

# HMS Networks

## Annual Report 2024



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.

# HMS - Hardware Meets Software™

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

## 10 quick facts about HMS

<b>Founded in</b>	1988
<b>Sector</b>	Industrial ICT (Information & Communication Technology)
<b>Offices in</b>	20+ countries
<b>Employees</b>	1100+
<b>Major markets</b>	Germany, US, Japan
<b>Head office</b>	Halmstad, Sweden
<b>CEO</b>	Staffan Dahlström
<b>2024 Net sales</b>	SEK 3,059 million
<b>2024 Adjusted EBIT*</b>	SEK 665 million
<b>Product brands</b>	Anybus, Red Lion, N-Tron, Ewon, Intesis, Ixxat, Owasys, PEAK-System

\*Operating profit excluding depreciation and amortization of excess values from acquisitions and goodwill, transaction and integration costs from acquisitions and restructuring costs.

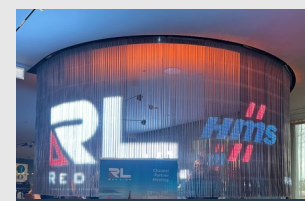
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The legal annual report, which includes the directors' report and financial statements, can be found on pages 54-104.



March: Top 10 workplaces for women  
Swedish students name HMS as one of Sweden's 10 most attractive employers for women, according to Karriärföretagen.



April: HMS completes the acquisition of Red Lion Controls  
HMS completes the previously announced acquisition of Red Lion Controls and integration work can begin.



April: Cost savings program  
HMS starts a program to reduce costs and streamline the organization. Approximately 45 jobs are affected, 25 of which are in Sweden.

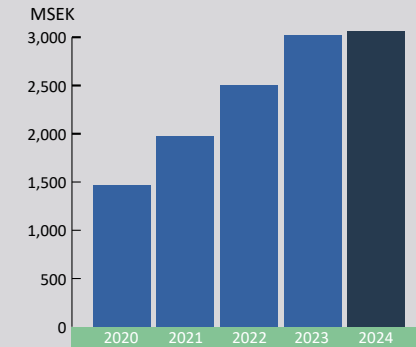


# 2024 in brief

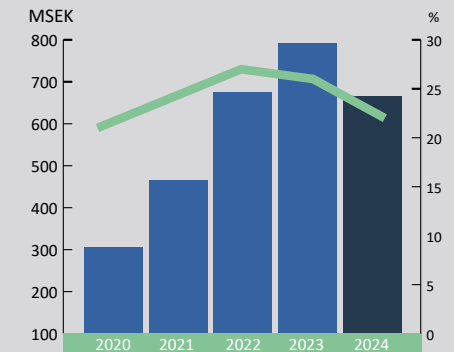
In 2024, HMS' sales amounted to SEK 3,059 (3,025) million, and operating profit amounted to SEK 665 (792) million. The average number of employees during the year was 1,059 (821).

FINANCIAL INFORMATION SEK MILLION	2024	2023	2022	2021	2020
Incoming orders	2,812	2,303	3,064	2,538	1,447
Net sales	3,059	3,025	2,506	1,972	1,467
Growth in net sales, %	1	21	27	34	-3
Adjusted operating profit	665	792	675	466	306
Adjusted operating margin, %	22	26	27	24	21
Operating profit	503	753	653	446	288
Operating margin, %	16	25	26	23	20
Adjusted profit for the year	472	610	530	382	239
Profit for the year	310	571	508	362	220
Net profit margin, %	10.1	18.9	20.2	18.4	15.0
Adjusted earnings per share, SEK	9.65	13.07	11.36	8.2	5.12
Earnings per share, SEK	6.35	12.23	10.89	7.61	4.79
Cash flow from operating activities	592	519	431	508	370
Average number of employees during the year (FTE)	1,059	821	726	684	614

## NET SALES



## ADJUSTED OPERATING PROFIT & ADJUSTED OPERATING MARGIN



**June: 10,000,000 Anybus units delivered**  
The 10-millionth Anybus module is delivered to Schneider Electric in France.



**July: HMS sustainability effort receives Gold Rating from EcoVadis**  
HMS once again achieves gold rating in EcoVadis' sustainability evaluation — top 5% of the evaluated companies.

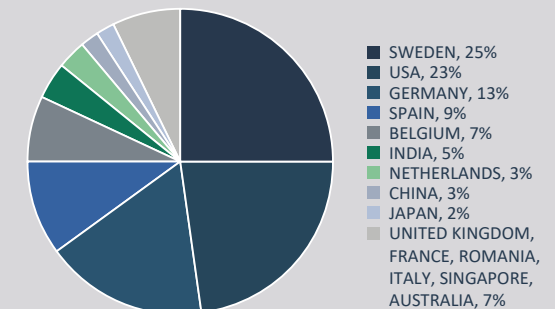


**October: HMS acquires PEAK-System Technik GmbH**  
HMS enters into an agreement to acquire PEAK-System, a well-established German company in industrial and vehicle communication.



**October: Reorganization**  
HMS announces that it will carry out a reorganization and organize into divisions as of January 2025.

## EMPLOYEES/COUNTRY



” Although the year has had weak organic development, we are very pleased to have been able to carry out two large and transformative acquisitions. This creates great opportunities for future growth, synergies and new customer groups.

”

Staffan Dahlström  
CEO, HMS Networks

Major changes, a cautious market and exciting future prospects



2024 has been a year characterized by a cautious market and major changes at HMS. We have made two large acquisitions and organizational changes with exciting prospects.

## Demand and inventory adjustments

There are two main reasons behind the year's weak order intake and the reduced organic sales result. Firstly, 2024 has been characterized by a cautious market where investments are postponed due to high capital costs, wait-and-see consumers, and uncertain geo-political circumstances. Secondly, our larger customers no longer have as large inventories as in previous years. Semiconductor delivery times have returned to normal levels and therefore there is no need to build large inventories either at the customers' premises or in their sales channels. This combination has resulted in negative organic growth for the company.

We have retained our customers and we believe that we will win new design wins, so we are optimistic that growth will return when customers' inventories are in balance and the market turns.

## Acquisitions

During the year, we have made our largest acquisitions to date: American Red Lion Controls Inc. and also German PEAK-System Technik GmbH. With Red Lion, which was acquired in the spring, we see great opportunities to develop and integrate operations with HMS. We are building a strong platform in the USA with two R&D centers and a factory in Pennsylvania. Red Lion will be part of the new IDS (Industrial Data Solutions) division with good opportunities to improve margins, efficiency and innovation through synergies with other existing HMS operations within IDS.

During the autumn, PEAK-System Technik GmbH was also acquired – a highly profitable and well-established technology company that complements our existing Ixxat and

Owasys offering. Together, these three units create "Vehicle Communication" which will be the largest part of the NI (New Industries) division.

Although the year has had weak organic development, we are very pleased to have been able to carry out these two large and transformative acquisitions. This creates great opportunities for future growth, synergies and new customer groups. And the acquisitions allow HMS to achieve positive growth in sales for 2024.

## New organization

The good growth and acquisitions of recent years have meant that we have outgrown the organization we have had since 2017. We have therefore established a new organization model for future growth. As of 2025, our operations are now divided into three divisions, with their own sales and marketing resources, R&D teams and innovation and strategy agenda.

- IDS – Industrial Data Solutions
- INT – Industrial Network Technology
- NI – New Industries

We maintain a common production and delivery organization, where we continue to see good opportunities to drive scalability and synergies with shared production volumes. In addition, there are shared group functions within finance, IT, M&A and sustainability.

## Sustainability

During the year, we have continued our sustainability agenda by reducing our CO<sub>2</sub> emissions from our own operations and by focusing on helping our customers reduce their emissions - resulting in savings that are many times greater than the emissions from our own operations. Read more about this on page 22.

During the year, we have also broadened our sustainability work within purchasing, which we call "responsible sourcing", and continued to work on sustainability from an employee perspective in order to be a good and responsible employer.

For our customers, sustainability remains a prioritized issue and the majority of our customers see this as a key element in their collaboration with us. Read more about our important sustainability work starting on page 110.

On behalf of the group leadership team, I would like to extend a big thank you to all employees, and a warm welcome to our new colleagues from Red Lion & PEAK-System. I would also like to thank our customers, partners and suppliers, and our shareholders for a year in which we have built HMS Networks stronger for the future.

We look forward with confidence to the coming years and a continued growth journey together.

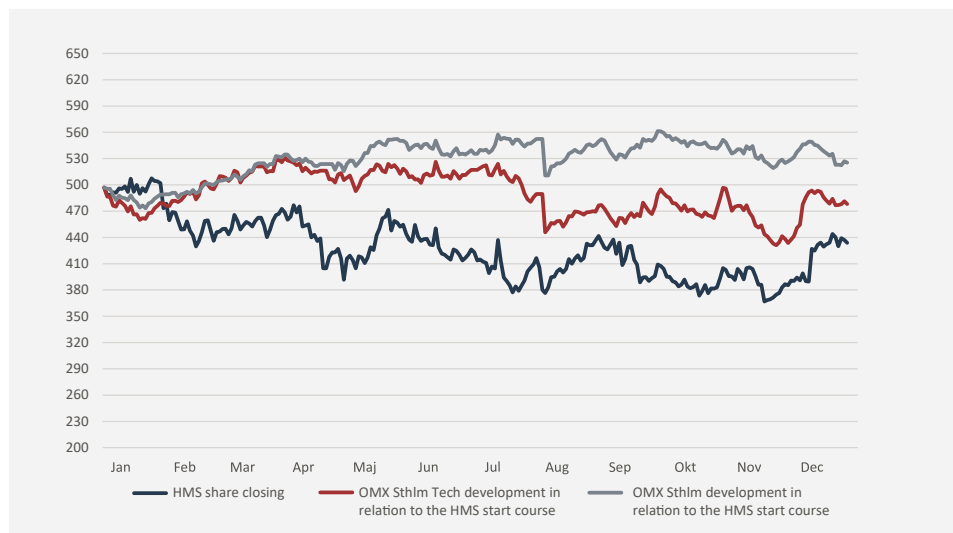
Staffan Dahlström  
President and CEO



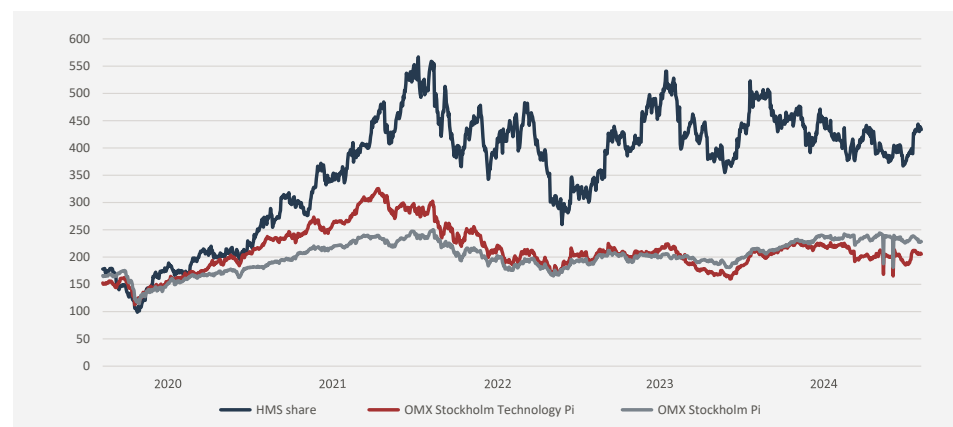
# The HMS Networks share

HMS is listed on NASDAQ OMX Stockholm in the Large Cap<sup>1</sup> segment and Telecommunications sector. The share's ISIN code is SE0009997018. The stock is traded under the ticker symbol HMS. A round lot comprises 1 share.

## HMS SHARE DEVELOPMENT 2024 (SEK)



## HMS SHARE DEVELOPMENT 2020-2024 (SEK)



<sup>1</sup>HMS Networks AB moved to Nasdaq's Large Cap list as of January 3, 2022.

## NUMBER OF SHARES AND SHARE CAPITAL

The number of shares in HMS amounts to 50,318,868. The share capital amounts to SEK 1,257,962. All shares have the same voting rights.

## PRICE TREND

During 2024, the price of HMS' share decreased by 13 percent to SEK 434 (497) per share. The Nasdaq OMX Information Technology Index decreased by 4 percent during the same period, and in total the Nasdaq OMX Stockholm Index increased by 6 percent. During the year, the price of HMS' share peaked at SEK 514 on January 24, while the lowest price paid was SEK 358 on August 5. At the end of 2024, HMS' market capitalization amounted to SEK 21,828 million (23,288).

## TRADING VOLUME

During the year, 10.5 million shares were traded at a value of SEK 4,521 million (5,542), corresponding to an annual turnover rate of 21 per cent (28). On average, 41,932 (51,663) shares were traded at a value of SEK 18,011 thousand (22,082) per trading day.

## DIVIDEND POLICY

HMS' policy is to pay an annual dividend in the range of 30–50 percent of earnings per share. The dividend proposal is based on the

company's earnings level, financial position and future growth opportunities. For 2024, the Board proposes a dividend of SEK 0 (4.40) per share. The reason for this is that the company's debt is higher than the target following the two major acquisitions of Red Lion Controls and PEAK System GmbH. The suspended dividend is a one-time measure intended to enable HMS to reduce debt in 2025 and strengthen the balance sheet for future investments.

Over the past five years, the average return for HMS' share has amounted to 0.8 per cent per year.

## SHAREHOLDERS AND OWNERSHIP STRUCTURE

The number of shareholders in HMS Networks AB (publ.) on December 31, 2024, amounted to 7,261 (8,341). The ten largest shareholders accounted for 72.5 per cent (72.0) of the votes and capital.

## ONGOING ANALYSES

The following analysts monitor HMS on an ongoing basis:

Viktor Högberg, Danske Bank  
Gustav Berneblad, Nordea  
Joachim Gunell, DNB  
Simon Granath, ABG Sundal Collier  
Erik Larsson, SEB  
Niclas Wahlström, Pareto Securities AB



## 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
2024	New share issue	3,500,000	50,318,868	87,490	1,257,962

## KEY PERFORMANCE INDICATORS

	2024	2023	2022	2021	2020
Share price (last day of trading)	434	497	340	558	260
Volume-weighted average price	430	427	387	402	174
Average turnover per day, SEK million	18.0	22.1	19.6	17.7	9.8
Average number of shares traded per day	41,932	51,663	50,715	43,953	56,603
Number of shares (thousands)	50,319	46,819	46,819	46,819	46,819
Adjusted earnings per share, SEK	9.65	13.07	11.36	8.2	5.12
Earnings per share, SEK <sup>1</sup>	6.35	12.23	10.89	7.61	4.79
Market capitalization, MSEK	21,828	23,288	15,900	26,125	12,173
Corporate value, EV (market capitalization + net debt), SEK million	25,121	23,577	16,200	26,472	12,371
P/E ratio	68.3	40.7	31.2	73.3	54.3
Net debt/EBITDA	4.57	0.33	0.4	0.6	0.5
Net debt/Adjusted EBITDA	3.37	0.03	-	-	-
EV/EBITDA	34.8	26.9	21.5	48.3	30.8
EV/Net sales	8.2	7.8	6.5	13.4	8.4

<sup>1</sup> The key figure is exclusive of IFRS16 and includes pro forma EBITDA from acquisitions.

## HMS' TEN LARGEST SHAREHOLDERS AS AT DECEMBER 31, 2024

	NUMBER OF SHARES	SHARE OF VOTES AND CAPITAL
Investment AB Latour	13,014,532	25.9%
Staffan Dahlström and company	6,105,697	12.1%
AMF Fonder	4,229,157	8.4%
Första AP-fonden	3,080,713	6.1%
SEB Fonder	2,809,873	5.6%
State Street Bank & Trust	1,770,299	3.5%
Northern Trust Company	1,641,196	3.3%
Swedbank Robur fonder	1,388,484	2.8%
Cliens Småbolag	1,269,986	2.5%
Lannebo Fonder	1,157,256	2.3%
Others	13,851,675	27.5%
<b>Total</b>	<b>50,318,868</b>	<b>100%</b>

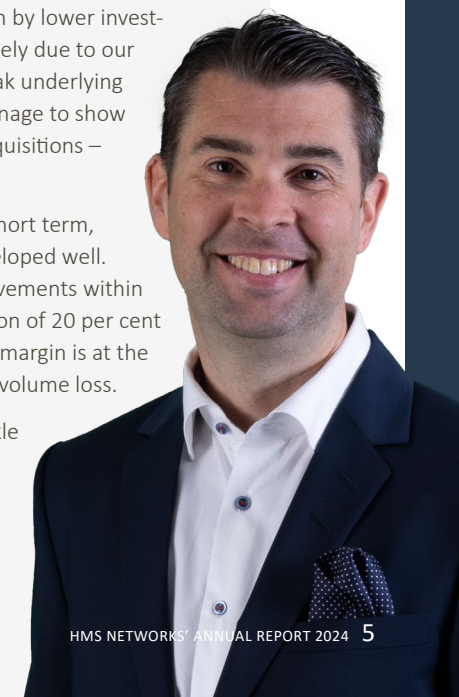
## The CFO on 2024:

When we sum up 2024, we can conclude that it has been a challenging year market-wise. After a few years of strong order growth and inventory build-up at our customers, we have seen weaker demand since mid-2023, partly driven by lower investments in the industry in general, but also largely due to our customers' inventory reductions. Despite weak underlying markets and negative organic growth, we manage to show growth for the year due to this year's two acquisitions – Red Lion Controls and PEAK-System.

We have worked with what we could in the short term, and cost levels and working capital have developed well. With good cost control and successive improvements within our supply chain, we see a significant reduction of 20 per cent in our operating expenses. Our organic gross margin is at the same levels as the previous year, despite the volume loss.

We look forward to a 2025 which we will tackle with a new divisional structure to create full focus on our different customer groups.

Joakim Nideborn  
Chief Financial Officer



# HMS mission



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





# Trends driving HMS business

## Deglobalization

An increasing number of manufacturing companies are moving their operations home (nearshoring). This means shorter supply chains but also higher demands on efficient, automated production with more communication between machines and systems.



## Data analysis

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



## Sustainability

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



## Network security

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



## Energy efficiency

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



## Operational reliability

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



## Increased automation

The automation trend has been going on since the Industrial Revolution, and continues to increase as labor becomes more expensive and it is difficult to find qualified staff.



## Digitization

Factories and buildings are becoming increasingly digital, which places demands on communication between machines, systems and networks.



## AI

There is a great need to extract data from different machines and sensors, and then use this data in AI systems.





# A new organization for future growth

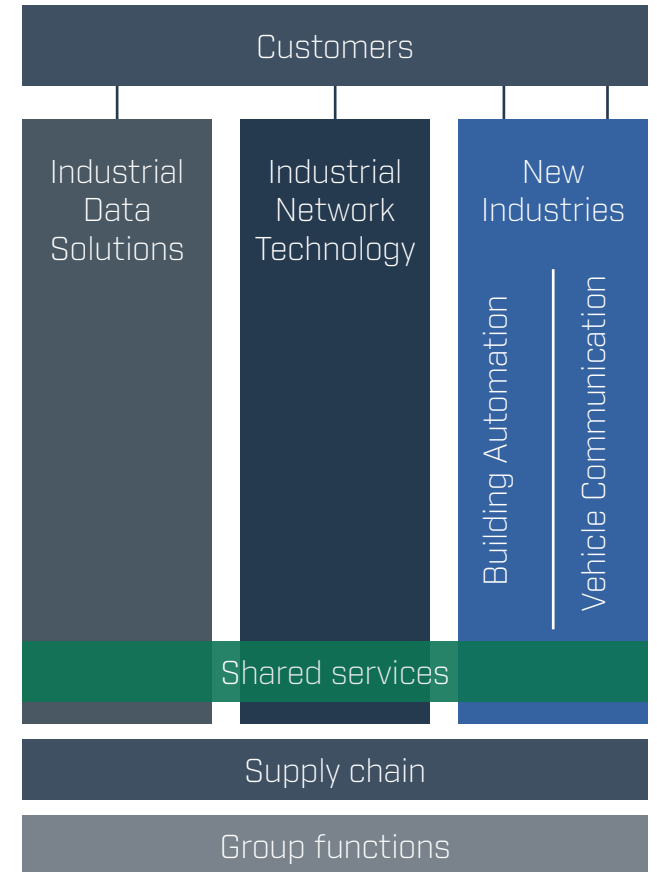
In October, HMS announced that it is reorganizing for the future. This means leaving the matrix model of Business Units and Market Units and organizing into three divisions.

- Industrial Data Solutions (IDS)
- Industrial Network Technology (INT)
- New Industries (NI), which includes the subdivisions Building Automation (BA) and Vehicle Communication (VC).

The divisions are separated according to the customer groups they serve and have full ownership of product development, marketing, sales, support and technical services.

#### BACKGROUND TO ORGANIZATIONAL CHANGE

Since 2017, HMS has been organized according to a matrix model consisting of Business Units (product development) and Market Units (sales and marketing). However, strong organic growth in recent years and an expanded product offering that makes it more difficult for Market Units to “sell everything”. This combined with the acquisitions of Red Lion Controls and PEAK-System, mean that HMS is now restructuring to better serve different customer groups and also to group its product offering to benefit from technical synergies.



The divisions have full responsibility for their income statement and are supported by common functions such as Supply Chain, Finance, IT, HR and Order Management.



# Red Lion now part of HMS

In December 2023, HMS announced it had entered into an agreement to acquire Red Lion Controls, headquartered in York, Pennsylvania. In April 2024, the acquisition was completed and the integration work could begin.

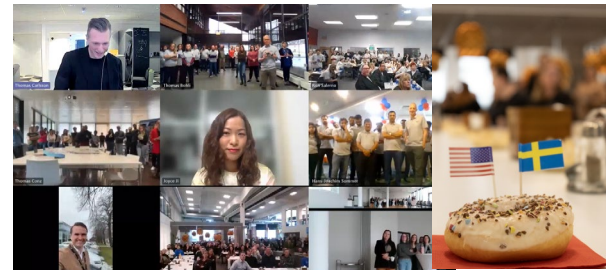
Red Lion's product portfolio will be part of the Industrial Data Solutions division. Red Lion's panel displays, industrial switches and controllers will complement the existing HMS offering for remote access and network diagnostics, for example.

It also gives HMS a strong position on the North American market with US manufacturing capacity, as well as access to Red Lion's existing established distribution network.

*"Since the acquisition was announced in December 2023, we have been working to create the conditions for closer collaboration between Red Lion and HMS' global units. Initially, this largely involved establishing contact routes and creating a platform for cooperation and now we are a little further along and in the process of going to market with a joint marketing and sales force. We now have a very strong Industrial ICT offering for our customers in the machine manufacturer, system integrator and end-user categories. The products will be marketed under the Red Lion and N-Tron brands."*

Martin Hoffert  
Director Group Strategy and M&A

**RedLion**<sup>®</sup>  
BY HMS NETWORKS  
**N-Tron**<sup>®</sup>  
BY HMS NETWORKS



"The world's most connected Fika" was held on April 2, where HMS and Red Lion employees met for a digital coffee break. (Both cinnamon buns and donuts were devoured).



The new HMS office in York, Pennsylvania.



# HMS acquires PEAK-System Technik GmbH

In October 2024, HMS announced the acquisition of PEAK-System Technik GmbH, a well-established supplier of industrial communication solutions based in Germany.

PEAK-System offers both hardware and software for industrial and vehicle communication and will be part of the Vehicle Communication subdivision.

The head office, along with product manufacturing and development, is located in Darmstadt, Germany. There is also a French subsidiary with an office in Maxéville, near Nancy, France. PEAK-System employs approximately 50 people in total. Sales are distributed across the main industrial communication markets, with approximately 50 per cent of sales in Europe, 25 per cent in Asia and 25 per cent in the US.



At PEAK-System's office in Darmstadt after signing the deal. From left: Alexander Gach, CEO PEAK-System Technik, Ines Dohmann, CEO PEAK Group, Staffan Dahlström, CEO of HMS Networks and Uwe Wilhelm, CEO PEAK Group and PEAK-System Technik.

# What HMS does: products for Industrial ICT (Information and Communication Technology)

HMS products enable industrial machines to communicate with software and systems – Hardware Meets Software™. Customers come to HMS to extract data from industrial machines and have this data visualized – on the factory floor or remotely. They also want to enable communication between machines and systems that would otherwise be unable to communicate with each other. Here, HMS offers a kind of translator for machines, both in industrial settings and in buildings.



## Industrial ICT in three divisions

### Industrial Data Solutions (IDS)

Solutions to connect, secure, diagnose and visualize data in industrial applications.



**HMS delivers:** information and data from industrial processes, resulting in better decisions, higher productivity and increased sustainability.

### Industrial Network Technology (INT)

Technology for communication, control and security in industrial devices.



**HMS delivers:** real-time control, smart manufacturing capabilities and energy savings.

### New Industries (NI)

Industrial communication for niche applications in growing industries.



#### BUILDING AUTOMATION

**HMS delivers:** communication between, for example, air conditioning and building systems.

#### VEHICLE COMMUNICATION

**HMS delivers:** communication between vehicles, test systems, remote monitoring, etc.

Please note that the organization into three divisions applies from 2025. During 2024, HMS' organization consisted of Business Units and Market Units. Segment reporting for the divisions will begin in January 2025.



# Our customers

HMS' divisions are divided according to the customers they serve. Sales are made through direct sales, distribution or e-commerce.



DIRECT SALES



DISTRIBUTION



E-COMMERCE



DIRECT SALES



DIRECT SALES



DISTRIBUTION



E-COMMERCE

## Industrial Data Solutions (IDS)

Within Industrial Data Solutions, HMS serves three types of customers:

- Machine manufacturers who need to access data from their machines, for example to do service and support remotely.
- System integrators who need to install and connect machines from different manufacturers, connect wireless systems or provide remote support.
- End-users such as factory owners who want to ensure factory safety, connect new and old parts, or obtain network diagnostics.



MACHINE MANUFACTURERS



SYSTEM INTEGRATORS



END-USERS

## Industrial Network Technology (INT)

Within Industrial Network Technology, HMS enables manufacturers of, for example, drives, robots, sensors or other machines to communicate on various industrial networks.

HMS network solutions are often integrated into the customer's product and are thus ordered by the customer throughout the product lifecycle.



DEVICE MANUFACTURERS – FOR EXAMPLE, ROBOT MANUFACTURERS.

## New Industries (NI)

There are two subdivisions here:

- **Building Automation**, which primarily serves system integrators in building automation. They enable systems for air conditioning, lighting, heating, etc. to communicate with building systems.
- **Vehicle Communication** often serves engineers in the automotive industry who need to enable communication between, for example, test stations and vehicles. Vehicle-specific communication protocols such as CAN, LIN and FlexRay are often used.



SYSTEM INTEGRATORS

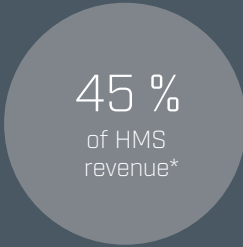


OEMs OF SPECIALIST MACHINERY

HMS also provides communication solutions for specialist machinery such as fork-lift trucks, loaders, trains, etc.

# Industrial Data Solutions

Solutions to connect, secure, diagnose and visualize data in industrial applications.



## Data from machines

*We ensure that data from industrial equipment can be transferred to IT systems securely. Customers can collect, process and visualize data from sensors and machines, providing a better overview and easier decision-making. Data can be provided remotely via the internet, as well as via internal systems and machine displays on site. HMS is a market leader in remote access and data connectivity for machines.*

Alexander Hess  
Senior Vice President  
Industrial Data Solutions

## Customer example

### MACHINE DATA MAKES AI POSSIBLE IN BRISBANE, AUSTRALIA

AI requires large volumes of machine data. By equipping a die cutter, a box cutter, and a sheet presenter with Ewon Flexy from HMS, CapitalAI was able to collect and analyze large volumes of data and create AI models to modernize and streamline decision-making.

*“We chose Ewon because of its robust connectivity solutions, ease of integration with existing systems, and reliable data transmission capabilities,” says Dr. Mohanad Sarhan, Principal Technologist at CapitalAI.*



## HMS' contribution to Agenda 2030 – Goal 7 and Goal 12



With improved visibility through remote monitoring, HMS solutions help accelerate the global pace of change in energy efficiency and resource management.

## DRIVING TRENDS:



DEGLOBALIZATION



DATA ANALYS



SUSTAINABILITY



NETWORK SECURITY



OPERATIONAL RELIABILITY



AI



DIGITIZATION





## HMS provides:

### Display panels and Human Machine Interfaces (HMIs)

Red Lion’s control panels and visualization tools are used by customers worldwide. They are mounted on machines or in industrial environments to interact with machines or visualize processes.



### Network switches

An industrial switch is a network device designed to connect machines, sensors and control systems in demanding environments. It works like a standard network switch, but is designed to withstand the harsh and often extreme industrial conditions, such as high or low temperatures, humidity, vibration and dust.



### 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.



### Network diagnostics in Factory Automation

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





# Industrial Network Technology

Technology for communication, control and security in industrial devices.



## Real-time communication

*We facilitate real-time communication between devices, machines and systems in industrial automation. HMS' products connect different communication technologies – wired or wireless.*

*This is HMS' core market and remains a large part of HMS' overall business.*

*Bartek S Candell  
Senior Vice President  
Industrial Network Technology*



## Customer example

THE 10-MILLIONTH ANYBUS UNIT DELIVERED TO SCHNEIDER ELECTRIC IN FRANCE  
Schneider Electric and HMS Networks have been collaborating for two decades on network solutions for Schneider Electric's popular variable speed drives. Integrating Anybus enables Schneider Electric to offer variable speed drives that can communicate on any network and can also be fine-tuned for optimum performance and energy efficiency.

*"Digitalization is happening all around us. Connectivity isn't just nice to have; it's an essential requirement,"* says Jean-Louis Guillou (center), Vice President for Schneider Electric Drives division. Flanked by Magnus Jansson and Peter Greenfort from HMS.



## HMS' contribution to Agenda 2030 – Goal 9

By facilitating automation and improved control, HMS products enable efficient industrial automation systems, contributing to reduced consumption of resources and energy in industrial applications.

## DRIVING TRENDS:



DEGLOBALIZATION



DATA ANALYS



SUSTAINABILITY



NETWORK SECURITY



AI



DIGITIZATION



INCREASED AUTOMATION

\*Regarding revenue from completed acquisitions during the year, the calculation includes pro forma revenue prior to the acquisition date.





## 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 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.



**Anybus**  
BY HMS NETWORKS



**Anybus**  
BY HMS NETWORKS

### Wireless connectivity in Industrial Automation

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



**Anybus**  
BY HMS NETWORKS



**Ixxat**  
BY HMS NETWORKS

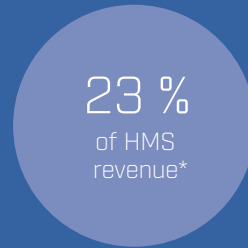
### Connection to safety networks

"Functional Safety" means preventing machines from harming people in industrial environments. Connecting to these highly specialized networks is possible using HMS' Ixxat products.



# New Industries

Industrial communication for niche applications in growing industries. HMS operates in two areas – Building Automation and Vehicle Communication.



## Building Automation

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

David Garces  
Vice President  
Building Automation



## Vehicle Communication

*The automotive industry uses specific communication protocols such as CAN, LIN and FlexRay. HMS' Ixxat solutions specialize in this area and the acquisition of PEAK-System gives us even greater expertise in vehicle communication. Examples of the challenges we solve include communication between test stations and vehicles, simulation tools and remote monitoring of heavy vehicles such as loaders and excavators.*

Thomas Conz  
Vice President  
Vehicle Communication



## HMS' contribution to Agenda 2030 – Goal 11

Building automation and reduced energy consumption in buildings help to reduce the environmental impact of society and enable sustainable urban development.



## HMS' contribution to Agenda 2030 – Goal 12

Transport, vehicles and battery manufacturing account for a significant proportion of global emissions. Establishing connectivity and obtaining diagnostics provides great opportunities for energy optimization.

## DRIVING TRENDS:



ENERGY EFFICIENCY



DATA ANALYS



SUSTAINABILITY



OPERATIONAL RELIABILITY





## HMS provides:

### Multi-network connectivity for HVAC equipment

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



**Intesis**  
BY HMS NETWORKS

### 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.

### Communication for different types of vehicles

CAN is a widely used communication protocol used in the automotive industry and many other fields. The HMS Ixxat team and the newly added PEAK-System in Darmstadt, Germany are experts in this.



**Ixxat**  
BY HMS NETWORKS



**PEAK**  
System

### Remote connectivity for mobile machines

Owasys is an independent company in the HMS Networks Group that provides remote communication solutions specially adapted for heavy vehicles.



**owasys**  
HMS GROUP MEMBER





## Focus areas and goals

HMS' strategic focus is divided into three areas: Planet, People & Growth.

On December 1, 2020, in the middle of the pandemic, we presented our new targets for 2025. We presented three focus areas, which over time became known as Planet, People and Growth and we stated our aim of decreasing our carbon footprint, having a Net Promoter Score of 50 for customers and employees, having 30 per cent female managers and achieving sales of 3.14 billion (π, yes we're engineers).

At the time of writing in early 2025, we can see that we are close to several of our goals, but still have a little way to go with others.

In 2025, our new divisions will develop goals and strategies for their work up to 2030. The strategy work that began in 2024 also confirmed the need to organize ourselves differently to create better focus on our different customer groups.

Being clearly aligned with customer categories and target groups will make it easier for our divisions to establish goals and strategies for the next step in our growth journey. These will be presented in 2025.



*Joakim Nideborn  
Chief Strategy Officer &  
Chief Financial Officer*





## Planet



Science based targets

The HMS Effect  
x3

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

## People

+50  
Employee NPS  
Customer NPS

+30%  
Female managers

At HMS, we believe that happy and high-performing employees are crucial when it comes to creating loyal customers. Our goal is to achieve an NPS (Net Promoter Score) for customers and employees of over 50 by 2025, as well as to increase our share of female managers to 30 per cent.

## Growth

+3,14 billion SEK by 2025

25% EBIT

We want to reach sales of π+ billion by 2025. SEK 3.14 billion will be achieved through organic growth, while any acquisitions will come under the “+”. The target for the operating margin is 25 per cent.



# Focus area Planet

Science based targets



The HMS Effect  
**x3**  
by 2030



## Sustainability agenda and commitments

HMS actively works for a sustainable future by offering innovative solutions that facilitate energy efficiency, reduced emissions and efficient use of resources. Through our products and services, we support industrial customers' transition to more sustainable processes and promote responsible operations throughout the value chain.

### Collaboration for sustainability

HMS is committed to promoting sustainable development and supports the UN's 2030 Agenda through innovation that drives energy efficiency and resource efficiency in industry.

We have been proud members of the UN Global Compact since 2021 and we integrate its principles of human rights, labor law, the environment and anti-corruption into our business.



**GLOBALA MÅLEN**  
för hållbar utveckling

**WE SUPPORT**



### EcoVadis Gold 2024

HMS Networks has been awarded a Gold Rating by EcoVadis in an independent evaluation of our sustainability work. This award recognizes HMS' sustainability work and commitment and demonstrates that our sustainability efforts are delivering results.

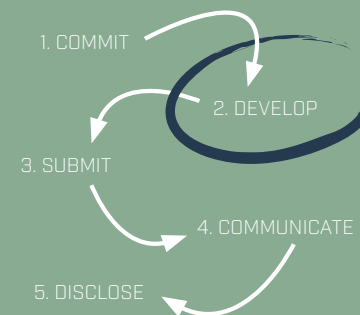


HMS also works actively with other sustainability evaluations such as the Carbon Disclosure Project (CDP).



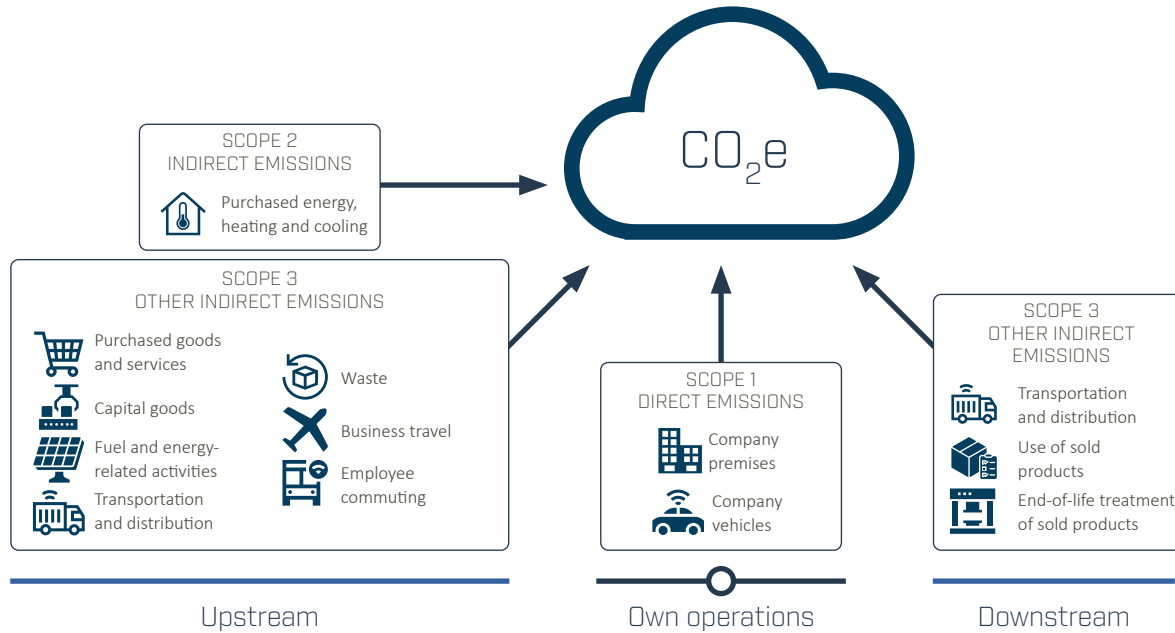
### HMS' PATH TO SBTi

In 2023, HMS took a significant step by joining the Science Based Targets initiative (SBTi) and committing to setting a science-based target in line with the Paris Agreement. During 2024, the focus has been on developing a climate target for reducing emissions, including method validation and data collection. This work will continue during 2025 with the aim of establishing climate targets for the business, with the ambition of achieving net zero greenhouse gas emissions by 2050.

