share valuable data insights from their production processes, in real-time. The investment is not expected to have any impact on the Group's profit per share in the coming years and the associated company is assessed as immaterial and reported in accordance with the equity method.

	2022	2021
Opening carrying amount for individually immaterial associated companies	14,860	-
Purchases during the year	-	15,000
Profit share after tax for the year	-1,017	-140
Closing carrying amount	13,843	14,860

Name of company	Country of registration/ operations	Ownership share ¹	Cost of acquisition	Fair value	Carrying amount
Cenito AB	Sweden	20%	15,000	- ²	13,843

¹ The ownership share is the same as the voting share.

² Private company. No listed price is available.

NOTE 33 Transactions with non-controlling interests

HMS has a symmetrical call/put option on the remaining shares in the remaining ownership shares in Owasys S.L., which are not held by the majority owners. Based on the design of this option, it is assessed as likely that the option will be able to be utilized. Because of that, the acquisition is reported at 100 percent, without non-controlling interest and reported in the Group's equity.

In 2021, HMS had a option pertaining to Procentec B.V. The prior non-controlling interest pertaining to Procentec B.V. was, in conjunction with this assessment adjusted and instead, the fair value of the option was reported as a financial liability. The difference between the option's assessed fair value and the reported minority was taken on the majority's equity. The Group reported a decrease in non-controlling interests of SEK 24,304 thousand and a decrease of equity attributable to the Parent Company's owner of SEK 273,471 thousand.

There was no effect on equity attributable to the owners of HMS Networks AB during 2022.

	2022	2021
Carrying amount of non-controlling interests	-	24,304
Expected exercise price of options	-	297,775
Surplus of purchase price reported in equity	-	-273,471

NOTE 34 Earnings from participations in Group companies

ACCOUNTING POLICIES

Dividends are recognized as revenue when the right to receive payment has been established. This applies even if the dividends are paid out of profits arising before the date of acquisition. However, it may be necessary to test the investment for impairment.

	Parent Company	
	2022	2021
Dividend from subsidiary	229,362	422,672
Total	229,362	422,672

NOTE 35 Change in liabilities associated with financing activities

ACCOUNTING POLICIES

The consolidated cash flow statement has been prepared in accordance with the indirect method. The year's change in the cash balance is apportioned between operating, investing and financing activities. The starting point for the indirect method is profit before tax adjusted for items that did not involve actual cash receipts or payments. Cash and cash equivalents include cash and bank balances.

	Bank loans (note 27)	Leases (note 18)	Total
As of 1 January 2021	171,681	101,941	273,622
Added via acquisition	5,517	-	5,517
Cash flow	-173,791	-35,681	-209,472
Not impacting cash flow	2,571	11,897	14,468
As of 31 December 2021	5,978	78,157	84,135
Cash flow	115,758	-40,549	75,209
Not impacting cash flow	16,613	122,629	139,242
As of 31 December 2022	138,348	160,237	298,585

NOTE 36 Shares in subsidiaries

Shares owned by Parent Company	Registered office	CIN	Share	No. of shares	With quotient value	2022	2021
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 subsidiary	Registered office	CIN.	Share
Control Specialists Ltd ²	Cheshire, UK	2344009	100%
Ekitec Holding B.V.	Wateringen, Netherlands	74522108	100%
Glocohm Venture Capital S.L.	Derio, Spain	B-42717165	60%
HMS Electronics AB	Halmstad, Sweden	556463-9374	100%
HMS Industrial Networks B.V.	Hedel, Netherlands	11060009	100%
HMS Industrial Networks France ³	Mulhouse, France	921182135	100%
HMS Industrial Networks GmbH	Karlsruhe, Germany	35006/39876	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, UK	7521411	100%
HMS Industrial Networks Pte. Ltd.	Singapore	202123480W	100%
HMS Industrial Networks Pty Ltd. ⁴	Tullamarine, Australia	110127074	100%
HMS Industrial Networks SLU	Igualada, Spain	B62202460	100%
HMS Industrial Networks S.r.l.	Milan, Italy	5260930960	100%
HMS Industrial Networks SA ¹	Nivelles, Belgium	450350907	65.5%
HMS Networks Technology (Beijing) Co., Ltd. ⁵	Beijing, China	91110105MA7LKTJ32C	100%
HMS Technology Center Ravensburg GmbH	Ravensburg, Germany	29724241	100%
HMS Technology Center Wetzlar GmbH	Wetzlar, Germany	00340136310005	100%
Intellicom Innovation AB	Halmstad, Sweden	556537-7826	100%
Owasys Advanced Wireless Devices S.L.	Derio, Spain	B-95218095	60%
Procentec B.V.	Wateringen, Netherlands	27165526	100%
Procentec GmbH	Karlsruhe, Germany	HRB-705029	100%
Procentec Ltd	Manchester, UK	11112985	100%
Procentec S.r.l.	Brescia, Italy	BS-556730	100%
WEBfactory Business Center Eastern Europe S.r.l.	Sibiu, Romania	J32/121/2002	100%
WEBfactory GmbH	Buchen, Germany	HRB460672	100%

¹ HMS Industrial Networks SA is 100 percent owned by HMS Networks AB and HMS Industrial Networks AB

² Control Specialists Ltd was acquired on 9 December 2022

³ HMS Industrial Networks France was established on 10 November 2022

⁴ HMS Industrial Networks Pty Ltd (previously Global M2M) was acquired on 1 July 2022

⁵ HMS Networks Technology (Beijing) Co., Ltd. was established on 15 April 2022. HMS Industrial Networks AB has also, for some time, had a representative office in China - HMS Industrial Networks AB Beijing Representative Office

HMS Industrial Networks GmbH (CIN: 35006/39876)

We hereby confirm that these consolidated financial statements contain figures for the German subsidiary HMS Industrial Networks GmbH (CIN 35006/39876) for the year ended 31 December 2022. We confirm that the German subsidiary took advantage of the exemption contained in 264 (3) of the German (Handelsgesetzbuch, HGB) as regards the preparation of a Directors' report, notes to the financial statements, audit and publishing the annual report for the financial year ending on 31 December 2022.

HMS Technology Center Ravensburg GmbH (CIN: HRB 551905)

We hereby confirm that these consolidated financial statements contain figures for the UK subsidiary HMS Industrial Networks Limited (CIN: HRB 551905) for the year ending on 31 December 2022. We confirm that the German subsidiary took advantage of the exemption contained in 264 (3) of the German (Handelsgesetzbuch, HGB) as regards the preparation of a Directors' report, notes to the financial statements, audit and publishing the annual report for the financial year ending on 31 December 2022.

NOTE 37 Pledged assets and contingent liabilities

The Group	2022	2021
Pledged assets	none	none
Contingent liabilities	none	none
Parent Company		
	2022	2021
Pledged assets	none	none
Contingent liabilities		
Security for subsidiaries	133,349	30,000

NOTE 38 Transactions with related parties

There have not been any related party transactions except for the ones specified in Note 9 - Remuneration to the Board and senior executives. The Parent Company's related party transactions consist of sales to, and purchases from, Group companies, which are reported in Note 4.1.

NOTE 39 Subsequent events

An acquisition of an additional 20 percent of the shares in Owasys Advanced Wireless Devices S.L. were acquired. No other significant events have occurred subsequent to year-end, but prior to the signing of this annual report.

NOTE 40 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	2022	2021
Operating profit	652,549	445,613
Depreciation of PPE (incl. Right-of-use assets)	53,319	46,718
Amortization of intangible assets	47,130	47,086
Impairment of intangible assets	7,126	8,524
EBITDA	760,125	547,941
Net sales	2,506,201	1,971,725
EBITDA (%)	30.3%	27.8%

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

EBIT excl. acquisition-related costs	2022	2021
Operating profit	652,549	445,613
Amortization of surpluses from acquisitions	22,079	19,981
Acquisition-related transaction costs	663	1,192
EBIT excl. acquisition-related costs	675,291	466,786
Net sales	2,506,201	1,971,725
EBIT excl. acquisition-related costs (%)	26.9%	23.7%

The Board of Directors and CEO affirm that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and that they provide 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, provides a true and fair view of

the and Parent Company's financial position and results. The Board of Directors' report for the Group and parent company provides a true and fair overview of the Group's and Parent Company's operations, financial position and results and also describes material risks and uncertainties faced by the parent company and the companies that comprise the Group.

The income statement and balance sheets will be brought forth at the Annual General Meeting on April 25, 2023 for adoption.

