

Managing risks

Hexagon's risk management activities are designed to identify, control and reduce risks associated with its business. The Group, which includes Hexagon AB and its subsidiaries, operates in various industries and geographical areas and manages risks both locally in each subsidiary and centrally at group level. While market-specific risks are primarily managed within individual subsidiaries, legal, compliance, strategic, sustainability, and financial risks are monitored centrally to ensure they align with Hexagon's global objectives.

Market risk management

Market risks concern risks such as economic trends, competition and risks related to acquisitions and integration. Market risks are primarily managed within each subsidiary of Hexagon.

Risk

Acquisitions and integration; Divestments and separation

An important part of Hexagon's current and future growth strategy is to actively pursue strategic acquisitions of companies and businesses, which may include minority investments or other forms of partnership. It cannot be guaranteed, however, that Hexagon will be able to find suitable acquisition targets, nor can it be guaranteed that the necessary financing for future acquisition targets can be obtained on terms acceptable to Hexagon, or at all. A lack of acquisition financing or suitable acquisition targets may lead to a decreasing growth rate for Hexagon.

Acquisitions entail multiple risks. The acquired entities' relations with customers, suppliers, key personnel and affiliates may be negatively affected by the acquisition. There is also some risk that integration processes may prove more costly or time consuming than estimated and that anticipated synergies in whole or in part fail to materialise or that positive impacts on earnings

may fail to realise or may take longer to realise than expected. An acquisition of a company that is not conducting its business of Hexagon's standards, such as not in a sustainable way or in compliance with Hexagon's Code of Business Conduct and Ethics, may have a negative impact on Hexagon's reputation and brand, despite Hexagon's efforts to promptly remediate such conditions.

The execution of divestitures, spin-offs, and other similar transactions that involve separation of businesses or assets from Hexagon may expose Hexagon to various other risks, including but not limited to operational disruptions, increased costs, and loss of synergies. These transactions may also result in unforeseen legal, regulatory, or tax implications, which could adversely affect Hexagon's financial condition and results of operations. Additionally, Hexagon may face challenges in retaining key personnel and maintaining customer relationships during and after

the process. There is no assurance that the anticipated benefits of these transactions will be realised, and any failure to successfully execute or integrate these transactions could have a material adverse effect on Hexagon's business and prospects.

Risk management

Hexagon monitors many companies to find acquisitions that can strengthen the Group's product portfolio or improve its distribution network. Potential targets are regularly evaluated based on financial, technology and commercial grounds. Every acquisition candidate's potential place in the Group is determined based on many considerations, including synergy simulations and implementation strategies. Hexagon conducts an extensive due diligence process, often involving external subject matter experts, to evaluate potential risks and there are well-established

Acquisitions and integration; Divestments and separation, continued

procedures and structures for pricing, acquiring and integrating acquired companies. Similar processes are used in divestment transactions to address the considerations relevant to those transactions.

From 2000 to date, Hexagon has completed more than 200 acquisitions. Based on clear strategies and goals, and on its extensive experience integrating acquisitions, Hexagon is well positioned to successfully integrate acquired companies into the Group. In Hexagon's standard due diligence process, a number of risk management,

compliance and sustainability elements are included, such as considerations about the internal controls of the target company, quality business practices, environmental matters, employee matters, ISO (International Organisation for Standardisation) or other industry certifications, and compliance programmes of the target, including those related to anti-corruption, foreign corrupt practices, export controls and tariffs, data protection and IT Security.

Risk

Impact of the economy and financial markets

Hexagon engages in worldwide operations that are dependent on global economic and financial market conditions, as well as conditions that are unique to certain countries or regions. General economic and financial market conditions, including the interest rate and economic inflation environment, affect the inclination and the capabilities of Hexagon's existing and potential customers to invest in various technologies. Weak macroeconomic conditions globally or in part of the world may therefore result in market growth that falls below expectations and may reduce revenues for Hexagon, or it may have other effects, like extending the sales cycle.

The occurrence of a pandemic could have an impact on important Hexagon customer industries and an increase of raw material and intermediate goods costs could impact Hexagon's sales potential and cost structure. While the duration and severity of those impacts on

Hexagon's business are highly uncertain, they could have an adverse effect on the business, financial condition and results of operations in many ways, including disruptions in Hexagon's supply chains.

Risk management

Hexagon's business is widely spread geographically, with a broad customer base within numerous market segments which may make the Group less sensitive to economic fluctuations in individual sectors, industries and geographical regions. Potential negative effects of a downturn in the developed world may, for example, be partially offset by growth in emerging markets and vice-versa.