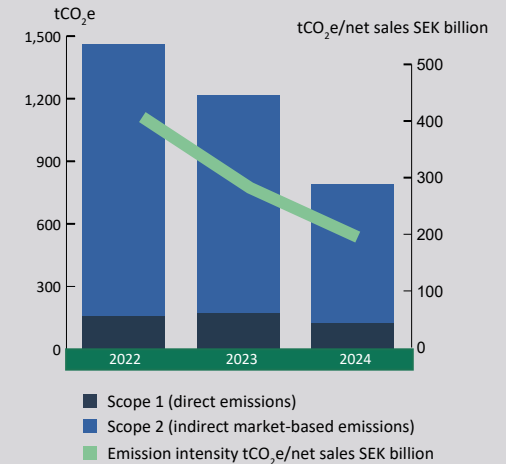


# HMS' climate footprint 2024

In accordance with the Greenhouse Gas Protocol (GHG), we monitor and measure our emissions to ensure transparent and systematic reporting of our climate impact. The image shows the emission categories that are relevant to our business and which we actively monitor and report.



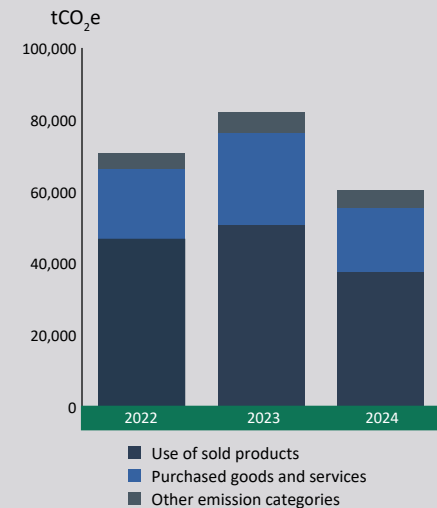
## SCOPE 1 & 2



Reported information includes HMS's acquired business Red Lion Controls Inc., HMS's later acquisition, PEAK-System Technik GmbH, is not included in the reported information.

During the year, we continued our work to reduce our climate impact. Emissions from operations have decreased compared to the previous year and are the result of several measures. An important factor behind the reduction is our investment in a more sustainable vehicle fleet, where an increased share of electric cars has replaced fossil-fuelled alternatives. In addition, we have increased the share of renewable energy in our operations, which has contributed to a lower climate impact.

## SCOPE 3



Reported data does not include Red Lion Controls Inc. and PEAK-System Technik GmbH.



## Sustainability work 2024

In 2024, we have prioritized our sustainability reporting in accordance with CSRD. We have implemented system support, conducted a double materiality analysis and evaluated our policies to ensure they meet the new requirements.

During the year, HMS carried out two strategic acquisitions that had a significant

impact on our sustainability effort. The integration process includes ensuring that the values and working methods of the acquired companies align with our sustainability agenda, as well as integrating our Code of Conduct and sustainability principles into the new company's operations. Through close cooperation and continuous follow-up, we ensure that the sustainability effort of the business is strengthened.

*Ermal Devce*  
Director Sustainability and Quality



# Opportunities through innovation and technology

In 2024, the carbon dioxide emissions avoided by our customers were estimated at 1,206,510 tons\*. We estimate the avoided carbon emissions for two product types, based on customer usage patterns.

## Intesis AC-Gateways

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



## Ewon Remote Access

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



\* Refers to avoided emissions during the reporting year.

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

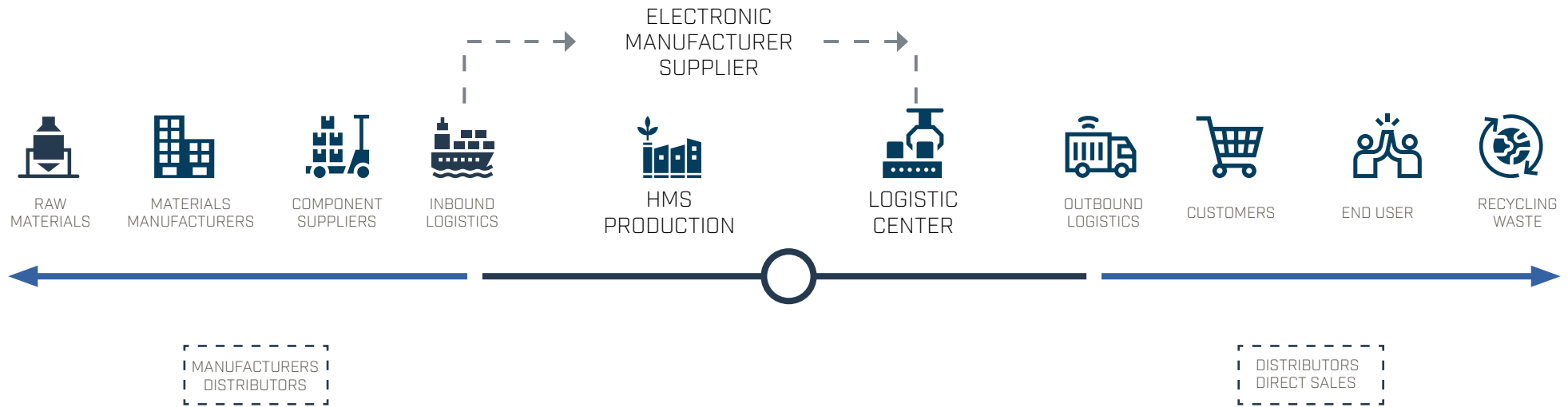
\*\*\*How we have performed calculations: We calculate the emissions from the service trips that would have been necessary without the remote connection. Remote connections lasting longer than fifteen minutes are assumed to replace service trips. Flight distance is estimated on the basis of an average-haul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



## Customer case

When MT Distribuzione built their new headquarters in Verona named "BTrade26," they were driven by sustainability, innovation, and energy efficiency. In the warm climate of Northern Italy, optimal use of air conditioning is an important driver. To enable communication between air conditioning units and the advanced KNX-based building automation system, MT Distribuzione installed Intesis gateways from HMS Networks. They enable seamless communication between the AC-units and the building system which means lower energy use and lower emissions. The project, which has been awarded the prestigious KNX Award 2024 in the Sustainability category is now classified as a Nearly Zero Energy Building (NZEB) with an A4 energy class rating - the highest possible classification.

# Responsibility and impact in the value chain



## Upstream

Our Code of Conduct is a central tool for ensuring compliance with human rights, good working conditions and environmental consideration throughout the supply chain. HMS takes active responsibility for preventing the use of conflict minerals in our products and requires our suppliers to report the origin of the minerals they use.

**74%** Proportion of strategic suppliers and manufacturers evaluated on the basis of sustainability aspects.

**33 TONS** CO<sub>2</sub> reduction by using air shipments with sustainable aviation fuel.\*

## Own operations

Our Code of Conduct is a central tool for ensuring good working conditions for our employees by promoting diversity, inclusion and continuous skills development.

We strive to reduce our climate impact through the use of renewable energy.

**57%** Percentage of company owned cars using fossil-free fuels.

**78%** Energy from renewables energy sources.

**90%** Proportion of employees who have completed training on the HMS Code of Conduct.

## Downstream

We develop innovative technologies that help our customers optimize their processes, cut energy consumption and reduce emissions, contributing to more sustainable industrial operations.

**29%** Increase in HMS effect\* since base year 2021.

\*Sustainable Aviation Fuel (SAF) is a fuel that meets specified requirements according to established sustainability standards, with the aim of reducing carbon emissions and environmental impact from the aviation industry.

\*Estimated avoided emissions at our customers through the use of HMS products, Intesis AC Gateways and Ewon Remote Access



# Focus area People

**+50**  
Employee NPS  
Customer NPS

**+30%**  
Female managers  
by 2025



We cherish our inclusive corporate culture, where common values, learning and personal responsibility are prioritized.

## Happy and high-performing employees generate loyal customers

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

### WELL-BEING



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

### CORPORATE CULTURE



Our new organizational structure in divisions ensures that the product development and sales teams become customer-oriented and entrepreneurial. The inclusive culture as well as good relationships and cooperation are important cornerstones of our corporate culture.

### LEADERSHIP



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

### DIVERSITY, EQUALITY & INCLUSION



With employees in over 20 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. Our target of 30 per cent female managers remains for 2025. We are currently at 27 per cent.

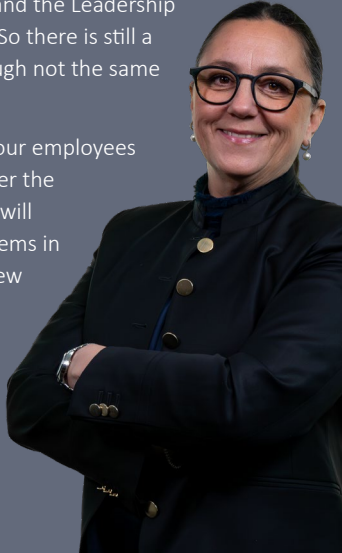
### An eventful year for our employees

2024 has been a year of change at HMS. With Heart, Mind & Soul we welcomed some 400 new colleagues from Red Lion in the US, alongside 50 from PEAK-System in Germany. We reorganized into divisions to make us fit for the future. This created some double functions, and unfortunately about 80 redundancies.

Although HMS is a company where there is always a lot going on, major changes such as these always create a certain amount of concern and uncertainty and this can also be seen in our eNPS, which has fallen to 17 (50) this year. Nevertheless, we continue to score highly in terms of work situation and leadership. The Employee Satisfaction Index is at 76 (81) and the Leadership Satisfaction Index is at 80 (82). So there is still a high level of satisfaction, although not the same willingness to recommend.

I am very impressed with how our employees have handled all the change over the course of the year. In 2025, we will work to put structures and systems in place that support our larger new organization.

*Mira Jhaveri Winther  
Chief Human  
Resources Officer*



### Employee Net Promoter Score (eNPS)

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



### Awards and certifications

In 2024, HMS received numerous awards and certifications, in Sweden and in other countries, confirming that our corporate culture is appreciated and highly valued.



### HMS GROWTH ACADEMY, CLASS OF 2024

The HMS Growth Academy is a global training program focusing on HMS business and culture, as well as personal development. Eight students from all around HMS participated.



### 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



## Increased share of female managers

Greater diversity and gender equality are crucial cornerstones when it comes to strengthening HMS' corporate culture and building our organization for the future. In 2023, we raised the target of 20 per cent female managers to 30 per cent. We are currently at 27 per cent.



” I am the group manager for the teams that work on the development and maintenance of Anybus Embedded products, both our standard and customized modules.

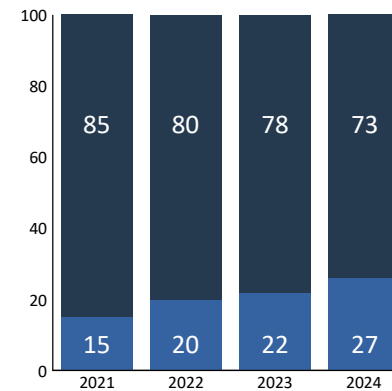
What I love about my role is that no two days are the same. From strategies and collaboration, to minimizing barriers for teams and recruiting new employees. Working with our highly competent engineers every day is both developing and inspiring.

Malin Sjögren  
Group Manager Software

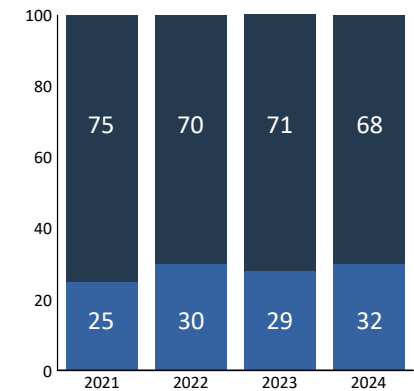
”

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

In 2024, we increased the proportion of female managers within the organization as well as the proportion of female employees, which is very gratifying (the figures in the table below include both employees and managers). We continue to work to increase both of these and achieve our target of 30 per cent female managers by 2025.



■ Male managers, %  
■ Female managers, %



■ Male employees, %  
■ Female employees, %



## Clear focus on satisfied customers

After several years of component shortages and accompanying delivery problems, we have now regained our good delivery capacity, which has also resulted in higher customer satisfaction. Our goal is to once again exceed 50 in cNPS, and thereafter to continue to achieve high scores.

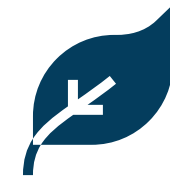
## Customer Net Promoter Score (cNPS)

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

2021	2022	2023	2024
54	38	27	44



# Our journey towards the EU's Sustainability Reporting Directive – CSRD



To ensure that we meet the requirements of the Corporate Sustainability Reporting Directive (CSRD), we have drawn up an implementation plan. This plan reflects our commitment to integrating sustainability into our operations and reporting. In line with Sweden's implementation of CSRD, which came into effect July 1, 2024, HMS will first report in accordance with the directive for the 2025 financial year.



## Q3 2023: TRAINING INITIATIVES

Training initiatives for key personnel on CSRD and associated European Sustainability Reporting Standards (ESRS). Establishment of an internal working group and stakeholder mapping for a double materiality analysis.



## Q1 2024: GAP ANALYSIS

Gap analysis to map the current status and areas that require development. Identification of relevant requirements according to CSRD and ESRS based on the results of the double materiality analysis.



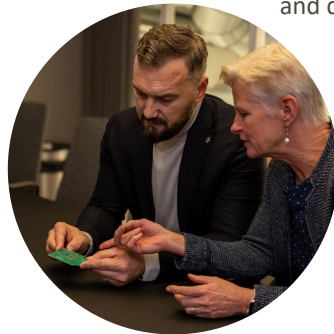
## Q4 2023: DOUBLE MATERIALITY ANALYSIS (DMA)

Double materiality analysis, including stakeholder dialogs and risk mapping. This analysis helps to determine the key topics for the business.

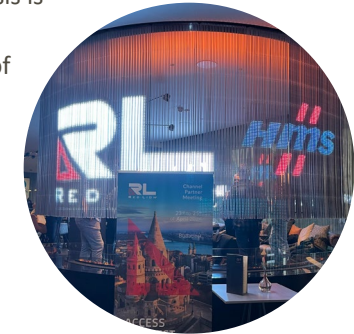




**Q2/Q3 2024: SYSTEM SUPPORT & ACTION PLAN**  
 Development of an action plan for identified gaps. Implementation of system support and adaptation of internal systems and processes for data collection and quality assurance.



**Q3 2024: REVALIDATION OF DMA**  
 The double materiality analysis is reviewed and validated with respect to HMS' acquisition of Red Lion Control Inc.



**Q4 2024: IMPLEMENTATION**  
 The double materiality analysis is approved by the Management Team and the Board. Implementation of activities from the action plan, including an updated Code of Conduct and associated training for employees and the Board, updating of the Environmental Policy, Conflict Mineral Policy and Health and Safety Policy.



WE ARE HERE!



**CSRD READY REPORT 2025 FOR FY 2024**

In 2025, work will continue to implement the business action plan and fine-tune the reporting process to ensure compliance with CSRD requirements.

Future sustainability reporting includes the ESRS areas below that are considered material in the completed DMA:

- - E1: Climate change
- - E2: Pollution
- - E5: Circular economy
- - G1: Business conduct
- - S1: Own workforce
- - S2: Workers in the value chain





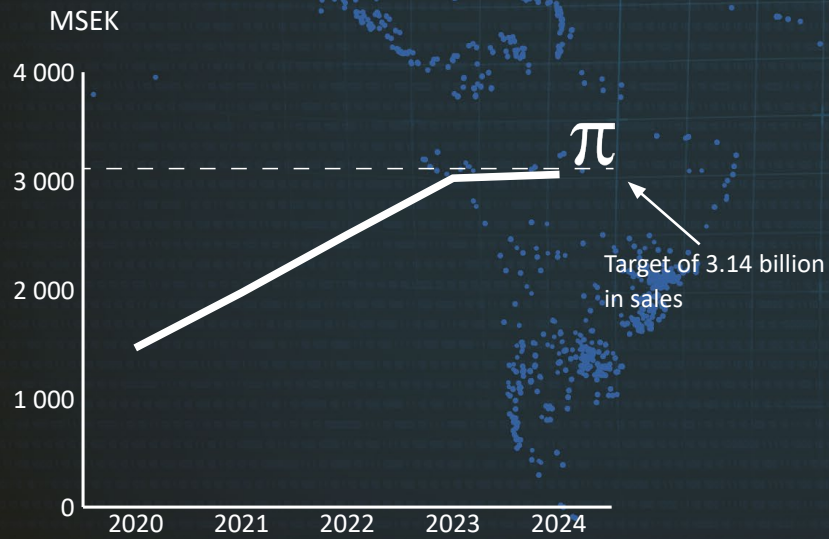
# Focus area Growth

$\pi^+$  +3,14 billion SEK by 2025

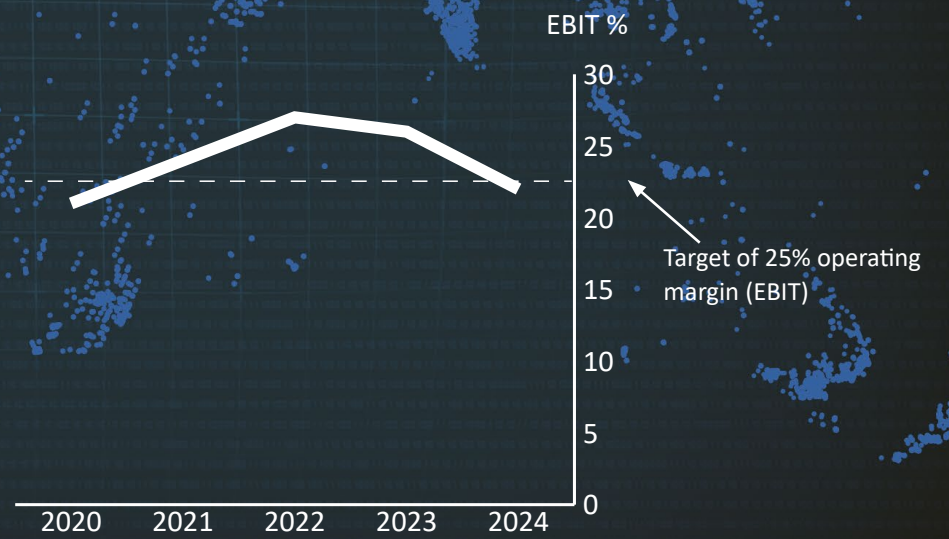
25% EBIT

BLUE DOTS: DEVICES CONNECTED BY HMS' PRODUCTS AROUND THE WORLD

## Net sales



## Operating margin

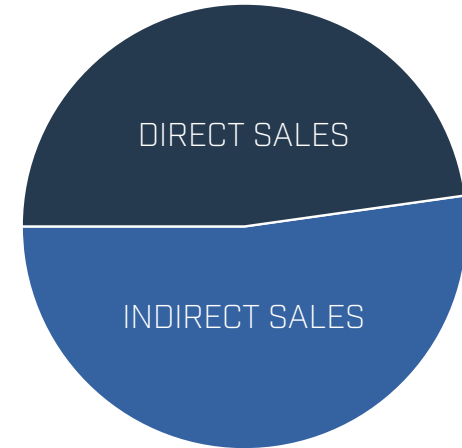


# How HMS generates revenue

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/partners, and e-commerce.

## Direct sales 48%

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.



## Indirect sales 52%

HMS' gateways, display panels, switches and wireless products 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 products are also sold via e-commerce partners including large e-commerce platforms such as Conrad, RS Components, or DigiKey. These purchases are often for testing or one-off needs.

HMS has a network of around 300 independent partners covering some 50 countries.



One of the contributing reasons for our organizational change is that we want to organize ourselves according to our customers' needs and different sales cycles. While our integrated solutions have long sales cycles over several years, our gateways, switches and wireless products can be quick problem-solvers and are often sold through distribution or e-commerce.

With our new organization, we have improved focus on our different customer groups and can provide them with better products and service.

*Staffan Dahlström*  
Chief Executive Officer





# HMS' markets 2024



## Europe, the Middle East and Africa (EMEA)

Our EMEA business has been noticeably affected by the situation in the European manufacturing industry, particularly the German automotive market, which has recovered more slowly than expected.

Overall, we have seen a generally cautious attitude from our customers. The inventory adjustments continue and in addition, the demand for our customers' products has weakened during the year.

On the positive side, our Building Automation business and our remote solutions offering have performed well. We see great opportunities for synergies going forward as we fully integrate Red Lion into our business, particularly in areas such as the Middle East.



HMS, Karlsruhe, Germany



### Americas

There was growth on the US industrial communication market in 2024, although relatively small. Highlights included large investments in data centers that opened up new opportunities for HMS switches, a product range from the newly acquired Red Lion.

Optimizations in the oil and gas market continue to drive the growth of our visualization products as the industry seeks to optimize its current assets.

Latin America showed strong growth, especially in Brazil, and will continue to drive growth for our US operations as HMS introduces Red Lion products in this region.



HMS, Ho Chi Minh City, Vietnam



### Asia-Pacific (APAC)

In the Asia-Pacific market, we have seen inventory adjustments leading to slower markets and lower order intake from machine builders and device manufacturers, especially for embedded products in Japan and Korea.

The markets in Oceania, China and India had a positive growth trend in 2024, particularly in Southeast Asia, where we have had good project sales on the market for building automation.

The markets for semiconductors and EV batteries are showing signs of recovery throughout the region and during the latter part of the year we saw a slow increase in order levels from device manufacturers, a trend we expect to continue.



# The HMS World

With offices in more than 20 countries and distributors in a further 50, HMS is represented on all 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 NETWORKS GROUP

HALMSTAD, SVERIGE

Head office for HMS' operations with staff functions such as IT, accounting/finance and HR.

## Divisions — Product development ●

### INDUSTRIAL DATA SOLUTIONS

Nivelles (Belgium), Ravensburg, Buchen, Wetzlar (Germany), York, Mobile (USA), Delft (Netherlands), Sibiu (Romania)

### INDUSTRIAL NETWORK TECHNOLOGY

Halmstad (Sweden), Ravensburg (Germany)

### NEW INDUSTRIES ●

#### **Building Automation**

Igualada (Spain)

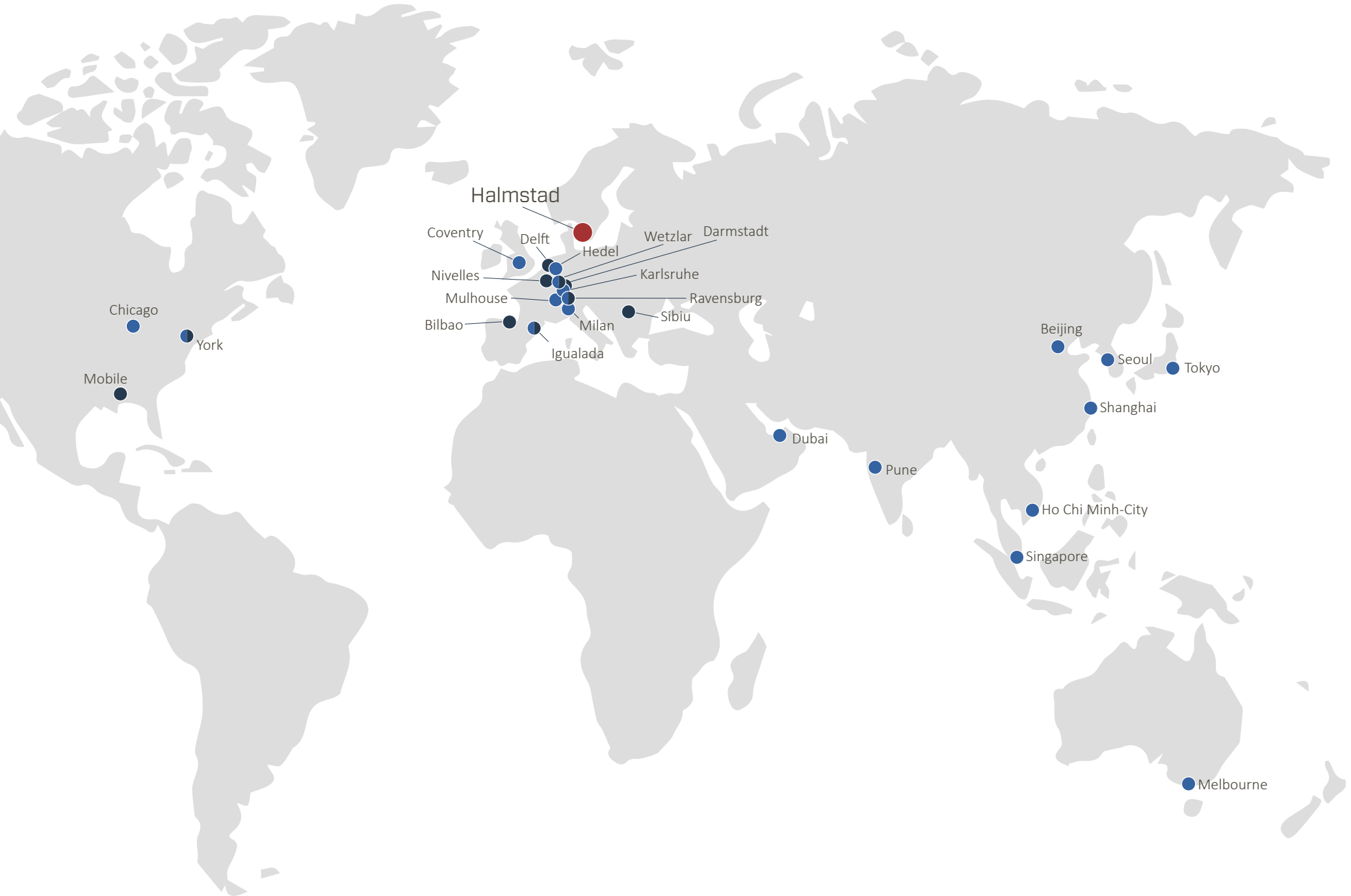
#### **Vehicle Communication**

Ravensburg, Darmstadt (Germany), Bilbao (Spain).

## Local Sales ●

Beijing | Chicago | Coventry | Dubai | Hedel | Ho Chi Minh-City | Igualada | Karlsruhe | Milan | Mulhouse | Melbourne | Pune | Seoul | Shanghai | Singapore | Tokyo | Wetzlar | York







# CORPORATE GOVERNANCE

# Chair Report

In 2024, HMS' board work was characterized by the acquisitions of American Red Lion Controls Inc. and German PEAK-System Technik GmbH as well as an apprehensive industrial market with a lower rate of investment. Furthermore, a lot of time has been devoted to discussing and deciding on a new organization with a divisional structure of the business that simplifies HMS' organization while enhancing customer focus, clarifying responsibilities, and increasing transparency. The new organization implemented on January 1, 2025 ensures a good base for continued growth both organically and through new acquisitions.

In 2024, HMS' management and organization once again demonstrated its adaptability and flexibility, which are some of the key characteristics for being able to cope with major fluctuations while simultaneously managing and prioritizing long-term structural investments in the organization for future expansion and growth.

In an increasingly changing world, the need to have control over one's own value chain is becoming ever more important. Many industrial companies see increased digitization through automation and robotization as important elements in their strategy to both increase their robustness and reduce their environmental impact. HMS and our offering satisfy just that need.

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

and to ensure a good balance between risk and opportunities, access to the right human capital, and that set plans are followed.

The work of the Board follows a fixed annual cycle with planned meetings and an established division of work and responsibilities. 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 for managing the challenges the company faces.

The Board does its work very well, with a good balance of different skills and experiences. The audit and remuneration committees work to ensure that we work effectively with financial management, accounting and human resources matters, while the strategy committee is tasked with acting as sounding board for the important forward-looking strategy work.

During the year, a Board evaluation was carried out based on a model developed by the Latour Group. The evaluation is of great importance for ensuring that the work done by the Board is efficient, but it also serves as guidance in terms of whether the composition and competence of the Board is adequate. This year's summary was once again indicative of good work by the Board, with good dynamics both within the Board and between the Board and management. During the year, the Board of Directors has also monitored the work on the preparations for CSRD reporting as of the financial year 2025 and approved the company's materiality analysis.

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

Charlotte Brogren  
*Chair of the Board*





# Corporate Governance Report

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

## CORPORATE GOVERNANCE FRAMEWORK

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

## SHAREHOLDERS AND AGM

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

In addition, the shareholders at the AGM decide on any amendments to the company's Articles of Association, any new share issues, and the introduction of share-based incentive schemes. The Articles of Association are the

fundamental governing document for the company, which state, among other things, what activities the company conducts, the size of the share capital, the shareholders' right to participate in the AGM, and the agenda of the AGM. For a shareholder to have a matter addressed at the AGM, they must submit a written request to the Board in sufficient time for the matter to be included in the notice of the meeting. Information on the deadline for when such a request must be received by the Board is available on the company's website. Information prior to and minutes from the company's AGM can be found on the company's website: [www.hms-networks.com](http://www.hms-networks.com).

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

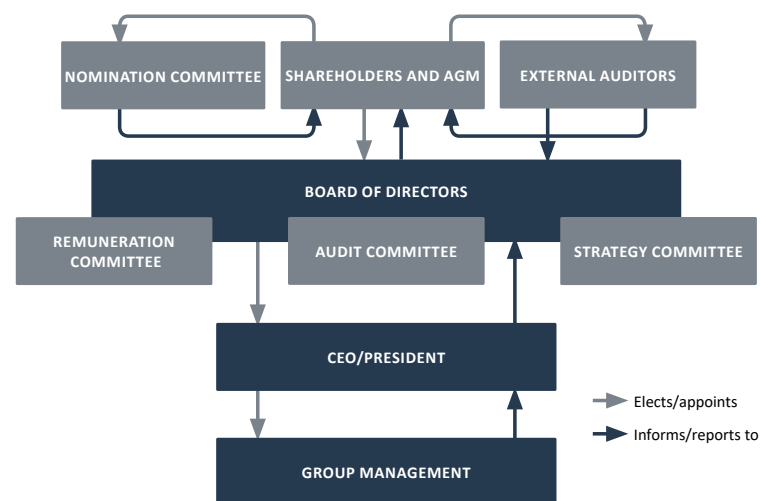
In terms of shareholding in the company, Investment AB Latour and Staffan Dahlström (through own holdings) each represent more than one tenth of all shares in the company. More information on the exact number of votes can be found under the section on the nomination committee.

## ANNUAL GENERAL MEETING 2024

The AGM was held on April 23, 2024. Approximately 78 percent (75) of the number of shares and voting rights were represented at the meeting. The chairman of the Board, Charlotte Brogren, and the company's CEO, Staffan Dahlström, were present. At the AGM, the shareholders decided, among other things:

- to pay a dividend of SEK 4.40 (4.00) per share, corresponding to a total paid dividend of SEK 220,772 thousand (186,624)
- that the Board shall consist of six members elected by the AGM with no deputies
- to re-elect Charlotte Brogren as chair of the Board and to re-elect Anders Mörck, Cecilia Wachtmeister, Niklas Edling, and Anna Kleine as board members as well as to elect Johan Stakeberg as board member for the first time

- that remuneration to the Board would be SEK 2,345 thousand for the next term, of which SEK 795 thousand shall be paid to the chair of the Board and SEK 310 thousand to each of the other AGM-elected board members
- that remuneration for work in the audit committee would be SEK 155 thousand to the chair and SEK 80 thousand to each of the other members
- to elect Öhrlings PricewaterhouseCoopers AB (PwC) as auditor with authorized public accountant Johan Palmgren as senior auditor
- to approve the Board's remuneration report
- on the authority of the Board to decide on a new share issue



- on a Share Savings Plan for all permanent employees within the Group
- to buy shares in HMS Networks AB in connection with the established Share Savings Plan.

#### EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting was held on January 26, 2024, where the meeting decided with the required majority to authorize the Board's proposal to resolve on a new issue of shares for a period until the 2024 annual general meeting. The purpose of the authorization was for the company, through a new issue of shares, to refinance the bridge loan facility that formed part of the financing of the company's acquisition of Red Lion while ensuring an efficient capital structure.

#### NOMINATION COMMITTEE

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

In accordance with the nomination committee instructions adopted by the AGM, the company must have a nomination committee consisting of at least five members,

#### NOMINATION COMMITTEE FOR THE 2025 AGM

NAME/REPRESENTING	SHARE OF VOTES 2024-08-31
Johan Menckel, Investment AB Latour (publ)	26%
Staffan Dahlström, own holdings	12%
Sofie Larsén, AMF Fonder	8%
Anette Dahlberg, Första AP Fonden	6%
Charlotte Brogren, Chair of the Board	<1%

#### AUDITOR



**Johan Palmgren**  
 Authorized Public Accountant  
 Senior auditor for HMS Networks AB since 2021.  
*Education:* MSc in Business and Economics, authorized public accountant since 2004.  
*Assignment:* Senior auditor for, among others, Bulten AB (publ), Troax Group AB (publ), and Transtema Group AB (publ)  
*Born:* 1974

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

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

#### EXTERNAL AUDITORS

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

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

The 2024 AGM elected Öhrlings PricewaterhouseCoopers AB (PwC) as the audit firm, with authorized public accountant Johan Palmgren as senior auditor until the date of the next AGM. In addition to the audit, PwC has provided advice on financial reporting. This advice is not considered to be subject to a conflict of interest.

The total remuneration to PwC in 2024 amounted to SEK 2,427 thousand (2,635). Further information on remuneration to the auditors can be found in Note 7.

#### RESPONSIBILITIES OF THE BOARD

The Board is responsible for the company's organization and manages the company's affairs on behalf of the owners. The Board continuously assesses the company's financial situation and ensures that the company is organized in such a way that the accounting, asset

management, and the company's financial matters in general are taken care of in a satisfactory manner. The Board adopts policies and instructions for how this is to be done and adopts rules of procedure for the Board and instructions for the CEO. The central governing documents indicate how responsibilities and authority are distributed between the Board as a whole, committees, and between the chairman of the Board and the CEO. The Board appoints the CEO. The chair is responsible for evaluating the work of the Board and provides the nomination committee with the results of this evaluation.

#### BASIS FOR BOARD WORK

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

The Board is tasked with adopting strategies, business plans, budgets, interim reports, year-end reports, and annual reports. The

#### ATTENDANCE AND REMUNERATION OF THE BOARD

	Attendance at board meetings	Remuneration 2024 <sup>1</sup>
Charlotte Brogren	100%	875,000
Niklas Edling	100%	310,000
Cecilia Wachtmeister	100%	310,000
Anders Mörck	100%	465,000
Anna Kleine	100%	310,000
Johan Stakeberg	100%	310,000
Mikael Mårtensson	100%	
Richard Gonsalves	100%	

<sup>1</sup> Refers to the period from the 2023 AGM to the 2024 AGM.



Board of Directors also has the task of appointing and dismissing the CEO and deciding on significant changes in HMS' organization and operations. The rules of procedure state the monetary limits that apply when the Board is to decide on investments, acquisitions, transfers of company ownership, loans, etc.

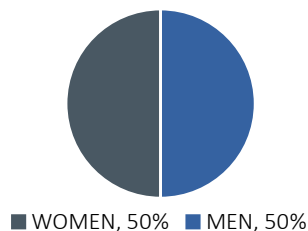
### EVALUATION OF THE WORK OF THE BOARD

Evaluation of the Board's work and performance takes place on an ongoing basis through a systematic and structured process. It covers both the work done by the Board as a whole and the contributions of its individual members. The purpose is to ensure that HMS has a well-composed Board in terms of competence and commitment, and to ensure that sustainability work is included in the work. Each year, the work done by the Board is evaluated by having every board member answer a number of questions that the chair compiles and presents to the Board. The evaluation includes an assessment of how the Board has managed the sustainability impact. The evaluation, which is shared with the nomination committee, among others, is important for ensuring that the work done by the Board is effective.

### BOARD COMPOSITION

The Board consists of six members elected by the AGM and two employee representatives. The AGM-elected board members have extensive professional experience from the business world, and all AGM-elected board members are

#### GENDER DISTRIBUTION FOR THE AGM-ELECTED BOARD MEMBERS



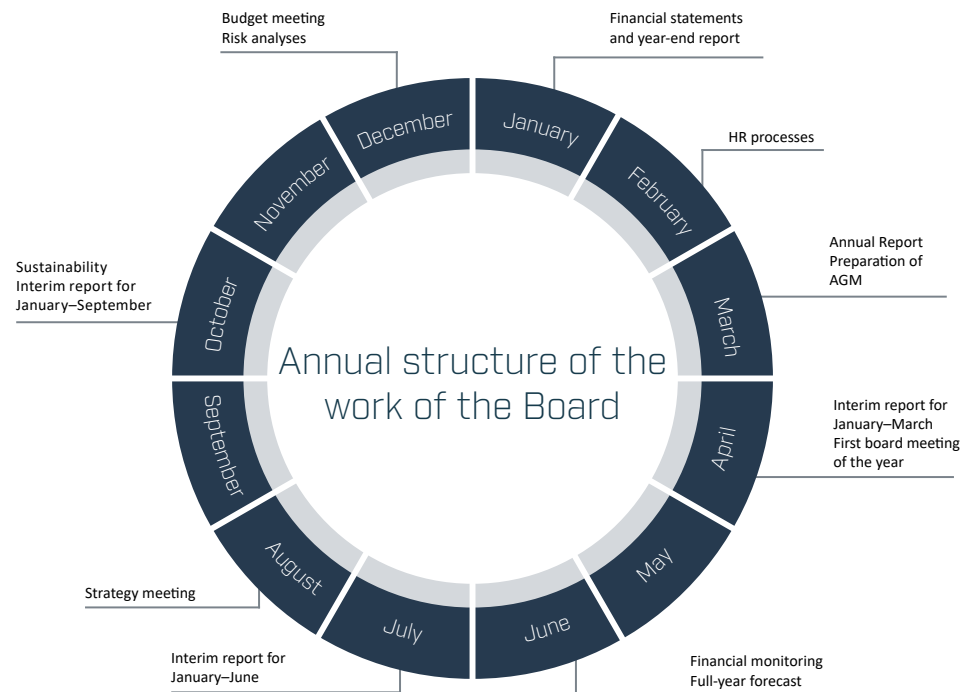
or have been CEOs and/or senior executives at large companies, with most of them holding other positions as board members of large companies. Some of the company's board members have served on the company's Board for a long time and are well acquainted with the company's operations.

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

### DIVERSITY POLICY

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

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



diversity on the Board in terms of gender, age, and nationality as well as experience, professional background, and business areas. The nomination committee has concluded that the Board of HMS Networks has an appropriate composition in this respect.

### CHAIR OF THE BOARD

The Board's rules of procedure state, among other things, that the chair must ensure that the Board's work is conducted efficiently and that the Board fulfils its obligations. This includes organizing and directing the work of the Board and creating the best possible conditions for its work. The chair must also ensure that the board members continuously update and improve their knowledge of the company and that new members receive the requisite

introduction and training. The chair must be available as an advisor and discussion partner to the CEO. The chair must also, together with the Board, evaluate the work done by the CEO and address this within the Board annually. In addition, it is the responsibility of the chair to ensure that the work of the Board is evaluated annually and to provide a report on this evaluation to the nomination committee.