Halmstad, March 23, 2023

Charlotte Brogren
Chairman of the Board

Staffan Dahlström
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 audit report was submitted on March 23, 2023
Öhrlings PricewaterhouseCoopers AB

Johan Palmgren
Authorized Public Accountant

Auditor's report

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 2022. The annual accounts and consolidated accounts of the company are included on pages 47-101 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 2022 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 three 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
<p>Impairment testing of goodwill</p> <p>Goodwill amounts to MSEK 1,120 as at 31 December 2022, which is equivalent to 41% of the total assets of the Group. As described in Note 16, the Group's goodwill is relating to three separate cash generating units, Owasys, Procentec and Integrated units.</p> <p>In accordance with IAS 36, the Group tests at least annually whether there is an impairment of goodwill. Impairment is determined by considering each cash-generating unit's recoverable amount compared to its carrying amount.</p> <p>Impairment testing is essential for 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.</p> <p>Based on management's impairment test, the Board has concluded that no impairment of goodwill exists as at December 31, 2022. The most significant assumptions used in the impairment test are described in Note 16.</p>	<p>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.</p> <p>We have evaluated and assessed that the company's valuation model is consistent with accepted valuation techniques. We have evaluated the sensitivity and the effect on 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.</p> <p>By making our own sensitivity analyses, we have challenged management's assumptions and tested the existing safety margins to assess the risk that impairment could occur.</p> <p>We have also evaluated whether the Company has provided enough information in the annual report about the assumptions which, if changed, may lead to impairment of goodwill in the future.</p>
<p>Option liabilities</p> <p>As stated in Notes 28, 31 and 33, HMS has a so-called call/put option related to the remaining 40% of the shares in Owasys. The Management's assessment is that the options will probably be exercised.</p> <p>This means that HMS reports a liability corresponding to the discounted expected exercise price for the options, which amounts to TSEK 99,281.</p> <p>The option liabilities amount to significant amounts and include calculations with significant estimates and assessments made by company management. This process involves the company management making estimates and assumptions, e.g. on the operations' future earnings development, probability of exercising the call/put options and market interest rate.</p> <p>The exercise price of the options is determined by the companies' future EBITDA. Fair value is based on the companies' respective business plan for 2024 multiplied by a multiple (10). The future expected exercise price has subsequently been discounted at the current market interest rate.</p>	<p>Our audit procedures to assess recognition of the option liabilities have included a review of agreements attributable to the transactions.</p> <p>We have evaluated and assessed the accuracy of the calculation model.</p> <p>We have evaluated and assessed the company management's significant estimates and assumptions in the valuation, such as future earnings development in relation to the business plan, probability of exercising the options and market interest rates.</p> <p>Finally, we have also assessed the accuracy of the information provided by the Group in Notes 28, 31 and 33 regarding these liabilities.</p>

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 1-29, 37-45 and 99-128. The other information also consists of the Remuneration Report for 2022, 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/revisornorsansvar. 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 2022 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's 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 mem-

ber 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/revisormsansvar. 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 2022.

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 respon-

sibility 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 21 April 2022 and has been the company's auditor since 14 January 2004.

Halmstad den 23 mars 2023
Öhrlings PricewaterhouseCoopers AB

Johan Palmgren
Auktoriserad Revisor

FINANCIAL DATA IN SUMMARY (SEK M)	2022	2021	2020	2019	2018
Order intake	3,064	2,538	1,447	1,470	1,433
Net sales	2,506	1,972	1,467	1,519	1,366
Growth in net sales, %	27	34	-3	11	15
Gross profit	1,577	1,230	909	928	834
Gross margin, %	63	62	62	61	61
Operating income before depreciation (EBITDA)	760	548	401	334	301
Operating margin before depreciation (EBITDA), %	30	28	27	22	22
Operating income after depreciation/amortization (EBIT)	653	446	288	243	251
Operating margin after depreciation/amortization (EBIT), %	26	23	20	16	18
EBIT excl. acquisition-related costs	675	467	311	240	266
EBIT excl. acquisition-related costs, %	27	24	21	16	20
Profit for the year	508	362	220	205	171
Earnings per share, basic, SEK	10.89	7.61	4.79	4.43	3.68
Earnings per share, diluted, SEK	10.85	7.57	4.77	4.40	3.65
Dividend per share, SEK	4.00 ¹	3.00	2.00	-	1.80
Total assets	2,730	2,204	1,837	1,758	1,577
Equity	1,610	1,177	1,220	1,010	857
Equity per share, SEK	28.97	26.15	24.07	19.87	17.06
Equity/assets ratio, %	59	53	67	58	54
Net debt/equity ratio, %	19	-7	16	40	40
Working capital in relation to sales, %	8.7	6.8	10.5	9.5	7.2
Return on shareholders' equity, %	38	29	20	22	22
Return on capital employed, %	36	29	19	17	21
Capital turnover rate	1.04	1.01	0.81	0.87	0.89
Investments in non-current assets	191	48	48	66	30
Cash flow from operating activities	431	508	370	254	193
Cash flow from operating activities per share, SEK	9.24	10.90	7.93	5.45	4.14
Average number of employees	726	684	614	617	536
Sales per employee	3.5	2.9	2.4	2.5	2.6

¹ The Board's proposal

SUSTAINABILITY REPORT 2022



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 2022 has been prepared in accordance with Chapter 6, Section 11 of the Annual Accounts Act and in accordance with the Global Reporting Initiative Standards (GRI) 2021.

The Sustainability Report is presented each year as a section of the Annual Report. The fiscal year is the same as the calendar year, 1 January through 31 December. The most recent Annual Report was published in March 2022 for the 2021 fiscal year. This Annual Report for the 2022 financial year was published on 24 March 2023.

The Sustainability Report pertains to the parent company, HMS Networks AB (CIN 556661-8954) and all units that are consolidated in the Group financial statements.

The sustainability report in accordance with the requirements of the Annual Accounts Act can be found in the following sections:

- Strategy and business model, pages 3, 8-17, 102-103
- Policies, evaluations and results, pages 17-25, 102-103, 108-116
- Material risks and risk management, pages 50-51, 105-107
- Priority key figures, pages 17-23, 108-116
- Reporting of the EU Taxonomy Regulation, pages 117-123

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 TO PRIOR REPORTS

Compared to prior reports, changes have been made to the accounting policies for information about employees and subject-specific disclosures on climate and environment.

- Information about employees reported in accordance with the general GRI disclosures 2-7 are reported based on the concept of full-time equivalents (FTE) and the 2021 report has been adjusted to facilitate comparability.
- The information for subject-specific disclosures in the environmental area cover all production facilities and sales offices throughout the world, with the exception of contract manufacturers and smaller sales offices, with fewer than five employees. The 2021 report has been adjusted to facilitate comparability.
- In 2022, a new tool was implemented for calculating greenhouse gas emissions. Some minor changes in the emission results were noted in conjunction with the change in calculation tool. The revised emission result is due to adjustments in emission factors.

Collection and reporting of subject-specific disclosures has been done by representatives of each unit, with most of the information reported via a financial system tool.

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

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For more information about the Sustainability Report and HMS's sustainability work, please contact:
Kristina Altner, Sustainability Manager, kral@hms.se.

Focus on sustainability

Sustainable development is a central part of the HMS strategy for 2025. We want sustainability to permeate all parts of the organization in order to contribute to sustainable development and be able to achieve HMS's overall goals, which are:

- CO₂ net positive
- Net Promoter Score (eNPS) above 30
- π billion (3.14) in sales and an operating margin of 20 per cent by 2025

Our sustainability work is based on three prioritized sustainability areas in order to minimize the negative impact and increase the positive effects of our own operations and in the value chain: responsibility for climate and the environment, responsible business and employee engagement. These areas serve as the

foundation for the prioritized activities and communication. We are actively striving to achieve our goals, which are integrated into the Group's business plans. We are also carefully monitoring the results.

HMS's contribution to Agenda 2030

HMS's sustainability work is based on internationally recognized principles, such as the ten principles of the UN Global Compact and the 17 Sustainable Development Goals (SDGs) in Agenda 2030. For us, sustainable development is both a responsibility and opportunity. Our sustainability areas encompass

HMS's material and prioritized sustainability issues. We are continuously striving to link our daily sustainability efforts to the SDGs. Through dialog and collaboration with HMS's various stakeholders, the work focuses on minimizing the risk of a negative impact and simultaneously increasing the positive contributions to these shared goals.

HMS impacts and contributes to the SDGs via its strategy and business, as well as our working methods and operations. When we implement our strategy and conduct business, we primarily contribute to a lower climate footprint and higher energy efficiency in industry and society. Through our working methods and operations, we contribute to the SDGs on health and safety, decent working conditions and increased diversity and equality.

HMS's focus areas

Climate and Environment
RESPONSIBILITY FOR CLIMATE AND ENVIRONMENT

Responsible Business
BUSINESS ETHICS AND SOCIAL RESPONSIBILITY IN OUR VALUE CHAIN

Engagement
LEADERSHIP FOR SUSTAINABLE DEVELOPMENT

Material sustainability issues

ENERGY AND CLIMATE
SUSTAINABLE PRODUCT DEVELOPMENT

RESPONSIBLE VALUE CHAIN
BUSINESS ETHICS AND ANTICORRUPTION

HEALTH AND SAFETY
EQUALITY AND DIVERSITY
ENGAGEMENT AND DEVELOPMENT

UN Sustainable Development Goals

7 AFFORDABLE AND CLEAN ENERGY	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION
8 DECENT WORK AND ECONOMIC GROWTH	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	13 CLIMATE ACTION	17 PARTNERSHIPS FOR THE GOALS	
5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH			

Material sustainability issues

HMS's prioritized sustainability areas and material sustainability issues are the basis for our strategic choices, prioritized activities, reporting and communication. The materiality assessment is thus a core element of our systematic sustainability work. It is updated at regular intervals and as needed, for example, when there are changes in the business, significant world events or in our stakeholders' focus and expectations. Each year, support for, and validation of, the materiality analysis is secured by HMS Board of Directors and Group management team.