While Hexagon has developed and continues to develop plans intended to help mitigate the negative impact of economic downturns on the business, a protracted event would likely limit the effectiveness of those mitigation efforts, particularly if it would simultaneously affect multiple regions, sectors or industries.



Risk

Geopolitical risks

Understanding geopolitical risk, how geography, economics and social factors influence politics and the relations between countries, is important in a world of interconnected global networks, supply chains and systems.

Current geopolitical risks include, but are not limited to, trade and political tensions among various countries and regions, including the US, China and the EU; the current war in Ukraine and the corresponding global sanctions; the conflict between Israel and Palestine as well as Israel and other Middle Eastern countries, and the occurrence of other political and economic uncertainties. Intensification of armed conflicts, ongoing political tensions and international economic sanctions could have significant negative impacts on the global economy and the performance of financial markets. These same factors could also lead to new legislation restricting how Hexagon does business and could have negative impacts on governmental approvals or permits, interest rates, availability of supply and on the markets for raw materials.

Understanding how geopolitical risks may affect Hexagon's organisation, activities, operating results and strategies is critical to making accurate projections about Hexagon's future growth and profitability. However, what impact the wars, crises, pandemics and/or an escalating trade complexity

will have on commercial activities and/or global markets and the demand for Hexagon's products over the coming years remains uncertain and will to some extent depend upon resolution of any crises.

Risk management

In order to mitigate risks that may occur due to geopolitics, such as sanctions and/or global perception and reputational risk, Hexagon follows developments closely while evaluating different strategies in order to prepare for and handle possible scenarios that may affect Hexagon's organisation and the ability to do business in different parts of the world in the near term and over the coming years. Among other things, Hexagon seeks to mitigate geopolitical risk through its local operations and localised products, adapted to local requirements. Further, Hexagon has defined a Group Policy ensuring strict compliance with economic sanctions and a global team of subject matter experts that monitor developments and best practices.

Risk

Competition and price pressure

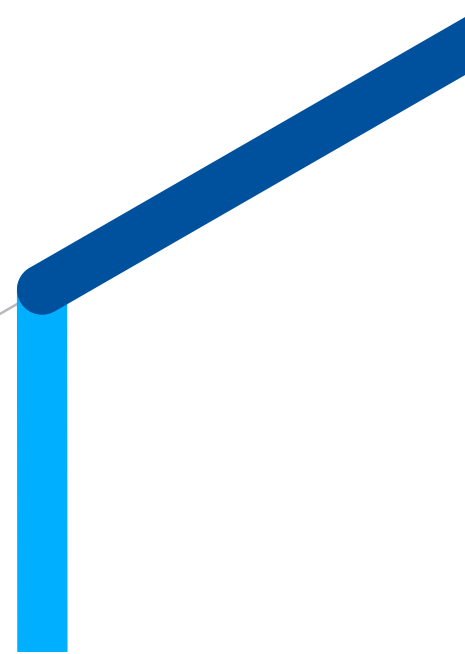
Parts of Hexagon's operations are carried out in sectors which are subject to price pressure and rapid technological change. Hexagon's ability to compete in the market by introducing new and successful products with enhanced functionality while simultaneously cutting costs on new and existing products is of the utmost importance to retain customers and avoid erosion of market share. Consolidation or entry into Hexagon's markets by companies with significant resources may result in price reductions, reduced margins or loss of market share.

R&D efforts are costly and new product development entails risk, including risk of unsuccessful product launches or commercialisation, which could have material adverse consequences on Hexagon. Further, technological innovation and changing trends, such as disruptive technologies, technical capabilities, supply chains, new market entrants or novel business models, create inherent risks that are difficult to foresee.

Risk management

Hexagon makes significant investments into R&D. The objectives for Hexagon's R&D team are to transform customer needs into products and services and to detect and advance market and technology opportunities as early as practicable. Introducing new products and technologies requires active intellectual property management to secure Hexagon's technological position.

In addition to innovation, Hexagon recognises that competition matters are reflected as compliance risks and has incorporated these considerations into its Hexagon Compliance Programme.



Operational risk management

Operational risks concern risks related to reception of new products and services, dependence on suppliers and risks related to human capital. Since the majority of operational risks are attributable to Hexagon's customer and supplier relations, ongoing risk analyses of customers and suppliers are conducted to assess business risks. Operational risks are primarily managed within each subsidiary of Hexagon.

Risk

Customers

Hexagon's business activities are conducted in a large number of markets with multiple customer categories. In 2025, General Manufacturing was the single largest customer category and accounted for 12 per cent of net sales. For Hexagon, this customer category may involve certain risks as a downturn or weak development in the general manufacturing sector can have a negative impact on Hexagon's business. General Manufacturing is followed by customer categories Aerospace & defence with 11 per cent, Mining with 9 per cent and Surveying with 8 per cent. Changing demand of Hexagon's customers is possible as technology needs and consumption change over time.