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

### THE WORK OF THE BOARD DURING THE YEAR

Since the AGM on April 23, 2024, the Board has held eleven minutes meetings up to the date

## REMUNERATION TO GROUP MANAGEMENT 2024, SEK 000S

	BASIC SALARY	VARIABLE REMUNERATION	PENSION EXPENSES	SHARE-BASED PAYMENT	TOTAL
CEO	4,852	834	1,567	169	7,421
Group management, other (5 individuals)	13,944	2,379	3,031	413	19,768
<b>Total</b>	<b>18,797</b>	<b>3,213</b>	<b>4,598</b>	<b>582</b>	<b>27,188</b>

on which this annual report was adopted and expects to hold one more meeting before the AGM on April 24, 2025. The CEO and CFO of HMS Networks AB participate in the board meetings as a rapporteur and secretary, respectively. At its meetings, the Board dealt with the standing items that, in accordance with the Board's rules of procedure, were presented at each board meeting. This includes discussion of the business situation, budget, interim reports, and annual financial statements. The work was otherwise focused on further developing the previously established market and acquisition strategies and reviewing the sustainability work. Particular focus in 2024 has been on the integration of Red Lion, the acquisition of PEAK-System, and the organizational change that was launched on January 1, 2025. In addition to the planned meetings, the Board's work consists of regular follow-up on financial matters, strategic product development, recommendations regarding remuneration levels, acquisition issues, and issues relating to accounting and auditing.

## REMUNERATION COMMITTEE

The Board establishes a remuneration committee from among its members to continuously evaluate the remuneration and terms of employment of senior executives in the light of current market conditions for executives holding similar positions in other companies. The committee also prepares matters that the Board will decide on regarding principles for remuneration and other employment terms for senior executives. In addition, ongoing and concluded programs for variable remuneration

to senior executives are evaluated. These must be linked to predetermined and measurable criteria that are designed to promote long-term value creation.

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

## AUDIT COMMITTEE

The audit committee monitors the financial reporting by examining critical accounting issues and other conditions that may affect the reliability of the financial reporting. The effectiveness of internal control and risk management systems is evaluated. The committee also monitors sustainability reporting and its

process and reviews the impartiality and independence of the external auditors. The audit work is evaluated, and a position is taken on services from the company's auditor that do not relate to auditing. The audit committee also assists the nomination committee in the preparation of proposals regarding the election of an auditor. The committee is in regular contact with the external auditors, who report to the committee on important findings from the statutory audit. In particular, any deficiencies in the internal control regarding the financial reporting.

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

## STRATEGY COMMITTEE

The strategy committee was formed in 2023 and assists the Board by preparing issues related to HMS' long-term strategy and following up on the implementation of activities related to the strategy. The committee also evaluates various strategic choices for acquisitions as well as various acquisition

opportunities.

The strategy committee consists of three board members (Johan Stakeberg, Niklas Edling, and Anna Kleine). Niklas Edling was appointed chair of the strategy committee. Attendance has been 100 percent at all meetings.

## CEO AND GROUP MANAGEMENT

The group management team is led by the CEO and at the end of 2024 consists of an additional five members: Chief Financial Officer, Chief Operating Officer, Chief Human Resource Officer, Senior Vice President Control Centric, and Senior Vice President Information Centric. For more information about the group management team, please refer to the section on Group Management in this Corporate Governance Report and to Note 9.

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

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



Charlotte Brogren and Staffan Dahlström.



# Board’s Internal Control Report

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

## DESCRIPTION

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

## CONTROL ENVIRONMENT

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

The Group strives to ensure that its values permeate the organization. Great emphasis is placed on ensuring that the core values guide all behavior, both internally and externally. HMS has also established a Code of Conduct that describes the desired approach in different

situations. A global program is already in place to raise awareness of information security for employees. The goal of the program is to better understand information security-related risks in terms of operational, reputational, and financial consequences.

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

activities to address the key risks identified within the Group.

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

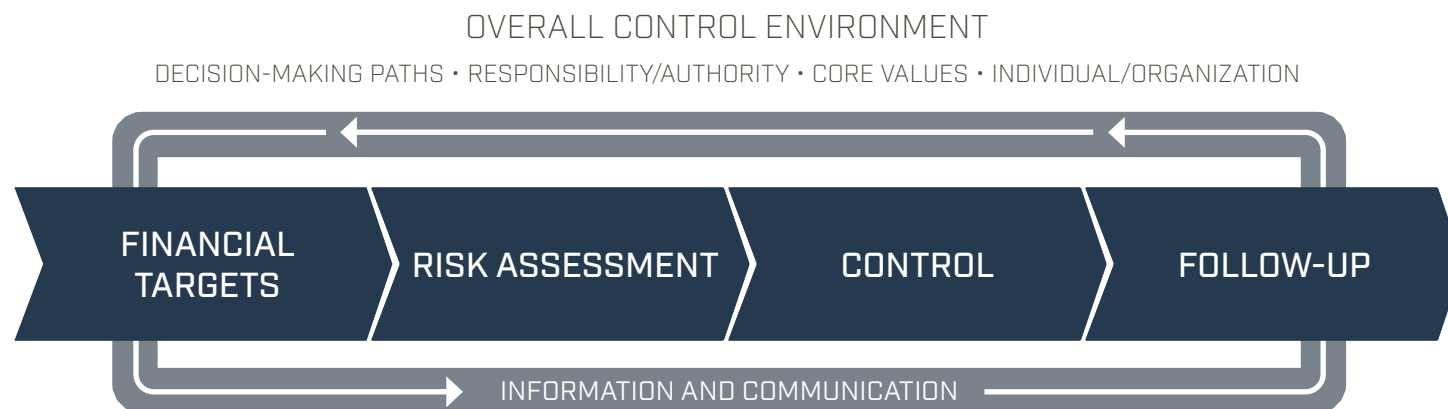
## RISK ASSESSMENT

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

support continuous improvements. Feedback with a review of significant risks is provided to the Board of Directors annually.

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

Through risk analyses that have been carried out based on the Group’s balance sheet and income statement, HMS also identifies the key risks that could pose a threat to the company



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

#### CONTROL ACTIVITIES

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

The central Group function is responsible for the consolidated financial statements and for financial and administrative control systems.

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

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

in order to prevent unintentional/intentional entries.

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

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

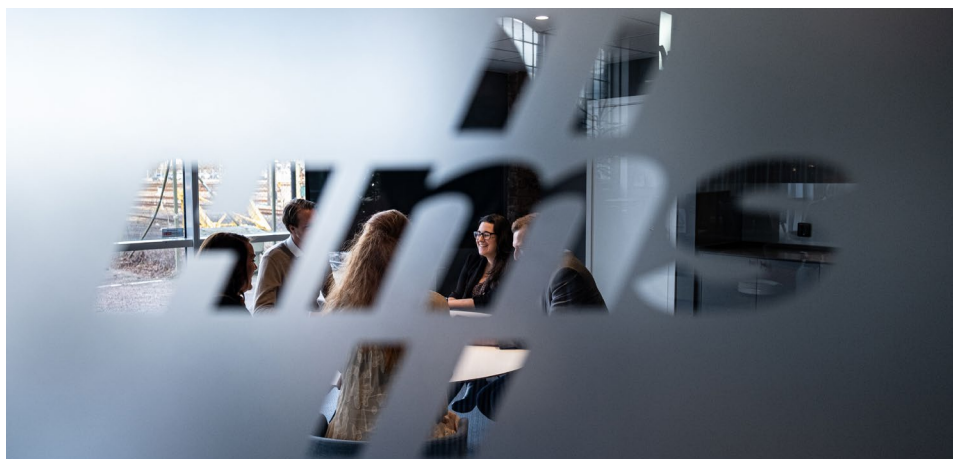
#### INFORMATION AND COMMUNICATION

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

HMS has a whistleblower system through WhistleB to ensure that employees and external parties can anonymously report problems and/or irregularities within the business. Employees are continuously reminded about the whistleblower system and its availability.

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

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





Group's development and financial position. Financial information is published in the form of:

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

All reports, presentations, and press releases are published simultaneously on the Group's website: [www.hms-networks.com](http://www.hms-networks.com).

#### FOLLOW-UP

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

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

Other significant Group-wide parts of the internal control are budgets and forecasts. Sales are budgeted at product level, by those

responsible within the sales organization, and consolidated and validated in connection with the preparation of the complete budget for the business. This is done during the fourth quarter of the year and forms the basis for the Board's approval. In addition to the budget, a forecast is also prepared in May–June. In addition to budgets and forecasts, the group management team works with overall strategic plans.

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

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

Halmstad, March 24, 2025

Charlotte Brogren Chair of the Board	Johan Stakeberg Board member
Niklas Edling Board member	Anders Mörck Board member
Anna Kleine Board member	Cecilia Wachtmeister Board member
Mikael Mårtensson Employee representative	Richard Gonsalves Employee representative

## Auditor's Statement on the Corporate Governance Report

To the AGM of HMS Networks AB, corp. ID no. 556661-8954

#### ASSIGNMENT AND DIVISION OF RESPONSIBILITIES

The Board of Directors is responsible for the 2024 Corporate Governance Report on pages 38–44 and for it being prepared in accordance with the Swedish Annual Accounts Act.

#### FOCUS AND SCOPE OF THE REVIEW

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

#### CONCLUSION

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

Gothenburg, March 24, 2025  
Öhrlings PricewaterhouseCoopers AB

Johan Palmgren  
*Authorized Public Accountant*





Hms  
II



# Board of Directors



CHARLOTTE BROGREN



ANDERS MÖRCK



CECILIA WACHTMEISTER



NIKLAS EDLING

<b>Board position</b>	Chair of the Board	Board member	Board member	Board member
<b>Special expertise to contribute to HMS</b>	Extensive experience in automation and development.	Leadership, corporate affairs, values, stock market experience, and financial management.	Several years of sales experience in complex system sales in the telecommunications industry.	Business development, strategy development, company acquisitions and purchasing, production and logistics issues.
<b>Current employment</b>	CTO and Sustainability Manager at Alimak Group AB (publ).	CFO of Investment AB Latour (publ).	CEO of IAR Systems AB.	CEO of Nodica Group AB
<b>Education</b>	PhD in Chemical Engineering from Lund University, Executive Programme in Resilience Thinking from Stockholm University, and doctoral studies in environmental engineering.	MSc in Business and Economics from Växjö University.	MSc in Industrial Engineering from the Institute of Technology at Linköping University.	MSc in Mechanical Engineering from the Royal Institute of Technology (KTH), and Master of Business Administration from Stockholm School of Economics.
<b>Year elected</b>	2010	2016	2018	2020
<b>Born</b>	1963	1963	1966	1963
<b>Resident of</b>	Stockholm	Gothenburg	Stockholm	Stockholm
<b>Other posts</b>	Chair of the Board of Avassa AB and 7D AB. Board member of OrganoClick AB.	Chair of the Board of Troax Group AB. Board member of Bemsig AB, Latour Industries AB, Swegon Group AB, Hultafors Group AB, and Innovalift AB.	Board member of Smarteye AB (publ) and I.A.R. Systems Group AB.	Board member of Cavotec SA (publ).
<b>Dependence</b>	Independent in relation to the company and its principal shareholders.	Independent in relation to the company. Dependent on major shareholders.	Independent in relation to the company and its principal shareholders.	Independent in relation to the company and its principal shareholders.
<b>Previous experience</b>	Development Manager for ABB Robotics and executive positions within ABB's research organization, and Director General of Vinnova.	Among other things, CFO of Bure Equity AB and other senior positions. Former authorized public accountant at Ernst & Young (now EY).	Many years of experience in senior positions within Ericsson AB.	Sr VP Corporate Development and Executive Vice President at Mycronic AB (publ), VP Supply Chain & Manufacturing at Laerdal Medical, and VP Operations at Hudson RCI.
<b>Shareholding<sup>1</sup> (own and related parties)</b>	5,500	4,000	3,800	8,000

<sup>1</sup> Refers to holdings as of December 31, 2024, including shares in Share Savings Plan.





ANNA KLEINE



JOHAN STAKEBERG



MIKAEL MÅRTENSSON



RICHARD GONSALVES

<b>Board position</b>	Board member	Board member	Employee representative	Employee representative
<b>Special expertise to contribute to HMS</b>	Extensive experience in IT and digital transformation.	Internationalization and upscaling of software-as-a-service (SaaS) companies with a focus on sales.	Employee of HMS.	Employee of HMS.
<b>Current employment</b>	CEO and Regional Director of Fellowmind Sweden AB.	CEO of own consulting and investment company (Capitola Management AB)	Global Technical Services Systems Manager at HMS.	Data Engineering, Global IT HMS.
<b>Education</b>	BSc in Information Technology.	Cloud computing, Stanford University BSc, Business Administration and Economics, spec. industrial/international marketing. BSc Gothenburg School of Business, Economics and Law at the University of Gothenburg and UCert Electronics and Computer Technology.	BSc in Computer Systems Engineering.	MSc Microdata Analysis – Dalarna University, EMBA – The Gothenburg School of Business, Economics and Law, BA – University of Toronto.
<b>Year elected</b>	2022	2024	2019	2024
<b>Born</b>	1973	1968	1972	1990
<b>Resident of</b>	Limhamn	Stockholm	Halmstad	Laholm
<b>Other posts</b>	Chair of the Board of a number of Fellowmind companies, and board member of Länsförsäkringar Skåne and TechSverige AB.	Board member of Formpipe Software AB and Industri-Matematik AB.	None.	None.
<b>Dependence</b>	Independent in relation to the company and its principal shareholders.	Independent in relation to the company and its principal shareholders.	Employee of HMS.	Employee of HMS.
<b>Previous experience</b>	Extensive experience of senior positions at HiQ, where Anna was also part of group management for eight years.	Head of Global Sales at Synchron AB and President of Synchron Inc. CEO of Oracle Sweden, Senior Sales Director at Oracle Australia, Sales Director at Oracle Sweden.	More than 20 years of experience in Industrial Automation/Communication as a product manager and developer at HMS.	Global Key Account Manager for ABB at HMS and Commercial Director for Nordics, Baltics, and ROW at HMS. Sales Manager APAC for Eleiko Group AB.
<b>Shareholding<sup>1</sup> (own and related parties)</b>	435	625	24,552	0

# Group Management



STAFFAN DAHLSTRÖM



JOAKIM NIDEBORN



RICHARD SKOG

<b>Current position</b>	Chief Executive Officer President	Chief Financial Officer, Deputy CEO	Chief Operating Officer
<b>Education</b>	Degree in Computer Systems Engineering from Halmstad University, Executive MBA from Lund University, School of Economics and Management, and Programme in Resilience Thinking from Stockholm University.	MSc in Industrial Economics from Lund Institute of Technology.	BSc Accounting and Finance from Lund University.
<b>Born</b>	1967	1983	1969
<b>Nationality</b>	Sweden	Sweden	Sweden
<b>Other posts</b>	Board member of Mycronic AB (publ) and Clavister Holding AB (publ).	Board member of Axiell Group AB.	None.
<b>Previous experience</b>	Sales and Marketing Manager at HMS since 1998 and board member of HMS 1989–2008.	CFO at Beijer Electronics Group AB, Management and Strategy Consultant at Axholmen Consulting and Celerant Consulting.	Vice President Supply Chain at GPV Group, Supply Chain Director at Kitron Group, various management positions within PartnerTech, including Vice President Supply Chain and IT.
<b>Shareholding<sup>1</sup> (own and related parties)</b>	6,105,697	3,054	1,194
<b>Employed since</b>	1989	2017	2023
<b>Member of group management team since:</b>	2007	2017	2023

<sup>1</sup> Refers to holdings as of December 31, 2023, including shares in Share Savings Plan.





MIRA JHAVERI WINTHER



ALEXANDER HESS



BARTEK S. CANDELL

<b>Current position</b>	Chief Human Resource Officer	Senior Vice President, Division IDS	Senior Vice President, Division INT
<b>Education</b>	Behavioral Science, Lund University.	BSc in Computer Engineering from Esslingen University of Applied Sciences, Germany and MBA from Steinbeis University in Berlin, Germany.	BSc in Innovation Engineering from Halmstad University. Latour Executive Program, University of Gothenburg.
<b>Born</b>	1974	1981	1980
<b>Nationality</b>	Sweden	Germany	Sweden
<b>Other posts</b>	None.	None.	None.
<b>Previous experience</b>	Several senior HR positions at Alfa Laval, most recently as Vice President Human Resources. Previously also HR positions at companies including Assa Abloy and Sony Ericsson.	Senior Vice President Information Centric at HMS. Business Unit Director Safety at Leuze electronic GmbH & Co. KG, Marketing Manager and Senior Product Manager at Hengstler GmbH/Danaher Corp., Team Manager and Software Engineer at SMART Electronic Development GmbH.	Senior Vice President Control Centric at HMS. General Manger Business Unit Anybus, General Manager Market Unit APAC and China, and Key Account Manager at HMS.
<b>Shareholding<sup>1</sup> (own and related parties)</b>	301	3,194	4,264
<b>Employed since</b>	2023	2020	2011
<b>Member of group management team since:</b>	2023	2022	2023

# Financial definitions

## Adjusted EBIT

Operating profit excluding depreciation, amortization and impairment of acquired excess values and goodwill, as well as acquisition-related integration and transaction costs as well as restructuring costs.

## Adjusted EBITDA

EBITDA excluding acquisition-related integration and transaction costs and restructuring costs.

## Adjusted earnings per share

Share of adjusted profit after tax attributable to shareholders of the parent company in relation to the average numbers of shares outstanding.

## Adjusted operating margin

Adjusted operating profit in relation to net sales.

## Adjusted profit

Profit excluding items affecting comparability.

## Average number of shares outstanding

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

## Basic earnings per share

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

## CAGR

Compound annual growth rate.

## Capital employed

Balance sheet total less non-interest-bearing current liabilities and provisions as well as deferred tax liability.

## Capital turnover rate

Net sales in relation to average balance sheet total.

## Cash flow from operating activities per share

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

## Company value

Market capitalization plus net debt.

## Diluted earnings per share

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

## EBIT

Operating profit according to the income statement.

## EBITDA

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

## Equity per share

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

## Equity ratio

Equity in relation to the balance sheet total.

## Financial assets

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

## Gross margin

Gross profit in relation to net sales.

## Net debt

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

## Net debt/equity ratio

Net debt in relation to equity.

## Number of shares outstanding

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

## Operating margin

Operating profit (EBIT) in relation to net sales.

## Organic change

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

## P/E ratio

Share price in relation to earnings per share.

## Return on equity

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

## Return on capital employed

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

## Working capital

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

# FINANCIAL STATEMENTS





*Joakim Nideborn  
Chief Financial Officer*

## CFO explains

HMS HAS IMPLEMENTED A NEW ORGANIZATIONAL STRUCTURE FOR 2025, CAN YOU EXPLAIN WHY?

There are several reasons for the organizational change, but the primary ones are that product development should come closer to our customers, and that sales and marketing should get more focus, as they previously sold a wide range of products. The strong organic growth of recent years, combined with the large acquisitions of Red Lion Controls and PEAK-System, has meant that HMS has grown out of the previous matrix organization and needs to divide the product portfolio. In the new structure, we also get full responsibility and ownership at our division managers.

WHAT DO HMS' DIFFERENT DIVISIONS LOOK LIKE AND WHAT ARE THEIR MARKET CONDITIONS?

HMS operates within industrial ICT, where ICT stands for Information and Communication Technology. The largest division, Industrial Data Solutions (IDS), which accounts for just over 40 percent of the group's turnover, delivers solutions for connecting, securing, diagnosing and visualizing data in industrial applications.

Industrial Network Technologies (INT) is the second largest division, accounting for just over 30 percent of the group's turnover. This division delivers technology for communication, control and security in industrial applications and serves mainly various device manufacturers in industrial automation. The main brand Anybus® is the cornerstone of HMS's business and where it all began over 30 years ago.

The third division, New Industries (NI), delivers industrial communication solutions for niche applications in growing industries outside the classic industrial automation markets, where building automation and vehicle communication are the two largest areas.

There are different trends and driving forces within the different divisions, but overall we expect that they all will be able to deliver organic growth of around 8 percent per year over a five-year period.

CAN YOU DESCRIBE HMS' BUSINESS MODEL AND CUSTOMER TYPES?

HMS primarily targets two types of customers, "Makers" which is our term for manufacturers of automation products and machines, and "Users", our term for end users of all automation equipment. 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, HMS gets 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. The offering within the INT division is primarily aimed at this customer group.

Regarding Users, HMS usually targets system integrators with an offering that helps them achieve well-integrated systems of automation products, machines and software in end-user factories.

Here, HMS typically sells indirectly to system integrators and end users through distributors, and for this purpose we have a broad 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 HMS' ACQUISITION STRATEGY AND THE ACQUISITIONS OF RED LION CONTROLS AND PEAK SYSTEMS?

A fundamental principle is that HMS focuses on acquiring well-functioning companies that complement the existing business, and where HMS can add value as an owner.

# Contents

These can be standalone acquisitions, as well as additional acquisitions to our existing businesses. The acquisition of Red Lion Controls was primarily intended to provide HMS with a platform in the USA, where HMS sees opportunities to leverage Red Lion's strong position in the North American market, and complementary product portfolio, to drive further growth.

The acquisition of PEAK-System is a complementary acquisition to HMS's Ixxat brand within the New Industries division. Together, the businesses will gain a leading position within the CAN network standard and the automotive segment, where HMS sees opportunities to cross-sell and collaborate in product development.

## THE BOARD OF DIRECTORS RECOMMENDS NO DIVIDEND FOR 2024, CAN YOU DESCRIBE WHAT IS BEHIND THE DECISION?

First of all, it is important to remember that HMS's policy is to distribute 30-50 percent of the profit per share. In 2024, HMS made the two largest acquisitions in the company's history with a total purchase price of over four billion SEK, of which 3 billion was bank-financed. HMS's net debt at the end of 2024 amounted to more than three times the operating profit before depreciation, which is higher than the company's target. As a consequence, the board decided not to recommend a dividend for 2024, as a one-time measure to reduce debt in 2025 and strengthen the balance sheet for future investments.

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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®, Ixxat®, Ewon®, Intesis®, Red Lion®, and N-Tron® brands. HMS also offers products for wireless communication in mobile industrial applications through Owasys. Furthermore, HMS offers communication solutions for developers of advanced development and testing equipment in the automotive, medical, and transport segments through PEAK-System. HMS products and solutions make it possible for industrial equipment to communicate and share information with software and systems.

Product development takes place at the head office in Halmstad, as well as in Ravensburg, Wetzlar, Darmstadt, and Buchen (Germany), Nivelles (Belgium), Igualada and Bilbao (Spain), Delft (Netherlands), York and Mobile (USA), and Sibiu (Romania). Local sales and support are managed by our sales offices in Germany, the United States, Japan, China, Singapore, Italy, France, Spain, the Netherlands, India, the United Kingdom, Sweden, South Korea, Australia, the United Arab Emirates (UAE), and Vietnam, as well as via a worldwide network of distributors and partners. HMS has more than 1,100 employees, and net sales in 2024 was SEK 3,059 million. HMS is listed on NASDAQ OMX Stockholm in the Large Cap segment and Telecommunications sector.

### SEASONALITY

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

### SIGNIFICANT EVENTS

2024 has delivered a weaker order intake and thus reduced organic sales results. On the one hand, 2024 has been characterized by an apprehensive market where investments have been postponed due to high capital costs, cautious consumers, and

uncertainties in the external environment. On the other hand, a large inventory build-up in previous years among larger customers has now turned into a reduction in high inventory levels, both among customers and in their sales channels. Together, this has yielded negative organic growth for the company of 26%. Organically, order intake has decreased by 19%. HMS' sales amounted to SEK 3,059 million, a growth of 1% compared with the previous year. With the acquisitions of Red Lion and PEAK-System, restructuring, transaction, and integration costs as well as depreciation/amortization of excess values have resulted in an adjusted operating profit of SEK 665 million and an adjusted earnings per share of SEK 9.65.

HMS' Design-Win business model (approximately a third of sales) showed an increased inflow of new customers in 2024. In total, HMS received 152 (139) new Design-Wins during the year, and the total number of active Design-Wins now amounts to 1,820 (1,842), corresponding to a reduction of 1% compared to 2023, which is explained by the fact that a number of older Design-Wins have been phased out during the year.

On January 26, 2024, HMS held an extraordinary general meeting. The meeting resolved, in accordance with the Board of Directors' proposal, to authorize the Board of Directors, on one or more occasions during the period up to the 2024 Annual General Meeting (AGM), to resolve on a new issue of shares with or without deviation from the shareholders' preferential rights. The total number of shares that could be issued could not exceed the number of shares that corresponded to sufficient issue proceeds, primarily to refinance the company's bridge loan facility for the acquisition of Red Lion.

At the end of December 2023, the 2020 Share Savings Plan was closed. During the first quarter of 2024, 44,464 performance shares were distributed free of charge to the remaining participants. Shares held in treasury were used for the distribution. Based on the authorization granted by the AGM, the Board of Directors has decided to purchase own shares. The purpose of the repurchases is to ensure that HMS is able to fulfill its commitment to deliver shares in accordance with the company's Share Savings Plans. A total of 25,000 shares for a value of SEK 11 million were acquired during the year. The total holding of own shares at the end of the year was 143,416.

On April 1, 2024, the Group acquired 100% of the shares in Red Lion Controls Inc. and Red Lion Europe GmbH ("MB Connect Line") as well as certain assets in other jurisdictions ("Red Lion"). The acquisition was financed through a long-term loan facility and an ongoing credit facility, for a total amount of USD 225 million. The acquisition was also financed through a bridge loan facility in the amount of USD 120 million, which was repaid with the proceeds from a targeted share issue later in the spring.

Following the completion of the acquisition of Red Lion, cost synergies were realized and a restructuring program was initiated to reduce costs and streamline the organization to be better positioned for further growth. The program resulted in savings of SEK 23 million in 2024 and SEK 41 million in full-year effect. The cost of the program amounted to SEK 27 million and was charged to the second quarter.

On April 17, 2024, HMS conducted a directed share issue attributable to the acquisition of Red Lion. The issue has resulted in a change in the number of shares and votes in HMS Networks. Prior to the issue, there were a total of 46,818,868 shares in HMS Networks, corresponding to 46,818,868 votes. The number of shares and votes has increased by 3,500,000 through the issue. After the issue, there are a total of 50,318,868 shares in HMS Networks, corresponding to 50,318,868 votes.

HMS held its AGM on April 24, 2024. All the proposals by the Board of Directors and the nomination committee were adopted by the AGM, and Charlotte Brogren, Anders Mörck, Cecilia Wachtmeister, Niklas Edling, and Anne Kleine were re-elected as Directors. Johan Stakeberg was elected as a board member for the first time. At the first Board meeting following election, Staffan Dahlström was appointed President and CEO of HMS Networks AB.

On October 15, it was announced that HMS will change its organizational structure from January 1, 2025 to prepare for continued growth. In connection with the publication of information about the organizational change, it was announced that expected full-year savings amounting to SEK 40 million and a restructuring cost of SEK 25 million were expected. The effects of the reorganization, which are taken into account in the fourth quarter of 2024, resulted in restructuring costs of SEK 16 million and savings of SEK 44 million in full-year effect.



On October 18, HMS divested all shares in Red Lion Europe GmbH ("MB Connect Line"), with operations in Dinkelsbühl, Germany.

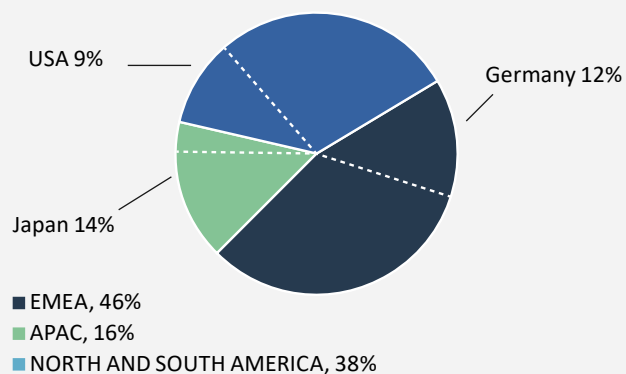
On November 1, 2024, HMS acquired all shares in PEAK-System Technik GmbH, a well-established German industrial communications company that offers both hardware and software for industrial and automotive communications. The acquisition was financed partly with own funds and through a new amortization loan of SEK 30 million with existing credit institutions.

### SIGNIFICANT EVENTS SUBSEQUENT TO YEAR-END

HMS will change its organizational structure from January 1, 2025 to prepare for continued growth. The divisions are Industrial Data Solutions (IDS), Industrial Network Technology (INT), and New Industries (NI), which will constitute HMS segments as of January 1, 2025.

No other significant events have occurred since the end of the period up until the signing of this annual report.

### HMS' NET SALES BY MARKET IN 2024



### NET SALES

Net sales increased by 1% to SEK 3,059 million (3,025), of which currency translation effects amounted to SEK -11 million (134). Invoiced net sales by region were as follows: EMEA 46% (60), North and South America 38% (22), and APAC 16% (18). The Group's largest individual markets are Japan, Germany, and the USA.

### PROFIT

Gross profit amounted to SEK 1,916 million (1,967) with a gross margin of 62.6% (65.0). Operating expenses amounted to SEK 1,423 million (1,223). Operating expenses include restructuring costs of SEK 43 million, transaction and integration costs of SEK 32 million, and depreciation/amortization of excess values of SEK 87 million. Organically, operating costs have decreased by 20%, corresponding to SEK 235 million.

Adjusted EBITDA amounted to SEK 796 million (877), corresponding to a margin of 26.0% (29.0). Depreciation and amortization amounted to SEK 218 million (124). The increase compared to the previous period is due to depreciation/amortization of excess values from the acquisition of Red Lion and PEAK-System

of SEK 75 million. Adjusted EBIT amounted to SEK 665 million (792), corresponding to a margin of 21.8% (26.2). EBITDA amounted to SEK 721 million (877), corresponding to a margin of 23.6% (29.0). EBIT amounted to SEK 503 million (753), corresponding to a margin of 16.4% (24.9). Currency translation impacted operating profit by SEK 1 million (25).

Net financial items amounted to SEK -138 million (-35), burdened by interest expenses of SEK 120 million for loans and lease liabilities, which resulted in a profit before tax of SEK 364 million (717).

The recognized tax expense was SEK -55 million (-147). Adjusted profit after tax amounted to SEK 472 million (610). Adjusted earnings per share were SEK 9.65 (13.07). Profit after tax amounted to SEK 310 million (571). Earnings per share were SEK 6.35 (12.23).

### INVESTING ACTIVITIES

The year's investments in property, plant, and equipment, along with intangible assets, excluding acquisitions, amounted to SEK 122 million (74). Investments in intangible assets primarily consist of expenses related to development work mainly attributable to the next generation Remote Access and Remote Data offering. Amortization and impairment of capitalized development costs amounted to SEK 35 million (24).

Furthermore, the acquisition of 100% of the shares in the subsidiaries Red Lion Controls Inc. and PEAK-System Technik GmbH has primarily affected investing activities by SEK 4,375 million (55). The company has also divested the subsidiary Red Lion Europe GmbH ("MB Connect Line"), which has a positive impact on investing activities of SEK 41 million (-).

### FINANCIAL POSITION

As of December 31, 2024, the Group had cash and cash equivalents of SEK 74 million (124), excluding unutilized credit facilities of SEK 490 million (529). The Group's net debt amounted to SEK 3,293 million (289), while net debt in relation to EBITDA was 3.41 (0.33) including pro forma from acquisitions. The net debt to equity ratio was 94% (15) and the equity to assets ratio was 47% (64). The increase in net debt is due to bank loans raised in con-

### FINANCIAL PERFORMANCE IN SUMMARY

	2024	2023
Net sales, MSEK	3,059	3,025
Adjusted EBITDA, MSEK	796	877
Adjusted EBITDA, %	26	29
Adjusted EBIT, MSEK	665	792
Adjusted EBIT, %	22	26
EBIT, MSEK	503	753
EBIT, %	16	25
Adjusted profit after tax, MSEK	472	610
Profit after tax, MSEK	310	571
Adjusted earnings per share, SEK	9.65	13.07
Earnings per share, SEK	6.35	12.23

nection with the acquisitions of Red Lion in April 2024 and of PEAK-System in November 2024, which were the largest acquisitions in HMS' history. Bank loans amount to SEK 2,877 million (2). Net debt also includes the present value of future cash outflows for options related to the remaining shares in Owasys S.L. totaling SEK 114 million (127). Furthermore, the net debt consists of leasing liabilities of SEK 276 million (261) and liabilities related to acquisitions of SEK 83 million (8). The net debt also consists of pension liabilities of SEK 18 million (15).

In 2024, the financing agreement was extended with the existing bank, and a new banking agreement was also signed with the existing bank together with Svensk Exportkredit. It previously concerns a revolving facility of EUR 45 million that runs until June 23, 2026. The new agreement signed in 2024 applies to amortization loans totaling USD 162.5 million and EUR 30 million, as well as a revolving credit facility totaling USD 62.5 million that runs until January 19, 2027.

In total, the Group's external loans changed by a net amount of SEK 2,880 million (-140) and amortization of lease liability was SEK 62 million (60). Shares were repurchased at a cost of SEK 11 million (13). Dividends totaling SEK 221 million (187) were paid to shareholders. A new share issue of SEK 1,390 million (-) has been conducted. Other payments charged to financing activities amount to SEK 145 million (-) and relate to the settlement of external liabilities related to the acquisition of PEAK-System and the settlement of liabilities related to previously made acquisitions.

The cash flow from operating activities amounted to SEK 592 million (519). After net investments of SEK -4,449 million (-135) as well as bank loans, amortization, dividends paid, and repurchase of shares totaling SEK -3,827 million (-400), the cash flow for the year amounted to SEK -30 million (-16).

## GROUP STRUCTURE

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

During the year, acquisitions were made of 100% of the American company Red Lion Controls Inc. and 100% of the shares

in the German company PEAK-System Technik GmbH. Acquisition and divestment have been made of 100% of the shares in Red Lion Europe GmbH (MB Connect Line).

HMS Industrial Networks AB, HMS Technology Center GmbH, HMS Industrial Networks SA, HMS Industrial Networks SLU, HMS Technology Center B.V., Owasys Advanced Wireless Devices S.L and the acquisitions made in 2024, Red Lion Inc. and PEAK-System Technik GmbH, constitute development centers within the HMS Networks Group. The other subsidiaries are responsible for sales, marketing, and support in their respective geographic markets.

## SUSTAINABILITY REPORT

In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, HMS Networks AB (publ) prepared a Sustainability Report, on pages 110–136, which is separate from the Directors' Report. The statutory sustainability report is defined on page 111. The Sustainability Report describes the Group's work based on economic, environmental, and social aspects. The Sustainability Report for 2024 has been prepared in accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act and in accordance with the Global Reporting Initiative Standards 2021.

The Sustainability Report pertains to the parent company, HMS Networks AB (CIN 556661-8954) and all entities included in the 2024 consolidated financial statements of HMS Networks AB, which are indicated in Note 34.

## RESEARCH AND DEVELOPMENT

The Group expensed SEK 341 million (326) for research and development during the year. SEK 79 million (28) in development costs have been capitalized. Total costs for research and development accounted for 11% (11) of sales. The Group's policy is to only capitalize major projects for developing new products, product generations, or technology platforms. Development of secondary products or applications based on these are not capitalized. Customer-specific projects are capitalized whenever it is considered likely that the development costs will be covered by future net sales.

## EMPLOYEES

At year-end, the number of employees within the Group was 1,139 (866).

## GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

### *Whom the guidelines apply to and their applicability*

These guidelines apply to persons who, during the period of time that the guidelines are in effect, are members of HMS Networks' group management. The guidelines are applicable to remuneration agreed and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2024. These guidelines do not apply to any remuneration decided or approved by the general meeting.

### *The guidelines' promotion of HMS Networks' business strategy, long-term interests and sustainability*

HMS is a market-leading supplier of solutions for industrial ICT (Information and Communication Technology). HMS' industrial communication products enables millions of machines, such as robots, frequency converters and air conditioning equipment, to be connected to different types of systems – a necessity to meet future demands for energy efficiency and suitability. In brief, HMS' business strategy aims to achieve profitable growth in strategic markets, focus on sustainable product development, be a global actor with local presence and to have a sustainable supply chain. A prerequisite for the successful implementation of HMS' business strategy and to the safeguarding of its interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. The objective of HMS' remuneration policy for senior executives is therefore to offer competitive and market-based remuneration, in order to attract, motivate and retain competent and skilled employees. These guidelines enable the company to offer a competitive total remuneration. Further information regarding HMS business strategy is available at HMS' website, [www.hms-networks.com](http://www.hms-networks.com).

HMS has ongoing long-term share-related incentive plans, which have been resolved by the general meeting and are therefore excluded from these guidelines. The plans comprise all

employees within HMS and aims to give the employees an increased interest for the company's operation and earnings, and to increase the motivation and affinity with the company through a long-term owner commitment. The plans further enable HMS to offer a competitive total remuneration and thereby enabling the company to recruit and retain competent personnel. The performance criteria are currently linked to profit per share. Further, the incentive plans require own investment during a certain holding period. Further information on the incentive plans is available at HMS' website, [www.hms-networks.com](http://www.hms-networks.com).

#### *Types of remuneration etc.*

The remuneration to senior executives shall be market-based and may consist of fixed cash salary, variable cash remuneration, pension benefits and other benefits, as well as further variable remuneration under certain extraordinary circumstances. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration. Fixed cash salary shall be determined on the basis that it should be competitive together with short- and long-term incentives. The absolute amount shall be determined based on the current position and the competence, experience and performance of the individual. The fixed cash salary shall be revised annually.

Variable cash remuneration shall be based on predetermined and measurable financial and non-financial objectives of the group. The measurement period for the objectives for annual variable cash remuneration shall be one year and annual variable cash remuneration may amount to a maximum of 80% of the fixed cash salary. In addition to annual variable cash remuneration, senior executives shall be able to receive a long-term variable cash bonus (LTI bonus) amounting to a maximum of 40 % of the fixed cash salary each respective year in the measurement period. The LTI bonus shall be based on achieved financial and operational objectives, related to, for example, growth and operating profit, after a multi-year measurement period in three to five years. Payment of LTI bonus shall take place after the end of the measurement period and only one LTI program may be ongoing at a time.

The distribution between fixed cash salary and variable cash remuneration shall be proportionate to the executive's responsibility and authority. The objectives shall primarily relate to growth and profitability, where the relationship between these performance measures shall determine the outcome of variable cash remuneration. In addition, individual objectives may be established. The objectives shall be designed so as to contribute to HMS' business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

For the CEO, pension benefits, including health insurance benefits (Sw: sjukförsäkringsförmåner) shall be premium defined. The pension premium may amount to a maximum of 35% of the pensionable income up to 28.5 price base amounts, and a maximum of 25% on exceeding part of the pensionable income.