A comprehensive update was made to the HMS materiality assessment during fall 2021 in order to verify HMS's existing framework

and priorities in the area of sustainability, along with ensuring relevance of the reporting and compliance with reporting requirements. One important component of review involved understanding key stakeholders' views on what HMS should be prioritizing in the future. The materiality assessment was carried out via extensive stakeholder engagement with the help of surveys and in-depth interviews with selected customers and suppliers. The survey was distributed to a selection of HMS's key stakeholders:

- Owners and investors
- Board of Directors
- Employees
- Customers and distributors
- Suppliers

The responses from these stakeholders were compiled and, together with the HMS Global

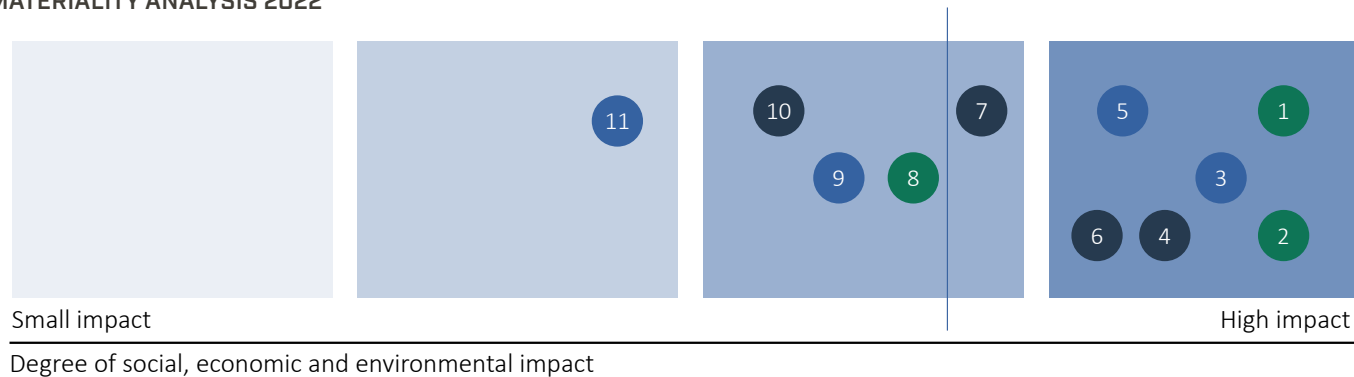
Sustainability Team, HMS's impact on its material topics was analyzed. Based on the stakeholder engagement and analysis of HMS's impact, a total of seven material sustainability topics were identified and validated by the HMS Group management team, see the Sustainability Report 2021.

Due to the transition to GRI Standards in 2021, a new evaluation of HMS's material topics was made in 2022. An external environmental analysis was used as the starting point for carrying our customer and employee surveys and obtaining advice from external experts in sustainability to assess HMS's actual and potential impacts, both negative and positive. The importance and scope of the material sustainability topics was assessed during a workshop with HMS's global sustainability team. Sustainability topics were then prioritized based on their assessed significance and a

threshold was set for reporting in the annual report. The approach and results were solidified with the Group management team and Board of Directors.

The update resulted in a number of changes being made to the material sustainability topics and how they are ranked. Employee development has been assessed as having greater significance, such that it exceeds the threshold for being included in the 2022 report. Information security has been assessed as having a lower significance and has thus been excluded from this year's report. It was also concluded that the assessed impact of energy and climate, sustainable product development, equality and diversity has increased. On the other hand, the assessed impact of responsible value chain, business ethics and anti-corruption and health and safety has decreased.

MATERIALITY ANALYSIS 2022



Grouped in our sustainability areas

- Climate and environment
- Responsible Business
- Engagement

1. Energy and climate
2. Sustainable product development
3. Responsible value chain and human rights
4. Employee development
5. Business ethics and anti-corruption
6. Equality and diversity
7. Health and safety
8. Use of water
9. Information security and customer privacy
10. Decent working conditions
11. Responsible tax payer





In conjunction with updating HMS's material topics, a review of the material sustainability risks was carried out. More information on HMS's material risk areas is provided in the Directors' Report on pages 50-51 of this Annual Report.

The results from the updated materiality analysis are presented in the illustration on the previous page. HMS's material topics are those to the right of the perpendicular dividing line in the block furthest to the right (see the figure on the preceding page), where there is the greatest social, economic and environmental impact. The assessment gives us the necessary insight and understanding of our stakeholders' expectations and perceptions of HMS, together with our own assessment of the impact.

The results serve as guidance for our future priorities and activities.

The HMS materiality analysis will be updated when the EU Corporate Sustainability Reporting Directive, which will incorporate the concept of double materiality, enters into force.

Stakeholder engagement

HMS maintains a close, continuous dialog with its stakeholders. It is a key component of daily operations and an important tool for our long-term planning. The HMS key stakeholders are: owners and investors, employees, customers, suppliers and partners, authorities and society.

The selection of HMS key stakeholders reflects the close relationship that exists, based on mutual dependence between them and HMS. There is, however, a continuous dialog in various forums between HMS and all of its stakeholder groups. When the restrictions associated with COVID-19 were lifted in 2022, the prerequisites for pursuing those dialogs and collaborations improved.

Key stakeholders	Forum for engagement	Important issues	How HMS addresses the issues
Owners and investors	Annual Report, interim reports, AGM, individual meetings.	Long-term profitability and growth, results of the decided Group goals, proactive management of risks, transparency, compliance with laws and regulations.	Group goals and follow-up, accounting and reporting, policies, systematic work methods, transparency.
Employees	Continual dialog, employee surveys, performance reviews.	Work conditions, personal development, health and safety, business ethics, energy consumption, human rights.	Group goals and follow-up, policies, systematic work methods, deviation management systems, employee surveys, benefits, training.
Customers	Continual dialog and meetings, customer surveys.	Long-term profitability, secured supply and lead times, high-quality products that generate lower energy consumption, legal compliance, CO ₂ emissions, responsible purchasing, transparency.	Secured supply and customer support, innovation and product development, Group goals and follow-up, secured legal compliance, reduced CO ₂ emissions, transparency, accounting and reporting.
Suppliers and partners	Continual dialog and meetings, guidelines, site visits.	Long-term profitability and growth, contract terms, customer satisfaction, secure supply and lead times, energy consumption, CO ₂ emissions, human rights, health and safety.	Sound business ethics, transparent dialog, systematic working methods, Group goals and follow-up, ensured legal compliance, reduced CO ₂ emissions.
Authorities and society	Annual Report, reporting and continual dialog with authorities, decision-makers and certification bodies.	Sustainable products and increased circularity, current political issues, legal compliance, transparency.	Group goals and follow-up, accounting and reporting, policies, systematic work methods, transparency.

The table shows HMS's key stakeholders and the forum for engagement.

Membership in organizations

HMS contributes to innovation, resource efficiency and community 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, which means that we are committed to promoting and implementing its 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 many of its customers as a prioritized partner, such as Schneider Electric Technology Partner and Rockwell Automation Technology Partner. We also participate in the Ericsson Industry 4.0 Partner Program.
- HMS participates in various industry-specific collaborations on prioritized issues, such as: 5G Alliance for Connected Industry and Automation and TechSverige Sustainability Council.
- Collaborations with academia are also an important component of our long-term efforts to secure talent and improve equality in the tech industry. HMS collaborates with several colleges and universities, including Halmstad University. In addition, HMS has long-term collaborations in place with Techella, Amazing Digital Amazonas (ADA) and Women on Wednesday, a network for immigrant women searching for employment in Sweden.

Governance and organization for sustainability

The foundation for 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 of Business and Human Rights. Other important starting points for our work with sustainability are global climate efforts in the form of climate agreements, regional and national principles and legislation. It also encompasses the EU Green Deal and its associated goals, declarations and processes, which greatly impact HMS's future direction and priorities. The principles of these declarations and frameworks are reflected in HMS's adopted policies, frameworks and Group goals.

Governance and organization

The HMS Board of Directors and management highly prioritizes sustainability work. HMS's policy obligations are decided and translated into strategies and goals by the Board and Group management team. The Board manages the sustainability agenda as a definite and recurrent activity in accordance with its work procedures defined in the Corporate Governance Report. Group goals and the long-term direction are discussed at the strategy meeting, which is held each year in August. At the yearly Board of Directors' meeting in October, the Board carries out a more in-depth review of HMS's sustainability work, including the organization's impact on sustainable development, the identified material topics, focus and direction of sustainability efforts and central work processes. Each year, the policies decided by the Board are reviewed and revised. Sustainability reporting is handled by the Audit Committee and the Sustainability Report is reviewed and approved by the Board.

Sustainability is a core element of the HMS strategy for 2025 and the HMS Group sustainability goals sets the direction of our priorities and daily efforts. The goals have been integrated into both business plans and follow-up. The Group management team and extended management team work with sustainability issues on an ongoing basis to ensure that progress is being made. Management reviews of the company's management

systems are performed on a yearly basis to evaluate the planned and executed activities from a process perspective. The HMS Sustainability Department is responsible for running, coordinating and following-up on the Group's sustainability agenda, focusing on Climate and environment and Responsible Business. The Sustainability Department is represented in the Group management team by the CFO. The HMS HR Department for each business area and function has main responsibility for goals, processes and activities within the area of Engagement.

Collaboration and delegation of responsibilities are important starting points in the HMS business model and organization. The HMS organization complies with the applicable national legislation, HMS policy obligations and the Group goals. Direct responsibility for sustainability work has thus been delegated by the CEO to each business area manager and function manager. It means that each area of operations within HMS is responsible for implementing policy obligations, initiating activities and following up on the work in their area of responsibility.

HMS's Global Sustainability Team consists of selected ambassadors from each business area who are responsible for operating the sustainability agenda, coordinating and pursuing initiatives, follow-up of the work and increasing knowledge on sustainability issues among HMS employees. The team is coordinated by the Global Sustainability Department. During the year, some of the items on the shared agenda for the sustainability team were: improved follow-up and data quality through the implementation of a Group-wide consolidation system, updating policies, strengthening processes for responsible purchasing and initiatives for a more comprehensive documentation of the Group's climate footprint.

A Group-wide HR forum started during the year aimed at exchanging experiences and increasing collaboration in the area.

Policy obligations and follow-up

HMS's obligations for pursuing sustainable business and operations are reflected in the HMS Code of Conduct, Supplier Code of Conduct, Environmental Policy, Quality Policy and policy for conflict minerals. The Code of Conduct is adopted by the Board of Directors and the other policies are adopted by the HMS Group management team. HMS's obligations included respect

for human rights, a precautionary approach aimed at minimizing negative impact and pursuing systematic sustainability work, where due diligence is a key element. HMS Group policies are communicated to all employees, representatives and partners via the HMS intranet and on the HMS website: www.hms-networks.com.

