2023 Annual and sustainability report

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About this report

The audited annual accounts and consolidated accounts can be found on pages 15-23 and 90-125. The corporate governance report examined by the auditors can be found on pages 24-31. The sustainability report reviewed by the company's auditors for compliance with the Annual Accounts Act can be found on pages 50-89. The auditors have reviewed greenhouse gas emissions within scope 1 and 2.

Hexagon AB is a Swedish public limited liability company with corporate registration number 556190-4771. All values are expressed in Euros unless otherwise stated. The Euro is abbreviated EUR, thousands of Euro to KEUR, millions of Euro to MEUR, billions of Euro to bn EUR and million US dollars to MUSD. Figures in parentheses refer to 2022 unless otherwise stated. Data on markets and peers represent Hexagon's own assessments unless otherwise stated. Assessments are based on most recent available facts from published sources. While every care has been taken in the translation of this annual report, readers are reminded that the original annual report, signed by the Board of Directors, is in Swedish.

This report contains forward-looking statements based on Hexagon management's current expectations. Although management considers expectations expressed in such future-oriented information as reasonable, no assurance can be given that these expectations will prove correct. Consequently, actual future results can differ considerably from those implied in the forward-looking statements as a result of factors such as changed conditions in the economy, market and competition, changes in legal requirements and other political measures, fluctuations in exchange rates and other factors.

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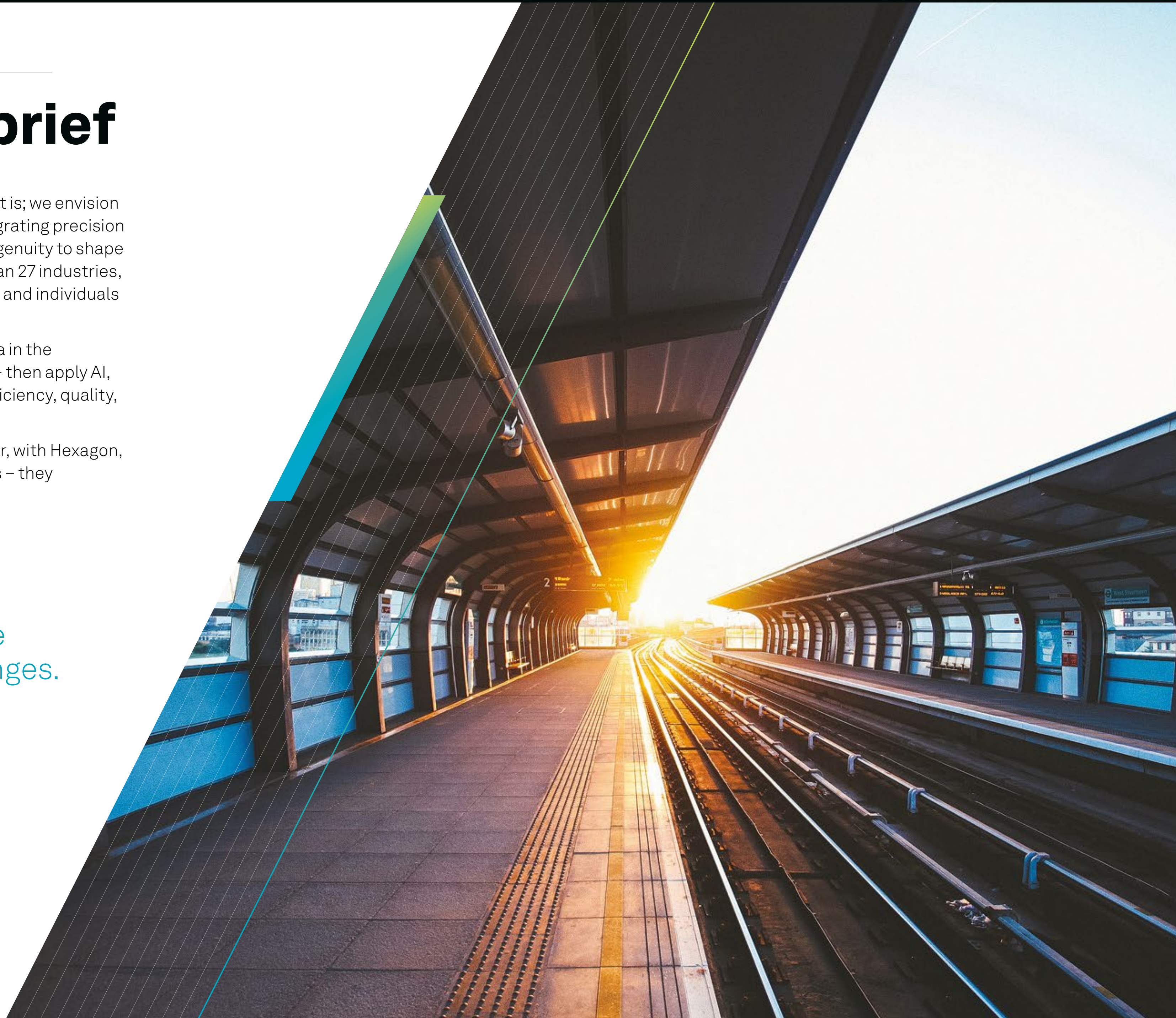
Hexagon in brief