Hexagon may face risks, including reputational risks, while global conflicts persist, due to unauthorised use or misuse of the Group's products. Further, the occurrence of a pandemic could result in delays, cancellations, or changes to user and industry conferences and other marketing events relating to Hexagon's solutions, including its own customer and partner activities, which may negatively impact the ability to obtain new and retain existing customers, and effectively market Hexagon's solutions.

Risk management

Hexagon has a favourable risk diversification in products and geographical areas, and no single customer or customer category is decisive for the Group's performance. The largest customer represents approximately 1 per cent of the Group's total net sales. Credit risk in customer receivables accounts for the majority of Hexagon's counterparty risk.

Hexagon's Compliance Programme addresses material principles contained in the Code of Business Conduct and Ethics, including trade with export controls, customs, anti-corruption, competition, public contracting and data privacy.

Hexagon is committed to adhering to all applicable legal requirements, including those specified above. The Group's compliance efforts are designed to ensure peace and security by preventing the unlawful trade of items (such as goods, software, or technology) and their diversion to destinations where they may be used for illegal purposes.



Risk

Suppliers

Hexagon's hardware products consist of components from several different suppliers. To be in a position to sell and deliver solutions to customers, Hexagon is dependent upon deliveries from third parties in accordance with agreed requirements relating to, for example, quantity, quality and delivery times. Erroneous or default deliveries by suppliers can cause delay or default in Hexagon's deliveries, which can result in reduced sales. Further, Hexagon uses subcontractors, distributors, resellers and other representatives. Hexagon may face risks, including reputational risks, if suppliers do not maintain a high level of business ethics in terms of, for example, human rights, working conditions and corruption.

The occurrence of a pandemic could temporarily result in an inability to meet in person or otherwise effectively communicate with current or potential vendors, suppliers, and partners, which may negatively affect current and future relationships with such vendors, suppliers, and partners and Hexagon's ability to generate demand for solutions.

If there were to be unmanaged negative impacts following a supplier's noncompliance with Hexagon's Code of Business Conduct and Ethics and/or Hexagon's Supplier Code of Conduct, it may result in reputational risks for Hexagon.

Risk management

Hexagon seeks a favourable risk diversification, and no single supplier is decisive for the Group's performance. The largest supplier accounted for 1 per cent of Hexagon's total net sales in 2025. To minimise the risk of supply shortages or of excessive price variations among suppliers, Hexagon works actively to coordinate sourcing within the Group and to identify alternative suppliers for strategic components. Supplier risk surveys are performed (including those by Hexagon's external partner) in order to identify and mitigate risks associated with the suppliers' operations.

Hexagon also has a sustainability risk assessment and supplier audit process in place, including handling the risk of breaches in human rights. Hexagon has implemented a comprehensive compliance programme for suppliers to manage social, legal, and ethical risks. The Group regularly conducts supplier audits to ensure adherence to Hexagon's Code of Business Conduct and Ethics, as well as Hexagon's Supplier Code of Conduct. Compliance training is offered to Hexagon's suppliers. Hexagon also ensures strict adherence to the new EU regulations on supply chain management and updates its supply chain management system accordingly.

Risk

Production and distribution units

Hexagon's production and distribution units are exposed to risks (fire, explosion, natural hazards, machinery damages, cyber threats, infrastructure failures, power outages, etc.) that could lead to property damage and business interruption. This risk may be further accentuated by climate change, which may impact the frequency and severity of many of these events.

Risk management

Risk grading surveys are performed (including by Hexagon's external partner) in order to identify and mitigate risks as well as support local management in their loss prevention work. Surveys are conducted with each subsidiary in accordance with a long-term plan. Hexagon has implemented ISO9001 at the majority of the largest production sites.

Risk

Environment

Hexagon provides sensors, software and data to its customers. 61 per cent of the revenues are from software and services. Hexagon does not currently operate any business that requires carbon credits, but that could change in the future. However, stricter regulation of environmental matters can result in increased costs or further investments for the companies within Hexagon which are subject to such regulation. Climate change can result in natural disasters and increase the risk of physical damage on assets and supply shortages. Hexagon is impacted by such legislation in a manner similar to other companies operating in these fields.

Risk management

Hexagon believes that it is in material compliance with all applicable laws and obligations and obtains relevant approvals where needed. Hexagon continuously monitors anticipated and implemented changes in legislation in the countries in which it operates, and potential environmental risks are regularly monitored. Hexagon routinely assesses the risk of climate change on its operations as part of its insurance programme. Hexagon has implemented ISO14001 at the majority of the largest production sites and has implemented a sustainability programme to reduce its carbon impact in its own operations and in its value chain.