The HMS Code of Conduct summarizes the HMS values and provides employees and representatives with guidelines on how they are expected to behave. Respect for human rights and everyone's equal value are other core elements of HMS's values and work. The principles in the Code of Conduct are based on the Universal Declaration of Human Rights (UDHR) and the ILO Declaration on Fundamental Principles and Rights at Work. Equal opportunity shall 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. Through HMS's web-based whistleblower channel, HMS employees are given the opportunity to anonymously report irregularities.

Reported cases are handled through a defined process by the HMS whistleblower representatives, reported cases and measures taken are followed up by the Board and the HMS Group management.

The HMS Supplier Code of Conduct covers requirements and expectations on the Group's partners and suppliers. The Supplier

Code of Conduct is also aligned with the requirements in the HMS Code of Conduct.

In 2022, a new legislation monitoring system was implemented for the Group. No deviations from the applicable legislation were identified during the reporting year.

More information about HMS's policy obligations and whistleblower function is provided in the sections Responsible Business and Engagement.

CERTIFIED MANAGEMENT SYSTEMS WITHIN THE GROUP

The sustainability work is supported by systematic efforts and the company's management systems, several of HMS management systems are certified and thus also subject to third-party audits. Internal audits are also carried out annually according to a defined audit plan and process. Process descriptions and governance documents are gathered in a digital management system.

Business unit	ISO certification
Anybus, Halmstad	ISO9001:2015, ISO14001:2015
Ewon, Nivelles	ISO27001:2013*
Intesis, Iguialada	ISO9001:2015, ISO14001:2015
Ixxat, Ravensburg	ISO9001:2015

*The certification covers Talk2M and industrial cloud solutions and gateways.

If you are reading this Annual Report digitally, you can click on any of the boxes below to read the policy.

CODE OF CONDUCT

SUPPLIER CODE OF CONDUCT

ENVIRONMENTAL POLICY

QUALITY POLICY

POLICY FOR CONFLICT MINERALS

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



GOVERNANCE AND ALLOCATION OF RESPONSIBILITY FOR HMS'S MATERIAL SUSTAINABILITY ISSUES

Material issue	Legislation, policies, guidelines and procedures for governance	Allocation of responsibility within HMS	Evaluation of governance and results
Energy and climate	National legislation, Code of Conduct, environmental policy, car policy, travel policy, management system certified in accordance with ISO14001, operational goals and KPIs.	Group management team, business area managers, Global Sustainability Department, Sustainability Ambassadors.	Follow-up of activities and results in the Group management team and cooperation forum, reporting to the Annual Report, reporting to authorities.
Sustainable product development	National legislation, Code of Conduct, environmental policy, management system certified in accordance with ISO14001, general purchasing conditions, supplier agreements.	Group management, Product Development Managers, Global Sustainability Department, Sustainability Ambassadors.	Follow-up of activities and results in the Group management team, reporting to the Annual Report, reporting to authorities.
Responsible value chain	National legislation, Code of Conduct, Supplier Code of Conduct, policy for conflict minerals, management system certified in accordance with ISO9001 and ISO14001, general purchasing conditions, supplier agreements.	Group management, Global Supply, Global Sustainability Department, sustainability ambassadors.	Engagement and follow-up with suppliers, reporting to the Annual Report.
Engagement and development	Code of Conduct, HR policies, instructions and manuals for employees, deviation management systems, value-based work, operational goals and KPIs, employee surveys and interviews, training, health-promoting activities.	Group management team, business area managers, HR functions and collaboration forums, managers.	Follow-up of suppliers, reporting to the Annual Report.
Business ethics and anti-corruption	National legislation, Code of Conduct, Supplier Code of Conduct, training, work with basic values.	Group management team, global sustainability department, HMS whistleblower function.	Continuous financial monitoring, monitoring of cases reported via the HMS whistleblower function, reporting to the Annual Report.
Equality and diversity	National legislation, Code of Conduct, instructions and manuals for employees, deviation management systems, value-based work, operational goals and KPIs, employee surveys and interviews, training.	Group management team, business area managers, HR functions and collaboration forums, managers.	Follow-up of activities and results in the Group management team and cooperation forum, reporting to the Annual Report.
Health and safety	National legislation, Code of Conduct, HR policies, instructions and manuals for employees, deviation management systems, value-based work, operational goals and KPIs, employee surveys and interviews, training.	Group management team, business area managers, HR functions and collaboration forums, managers.	Follow-up of safety rounds and reported incidents in safety committees and management groups, reporting to the Annual Report.



Climate and Environment

HMS's material sustainability topics 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 of these topics are considered to contribute in a negative environmental impact. HMS's products enables a positive climate and environmental impact by lowering the resource and energy consumption within our customers operations. Read more about this on pages 20-21.

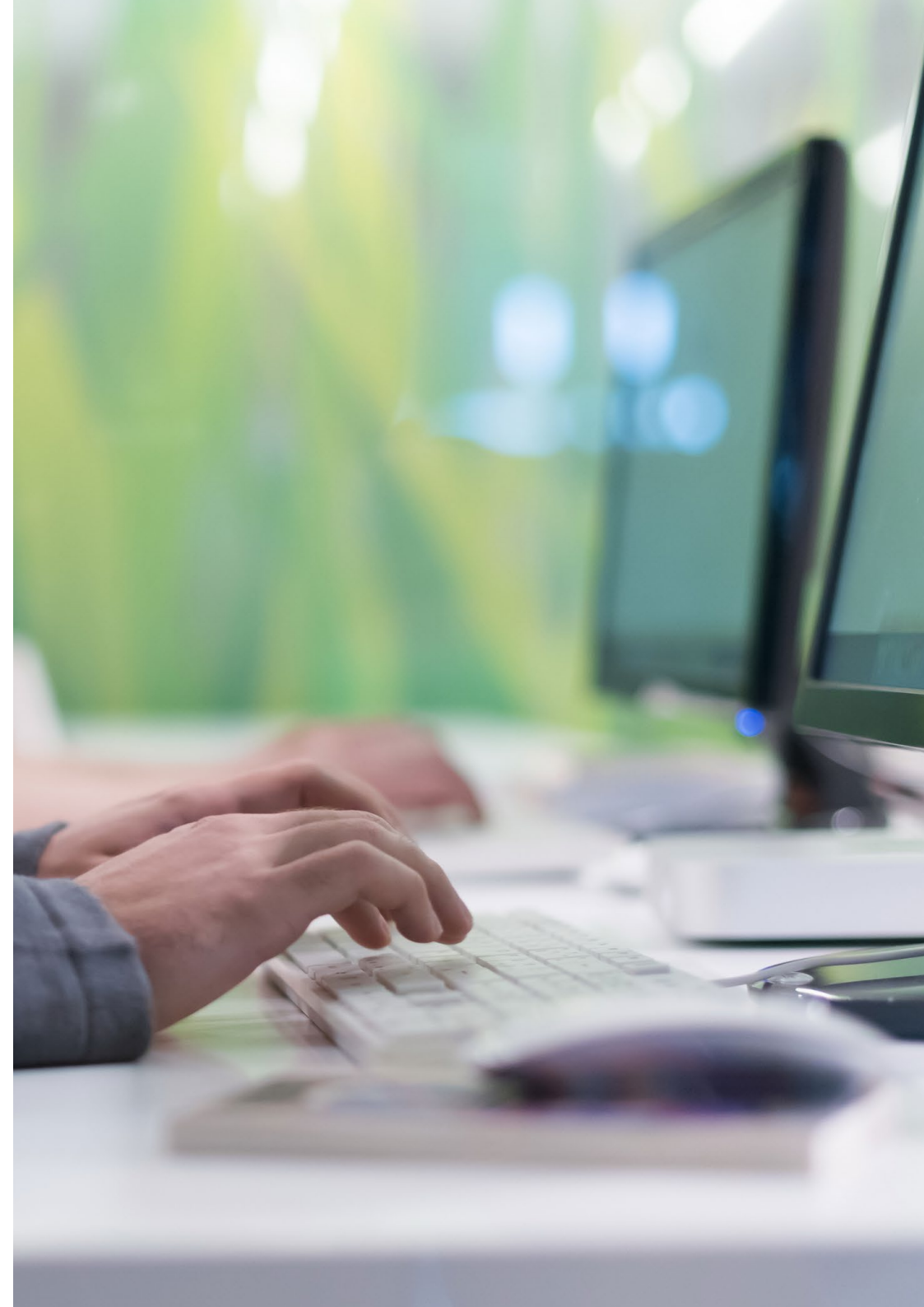
Governance of environmental issues is based on the HMS Code of Conduct, Supplier Code of Conduct, Environmental and Quality Policies, Group-wide instructions and established environmental goals. HMS's overall goal is to be CO₂ net positive by 2025. We focus on lowering our climate footprint where the impact is greatest, replacing fossil fuels and materials with renewable alternatives and offsetting for any remaining emissions that we have not been able to eliminate. The goal is in line with the Group's strategy and identified material environmental aspects. The organization's management system for quality and environment has a supportive function for implementation, results and monitoring of goals. Results and implemented activities are followed up by the Group management team and Board of Directors. Read more about governance and

stakeholder engagement in the governance section on pages 104-107.

HMS's products contain materials with varying environmental and climate impact, such as metals, minerals, plastic, glass and batteries. In 2022, a screening Life Cycle Assessment for three selected products in the HMS product portfolio was initiated. The results from that have provided a better understanding of the products' environmental impact and the materials used to manufacture them. The analysis offers us guidance on conducting more sustainable product development work. Read more about our sustainability activities in 2022 on page 19.

The base year has been set as 2020. Information from acquired companies and expanded reporting for sales offices has been included in 2021 and 2022. Because of that, the information for 2020 and prior years is not comparable. The base year may therefore be changed for future reports.

Emission factors used in the calculations are supplier-specific in cases where statistics were available or based on Swedish and international sources, such as the Swedish Energy Agency, International Energy Agency (IEA) and International Panel on Climate Change (IPCC).