At Hexagon, we don't just see the world as it is; we envision what it could be. We are committed to integrating precision data and digital intelligence with human ingenuity to shape a more responsible future. Across more than 27 industries, we empower our customers, communities, and individuals to solve the world's biggest challenges.

To do this, we capture ultra-precise 3D data in the physical world – from particles to planets – then apply AI, simulation, and automation to increase efficiency, quality, safety and sustainability.

From the longest bridge to the smartest car, with Hexagon, companies don't just adapt to new realities – they intelligently shape them.

> Hexagon empowers customers to solve the world's biggest challenges.

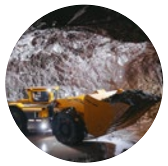


Hexagon's impact on the world

Featured partnerships

Microsoft aws SONY NVIDIA

350,000
construction sites



80,000
types of mining equipment

3.5 million
agriculture vehicles

90%
of all airplanes

95%
of all commercial vehicles

75%
of all smartphones

Protects over
1B
people

Has captured a total of
52Mkm²
of 2D aerial imagery and
800Kkm²
of 3D mapping of the world

From microns to kilometers, we make accurate information about any physical reality accessible at scale.

Helped support
the landing of the **Curiosity Rover**

Helped construct
Burj Khalifa
the world's tallest building

Driving efficiency
in the processing of over 50%
of oil, gas and chemicals

Business overview

Autonomy & Positioning

Geosystems

Safety, Infrastructure & Geospatial

Geospatial Enterprise Solutions

Geospatial Enterprise Solutions (GES) includes a world-leading portfolio of reality-capture sensors — from laser scanners, airborne cameras and unmanned aerial vehicles (UAV) to monitoring equipment, mobile mapping technologies and precise positioning. The sensors are complemented by software to create 3D maps and models, which are used for decision-making in a range of software applications, covering areas such as surveying, construction, public safety, mining and agriculture.

Industrial Enterprise Solutions

Industrial Enterprise Solutions (IES) includes a world-leading portfolio of metrology solutions incorporating the latest sensor and software technologies for fast and accurate measurements. These solutions include technologies such as coordinate measurement machines (CMM) and laser trackers and scanners for optimising design, processes and throughput in manufacturing facilities. IES also includes a broad software portfolio, encompassing computer-aided design (CAD), computer-aided manufacturing (CAM) and computer-aided engineering (CAE) platforms. Solutions within this segment also include software for optimising design, improving productivity and creating and leveraging asset management information through the lifecycle of industrial plants and processing facilities.

Manufacturing Intelligence

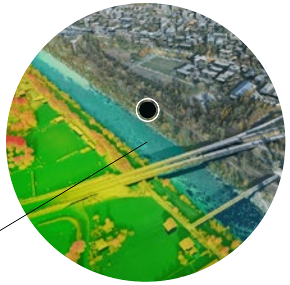
Asset Lifecycle Intelligence

Core technologies

What matters most to compete in today's world? Growth and profitability? Efficiency? Productivity? Quality? Safety? Digital transformation? What about sustainability?

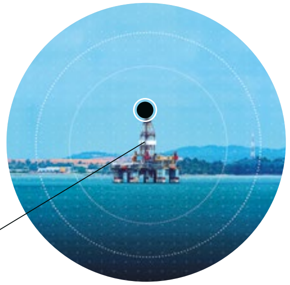
Thanks to advances in digital reality technologies, achieving these priorities equally is no longer insurmountable.

Hexagon's innovation strategy is built on its established leadership in each of the core technologies critical to realising the full potential of data.



Reality capture

Digital capture of the physical world is the basic building block of a "digital reality" or twin. This includes documenting and preserving an exact truth about what's happened or happening; it means measuring and recording with perfect accuracy and precision; and it's the ability to see, monitor, recognise and understand both contextually and dimensionally in 3D.