Risk

Human capital

The resignation of key employees or Hexagon's failure to attract skilled and diverse personnel to all different levels within the organisation may have an adverse impact on the Group's operations. Further, maintaining Hexagon's company culture is critical to attracting and retaining top talent.

In the event that all or a portion of Hexagon's workforce becomes unable or unwilling to work on-site or travel as a result of event cancellations, facility closures, shelter-in-place, travel and other restrictions and changes in industry practice due to any causes (including pandemics), these workforce disruptions could adversely affect Hexagon's ability to operate, including to

develop, manufacture, generate sales of, promote, market and deliver hardware and software products, solutions and services, and provide customer support. Adoption of new laws or regulations, or changes to existing laws or regulations, that may be imposed as a result of the occurrence of a pandemic, or any other wide-spread public health situation, may cause risks in the company's ability to hire and retain skilled professionals. The emergence of remote work trends also introduces new challenges to managing a global workforce.

Risk management

Since future success is largely dependent on the capacity to retain,

recruit and develop skilled staff, being an attractive employer to both potential and existing employees is an important success factor for Hexagon.

Group and business area management jointly handle risks associated with human capital. Hexagon works with a structured approach to HR and market-based remuneration to better ensure employee engagement as the overall measure in the employee survey.

In order to attract skilled employees, Hexagon cooperates with multiple universities and colleges around the world, aiming at training, developing and hiring students with industry-ready skills.

Risk

Artificial intelligence technologies

Hexagon uses artificial intelligence (AI) technologies to support its operations, products, and services. While AI offers significant opportunities, it also poses risks, including errors in algorithms, unintended outcomes, or misuse of AI systems. There is also a risk of regulatory changes or increased oversight of AI, which could lead to compliance costs or restrictions on certain technologies. Additionally, reliance on AI may expose Hexagon to cybersecurity threats or data privacy risks. Any failure to manage these risks effectively could negatively impact Hexagon's operations, reputation, or financial performance.

Risk management

Hexagon seeks to mitigate AI-related risks by implementing strict development and testing protocols, ensuring compliance with applicable laws and regulations, and continuously monitoring advancements in AI governance.

Risk

Business ethics and corruption

Corruption negatively impacts communities and overall global economic development and erodes the trust necessary to build a stable business environment. Additionally, under the anti-corruption laws of many jurisdictions, businesses such as Hexagon may potentially be held liable for the corrupt actions taken by employees, strategic or local partners or other representatives. If Hexagon or its intermediaries fail to comply with anti-corruption laws,

governmental authorities could potentially seek to impose civil and/or criminal fines and penalties which could have an adverse effect on Hexagon's business and reputation.

Risk management

Hexagon places paramount importance on anti-corruption compliance for numerous reasons, including the advancement of its financial interests, sustainability objectives, brand value and its reputation.

Hexagon has established a comprehensive Code of Business Conduct and Ethics together with an Anti-Corruption Compliance Programme that covers the entire Group. This programme includes policies, processes, and training related to various potential corruption areas such as gifts and entertainment (both given and received from third parties), hiring candidates with government connections, and conducting business transactions with third parties.

Risk

Cyber risks and data protection

Hexagon is increasingly dependent on robust, cloud-based IT systems, making it susceptible not only to technical disruptions or faults but also to the evolving landscape of cyber threats, particularly in the context of heightened geopolitical tensions.

Hexagon operates in an environment where the cyber threat landscape is constantly evolving, with sophisticated attacks targeting both critical infrastructure and intellectual property across the globe. The proliferation of ransomware, phishing campaigns, and supply chain vulnerabilities presents ongoing challenges that demand robust and adaptive security strategies. As a technology-driven organisation, Hexagon must remain vigilant against emerging threats to ensure operational resilience and the protection of sensitive customer and company data.

The emergence of advanced technologies such as artificial intelligence, combined with breakthroughs in device connectivity, has intensified the complexity and frequency of cyber threats. In addition, the global shift towards remote work, often from non-corporate managed networks, exposes Hexagon, its partners, customers and service providers to new vulnerabilities. These challenges are compounded by the potential for supply chain cyber attacks and the rapid pace of digital transformation, underscoring the critical

need for vigilant cyber security and adaptive risk management strategies.