Energy

GRI 302-1 – ENERGY CONSUMPTION WITHIN THE ORGANIZATION

Energy use (MWh)	Electricity			Heating			Cooling		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Europe	1,750	1,771	1,366	751	846	772	407	326	299
Asia	46	59	55	-	-	-	4	3	-
USA	78	63	69	-	-	-	-	-	-
Total	1,874	1,893	1,490	751	846	772	411	329	299

Energy consumption from renewable sources (MWh)	2022	2021	2020
Europe	1,451	1,464	1,171
Asia	-	-	-
USA	-	21	-
Total	1,451	1,485	1,171

Result

The energy consumption decreased slightly from the previous year, the decrease of energy consumption occurred within HMS organization in Europe and Asia. Renewable energy was used at facilities in Europe in 2022 and as regards the consumption from European units in 2022, the percentage of renewable energy was unchanged compared to 2021. The use of renewable energy in the US market has decreased, which is due to the suspension of office operations.. Total use of renewable energy was 77 per cent in 2022. The largest amount of energy consumption was in Sweden, where electricity use accounted for 50 per cent of the Group's total electricity consumption. Energy intensity decreased compared to last year, which is attributable to lower energy consumption and a higher number of delivered units.

Total energy consumption (MWh)	2022	2021	2020
Total	3,036	3,068	2,561

Total electricity sold (MWh)	2022	2021
Europe	1	-
Asia	-	-
USA	-	-
Total	1	-

GRI 302-3 – ENERGY INTENSITY

Energy intensity (kWh/unit)	2022	2021	2020
Total	2.6	2.5	2.8

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

Scope & method

Reported information on energy consumption within the organization includes 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 organization's premises. For electric heating (such as direct electricity, geothermal energy or air source heat pumps), the heating is reported as electricity consumption.

The 2021 report has been adjusted for comparability since additional units have been included. The units included in the information for 2021 that were not previously reported are: Procentec GmbH, Owasy Advanced Wireless Devices S.L. and HMS Industrial Networks India Private Limited. Information from acquired companies and expanded reporting for sales offices has been included in 2021 and 2022. Because of that, the information for 2020 and prior years is not comparable.

The energy related data was collected by the use of a financial system tool and reported either as actual consumption of electricity or other fuels via data from energy suppliers, or by estimating the energy demand based on the floor area of the facility (m²). Renewable, origin-marked electricity has only been reported in cases where it has been possible to substantiate via a certificate of origin.

Emissions

305-1 - DIRECT GHG EMISSIONS

Direct emissions (scope 1) (tons CO ₂ e)	2022	2021	2020
Total	207	161	96

GRI 305-2- INDIRECT GHG EMISSIONS

Indirect emissions (scope 2) (tons CO ₂ e)	2022	2021	2020
Total (market-based)	263	288	213
Total (location-based)	343	332	271

Result

The increase in scope 1 is attributable to more travel in conjunction with the lifting of COVID-19 restrictions, as well as an increase of company owned cars compared to prior years. The percentage of electric company cars increased from 5 per cent in 2021 to 12 per cent in 2022. Natural gas was previously reported as energy use in scope 2, but has been adjusted based on guidelines in the GHG protocol and is now reported in scope 1.

Energy consumption within the organization decreased somewhat compared to last year, which contributed to lower emissions in scope 2, the decrease of energy consumption occurred within HMS organization in Europe and Asia.

Scope & method

Reported information pertains to the organization's direct GHG emissions (scope 1) and indirect GHG emissions (scope 2). Information from acquired companies and expanded reporting for sales offices has been included in 2021 and 2022. Because of that, the information for 2020 and prior years is not comparable.

The Global Warming Potential (GWP) values used for the emission calculations are in accordance with IPCC Fifth Assessment Report (AR5). The following gases are included in the calculation:

CO₂, CH₄, N₂O, HFCs, PFCs, SF₆ and NF₃. Emissions of biogenic CO₂ are included in the calculation and amounted to 0 tons in 2022.

The information was collected using financial system support and emission calculations were performed by the use of a web-based calculation tool (Our Impacts). The supporting documentation used for the calculations was reviewed and assessed by an external party (U&We).

Natural gas in scope 1 was reported either as direct consumption or by estimating the demand based on the size of the facility and number of employees. Company cars in scope 1 were reported using direct and estimated information on the fuel type and kilometers driven.

Energy consumption in scope 2 was reported either as direct consumption of electricity or fuel or by estimating the demand based on the floor area of the facility (m²) and number of employees.

In cases where renewable, origin-marked electricity has been purchased, the emissions are based on emission factors for renewable sources if it has been possible to substantiate it with a certificate of origin. In cases where no active choice of renewable energy has been made, the emissions are based on an emissions factor for residual electricity for that country's electricity mix.

Sources for emission factors

- United Nations (2022). UN Statistics Division- Energy Balance Visualizations. <https://unstats.un.org/unsd/energygstats/dataPortal/> #IPCC (2006). Revised IPCC Guidelines for National Greenhouse Gas Inventories: Reference Manual. Intergovernmental Panel on Climate Change. Cambridge University Press, Cambridge.
- Department for Business, Energy and Industrial Strategy (2022). 2022 Government GHG Conversion Factors for Company Reporting.
- SEPA (2021). Emission factors and heating values, Basis for Sweden's greenhouse gas inventory for the emission years 1990-2020 to UNFCCC.
- Ecometrica (2022).
- UNECE (2021). Life Cycle Assessment of Electricity Generation Options.

- EPA (2022). GHG Emission Factors Hub. Center for Corporate Climate Leadership. April 2022. <https://www.epa.gov/climateleadership/ghg-emission-factors-hub>
- EPA (2022). eGrid2020. Release: 1/27/2022. <https://www.epa.gov/egrid/download-data>
- AIB (2022). European Residual Mixes 2021. Version 1.0, 2022-05-31. Association of Issuing Bodies.
- Energi Företagen (2022) Local environmental values 2021. Sweden <https://www.energiforetagen.se/statistik/fjarrvarmestatistik/miljovardering-av-fjarrvarme/>
- International EPD System. Environmental Product Declarations (EPD) for hydro and wind power.
- Market-based emission factors provided by electricity suppliers.

GRI 305-3 - OTHER INDIRECT GHG EMISSIONS

Other indirect emissions (scope 3) (tons CO ₂ e)	2022	2021	2020
Purchased goods and services	3,298	3,300	-
Fuel and energy-related activities	138	117	52
Goods transport and distribution	1,453	1,093	924
Waste	<1	<1	<1
Business travel	1,193	104	75
Total	6,082	4,614	1,051

Result

Due to COVID-19 restrictions, there was less travel, and thus lower emissions in 2020 and 2021. The emissions from business travel increased in 2022, which is attributable to the lifting of COVID-19 restrictions. The information for 2021 has been adjusted to also include emissions from purchased goods and services. Information in this category was not reported in prior years.

Scope & method

Reported information pertains to GHG emissions from the organization's other indirect emissions. A number of material emission categories for HMS in scope 3 still need to be documented, such as the use and waste management of sold products.

Information from acquired companies and expanded reporting for sales offices has been included in 2021 and 2022. Because of that, the information for 2020 and prior years is not comparable.

The Global Warming Potential (GWP) values used for the emission calculations are in accordance with IPCC Fifth Assessment Report (AR5). The following gases are included in the calculation: CO₂, CH₄, N₂O, HFCs, PFCs, SF₆ and NF₃.

PURCHASED GOODS AND SERVICES

Purchased materials were reported based on the organization's actual purchases for the reporting period. Purchased material includes packaging material, electronic components and products as well as metals and plastics used in the production and processing of products.

All purchase of electronic components have been included in the calculations and for the remaining products and materials, a threshold has been set based on the purchase cost. Office materials and chemicals are not included, since it has been concluded that these categories only have a small impact in the context of overall purchases.

Purchased material is only reported for purchases made by HMS Swedish operations, which is estimated to cover the majority (>90 percent) of purchased material within the Group.

FUEL AND ENERGY-RELATED ACTIVITIES

Includes emissions related to the production of fuels and energy purchased and consumed during the reporting year that are not included in scope 1 or scope 2. Emission calculations were made using an web-based calculation tool (Our Impacts).

GOODS TRANSPORT AND DISTRIBUTION

Goods transports were reported using direct information from transport companies or via own calculations based on the organization's registered purchases and sales. The DHL Carbon Calculator was used for own calculations of emissions from

goods transports. Own calculations account for less than 20 per cent of the total reported transport emissions. All emissions are reported according to the well-to-wheel method, which takes into account all phases in the fuel's life cycle. The reported emissions only include transports to the first customer or distributor. Emissions from transports for purchased materials does only include transports where the freight was paid by HMS.

The reported information for 2022 has been expanded to include Owasys Advanced Wireless Devices S.L, emissions from transports are not reported for Procentec BV.

WASTE FROM THE ORGANIZATION

Waste generated by the organization was reported via direct information from waste management companies or estimations based on the organization's size and type of operations. Waste generated by sales offices is not included. Emission calculations were made using an web-based calculation tool (Our Impacts). The method for calculating emissions changed with the transition to new calculation tools for emissions.

The information for 2021 and 2020 has been adjusted based on the new calculation method. Only the climate impact from waste management (removal and treatment) is included in the reported information. Previously, it also included climate impact of material and energy recycling. The change is aligned with the guidelines in the GHG Protocol.

BUSINESS TRAVEL

Business travel is reported using information from travel agencies and management accounting. Emission calculations were made using an web-based calculation tool (Our Impacts). Information on business travel in 2021 does not include Owasys Advanced Wireless Devices S.L. or HMS Industrial Networks India Private Limited.