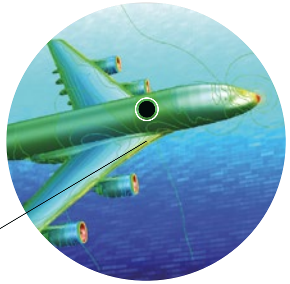


Positioning

The need for accurate position information is essential for tracking and controlling the movement or mobility of assets and people. Additionally, achieving full autonomy isn't possible without positioning and other complementary technologies working together – finely-tuned and seamlessly – to make autonomy a reality.

Autonomous technologies

Enriching automated systems with sensors, artificial intelligence (AI) and analytical capabilities enables systems to function and execute tasks without human control.



Design and simulation

Design and simulation technologies help solve real-world problems safely and efficiently – enabling the digital creation and exploration of what could be. The ability to model and simulate millions of real-world scenarios means we can predict failure and success before they occur.

Location intelligence

Complete line of sight to dynamic situations – at any time and from any location – is indispensable to decision-making for all mission-critical applications. The ability to instantly gain insight from complex data relationships leads to big-picture understanding and proactive problem-solving.

Strategic partnerships

Through partnerships, we offer our customers innovative solutions for scaling innovations while strategically expanding our technologies into new markets.

Central to our partnership approach is the flow and accessibility of data. From software to software, from sensors to software, and from ecosystem to ecosystem, teaming up with leading global brands allows us to leverage Hexagon's technologies across expanded markets and user groups.

Microsoft enhances our AI product offering with large language model productisation and document management, open-platform cloud partner and technology partner for the industrial metaverse.

AWS, continues to be a very important Cloud partner. In addition, its Stable Diffusion aids in training AI assistive devices and generating photorealistic scenes in NVIDIA Omniverse for autonomous projects.

Sony Semiconductor Solutions contributes with its advanced Time-of-Flight image sensor and software technologies, crucial for improving the speed and accuracy of our reality capture solutions.

NVIDIA helps us to connect multiple software platforms to create an interconnected industrial metaverse. The flow of data is strengthened by Hexagon's open-data platforms HxDR and Nexus with NVIDIA's Omniverse using OpenUSD

Through strategic partnerships, we integrate our scaling innovation technologies, focusing on facilitating open-format data flow across AI, reality capture, visual computing, and robotics.

Hexagon platforms

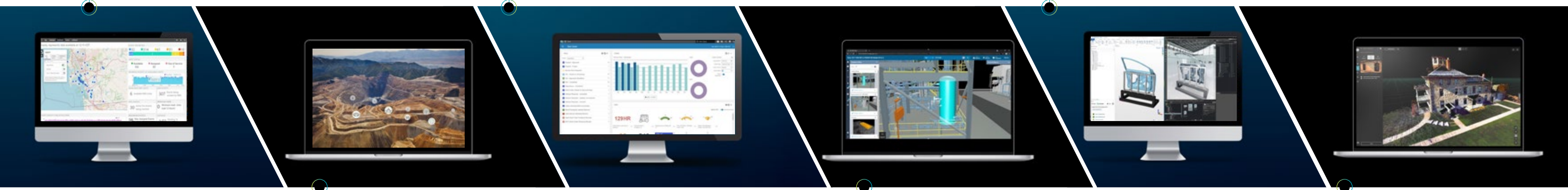
Hexagon is redefining value in the digital age. Our platform strategy is the cornerstone, ensuring data flows seamlessly across software, sensors and ecosystems to unlock new levels of efficiency and innovation.

By focusing on platforms built from shared modules and microservices, we're enhancing R&D efficiency and accelerating the journey from concept to reality. This approach to platform engineering allows us to quickly roll out new functionalities, delivering unparalleled value to our customers.

OnCall
Next-generation public safety platform

EAM
Maximising asset longevity and productivity with industry-leading management

Nexus
Streamlining manufacturing through collaboration and innovation



Power of One
Seamlessly connecting mines

HxGN SDx
Accelerating asset digitalisation for optimal lifecycle performance

HxDR
A cloud native platform to process, fuse, and share digital reality data, at scale

Customer highlights

Mortenson

Customer background
Major developer and engineering services provider in the commercial, institutional and energy sectors.

Customer challenge
One of its customers, the Citizen M hotel chain, wanted to influence major change in the hospitality industry by introducing prefabricated (modular) construction.

How Hexagon is helping
During construction, Mortenson deployed **Hexagon solutions (OxBlue,Multivista and Avvir software)** to monitor and document the project for key stakeholders.

Hauk

Customer background
European automotive parts supplier for SKODA.

Customer challenge
Looking to automate processes to improve inspection speed.