The diverse portfolio of industries that Hexagon serves exposes it to a complex and wide-ranging regulatory framework that extends well beyond standard data protection measures. The company is governed not only by the General Data Protection Regulation (GDPR) and comparable legislation in other jurisdictions, such as the ePrivacy Regulation and China's PI data laws, but also by a host of emerging European directives and industry-specific requirements. These include the Network and Information Security Directive 2 (NIS2), which imposes heightened cybersecurity duties on organisations deemed essential or important, and the Cyber Resilience Act (CRA), which mandates robust cybersecurity standards for digital products and services. Additionally, compliance with sector-specific frameworks like TISAX is essential in industries such as automotive, where standardised information security assessments are routinely demanded by partners and customers. On top of these cyber-related regulations, Hexagon must also adhere to non-cyber regulations such as Export Control laws, which regulate the transfer of technologies, software and data across international borders, often necessitating special licences or imposing operational restrictions.

Ensuring rigorous compliance with this broad spectrum of regulations is fundamental to Hexagon's commercial success and the safeguarding of shareholder value. Non-compliance could result in substantial financial penalties, operational disruptions, and reputational harm, all factors that can directly erode customer trust and investor confidence. Moreover, regulatory breaches may jeopardise Hexagon's ability to operate in key markets or participate in lucrative partnerships, putting future growth at risk. By proactively aligning its operations with these diverse regulatory requirements, Hexagon not only mitigates legal, financial, and reputational risks but also strengthens its competitive position, underpins sustainable business growth, and protects the long-term interests of its shareholders.

Risk management

Hexagon manages risk through a formal risk assessment process, aligning with the NIST Risk Management Framework and ISO 31000 approaches. Risks are identified, assessed and evaluated before mitigating controls are selected to reduce risk to an acceptable level. Control selection has dependencies on external factors such as industry regulation, local legislation and customer specific requirements. Accordingly, Hexagon operates a matrix of security certification standards such as

ISO 27001, CMMC, TISAX and Cyber Essentials among others. Controls are mapped to the various standards and assured through both internal and independent external audit procedures. Risks that cannot be mitigated through technical or operational measures are treated by transference through the implementation of a robust and comprehensive cybersecurity insurance programme. This programme is evaluated annually to ensure it meets the business and commercial objectives of the organisation.

Risk

Disinformation and reputational damage

Hexagon is exposed to the risk of disinformation or false information being spread about its business, products, or leadership, particularly through social media and digital platforms. Such false narratives could harm Hexagon's reputation, reduce customer trust, and negatively impact its business operations or financial performance. The rapid spread of misinformation can also make it challenging to respond effectively and prevent further damage.

Risk management

Hexagon actively monitors digital platforms for potential reputational risks and has established clear communication strategies to address false information swiftly and transparently. Hexagon also engages with stakeholders to build trust and provide accurate, timely information.



Financial risk management

Financial risks are primarily managed at the Group level. The Group Treasury Policy, which is updated and approved annually by the Board of Directors, stipulates the rules and limitations for the management of financial risks throughout the Group. Hexagon's internal bank coordinates the management of financial risks and is also responsible for the Group's external borrowing and internal financing. Additional financial risks include, but are not limited to, the risks of varying business results, seasonal variation, and changes to accounting principles (or application thereof).

Risk

Currency

Hexagon's operations are conducted internationally. During 2025, total operating earnings, excluding adjustments, from operations in currencies other than EUR amounted to an equivalent of 1,404.3 MEUR (1,278.8). Of these currencies, CHF, CNY and USD have the biggest impact on Hexagon's earnings and net assets. Currency risk is the risk that currency exchange rate fluctuations will have an adverse effect on the income statement, balance sheet and/or cash flow.

Sales and purchases of goods and services in currencies other than the subsidiary's functional currency give rise to transaction exposure.

Translation exposure arises when the income statement and balance sheet are translated into EUR. The balance sheet translation exposure might substantially affect other comprehensive income negatively. Furthermore, the comparability of Hexagon's earnings between periods is affected by changes in currency exchange rates. The income statement translation exposure is described in the table below for the currencies having the largest impact on Hexagon's earnings and net assets,

	Movement ¹	Net of income and cost	Profit impact
CHF	Strengthened 2%	Negative	Negative
USD	Weakened -4%	Positive	Negative
CNY	Weakened -4%	Positive	Negative
EBIT1, MEUR			-75.0

1) Compared to EUR and 2024

including the effect on Hexagon's operating earnings in 2025.

Risk management

Hexagon's reporting currency is EUR, which has a stabilising effect on certain key ratios that are of importance to Hexagon's cost of capital.

As much as possible, currency transaction exposure is concentrated in the countries where the manufacturing entities are located. This is achieved by invoicing the sales entities in their respective functional currency by the manufacturing entities. According to the Group's financial policy, currency transaction exposure should not be hedged using external financial instruments. The rationale for this is that the vast majority of transactions entail a short period of time from order to payment. Moreover, a transaction hedge

only postpones the effect of a change in currency rates.