Sources for emission factors

- Department for Business, Energy and Industrial Strategy (2022). 2022 Government GHG Conversion Factors for Company Reporting.
- AIB (2022). European Residual Mixes 2021. Version 1.0, 2022-05-31. Association of Issuing Bodies.
- EPA (2022). GHG Emission Factors Hub. Center for

Corporate Climate Leadership. April 2022. <https://www.epa.gov/climateleadership/ghg-emission-factors-hub>.

- EPA (2022). eGrid2020. Release: 1/27/2022. <https://www.epa.gov/egrid/download-data>
- WBCSD/WRI (2015). The Greenhouse Gas Protocol. A Corporate Accounting and Reporting Standard.
- United Nations (2023). UN Statistics Division- 2020 Energy Balance Visualizations. <https://unstats.un.org/unsd/energystats/dataPortal/#IPCC> (2006). Revised IPCC Guidelines for National Greenhouse Gas Inventories: Reference Manual. Intergovernmental Panel on Climate Change. Cambridge University Press, Cambridge.
- Ecometrica (2022).
- UNECE (2021). Life Cycle Assessment of Electricity Generation Options.
- DHL Carbon Calculator, <https://dhl-carboncalculator.com/#/scenarios>
- GaBi LCA Databases, via IVL Svenska Miljöinstitutet AB.

GRI 305-4 – GHG EMISSIONS INTENSITY

Emission intensity (tCO ₂ e/Mkr omsättning)	2022	2021	2020
Total	188	231	211

Result

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

Emission intensity includes the organization's total emissions in scope 1 and scope 2 from a market-based calculation method.

Waste

GRI 306-3 - WASTE GENERATED

Waste generated (kg)	2022	2021	2020
Hazardous waste	1,204	1,757	2,275
Incineration	27	-	-
Recycling	1,172	1,757	2,275
Landfill	5	-	-
Non-hazardous waste	165,296	157,768	106,992
Incineration	65,668	78,085	76,639
Recycling	59,743	39,798	30,353
Landfill	39,885	39,885	-
Reuse	16,701	12,768	7,985
Total	183,201	172,293	117,252

Result

Waste generated by the organization increased in 2022, as well as the recycling rate. Since the base year, hazardous waste generated by the organization has decreased.

Scope & method

The reported data includes waste generated by HMS's own organization, waste generated by the sales offices is not included. Waste generated is reported in kg and based on the treatment method.

Waste generated by the organization was reported via direct information from waste management companies or estimations based on the size of the organization's premises and type of operations.



Responsible Business

HMS's impact and responsibility stretches across the entire value chain. We thus work together with our suppliers and customers to ensure responsible business. HMS's material topics in the area are responsible value chain, business ethics and anti-corruption. Subject-specific disclosures are reported as a supplier assessment based on social and environmental criteria as well as anti-corruption. Governance in the area is based on the HMS Code of Conduct, Supplier Code of Conduct and Policy for Conflict Minerals.

Responsible value chain

GRI 308-1, 414-1

HMS cooperates with suppliers who supply the organization with electronic components, plastic parts, packaging materials, transports and indirect materials and services. HMS also has a long-term collaboration with contract manufacturers. In 2022, HMS had 194 external suppliers, of which 35 were identified as strategic. The majority of HMS's suppliers are in Europe, Asia and North America. A significant portion of HMS's actual and potential impact on the economy, environment and people, including human rights, exists in the value chain. For the majority of HMS's sustainability issues, the impact is greatest on the supplier and customer side. Actual negative impacts that have been identified consist of emissions to air and po-

tential negative impacts resulting from the use of rare metals and minerals in manufacturing. Close cooperation with suppliers is therefore a prerequisite to ensure a responsible value chain and achieve the established sustainability goals.

Result

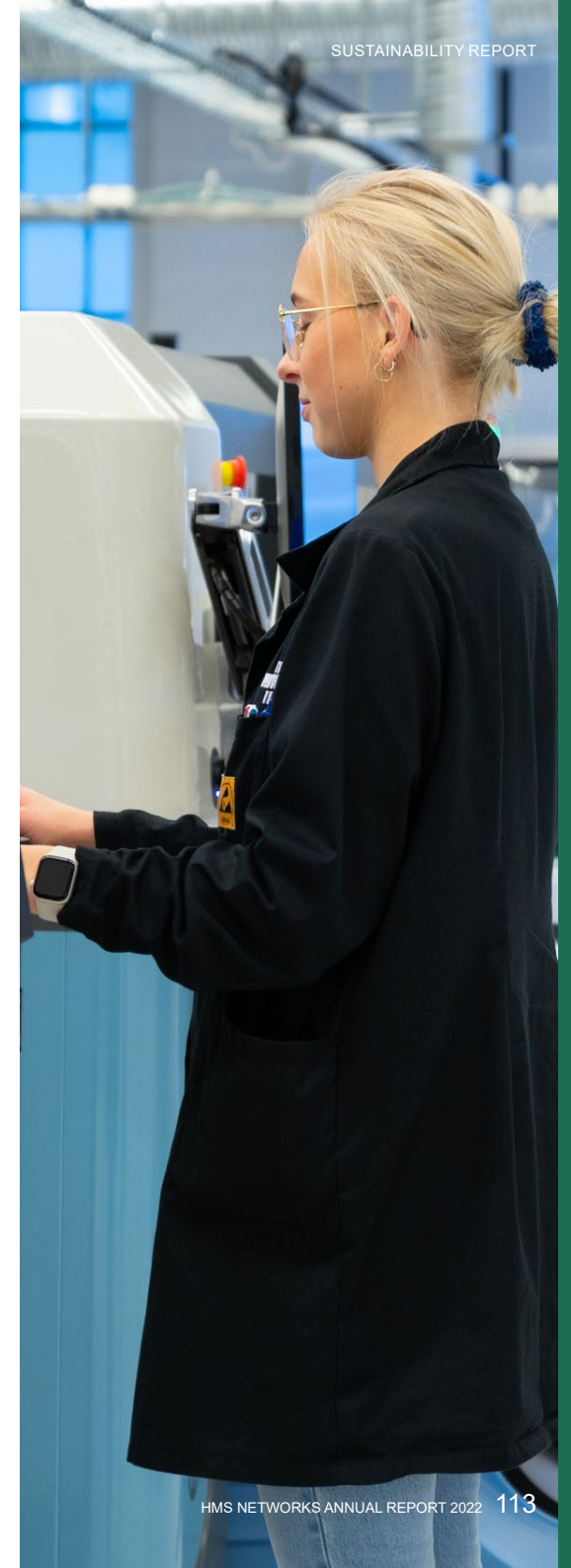
The HMS central purchasing function has overall responsibility for the supply of components, products and transports. Some of the responsibility for purchasing of goods and services has, however, been allocated to various HMS business areas and functions. The HMS Supplier Code of Conduct, General Purchasing Conditions and Policy for Conflict Minerals are core documents used in the effort to ensure that there is a responsible value chain. The HMS Supplier Code of Conduct was updated in 2022. We request that strategic suppliers sign the Supplier Code of Conduct, or that they have an equivalent code of conduct already established. At the end of 2022, 60 per cent of our strategic suppliers had signed the updated Supplier Code of Conduct.

The purchasing function follows a Group-wide process for monitoring supplier performance and follow-up discussions take place on a regular basis with our strategically important suppliers. The process was updated during the year to include sustainability-related requirements. The updated process is aligned with the OECD Due Diligence Guidance for Responsible Business Conduct and it includes such things as requirements for business partners, identi-

fication and evaluation of negative impact, corrective actions and follow-up in collaboration with suppliers. During 2023, the updated process will be implemented and employees will receive the necessary training.

Environmental legislation and other legal requirements in the area of sustainability are regularly monitored and followed up, including ensuring compliance with the REACH and RoHS Directives. An inventory of the risks regarding conflict minerals and follow-up on high-risk suppliers is performed annually. The response rate on this year's risk inventory was 84 per cent (64 %), which is a significant improvement compared to last year. Results of the risk inventory revealed that the majority of suppliers have used components containing minerals from conflict-affected and/or high-risk areas. Suppliers with identified high risk were followed up and corrective actions were identified with the aim of removing smelters with high risk.

During the year, five on-site supplier audits were carried out covering environmental and social criteria. No deviations linked to sustainability were identified. Corrective measures of minor importance were implemented in collaboration with the supplier. HMS entered into collaboration with 11 (14) new suppliers. However, none (1) of these suppliers were audited through an on-site audit in 2022.





Business ethics and anti-corruption

GRI 205-2

HMS is active on the global market, with customers in many different industries at many locations around the world. HMS's business ethics and values impact both employees and business partners in the value chain. There is a risk of a negative potential impact, which is why the proactive work with business ethics and anti-corruption always needs to be prioritized. HMS's principles in this area are reflected in our Code of Conduct and Supplier Code of Conduct, both of which have been published on the company's intranet and website.

Outcome

There was a major revision to the principles in the Code of Conduct in 2021, which is why a new web-based training for HMS employees was launched in 2022. Training on the Code of Conduct is mandatory for all HMS employees and by the end of 2022, 77 per cent of our employees had completed the training. All

members of the HMS Board of Directors had completed the training as well. New employees complete the training during their introduction and updated training is required throughout their employment.

Employees are able to anonymously report any suspected irregularities via a whistleblower function and the Group management team and Board of Directors follow up on outcome of implemented activities each year. Please read more about our whistleblower function and the outcome for 2022 on page 115.

The HMS Supplier Code of Conduct was updated during the year, in alignment with the HMS Code of Conduct. The updated version of the Supplier Code of Conduct was published for all HMS employees to read on the HMS intranet and external stakeholders can read it on the HMS website. Strategic supplier are asked to sign the Supplier Code of Conduct.

Engagement

HMS strives to offer its employees opportunities for personal and professional development in a growing, dynamic and international organization. HMS's material issues and topic-specific disclosures in the area are engagement and development, equality and diversity and health and safety.