How Hexagon is helping
Expanding upon an existing 25+ year relationship, HAUK has implemented **Hexagon's PRESTO automated inspection cell, Laser trackers, robotics automation and PC-DMIS** to improve their inspection speed and ease of data transfer to customer systems.

Glencore

Customer background

One of the world's largest globally diversified natural resource companies, headquartered in Switzerland and operating in 35+ countries. Glencore has more than 60 mining, metallurgical and oil production assets.

Customer challenge

Seeking to improve safety in their mining operations with a global strategic partnership across all mine sites and commodities.

10+ years of Glencore/Hexagon partnership

Hexagon's Operator Alertness System
4 continents, 15 mines.

Hexagon's Collision Avoidance System
3 continents including recent deal for 200 CAS systems at Lomas Bayas.

Hexagon's Vehicle Intervention System
3 mine sites, +150 haul trucks.

CoRio

Customer background

Rio de Janeiro is the second largest city in Brazil with over 9 million people.

Customer challenge

Consolidating many different departments to more effectively control the city's daily operations.

How Hexagon is helping

Hexagon's incident and operational management software platform **HxGN OnCall** enables over 30 departments to control and share information as needed, in response to emergencies.

This deal includes software, implementation and maintenance over five years.

Letter from President and CEO

Shaping reality, responsibly

It is traditional to begin a letter of this kind by reflecting on the difficulties presented by macroeconomic headwinds; to show how despite geopolitical and economic challenges, the company emerged stronger than the previous year. I want to begin a little differently.

If we focus only on global pressures, we lose sight of companies and countries that are innovating every day to overcome challenges. If I think about labour shortages, difficult market conditions and uneven global growth, then I also think about an entire workforce passionate about decarbonisation, a growing appetite for localised technology and expertise, and an urgent need for expert specialisation in automation and autonomy.

Hexagon emerged from 2023 not in spite of global challenges, but rather because of them. When I speak to our customers, partners, and newly merged teams, I see market share leaders, capex drivers and industry champions. I see hundreds and hundreds of innovators.

Innovators who believe in Hexagon's vision to shape a responsible future. These are organisations driven by the same spirit of innovation and progress that motivates us to push boundaries in autonomous technologies. They see obstacles as opportunities to create better solutions. They know that by working together, we can drive meaningful improvements in efficiency, safety, and sustainability.

At the core of our sustainability strategy, we believe in empowering industry through our solutions to accelerate change, coupled with our commitment to create change across our operations. Explore more in the sustainability section our Annual Report.

I am proud to lead a company that is not only a part of a growing appetite for change but also an enabler of it.

Better together

Pursuing collaborations, partnerships, mergers and acquisitions with companies that make us think differently – better – has always been in Hexagon's DNA. 2023 was no different.

During HxGN LIVE 2023, we announced important collaborations with industry leaders NVIDIA and Sony Semiconductor Solutions.

With NVIDIA, we are connecting our technologies to empower real-time digital factory planning, optimisation, and operations through unified industrial metaverse workflows. NVIDIA enriches our capabilities with deep learning expertise and advances our reality capture and analysis solutions.

Our partnership with Sony delivers a streamlined workflow from data capture to processing and analysis, reducing the time from scanning to results. By combining Sony's Time-of-Flight image sensor and software technologies with Hexagon's reality capture capabilities, we are developing solutions that enable faster in-field feedback and more complete data capture.

Innovation at Hexagon doesn't only mean developing the best technology for today, for one industry. It means developing the best of the best for tomorrow, for all. In July, we announced a world-first with Mineral Resources: a fully autonomous road train system controlled remotely by a team of operators in Western Australia. As a step toward autonomous transportation, the delivery of advanced sensors and automation technologies exemplifies innovative safety and efficiency practices. Such pioneering methodologies can serve as models across various industries.

We grew our portfolio with six acquisitions in 2023. We're pleased with the progress of integration, especially with the newly merged teams from Qognify, Projectmates, and HARD-LINE. Each of the newly acquired companies aligns with our mission to reshape industries into safer, more efficient, and insight-driven environments.

Leading the charge

In 2023, we launched over 400 products and filed almost 60 new patent applications. More than 6,800 team members work in research and development or a related discipline worldwide, embedded in every division, nestled at the heart of the central innovation hub that serves the group. This approach places us directly in contact with our industries and helps us speak the language of our customers. The resulting products and patents are not only beacons of innovation but also serve to further the innovative potential of our customers.

At the beginning of the year we launched Nexus, a future-ready digital reality platform purposely built for the discrete manufacturing ecosystem. Nexus allows our customers, for the first time, to exchange data in real time and accelerate innovative ways to make high-quality products more responsibly. Designed to complement existing systems rather than replace them, Nexus fosters collaboration and breaks down silos across departments, even whole organisations. With more than 30,000 users already, Nexus showcases the demand for open-platform computing.