For other senior executives, pension benefits, including health insurance benefits, shall be premium defined. The pension premium shall amount to a maximum of 30% of the pensionable income, up to 30 income base amounts.

The variable cash remuneration shall qualify for pension benefits. LTI bonus should not be pensionable unless required by mandatory collective agreement provisions.

Other benefits may include, for example, medical insurance (Sw: sjukvårdsförsäkring), occupational health care (Sw: företagshälsövård) and company cars. Such benefits may amount to a maximum of 10% of the fixed cash salary.

Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are made for the purpose of recruiting or retaining executives. Such remuneration may not exceed an amount corresponding to 50% of the fixed cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration shall be made by the Board of Directors based on a proposal from the Remuneration Committee.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

*The satisfaction of criteria for awarding variable remuneration, etc.*

The Remuneration Committee shall prepare, monitor and evaluate matters related to variable cash remuneration for the Board of Directors. To the extent the criteria for awarding variable cash remuneration has been satisfied, shall be determined when the measurement period has ended. Assessments of whether financial objectives have been met, shall be based on established financial information for the period. Remuneration to the CEO is decided by the Board of Directors, based on a proposal from 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 measurement period has ended or be subject to deferred payment. The Board of Directors shall have the possibility, under applicable law or contractual provisions, to in whole or in part reclaim variable remuneration paid on incorrect grounds (claw-back).

#### *Termination of employment*

Senior executives shall be employed until further notice. For the CEO, there shall be a mutual notice period of six months. If notice of termination of employment of the CEO is made by the company, a severance pay corresponding to a maximum of twelve months fixed cash salary may be paid. Other income should not be deducted from the severance pay. If notice of termination of employment is made by the CEO, severance pay should not be paid. Between the company and other senior executives, there shall be a mutual notice period of six months, without any right to severance pay.

Senior executives may be compensated for a non-compete undertaking after the termination of the employment, however, only to the extent severance pay is not paid during the same period of time. Such remuneration is intended to compensate the senior executive for the difference between the fixed cash salary at the time of termination of the employment, and the (lower) income obtained, or could be obtained, by a new employment agreement, assignment or own business. The remunera-



tion may be paid during the period the non-compete undertaking is applicable, and no longer than a period of twelve months after the termination of the employment. For more information on remuneration to senior executives, please see Note 9.

#### *Salary and employment conditions for employees*

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of HMS have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

#### *The decision-making process to determine, review and implement the guidelines*

The Board of Directors has established a Remuneration Committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in HMS. The members of the Remuneration Committee are independent in of the company and its executive management. The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

#### *Derogation from the guidelines*

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve HMS' long-term interests, including its sustainability, or to ensure HMS' financial viability. As set out above, the

Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

## OUTLOOK

The inventory adjustments of HMS customers, which HMS has reported on over the past two years, are considered to be largely over. At the same time, several markets remain uncertain due to the macroeconomic situation, not least in Europe. HMS expects order intake and sales to improve from current levels in the second half of 2025.

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

## THE HMS NETWORKS SHARE

HMS Networks AB (publ) is listed on the Nasdaq OMX Stockholm Stock Exchange in the Large Cap segment and Telecommunications sector. On average, 41,932 (51,663) shares were traded each trading day. The volume-weighted average share price in 2024 was SEK 429.54 (427.42). The total number of shares at the time this annual report was submitted was 50,318,868, of which 134,370 are held in treasury after allotment for the 2021 Share Savings Plan. All shares have the same voting rights.

## PARENT COMPANY

### INFORMATION ABOUT THE BUSINESS

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

### PROPOSED DISTRIBUTION OF PROFIT IN THE PARENT COMPANY

The following profits are at the disposal of the AGM:

Retained earnings and other non-restricted reserves	2,100,830
Profit for the year	555,348
<b>SEK 000s</b>	<b>2,656,178</b>

#### **The Board of Directors proposes the following distribution of profits:**

Carried forward <sup>1</sup>	2,656,178
<b>SEK 000s</b>	<b>2,656,178</b>

<sup>1</sup> The Board of Directors proposes that no dividend be paid (4.40), as two long-term value-creating acquisitions have been completed during the year.





HMS



## Risks and risk management

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

Work with materiality analyses, identification, measurement, and risk management is an integral and key component of HMS' corporate governance. Risk assessments are continuously carried out within the Group to identify and assess significant risks. HMS'

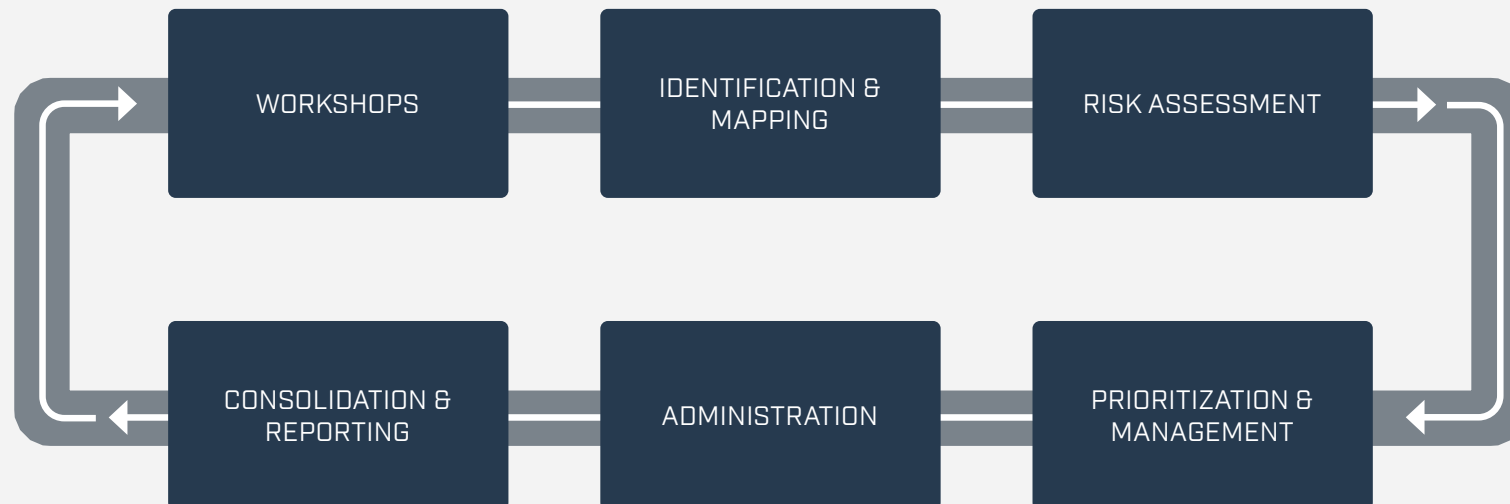
risk management consists of identifying, measuring, and taking active positions on identified risks, with the aim of accepting, minimizing, or eliminating a potential risk based on an adopted strategy. The Group's risk management program encompasses all parts of the business with the aim of working in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

During 2024, work continued to further develop the risk management process. External risk factors and the complexity of the risk environment have increased in recent years, which together with HMS making two major acquisitions—of Red Lion and PEAK-System—during the year has made it even more

important to ensure that processes are in place to identify, analyze, evaluate, and manage the risks to which HMS may be exposed. With the acquisition of Red Lion, global complexity and the size of the Group have increased significantly, which affects risk management. The focus on risk work is to ensure that the right decisions are made in every part of the Group in order to give HMS the prerequisites to create long-term value and achieve set goals. In the improvement work that has taken place, processes and ownership have continued to be clarified, while work has also been done to increase proactivity in risk management, including through greater dialogue between divisions and the involvement of more people within the Group.

### HMS risk process

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





## DESCRIPTION OF RISK AND IMPACT

## MANAGEMENT AND CONTROL

## CYBERSECURITY AND IT INFRASTRUCTURE

## INTERRUPTION RISKS AND INFORMATION AND/OR DATA LEAKAGE

Risk that disruptions, deviations, or interruptions, generated by intrusion or destruction, in critical systems impact the infrastructure of business processes such as production, logistics, and sales, and that IT infrastructure is partially, or completely, destroyed. This area also includes the risk of information in the IT environment being disseminated to external parties due to hacker attacks or intrusions that are not stopped. Should business-critical and sensitive information be disclosed, it could be used against HMS.

HMS has a global IT Security Policy and strives to identify and monitor vulnerabilities and take appropriate action to avoid, prevent, or mitigate their effects. Security at HMS is continuously evaluated, both through internal controls and tests carried out by external partners. Effort is put into continuity planning, a globally secure network equipment and server environment, as well as clear monitoring and segmentation of all assets and IT users. A continuous risk assessment is carried out to focus on maintaining a secure IT infrastructure at all times. Awareness of the risks and more resources deployed within cybersecurity increase the readiness to respond quickly to an attack, as well as the application of cybersecurity frameworks that have been implemented. When acquisitions are made, a great deal of effort goes into ensuring that new entities enter the environment are compliant with the Group's policy.

## PRODUCT SECURITY

A good level of product security is crucial for customers to mitigate threats to cyber and data security and meet regulatory requirements in the various markets. Hardware and software providers need to ensure that the user data in the products is secure in order to meet customers' increased needs due to increased regulatory requirements, especially within the EU. For HMS, the issue is considered to be a risk but above all an opportunity and a competitive advantage to deliver secure products to customers and stay ahead of competitors in order to increase market share in new areas.

The Group CISO, who works with overall processes to ensure compliance, clear roles, and delegated responsibilities in the organization linked to product security, clear business strategies integrated into the business plans, and analysis of regulatory requirements and customer needs.

## LEGAL COMPLIANCE

## REGULATORY CHANGES

Legal risks are identified throughout the business. This includes changes in legislation, violations of laws within the organization, shortcomings in agreements, or legal challenges locally that could have negative legal and financial consequences for the company. HMS operates in many countries, and the varying legal requirements between countries can pose a risk.

Prioritization of legal compliance and continuous monitoring of legal changes exist in all functions and countries of the business. Increasing requirements within corporate governance and reporting also place higher legal demands on the company. The business is governed by guidelines in the HMS Code of Conduct and related policies and directives.

CONTINUED OVERLEAF

DESCRIPTION OF RISK AND IMPACT	MANAGEMENT AND CONTROL
<b>EMPLOYEES</b>	
<b>BUSINESS ETHICS</b>	
<p>A varying risk of corruption in the different markets where HMS does business. Risk of non-compliance with applicable legislation and HMS values.</p>	<p>Guidelines in the HMS Code of Conduct on business principles for employees and representatives. Training in these guidelines for employees and the Board of Directors. Externally managed whistleblower system for anonymous reporting of irregularities.</p>
<b>WORK ENVIRONMENT</b>	
<p>A poor work environment can lead to the loss of, or impact on, employees. Increased costs due to employees being absent from work and high employee turnover, which in turn can mean that the workplace becomes less attractive and the company's reputation is damaged, in some cases leading to fines. The work environment includes the physical and psychosocial health of employees.</p>	<p>Guidelines in the HMS Code of Conduct, global Health and Safety Policy, local work environment policies, and structured work for follow-up. Well-being and safety are monitored on an ongoing basis by the relevant manager. Regular employee surveys, health and safety inspections, and risk analyses ensure there is a good work environment. Occupational health services are offered to employees and preventive wellness initiatives are key to creating healthy workplaces.</p>
<b>DIVERSITY AND EQUALITY</b>	
<p>Not giving everyone equal opportunities and limiting the ability to attract and retain the best talents lead to high employee turnover and a shortage of expertise, which in turn can mean that the workplace becomes less attractive and the company's reputation is damaged. The acquisition of Red Lion in North America in 2024 has increased complexity and demands for a clearer structure.</p>	<p>Guidelines in the HMS Code of Conduct plus Group targets for increasing the proportion of female managers. Work to establish a clearer Group-wide structure to ensure the right skills, remuneration for employees, and clarity in roles and expectations. Externally managed whistleblower system for anonymous reporting of irregularities.</p>
<b>SKILLS AND REMUNERATION</b>	
<p>Fierce competition for qualified labor means that it is important for the Group to enhance its attractiveness as an employer by proactively working on the corporate culture, work environment, benefits, and leadership. There is a risk that the workplace will become less attractive, which reduces the possibility of adding expertise to the workforce. This leads to recruitment and onboarding costs, as well as skills shortages.</p>	<p>Investment in personal development and provision of workplace training to ensure that the organization possesses the knowledge and skills required for the future. Work to establish a clearer Group-wide structure to ensure the right skills, remuneration for employees, and clarity in roles and expectations. Regular employee surveys and performance reviews to ensure there is a good work environment. Proactive work on health, development, and an inclusive corporate culture.</p>
<b>ENVIRONMENTAL IMPACT</b>	
<b>GREENHOUSE GAS EMISSIONS</b>	
<p>Negative environmental impact through emissions from production and transportation for own operations and value chain.</p>	<p>Guidelines in the HMS environmental policy, Code of Conduct, and Supplier Code of Conduct, along with Group goals that include commitments to reduce emissions from own operations and value chain. Management system for systematic environmental work and supplier audits that include environmental requirements.</p>

DESCRIPTION OF RISK AND IMPACT	MANAGEMENT AND CONTROL
VALUE CHAIN	
ECONOMIC SITUATION AND GEOPOLITICAL CHANGE	
<p>Risk that HMS, which operates in a global market, will be negatively impacted by political, legal, and macroeconomic conditions.</p>	<p>Careful monitoring and analysis of factors that could adversely impact the Group. Changes in the economy are analyzed and form an integral part of the strategy work. The macroeconomic situation affects the market's behavior. In recent years, political instability has changed due to increased unrest relating to Taiwan and China, which could affect access to resources and markets, as well as result in changes in customer behavior that have a negative impact on the Group's sales. Political instability in North America has also increased since the 2024 presidential election.</p>
HUMAN RIGHTS	
<p>Risk of poor working conditions and lack of respect for fundamental principles in, e.g., the ILO's core conventions in the HMS value chain. Supplier transparency or the discovery of human rights abuses can lead to impacts on workers' health and well-being and on legal situations, as well as damage to reputation and brand image.</p>	<p>Guidelines in the HMS Supplier Code of Conduct. Follow-up through supplier reviews and audits as well as annual assessment to identify risks associated with conflict minerals. Integrated processes with mitigation measures to address risks in the value chain.</p>
RESILIENCE IN THE VALUE CHAIN	
<p>Disruptions in the value chain linked to climate-related risks as well as trade and market barriers. These result in production and delivery delays as well as increased costs. Long delivery times impact the customer's experience and satisfaction.</p>	<p>Securing our sourcing of components with additional alternative suppliers and also safeguarding inventory levels of critical components. Strategic forecast planning and collaboration with our partners.</p>
SHORTAGE OF RESOURCES AND MATERIALS	
<p>Lack of availability of materials and components, which in turn results in price increases and supply disruptions that affect the manufacturing process and delivery to the end customer.</p>	<p>Processes with mitigating measures to reduce the level of risk, which include alternative plans for product design and production, more alternative suppliers, and regular review and follow up of inventory levels of critical components.</p>

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



## Consolidated income statement

SEK 000s	Note	2024	2023
Net sales	4	3,059,178	3,024,720
Cost of goods and services sold		-1,143,242	-1,057,437
<b>GROSS PROFIT</b>		<b>1,915,936</b>	<b>1,967,284</b>
Selling expenses		-680,042	-588,061
Administrative expenses		-291,705	-282,190
Research and development expenses		-286,656	-319,433
Other operating income	5	9,838	8,563
Other operating expenses	5	-164,470	-32,834
<b>OPERATING PROFIT</b>	6, 7, 8, 9, 10	<b>502,901</b>	<b>753,328</b>
Financial income	11	15,198	11,945
Financial expenses	12	-153,677	-47,362
<b>Net financial items</b>		<b>-138,479</b>	<b>-35,418</b>
Share of profit after tax from associates	32	73	-582
<b>PROFIT BEFORE TAX</b>		<b>364,496</b>	<b>717,328</b>
Income tax	13	-54,906	-146,683
<b>PROFIT FOR THE YEAR</b>		<b>309,589</b>	<b>570,645</b>
Profit attributable to:			
HMS Networks AB's shareholders		309,681	570,645
Non-controlling interests		-92	-
<b>Total</b>		<b>309,589</b>	<b>570,645</b>
Earnings per share, basic, SEK <sup>1</sup>	14	6.35	12.23
Earnings per share, diluted, SEK <sup>1</sup>	14	6.34	12.19
Average number of shares, basic, thousands	14	48,772	46,653
Average number of shares, diluted, thousands	14	48,868	46,800
Dividend paid per share, SEK	15	4.40	4.00

<sup>1</sup> Attributable to parent company's shareholders

## Consolidated statement of comprehensive income

SEK 000s	Note	2024	2023
Profit for the year		309,589	570,645
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified to profit or loss</b>			
Cash flow hedges		-39,301	40,603
Hedging of net investments		2,716	-4,302
Exchange differences arising from translation of foreign operations <sup>1</sup>		130,644	-5,053
Income tax attributable to the items above	13	1,680	-7,478
<b>Other comprehensive income for the year, after tax</b>		<b>95,739</b>	<b>23,770</b>
<b>Total comprehensive income for the year</b>		<b>405,328</b>	<b>594,415</b>
Total comprehensive income for the year attributable to:			
HMS Networks AB's shareholders		405,405	594,415
Non-controlling interests		-77	-
<b>Total</b>		<b>405,328</b>	<b>594,415</b>

<sup>1</sup> As of 2024, currency translation differences on internal acquisition loans are included.

# Consolidated balance sheet

SEK 000s	Note	2024-12-31	2023-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>	16		
Capitalized development work		237,108	136,572
Goodwill		4,394,217	1,116,804
Customer relations and technology platforms		678,418	16,592
Brands		103,340	101,284
Other intangible assets		21,944	21,159
<b>Total intangible assets</b>		<b>5,435,027</b>	<b>1,392,410</b>
<b>Property, plant, and equipment</b>	17		
Buildings and land		77,693	11,607
Plant and machinery		18,707	15,783
Equipment, installations, and facilities		70,454	42,480
Construction in progress		9,721	-
Rights of use	17, 18	279,568	265,885
<b>Total property, plant, and equipment</b>		<b>456,143</b>	<b>335,756</b>
<b>Financial assets</b>			
Interest in associates	32	14,136	13,261
Deferred tax assets	13	53,704	20,948
Derivatives	23	288	5,200
Other non-current assets	20	20,161	15,400
<b>Total financial assets</b>		<b>88,289</b>	<b>54,810</b>
<b>Total non-current assets</b>		<b>5,979,458</b>	<b>1,782,976</b>

SEK 000s	Note	2024-12-31	2023-12-31
<b>Current assets</b>			
Inventories	21	858,703	588,841
Trade receivables	22	426,595	385,113
Current tax assets		69,501	37,746
Derivatives	23	4,853	20,562
Other receivables		34,103	40,314
Prepaid expenses and accrued income	24	50,931	31,387
Cash and cash equivalents	25	73,929	124,032
<b>Total current assets</b>		<b>1,518,615</b>	<b>1,227,995</b>
<b>TOTAL ASSETS</b>		<b>7,498,073</b>	<b>3,010,971</b>

## Cont. Consolidated balance sheet

SEK 000s	Note	2024-12-31	2023-12-31
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	26	1,258	1,170
Other contributed capital	26	1,607,731	218,318
Reserves	26	289,663	193,924
Retained earnings including profit for the year		1,605,574	1,519,142
Equity attributable to HMS Networks AB's shareholders		3,504,225	1,932,555
Non-controlling interests		1,236	-
<b>Total equity</b>		<b>3,505,461</b>	<b>1,932,555</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	20	2,625,337	15,612
Non-interest-bearing liabilities	28	199,699	127,194
Lease liabilities	18	206,051	202,074
Derivatives	23	2,438	-
Deferred tax liability	13	165,044	103,700
Other provisions	30	5,992	-
<b>Total non-current liabilities</b>		<b>3,204,562</b>	<b>448,580</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	20	268,698	1,256
Non-interest-bearing liabilities	28	71	8,439
Lease liabilities	18	69,473	58,582
Trade payables		143,133	250,281
Current tax liabilities		30,316	102,667
Derivatives	23	16,241	-
Other liabilities		45,723	32,116
Accrued expenses and deferred income	29	198,032	171,256
Other provisions	30	16,363	5,239
<b>Total current liabilities</b>		<b>788,050</b>	<b>629,836</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,498,073</b>	<b>3,010,971</b>



# Consolidated statement of cash flows

SEK 000s	Note	2024	2023	SEK 000s	Note	2024	2023
<b>Cash flow from operating activities</b>				<b>Investing activities</b>			
Profit after financial items		364,496	717,328	Investments in intangible assets	16	-81,686	-35,801
Adjustment for items not included in cash flow:				Investments in property, plant, and equipment	17	-39,377	-38,081
Depreciation/amortization and impairment		218,632	125,190	Investments in subsidiaries	31	-4,374,942	-55,056
Impairment of inventories	21	42,073	13,045	Divestment of subsidiaries		41,220	-
Unrealized exchange differences		9,731	6,925	Change in financial assets		5,925	-6,180
Accrued interest		8,304	-	Sale of property, plant, and equipment		243	-
Other provisions		6,400	3,344	<b>Cash flow from investing activities</b>		<b>-4,448,617</b>	<b>-135,118</b>
Profit from divestment of subsidiaries		2,139	-	<b>Financing activities</b>	33		
Share Savings Plan	8	-656	10,347	Bank loans		4,613,712	151,970
Other non-cash items on the income statement		10,789	3,074	Bank loan amortization		-1,733,626	-292,009
Income tax paid		-134,017	-128,742	Amortization of lease liability	18	-61,796	-59,817
<b>Cash flow from operating activities before changes in working capital</b>		<b>527,891</b>	<b>750,511</b>	Repurchase of own shares		-11,237	-13,137
<b>Change in working capital</b>				Dividend paid	15	-224,691	-186,624
Change in inventories		107,570	-242,410	New share issue		1,389,500	-
Change in trade receivables		123,283	-2,824	Payment of liabilities related to acquisitions		-145,215	-
Change in other current receivables		53,812	14,873	Change in other non-interest-bearing liabilities		-	-613
Change in trade payables		-183,048	36,712	<b>Cash flow from financing activities</b>		<b>3,826,647</b>	<b>-400,230</b>
Change in other current liabilities		-37,487	-37,999	<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>-29,949</b>	<b>-16,485</b>
<b>Cash flow from operating activities</b>		<b>592,021</b>	<b>518,863</b>	Cash and cash equivalents at beginning of year	25	124,032	144,168
				Exchange differences in cash and cash equivalents		-20,154	-3,651
				<b>Cash and cash equivalents at year-end</b>	25	<b>73,929</b>	<b>124,032</b>
				<b>Interest paid and received</b>			
				Interest paid	12	-120,024	-12,364
				Interest received	11	2,697	1,052

# Consolidated Statement of changes in equity

SEK 000s	Note	Attributable to HMS Networks AB's shareholders						Non-controlling interests	Total equity
		Share capital	Other contributed capital	Reserves	Retained earnings including profit for the year	Total			
<b>Opening balance as of January 1, 2023</b>		<b>1,170</b>	<b>218,318</b>	<b>170,154</b>	<b>1,220,066</b>	<b>1,609,709</b>	-	<b>1,609,709</b>	
<b>Total comprehensive income</b>		-	-	23,770	570,645	594,415	-	594,415	
Costs of share-based remuneration		-	-	-	11,168	11,168	-	11,168	
Repurchase of own shares		-	-	-	-13,137	-13,137	-	-13,137	
Option		-	-	-	-82,976	-82,976	-	-82,976	
Dividend	15	-	-	-	-186,624	-186,624	-	-186,624	
<b>Closing balance as of December 31, 2023</b>		<b>1,170</b>	<b>218,318</b>	<b>193,924</b>	<b>1,519,142</b>	<b>1,932,555</b>	-	<b>1,932,555</b>	
<b>Total comprehensive income</b>		-	-	95,739	309,666	405,405	-77	405,328	
Costs of share-based remuneration		-	-	-	-656	-656	-	-656	
Repurchase of own shares		-	-	-	-11,237	-11,237	-	-11,237	
New share issue <sup>1</sup>		88	1,389,413	-	-	1,389,500	-	1,389,500	
Option		-	-	-	13,333	13,333	-	13,333	
Dividend <sup>2</sup>	15	-	-	-	-224,676	-224,676	-	-224,676	
Non-controlling interests arising from acquisition of subsidiaries		-	-	-	-	-	1,313	1,313	
<b>Closing balance as of December 31, 2024</b>		<b>1,258</b>	<b>1,607,731</b>	<b>289,663</b>	<b>1,605,574</b>	<b>3,504,225</b>	<b>1,236</b>	<b>3,505,461</b>	

<sup>1</sup> In April 2024, HMS conducted a directed share issue. The number of shares has increased by 3,500,000 through the issue.

<sup>2</sup> During the year, Owasy paid dividends to minority shareholders of SEK 3,904 thousand. During the second quarter, HMS Networks paid a dividend to shareholders of SEK 220,772 thousand.

## Parent company's income statement

SEK 000s	Note	2024	2023
Net sales	5	26,754	25,189
<b>GROSS PROFIT</b>		<b>26,754</b>	<b>25,189</b>
Administrative expenses	8, 9, 10, 11	-26,754	-24,274
<b>OPERATING PROFIT</b>		<b>0</b>	<b>916</b>
Profit from interest in Group companies – dividend	34	537,411	455,176
Financial income		22,916	12,318
Financial expenses		-16	-
<b>Net financial items</b>		<b>560,310</b>	<b>467,495</b>
<b>PROFIT BEFORE TAX</b>		<b>560,310</b>	<b>468,410</b>
Income tax	13	-4,962	-2,942
<b>PROFIT FOR THE YEAR</b>		<b>555,348</b>	<b>465,468</b>



## Parent company's balance sheet

SEK 000s	Note	2024-12-31	2023-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Financial assets</b>			
Interest in subsidiaries	34	1,726,846	337,324
<b>Total financial assets</b>		<b>1,726,846</b>	<b>337,324</b>
<b>Total non-current assets</b>		<b>1,726,846</b>	<b>337,324</b>
<b>Current assets</b>			
Receivables from Group companies		965,878	639,827
Other receivables		11	252
Prepaid expenses and accrued income	24	47	-
Cash and cash equivalents		2,517	2,124
<b>Total current assets</b>		<b>968,453</b>	<b>642,203</b>
<b>TOTAL ASSETS</b>		<b>2,695,300</b>	<b>979,527</b>

SEK 000s	Note	2024-12-31	2023-12-31
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	26	1,258	1,170
Statutory reserve		19,446	19,446
<b>Total restricted equity</b>		<b>20,704</b>	<b>20,616</b>
<b>Non-restricted equity</b>			
Retained earnings	15	613,869	380,457
Share premium reserve		1,486,962	97,549
Profit for the year		555,348	465,468
<b>Total non-restricted equity</b>		<b>2,656,178</b>	<b>943,475</b>
<b>Total equity</b>		<b>2,676,882</b>	<b>964,091</b>
<b>Current liabilities</b>			
Trade payables		213	1,393
Current tax liability		3,925	1,768
Other liabilities		3,184	1,720
Accrued expenses and deferred income	29	11,095	10,557
<b>Total current liabilities</b>		<b>18,418</b>	<b>15,437</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,695,300</b>	<b>979,527</b>

## Parent company's cash flow statement

SEK 000s	Note	2024	2023
<b>Operating activities</b>			
Profit after financial items		555,348	465,468
Adjustments for items not included in cash flow:			
Dividend received		-537,411	-455,176
Share Savings Plan		-48	381
Income tax paid		2,157	1,272
<b>Cash flow from operating activities before changes in working capital</b>		<b>20,046</b>	<b>11,944</b>
<b>Change in working capital</b>			
Change in other current receivables		211,532	186,074
Change in trade payables		-1,180	965
Change in other current liabilities		2,004	299
<b>Cash flow from operating activities</b>		<b>232,402</b>	<b>199,283</b>
<b>Financing activities</b>			
Repurchase of own shares		-11,237	-13,137
Dividend paid		-220,772	-186,624
<b>Cash flow from financing activities</b>		<b>-232,009</b>	<b>-199,761</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>394</b>	<b>-478</b>
Cash and cash equivalents at beginning of year		2,123	2,602
<b>Cash and cash equivalents at year-end</b>		<b>2,517</b>	<b>2,123</b>
<b>Interest paid and received</b>			
Interest paid		16	-
Interest received		22,916	12,318

## Parent company 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	
<b>Opening balance as of January 1, 2023</b>		<b>1,170</b>	<b>19,446</b>	<b>343,653</b>	<b>97,549</b>	<b>236,185</b>	<b>698,003</b>
Distribution of profit/loss for 2022		-	-	236,185	-	-236,185	-
Repurchase of own shares		-	-	-13,137	-	-	-13,137
Costs of share-based remuneration		-	-	381	-	-	381
Dividend (SEK 4.00 per share)	15	-	-	-186,624	-	-	-186,624
Profit for the year		-	-	-	-	465,468	465,468
<b>Closing balance as of December 31, 2023</b>		<b>1,170</b>	<b>19,446</b>	<b>380,457</b>	<b>97,549</b>	<b>465,468</b>	<b>964,091</b>
Distribution of profit/loss for 2023		-	-	465,468	-	-465,468	-
Repurchase of own shares		-	-	-11,237	-	-	-11,237
Costs of share-based remuneration		-	-	-48	-	-	-48
Dividend (SEK 4.40 per share)	15	-	-	-220,772	-	-	-220,772
New share issue		88	-	-	1,389,413	-	1,389,500
Profit for the year		-	-	-	-	555,348	555,348
<b>Closing balance as of December 31, 2024</b>		<b>1,258</b>	<b>19,446</b>	<b>613,869</b>	<b>1,486,962</b>	<b>555,348</b>	<b>2,676,882</b>

# Notes

All amounts in SEK thousands unless otherwise stated.

## NOTE 1 General information

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

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

This annual report and the consolidated financial statements were approved for publication by the Board of Directors on March 24, 2025.

## NOTE 2 Summary of important accounting policies

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

### BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the HMS Network Group have been prepared in accordance with the Swedish Annual

Accounts Act and RFR 1 Supplementary Accounting Rules for Groups, as well as the International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRS IC) as adopted by the EU.

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

#### *Parent company accounting policies*

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

#### **New and amended standards adopted by the Group**

No standards and amendments are applied by the Group for the first time for financial years beginning on or after January 1, 2024.

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

IFRS 18 Presentation and Disclosure in Financial Statements is applicable for financial years beginning on or after January 1, 2027 and has not yet been adopted by the EU. IFRS 18 will replace IAS 1 Presentation of Financial Statements and introduce new requirements aimed at achieving increased comparability in the reporting of income for similar companies and providing users with more relevant information and transparency. IFRS 18 introduces, among other things, new requirements for structure of the income statement and information on certain performance measures. IFRS 18 will not affect the recognition or measurement of items in the financial statements but is expected to have a limited effect on presentation and disclosures for HMS. Management is currently evaluating the exact consequences of applying the new standard to the consolidated financial statements.

A number of other new standards, amendments to standards, and interpretations that have been published and enter into force for financial years beginning on or after January 1, 2024 have not been applied in the preparation of these financial statements. These

new standards, amendments, and interpretations are not expected to have a material impact on the Group's financial statements for the current or future periods, nor on future transactions.

## CONSOLIDATED FINANCIAL STATEMENTS

### **Subsidiaries**

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

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

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

### **Associates**

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

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

## SEGMENT REPORTING

Segment disclosures must be presented from the management's perspective, which means in the same way as for internal reporting purposes. The starting point for identifying reportable segments is the internal reporting which is reported to and followed up on by the highest ranking executive decision-maker. Management has analyzed the internal reporting and concluded that the Group's highest ranking decision-maker, i.e., the Group management team, regularly analyzes sales reports, quality follow-up, and the Group's income statement and statement of cash flows. This reporting is based on the fact that the common technology platform, development process, manufacturing process, marketing strategy, and shared sales resources do not create any need for further segmentation of the business. There is thus no follow-up carried out of the financial performance of any particular part (segment) of the business for the year 2024.



As of January 1, 2025, HMS' organizational structure will change to have three divisions. The divisions are Industrial Data Solutions (IDS), Industrial Network Technology (INT), and New Industries (NI), which will constitute HMS segments as of January 1, 2025.

## TRANSLATION OF FOREIGN CURRENCY

### Functional currency and reporting currency

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

### Transactions and balance sheet items

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

Exchange rate gains and losses attributable to loans and cash and cash equivalents are recognized in the income statement as financial income or expenses. HMS has assessed that parts of the Group's internal loans raised in connection with acquisition of subsidiaries constitute a so-called extended net investment in foreign operations in accordance with the rules in IAS 21. This is given that the settlement of these loans is not planned or probable in the foreseeable future. Therefore, exchange differences on these loans are reported, as long as the conditions in IAS 21 are deemed to be met, against other comprehensive income as part of other translation differences when translating foreign operations as of April 1, 2024.

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

### Group companies

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

## NOTE 3 Important estimates and assumptions for accounting purposes

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

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

- Recognition of deferred tax assets on tax credits – Note 13 Income tax and deferred tax
- Impairment testing of goodwill, brands with an indefinite useful life, and capitalized development costs – Note 16 Intangible assets
- Obsolescence in inventories – Note 21 Inventories
- Recognition of leases – Note 18 Leases
- Recognition of liability for options and contingent consideration – Note 28 Non-interest-bearing liabilities.

## NOTE 4 Net sales

### ACCOUNTING POLICIES

#### NET SALES FROM PRODUCTS

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

HMS payment terms are generally 30–60 days.

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

#### NET SALES FROM SERVICES

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

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

became aware of the circumstances giving rise to the revised estimate.

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

#### Licenses and cloud services

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

In 2023, the Group assessed these as being non-essential. This means that the service was not separated from the product for that year, and net sales was recognized at the time that control was transferred to the customer. In 2024, the Group has made a new decision as sales of licenses and cloud services have increased, and an increase is expected going forward. As a result, previous decisions have been reconsidered, and the service is now separated from the product, and net sales is reported over time instead of at a given time.

#### Development services

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

#### Breakdown of net sales from contracts with customers

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

Net sales per country	The Group		Parent company	
	2024	2023	2024	2023
USA	920,802	418,065	-	-
Germany	482,986	684,818	-	-
Japan	183,925	281,872	-	-
France	170,160	216,795	-	-
China	145,502	167,758	-	-
Netherlands	126,082	166,461	-	-
Italy	115,860	155,107	-	-
United Kingdom	105,326	142,704	-	-
Sweden	84,541	116,947	26,754	25,189
Spain	82,932	69,687	-	-
Canada	66,198	49,598	-	-
Other countries <sup>1</sup>	574,864	604,506	-	-
	<b>3,059,178</b>	<b>3,024,720</b>	<b>26,754</b>	<b>25,189</b>

<sup>1</sup> No single country represents more than SEK 50,000 thousand.

The parent company's net sales amounted to SEK 26,754 thousand (25,189), of which 100 per cent were sales to Group companies. Purchases from Group companies amounted to SEK 0 thousand (0).

No single customer accounts for more than 10 per cent of the Group's total net sales.

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

Net sales per brand	2024	2023
Anybus	1,113,619	1,757,224
Ewon	459,046	515,870
Ixxat	229,369	314,196
Intesis	246,414	239,708
Red Lion and N-Tron	787,310	-
Other <sup>1</sup>	223,420	197,722
<b>Total</b>	<b>3,059,178</b>	<b>3,024,720</b>

<sup>1</sup> The item Other for 2024 includes net sales from PEAK-System of SEK 44 million as at November 1, 2024.

#### Contract assets and liabilities

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

	December 31, 2024	December 31, 2023
Current contract assets attributable to development services	2,525	1,002
<b>Total contract assets</b>	<b>2,525</b>	<b>1,002</b>
Contract liabilities – license and service agreements <sup>1</sup>	29,998	-
<b>Total current contract liabilities</b>	<b>29,998</b>	<b>-</b>

<sup>1</sup> See description under Accounting policies. In the previous year, the Group did not separate the service from the product from cloud services and licenses and reserves from previous years were dissolved in 2023. The decision was based on materiality. In 2024, the Group reconsidered the decision as sales increased significantly for cloud services and licenses.

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

#### Remaining development contracts

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

	December 31, 2024	December 31, 2023
The total amount of the transaction price allocated to development contracts that are unfulfilled or partially unfulfilled as of December 31	869	3,257

Management expects that 100 per cent of the transaction price allocated to unfulfilled contracts as of December 31, 2024 will be recognized as net sales in the next financial year.

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

## NOTE 5 Other operating income and expenses

Other operating income	2024	2023
Other operating income	9,838	4,037
Exchange differences	-	4,525
<b>Total</b>	<b>9,838</b>	<b>8,563</b>

Other operating expenses	2024	2023
Depreciation/amortization of excess values <sup>1</sup>	-87,172	-
Restructuring costs	-43,276	-6,515
Acquisition costs	-19,472	-16,905
Integration costs	-12,659	-
Capital gain/loss, subsidiary divestment	-1,221	-
Exchange differences	-	-9,414
Other operating expenses	-670	-
<b>Total</b>	<b>-164,470</b>	<b>-32,834</b>

<sup>1</sup> SEK 76 million is attributable to acquisitions during the year. In previous years, depreciation/amortization of excess values has been reported in the cost of goods and services sold and in sales costs.