The translation exposure can be, to a certain degree, mitigated by denominating borrowings in the same currency as the corresponding net assets. In order to have the volatility in net debt at an acceptable level, the majority of the borrowings is currently denominated in EUR.

Risk

Interest

Interest rate risk refers to the potential adverse impact of market interest rate fluctuations on the Group's net interest expense and cash flow. Interest rate exposure arises primarily from outstanding loans. The impact on the Group's net interest expense depends, among other things, on the average interest rate for borrowings. Further, increasing interest rates may have an impact on Hexagon's customers, vendors and suppliers. For example, customers may invest less in Hexagon solutions, or the sales cycle may lengthen or become more uncertain. Vendors and suppliers may reduce inventory levels of available products to deliver to Hexagon, which could extend delivery times, or could fail to fulfil their obligations.

Risk management

In accordance with the Group Treasury Policy, the average interest rate duration of the external debt is to be between 6 months and 3 years. During the year, interest rate derivatives were used to manage the interest rate risk.

Customer interest-rate sensitivity is, to a certain degree, mitigated by the variety of products and services at various prices that Hexagon offers. Supplier and vendor interest-rate sensitivity is mitigated through monitoring key vendors and suppliers.

Risk

Liquidity

Liquidity risk is the risk of not being able to meet payment obligations in full as they become due or only being able to do so at materially disadvantageous terms due to lack of cash resources.

Risk management

The Group Treasury Policy states that the total liquidity reserve shall at all times be at least 10 per cent of forecasted annual net sales. A sufficient liquidity reserve limits the risk of not being able to meet payment obligations in full when they become due. At year-end 2025, cash and unutilised credit limits totalled 1,885.2 MEUR (1,835.2).

Risk

Credit

Credit risk, i.e., the risk that customers may be unable to fulfill their payment obligations, accounts for the majority of Hexagon's counterparty risk. Financial credit risk is the exposure to default of counterparties with which Hexagon has invested cash or has entered into forward exchange contracts or other financial instruments.

Risk management

Through a combination of geographical and industry diversification of customers, the risk for significant credit losses is reduced.

To reduce Hexagon's financial credit risk, surplus cash is only invested with a limited number of approved banks and derivative transactions are only conducted with counterparties where an ISDA (International Swaps and Derivatives Association) netting agreement has been established. As Hexagon is a net borrower, excess liquidity is primarily used to repay external debt and therefore the average surplus cash invested with banks is kept as low as possible.

Risk

Insurable risk

Hexagon's operations, assets and staff are, to a certain degree, exposed to various risks of damages, losses and injuries which could tentatively threaten the Group's business continuity, earnings, financial assets and personnel. Hexagon relies on various insurance policies to mitigate risks associated with its operations, including property damage, liability claims, and business interruptions. There is a risk that insurance coverage may not be available in the future on commercially reasonable terms, or at all, due to market conditions or changes in Hexagon's risk profile. Additionally, existing insurance policies may not fully cover all potential losses or liabilities, leading to significant financial exposure. Any inability to obtain adequate insurance coverage or any substantial increase in insurance premiums could adversely affect Hexagon's financial condition and operational resilience.

Risk management

To ensure a well-balanced insurance coverage and financial economies of scale, Hexagon's insurance programme includes, among other things, group-wide property and liability insurance, travel insurance, errors and omissions insurance and transport insurance, as well as several other programmes, combined with local insurance coverage wherever needed. The insurance programme is periodically amended so that owned risk and insured risk are optimally balanced.