At the Wichmann Innovation Awards in October, Hexagon was recognised in both the hardware and software categories for products that make reality capture more accessible. Reality Cloud Studio, powered by HxDR, provides an intuitive, automated platform accessible from any device to visualise and collaborate on digital twins. The BLK2GO PULSE, a handheld laser scanner born out of our collaboration with Sony, provides customers with cutting-edge first-person scanning controlled by a smartphone that delivers full-colour 3D point clouds instantly in the field.

The path forward

Many statistics can describe a company – revenue, acquisitions, patents filed, products created – indeed, I've used some of these in this letter. There is one number which I think ties these metrics together: 150 petabytes. Hexagon's devices, in the hands of our customers or our employees, have created 150 petabytes of data in the last year alone. Positioning Hexagon as the world's largest creator of 3D intelligence, as a leading force for change in some of the most crucial industries on the planet. Such a staggering amount of data means opportunity, means untapped potential for the future.

And yet for Hexagon, our focus extends beyond sensors and software; it fundamentally revolves around people. It's the energy, skills, and aspiration to excel that continues to play a key role in our progress. Over the past two decades, we have built a dynamic and constantly evolving business through numerous acquisitions and integrations, driven by ambitious growth expectations.

Our path has been shaped and guided by a steadfast vision. It's with this in mind we honour Melker Schörling, our primary shareholder and long-standing chairman, whose wisdom and foresight have been instrumental in the company's evolution. He leaves behind an indelible legacy and sturdy foundation. As we strive to advance the mission that he inspired alongside my predecessor, Ola Rollén, we remain committed to their entrepreneurial spirit.

As we forge into 2024, with our dynamic and energised team, we step into a future of our making. Our entrepreneurial spirit – one that is transparent, market-focused, and continually adapting – is infused throughout our organisation, across geographies, divisions, roles and functions. In nurturing this spirit and harnessing the power of data, we see a clear path to better serve our customers. With our presence in field across industries, in core digital reality solutions, coupled with strong partnerships and skills around artificial intelligence, we are positioned to help customers leverage the full value of data to optimise productivity, efficiency, safety and quality. We envision a future where data is fully leveraged so that business, industry and humanity thrive responsibly.

In 2024, we stand on a steep curve of widespread technology innovation and a growing desire to capture and harness data effectively. But we are not there alone. We stand alongside our customers and our collaborators – our community. Our mission guides us as we enable our customers to shape reality.

Paolo Guglielmini
President & Chief Executive Officer
Hexagon

Financial plan for continued profitable growth

The financial targets are to reach annual average sales growth of 8–12 per cent between 2022-2026 and an adjusted operating margin including amortisation surplus values (EBIT1 incuding PPA) of over 30 per cent by 2026. The margin target includes amortisation of surplus values (PPA). The targeted sales growth is driven by a combination of 5–7 per cent organic growth per year and 3–5 per cent structural growth per year from acquisitions.

The targets will be reached through a continued focus on innovation and customer-centric solutions to further sales growth, margins and recurring revenues.

Continued growth

Hexagon's growth strategy is focused on using technology and innovative leadership to grow organically and through acquisitions, with a focus on customer-centric solutions. Total average annual growth is estimated at 8–12 per cent, with variation expected between the years. Organic growth, which is estimated at 5–7 per cent annually, relates in part to GDP-driven growth from existing solutions, but is primarily expected to come from increasing revenues from new solutions. An increase in recurring revenue is expected through more focus on customer-centric solutions and an increase in revenue coming from software. Acquisition-related growth is estimated at approximately 3–5 per cent annually.

Proven ability to deliver margin improvements

Hexagon has proven its ability to steadily deliver enhanced margins. Since 2012, the adjusted operating margin (EBIT1) has increased by 9 percentage points. The ambitious adjusted operating margin of more than 30 per cent by 2026 will continue to be strengthened by changes to the sales mix — where software and new product generations account for a greater share of sales. The target is that organic growth will contribute with an incremental margin of 35–40 per cent. At the same time, the cost structure will continue to change. Investments in R&D will continue in order to meet the demand of a more solution-centric business. This will trigger investments in sales resources while reducing administrative costs, which are non-accretive to profitability.

The target to improve profitability will be achieved through a higher proportion of sales from new high-margin applications and software, with a high recurring revenue percentage. There is also a strong focus on further generating and utilising synergies. The shift toward a higher proportion of software- and solution-selling has improved the operating margin but also resulted in changes to the cost structure. Hexagon now has lower costs for goods sold, but higher R&D and amortisation costs.