## NOTE 6 Categorization by type of cost

	2024	2023
Cost of purchasing and handling materials	1,016,122	841,851
Costs of remuneration to employees (Note 8)	990,271	826,326
Depreciation, amortization and impairment (Notes 16 and 17)	218,627	124,466
Marketing costs	108,370	89,113
Freight costs	27,577	12,865
Other external costs	119,680	380,384
Capitalized development costs (Note 16)	-79,003	-27,885
<b>Total costs of goods sold, sales, administration, and research and development</b>	<b>2,401,645</b>	<b>2,247,121</b>

## NOTE 7 Remuneration to auditors

Remuneration to auditors	The Group		Parent company	
	2024	2023	2024	2023
<b>PwC</b>				
Audit assignment <sup>1</sup>	2,402	2,635	2,095	2,253
<i>of which PwC Sweden</i>	2,095	2,253	2,095	2,253
Audit activities apart from the audit assignment	-	-	-	-
<i>of which PwC Sweden</i>	-	-	-	-
Tax advice	-	-	-	-
<i>of which PwC Sweden</i>	-	-	-	-
Other services	25	-	25	-
<i>of which PwC Sweden</i>	25	-	25	-
<b>ARK Alliance LLP</b>				
Audit assignment <sup>1</sup>	1	49	-	-
<b>Bourner Bullock</b>				
Audit assignment <sup>1</sup>	137	89	-	-
Tax advice	15	-	-	-
<b>Cabrera Auditores</b>				
Audit assignment <sup>1</sup>	174	168	-	-
<b>IRT Auditores</b>				
Audit assignment <sup>1</sup>	70	60	-	-
<b>Jhalani &amp; Co</b>				
Audit assignment <sup>1</sup>	50	-	-	-
<b>Michael Harwood &amp; Co</b>				
Audit assignment <sup>1</sup>	-	27	-	-
<b>Total cost of remuneration to auditors</b>	<b>2,874</b>	<b>3,029</b>	<b>2,120</b>	<b>2,253</b>

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



## NOTE 8 Remuneration to employees

### ACCOUNTING POLICIES

#### Share-based payment

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

In 2024, all permanent employees within the Group were offered the opportunity to participate in a Share Savings Plan in which payment is made in shares and the Group receives services from employees as consideration for the Group's equity instruments.

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

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

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

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

- allotment date: January 1, 2024
- vesting date date: January 1, 2027
- share price on the first day of trading (January 2, 2024): SEK 488.6

#### Share-based payment

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

In short, each Share Savings Plan means that employees who participate in the plan must make their own investment in HMS shares through savings during the investment period (January 1 to December 31 in year 1). They also need to retain the shares during the qualification period (years 2–4), and then during the spring of year 5 are allotted a maximum of two additional shares, so-called performance shares, in HMS free of charge for each invested share. Employees participating in the plan must set aside a minimum of 1 per cent and can set aside a maximum of 3 per cent of their annual gross salary, except for a few key employees who may set aside up to 6 per cent of their gross salary for the purpose of saving shares during the investment period.

For all of the plans, in addition to the requirement for employment and retaining the shares, HMS needs to achieve certain financial targets for earnings per share during the qualification period. The financial targets are based on average annual growth of the Group's earnings per share calculated in accordance with the

compound annual growth rate (CAGR) during the qualification period. Performance shares are awarded on a straight-line basis between 0 and 20 per cent with maximum allotment occurring if the earnings per share during the qualification period are higher than 20 per cent CAGR. Maximum outcome means that two performance shares would be issued as of the 2019 plan. A prerequisite for allotment of performance shares is that average annual growth is positive.

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

#### Long-term variable cash remuneration

Senior executives and extended group management shall be able to receive a long-term variable cash bonus (LTI bonus). The total cost is reported over the period of the program and is reported in the income statement under personnel costs. For 2024, SEK 328 thousand has been reserved for extended group management. For more information on LTI bonuses and reserved costs for the CEO and group management, see Note 9.

	The Group		Parent company	
	2024	2023	2024	2023
Salaries and other remuneration <sup>1</sup>	787,918	639,582	8,266	7,457
Social security contributions	160,088	149,732	2,977	2,695
Pension expenses	42,265	37,012	1,567	1,451
<b>Total</b>	<b>990,271</b>	<b>826,326</b>	<b>12,809</b>	<b>11,603</b>

<sup>1</sup> Salaries paid in the parent company refer to the CEO and Board fees.

	2024			2023		
	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 President/CEOs	29,385	6,482	(2,386)	29,439	8,352	(2,895)
Other employees	758,533	195,871	(39,879)	610,143	178,392	(34,117)
<b>Total for the Group</b>	<b>787,918</b>	<b>202,353</b>	<b>(42,265)</b>	<b>639,582</b>	<b>186,744</b>	<b>(37,012)</b>

## CONT. NOTE 8 Remuneration to employees

Average number of employees	2024			2023		
	Women	Men	Total	Women	Men	Total
Sweden	79	184	263	86	190	275
USA	102	146	248	13	42	56
Germany	42	141	183	36	115	151
Spain	25	83	108	25	78	103
Belgium	21	54	75	21	55	76
India	9	36	45	2	7	9
Netherlands	9	23	32	11	34	45
China	8	16	24	7	13	20
Japan	7	15	22	9	17	26
UK	3	13	16	5	18	23
Other countries	13	31	43	10	28	38
<b>Total for the Group</b>	<b>318</b>	<b>742</b>	<b>1,059</b>	<b>225</b>	<b>596</b>	<b>821</b>

Gender distribution within the Group (including subsidiaries) for board members, President/CEOs, and senior executives	2024			2023		
	Women	Men	Total	Women	Men	Total
Board members	3	3	6	3	3	6
President/CEOs and other senior executives	1	15	16	1	13	14
<b>Total for the Group</b>	<b>4</b>	<b>18</b>	<b>22</b>	<b>4</b>	<b>16</b>	<b>20</b>

Ongoing Share Savings Plan				
Investment year (AGM decision)	Per centage of employees participating	Number of shares saved	Number of shares earned	Share price at time of allotment
2021 (2020)	51%	12,331	9,046	274.50
2022 (2021)	53%	17,626	-	557.00
2023 (2022)	56%	19,936	-	346.00
2024 (2023)	55%	23,458	-	488.60
2025 (2024)	37%	(not yet started)	-	441.20

Shares held in treasury related to share-based payment			
Year	Repurchase	Allocation	Balance
2013	124,000	-	124,000
2017	350,200	-112,468	361,732
2018	70,000	-138,907	292,825
2019	-	-89,826	202,999
2020	40,000	-88,083	154,916
2021	56,841	-47,345	164,412
2022	74,159	-62,251	176,320
2023	33,000	-46,440	162,880
2024	25,000	-44,464	143,416
2025 <sup>1</sup>	0	-9,046	134,370

<sup>1</sup> Calculated on the number of shares as of 03/24/2025.

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

### Remuneration to the Board and senior executives

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

Remuneration to the CEO and other senior executives consists of basic salary, variable remuneration, other benefits, and pension. Other senior executives are the five people who, together with the CEO, make up the Group management team. At the beginning of the year, other senior executives consisted of seven people. During May to June, they consisted of six people, and during the last six months of the year, other senior executives consisted of five people. See pages 48–49 for details on the composition of the group management team.

Variable cash compensation will be based on predetermined and measurable financial and non-financial targets for the Group. The measurement period for the targets for annual variable cash compensation is one year and annual variable cash compensation may not amount to more than 80 per cent of the fixed cash salary. In addition to annual variable cash compensation, senior executives will be able to receive a long-term incentive bonus (LTI bonus) amounting to no more than 40 per cent of the fixed cash salary per year in the measurement period. The LTI bonus will be based on achieved financial and operational goals, linked to, e.g., growth and operating profit, after a multi-year measurement period of three to five years. Payment of the LTI bonus will be made after the measurement period has ended, and only one LTI program may be ongoing at a time. The split between basic salary and variable remuneration must be proportionate to the executive's responsibilities and authority. Ongoing LTI program will end in 2025 and any LTI bonus will be paid in 2026. The total cost is reported over the period of the program and is reported in the income statement under personnel costs. For 2024, SEK 722 thousand has been reserved for the CEO and SEK 1,140 thousand for other senior executives.

Variable remuneration is based on performance in relation to set targets. Pension benefits and other benefits for the CEO and senior executives are part of the total remuneration package.

Annual variable remuneration for the financial year consists of an expensed bonus, which is paid out in the coming year. The Deputy

CEO has also received additional variable compensation regarding the completion of the acquisition of Red Lion.

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

At the AGM held on April 23, 2024, Charlotte Brogren was re-elected as Chair of the Board. At the same time, Anders Mörck, Cecilia Wachtmeister, Niklas Edling, and Anna Kleine were re-elected as board members and Johan Stakeberg was elected as a board member for the first time. Fredrik Hansson declined re-election. Since the AGM on April 23, 2024, the Board has held 11 minuted meetings up to the date on which this annual report was adopted and expects to hold one more meeting before the AGM on April 24, 2025.

### Variable remuneration

Variable remuneration for the CEO and senior executives is mainly based on growth in combination with profitability goals set by the Board. Personal goals may also be set in addition to these. For 2024, variable remuneration for the CEO corresponded to 17 per cent (33) of basic salary, while for other senior executives it was 17 per cent (29).

### Defined benefit/defined contribution pension plans

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

### Severance pay

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

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

### Preparation and decision-making process

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

The Board discussed the remuneration committee's proposals and made decisions based on the Committee's recommendations. Remuneration to the CEO for the 2024 financial year was decided by the Board based on the recommendation of the remuneration committee. Remuneration to other senior executives was decided by the CEO after consultation with the remuneration committee.

The remuneration committee consists of the Chair of the Board and one other board member appointed by the Board.



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

Remuneration and other benefits 2024	Salary/Board fees	Variable remuneration <sup>1</sup>	Pension expenses	Share-based payment	Total	Board attendance
Chair of the Board, Charlotte Brogren	875	-	-	-	875	100%
Board member, Niklas Edling	310	-	-	-	310	100%
Board member, Cecilia Wachtmeister	310	-	-	-	310	100%
Board member, Anders Mörck	465	-	-	-	465	100%
Board member, Anna Kleine	310	-	-	-	310	100%
Board member, Johan Stakeberg	310	-	-	-	310	100%
<b>Total for the Board</b>	<b>2,580</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,580</b>	
President and CEO, Staffan Dahlström	4,852	834	1,567	169	7,421	
Senior executives <sup>2</sup> (5)	13,944	2,379	3,031	413	19,768	
<b>Total</b>	<b>21,377</b>	<b>3,213</b>	<b>4,598</b>	<b>582</b>	<b>29,768</b>	

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

## NOTE 10 Pension obligations

**ACCOUNTING POLICIES**

The Group companies have different plans for post-employment benefits, defined benefit pensions, and defined contribution pensions. Some of the pension obligations for salaried employees in Sweden are secured through insurance schemes with Alecta and Skandia, which are defined benefit plans covering several employers. For the 2024 financial year, the company has not had access to sufficient information to enable it to recognize these plans as defined benefit plans. The pension obligations are therefore recognized as defined contribution plans. Pension obligations of the foreign entities are largely classified as defined contribution plans. For defined contribution pension plans, the Group pays contributions to privately administered pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as payroll expenses when they fall due for payment.

In Belgium and in India, there are defined benefit pension obligations. Benefit obligations are estimated using the Projected Unit Credit method. Under this method, each participant's benefits are allocated to period of service, taking into account future salary increases and the plan's distribution formula. The defined benefit pension obligation in Belgium amounts to SEK 17,619 thousand (14,561); see Note 27. The defined benefit pension obligation in India amounts to SEK 798 thousand (-).

**Pension benefits**

The vast majority of Group employees have a defined contribution pension and in Sweden this takes the form of the ITP 1 plan. Other employees in Sweden have an ITP 2 plan, which is a defined benefit pension plan. The premium is individually calculated and is based on factors such as salary, previously earned pension, and how many more years the person is expected to work before retirement. Contributions for the year for ITP 2 insurance policies taken out with Alecta amounted to SEK 2,991 thousand (2,690). The Group's share of the total contributions to the plan is negligible. The year's pension contributions for the Group amounted to SEK 42,265 thousand (37,012).

<sup>1</sup> The item Variable remuneration refers only to short-term variable remuneration.

<sup>2</sup> At the start of the year, other senior executives consisted of seven people. During May to June, they consisted of six people, and during the last six months of the year, other senior executives consisted of five people.

<sup>3</sup> Refers to other members of the group management team. During the first 10 months of 2023, five people were classed as other senior executives, while in the last two months of the year, there were seven people in this category.

## NOTE 11 Financial income

	2024	2023
Exchange differences	11,859	7,892
Interest income	2,697	1,052
Other items	642	3,001
<b>Total</b>	<b>15,198</b>	<b>11,945</b>

## NOTE 12 Financial expenses

	2024	2023
Interest expenses for bank loans <sup>1</sup>	-111,247	-5,632
Exchange differences	-21,273	-29,760
Interest expenses for leases	-8,777	-6,732
Banking fees	-7,220	-3,394
Other items	-5,160	-1,845
<b>Total</b>	<b>-153,677</b>	<b>-47,362</b>

<sup>1</sup> In 2024, the Group took out a new amortization loan and a revolving credit facility, which has resulted in higher interest expenses.

## NOTE 13 Income tax and deferred tax

**ACCOUNTING POLICIES****Investment tax credits and other similar tax incentives**

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

**IMPORTANT ESTIMATES AND ASSUMPTIONS**

Deferred tax assets include tax deductions of SEK 15,952 thousand for Owasys Advanced Wireless S.L. attributable to the company's investments in research and development. The Group has assessed that it will be possible to offset the tax deductions against future tax profits. This assessment is based on a business plan and budget decided for the subsidiary and on the subsidiary reporting a profit in 2024. The tax deductions can be carried forward and do not have an expiration date.

In 2024, HMS has made a so-called 338(h)(10) election in the United States, which re-characterizes a stock purchase as an asset purchase for federal tax purposes. Reported goodwill allocated to the shares in the US relating to Red Lion is therefore expected to be tax deductible.

	The Group		Parent company	
	2024	2023	2024	2023
Current tax	-40,644	-138,503	-4,962	-2,942
Deferred tax	-14,262	-8,180	-	-
<b>Total tax</b>	<b>-54,906</b>	<b>-146,683</b>	<b>-4,962</b>	<b>-2,942</b>

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

	The Group		Parent company	
	2024	2023	2024	2023
Profit before tax	364,496	717,328	560,310	468,410
Tax using the Swedish tax rate of 20.6%	-75,086	-147,770	-115,424	-96,493
Tax effect for items that are non-deductible/non-taxable	17,341	15,920	110,462	93,551
Adjustment for previous years	7,900	-592	-	-
Difference in foreign tax rates	-7,600	-13,938	-	-
Remeasurement of deferred tax – change in tax rate	3,005	-	-	-
Tax effect of loss carryforward where tax asset has not been recognized	-733	-958	-	-
Previously unrecognized loss carryforwards that have been used to lower the current tax expense	267	655	-	-
<b>Tax expense</b>	<b>-54,906</b>	<b>-146,683</b>	<b>-4,962</b>	<b>-2,942</b>
Weighted average tax rate	15.1%	20.4%		

Tax attributable to components in other comprehensive income for the Group amounted to SEK 8,096 thousand (-8,364) for cash flow hedges and SEK -6,416 thousand (886) for hedging of net investments.

## CONT. NOTE 13 Income tax and deferred tax

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

Deferred tax assets	Inventories	Currency hedging	Leases	Loss carry-forwards and tax reductions	Pensions	Other	Total
<b>As of January 1, 2023</b>	<b>7,533</b>	<b>8,714</b>	<b>1,455</b>	<b>19,073</b>	<b>3,080</b>	<b>5,273</b>	<b>45,128</b>
Reclassification to/from deferred tax liabilities	-	-	-2	-	-	-	-2
Recognized in income statement	11,888	-	130	-1,610	589	-2,112	8,885
Recognized in other comprehensive income	-	-7,478	-	-	-	-	-7,478
Exchange differences	-88	-	-3	-2	-28	-208	-329
<b>As of December 31, 2023</b>	<b>19,334</b>	<b>1,236</b>	<b>1,580</b>	<b>17,461</b>	<b>3,640</b>	<b>2,953</b>	<b>46,203</b>
Reclassification to/from deferred tax liabilities	-	-	-37	-	-	-	-37
Recognized in income statement	-8,124	-	310	-2,113	7,166	5,823	3,062
Recognized in other comprehensive income	-	1,680	-	-	-	-	1,680
Exchange differences	64	-	288	604	165	-18	1,103
<b>As of December 31, 2024</b>	<b>11,273</b>	<b>2,916</b>	<b>2,141</b>	<b>15,952</b>	<b>10,971</b>	<b>8,758</b>	<b>52,012</b>

Deferred tax liabilities	Leases	Tax allocation reserves	Intangible assets and property, plant, and equipment	Other	Total
<b>As of January 1, 2023</b>	<b>2,633</b>	<b>47,172</b>	<b>61,866</b>	<b>547</b>	<b>112,218</b>
Reclassification to/from deferred tax assets	-2	-	-	-	-2
Recognized in income statement	353	20,775	-3,715	-348	17,064
Change in tax rate	-	-338	-	-	-338
Exchange differences	-19	-	23	9	13
<b>As of December 31, 2023</b>	<b>2,966</b>	<b>67,609</b>	<b>58,174</b>	<b>207</b>	<b>128,956</b>
Reclassification to/from deferred tax assets	-37	-	-	-	-37
Recognized in income statement <sup>1</sup>	466	2,369	-11,528	26,027	17,334
Change in tax rate	-	-92	-	-	-92
Acquisition/divestment <sup>2</sup>	-	-	42,605	-27,054	15,551
Exchange differences	130	-	429	1,080	1,640
<b>As of December 31, 2024</b>	<b>3,526</b>	<b>69,886</b>	<b>89,679</b>	<b>261</b>	<b>163,352</b>

<sup>1</sup> Refers to tax-deductible goodwill relating to Red Lion in the US

<sup>2</sup> Acquisitions were made during the year of Red Lion Controls Inc., PEAK-System Technik GmbH, and Red Lion Europe GmbH, which was also divested during the year.



## NOTE 14 Earnings per share

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

During the second quarter of 2024, HMS Networks conducted a directed share issue attributable to the acquisition of Red Lion. The issue resulted in a change in the number of shares and votes in HMS Networks. Prior to the issue, there were a total of 46,818,868 shares, corresponding to 46,818,868 votes. The number of shares and votes has increased by 3,500,000 through the issue. The total number of shares at the end of the period amounted to 50,318,868 shares in HMS Networks, corresponding to 50,318,868 votes.

Basic and diluted earnings per share	2024	2023
Profit attributable to parent company shareholders	309,681	570,645
Weighted average number of ordinary shares outstanding (thousands)	48,772	46,653
Basic earnings per share (SEK per share)	6.35	12.23
Diluted earnings per share (SEK per share)	6.34	12.19

Average number of basic and diluted shares (thousands)	2024	2023
Average number of shares used to calculate basic earnings per share	48,772	46,653
Adjustment for calculation of diluted earnings per share:		
Shares in Share Savings Plan	97	147
<b>Average number of diluted shares</b>	<b>48,868</b>	<b>46,800</b>

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

The dividend paid in 2024 was SEK 220,772 thousand (SEK 4.40 per share) and in 2023 it was SEK 186,624 thousand (SEK 4.00 per share).

At the AGM on April 24, 2025, the Board of Directors will propose that no dividend be paid for the financial year 2024, as two long-term value-creating acquisitions have been completed during the year.

Proposed distribution of profit in the parent company:

The following profits are at the disposal of the AGM	
Retained earnings and other non-restricted reserves	2,100,830
Profit for the year	555,348
<b>Total profits</b>	<b>2,656,178</b>
The Board of Directors and CEO propose the following distribution of profits:	
Carried forward	2,656,178
<b>Total</b>	<b>2,656,178</b>

## NOTE 16 Intangible assets

### ACCOUNTING POLICIES

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

The useful life periods are set out below:

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

### Capitalized development work

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

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

### Impairment

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

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

### IMPORTANT ESTIMATES AND ASSUMPTIONS

Goodwill and brands with an indefinite useful life are tested annually for impairment, in accordance with the accounting policy described. The recoverable amount for the cash-generating units has been based on its value in use. This has included assumptions in respect of growth, profit margin, tied-up capital, investment requirements, and risk premium. The principle behind these assumptions is unchanged compared with the previous year. Financial forecasts are based on the company's budget for the coming year as well as its five-year financial plan and historical performance. Estimates of future cash flows have been made based on the asset's existing structure and do not include acquisitions. These estimates are adjusted to present value using an appropriate discount rate. The rate of return before tax amounts to 10.7 per cent (12.5) for Integrated units, 11.7 per cent for Red Lion, 16.5 per cent for PEAK-System, and 13.2 per cent (14.2) for Owasys. A weighted average growth rate of 2 per cent has been used to extrapolate cash flows beyond the first five years.

There is no need for impairment, as the calculated recoverable amounts at year-end exceed or correspond to the carrying amounts. The recoverable amount for Red Lion corresponds to the carrying amount, and negative changes in assumptions may lead to the identification of an impairment requirement. Based on the sensitivity analyses that have been carried out, except for Red Lion, the management team believes that no feasible changes to important assumptions used in the impairment assessments would result in recoverable amounts being less than the carrying amounts of goodwill and brands with indefinite useful lives.

The company capitalizes expenditure associated with the development of identifiable and unique integrated circuits when the criteria in IAS 38 are fulfilled and the expenditure is deemed to be offset by future revenues that exceed the amount of the expenditure. Four times a year, the Group examines whether products for which a carrying amount has been recorded are being sold or will be sold. The Group records an impairment loss for those products where future economic benefits are estimated to be lower than their carrying amount. During the year, this testing did not result in any impairment (SEK 571 thousand).

## CONT. NOTE 16 Intangible assets

	Capitalized development work	Goodwill	Customers, technology platforms	Brands	Other	Total
<b>As of December 31, 2022</b>						
Cost	402,645	1,008,136	161,987	88,496	15,014	1,676,277
Accumulated amortization and impairment	-272,015	111,496	-120,124	14,540	-274	-266,375
<b>Carrying amount</b>	<b>130,630</b>	<b>1,119,632</b>	<b>41,863</b>	<b>103,036</b>	<b>14,740</b>	<b>1,409,901</b>
<b>2023 financial year</b>						
Opening carrying amount	130,630	1,119,632	41,863	103,036	14,740	1,409,901
Investments	27,885	-	94	-	7,822	35,801
Reclassification	5,979	-	-6,539	-	27	-533
Exchange differences	4	-2,828	388	-250	-	-2,686
Impairment	-571	-	-	-	-	-571
Amortization	-27,355	-	-19,214	-1,503	-1,430	-49,502
<b>Closing carrying amount</b>	<b>136,572</b>	<b>1,116,804</b>	<b>16,592</b>	<b>101,283</b>	<b>21,159</b>	<b>1,392,410</b>
<b>As of December 31, 2023</b>						
Cost	436,509	1,008,136	155,542	88,496	22,863	1,711,545
Accumulated amortization and impairment	-299,937	108,668	-138,950	12,787	-1,704	-319,134
<b>Carrying amount</b>	<b>136,572</b>	<b>1,116,804</b>	<b>16,592</b>	<b>101,283</b>	<b>21,159</b>	<b>1,392,410</b>
<b>2024 financial year</b>						
Opening carrying amount	136,572	1,116,804	16,592	101,283	21,159	1,392,410
Investments	79,003	-	1,459	-	1,908	82,370
Net investments from acquisitions	57,664	3,212,677	757,536	-	1,160	4,029,037
Divestment of subsidiaries	-	-19,638	-18,144	-	-	-37,782
Reclassification	-6,288	-	-	-	-	-6,288
Exchange differences	4,744	84,374	10,272	3,558	2	102,950
Amortization	-34,587	-	-89,297	-1,502	-2,285	-127,671
<b>Closing carrying amount</b>	<b>237,108</b>	<b>4,394,217</b>	<b>678,418</b>	<b>103,340</b>	<b>21,944</b>	<b>5,435,027</b>
<b>As of December 31, 2024</b>						
Cost	566,888	4,201,175	896,393	88,496	25,931	5,778,882
Accumulated amortization and impairment	-329,779	193,042	-217,974	14,844	-3,987	-343,854
<b>Carrying amount</b>	<b>237,108</b>	<b>4,394,217</b>	<b>678,418</b>	<b>103,340</b>	<b>21,944</b>	<b>5,435,027</b>

The consolidated income statement includes depreciation/amortization and impairment distributed under the items costs for goods and services sold of SEK 40,498 thousand (39,207) and other operating expenses of SEK 87,172 thousand (-); see Note 5. The previous year, depreciation/amortization of SEK 11,019 was reported in sales costs, as well as research and development costs of SEK 571 thousand. In 2024, the Group has instead chosen to report depreciation/amortization of excess values under the item other operating expenses. The Group expensed a total of SEK 340,815 thousand (325,616) for research and development during the period. The Group's brands with an indefinite useful life are attributable to the Ixxat brand, which is part of the cash-generating unit Integrated units. The carrying amount is SEK 101,472 thousand (98,022). Details of changes in goodwill and other intangible assets as a result of acquisitions can be found in Note 31.

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

	2024	2023
Red Lion	2,663,990	-
PEAK-System	565,545	-
Owasys	134,556	129,981
Integrated units	1,030,126	986,823
<b>Total consolidated goodwill</b>	<b>4,394,217</b>	<b>1,116,804</b>



## NOTE 17 Property, plant, and equipment

**ACCOUNTING POLICIES**

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

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

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

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

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

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

The income statement includes depreciation/amortization expenses of SEK 21,655 thousand (20,303) in Costs for goods sold, SEK 25,029 thousand (24,376) in Selling expenses, SEK 19,373 thousand (11,664) in Administration expenses, and SEK 24,904 thousand (18,051) in Research and development expenses.

	Buildings and land	Plant and machinery	Equipment, installations, and facilities	Construction in progress	Right-of-use assets	Total
<b>As of December 31, 2022</b>						
Accumulated cost	7,104	82,052	86,923	20,976	297,858	494,914
Accumulated depreciation	-107	-65,527	-63,748	999	-134,288	-262,671
<b>Carrying amount</b>	<b>6,997</b>	<b>16,525</b>	<b>23,175</b>	<b>21,975</b>	<b>163,570</b>	<b>232,243</b>
<b>2023 financial year</b>						
Opening carrying amount	6,997	16,525	23,175	21,975	163,570	232,243
Investments	3,772	6,806	28,574	-1,072	126,194	164,274
Increase through business combinations	-	-	77	-	-	77
Remeasurement	-	-	-	-	39,170	39,170
Sales and disposals	-	-200	-1	-	-	-201
Exchange differences	1,430	28	205	688	-6,593	-4,242
Depreciation	-592	-7,376	-9,969	-	-56,456	-74,393
<b>Closing carrying amount</b>	<b>11,607</b>	<b>15,783</b>	<b>42,480</b>	<b>-</b>	<b>265,885</b>	<b>335,756</b>
<b>As of December 31, 2023</b>						
Accumulated cost	10,876	88,658	115,992	-1,687	463,222	677,061
Accumulated depreciation	731	-72,875	-73,512	1,687	-197,337	-341,306
<b>Carrying amount</b>	<b>11,607</b>	<b>15,783</b>	<b>42,480</b>	<b>-</b>	<b>265,885</b>	<b>335,756</b>
<b>2024 financial year</b>						
Opening carrying amount	11,607	15,783	42,480	-	265,885	335,756
Investments	221	2,841	28,206	8,110	80,755	120,133
Increase through business combinations	66,080	6,888	19,534	3,458	-	95,960
Reclassifications	-	-	-2,700	-2,233	-	-4,526
Remeasurement	-	-	0	-	-12,328	-12,328
Sales and disposals	-	-	-162	-	-	-183
Exchange differences	3,446	300	1,471	386	7,072	12,289
Depreciation	-3,661	-7,105	-18,375	-	-61,816	-90,957
<b>Closing carrying amount</b>	<b>77,693</b>	<b>18,707</b>	<b>70,454</b>	<b>9,721</b>	<b>279,568</b>	<b>456,143</b>
<b>As of December 31, 2024</b>						
Accumulated cost	77,177	98,387	160,870	8,034	531,649	876,117
Accumulated depreciation	516	-79,680	-90,416	1,687	-252,081	-419,974
<b>Carrying amount</b>	<b>77,693</b>	<b>18,707</b>	<b>70,454</b>	<b>9,721</b>	<b>279,568</b>	<b>456,143</b>

## NOTE 18 Leases

### ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

### IMPORTANT ESTIMATES AND ASSUMPTIONS

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

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

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

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

Right-of-use assets	2024	2023
Property	243,852	236,512
Equipment	3,153	3,962
Vehicles	32,563	25,411
<b>Total</b>	<b>279,568</b>	<b>265,885</b>

Lease liabilities	2024	2023
Current	69,473	58,582
Non-current	206,051	202,074
<b>Total</b>	<b>275,524</b>	<b>260,656</b>

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

Depreciation of right-of-use assets	2024	2023
Property	-45,863	-45,240
Equipment	-981	-851
Vehicles	-14,972	-10,365
<b>Total</b>	<b>-61,816</b>	<b>-56,456</b>

Additional right-of-use assets in 2024 amounted to SEK 80,755 thousand (126,194). Interest expenses attributable to leases amounted to SEK -8,640 thousand (-6,677). Expenses attributable to short-term leases for which the underlying asset is of low value amounted to SEK -2,678 thousand (-3,304). The total cash flow associated with leases in 2024 was SEK -61,796 thousand (-59,076). See also the maturity analysis on page 93.

## NOTE 19 Fixed assets, by country

Total fixed assets, by country	2024		2023	
USA	3,359,271	69%	2,356	0%
Germany	918,974	19%	203,148	27%
Sweden	300,972	6%	237,719	32%
Spain	168,876	3%	169,313	23%
Belgium	82,550	2%	87,160	12%
Netherlands	14,320	0%	15,746	2%
Other countries	16,080	0%	25,903	4%
<b>Total</b>	<b>4,861,043</b>		<b>741,343</b>	

Fixed assets by country comprise intangible assets and property, plant, and equipment, with the exception of goodwill attributable to integrated units, see Notes 16 and 17. The increase in the US and Germany compared to the previous year is attributable to the acquisition of Red Lion and PEAK-System in 2024.



## NOTE 20 Financial instruments and financial risk management

### ACCOUNTING POLICIES

#### Classification

The Group classifies its financial assets into the following categories:

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

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

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

#### Recognition in and derecognition from the balance sheet

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

#### Measurement

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

#### Investments in debt instruments

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

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

#### Investments in equity instruments

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

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

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

#### Impairment

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

Group 2024	Financial assets/liabilities measured at amortized cost	Financial assets/liabilities measured at fair value through the income statement	Derivatives used for hedging	Total
<b>Financial assets</b>				
Deposits	5,650	-	-	5,650
Long-term securities holdings	-	7,185	-	7,185
Trade receivables	426,595	-	-	426,595
Contract assets	2,525	-	-	2,525
Derivatives (used for hedging)	-	-	5,141	5,141
Cash and cash equivalents	73,929	-	-	73,929
<b>Total</b>	<b>508,700</b>	<b>7,185</b>	<b>5,141</b>	<b>521,025</b>
<b>Financial liabilities</b>				
Option liability	113,861	-	-	113,861
Liabilities related to acquisitions	83,107	-	-	83,107
Derivatives (used for hedging)	-	-	18,679	18,679
Bank loans	2,862,911	-	-	2,862,911
Utilized overdraft facilities	13,505	-	-	13,505
Trade payables	143,133	-	-	143,133
<b>Total</b>	<b>3,216,517</b>	<b>-</b>	<b>18,679</b>	<b>3,235,196</b>

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

## CONT. NOTE 20 Financial instruments and financial risk management

### FINANCIAL RISK MANAGEMENT

#### FINANCIAL RISK FACTORS

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

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

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

#### A. Currency risk

##### Exposure

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

Exposure	December 31, 2024		
	EUR	USD	JPY
Trade receivables	187,591	202,611	14,424
Bank loans	-2,180,617	-681,686	-
Liabilities related to acquisitions	-83,107	-	-
Option liability	-113,861	-	-
Trade payables	-50,206	-68,423	-684
Currency futures (cash flow hedges) <sup>1</sup>	193,078	300,447	153,581

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

<sup>1</sup> Nominal value

##### Instruments used by the Group

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

translation risk of recognized assets and liabilities, plus net investments in foreign subsidiaries.

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

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

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

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

##### Hedges of net investments in foreign operations

In connection with the acquisition of Red Lion in April 2024, an acquisition loan was taken out on an existing financing agreement consisting of a revolving credit facility with a limit of EUR 45 million. In addition, a new financing agreement was signed with the existing bank together with Svensk Exportkredit. The agreement consists of a multi-year amortization loan and a revolving credit facility, totaling USD 225 million. In connection with the acquisition of PEAK-System, the existing agreement was revised with the addition of an additional amortization loan of EUR 30 million; a revised bank agreement was signed on October 1, 2024. Acquisition loans carried forward as at December 31, 2024 amount to EUR 190 million. Loans carried forward as at December 31, 2024 amount to USD 62 million. These loans are identified as hedges in net investments and are tested quarterly for ineffectiveness. At year-end, there is no ineffectiveness that the Group believes should have been reported in the income statement.

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



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

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

Derivatives – currency futures	2024	2023
Carrying amount (asset)	5,141	25,763
Nominal amount	214,386	538,690
Maturity	Jan 2025– April 2026	Jan 2024– April 2025
Hedge ratio <sup>1</sup>	1:1	1:1
Change in value for outstanding hedging instruments since January 1	-3,409	25,150
Change in value of the hedged item for determining the ineffective portion	3,409	-25,150
Weighted average for outstanding hedging instruments	SEK 11.5020:EUR 1 SEK 0.0726:JPY 1	SEK 11.3810:EUR 1, SEK 10.4109:USD 1, SEK 0.0796:JPY 1

<sup>1</sup> Currency futures contracts are in the same currency as the highly probable forecast future transactions, which is why the hedge ratio is 1:1.

Derivatives – currency futures	2024	2023
Carrying amount (liability)	-18,679	-
Nominal amount	432,720	-
Maturity	March 2025– March 2026	-
Hedge ratio <sup>1</sup>	1:1	-
Change in value for outstanding hedging instruments since January 1	-19,137	-
Change in value of the hedged item for determining the ineffective portion	19,137	-
Weighted average for outstanding hedging instruments	SEK 11.3646:EUR 1 SEK 10.3961:USD 1 SEK 0.0695:JPY 1	-

<sup>1</sup> Currency futures contracts are in the same currency as the highly probable forecast future transactions, which is why the hedge ratio is 1:1.

Net investments in foreign operations	2024	2023
Carrying amount (bank loans)	2,862,290	-
Carrying amount in EUR	189,841	-
Carrying amount in USD	61,982	-
Hedge ratio	1:1	1:1
Change in the loan's carrying amount due to changes in exchange rates since January 1	2,716	-4,302
Change in the value of the hedged item for determining the ineffective portion	-2,716	4,302
Weighted average of exchange rates during the year	SEK 11.4969:EUR 1 SEK 10.6347:USD 1	-

### Sensitivity analysis

In its operating activities, the Group is primarily exposed to changes in the EUR/SEK and USD/SEK. exchange rate. If the SEK had weakened/strengthened by 5 per cent against the EUR with all other variables constant, the Group's equity as of December 31, 2024 would have been SEK 13.4 million (31.6) lower/higher. If the SEK had weakened/strengthened by 5 per cent against the USD with all other variables constant, the Group's equity as of December 31, 2024 would have been SEK 23.5 million (7.9) lower/higher. Equity is more sensitive to the USD rate in 2024 than in 2023 due to the increased amount of currency futures in USD resulting from the acquisition of Red Lion, where the Group has significantly boosted its expansion in North America compared to 2023. Increased borrowing in USD also means that equity is more sensitive to changes in the USD exchange rate in 2024 compared to 2023. If the SEK had weakened/strengthened by 5 per cent against the Group's most important currencies, the Group's equity as of December 31, 2024 would have been SEK 44.5 million (51.5) lower/higher. The Group's exposure to other exchange rate changes is not material.

If the SEK had weakened/strengthened by 5 per cent against the EUR with all other variables constant, operating profit for the year as of December 31, 2024 would have been SEK 12.5 million (30.8) lower/higher, as a result of transactions in foreign currency.

If the SEK had weakened/strengthened by 5 per cent against the USD with all other variables constant, operating profit for the year as of December 31, 2024 would have been SEK 24.0 million (7.9) lower/higher, as a result of transactions in foreign currency. The profit is more sensitive to changes in the USD rate in 2024 compared to 2023 due to increased borrowing in USD.

If the SEK had weakened/strengthened by 5 per cent against the JPY with all other variables constant, operating profit for the year as of December 31, 2024 would have been SEK 7.6 million (11.9) lower/higher, as a result of transactions in foreign currency.

### Derivatives

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

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

### Hedging reserve

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

### Effectiveness of hedge accounting

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

When hedging foreign currency transactions, an ineffective portion may arise if the timing of the forecast transaction changes compared with the initial estimate. There was no ineffective portion attributable to currency futures contracts in either 2024 or 2023.

### B. Interest rate risk

The Group's primary interest rate risk arises through long-term borrowing at variable interest rates, which exposes the Group to interest rate risk relating to cash flows. The Group's finance policy states that interest expenses should be kept as low as possible. In order to minimize the Group's interest expenses, interest rate derivatives may be used. For 2024 and 2023, it was assessed that the use of interest rate derivatives would not reduce the Group's interest expenses.

### Sensitivity analysis

If the interest rates on borrowing in EUR during 2024 had been one percentage point higher/lower with all other variables constant, profit before tax for the financial year would have been SEK 13.9 million (0.8) lower/higher. If interest rates on borrowing in US dollars in 2024 were one percentage point higher/lower with all

## CONT. NOTE 20 Financial instruments and financial risk management

other variables held constant, profit before tax for the financial year would have been SEK 5.3 million (-) lower/higher, mainly due to greater borrowing in EUR and USD in 2024 compared to 2023.

If the SEK had weakened/strengthened by 5 per cent against the EUR during 2024 with all other variables constant, profit before tax for the financial year would have been SEK 3.3 million (0.2) higher/lower, as a result of decreased/increased interest expenses. If the SEK had weakened/strengthened by 5 per cent against the USD during 2024 with all other variables held constant, profit before tax for the financial year would have been SEK 1.8 million (-) higher/lower as a result of decreased/increased interest expenses due to increased borrowing during 2024 in EUR and USD compared to 2023.

### C. Credit risk

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

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

#### *Impairment of financial assets*

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

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

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

The Group applies the simplified method for calculating expected credit losses. This method means that expected losses over the entire life of the receivable are used as a starting point for accounts receivable and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped

based on allocated credit risk characteristics and the number of days that payments are past due. The Group applies future-oriented variables for expected credit losses. On each balance sheet date, the company must assess whether the credit risk for a financial instrument has increased significantly since initial recognition. In making this assessment, the company must use the change in the risk of default over the expected life of the financial instrument instead of the change in expected credit losses.

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

### D. Financing and liquidity risk

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

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

Financing risk arises when, at a given point in time, it becomes difficult to obtain financing. To minimize the cost of the Group's borrowing and financing, the finance function must provide credit facilities that cover the Group's need for working capital credit. HMS' objective is to always have access to approximately 8 per cent of sales in cash and cash equivalents and excess liquidity including unutilized credit facilities, which at year-end corresponded to approximately 18 per cent (22).