Risk

Refinancing

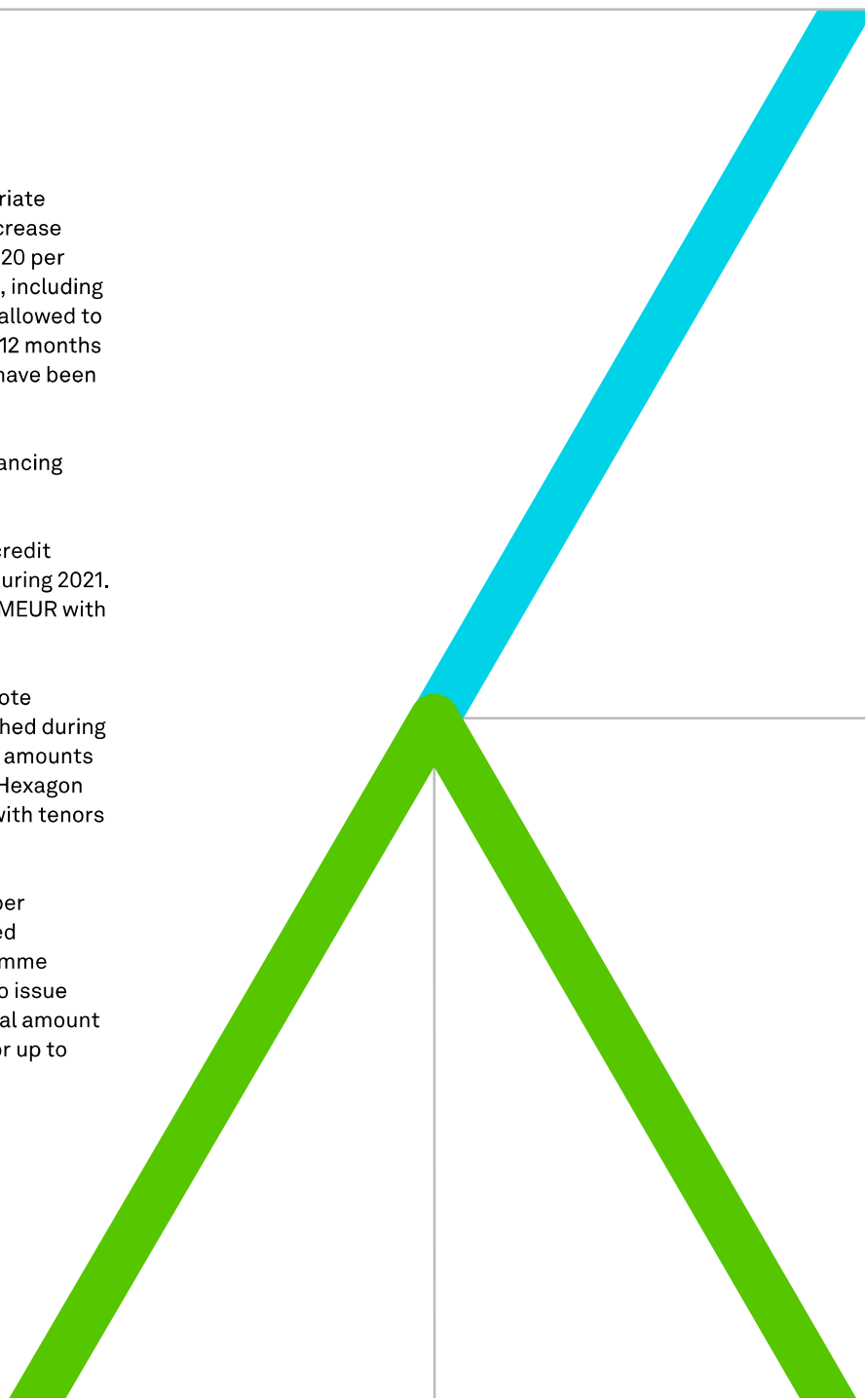
Refinancing risk refers to the risk that Hexagon does not have sufficient financing available when needed to refinance maturing debt, because existing lenders decline to provide additional credit or difficulties arise in procuring new lines of credit at a given point in time. Hexagon's ability to satisfy future capital needs is to a large degree dependent on successful sales of the Group's products and services. There is no guarantee that Hexagon will be able to generate necessary capital from sales or from third party financing arrangements. In this regard, the general development of the capital and credit markets is also of major importance. Hexagon, moreover, requires sufficient financing in order to refinance maturing debt.

Risk management

In order to ensure that appropriate financing is in place and to decrease refinancing risk, no more than 20 per cent of the Group's gross debt, including committed credit facilities, is allowed to mature within the succeeding 12 months unless replacement facilities have been entered into.

Hexagon's main sources of financing consist of:

- A multicurrency revolving credit facility (RCF) established during 2021. The RCF amounts to 1,500 MEUR with a tenor of 5+1+1 years.
- A Swedish Medium-Term Note Programme (MTN) established during 2014. The MTN programme amounts to 20,000 MSEK and gives Hexagon the option to issue bonds with tenors of up to 6 years.
- A Swedish Commercial Paper Programme (CP) established during 2012. The CP programme gives Hexagon the option to issue commercial paper for a total amount of 15,000 MSEK with a tenor up to 12 months.



Legal risk management

Legal risks are managed for each subsidiary of Hexagon. The Group legal function supports the subsidiaries and manages certain legal risks at the Group level.