Development during 2023

During the second year of the new financial plan, organic net sales increased by 7 per cent, fuelled by strong demand for our solutions across regions and industries. Adjusted operating earnings excluding PPA (EBIT1) increased by 5 per cent to 1,596.7 MEUR, corresponding to a margin of 29.4 per cent. The EBIT1 including PPA margin was 27.2 per cent.

8–12%
Average total growth per year

5–7%
Average organic growth per year

3–5%
Average growth from M&A per year

>30%
Adjusted operating margin

Other targets

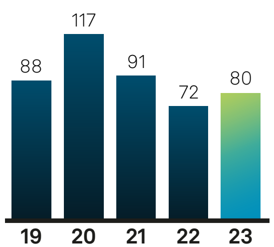
Hexagon targets the efficient use of capital in order to generate a strong cash flow, reach a sound equity ratio and achieve a balanced debt structure while generating value for shareholders.

Strong cash flow generation

A strong cash flow is necessary to finance investments, settle interest on debts and pay dividends to shareholders. Hexagon's cash conversion, i.e., the ratio at which profits are converted into cash, has averaged 84 per cent since 2013 and was 80 per cent (72) for 2023.

Hexagon's target is to reach a cash conversion of 80–90 per cent. Cash flow from operating activities, excluding non-recurring items, amounted to 1,451.9 MEUR (1,372.7).

Cash conversion, %

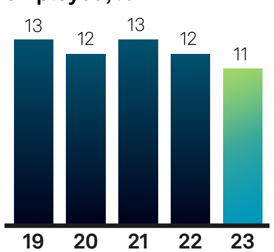


Efficient use of operating capital

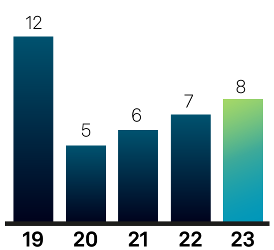
Hexagon seeks to minimise working capital and in recent years, the ratio of working capital to sales has averaged less than 10 per cent. The ratio of working capital to sales in 2023 amounted to 8 per cent (7).

The downward trend of working capital as a percentage of sales results from a business model shift towards more software- centric solutions. Hexagon's overall long-term objective is to increase earnings per share by at least 15 per cent annually and to achieve a return on capital employed exceeding 15 per cent over a business cycle, including goodwill from acquisitions. Return on average capital employed, excluding adjustments, was 11.4 per cent (11.5) in 2023.

Return on capital employed, %



Working capital to sales, %



Sustainability targets

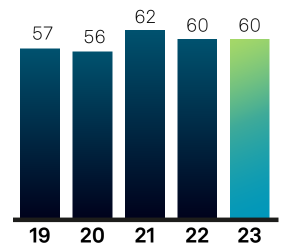
Hexagon has a goal to reach 95% reduction of scope 1 and 2 emissions by 2030 and net-zero by 2050. Hexagon succeeded in the target to conduct sustainability audits on 100 per cent of its direct suppliers in risk areas by 2023. Hexagon targets to achieve at least 30 per cent women in leading positions by 2025.

Sound equity ratio and balanced debt structure

A sound equity ratio and balanced leverage are requirements for financing acquisitions by loans. Hexagon targets an equity ratio of at least 25 per cent and has the ambition to have a net debt to EBITDA ratio of 2.5x or below. The equity ratio amounted to 60 per cent (60) and the net debt to EBITDA ratio amounted to 1.7x (1.8) at year-end 2023. Debt capital markets account for 59 per cent (52) of Hexagon's financing, while bank loans make up the remainder.

Hexagon's net financial expense amounted to -155.3 MEUR (-38.7) in 2023. The average interest rate on the Group's short- and long-term loans was 4.3 per cent (2.6) at year-end 2023.

Equity ratio, %

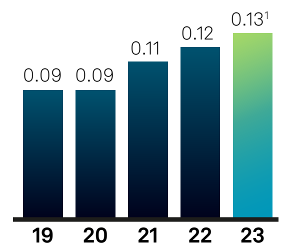


Dividend policy

Hexagon's dividend policy is to distribute 25–35 per cent of net earnings after tax.

The Board of Directors proposes a dividend of 0.13 EUR per share (0.12) for the fiscal year 2023, corresponding to 41 per cent of net earnings after tax.

Cash dividend per share, EUR



1) According to the Board of Directors' proposal

Board of Directors' report

The Board of Directors and the President of Hexagon AB hereby submit their annual report for the year of operation 1 January 2023 to 31 December 2023. Hexagon AB is a public limited liability company with its registered office in Stockholm, Sweden and its corporate registration number is 556190-4771.