According to the Group's financial policy, excess liquidity can be invested in interest-bearing securities with a maximum maturity of one year. Counterparty risk is managed through provisions in the

financial policy regarding long-term ratings of issuers. The policy states that investments may be made in Swedish corporate bonds with a Standard & Poor's rating of at least BBB+, Swedish commercial papers with a rating of at least K1, Swedish mortgage institutions, and the Swedish state. All borrowing is done in consultation with the parent company's finance function.

#### *Maturity analysis for financial liabilities*

The table on page 98 analyzes the Group's financial liabilities and net-settled derivatives that constitute financial liabilities, broken down by the time remaining until the contractual maturity date on the balance sheet date. The amounts stated in the maturity analysis are the contractual, undiscounted cash flows.

### CAPITAL RISK MANAGEMENT

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

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

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

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

The net debt/equity ratios as of December 31, 2024 and December 31, 2023 were as follows:

	2024	2023
Interest-bearing liabilities (Note 27)	2,894,035	16,869
Non-interest-bearing liabilities (Note 28)	196,968	135,633
Lease liabilities (Note 18)	275,524	260,656
Less cash and cash equivalents (Note 25)	-73,929	-124,032
<b>Net debt</b>	<b>3,292,598</b>	<b>289,126</b>
Total equity	3,505,461	1,932,555
<b>Total capital</b>	<b>6,798,059</b>	<b>2,221,681</b>
Net debt/equity ratio	94%	15%

**Maturity analysis**

As of December 31, 2024	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Trade payables	-143,133	-	-	-	-	-143,133
Derivatives	-1,920	-14,321	-2,438	-	-	-18,679
Option liability	-	-	-	-	-133,243	-133,243
Liabilities related to acquisitions	-	-	-78,053	-5,054	-	-83,107
Bank loans	-101,256	-284,228	-627,198	-1,006,407	-1,371,890	-3,390,978
Lease liabilities	-17,208	-51,625	-59,959	-117,718	-45,989	-292,500
<b>Total</b>	<b>-263,517</b>	<b>-350,174</b>	<b>-767,648</b>	<b>-1,129,179</b>	<b>-1,551,123</b>	<b>-4,061,641</b>

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

Amortization and interest in foreign currency have been calculated based on applicable balance sheet date rates of exchange and interest rates in effect at the time. The amounts stated in the maturity analysis are the contractual, undiscounted cash flows.

**CALCULATION OF FAIR VALUE**

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

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

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

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

The following table shows the Group's assets and liabilities measured at fair value as of December 31, 2024:

	Note	Level 1	Level 2	Level 3	Total
Long-term securities holdings		-	-	7,185	7,185
Derivatives used for hedging	23	-	5,141	-	5,141
<b>Total assets</b>		-	<b>5,141</b>	<b>7,185</b>	<b>12,326</b>
Derivatives used for hedging	23	-	-18,679	-	-18,679
Contingent consideration	28	-	-	-	-
Debt related to acquisitions	28	-	-	-83,107	-83,107
<b>Total liabilities</b>		-	<b>-18,679</b>	<b>-83,107</b>	<b>-101,786</b>

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

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

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

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

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

The Group	2024	2023
<b>Long-term securities holdings</b>		
Opening carrying amount	8,847	8,852
Impairment	-1,714	-
Exchange differences	52	-5
<b>Closing carrying amount</b>	<b>7,185</b>	<b>8,847</b>
<b>Liabilities related to acquisitions</b>		
Opening carrying amount	8,220	32,804
Estimated liabilities at acquisition	83,107	-
Settled liabilities	-8,504	-25,121
Exchange differences	285	537
<b>Closing carrying amount</b>	<b>83,107</b>	<b>8,220</b>

## NOTE 21 Inventories

### ACCOUNTING POLICIES

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

### IMPORTANT ESTIMATES AND ASSUMPTIONS

When determining the net realizable value of the inventory, an assessment of obsolescence is made based on the age of the goods, turnover rate, and current market conditions. If it is assessed that the fair value of the goods is less than the cost, an impairment loss is reported corresponding to this difference. Costs for impairment of inventories that were charged to profit for the year are included in the item cost of goods sold and had a negative impact on earnings of SEK -42,073 thousand (-13,045).

The Group	2024	2023
Raw materials and consumables	641,125	414,295
Work in progress	117,496	83,103
Finished goods	100,082	91,443
<b>Total</b>	<b>858,703</b>	<b>588,841</b>

## NOTE 22 Trade receivables and contract assets

### ACCOUNTING POLICIES

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

The Group	2024	2023
Trade receivables	430,354	388,759
Provision for doubtful debts	-3,759	-3,646
<b>Net trade receivables</b>	<b>426,595</b>	<b>385,113</b>

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

During the year, the Group recognized a loss of SEK -2,039 thousand (-1,578) for impairment of trade receivables. The provision for doubtful debts amounted to SEK -3,759 thousand (-3,646) as of December 31, 2024.

As of December 31, 2024, trade receivables amounting to SEK 78,769 thousand (97,350) were overdue. An aging analysis of these is shown below:

The Group	2024	2023
1–15 days	46,421	48,674
15 days to 3 months	22,380	38,931
3 to 6 months	7,799	5,737
More than 6 months	2,169	4,007
<b>Total</b>	<b>78,769</b>	<b>97,350</b>

In the amount for trade receivables overdue by more than six months, a provision of SEK 2,169 thousand (3,646) has been made for doubtful debts.

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

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

Carrying amount, by currency, for the Group	2024	2023
EUR	187,591	206,856
USD	202,611	129,201
JPY	14,424	22,137
SEK	10,082	13,428
GBP	7,813	7,049
CNY	6,041	5,530
AUD	1,792	4,559
<b>Total</b>	<b>430,354</b>	<b>388,759</b>



## NOTE 23 Derivatives

### ACCOUNTING POLICIES

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

The Group identifies derivatives as:

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

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

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

### Cash flow hedging

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

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

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

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

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

When a hedging instrument matures or is sold, or when the hedge no longer meets the criteria for hedge accounting and accumulated gains or losses related to the hedge are in equity, these gains/

losses remain in equity and are recognized as income when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the accumulated gain or loss recognized in equity is immediately transferred to the income statement.

### Hedging of net investments

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

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

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

	2024	2023
Currency futures contracts – asset	5,141	25,763
Currency futures contracts – liability	18,679	-

### Currency futures contracts

The nominal amount of outstanding currency futures contracts amounted to SEK 647,106 thousand (538,690) as of December 31, 2024.

The hedged (and highly probable forecast) foreign currency transactions are expected to occur at varying points in time over the next twelve months. Gains and losses on currency futures contracts as of December 31, 2024, which have been recognized in equity, are recognized in net sales in the periods when the hedged transaction affects earnings.

Realized currency futures contracts in 2024 had a positive impact on operating profit of SEK -12,293 thousand (-22,603).

### Hedging of net investments in foreign operations

At the end of the financial year, the Group has borrowings in EUR of EUR 189,841 thousand (-) and in USD of USD 61,982 thousand (-) to be identified as hedging of net investments relating to acquisitions of subsidiaries. The exchange gain on the translation of borrowings into SEK recognized during the year amounts to SEK 2,716 thousand (-4,302) and is recognized in other comprehensive income.

Since 2024, the Group has also had internal loans to subsidiaries which, according to IAS 21, are treated as an extended net investment in foreign operations and exchange differences on these loans are reported through other comprehensive income to be accumulated in the translation reserve in equity.

## NOTE 24 Prepaid expenses and accrued income

	The Group		Parent company	
	2024	2023	2024	2023
Rents	5,484	3,890	-	-
Contract assets, see Note 4	2,525	1,002	-	-
Insurance	4,566	1,146	-	-
Leasing	772	543	-	-
Other accrued income	131	-	-	-
Other prepaid expenses	37,452	24,807	47	-
<b>Total</b>	<b>50,931</b>	<b>31,387</b>	<b>47</b>	-

## NOTE 25 Cash and cash equivalents

**ACCOUNTING POLICIES**

Utilized overdraft facilities are reported as borrowing under interest-bearing liabilities (Note 27).

Cash and cash equivalents in the balance sheet and cash flow statement include the following:

The Group	2024	2023
Cash and bank balances	73,929	124,032
<b>Total</b>	<b>73,929</b>	<b>124,032</b>

The Group has an approved overdraft facility of SEK 30,000 thousand (30,000). As of the balance sheet date, SEK 13,505 thousand of this has been utilized.

## NOTE 26 Share capital and reserves in equity

### ACCOUNTING POLICIES

#### Share capital

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

#### Reserves

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

HMS has assessed that parts of the Group's internal loans raised in connection with acquisition of subsidiaries constitute a so-called extended net investment in foreign operations in accordance with the rules in IAS 21. This is given that the settlement of these loans is not planned or probable in the foreseeable future. Accordingly, exchange differences are reported on these loans, as long as the conditions in IAS 21 are deemed to be met, against reserves in other comprehensive income as of April 1, 2024.

	Number of shares (thousands)	Share capital (SEK 000s)	Other contributed capital (SEK 000s)	Total (SEK 000s)
<b>As of January 1, 2023</b>	<b>46,819</b>	<b>1,170</b>	<b>218,318</b>	<b>219,488</b>
<b>As of December 31, 2023</b>	<b>46,819</b>	<b>1,170</b>	<b>218,318</b>	<b>219,488</b>
New share issue	3,500	88	1,389,413	1,389,500
<b>As of December 31, 2024</b>	<b>50,319</b>	<b>1,258</b>	<b>1,607,731</b>	<b>1,608,988</b>

During the second quarter of 2024, HMS Networks conducted a directed share issue attributable to the acquisition of Red Lion. The issue resulted in a change in the number of shares and votes in HMS Networks. Prior to the issue, there were a total of 46,818,868 shares. The number of shares has increased by 3,500,000 through the issue and at the end of the period amounted to 50,318,868. The issue increased the share capital and other contributed capital, resulting in a quotient value of 0.025 (0.025).

Capital received through the directed share issue has been used to repay the bridge loan facility that was raised to finance part of the acquisition of Red Lion.

The table below shows a breakdown of the balance sheet item Reserves and how each component has changed during the year.

Reserves in equity	Hedge accounting	Currency translation	Total
<b>As of January 1, 2023</b>	<b>-11,896</b>	<b>182,050</b>	<b>170,154</b>
Revaluation – gross	18,000	-	18,000
Deferred tax	-3,708	-	-3,708
Reclassification to income statement – gross	22,603	-	22,603
Deferred tax	-4,655	-	-4,655
Hedging of net investments	-	-4,302	-4,302
Deferred tax	-	885	885
Other exchange differences	-	-5,053	-5,053
<b>Other comprehensive income</b>	<b>32,240</b>	<b>-8,470</b>	<b>23,770</b>
<b>As of December 31, 2023</b>	<b>20,345</b>	<b>173,580</b>	<b>193,924</b>
Revaluation – gross	-27,008	-	-27,008
Deferred tax	5,564	-	5,564
Reclassification to income statement – gross	-12,293	-	-12,293
Deferred tax	2,532	-	2,532
Hedging of net investments	-	2,716	2,716
Deferred tax	-	-559	-559
Other exchange differences	-	130,629	130,629
Deferred tax	-	-5,857	-5,857
Exchange differences attributable to non-controlling interests	-	15	15
<b>Other comprehensive income</b>	<b>-31,205</b>	<b>126,944</b>	<b>95,739</b>
<b>As of December 31, 2024</b>	<b>-10,860</b>	<b>300,523</b>	<b>289,663</b>

#### Hedging reserve

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

#### Currency translation

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

As of April 1, 2024, exchange differences in the translation of internal loans are included in the balance sheet item Reserves in other comprehensive income.

## NOTE 27 Interest-bearing liabilities

### ACCOUNTING POLICIES

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

	2024	2023
<b>Non-current interest-bearing liabilities</b>		
Bank loans	2,607,718	1,051
Defined benefit pension plan	17,619	14,561
<b>Total</b>	<b>2,625,337</b>	<b>15,612</b>
<b>Current interest-bearing liabilities</b>		
Bank loans	255,193	1,256
Utilized overdraft facilities	13,505	-
<b>Total</b>	<b>268,698</b>	<b>1,256</b>
<b>Total interest-bearing liabilities</b>	<b>2,894,035</b>	<b>16,869</b>

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

	2024	2023
3 months or fewer	70,986	311
Between 3 months and 1 year	197,712	946
Between 1 and 2 years	527,293	641
Between 2 and 5 years	790,970	410
More than 5 years	1,307,074	14,561
<b>Total</b>	<b>2,894,035</b>	<b>16,869</b>

In connection with the acquisition of Red Lion in April 2024, a new bank agreement was signed with the existing bank together with Svensk Exportkredit. The agreement was then revised in October 2024 in connection with the acquisition of PEAK-System. The agreement consists of an amortization loan and a revolving credit facility, which together amounted to SEK 3,336 million as of December 31, 2024. There is also an additional revolving credit facility of EUR 45 million. At year-end, unutilized credit facilities amounted to SEK 490 million (529). Interest rates on bank loans are variable and linked to EURIBOR, SOFR, and STIBOR depending on the currency in which the loans are taken out. A margin is added to the interest rate based on the ratio of net debt to adjusted EBITDA. The average interest rate in 2024 for loans taken out in USD was 6.67% (-), and the equivalent for loans taken out in EUR was 5.055% (3.24%).

Loan terms, so-called covenants, regarding the bank loans are based on the development of net debt and adjusted EBITDA. Covenants are tested at the end of each quarter and must not exceed 3.5. For 2025, the ratio may not exceed 4.0 for quarter 1, 3.75 for quarter 2, 3.5 for quarter 3, and 3.0 from quarter 4 onward. At the end of the current year, the ratio was 3.33 (0.33) including pro forma from acquisitions. The Group has no indications that difficulties could arise in meeting the covenants in the coming year.

The carrying amount of the Group's interest-bearing liabilities corresponds to their fair value as the interest rate on these liabilities is in line with current market rates or because the liability is short-term.

The Group's bank loan taken out in connection with the acquisition of Red Lion expires for renegotiation in January 2027, and the previous revolving credit facility of EUR 45 million expires for renegotiation in June 2026.

## NOTE 28 Non-interest-bearing liabilities

### ACCOUNTING POLICIES

#### Contingent consideration and option liability

HMS holds an option liability related to acquisitions that is accounted for at the present value of the expected future cash outflows to settle the sell option. Changes in this valuation are recognized directly in equity.

The sell option issued to owners with minority interests are related to agreements that give the minority owner the right to sell their shares in the company to HMS at a future date when the option can be exercised. The amount to be paid if the option is exercised is recorded at the present value of future settlement as a financial liability. Therefore, HMS does not recognize any minority interest within equity for this acquisition. Instead, the liability is continuously revalued based on the Group's best assessment of expected outcomes, and changes are reported directly against equity.

### IMPORTANT ESTIMATES AND ASSUMPTIONS

On July 1, 2021, 60 percent of the shares in the Spanish company Owasys Advanced Wireless Devices S.L. were acquired. HMS then had a call/put option related to the remaining 40 percent of the shares in Owasys, which it was initially estimated would be exercised during 2025. In January 2023, part of the call/put option was exercised when an additional 20 percent of the shares in Owasys were acquired. HMS then signed a new call/put option for the remaining 20 percent, which is expected to be exercised during 2029. In 2024, the put/call option was revalued due to changed assumptions regarding expected future cash outflows. As of December 31, 2024, HMS therefore reports a liability corresponding to the present value of expected future cash outflows amounting to SEK 114 million. The expected future cash outflows are determined by the company's future earnings (EBITDA). The value is based on the company's business plan for 2028 multiplied by a multiple (10). The expected future cash outflows have then been discounted with a market interest rate over the duration.



## NOTE 28 Non-interest-bearing liabilities cont.

	2024	2023
<b>Non-current non-interest-bearing liabilities</b>		
Option liability	113,861	127,194
Debt attributable to acquisitions	83,107	-
Other non-current non-interest-bearing liabilities	2,731	-
<b>Total</b>	<b>199,699</b>	<b>127,194</b>
<b>Current non-interest-bearing liabilities</b>		
Contingent consideration liability	-	8,220
Other current non-interest-bearing liabilities	71	219
<b>Total</b>	<b>71</b>	<b>8,439</b>
<b>Total non-interest-bearing liabilities</b>	<b>199,770</b>	<b>135,633</b>

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

	2024	2023
3 months or fewer	71	219
Between 3 months and 1 year	-	8,220
Between 1 and 2 years	80,784	-
Between 2 and 5 years	118,915	-
More than 5 years	-	127,194
<b>Total</b>	<b>199,770</b>	<b>135,633</b>

## NOTE 29 Accrued expenses and deferred income

	The Group		Parent company	
	2024	2023	2024	2023
Accrued salaries	61,396	58,342	5,206	4,558
Vacation pay	24,712	27,143	1,220	1,025
Social security contributions	33,072	36,503	3,121	3,082
Interest	8,307	-	-	-
Deferred income	41,996	617	-	-
Leasing	3,455	3,908	-	-
Other items	25,094	44,743	1,548	1,892
<b>Total</b>	<b>198,032</b>	<b>171,256</b>	<b>11,095</b>	<b>10,557</b>

## NOTE 30 Provisions

	Warranty provisions	Restructuring reserve	Other provisions	Total
<b>As of January 1, 2023</b>	<b>1,236</b>	-	<b>514</b>	<b>1,750</b>
Provision made during the period	2,987	6,515	220	79,722
Amounts claimed during the period	-1,821	-4,187	-225	-6,233
Unutilized amounts during the period	-	-	-	-
<b>As of December 31, 2023</b>	<b>2,402</b>	<b>2,328</b>	<b>509</b>	<b>5,239</b>
Provision made during the period	3,182	43,276	1,104	47,562
Acquired provisions	9,390	-	-	9,390
Amounts claimed during the period	-3,517	-32,721	-	-36,238
Unutilized amounts during the period	-3,316	-	-165	-3,481
Currency effect	-135	-	18	-117
<b>As of December 31, 2024</b>	<b>8,006</b>	<b>12,883</b>	<b>1,466</b>	<b>22,355</b>

The provisions consist of:	2024	2023
Long-term part	5,992	-
Short-term part	16,363	5,239
<b>Total</b>	<b>22,355</b>	<b>5,239</b>

**Warranty costs**

Provisions have been made for estimated warranty costs for goods that have been sold where the warranty had not yet expired at the end of the financial year. The calculation is based on previous years' statistics and is evaluated on an ongoing basis, which is why the uncertainty regarding amount and timing is considered low. The majority of the warranty provisions run for one to three years. The increase compared to previous years is attributable to the acquisition of Red Lion, where the warranty provisions have a maturity of between one and five years.

**Restructuring costs**

Provision for restructuring reserve is mainly related to realized synergy effects linked to this year's acquisition of Red Lion and efficiency improvements linked to the new organizational structure. The total restructuring costs are estimated to amount to SEK 43,276 thousand. These costs have been recognized in full in the income statement during the financial year. The outstanding provision of SEK 12,883 thousand is expected to be utilized over the next 12 months.

## NOTE 31 Business combinations

### ACCOUNTING POLICIES

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

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

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

### Acquisition of Red Lion

On April 2, 2024, HMS completed the acquisition of all shares in Red Lion Controls Inc. and Red Lion Europe GmbH as well as certain assets in other jurisdictions ("Red Lion"), which expanded HMS' presence in North America and supplemented the HMS product offering. Red Lion has been included in the consolidated income statement and balance sheet as of April 1, 2024. The acquisition price amounted to SEK 3,838 million and generated a consolidated excess value of SEK 2,642 million. The acquisition was financed with a directed share issue of SEK 1,390 million, and the remainder with loans from SEB together with Svensk Exportkredit.

The acquired company is included in the consolidated income statement and balance sheet as of April 1, 2024. Since the acquisition, Red Lion has contributed SEK 787 million to the Group's sales and an operating profit, including transaction costs, of SEK 159 million. If the acquisition had taken place at the beginning of the financial year, the contribution to sales would have been SEK 1,055 million, and the contribution to operating profit adjusted for transaction costs would have amounted to SEK 199 million.

According to a preliminary acquisition analysis, the purchase price, acquired net assets, and goodwill amount to the following:

Acquisition of Red Lion	MSEK
<b>Purchase price:</b>	
Cash and cash equivalents	3,838
<b>Total purchase price</b>	<b>3,838</b>
<b>The assets and liabilities recognized as a result of the acquisition are as follows:</b>	<b>Fair value</b>
Intangible assets	683
Property, plant, and equipment	118
Deferred tax assets	27
Current assets	461
Cash and cash equivalents	26
Deferred tax liabilities	-7
Non-current liabilities	-13
Current liabilities	-99
<b>Total identifiable net assets</b>	<b>1,196</b>
Goodwill <sup>1</sup>	2,642
<b>Net assets acquired</b>	<b>3,838</b>

<sup>1</sup>Goodwill is attributable to the company's market position and expected synergies with existing operations. HMS has made a so-called 338(h)(10) election in the United States, which re-characterizes a stock purchase as an asset purchase for federal tax purposes. Reported goodwill allocated to the shares in the US is therefore tax deductible.

### Acquisition of PEAK-System Technik GmbH

On November 1, 2024, HMS completed the acquisition of all shares in PEAK-System Technik GmbH, a well-established German industrial communications company offering both hardware and software for industrial and automotive communications. PEAK-System has been included in the consolidated balance sheet and income statement from November 1, 2024. The acquisition price amounted to SEK 692 million and generated a consolidated excess value of SEK 572 million. The acquisition was financed with external loans from SEB of SEK 610 million, and the remainder with own funds in cash.

The acquired company is included in the consolidated income statement and balance sheet as of November 1, 2024. Since the acquisition, PEAK-System has contributed SEK 44 million to the Group's sales. The acquisition's contribution to operating profit, including acquisition costs, amounted to SEK 10 million. If the acquisition had taken place at the beginning of the financial year, the contribution to sales would have been SEK 292 million, and the contribution to operating profit, including acquisition costs, would have amounted to SEK 121 million.

According to a preliminary acquisition analysis, the purchase price, acquired net assets, and goodwill amount to the following:

Acquisition of PEAK-System Technik GmbH	MSEK
<b>Purchase price:</b>	
Cash and cash equivalents	692
<b>Total purchase price</b>	<b>692</b>
<b>The assets and liabilities recognized as a result of the acquisition are as follows:</b>	<b>Fair value</b>
Intangible assets	134
Property, plant, and equipment	3
Current assets	160
Cash and cash equivalents	34
Deferred tax liabilities	-43
Non-current liabilities	-148
Current liabilities	-20
<b>Total identifiable net assets</b>	<b>120</b>
Goodwill <sup>1</sup>	572
<b>Net assets acquired</b>	<b>692</b>

<sup>1</sup>Goodwill is attributable to the company's market position and expected synergies with existing operations. No part of reported goodwill is expected to be tax deductible.

### NOTE 32 Interest in associates

On December 8, 2021, the Group entered into a strategic partnership with Connectitude and acquired a non-controlling interest in their holding company Cenito AB. Connectitude offers a SaaS solution for industrial digitalization, enabling both machine builders and factory owners to collaborate and share valuable data-based insights from their production processes in real time.

In 2024, another associate was acquired in connection with the acquisition of PEAK-System Technik GmbH.

Neither of these investments are expected to have any impact on the Group's earnings per share in the coming years, and the associates are considered immaterial and have been recognized using the equity method.

	2024	2023
Opening carrying amount of individual immaterial associates	13,261	13,843
Acquisitions during the year	802	-
Share of profit for the year after tax	73	-582
<b>Closing carrying amount</b>	<b>14,136</b>	<b>13,261</b>

Name of company	Country of registration/ operations	Participating interest <sup>1</sup>	Cost	Fair value <sup>2</sup>	Carrying amount
Cenito AB	Sweden	20%	15,000	-	13,418
Embedded Systems Academy GmbH	Germany	25.2%	802	-	718
<b>Total carrying amount</b>					<b>14,136</b>

<sup>1</sup> Participating interest is the same as share of voting power.

<sup>2</sup> Private company; no listed price available.

### NOTE 33 Change in liabilities associated with financing activities

#### ACCOUNTING POLICIES

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

	Bank loans (Note 27)	Leases (Note 18)	Total
<b>As of January 1, 2023</b>	<b>138,348</b>	<b>160,237</b>	<b>298,585</b>
Cash flows	-140,652	-59,817	-200,469
Not affecting cash flow	4,611	160,236	164,847
<b>As of December 31, 2023</b>	<b>2,308</b>	<b>260,656</b>	<b>262,963</b>
Cash flows	2,880,086	-61,796	2,818,290
Not affecting cash flow	-5,977	76,664	70,687
<b>As of December 31, 2024</b>	<b>2,876,416</b>	<b>275,524</b>	<b>3,151,940</b>

### NOTE 34 Interest in subsidiaries

Shares owned by the parent company	Registered office	CIN	Share	Number of shares	With quotient value	2024	2023
HMS Industrial Networks AB <sup>1</sup>	Halmstad, Sweden	556529-9251	100%	6,540	100	1,633,539	244,039
HMS Industrial Networks SA <sup>2</sup>	Nivelles, Belgium	450350907	34.5%	431	100	93,285	93,285
HMS Industrial Networks India Pvt. Ltd. <sup>1,3</sup>	Pune, India	138298	0.2%	371	100	22	0
<b>Total</b>						<b>1,726,846</b>	<b>337,324</b>
Shares owned by subsidiaries <sup>4</sup>	Registered office	CIN	Share				
Control Specialists Ltd	Cheshire, United Kingdom	2344009	100%				
Ekitec Holding B.V.	Wateringen, Netherlands	74522108	100%				
Glocohm Venture Capital S.L.	Bilbao, Spain	B-42717165	80%				
Intellicom Innovation AB	Halmstad, Sweden	556537-7826	100%				
HMS Electronics AB	Halmstad, Sweden	556463-9374	100%				
HMS Networks FZE <sup>5</sup>	Dubai, United Arab Emirates	DSO-FZE-46028	100%				
HMS Industrial Networks B.V.	Hedel, Netherlands	11060009	100%				
HMS Industrial Networks France	Mulhouse, France	921182135	100%				
HMS Industrial Networks GmbH	Karlsruhe, Germany	HRB109414	100%				
HMS Industrial Networks Inc	Chicago, USA	5983-659-5	100%				
HMS Industrial Networks India Pvt. Ltd.	Pune, India	138298	99.8%				
HMS Industrial Networks K.K.	Tokyo, Japan	0200-01-060118	100%				
HMS Industrial Networks Ltd	Coventry, England	7521411	100%				
HMS Industrial Networks Pte. Ltd.	Singapore	202123480W	100%				
HMS Industrial Networks Pty Ltd	Tullamarine, Australia	110 127 074	100%				
HMS Industrial Networks SLU	Igualada, Spain	B62202460	100%				
HMS Industrial Networks S.r.l.	Milan, Italy	1852680	100%				
HMS Industrial Networks SA	Nivelles, Belgium	450350907	65.5%				
HMS Networks Technology (Beijing) Co., Ltd.	Beijing, China	91110105MA7LKTJ32C	100%				
Owasys Advanced Wireless Devices S.L.	Bilbao, Spain	B-95218095	80%				
HMS Technology Center B.V.	Wateringen, Netherlands	27165526	100%				
HMS Technology Center S.r.l.	Sibiu, Romania	J32/121/2002	100%				
HMS Technology Center GmbH <sup>6</sup>	Buchen, Germany	HRB748049	100%				
PEAK-System Technik GmbH	Darmstadt, Germany	HRB 9183	100%				
PEAK-System Technik France SARL	Maxeville, France	45105172600037	89.9%				
Red Lion Controls Inc.	York, USA	23-1888449	100%				

<sup>1</sup> Shareholder contributions have been received from the parent company during the year in connection with the acquisition of Red Lion.

<sup>2</sup> HMS Industrial Networks SA is 100% owned by HMS Networks AB and HMS Industrial Networks AB.

<sup>3</sup> HMS Industrial Networks India Pvt. Ltd. is 100% owned by HMS Networks AB and HMS Industrial Networks AB.

<sup>4</sup> As of December 31, 2024, Procentec Ltd and Procentec S.r.l. have been liquidated.

<sup>5</sup> HMS Networks FZE was registered as a company on July 25, 2024 and is 100% owned by HMS Electronics AB.

<sup>6</sup> HMS Technology Center Ravensburg GmbH and HMS Technology Center Wetzlar GmbH have been merged with HMS Technology Center GmbH.



**HMS Industrial Networks GmbH (HRB 109414)**

We hereby confirm that these consolidated financial statements contain figures for the German subsidiary HMS Industrial Networks GmbH (HRB 109414) for the year ending December 31, 2024. We confirm that the German subsidiary made use of the exemptions in section 264(3) of the German Commercial Code (HGB) in relation to the preparation of a directors' report and notes for the financial statements, as well as the audit and publication of the annual report for the financial year ending on December 31, 2024.

**HMS Technology Center GmbH (HRB 748049)**

We hereby confirm that these consolidated financial statements contain figures for the German subsidiary HMS Technology Center GmbH (org. no. HRB 748049) for the year ending December 31, 2024. We confirm that the German subsidiary made use of the exemptions in section 264(3) of the German Commercial Code (HGB) in relation to the preparation of a directors' report and notes for the financial statements, as well as the audit and publication of the annual report for the financial year ending on December 31, 2024.

**PEAK-System Technik GmbH (org. no. HRB 9183)**

We hereby confirm that these consolidated financial statements contain figures for the German subsidiary PEAK-System Technik GmbH (org. no. HRB 9183) for the year ending December 31, 2024. We confirm that the German subsidiary made use of the exemptions in section 264(3) of the German Commercial Code (HGB) in relation to the preparation of a directors' report and notes for the financial statements, as well as the audit and publication of the annual report for the financial year ending on December 31, 2024.

**NOTE 35 Pledged assets and contingent liabilities**

The Group	2024	2023
<b>Pledged assets</b>		
Shares in subsidiaries	none	none
<b>Contingent liabilities</b>		
Contingent liabilities	none	none
<b>Parent company</b>	<b>2024</b>	<b>2023</b>
<b>Pledged assets</b>		
Shares in subsidiaries	none	none
<b>Contingent liabilities</b>		
Guarantees for subsidiaries	2,761,419	-

**NOTE 36 Transactions with related parties**

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

**NOTE 37 Subsequent events**

HMS will change its organizational structure from January 1, 2025 to prepare for continued growth. The divisions are Industrial Data Solutions (IDS), Industrial Network Technology (INT), and New Industries (NI), which will constitute HMS segments as of January 1, 2025.

No other significant events have occurred since the end of the period up until the signing of this annual report.

**NOTE 38 Alternative KPIs**

HMS presents certain KPIs in the interim report that are not defined according to IFRS. The company feels that these measures provide valuable supplementary information to investors and its management, as it facilitates the evaluation of relevant trends and the company's performance. Because not all companies calculate KPIs in the same way, these are not always comparable to the KPIs used by other companies. These KPIs should therefore not be seen as a replacement for KPIs defined according to IFRS, unless otherwise stated. The KPIs Adjusted EBITDA and Adjusted EBIT are used to monitor and evaluate operations in a fair manner. The KPIs take into account amortization of intangible excess values as well as transaction and integration costs incurred in connection with acquisitions. In 2024, restructuring costs of a one-time nature have arisen and are included in the KPIs.

ADJUSTED EBITDA	2024	2023
EBITDA	720,995	877,214
Restructuring costs	43,276	-
Transaction costs	19,472	-
Integration costs	12,659	-
<b>Adjusted EBITDA</b>	<b>796,402</b>	<b>877,794</b>
<b>Net sales</b>	<b>3,059,178</b>	<b>3,024,720</b>
<b>ADJUSTED EBITDA (%)</b>	<b>26.0%</b>	<b>29.0%</b>

ADJUSTED EBIT	2024	2023
Operating profit	502,901	753,328
Depreciation/amortization of excess values from acquisitions	87,172	15,532
Restructuring costs	43,276	6,515
Acquisition-related transaction costs	19,471	16,905
Integration costs	12,659	-
<b>Adjusted EBIT</b>	<b>665,479</b>	<b>792,280</b>
<b>Net sales</b>	<b>3,059,178</b>	<b>3,024,720</b>
<b>Adjusted EBIT (%)</b>	<b>21.8%</b>	<b>26.2%</b>

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

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

The income statements and balance sheets will be presented to the AGM on April 24, 2025 for adoption.

Halmstad, March 24, 2025

Charlotte Brogren  
*Chair*

Staffan Dahlström  
*President and CEO*

Cecilia Wachtmeister  
*Board member*

Niklas Edling  
*Board member*

Johan Stakeberg  
*Board member*

Anders Mörck  
*Board member*

Anna Kleine  
*Board member*

Mikael Mårtensson  
*Employee representative*

Richard Gonsalves  
*Employee representative*

Our auditor's report was submitted on March 24, 2025  
Öhrlings PricewaterhouseCoopers AB

Johan Palmgren  
*Authorized Public Accountant*

# Auditor's Report

Unofficial translation

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

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of HMS Networks AB for the year 2024 except for the corporate governance statement on pages 38-44. The annual accounts and consolidated accounts of the company are included on pages 54-104 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 the parent company as of 31 December 2024 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 2024 and their financial performance and cash flow for the year then ended in accordance with IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages x1-y1. 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 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 the 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, as well as the industry in which the group operates.

#### *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. 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><b>Impairment testing of goodwill</b></p> <p>Goodwill amounts to MSEK 4 394 as of 31 December 2024, which corresponds to 59% of the total assets of the group's total assets. As described in Note 16, the group's goodwill is relating to four separate cash generating units; Owasys, Red Lion, PEAK and Integrated units.</p> <p>In accordance with IAS 36, the Group tests at least annually whether there is a need to write down goodwill. Impairment is determined by considering each cash-generating unit's recoverable amount compared to its carrying amount.</p> <p>Impairment testing is essential to our audit because goodwill represents significant amounts in the balance sheet. Furthermore, with performing an impairment test, management must make significant estimates and assumptions about the future.</p> <p>Based on management's impairment test, the Board has concluded that there is no need to write down goodwill as of December 31, 2024. 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 compatible with accepted valuation techniques.</p> <p>We have assessed the sensitivity and the impact on the impairment tests in the assumptions that have the highest impact on the impairment test, which include sustainable growth rate, sustainable operating margin, and discount rate.</p> <p>Through our own carried out sensitivity analyses, we have challenged the management's assumptions and tested the existing safety margins to assess the risk that impairment could occur.</p> <p>We have also evaluated whether the Company has provided sufficient information in the annual report about the assumptions which, if changed, could lead to impairment of goodwill in the future.</p>
<p><b>Option liabilities</b></p> <p>As stated in Note 28 HMS has a call/put option related to the remaining 20% of the shares in Owasys. The Management's assessment is that the options will likely be exercised.</p> <p>This means that HMS reports a liability corresponding to the present value of the expected future cash outflow for the option, which amounts to 114 MSEK.</p> <p>The option debt amounts to a substantial amount and includes calculations with significant estimates and judgments by the company management. This process involves management making estimates and assumptions, e.g. about the business's future profit development, probability of exercise of the buy/sell option and market interest rate.</p> <p>The exercise price of the options is determined by the companies' future EBITDA. The value is based on the companies' business plan for 2028 multiplied by a multiple (10). The future expected exercise price has subsequently been discounted at the current market interest rate.</p>	<p>Our audit procedures to assess the accounting for the option liability have included a review of agreements related 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 profit development in relation to the business plan, probability of exercise of the option and market interest.</p> <p>Finally, we have also assessed the accuracy of the information provided by the Group in Note 28 regarding this debt.</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 1-37, 45-53 and 109-136. The other information also consists of the Remuneration Report for 2024, 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, as regards the consolidated accounts, according to IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determines 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 and 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 intends to liquidate the company, cease operations or has no realistic alternative to doing any of this.

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

### **Auditor's responsibility**

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

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

### **Report on other requirements according to laws and other constitutions**

#### **The auditor's examination 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 Directors and the Managing Director of HMS Networks AB for year 2024 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 Directors 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 in relation of the parent company and 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 and group's type of operations, size and risks place on the size of the parent company's equity, consolidation requirements, liquidity and position in general.

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

### Auditor's responsibility

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

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

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

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

A further description of our responsibility for the audit of the administration can be found on the Auditor's Inspection's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

### The auditor's examination of the ESEF report

#### Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for HMS Networks AB (publ) for the year 2024.

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

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

### Basis for Opinion

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

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

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

The Board of Directors and the Managing Director are responsible for the preparation of 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 firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding com-

pliance with ethical requirements, professional standards and applicable 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. 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 audit 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 have been marked with iXBRL in accordance with what follows from the Esef regulation.

Öhrlings PricewaterhouseCoopers AB, was appointed auditor of HMS Networks AB (publ) by the general meeting of the shareholders on the 23 April 2024 and has been the company's auditor since 14 January 2004.

Halmstad the date indicated by our electronic signature

Gothenburg, 24 march 2025

Öhrlings PricewaterhouseCoopers AB

Johan Palmgren  
Auktoriserad Revisor

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

Financial data in summary (MSEK)	2024	2023	2022	2021	2020
<b>Order intake and net sales</b>					
Order intake	2,812	2,303	3,064	2,538	1,447
Net sales	3,059	3,025	2,506	1,972	1,467
Net sales growth (%)	1	21	27	34	-3
<b>Profitability ratios</b>					
Gross profit	1,916	1,967	1,577	1,230	909
Gross margin (%)	63	65	63	62	62
Adjusted EBITDA	796	877	760	548	401
Adjusted EBITDA (%)	26	29	30	28	27
Adjusted EBIT	665	792	675	466	306
Adjusted EBIT %	22	26	27	24	21
EBIT	503	753	653	446	288
EBIT (%)	16	25	26	23	20
Adjusted profit after tax	472	610	530	382	239
Profit after tax	310	571	508	362	220
<b>End-of-year position and cash flow</b>					
Balance sheet total	7,498	3,011	2,730	2,204	1,837
Equity attributable to HMS Networks AB's shareholders	3,504	1,933	1,610	1,177	1,204
Non-controlling interests	1	-	-	-	17
Cash flow from operating activities	592	519	431	508	370
<b>Return ratios</b>					
Return on capital employed (%)	11	36	41	33	19
Return on equity (%)	11	32	38	29	20
<b>Financial strength</b>					
Net debt/equity ratio (%)	94	15	19	30	16
Equity ratio (%)	47	64	59	53	67
Capital turnover rate	0.57	1.02	1.04	1.01	0.81
<b>Share data</b>					
Equity per share, SEK	55.54	37.82	28.97	26.15	24.07
Cash flow from operating activities per share, SEK	12.14	11.12	9.24	10.90	7.93
Adjusted basic earnings per share	9.65	13.07	11.36	8.20	5.12
Basic earnings per share, SEK	6.35	12.23	10.89	7.61	4.79
Diluted earnings per share, SEK	6.34	12.19	10.85	7.57	4.77
Dividend per share, SEK <sup>1</sup>	-	4.40	4.00	3.00	2.00
Total number of shares (average, thousands)	48,919	46,819	46,819	46,819	46,819
Shares held in treasury (average, thousands)	147	166	174	158	165
Total number of shares outstanding (average, thousands)	48,772	46,653	46,645	46,660	46,654
<b>Other information</b>					
Investments in non-current assets, including acquisitions	4,328	200	191	48	48
Average number of employees (FTE)	1,059	803	726	684	614

<sup>1</sup> The Board's proposal



# SUSTAINABILITY REPORT 2024

## Sustainability in Focus

Sustainability is a central part of our business. We strive to reduce our environmental impact, promote social responsibility, and drive innovation for a more sustainable future. This report summarizes our sustainability work in 2024 and outlines our progress, challenges, and ambitions. We hope this report inspires dialogue and collaboration to create a better tomorrow together.