In its role of employer, HMS has a major impact on the culture and work environment that characterizes our organization and employees. The work environment and various steps in the work process at HMS can involve risks to our employees' physical and psychosocial health. We therefore take our proactive work focused on health, development and an inclusive company culture very seriously.

Governance in the area is based on the HMS Code of Conduct, specific HR policies, instructions and handbooks for employees, deviation management systems, work with values, business goals and KPIs, employee surveys, performance reviews and employee training.

Questions and reporting of irregularities should, on the first hand, be reported to the employee's nearest supervisor, another senior executive, the business unit's HR department or the union representative. HMS also has a web-based whistleblower function that enables its employees to anonymously report irregularities. It is an externally managed whistleblower function with a defined process for processing each case. In 2022, there were no reports of irregularities via the web-based whistleblower system.

All employees are entitled to join a union. At the end of 2022, 49 per cent (52 %) of the Group's employees were covered by collective

bargaining agreements. For the HMS Swedish operations, all employees are covered by collective bargaining agreements.

Engagement and development

GRI 404-3

The tough competition for qualified labor requires the Group to strengthen its attractiveness by working with company culture, work environment, benefits and leadership. HMS therefore strives to continuously develop the skills of its employees by offering development opportunities to ensure that the organization has the knowledge and expertise it needs for the future. We are convinced that satisfied, high-performing employees is essential to creating loyal customers, which, in turn, is fundamental to running a successful business. Our goal is thus to have a Net Promoter Score (eNPS) above 30 by 2025 and in 2022 we achieved that with a good margin, since the outcome was 43 (29).

Regular dialog with employees is a key component of employee engagement and development. In 2022, 83 per cent of HMS's employees had participated in performance reviews. We are working systematically with skills development based on our business plans and in collaboration with our leaders and employees. An inventory of training needs is taken and followed up on each year with individual employees. Major overall training and education initiatives are run by HR, while individual training occurs through the training catalog in our HR system.

Number of employees	2022			2021		
	Total	Women	Men	Total	Women	Men
Total number of employees	726	209	517	684	168	516
Permanent employees	697	194	504	684	168	516
- Full-time	661	179	482	631	142	489
- Part-time	37	15	22	53	26	27
Temporary employees	29	15	14	-	-	-
Europe						
Total number of employees	624	183	441	593	147	446
Permanent employees	595	168	427	593	147	446
- Full-time	559	153	405	541	122	419
- Part-time	37	15	22	52	25	27
Temporary employees	29	15	14	-	-	-
Asia						
Total number of employees	51	14	37	44	10	34
Permanent employees	51	14	37	43	9	34
- Full-time	51	14	37	1	1	0
- Part-time	0	0	0	0	0	0
Temporary employees	0	0	0	-	-	-
Oceania						
Total number of employees	2	0	2	-	-	-
Permanent employees	2	0	2	-	-	-
- Full-time	2	0	2	-	-	-
- Part-time	0	0	0	-	-	-
Temporary employees	0	0	0	-	-	-
North and South America						
Total number of employees	49	12	37	47	11	36
Permanent employees	49	12	37	47	11	36
- Full-time	49	12	37	47	11	36
- Part-time	0	0	0	0	0	0
Temporary employees	0	0	0	-	-	-

The table shows the average number of employees, FTE (full-time equivalents). Information on temporary employees was not collected in 2021.

Diversity and age distribution, (%)	2022			2021		
	Total	Managers	Employees	Total	Managers	Employees
< 30 years	16	4	18	13	2	15
- women	5	1	6	4	0	5
- men	10	3	12	9	2	11
30-50 years	61	65	61	68	72	67
- women	17	14	18	17	11	18
- men	44	51	43	50	61	48
> 50 years	23	31	21	19	26	18
- women	5	6	5	5	4	5
- men	17	26	16	15	22	13
Average age	-	-	-	42	46	41

The table shows diversity and age distribution as a percentage, calculated based on the number per employment agreement on 31 December 2022. The process for gathering information in 2022 was changed, which is why information on average age is missing.

Equality and diversity

GRI 405-1

Higher diversity and equality is a crucial cornerstone for strengthening the HMS company culture and building our organization for the future. HMS has, through our impact, not only significant opportunities for improving diversity and equality in our own organization, in order to move our industry in a positive direction.

HMS's overall goal is for 20 per cent of its managerial positions to be held by women by 2025. The goal was achieved in 2022, since the outcome was 20 per cent (15 %) at year end. Composition of the Board of Directors in 2022 was three women and five men. The Group management team consisted of six men in 2022.

Proactive initiatives have been successful in steadily increasing the percentage of women

among HMS employees in recent years. They have consisted of training initiatives aimed at creating equality and an inclusive environment throughout the entire company, goal-based targets for the business, a review of leadership profiles and recruiting processes. Having achieved our 2025 goal of 20 per cent women in managerial positions already in 2022, we will be reviewing our goal with the aim of having a long term gender balance among both managers and employees.

Health and safety

GRI 403-1, 403-3, 403-8

HMS actively strives to create a workplace that is healthy in all areas (socially, physically and psychologically) for all employees through measures to prevent the risk of work-related injuries and unwellness. Systematic work environment efforts include investigating, preventing, implementing and follow-up. All companies in the HMS Group comply with the

relevant national legislation and work environment regulations. In Sweden, it is a legal requirement for employers to work systematically with the work environment (AFS 2001:1) and the supervisory authority for that is the Swedish Work Environment Authority. There are similar regulations in place elsewhere, such as Spain, where preventive work environment efforts are regulated by Act 31/95.

The HMS Code of Conduct and Supplier Code of Conduct contain guidelines on occupational health and the work environment, with systematic work environment efforts managed via work environment policies and instructions in the organization. To ensure that systematic work environment efforts are being done, HMS also has a variety of management systems in place that cover all HMS employees. However, none of those systems have yet obtained certification in accordance with international standards.

In 2022 the HMS Swedish units, Intesis, Ewon, Procentec and Owasys had separate management systems for occupational health and safety. Together, it covered 59 per cent of HMS employees. At present, there are no formal management systems in place elsewhere in the organization, but there are comparable routines, instructions, activities and follow-up.

Consultants and hired personnel must follow routines and guidelines for the workplace at HMS in which they are active. Currently, there is no comprehensive follow-up of the proportion of people who work on behalf of HMS with employment of an external partner.

Safety rounds occur regularly as part of the risk prevention work and safety committees have been set up and most HMS businesses, who monitor that. At some of our premises, safety rounds are performed by external

parties, while implementation and corrective measures are the responsibility of internal staff and management teams.

Risks and incidents are reported in deviation management systems to the manager in charge or person with the assigned responsibility at each location. All reported incidents are followed up and corrective measures are decided. Operational responsibility for the work environment typically belongs to the HR functions within the organization. However, the head of each unit has ultimate responsibility for the work environment. Because incidents, work-related injuries and illness are reported according to local routines and definitions in each country, information about this is not currently compiled at the Group level.

For the Swedish operations, HMS employees are represented by union occupational health representatives. During safety rounds, employees also have the opportunity to participate and provide feedback.

All relevant information concerning guidelines and preventive efforts are published on the HMS intranet. Information is given to new employees and there are regular fire drills. Employee surveys and performance reviews are done on a regular basis to obtain an overview of how employees feel about their work situation.

Most companies in the HMS Group offer their employees various forms of occupational health services and insurance. However, it was not possible to verify information about that from the HMS businesses in Asia. HMS encourages employees to engage in physical exercise and it supports various health and wellness activities through such things as wellness subsidies, gym access, group activities and health examinations.

Reporting of the EU Taxonomy Regulation

The EU Taxonomy Regulation is a classification system for environmentally sustainable economic activity and a key tool for achieving the EU's carbon neutrality target by 2050. Documentation of the HMS organization based on the Taxonomy's disclosure requirements for "Climate change mitigation" and "Climate change adaptation" has been done on Group level. The survey revealed eligible and non-eligible activities in relation to the existing parts of the Taxonomy, with the following conclusions. Activities aimed at increasing the percentage of Taxonomy-eligible activities have also been identified and initiated, such as processes for ensuring minimum protective measures.

- Most of HMS's sales are derived from its own manufactured physical products, which primarily fall under the category of activity 3.6, Manufacture of other low carbon activities. HMS has chosen a strict interpretation of the activity based on the requirement that the business should be "aimed at substantial GHG emission reduction" and has concluded that the positive reductions in greenhouse gas emissions that the products generate among HMS customers, should primarily be regarded as a side effect according to the Taxonomy. As of 2022 however, we have included most of the Intesis product offering with building automation, since energy efficiency is a core customer value. Overall, we conclude that the EU initially have chosen to focus on the sectors that have the greatest impact on climate and the environment, which means that the Taxonomy currently does not cover a large portion of HMS's activities.
- HMS cloud-based solutions represented a relatively small portion of HMS sales in 2022 and fall under the activity "8.1, Data processing, hosting and related activities". These products are primarily related to Ewon Talk2M and WEBfactory i4, which help mitigate climate change, primarily by reducing the need for service trips.
- During the year, HMS invested in a solar cell plant related to Taxonomy-eligible activities of Intesis. No investments have been made related to the Taxonomy-eligible cloud-based solutions. Regarding other investments, it was not possible to follow up on suppliers' compatibility with the taxonomy because of lack of data.

Accounting policies

The Taxonomy-eligible KPIs are defined in accordance with Annex I in Art. 8 Delegated Act.

SALES

The percentage HMS's total sales that are Taxonomy-eligible economic activities has been calculated as the portion of net sales stemming from products and services associated with eligible economic activities (numerator) divided by net sales (denominator). The numerator is based on HMS's consolidated net sales in accordance with IAS 1.82(a), which corresponds to the consolidated income statement, in page 52.