Operating structure

Hexagon's business activities are conducted through more than 300 operating companies in about 50 countries worldwide. The president and CEO is responsible for daily management and decision-making together with the other members of Hexagon Executive Leadership, including the executive vice president, the chief financial officer, the chief strategy officer, the general counsel, the chief marketing officer, the chief technology officer and the divisional presidents.

Hexagon's Group functions consist of Finance (group accounting, treasury and tax), Business and Technology Development (Innovation Hub), Legal, Strategy, Marketing, Sustainability and Investor Relations.

Risks are managed by each relevant function. For more information about managing risks see page 37.

Hexagon's reporting structure

Hexagon
Hexagon's reporting structure is divided into Geospatial Enterprise Solutions and Industrial Enterprise Solutions as follows, with Group functions serving both:

Geospatial Enterprise Solutions
The business area comprises the following divisions:
- Geosystems
- Safety, Infrastructure & Geospatial
- Autonomy & Positioning

Group functions
- Finance
- Innovation Hub
- Sustainability
- Legal
- Marketing
- Strategy
- Investor Relations

Industrial Enterprise Solutions
The business area comprises the following divisions:
- Manufacturing Intelligence
- Asset Lifecycle Intelligence

Important events 2023

Q1

Hexagon acquired **Projectmates**, provider of SaaS-based enterprise construction project management software.

Hexagon announced the launch of **Nexus**, an open, flexible and future-ready digital reality platform .

Q2

Hexagon announced the launch of **Reality Cloud Studio**, a software as-a-service (SaaS) application built on the HxDR platform.

Hexagon announced a collaboration with **NVIDIA** to enable industrial digital twin solutions.

Q3

Hexagon announced a landmark agreement with leading diversified mining company **Mineral Resources** (MinRes) to provide an autonomous haulage solution for a fleet of 120 fully autonomous road trains.

Hexagon acquired **HARD-LINE**, global leader in mine automation, remote-control technology and mine production optimisation.

Q4

Hexagon hosted its **Capital Markets Day** where the mid-term targets for 2022-2026 were reaffirmed and a target to achieve a 95% reduction in scope 1 and 2 emissions by 2030, progressing towards net-zero emissions by 2050, was introduced.

2023 in brief

- Operating net sales increased by 5 per cent to 5,440.0 MEUR (5,175.5). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 7 per cent
- Adjusted operating earnings (EBIT1) increased by 5 per cent to 1 596,7 MEUR (1,517.8)
- Earnings before tax, excluding adjustments, amounted to 1,441.4 MEUR (1,479.1)
- Net earnings, excluding adjustments, amounted to 1,182.0 MEUR (1,212.9)
- Earnings per share, excluding adjustments, decreased by 2 per cent to 43.5 euro cent (44.6)
- Operating cash flow decreased by 1 per cent to 772.1 MEUR (778.1)

Key figures[1]	2023	2022	△ %
Operating net sales	5,440.0	5,175.5	7[2]
Revenue adjustment[3]	-4.8	-15.0	n.a.
Net sales	5,435.2	5,160.5	7[2]
Adjusted operating earnings (EBIT1)	1,596.7	1,517.8	5
Adjusted operating margin	29.4	29.3	0,1
Earnings before taxes excl. adjustments	1,441.4	1,479.1	-3
Adjustments (before taxes)[4]	-380.7	-231.1	n.a.
Earnings before taxes	1,060.7	1,248.0	-15
Net earnings	871.8	1,019.1	-14
Earnings per share, euro cent	32.0	37.4	-15
Operating cash flow	772.1	778.1	-1
Return on equity, %	8.6	10.5	-22
Return on capital employed, %	11.4	11.5	-5
Share price, SEK	121.00	109.00	n.a.
Net debt	3,593.2	3,441.7	4
Average number of employees	24,548	23,196	6

1) All figures are in MEUR unless otherwise stated
2) Adjusted to fixed exchange rates and a comparable group structure, i.e., organic growth
3) Reduction of acquired deferred revenue (haircut) related to acquisitions
4) See more information on page 107