HMS facility in Halmstad.



# 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 2024 has been prepared in accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act [1995:1554], in accordance with the older wording that applied before 1 July 2024, and in accordance with the Global Reporting Initiative (GRI) Standards 2021.

HMS' Sustainability Report is presented each year as a section of the Annual Report. The financial year is the same as the calendar year, January 1 through December 31. The most recent annual report was published in March 2024 for the 2023 financial year. This Annual Report for the 2024 financial year was published on March 25, 2025.

The Sustainability Report pertains to the parent company, HMS Networks AB (CIN 556661-8954), and all units included in the consolidated financial statements of HMS Networks AB 2024, which are indicated in Note 34, "Interest in Group companies".

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

- Strategy and business model, pages 3, 6–8, 10–19, 112–114
- Policies, investigations, and results, pages 19–27, 112–114, 118–123, 129–133
- Material risks and risk management, pages 60–63, 115–117
- Priority key figures, pages 19–27, 118–123, 129–133
- Reporting of the EU Taxonomy Regulation, pages 124–128.

The company's auditor has issued a statement that a sustainability report has been prepared; see page 137. The content of this sustainability report has not been subject to a third-party audit.

## BOUNDARIES AND CHANGES COMPARED WITH PREVIOUS REPORTS

Sources of emission factors have in some cases changed as a result of the implementation of a new system support for

climate calculations, which has led to an adjustment of historical data. Sources for emission factors are presented on page 122.

Greenhouse gas emission adjustment reported in GRI 305-1, 305-2, 305-3;

- Historical reported data has been updated to include HMS-acquired company Red Lion Controls Inc.; for data reported in GRI 305-3, Red Lion is not included.
- Inclusion of the impact of shipments on the transport of waste for calculations in categories 5 and 12 reported in GRI 305-3.
- Adjustment of the method for calculating emissions from waste management of sold products, category 12 reported in GRI 305-3. The estimation of waste treatment methods has been adjusted based on the geographical sales areas of the business.

Correction of greenhouse gas emissions reported in GRI 305-1, GRI 305-2, GRI 305-3;

- Reporting of natural gas has been moved to Scope 2, as the natural gas is purchased from a supplier and not combusted in the business' facility. Reported emissions for the previous year have been adjusted for comparability.
- Emissions figures for transport have been corrected for 2022 and 2023 through a reclassification from Scope 1 to Scope 3, in accordance with the operation's reporting methodology.

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

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For more information about the Sustainability Report and HMS' sustainability work, please contact:  
Erma Devce, Director Sustainability and Quality, erde@hms.se.

## Materiality analysis

Our materiality analysis is a central part of our sustainability work and forms the basis for identifying the most relevant sustainability issues for our business and our stakeholders. The analysis is carried out in several stages and combines internal and external perspectives to ensure that we focus on the areas where we have the greatest impact and where sustainability issues are of strategic importance to the business.

As part of the materiality analysis, we map trends, regulations, and market requirements and conduct dialogues with key stakeholders such as customers, employees, investors, and suppliers. By evaluating the results from both an impact and business perspective, we get a comprehensive picture of which sustainability issues are most important to us.

## Stakeholder dialogue and collaboration

Through dialogue and collaboration with HMS' stakeholders, we endeavor to reduce the risk of negative impact while at the same time maximizing the positive contributions to our common goals.

The stakeholder dialogue is an important part of our materiality analysis and helps us understand the expectations of our business and strengthens our understanding of our stakeholders' priorities.

## Materiality analysis according to ESRS and its connection to GRI disclosure requirements

In our transition to reporting according to the European Sustainability Reporting Standards, ESRS, we have conducted a double materiality analysis to identify the business' material issues. Our GRI reporting has been an important basis for identifying material issues in our double materiality analysis according to ESRS. The analysis includes both our impact on the external environment and the financial effects that sustainability issues can have. The following stakeholder dialogue has taken place with our key stakeholders in connection with performing the materiality analysis:

- Owners and investors: We have discussed our sustainability strategy and long-term sustainability risks and implemented training efforts for management and the Board on the Corporate Sustainability Reporting Directive.

KEY STAKEHOLDERS	FORUMS FOR DIALOGUE	IMPORTANT ISSUES	HOW HMS ADDRESSES THE ISSUES
<b>Owners and investors</b>	Materiality analysis, Annual and Sustainability Report, quarterly reports, Annual General Meeting, individual meetings, media.	Long-term profitability and growth, results of adopted Group-wide goals, proactive management of risks, transparency, compliance with laws and regulations.	Group-wide goals and follow-up, accounting and reporting, Code of Conduct and other governing policies, sustainability rankings, systematic work methods and transparency.
<b>Employees</b>	Materiality analysis, workplace meetings, internal training, employee surveys, intranet, performance reviews, and dialogue.	Working conditions, skills development, health and safety, diversity, health promotion, business ethics, results of adopted Group-wide goals.	Group-wide goals and follow-up, Code of Conduct and other governing policies, systematic work methods, whistleblower function, employee surveys, training initiatives, health promotion initiatives.
<b>Customers</b>	Materiality analysis, regular business contact, networking, trade fairs, seminars, customer surveys, audits, website, social media.	Long-term profitability, guaranteed supply and lead times, high-quality and innovative products and services, sustainable products and ecodesign, human rights in the value chain, compliance with laws and regulations.	Guaranteed supply and customer support, innovation and product development, Group-wide goals and follow-up, environmental and quality certifications, guaranteed compliance with laws and regulations, sustainability rankings, accounting and reporting.
<b>Suppliers</b>	Materiality analysis, purchasing, supplier evaluations, continuous dialogue and meetings, audits.	Long-term profitability and growth, contract terms, guaranteed supply and lead times, human rights, health and safety, innovation and sustainable materials, energy efficiency, compliance with laws and regulations.	Supplier assessments, Supplier Code of Conduct, Group-wide goals and follow-up, guaranteed compliance with laws and regulations, innovation and collaborative projects, accounting and reporting.
<b>Authorities and society</b>	Annual and Sustainability Report, reporting and continuous dialogue, audits, networks.	Sustainable products and increased circularity, current political issues, compliance with laws and regulations, transparency.	Group-wide goals and follow-up, accounting and reporting, policies and systematic work methods, transparency.

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

- Employees Interviews with employees in several work areas have given us insights into sustainability in our daily operations and the work environment.
- Customers: Through interviews, we have captured the customer’s expectations of our sustainability work.
- Suppliers: Through interviews and through evaluation and audits, we have reviewed how our suppliers work with sustainability issues such as human rights and environmental issues.
- Authorities and society: We have carried out a risk assessment based on geographical mapping and benchmarks.

By combining input from stakeholder dialogues with our internal assessment of sustainability risks and opportunities, we can identify the issues that are critical to our long-term success and our ability to meet external expectations.

Links to GRI’s disclosure requirements and the UN’s Sustainable Development Goals are visualized in the table linked to the materiality analysis on page 114. HMS’ materiality analysis is anchored and validated annually by the Board of Directors and the group management team. The identified significant risk areas are reported in the Directors’ Report on pages 60–63 of this annual report.

In 2025, we will focus on strengthening our processes and complementing data collection to ensure we satisfy the requirements for reporting under the CSRD Directive for the next reporting year.



## Membership in organizations

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

- HMS is a signatory of the UN Global Compact and is committed to working actively with the organization’s Ten Principles relating to human rights, labor, environment, and anti-corruption, as well as the 17 Sustainable Development Goals.
- HMS also actively participates in a variety of organizations on standardization of network protocols, such as: PI, ODVA, 5G ACIA,












ETG, CLPA, CiA, Modbus Organization, IO-Link Consortium, OPC Foundation, BACnet International, and KNX.

- HMS partners with York College and York Vocational Technical College to offer internships and co-op opportunities. We also actively support our community through fundraising and volunteering with organizations such as Bell Socialization, Leg Up Farm, Phinneas Davis Elementary School, Mantec, and US Veterans.
- HMS closely collaborates with its customers and in many cases is a prioritized partner, such as a Schneider Electric Technology Partner and a Rockwell Automation Technology Partner. We also participate in the Ericsson Industry 4.0 Partner Program.
- HMS participates in several different forums for industry collaborations on prioritized issues, such as the 5G Alliance for Connected

Industry and Automation, TechSverige’s Sustainability Council, and the Latour Sustainability Forum.

- Collaborations with academia are an important part of our long-term efforts to secure talent and improve equality in the tech industry. HMS collaborates with several different colleges and universities, including Halmstad University. HMS also has long-term partnerships with Techella, Amazing Digital Amazonas (ADA), Pride, P-spring, and Women on Wednesday, a network for immigrant women seeking employment in Sweden.
- HMS focuses on diversity, equity, and inclusion (DEI) by taking responsibility by participating in, among other things, Girlcode and Redlocker, and having an internal Growth Academy – leadership program.

## Material sustainability issues

SUSTAINABLE DEVELOPMENT GOALS	SUSTAINABILITY ISSUE – CSRD	SUSTAINABILITY ISSUE – GRI	IMPACT MATERIALITY	FINANCIAL MATERIALITY
 	E1 – CLIMATE CHANGE	GRI 305 – EMISSIONS	HIGH	HIGH
		GRI 302 – ENERGY	HIGH	MEDIUM
 	E2 – POLLUTION	GRI 305 – EMISSIONS	HIGH	HIGH
 	E5 – CIRCULAR ECONOMY	GRI 306 – WASTE	MEDIUM	HIGH
 	S1 – OWN WORKFORCE	GRI 403 – OCCUPATIONAL HEALTH AND SAFETY	HIGH	MEDIUM
		GRI 404 – TRAINING AND EDUCATION	HIGH	HIGH
		GRI 405 – DIVERSITY AND EQUAL OPPORTUNITY	HIGH	MEDIUM
 	S2 – WORKERS IN THE VALUE CHAIN	GRI 308, GRI 414 – SUPPLIER ASSESSMENT	HIGH	MEDIUM
	G1 – BUSINESS CONDUCT	GRI 205 – ANTI-CORRUPTION	HIGH	MEDIUM

The table shows the link between the materiality analysis and the UN Sustainable Development Goals, relevant reporting standards, and disclosure areas, and material assessment based on the results of the double materiality analysis.



## Governance and organization for sustainability

HMS' sustainability effort is based on internationally recognized principles, such as the 17 UN Sustainable Development Goals, the Ten Principles of the UN Global Compact, and the UN Guiding Principles on Business and Human Rights. Global climate work in the form of climate treaties and international agreements, together with regional and national principles and legislation, are also central starting points in our work. This also includes the EU Green Deal with its objectives, declarations, and processes, which play a crucial role in shaping HMS' future direction and priorities. These principles and frameworks are clearly reflected in our policy commitments, frameworks, and Group-wide goals.

### Governance and organization

Sustainability effort is a prioritized issue for HMS' Board of Directors and management. The Board of Directors and group management team are responsible for deciding on policy commitments and translating them into strategies and goals. The sustainability agenda is a fixed and recurring item at board meetings, in accordance with the work procedures described in the Corporate Governance Report. The Group's long-term sustainability goals and strategic direction are discussed annually at the strategy meeting in August. In addition, an in-depth review of the sustainability work takes place annually at the board meeting in October, where the Board discusses the organization's impact on sustainable development, identified material issues, the overall direction of the work, and central processes. Policies adopted by the Board are audited annually, sustainability reporting is handled by the audit committee, and the Sustainability Report is reviewed and approved by the Board.

Sustainability is a central part of HMS' strategy, and the Group goals govern both priorities and activities within the business. The goals are integrated into business plans and continuously followed up on. The group management team and the extended management team work with sustainability issues on an ongoing basis to ensure progress in the work. Management's review of the business management system is conducted annually to evaluate planned and implemented activities from a process

perspective. HMS' Global Sustainability Department, in close collaboration with Finance, Supply, and HR, is responsible for driving, coordinating, and following up on the Group's sustainability agenda. The Sustainability Department is represented in the group management team by the Chief Operating Officer, who ensures that sustainability work is anchored at the highest level.

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

HMS' Global Sustainability Team consists of selected ambassadors from each business area who are responsible for driving the common sustainability agenda, coordinating and driving initiatives, following up on the work, and increasing knowledge of sustainability issues among HMS employees. The team is coordinated by the Global Sustainability Department. During the year, the team focused on, among other things, strengthening processes for responsible purchasing, implementing training initiatives within CSRD, and preparatory work for the application to Science Based Targets.

### POLICY COMMITMENTS AND FOLLOW-UP

HMS' Code of Conduct, Supplier Code of Conduct, Health and Safety Policy, Environmental Policy, Quality Policy, and Conflict Minerals Policy set out our commitments for sustainable business and operations. The Code of Conduct is approved by HMS' Board, while other policies are handled by HMS' group management team. HMS' commitments include respect for human rights, application of the precautionary principle in order to minimize negative impact, and the implementation of systematic sustainability work, of which due diligence processes are an important part.

HMS conducts regular reviews of its compliance with laws and regulations through internal audits and evaluations via an



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

CODE OF CONDUCT

SUPPLIER CODE OF CONDUCT

ENVIRONMENTAL POLICY

QUALITY POLICY

HEALTH AND SAFETY POLICY

CONFLICT MINERAL POLICY

Read more about HMS' quality and sustainability effort on the website: [www.hms-networks.com/about/quality-and-sustainability](http://www.hms-networks.com/about/quality-and-sustainability)

external legislation monitoring system. No significant deficiencies in compliance were identified or reported to the Board in 2024.

HMS' Code of Conduct summarizes the values that form the basis of our business and provides clear guidelines for how employees and representatives are expected to behave. Respect for human rights and everyone's equal value is a central part of HMS' values and sustainability effort. The Code of Conduct is based on international principles, including the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. We endeavor to ensure equal treatment and equal opportunities for all, regardless of 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.

PRODUCT-SPECIFIC ISO CERTIFICATES

Certificate	Product brand
ISO 27001	Ewon

LOCATION-BASED ISO CERTIFICATES

Certificate	Sweden, Halmstad*	USA, York*	Germany, Ravensburg	Spain, Igulada
	HMS Industrial Networks AB	Red Lion Controls Inc.	HMS Technology Center GmbH	HMS Industrial Networks SLU
ISO 9001	x	x	x	x
ISO 14001	x			x

\*Production facility engaged in manufacturing.

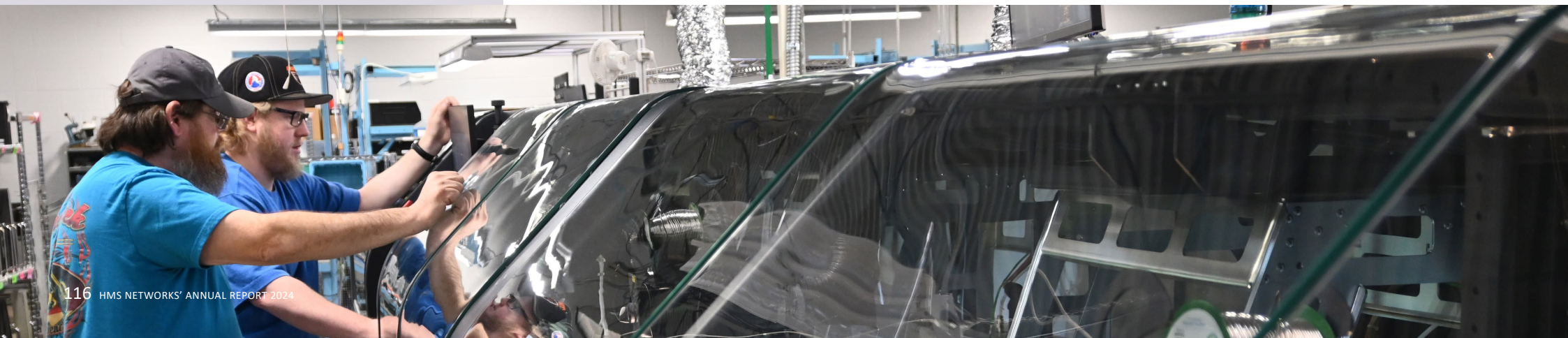
The HMS Supplier Code specifies requirements and expectations for our partners and suppliers and is in line with the principles set out in the Code of Conduct. Read more about HMS' policy commitments on pages 132–133.

All policies are communicated to all employees, representatives, and relevant partners on the intranet and on HMS' website, [www.hms-networks.com](http://www.hms-networks.com).

CERTIFIED MANAGEMENT SYSTEMS WITHIN THE GROUP

The systematic work and business management systems have a supporting function in the sustainability effort. Several of HMS' business management systems are certified and thus also audited by third parties. Internal audits take place annually in accordance with the defined audit plan and audit process. Process descriptions and governing documents are gathered in a digital management system.

We aim to have our production facilities certified according to ISO 9001 and ISO 14001 by 2030, with the exception of any future acquisitions. For future acquisitions, they must undergo a certification process within a defined implementation period.





## GOVERNANCE AND DIVISION OF RESPONSIBILITIES FOR HMS' MATERIAL SUSTAINABILITY ISSUES

SUSTAINABILITY ISSUE CSRD	TOPIC-SPECIFIC DISCLOSURE GRI	POLICIES, GUIDELINES	DISTRIBUTION OF RESPONSIBILITY	EVALUATION OF GOVERNANCE AND PERFORMANCE
E1 – CLIMATE CHANGE E2 – POLLUTION	GRI 305 – Emissions GRI 302 – Energy	Code of Conduct, Supplier Code of Conduct, Environmental Policy, Meeting and Travel Policy, Environmental Management System (ISO 14001), Group-wide goals.	Group Management Team, Division Managers, Global Sustainability Department, Sustainability Ambassadors.	Follow-up of activities and results in Group Management Team, and Expanded Management Team and various collaboration forums, reporting for the Annual Report, reporting to authorities.
E5 – CIRCULAR ECONOMY	GRI 306 – Waste	Code of Conduct, Supplier Code of Conduct, Environmental Policy, Quality and Environmental Management System (ISO 14001, ISO 9001).	Group Management Team, Division Managers, Supply Management Team, Global Sustainability Department, Sustainability Ambassadors.	Follow-up of activities and results in Group Management Team and various collaboration forums, reporting for the Annual Report, reporting to authorities.
S1 – OWN WORKFORCE	GRI 403 – Occupational Health and Safety	Code of Conduct, Health and Safety Policy.	Group Management Team, Chief Operating Officer & Chief Human Resource Officer, and collaborations forums, Managers.	Monitoring of well-being and safety is carried out continuously by the relevant manager, with support from relevant functions and via the Work Environment Committee. Monitoring is carried out by the Group Management Team and reporting to the Annual Report. Follow-up takes place in the Group Management Team and reporting to the Annual Report
	GRI 404 – Training and Education	Code of Conduct.	Group Management Team, Division Managers, HR functions and collaboration forums, Managers.	Follow-up of activities and results in Group Management Team and collaboration forums, reporting for the Annual Report.
	GRI 405 – Diversity and Equal Opportunity	Code of Conduct, Health and Safety Policy, Group-wide goals.	Group Management Team, HR functions and collaboration forums, Managers.	Follow-up of activities and results in Group Management Team and collaboration forums, reporting for the Annual Report.
S2 – WORKERS IN THE VALUE CHAIN	GRI 308, GRI 414 Supplier Assessment	Code of Conduct, Supplier Code of Conduct, Conflict Minerals Policy, Quality and Environmental Management System (ISO 14001, ISO 9001), Group-wide goals, general terms and conditions of purchase, supplier agreements.	Group Management Team, Supply Management Team, Global Sustainability Department, Sustainability Ambassadors.	Dialogue, review, and follow-up of suppliers, reporting for the Annual Report.
G1 – BUSINESS CONDUCT	GRI 205 – Anti-corruption	Code of Conduct, Supplier Code of Conduct, whistleblower service.	Group Management Team, Global Finance, Global Sustainability Department, HMS Whistleblower Function.	Continuous financial monitoring, monitoring of cases reported via the HMS whistleblower service, internal communication and awareness through training, reporting for the Annual Report.

# Environment

HMS' material sustainability issues in the environmental area include climate change and circularity. Topic-specific disclosures are reported under the headings energy, emissions, and waste, where all areas are deemed to have a negative environmental impact. HMS products enable a positive impact on the climate and environment by reducing resource and energy consumption in our customers' operations; read more about this on page 22.

Governance of environmental issues is based on HMS' Code of Conduct, Supplier Code of Conduct, Environmental and Quality Policies, Group-wide instructions, and established environmental goals; read more about our focus areas and goals on pages 19–23. We focus on reducing our carbon footprint where our impact is greatest, replacing fossil fuels and materials with renewable alternatives, and being an enabler of sustainable development by offering innovative solutions to our customers. The business' management system for quality and the environment supports the implementation, follow-up, and results of our goals. Results and implemented activities are followed up on by the group management team and the Board of Directors. Read more about governance and dialogue with stakeholders under the governance section on pages 115–117.

In 2023, HMS took a significant step by joining the Science Based Targets initiative (SBTi) and committing to setting a science-based target in line with the Paris Agreement. During 2024, the focus has been on developing a climate target for reducing emissions, including method validation and data collection. This work will continue during 2025 with the aim of establishing climate targets for the business, with the ambition of achieving net zero greenhouse gas emissions by 2050.

In 2024, we started implementing a new climate calculation tool with the goal of streamlining our administration by integrating climate calculations and CSRD reporting into a cohesive system.

This integration minimizes the need for manual data processing and allows all climate reporting to be performed directly in the system. By streamlining the process, we ensure higher accuracy, save time, and avoid double reporting of data required to satisfy CSRD requirements.

Some categories within Scope 3 are still reported separately outside the climate calculation tool; in the longer term, the ambition is to include all Scope 3 categories directly in the tool.

The climate calculation tool has an updated database of emission factors, where supplier-specific emission factors are applied when available. If no supplier-specific factors exist, the calculations are based on average emission factors.

Due to updating of calculation tools, some changes have taken place in the issue factors. Historical data from the base year, which is set as 2022, has been updated according to the new emission factors. Calculation methods and sources for emission factors are reported on pages 120–122.



# Energy

## GRI 302-1 – ENERGY CONSUMPTION WITHIN THE ORGANIZATION

Energy consumption within the organization		2024			2023		
Region	Energy type	Consumption (MWh)	Renewable energy (MWh)*	Share of renewable energy (%)	Consumption (MWh)	Renewable energy (MWh)**	Share of renewable energy (%)
Europe	Electricity	1,891	1,588	84	1,728	1,459	84
	Heating	857	796	93	727	-	-
	Cooling	326	326	100	394	394	100
	Steam	291	-	-	252	-	-
Asia	Electricity	124	-	-	87	-	-
	Heating	-	-	-	-	-	-
	Cooling	-	-	-	-	-	-
	Steam	-	-	-	-	-	-
Americas	Electricity	2,316	2,236	97	2,200	328	15
	Heating	-	-	-	-	-	-
	Cooling	-	-	-	-	-	-
	Steam	567	-	-	290	-	-
Oceania	Electricity	10	-	-	5	-	-
	Heating	-	-	-	-	-	-
	Cooling	-	-	-	-	-	-
	Steam	-	-	-	-	-	-
<b>Total</b>		<b>6,382</b>	<b>4,946</b>	<b>78</b>	<b>5,683</b>	<b>2,181</b>	<b>38</b>

\*Includes renewable energy covered by energy certificates (844 MWh) or by agreement with energy supplier (4,102 MWh).

\*\* Includes renewable energy covered by energy certificates (742 MWh) or by agreement with energy supplier (1,439 MWh).

	2024		2023	
	Total electricity sold (MWh)	Self-produced electricity (MWh)	Self-produced electricity (MWh)	Electricity sold (MWh)
Europe		320	95	27
Asia		-	-	-
Americas		-	-	-
Oceania		-	-	-
<b>Total</b>		<b>320</b>	<b>95</b>	<b>27</b>

## Scope and method

Reported data for energy consumption within the organization includes consumption of electricity, natural gas, district heating, and district cooling in owned, leased, or rented premises and is based on actual consumption in MWh, based on data from the energy supplier or property owner. In cases where data is not available, an estimate is made based on the location and type of business. In the case of electric heating (e.g., direct-acting electricity, geothermal heating, or air source heat pump), the heat is reported as electricity consumption.

The reported share of renewable energy is based on both agreements with energy suppliers and declarations of origin. These agreements and certifications ensure that some of our electricity consumption is derived from sustainable energy sources, in line with our efforts to reduce the climate impact of our operations.

To ensure comparability over time, historical data has been recalculated to include HMS-acquired business Red Lion Controls Inc. These adjustments provide a more accurate picture of our total energy use and enable more transparent follow-up. HMS' later acquisition, PEAK-System Technik GmbH, is not included in reported information.

## GRI 302-3 – ENERGY INTENSITY

Energy intensity (kWh/unit)	2024	2023
<b>Total</b>	<b>3.6</b>	<b>2.5</b>

## Result

Total energy consumption increased during the year. This increase has taken place in all of HMS' business areas. At the same time, the share of renewable energy increased compared to the previous year, mainly through increases at facilities in Europe and the Americas. The business' self-produced solar energy also increased, as did the share of electricity sold.

Energy intensity increased compared with the previous year, which is explained by a decrease in the number of units delivered and an increase in energy consumption.

# Emissions

## Scope and method

Reported data refers to greenhouse gas emissions from the business' direct emissions (Scope 1) and the business' indirect emissions (Scope 2 and Scope 3).

Direct emissions reported in Scope 1 include company-owned and leased cars and stationary fuels used for heating in owned, leased, or rented premises. Emissions for company-owned or leased cars have either been calculated based on fuel consumption or based on kilometers driven. An adjustment of emission figures for 2022 and 2023 has been made for a unit where emissions have been moved from Scope 1 to Scope 3, in accordance with the operational reporting method of the business.

Emissions reported in Scope 2 include consumption of purchased electricity, heating and cooling in owned, leased, or rented premises and is based on actual consumption in MWh or estimates based on the area of the premises. In the case of electric heating (e.g., direct-acting electricity, geothermal heating, or air source heat pump), the heat is reported as electricity consumption.

In cases where the units purchased renewable electricity, the emissions are based on an emission factor for renewable sources if this has been verified by a certificate of origin, agreement with an energy supplier, or other equivalent documentation. In cases where no active choice has been made, the emissions are based on an emission factor for residual electricity for that country's electricity mix.

Emissions from energy consumption in Scope 2 have been calculated according to both the market-based and the location-based method in accordance with the guidelines of the GHG Protocol.

Reported data in Scope 3 refers to greenhouse gas emissions from the business' other indirect emissions. The following emission categories are not deemed applicable to the activities of the business:

- Category 8 – Upstream leased assets
- Category 10 – Processing of sold products

- Category 13 – Downstream leased assets
- Category 14 – Franchises
- Category 15 – Investments

Method description and outcomes for each emission category are reported on pages 121–122.

For emissions in Scope 1 and Scope 2, historical data has been recalculated to include HMS-acquired business Red Lion Controls Inc. HMS' subsequent acquisition of PEAK-System Technik GmbH is not included in reported data. The figures reported in Scope 3 do not include Red Lion and PEAK-System.

GWP values used for the emission calculations are in accordance with the IPCC Sixth Assessment Report (AR6). The following gases are included in the calculation: CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, and NF<sub>3</sub>.

### 305-1 – DIRECT (SCOPE 1) GHG EMISSIONS

Direct emissions – Scope 1 (tons CO <sub>2</sub> e)	2024	2023	2022
<b>Total</b>	122	170	157

### GRI 305-2 – ENERGY INDIRECT (SCOPE 2) GHG EMISSIONS

Indirect emissions (Scope 2) (tons CO <sub>2</sub> e)	2024	2023	2022
<b>Total (market-based)</b>	668	1,045	1,302
<b>Total (location-based)</b>	1,307	1,216	1,384

### GRI 305-4 – GHG EMISSIONS INTENSITY

Emissions intensity (tCO <sub>2</sub> e/net sales SEK billion)	2024	2023	2022
<b>Total</b>	193	282	407

Emissions intensity includes the total emissions of the business in Scope 1 and Scope 2 based on a market-based calculation method.

### GRI 305-3 – OTHER INDIRECT (SCOPE 3) GHG EMISSIONS

Indirect emissions (Scope 3) (tons CO <sub>2</sub> e)	2024	2023	2022
Purchased goods and services	17,917	25,463	19,414
Capital goods	1,552	1,833	1,061
Fuel and energy-related activities	163	152	159
Upstream transportation and distribution	936	1,494	1,547
Waste generated in operations	1	3	3
Business travel	1,233	1,511	824
Employee commuting	574	553	539
Upstream leased assets	-	-	-
Downstream transportation and distribution	290	558	522
Processing of sold products	-	-	-
Use of sold products	37,445	50,594	46,621
End-of-life treatment of sold products	25	20	15
Downstream leased assets	-	-	-
Franchises	-	-	-
Investments	-	-	-
<b>Total</b>	<b>60,136</b>	<b>82,181</b>	<b>70,705</b>

## Result

A decrease in Scope 1 can be attributed to a decrease in the number of company-owned cars within the Group and an increase in the proportion of electric cars. The proportion of electric company cars increased from 28 percent in 2023 to 57 percent in 2024.

The energy consumption of the business increased during the year, as did the share of renewable energy. Market-based emissions have decreased due to increased use of renewable energy. A reduction in the emission intensity can be attributed

to an increase in revenue; emissions from the total emissions of the business in Scope 1 and Scope 2 also decreased in absolute terms.

Biogenic CO<sub>2</sub> is included in the calculation for emissions in Scope 1 and Scope 2 and amounted to 0 tons in 2024.

Emissions from Scope 3 downstream activities comprise almost 60 percent of total Scope 3 emissions in 2024, with the largest emissions category being use of sold products.

## Method description and outcomes for emission categories within Scope 3

### Upstream

#### PURCHASED GOODS AND SERVICES

Purchased goods and services include, among other things, purchased materials and products used in the production and processing of products, purchased services, and other purchased materials for the business.

For purchased production materials, such as electronic components, metals, and plastics, material-specific emission factors have been used, and emissions are based on purchased weight. The emission factor for electronic components and electronic products is based on data from the life cycle assessment screening.

Purchased services and goods that are not included in HMS' products have been calculated using a spend-based method. This method is particularly useful in the absence of specific emission factors for individual products or processes and enables a systematic and comparable estimation of emissions. The emission factors have been calculated as a global average based on country-specific factors. In total, the spend-based part accounts for just under 40 percent of total emissions for purchased goods and services. Since the spend-based method is based on financial expenditure rather than physical volumes, it can lead to variations depending on price fluctuations.

#### CAPITAL GOODS

Reported emissions have been calculated based on a spend-based method in which the emission factors have been calculated as a global average based on country-specific factors. The

investments included are presented in Note 17, page 85. Rights of use are excluded as they do not fall under the definition of capital goods. Capital goods also include purchased furniture.

#### FUEL AND ENERGY-RELATED ACTIVITIES

Includes upstream emissions from the production of fuels (e.g., diesel and gasoline) and transmission and distribution losses in electricity production. Emissions are reported in this category if they are not already included in Scope 1 and Scope 2.

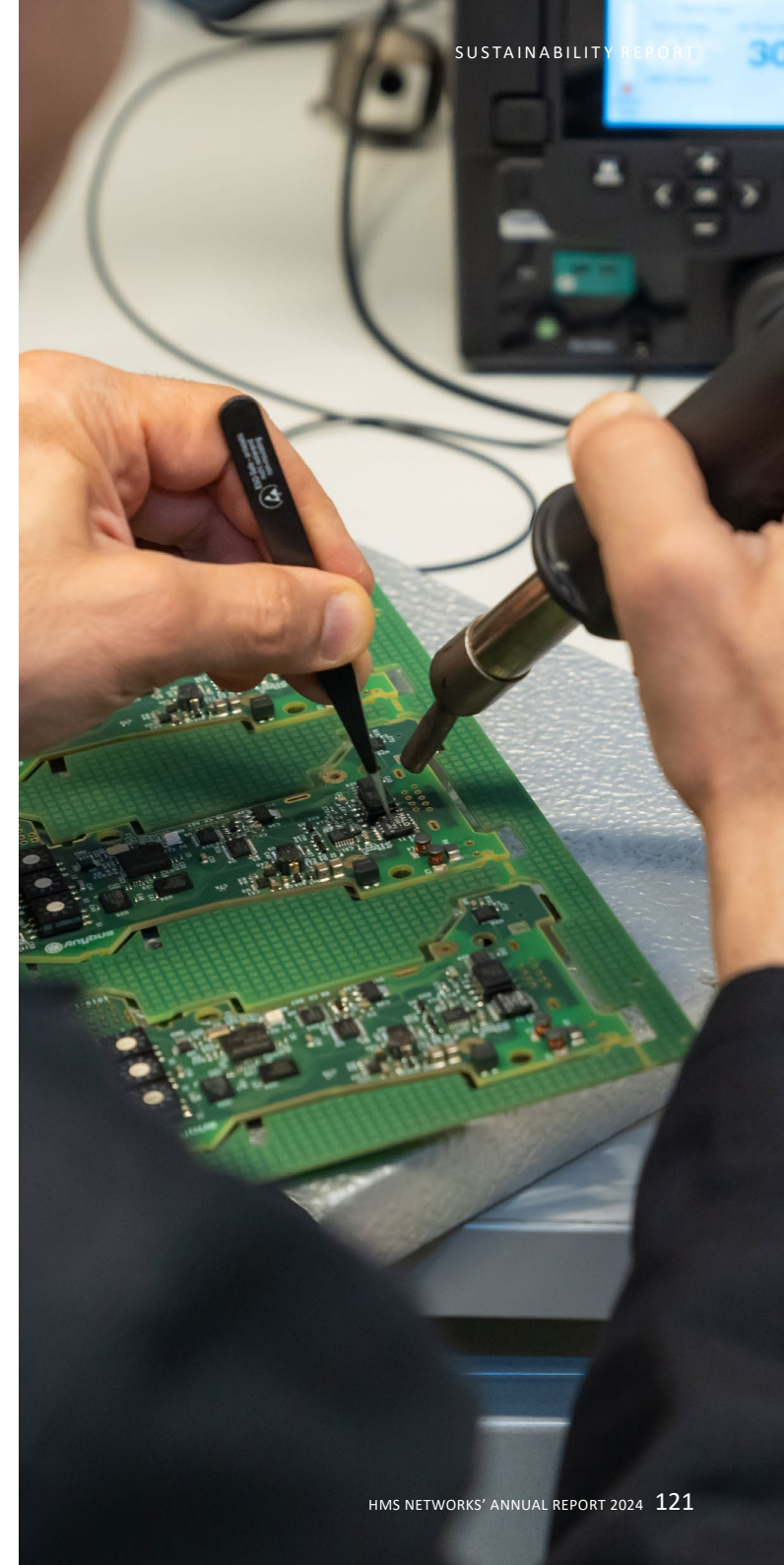
#### UPSTREAM TRANSPORTATION AND DISTRIBUTION

Includes transports between the company's facilities and between HMS and tier-1 suppliers, such as distribution of materials, components, etc. Also includes transports between the company's facilities and customers in cases where HMS is responsible for shipping costs. Upstream transport and distribution is reported through direct information from transport companies or through own calculations based on the business' registered purchases. All emissions are reported according to the well-to-wheel method, which takes into account all phases of the fuel's life cycle.

#### WASTE GENERATED IN OPERATIONS

Waste generated in operations is reported via direct information from waste management companies or estimates based on the scope and nature of the organization's activities. Waste from sales offices is excluded. Waste from sales offices consists mainly of paper, cardboard, plastic, and food waste. The waste is primarily recycled or incinerated with energy recovery. Landfill disposal is an unlikely treatment method for waste generated in sales offices. An adjustment of previous data has been made to include the impact of transport on waste management. For landfill, the emission factors include collection, transport, and emissions from landfill ("from gate to grave"). For incineration and recycling, only transport to an energy recovery or recycling facility is taken into account. This is in accordance with the guidelines of the GHG Protocol, where subsequent emissions are attributed to either electricity generation or production of recycled materials.

Emissions from waste management have decreased during the reporting year, which is due to both a reduced quantity of waste and lower emission factors compared to previous years.



### BUSINESS TRAVEL

Includes business travel by taxi, rental car, train, plane, and car travel in employees’ own cars. Business travel was reported through data from travel agencies and internal accounting. Business travel data does not include hotel stays. When calculating emissions from business travel by air, the high altitude effect is included to give a more comprehensive picture of the climate impact. The change in emission factors related to the new climate calculation tool has led to an adjustment of historical data.

### EMPLOYEE COMMUTING

Emissions from commuting have been calculated using assumptions about distance to work and number of working days in the office based on data from HR and surveys conducted at HMS offices. Calculations have been carried out based on the assumption that all commuting is done by gasoline-powered car, which means that the total emissions are expected to be slightly higher than the actual emissions.

## Downstream

### DOWNSTREAM TRANSPORTATION AND DISTRIBUTION

Includes transport between the company’s facilities to the customer for transports paid for by the customer and distributor. Reported through direct data from transport companies or our own calculations based on the business’ recorded sales. Emissions from HMS distributor transports have been based on HMS’ total share of sales that goes to distributors, after which an estimate has been made of the transports’ emissions.

All emissions are reported according to the well-to-wheel method, which takes into account all phases of the fuel’s life cycle.

### USE OF SOLD PRODUCTS

Use of sold products is calculated based on the energy consumed by the products during their lifespan. The total energy consumption of each product type over its lifespan is calculated by taking into account power consumption, daily use, and estimated lifespan. Sold products that do not constitute a physical item have been excluded; historical data has been

adjusted for previous years. Emissions from the use of servers for these products are included in Scope 3, category 1 or Scope 2, depending on the business ownership of the server, according to the operational control methodology.

Average power consumption from each product type has been determined by actual measurements, which can be found in hardware test results or estimates based on measured values for similar products.