Risk

Legislation and regulation

Hexagon's main markets are subject to regulation and applicable laws. Hexagon's operations may be affected by regulatory changes, tax changes (including tariffs and customs duties) and other trading obstacles, political changes and pricing, currency and export controls, as well as other government legislation and restrictions in the countries where Hexagon is active. For example, more stringent regulations have been passed, such as in the EU, or are being developed in several jurisdictions relating to the use of artificial intelligence in product development and solutions deployment. In addition, Hexagon remains subject to data protection regulations, which continue to evolve. These changing requirements and more stringent rules impose a risk of non-compliance with these regulations, which could potentially result in substantial legal fees and damage to Hexagon's reputation. Additional areas of regulatory uncertainty include laws and regulations related to export controls and sanctions, foreign-direct investment controls and disclosures, and environmental sustainability (including climate change). New laws and regulations could result in increased compliance and operating costs, such as the Corporate Sustainability Reporting Directive within the EU. Further, delivery of products and services that comply with contractual requirements may present certain

risks at times, particularly in light of frequent regulatory change, natural disasters, wars and regional conflicts, and pandemics and similar force majeure events.

Risk management

Hexagon closely monitors legislation, regulations and applicable ordinances in each market and seeks to adapt the business to identified future changes in each market. The Group's legal function is staffed with experienced professionals and Hexagon also regularly consults with external subject matter experts to address legal risk management topics.

To manage country-specific risks, Hexagon observes local legislation and monitors political developments in the countries where the Group conducts operations. To this effect, Hexagon has adopted a worldwide compliance programme across the Group to ensure that its subsidiaries at all times comply with all applicable legislation, rules and ordinances. Hexagon's Compliance Programme is regularly reviewed and updated as needed based on changes in laws and regulations. Further, Hexagon will continue to comply with all applicable trade restrictions and sanctions laws relevant to our operations and with the rules of ethics and international standards.

Risk

Litigation

Hexagon may face legal claims, investigations, or regulatory actions as part of its regular business activities. These could include disputes with customers, suppliers, competitors, employees, or authorities. Such claims may be based on various allegations, whether justified or not. Negative outcomes from these cases could lead to financial penalties, compensation payments, damage to Hexagon's reputation, or disruptions to its operations. Even if the claims are unfounded, handling them can be expensive, take time, and distract management from running the business.

Risk management

Hexagon works to reduce these risks by following laws and regulations, maintaining strong compliance programmes, and implementing internal policies to identify and manage legal risks. Hexagon also has insurance to help cover the financial impact of certain claims, but this may not always be enough to cover all costs. Hexagon regularly monitors changes in laws and regulations to stay compliant and address potential risks early.

Risk

Intellectual property rights

Intellectual property infringement and plagiarism by third parties are risks to which Hexagon is exposed. There is no guarantee that Hexagon will be able to protect obtained patents, trademarks and other intellectual property rights or that submitted applications for registration will be granted. Furthermore, there is a risk that new technologies and products are developed which circumvent or replace Hexagon's intellectual property rights. Infringement disputes, and legal disputes in general, can be costly and time consuming and may therefore adversely affect Hexagon's business. Additionally, third parties may assert that Hexagon's products infringe their intellectual property rights.

Risk management

Hexagon seeks to protect its technology innovations to safeguard the returns on the resources that Hexagon assigns to R&D. The Group strives to protect its technical innovations through patents, trademarks, copyrights, and trade secrets and enforces its intellectual property rights through legal proceedings when warranted. Such intellectual property rights can generally only be enforced in jurisdictions that have granted such protections or recognise these rights. Hexagon closely monitors any new regulations impacting intellectual property rights.

Risk

Tax

Hexagon operates through subsidiaries in several jurisdictions and all cross-border transactions are normally a tax risk because there are no global transfer pricing rules. Local tax authorities follow their own local transfer pricing rules and authorities interpret transfer pricing guidelines differently. Risks are also presented by new accounting rules or interpretations by the applicable governing bodies. Hexagon interacts with local taxing authorities and frequently has several ongoing tax audits in progress.

Hexagon's interpretation of prevailing tax law, tax treaties, EU Directives, OECD guidelines and agreements entered into with foreign tax authorities may be challenged by tax authorities in some countries. Rules, directives and guidelines may also be subject to future changes which can have an adverse effect on the Group's tax position. Furthermore, a change in the business or part of the business can have an impact on agreements entered into with tax authorities in some tax jurisdictions.

The average tax rate may increase if large acquisitions are made in high tax jurisdictions or if the corporate tax rates

change in countries where Hexagon carries out substantial business.

Risk management

Transactions between the Group companies are carried out in accordance with Hexagon's interpretation of prevailing tax laws, tax treaties, OECD's guidelines and agreements entered into with foreign tax authorities. Hexagon has a tax policy that is annually reviewed and adopted by its Board of Directors.