CAPITAL EXPENDITURE (CAPEX)

CapEx is defined as Taxonomy-eligible investments (numerator) divided by HMS's total investments (denominator). The numerator consists of the total capital expenditure on new PPE and intangible assets during the fiscal year, before depreciation/amortization and any revaluations, including those resulting from revaluations and impairment, excluding changes in fair value. The investments include new PPE (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 COSTS

OpEx is defined as Taxonomy-eligible operating expenditure (numerator) divided by HMS's total OpEx (denominator). Total OpEx consists of direct costs attributable to R&D, building renovations, short-term leases, maintenance & repairs and all other direct expenditure associated with the direct service of property and fixed assets. R&D expenditure is reported in the consolidated income statement and non-capitalized leasing agreements as per IFRS 16 are reported 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 consolidated income statement.

PERCENTAGE OF TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES

Percentage of sales from products and services that are associated with economic activities that comply with the Taxonomy requirements.				Criteria for material contribution					
Economic activities	Code(s)	Absolute sales [SEK billion]	Percentage of sales %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %
A. ACTIVITIES COVERED BY THE TAXONOMY									
A.1. Environmentally sustainable activities (Taxonomy-eligible)									
Sales of the environmentally sustainable activities (A.1)									
A.2 Activities covered by the Taxonomy, but which are not environmentally sustainable (non Taxonomy-eligible)									
<i>3.6 Manufacture of other low carbon technologies</i>	26.30	140	6%						
<i>8.1 Data processing, hosting and related activities</i>	63.11	33	1%						
Sales of the activities covered by the Taxonomy, but which are not environmentally sustainable (non Taxonomy-eligible)(A.2)		173	7%						
Total (A.1 + A.2)		173	7%						
B. ACTIVITIES NOT COVERED BY THE TAXONOMY									
Sales of activities not covered by the Taxonomy (B)		2333	93%						
Total (A + B)		2506	100%						

Criteria for Do No Significant Harm (DNSH)										
Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum protective measures	Taxonomy-eligible percentage of sales, year N	Taxonomy-eligible percentage of sales, year N-1	Category (enabling activities)	Category (transition activities)
							%	%		
							0%	0%		
							0%	0%		

Percentage of CapEx from products and services that are associated with economic activities that comply with the Taxonomy requirements.				Criteria for material contribution					
Economic activities	Code(s)	Absolute CapEx [SEK billion]	Percentage of CapEx %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %
A. ACTIVITIES COVERED BY THE TAXONOMY									
A.1. Environmentally sustainable activities (Taxonomy-eligible)									
CapEx of the environmentally sustainable activities (A.1)									
A.2 Activities covered by the Taxonomy, but which are not environmentally sustainable (non Taxonomy-eligible)									
<i>3.6 Manufacture of other low carbon technologies</i>	26.30	1	1%						
<i>8.1 Data processing, hosting and related activities</i>	63.11	0	0%						
CapEx of the activities covered by the Taxonomy, but which are not environmentally sustainable (non Taxonomy-eligible) (A.2)		1	1%						
Total (A.1 + A.2)		1	1%						
B. ACTIVITIES NOT COVERED BY THE TAXONOMY									
B. CapEx of activities not covered by the Taxonomy (B)		89	99%						
Total (A + B)		90	100%						

Criteria for Do No Significant Harm (DNSH)										
Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum protective measures	Taxonomy-eligible percentage of sales, year N %	Taxonomy-eligible percentage of sales, year N-1 %	Category (enabling activities)	Category (transition activities)
							0%	0%		
							0%	0%		

Percentage of OpEx from products and services that are associated with economic activities that comply with the Taxonomy requirements.				Criteria for material contribution					
Economic activities	Code(s)	Absolute OpEx [SEK billion]	Percentage of OpEx %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %
A. ACTIVITIES COVERED BY THE TAXONOMY									
A.1. Environmentally sustainable activities (Taxonomy-eligible)									
OpEx of the environmentally sustainable activities (A.1)									
A.2 Activities covered by the Taxonomy, but which are not environmentally sustainable (non Taxonomy-eligible)									
<i>3.6 Manufacture of other low carbon technologies</i>	26.30	10	5%						
<i>8.1 Data processing, hosting and related activities</i>	63.11	13	6%						
OpEx of the activities covered by the Taxonomy, but which are not environmentally sustainable (non Taxonomy-eligible)(A.2)		23	11%						
Total (A.1 + A.2)		23	11%						
B. ACTIVITIES NOT COVERED BY THE TAXONOMY									
OpEx of activities not covered by the Taxonomy (B)		183	89%						
Total (A + B)		206	100%						

Criteria for Do No Significant Harm (DNSH)										
Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum protective measures	Taxonomy-eligible percentage of OpEx, year N	Taxonomy-eligible percentage of OpEx, year N-1	Category (enabling activities)	Category (transition activities)
							%	%		
							0%	0%		
							0%	0%		

GRI index

Statement on use HMS Industrial Networks has reported with reference to the GRI Standards during the period 1 January through 31 December 2022.

GRI 1 GRI 1: Foundation 2021

GRI Standard	Disclosure	Reference	Departure		
			Departure	Motivation	Comments
General disclosures					
GRI 2: General disclosures 2021	2-1 Organizational details	26, 47, 92			
	2-2 Entities included in the organization's sustainability reporting	92, 101			
	2-3 Reporting period, frequency and contact point	101			
	2-4 Restatements of information	101			
	2-5 External assurance	101			
	2-6 Activities, value chain and other business relationships	8-15, 25-26, 46, 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	30-36, 105-107			
	2-10 Nomination and selection of the highest governance body	30-33			
	2-11 Chair of the highest governance body	32, 38			
	2-12 Role of the highest governance body in overseeing the management of impacts	32, 105-107			
	2-13 Delegation of responsibility for managing impacts	105-107			
	2-14 Role of the highest governance body in sustainability reporting	33, 105-107			
	2-15 Conflicts of interest	31-32			
	2-16 Communication of critical concerns	34-36, 105-107			
	2-17 Collective knowledge of the highest governance body	34-36, 38-41, 105-107			
	2-18 Evaluation of the performance of the highest governance body	31			
	2-19 Remuneration policies	32-33, 67-68			
	2-20 Process to determine remuneration	32-33, 67-68			

GRI Standard	Disclosure	Reference	Departure		
			Departure	Motivation	Comments
	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	105-107			
	2-24 Embedding policy commitments	105-107			
	2-25 Processes to remediate negative impacts	104-107, 113-114			
	2-26 Mechanisms for seeking advice and raising concerns	105-107			
	2-27 Compliance with laws and regulations	105-107			
	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 for determining material topics	103-104			
	3-2 List of material topics	103			
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	109			
	302-3 Energy intensity	109			
Emissions to air					
GRI 102: General disclosures 2016	3-3 Governance of material topics	107-108			
GRI 305: Emissions to air 2016	305-1 Direct GHG emissions (scope 1)	110			
	305-2 Indirect GHG emissions, energy (scope 2)	110			
	305-3 Other indirect GHG emissions (scope 3)	110-111			
	305-4 GHG emissions intensity	111			

GRI Standard	Disclosure	Reference	Departure		
			Departure	Motivation	Comments
Waste management					
GRI 3: Material topics 2021	3-3 Governance of material topics	107-108			
GRI 306: Waste management 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			
Work-related health and safety					
GRI 3: Material topics 2021	3-3 Governance of material topics	107, 115-116			
GRI 403: Work-related health and safety 2018	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: Education and skills development 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 Governance of material topics	107, 115-116			
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	116			
Social supplier assessment					
GRI 3: Material topics 2021	3-3 Governance of material topics	107, 113			
GRI 414: Social supplier assessment 2016	414-1 Percentage of new suppliers that were screened using social criteria	113			

Auditor's report on the statutory sustainability report

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

ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the statutory sustainability report for the year 2022 and that it has been prepared in accordance with the Annual Account Act. The company has defined the statutory sustainability report in the director's report on page 47.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

OPINION

A statutory sustainability report has been prepared.

Halmstad, 23 March, 2023
Öhrlings PricewaterhouseCoopers AB

Johan Palmgren
Authorized Public Accountant

Annual General Meeting April 25, 2023

The shareholders of HMS Networks AB (publ), Reg. no. 556661-8954, are hereby invited to the Annual General Meeting, which will be held at 10.30 a.m on Tuesday April 25, 2023 at the HMS head office, Stationsgatan 37, Halmstad. Registration for the Annual General Meeting will begin at 9.30 a.m.

RIGHT TO PARTICIPATE IN THE ANNUAL GENERAL MEETING

Shareholders who wish to participate in the Annual General Meeting must be registered in the share register kept by Euroclear Sweden AB (the Swedish Central Securities Depository) on Monday April 17, 2023 and give notice of their intention to participate in the Annual General Meeting no later than on Wednesday April 19, 2023 preferably before 4 p.m.

Notification shall be made by phone +46 (0)8 402 92 16, in writing to HMS Networks AB, "Annual General Meeting", c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden or via the website: www.hms-networks.com. The notification should include name, personal ID number/CIN, address, daytime telephone number and, when applicable, information on assistants (no 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", c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden or by email to generalmeetingservice@euroclear.com, 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 17, 2023. Such registration may be temporary (so-called voting rights registration), and request for such voting rights registration shall be made to the nominee in accordance with the nominee's routines at such a time in advance as decided by the nominee. Voting rights registrations that have been made by the nominee no later than Wednesday April 19, 2023, will be taken into account in the presentation of the share register.

Halmstad, March 2023
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 printed version of the annual report can be ordered by emailing ir@hms.se. Please make sure to include a complete delivery address.


Important reporting dates:

- 18 april 2023 **Q1 Report**
- 25 april 2023 **Annual General Meeting**
- 14 juli 2023 **Q2 Report**
- 18 oktober 2023 **Q3 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.

HMS solutions connect millions of devices, machines and systems around the world and enable our customers to become more productive and sustainable. Our long expertise, large installed base, and wide market coverage, make us the market leader in our field.



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