The daily use of each product has been estimated based on experience and knowledge of how the products are used. The lifespan of the products is estimated based on the knowledge of how the products are used and how long electronic equipment in the industry is used before it is replaced for various reasons. The energy consumption of the products during their lifespan is calculated based on the emission factor that represents the global electricity mix.

As there is some uncertainty in terms of the service life, lifespan, and where the products are used in the world, the estimates have been conservative, which is expected to result in higher emissions.

### END-OF-LIFE TREATMENT OF SOLD PRODUCTS

Waste management of sold products is calculated based on HMS sales of products including packaging materials. For landfill, the emission factors include collection, transport, and emissions from landfill (“from gate to grave”). For incineration and recycling, only transport to an energy recovery or recycling facility is taken into account. This is in accordance with the guidelines of the GHG Protocol, where subsequent emissions are attributed to either electricity generation or production of recycled materials.

An assumption about packaging volumes has been made based on completed life cycle analysis screening. Assumptions have also been made for treatment methods based on the likely treatment methods in different regions, where landfill is considered to be more common in parts of Asia, Africa, and Latin America, while recycling and incineration with energy recovery is more common in Europe and North America. The estimates have been conservative, which is expected to result in higher emissions.

## Sources of emission factors

Scope 1	Source of emission factors
	Defra (2023/2024)
	IEA (2024)
	AIB (2023)
	Swedish Energy Agency (2023)
Scope 2	Source of emission factors
	IEA (2023)
	Defra (2024)
	Green Deal CO <sub>2</sub> emission factors (2024)
	Energiföretagen (2023)
	Halmstad Energi och Miljö (2023)
Scope 3	Source of emission factors
1. Purchased goods and services	GaBi LCA Databases, via IVL Svenska Miljöinstitutet AB Exiobase 3.9 (2019)
2. Capital goods	Exiobase 3.9 (2019)
3. Fuel and energy-related activities	Scope 1 & 2 sources
4. Upstream transportation and distribution	Client-supplied shipping emissions (2024) DHL Carbon Calculator (2024)
5. Waste generated in operations	Defra (2024)
6. Business travel	Defra (2024) NTM (2018) SJ (2023) Exiobase 3.9 (2019)
7. Employee commuting	Defra (2024)
9. Downstream transportation and distribution	Client-supplied shipping emissions (2024) DHL Carbon Calculator (2024)
11. Use of sold products	IEA (2024)
12. End-of-life treatment of sold products	Defra (2024)
	EPA – GHG Emission Factors Hub (2023)
	SJ (2023)



# Waste

## Scope and method

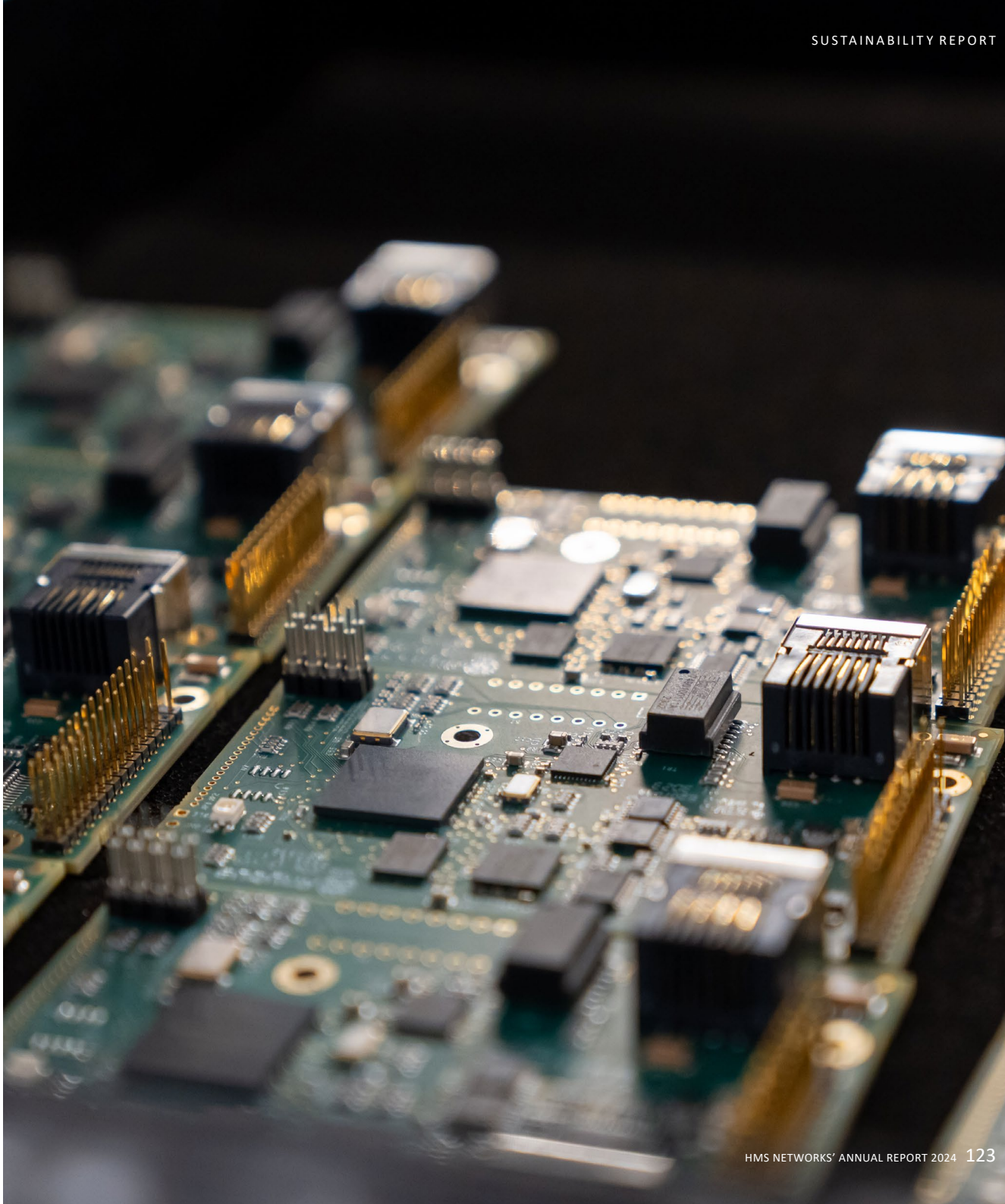
Includes waste generated in operations, excluding waste generated in sales offices. Waste from sales offices is considered to constitute a small amount of waste that mainly consists of non-hazardous waste in the form of paper, cardboard, plastic, and food waste. Generated waste is reported in kilograms and sorted by treatment method. Waste was reported through direct data from waste management companies; in cases where data was not obtained from the waste management companies, the amount of waste was estimated based on the area of the premises and the type of operations. HMS's acquisitions of Red Lion Controls Inc. and PEAK-System Technik GmbH are not included in the reported information.

### GRI 306-3 – GENERATED WASTE IN OPERATIONS

Generated waste (kg)	2024	2023
<b>Hazardous waste</b>	5,064	5,336
Combustion	25	450
Recycling	5,010	4,886
Landfill	29	-
<b>Non-hazardous waste</b>	125,502	179,561
Combustion	44,563	45,062
Recycling	35,859	102,212
Landfill	-	6,960
Reuse	45,080	25,327
<b>Total</b>	<b>130,566</b>	<b>184,897</b>

## Result

Total waste decreased in 2024 compared to the previous year, as well as the proportion of waste managed through landfill.



# Reporting of the EU Taxonomy Regulation

The EU Taxonomy Regulation is a classification system for environmentally sustainable economic activities, and a key tool for achieving the EU's target to be climate-neutral by 2050. Mapping of HMS' operations based on the disclosure requirements and objectives that are included in the Taxonomy has been carried out at Group level. The mapping identified eligible and non-eligible activities in relation to the Taxonomy, according to the conclusions below. Activities aimed at increasing the proportion of Taxonomy-eligible activities have also been identified and initiated, including processes to ensure minimum safeguards. Up to and including 2022, alignment with the Taxonomy's environmental objectives 1–2 was evaluated. Since 2023, taxonomy-eligible activities for environmental objectives 3–6 were evaluated.

- The majority of HMS' sales are generated through sales of physical products manufactured in-house, which generally fall within the activity "3.6 Manufacture of other low carbon activities". HMS has chosen a continued strict interpretation of the activity based on the requirement that the business must be "aimed at substantial GHG emission reduction" and has concluded that the positive reductions in greenhouse gas emissions generated by the products among HMS' customers should primarily be regarded as a side effect according to the Taxonomy. However, as of 2022, most of Intesis' product offering with building automation has been included, as energy efficiency is a core customer value. No additional economic activities have been identified as covered by the Taxonomy.
- HMS' cloud-based solutions account for a relatively small part of HMS' sales in 2024 and fall within the activity "8.1, Data processing, hosting, and related activities." These products are primarily related to Red Lion FlexEdge and Ewon Talk2M, which are assessed as contributing to mitigating climate change, primarily by reducing the need for travel.
- During the year, HMS has not made any significant investments related to Taxonomy-eligible activities. With regard to other investments, as in the previous year, it was not possible to follow up on suppliers' alignment with the Taxonomy as such data has not been available.

## Accounting policies

The Taxonomy-eligible KPIs are defined in accordance with Annex I of Art. 8 Delegated Act.

### SALES

The proportion of Taxonomy-eligible economic activities in HMS' total sales has been calculated as the part of net sales derived from products and services associated with eligible economic activities (numerator) divided by net sales (denominator). The denominator is based on HMS' consolidated net sales in accordance with IAS 1.82(a), which corresponds to the consolidated income statement on page 64.

### CAPITAL EXPENDITURE

The proportion of Taxonomy-eligible capital expenditure is defined as Taxonomy-eligible investments (numerator) divided by HMS' total investments (denominator). The numerator refers to total capital expenditure on new property, plant, and equipment and intangible assets during the financial year, before depreciation/amortization and any remeasurements, including those resulting from remeasurements and impairment, excluding changes in fair value. The investments include new property, plant, and equipment (IAS 16), intangible assets (IAS 38), and right-of-use assets (IFRS 16), which are presented in Notes 16–17 as investments and increases through company acquisitions. Goodwill is not included.

### OPERATING EXPENSES

The proportion of Taxonomy-eligible operating expenses is defined as Taxonomy-eligible operating expenses (numerator) divided by HMS' total operating expenses (denominator). Total operating expenses consist of direct costs attributable to R&D, building renovations, short-term leases, maintenance and repairs, and all other direct costs associated with the day-to-day servicing of property and fixed assets. R&D expenditure can be found in the HMS Networks Group's income statement and non-capitalized leases in accordance with IFRS 16 can be found in Note 18 Leases. Maintenance and repairs have been determined based on the costs allocated to internal cost centers. The related cost items can be found in various items in the HMS Networks Group's consolidated income statement.

The following pages present the proportion of Taxonomy-applicable and eligible economic activities, as well as Table 1 in Annex XII to the Delegated Regulation (EU) 2022/1214 regarding operations in nuclear power or fossil gas.

# Percentage of Taxonomy-Eligible Economic Activities

Percentage of sales from products or services associated with economic activities covered by the Taxonomy – disclosures covering the year 2024

Economic activities	2024		CRITERIA FOR MATERIAL CONTRIBUTION							DO NO SIGNIFICANT HARM (DNSH) CRITERIA									
	Code(s)	Absolute sales [MSEK]	Percentage of sales %	Climate change mitigation Y;N;N/EL	Climate change adaptation Y;N;N/EL	Water Y;N;N/EL	Pollution Y;N;N/EL	Circular economy Y;N;N/EL	Biodiversity Y;N;N/EL	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Percentage of sales covered by the Taxonomy requirements 2023 %	Category (enabling activities)	Category (transition activities)
<b>A. ACTIVITIES COVERED BY THE TAXONOMY</b>																			
<b>A.1. Environmentally sustainable activities (Taxonomy-eligible)</b>																			
<b>A.2 Activities covered by the Taxonomy that are not environmentally sustainable (non-Taxonomy-eligible)</b>																			
<i>Manufacture of other low carbon technologies</i>	CCM 3.6	181	6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							6%			
<i>Data processing, hosting, and related activities</i>	CCM 8.1	103	3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							1%			
<b>Sales of the activities covered by the Taxonomy that are not environmentally sustainable (non-Taxonomy-eligible)</b>		284	9%	9%												7%			
<b>A. Sales for activities covered by the Taxonomy</b>		284	9%	9%												7%			
<b>B. ACTIVITIES NOT COVERED BY THE TAXONOMY</b>																			
Sales of activities not covered by the Taxonomy (B)		2,775	91%																
<b>Total (A + B)</b>		3,059	100%																

Percentage of capital expenditure from products or services associated with economic activities covered by the Taxonomy – disclosures covering the year 2024

Code(s)	2024		CRITERIA FOR MATERIAL CONTRIBUTION							DO NO SIGNIFICANT HARM (DNSH) CRITERIA								
	Absolute sales [MSEK]	Percentage of sales %	Climate change mitigation Y,N;N/EL	Climate change adaptation Y,N;N/EL	Water Y,N;N/EL	Pollution Y,N;N/EL	Circular economy Y,N;N/EL	Biodiversity Y,N;N/EL	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Percentage of sales covered by the Taxonomy requirements, 2023 %	Category (enabling activities)	Category (transition activities)
Economic activities																		
A. ACTIVITIES COVERED BY THE TAXONOMY																		
A.1. Environmentally sustainable activities (Taxonomy-eligible)																		
A.2 Activities covered by the Taxonomy that are not environmentally sustainable (non-Taxonomy-eligible)																		
Manufacture of other low carbon technologies	CCM 3.6	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL						0%			
Data processing, hosting, and related activities	CCM 8.1	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL						0%			
Capital expenditure of the activities covered by the Taxonomy that are not environmentally sustainable (non-Taxonomy-eligible)		0	0%	0%											0%			
A. Capital expenditure for activities covered by the Taxonomy		0	0%	0%											0%			
B. ACTIVITIES NOT COVERED BY THE TAXONOMY																		
Capital expenditure of activities not covered by the Taxonomy (B)		4,339	100%															
<b>Total (A + B)</b>		<b>4,339</b>	<b>100%</b>															



Percentage of operating expenditure from products or services associated with economic activities covered by the Taxonomy – disclosures covering the year 2024

	2024		CRITERIA FOR MATERIAL CONTRIBUTION							DO NO SIGNIFICANT HARM (DNSH) CRITERIA									
	Code(s)	Absolute sales [MSEK]	Percentage of sales %	Climate change mitigation Y,N;N/EL	Climate change adaptation Y,N;N/EL	Water Y,N;N/EL	Pollution Y,N;N/EL	Circular economy Y,N;N/EL	Biodiversity Y,N;N/EL	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Percentage of sales covered by the taxonomy requirements 2023 %	Category (enabling activities)	Category (transition activities)
<b>Economic activities</b>																			
<b>A. ACTIVITIES COVERED BY THE TAXONOMY</b>																			
<b>A.1. Environmentally sustainable activities (Taxonomy-eligible)</b>																			
<b>A.2 Activities covered by the Taxonomy that are not environmentally sustainable (non-Taxonomy-eligible)</b>																			
<i>Manufacture of other low carbon technologies</i>																			
CCM 3.6	8	3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								6%			
<i>Data processing, hosting, and related activities</i>																			
CCM 8.1	15	5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3%			
<b>Operating expenditure of the activities covered by the Taxonomy that are not environmentally sustainable (non-Taxonomy-eligible)</b>																			
	23	8%	8%													9%			
<b>A. Operating expenditure for activities covered by the Taxonomy</b>																			
	23	8%	8%													9%			
<b>B. ACTIVITIES NOT COVERED BY THE TAXONOMY</b>																			
Operating expenditure of activities not covered by the Taxonomy (B)																			
	290	92%																	
<b>Total (A + B)</b>																			
	313	100%																	

NUCLEAR ENERGY AND FOSSIL GAS RELATED ACTIVITIES

NUCLEAR ENERGY RELATED ACTIVITIES

<p>The company carries out, funds, or has exposures to research, development, demonstration, and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.</p>	<p>NO</p>
<p>The undertaking carries out, funds, or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.</p>	<p>NO</p>
<p>The undertaking carries out, funds, or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.</p>	<p>NO</p>

FOSSIL GAS RELATED ACTIVITIES

<p>The undertaking carries out, funds, or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.</p>	<p>NO</p>
<p>The undertaking carries out, funds, or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.</p>	<p>NO</p>
<p>The undertaking carries out, funds, or has exposures to construction, refurbishment, and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.</p>	<p>NO</p>



# Social

## Own workforce

### Employees

HMS wants to offer employees opportunities for personal and professional development in a growing, dynamic, and international organization. HMS' material issues and topic-specific information in the area are engagement and development, equality and diversity, and health and safety.

In its role as an employer, HMS has a major impact on the culture and work environment that characterizes our organization and employees. The work environment and work activities in HMS' operations can entail opportunities as well as risks to employees' physical and psychosocial health. We are therefore committed to our proactive work on health, development, and an inclusive corporate culture.

Governance in this area is based on the HMS Code of Conduct, Health and Safety Policy, instructions and handbooks for employees, deviation management system, work with core values, business goals and key figures, employee surveys and reviews, and employee training.

HMS employees are given the opportunity to anonymously report irregularities to HMS' whistleblower function, which is managed by an external independent partner. The handling of reported cases follows a defined process and is handled by HMS' whistleblower representative; the work is followed up on by the Board

and management. In 2024, two irregularities were reported through the web-based whistleblower system.

All HMS employees have the right to join trade unions. At the end of 2024, 36 (49) percent of the employees in the Group were covered by collective agreements. For HMS' Swedish operations, all staff are covered by collective agreements.

### Engagement and development

GRI 404-3

Fierce competition for qualified labor means that it is important for the Group to enhance its attractiveness as an employer by proactively working on the corporate culture, work environment, benefits, and leadership. HMS therefore constantly invests in staff development and offers development opportunities to ensure that the organization possesses the knowledge and skills required for the future. It is our belief that satisfied and high-performing employees are crucial to creating loyal customers, which in turn is the foundation of a successful business. Learn more about the Employee Net Promotor Score (eNPS) on page 25.

A regular dialogue with employees is a crucial part of employee engagement and development; in 2024, performance reviews were conducted with 83 (91) percent of HMS' employees. We work systematically with skills development based on our business plans and in collaboration with our managers and employees. The training needs are inventoried and followed up on annually with each

Diversity and age distribution, (%)	2024			2023		
	Total	Managers	Employees	Total	Managers	Employees
< 30 years	14	1	17	16	2	19
– women	5	-	5	5	-	6
– men	10	1	11	11	2	13
30–50 years	57	66	55	62	66	61
– women	17	19	17	18	18	18
– men	40	47	39	44	48	43
> 50 years	29	33	28	22	32	21
– women	10	8	10	5	4	5
– men	19	24	18	18	27	16
Average age	-	-	-	-	-	-

The table shows diversity and age distribution as a percentage calculated based on the number of employees per employment contract as of December 31. No data on average age is available.

employee. Comprehensive skills initiatives are driven by HR, while individual training is based on employee interviews.

### Equality and diversity

GRI 405-1

Greater diversity and gender equality are crucial cornerstones when it comes to strengthening HMS' corporate culture and building our organization for the future. Through our influence, HMS has great opportunities to improve diversity and equality within its own organization, but also the opportunity to influence the industry in a positive direction.

Through active efforts, the proportion of women among HMS' employees has steadily

increased in recent years. These efforts have consisted of training initiatives aimed at creating an equal and inclusive environment throughout the company, breaking down targets in operations, and reviewing leadership profiles and recruitment processes. The proportion of female managers within the organization increased in 2024, and we continue to work toward our goal of reaching 30 percent female managers by 2025.

The distribution of women and men on HMS' Board of Directors in 2024 was three women and five men. The group management team consisted of one woman and five men in 2024.



Number of employees	2024			2023		
	Total	Women	Men	Total	Women	Men
<b>Total number of employees</b>	<b>1,139</b>	<b>359</b>	<b>780</b>	<b>866</b>	<b>244</b>	<b>622</b>
Permanent employees	1,125	353	772	833	229	604
– Full time	1,042	310	276	767	199	568
– Part time	83	43	40	65	29	36
Temporary employees	14	6	8	33	15	18
<b>Europe</b>						
<b>Total number of employees</b>	<b>723</b>	<b>193</b>	<b>530</b>	<b>746</b>	<b>210</b>	<b>536</b>
Permanent employees	717	191	526	715	197	518
– Full time	651	160	491	650	168	482
– Part time	66	31	35	65	29	36
Temporary employees	6	2	4	31	13	18
<b>Asia</b>						
<b>Total number of employees</b>	<b>105</b>	<b>29</b>	<b>76</b>	<b>60</b>	<b>21</b>	<b>39</b>
Permanent employees	99	26	73	58	19	39
– Full time	99	26	73	58	19	39
– Part time	-	-	-	-	-	-
Temporary employees	6	3	3	2	2	-
<b>Oceania</b>						
<b>Total number of employees</b>	<b>5</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>1</b>	<b>4</b>
Permanent employees	5	1	4	5	1	4
– Full time	5	1	4	5	1	4
– Part time	-	-	-	-	-	-
Temporary employees	-	-	-	-	-	-
<b>Americas</b>						
<b>Total number of employees</b>	<b>306</b>	<b>136</b>	<b>170</b>	<b>55</b>	<b>12</b>	<b>43</b>
Permanent employees	304	135	169	55	12	43
– Full time	287	123	164	55	12	43
– Part time	17	12	5	-	-	-
Temporary employees	2	1	1	-	-	-

The table shows the number of employees per employment contract as of December 31.

## Health and safety

GRI 403-1, 403-3, 403-8

HMS works actively to create a socially, physically, and mentally healthy workplace for all employees by preventing the risk of occupational injuries and work-related ill health. Systematic health and safety work involves investigating, preventing, implementing, and follow-up. All HMS operations comply with relevant national legislation and health and safety regulations.

HMS' Code of Conduct and Supplier Code of Conduct contain guidelines for health and safety, and systematic health and safety work is managed through Health and Safety Policy and instructions in the organization. In 2024, we developed a global work environment policy and a work environment strategy for our largest production facilities.

### WORK ENVIRONMENT STRATEGY FOR OUR LARGEST PRODUCTION FACILITIES

Our work environment strategy is based on four key focus areas with the motto "See it, stop it." The ambition is to have systematic work environment management and a zero vision for occupational accidents within our production facilities. The focus areas are:

- Capability – Standardized and safe working methods through training and commitment.
- Communication – Active communication on safety and encouragement to report.
- Risk management – Prevention of risks through systematic work environment management.
- Safety culture – Integration of safety as part of our business and culture.

Safety inspections are carried out continuously within the framework of risk prevention work, and in most of HMS' operations

there are safety committees that follow up on the work.

Consultants and temporary staff must follow procedures and guidelines for the HMS workplace where they work. At present, there is no overall follow-up of those who work on behalf of HMS but are employed by an external partner.

Several of HMS' operations have implemented work environment management systems and systematic work environment management. None of the management systems are currently certified according to international standards. In 2024, HMS' operations in Sweden, Germany, Spain, the USA, and Belgium had implemented processes and governance for systematic work environment management. These operations comprise 78 percent of HMS' employees.

Risks and incidents are reported in the deviation management system, to the responsible manager, or to designated responsible personnel within each unit. All reported incidents are followed up on, and corrective actions are determined.

Work environment responsibility is divided into two areas: well-being and safety. Responsibility for well-being rests with the HR functions within the businesses. Responsibility for safety within our production facilities lies with the production manager, while responsibility for safety otherwise lies with the relevant manager. The ultimate responsibility for health and safety lies with the Chief Operating Officer and Chief Human Resource Officer.

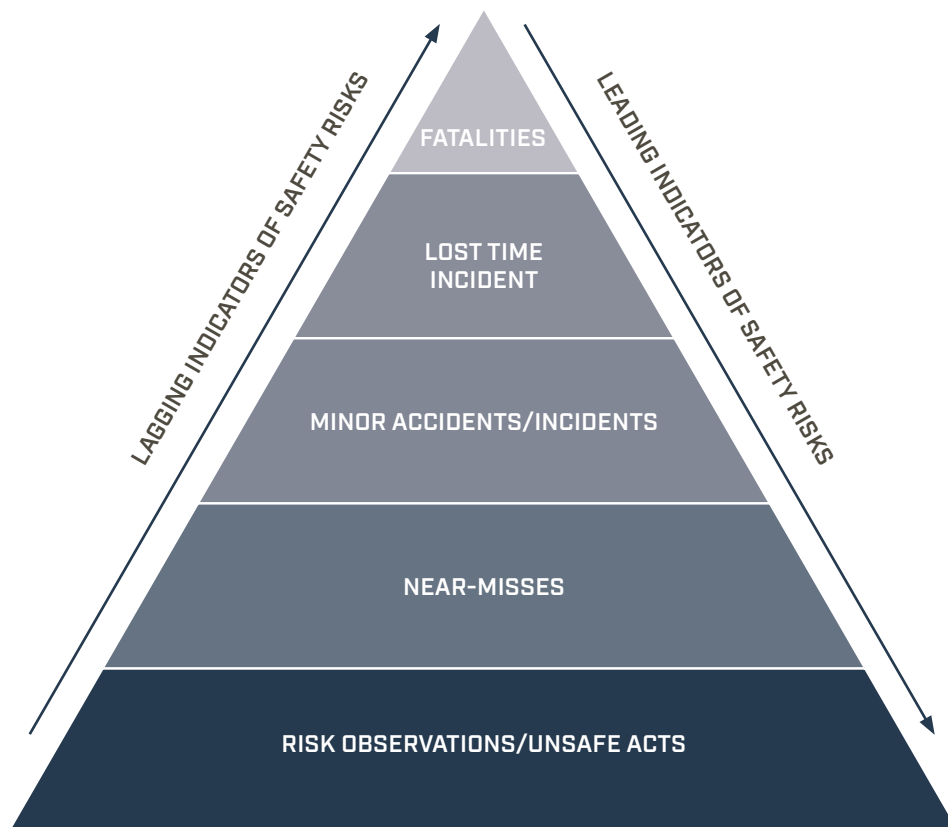
Since incidents, occupational injuries, and illnesses are reported according to local procedures and definitions in each country, we have chosen to follow up on the part of the business where we have the most employees and the largest manufacturing operations at Group level.



KPIs 2024	Quantity
Number of risk observations	520
Number of near-misses	37
Number of fatalities due to occupational injuries and occupational ill health	0
Number of recordable occupational accidents (excluding fatalities) – LTI	0
Frequency of recordable occupational accidents	0
Number of recordable occupational illnesses	0
Number of working days lost due to occupational injuries, and fatalities from occupational accidents, occupational ill health, and fatalities from ill health	0

The above includes data from our manufacturing facilities in Halmstad and York.

### HMS Safety Culture



## Workers in the value chain

HMS' impact and responsibility extend throughout the value chain, and together with our suppliers and customers, we work to ensure responsible operations. HMS' material issues in this area are a responsible value chain as well as business ethics and anti-corruption. Topic-specific disclosures are presented as supplier assessment based on social and environmental criteria as well as anti-corruption. Governance in this area is based on HMS' Code of Conduct, Supplier Code of Conduct, and Conflict Minerals Policy. The reported key figures in this area do not include the companies acquired during the year, Red Lion Controls Inc. and PEAK-System Technik GmbH.

### Responsible value chain

GRI 308-1, 414-1

HMS partners with suppliers who supply the business with electronic components, plastic parts, packaging materials, transports, and indirect materials and services. We also have long-term partnerships with contract manufacturers. The majority of our suppliers are located in Europe, Asia, and North America. A significant part of HMS' actual and potential negative and positive impact on the economy, the environment, and people, including human rights, can be found in the value chain. For many of our material sustainability issues, the impact is greatest at the supplier and customer level. The actual negative impact that has

been identified relates to emissions to air and potential risks related to the use of rare metals and minerals in the manufacturing process. Close collaboration with suppliers is therefore a precondition for ensuring a responsible value chain and for achieving our sustainability goals.

### Result

HMS' global purchasing function has the overall responsibility for the supply of components, products, and transports. The responsibility for the purchase of goods and services is also to a certain extent divided between HMS' various business areas and functions. HMS' Supplier Code of Conduct, general terms and conditions of purchase, and conflict minerals policy are central documents in the work to ensure a responsible value chain.

During the year, training efforts were carried out in sustainability and responsible business for internal purchasing functions and other relevant key roles. By the end of 2024, 100 percent of employees had undergone the training.

The purchasing function follows a Group-wide process for monitoring supplier performance, and follow-up discussions are held continuously with strategically important suppliers. The process follows the OECD Due Diligence Guidance for Responsible Business Conduct and includes elements such as requirements for

business partners, identification and evaluation of negative impacts, corrective measures, and follow-up in collaboration with suppliers.

Strategic and new suppliers are asked to sign the HMS Supplier Code of Conduct, or an equivalent agreed standard. As of this year, this also includes HMS' strategic manufacturers, which strengthens our ownership across the value chain. A strategic supplier is a partner that creates significant value in terms of HMS' ability to produce and deliver products, and where we aim for a close and long-term partnership. By the end of 2024, 86 percent of HMS' strategic suppliers and manufacturers had signed the Supplier Code of Conduct.

All strategic suppliers and manufacturers are asked to carry out a self-assessment that includes sustainability-related topics. By the end of 2024, 74 percent of HMS' strategic suppliers and manufacturers had carried out the self-assessment.

During the year, six (3) supplier audits were conducted on site, focusing on environmental and social criteria, based on supplier responses in the self-assessment. No major deviations were identified; for the minor deviations identified, corrective measures have been taken. HMS actively collaborates with relevant suppliers and follows up on their development to ensure that our expectations and sustainability requirements are met.

The selection of suppliers for site audits is based on a careful selection process involving purchasing management, the quality department, and the sustainability team. The selection is based on strategic suppliers, time since the last audit, and those who have shown a lack of results in the sustainability assessment through our sustainability form.

HMS entered into partnerships with five (9) new suppliers in 2024. However, none of these suppliers were audited through an on-site audit in 2024.

Environmental legislation and other legal requirements in the area of sustainability are regularly monitored and followed up on, including ensuring compliance with the REACH and RoHS directives. Risk survey of conflict minerals and subsequent follow-up of high-risk suppliers is carried out annually. In this year's risk survey, the response rate was 83 (81) percent. The results of the survey showed that 11 percent of responding suppliers have used components containing minerals from conflict-affected areas and/or high-risk areas. Suppliers using smelters identified as high risk have decreased compared to the previous year. All suppliers with identified high risk were followed up for corrective action to support the transition to certified and conflict-free smelters.



# Governance

## Business conduct

### Business ethics and anti-corruption

GRI 205-2

Business ethics and anti-corruption are fundamental principles in our work and a prerequisite for long-term sustainable business relationships. We endeavor to create a corporate culture where all employees, suppliers, and business partners act in accordance with our ethical guidelines and applicable legal requirements.

Our Code of Conduct provides clear guidelines on how we expect business relationships to be managed, including zero tolerance for all forms of corruption and bribery. All employees undergo regular training in business ethics and anti-corruption to ensure that guidelines and requirements are well established in the organization.

HMS conducts ongoing risk assessments and due-diligence processes to identify and manage potential risks in the value chain. Our suppliers and business partners are expected to follow our Supplier Code of Conduct, which clearly defines requirements for ethical business conduct. In the event of a violation, action will be taken in accordance with our established guidelines.

To promote transparency and enable reporting of suspected irregularities, we have established a whistleblowing service where employees and external stakeholders can anonymously report irregularities. The whistleblower service is available via the intranet and our website.

### Result

In 2024, a revision of the HMS Code of Conduct was carried out to align with the sustainability reporting requirements in CSRD. As part of this, a training initiative in the Code of Conduct was carried out for all employees and the Board of Directors. By the end of the year, 90 percent of employees had completed the training.

New employees undergo training in the Code of Conduct as part of the onboarding program, and the training is regularly updated during the employment to ensure that HMS' guidelines are followed.

HMS' Supplier Code of Conduct is available to external stakeholders via the company's website, and all strategic suppliers and manufacturers are asked to sign it. Read more about supplier follow-up and outcomes in the previous section, Employees in the value chain.

Reporting via the HMS whistleblower service is followed up on and evaluated annually by the group management team and the Board. In 2024, two irregularities were reported via the whistleblower service.



# GRI Index

**Statement of use** HMS Industrial Networks has reported with reference to the GRI Standards during the period January 1 through December 31, 2024.

**GRI 1** GRI 1: Foundation 2021

GRI Standard	Disclosure	Reference	Departure		
			Departure	Motivation	Comment

## General disclosures

<b>GRI 2: General disclosures 2021</b>	2-1 Organizational details	31-35, 55, 102			
	2-2 Entities included in the organization’s sustainability reporting	102, 111			
	2-3 Reporting period, frequency and contact point	111			
	2-4 Restatements of information	111			
	2-5 External assurance	111			
	2-6 Activities, value chain and other business relationships	7-8, 10-17, 31-35, 55, 132-133			
	2-7 Employees	129-130			
	2-8 Workers who are not employees	130	2-8 a, b, c	The information is not available	
	2-9 Governance structure and composition	38-44, 115-117			
	2-10 Nomination and selection of the highest governance body	38-41			
	2-11 Chair of the highest governance body	40, 46			
	2-12 Role of the highest governance body in overseeing the management of impacts	40, 115-117			
	2-13 Delegation of responsibility for managing impacts	115-117			
	2-14 Role of the highest governance body in sustainability reporting	41, 115-117			
	2-15 Conflicts of interest	39-40			
	2-16 Communication of critical concerns	42-44, 115-117			
	2-17 Collective knowledge of the highest governance body	42-44, 46-49, 115-117			
	2-18 Evaluation of the performance of the highest governance body	39			



GRI Standard	Disclosure	Reference	Departure		
			Departure	Motivation	Comment
	2-19 Remuneration policies	40-41, 78-79			
	2-20 Process to determine remuneration	40-41, 78-79			
	2-21 Ratio of annual remuneration paid		2-21 a, b, c	The information is not available	
	2-22 Statement on sustainable development strategy	3, 18			
	2-23 Policy commitments	115-117			
	2-24 Anchoring of policy commitments	115-117			
	2-25 Processes to remediate negative impacts	112-117, 129-133			
	2-26 Mechanisms for seeking advice and raising concerns	115-117			
	2-27 Compliance with laws and regulations	115-117			
	2-28 Membership associations	113			
	2-29 Approach to stakeholder engagement	112-113			
	2-30 Collective bargaining agreements	129			
<b>Material topics</b>					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	112-113			
	3-2 List of material topics	114			
<b>Anti-corruption</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	117, 133			
GRI 205: Anti-corruption 2016	205-2 Communication and training in anti-corruption policies and procedures	133			
<b>Energy</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	117-118			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	119			
	302-3 Energy intensity	119			
<b>Emissions</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	117-118			

GRI Standard	Disclosure	Reference	Departure		
			Departure	Motivation	Comment
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	120			
	305-2 Energy indirect (Scope 2) GHG emissions	120			
	305-3 Other indirect (Scope 3) GHG emissions	120			
	305-4 GHG emissions intensity	120			
<b>Waste</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	117-118			
GRI 306: Waste 2020	306-3 Generated waste	123			
<b>Supplier environmental assessment</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	117, 132			
GRI 308: Supplier environmental assessment 2016	308-1 Percentage of new suppliers evaluated using environmental criteria	132			
<b>Occupational health and safety</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	117, 129-130			
GRI 403: Occupational health and safety 2018	GRI 403-1 Occupational health and safety management system	130			
	403-3 Occupational healthcare	130			
	403-8 Employees covered by occupational health and safety management system	130			
<b>Training and education</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	117, 129			
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	129			Data not specified for percentage of employees by gender and employee category.
<b>GRI 405: Diversity and Equal Opportunity 2016</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	117, 129			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	129			
<b>Supplier social assessment</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	117, 132			
GRI 414: Supplier Social Assessment 2016	414-1 Percentage of new suppliers screened using social criteria	132			

# Auditor's Statement on the Statutory Sustainability Report

To the AGM of HMS Networks AB (publ), corporate ID number 556661-8954.

## ASSIGNMENT AND DIVISION OF RESPONSIBILITIES

The Board of Directors is responsible for the 2024 Sustainability Report and for it being prepared in accordance with the Swedish Annual Accounts Act in accordance with the older wording that applied before 1 July 2024. The company has defined the Statutory Sustainability Report in the Directors' Report on page 111.

## FOCUS AND SCOPE OF THE REVIEW

Our review has been conducted in accordance with FAR's recommendation RevR 12 Auditor's Statement on the Statutory Sustainability Report. This means that our review of the Sustainability Report has a different focus and a significantly smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our conclusion.

## CONCLUSION

A sustainability report has been prepared.

Gothenburg, March 24, 2025

Öhrlings PricewaterhouseCoopers AB

Johan Palmgren

*Authorized Public Accountant*



# Annual General Meeting on April 24, 2025

The shareholders of HMS Networks AB (publ), CIN 556661-8954, are hereby invited to attend the AGM, which will be held on Thursday, April 24, 2025 at 10:30 a.m. at the HMS head office, Stationsgatan 37, Halmstad, Sweden. Registration for the meeting will commence at 09:30 a.m.

## RIGHT TO PARTICIPATE IN THE AGM

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 14, 2025, and give notice of their intention to participate in the Annual General Meeting no later than on Wednesday April 16, 2025, preferably before 4 p.m.

Notification shall be made by phone +46 (0)35 17 29 00, in writing to HMS Networks AB, "Annual General Meeting", P.O. Box 4126, 300 04 Halmstad, Sweden or via the website: [www.hms-networks.com](http://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).

## PROXY

If a shareholder is represented by a proxy, a proxy should be issued with a power of attorney for the proxy. Anyone representing a legal entity must present a copy of the registration certificate, or other document demonstrating the signatory's authority to sign for the legal entity. The power of attorney may

not be more than one year old, unless a longer period of validity is stated in the power of attorney (no more than five years).

The power of attorney in original and, if applicable, registration certificate must be sent to HMS Networks AB, "Annual General Meeting", P.O. Box 4126, 300 04 Halmstad, Sweden or by email to [agm@innovatics.se](mailto:agm@innovatics.se), well in advance of the Annual General Meeting. A form of power of attorney is available on the HMS website [www.hms-networks.com](http://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 14, 2025. 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 16, 2025, will be taken into account in the presentation of the share register.

Halmstad, March 2025  
HMS Networks AB (publ)  
Board of Directors



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**Important reporting dates**

- April 23, 2025**      **First quarter Report**
- April 24, 2025**      **Annual General Meeting**
- July 11, 2025**      **Half-year Report**
- October 21, 2025**      **Third quarter Report**

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## HMS – A leading company within industrial ICT (Information & Communication Technology)

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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