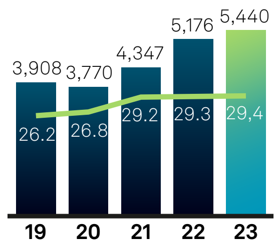
Adjusted operating margin

29%

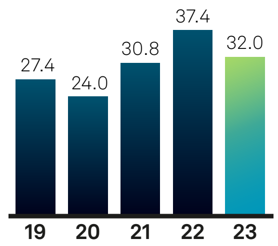
Organic growth

7%

Operating net sales, MEUR
Adjusted operating margin, %



Earnings per share, EUR

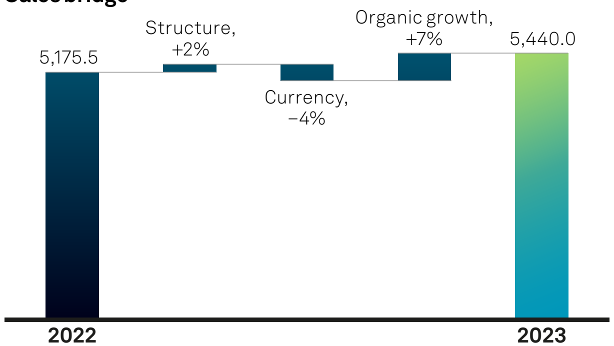


Five-year overview

MEUR	2023	2022	2021	2020	2019
Operating net sales	5,440.0	5,175.5	4,347.4	3,770.5	3,907.7
Revenue adjustment[1]	-4.8	-15.0	-6.3	-6.1	-
Net sales	5,435.2	5,160.5	4,341.1	3,764.4	3,907.7
Adjusted operating earnings (EBIT1)	1,596.7	1,517.8	1,269.6	1,009.5	1,023.6
Adjusted operating margin, %	29.4	29.3	29.2	26.8	26.2
Earnings before taxes excluding adjustments	1,441.4	1,479.1	1,243.4	982.1	996.7
Adjustments	-380.7	-231.1	-259.8	-222.5	-131.4
Earnings before taxes	1,060.7	1,248.0	983.6	759.6	865.3
Net earnings	871.8	1,019.1	810.0	624.7	708.6
Earnings per share, euro cent	32.0	37.4	30.8	24.0	27.4

1) Reduction of acquired deferred revenue (haircut) related to acquisitions

Sales bridge[1]



1) Operating net sales from completed acquisitions and divestments during the year are recognised as "Structure". Percentages are rounded to the nearest whole per cent

Net sales

Operating net sales amounted to 5,440.0 MEUR (5,175.5). Using fixed exchange rates and a comparable group structure (organic growth), sales increased by 7 per cent.

Market demand

Regionally, organic growth was 5 per cent in Americas, 11 per cent in Asia, and 7 per cent in EMEA. Operating net sales in the Americas amounted to 2,097.5 MEUR (1,995.5), representing 39 per cent (39) of Group sales. North America recorded 5 per cent organic growth, driven by a strong performance in aerospace, mining and positioning solutions, but partially offset by a slowdown in construction and the exit of some lower margin defence contracts. South America recorded 6 per cent organic growth throughout the year, driven by solid growth in mining, power and energy.

Operating net sales in Asia amounted to 1,464.1 MEUR (1,408.5), representing 27 per cent (27) of Group sales. China recorded 8 per cent organic growth, driven by strong growth in general manufacturing, power and energy and a stabilisation in certain infrastructure and construction market, which had been particularly weak last year. The rest of Asia recorded 10 per cent organic growth.

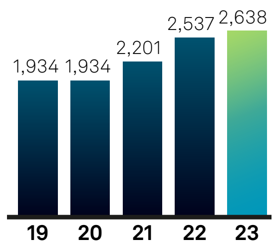
Operating net sales in EMEA amounted to 1,878.4 MEUR (1,771.5), representing 34 per cent (34) of Group sales. Western Europe recorded 4 per cent organic growth, driven good momentum in manufacturing industries and power and energy, but offset by weakness in infrastructure and construction markets. EMEA, excluding Western Europe, recorded 14 per cent organic growth.

Geospatial Enterprise Solutions

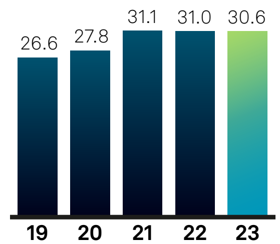
Geospatial Enterprise Solutions (GES) operating net sales amounted to 2,638.0 MEUR (2,537.0). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 5 per cent. Regionally, organic growth was 4 per cent in the Americas, 4 per cent in EMEA and 10 per cent in Asia. Geosystems recorded 6 per cent organic

Geospatial Enterprise Solutions

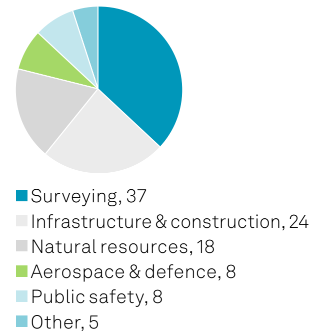
Operating net sales, MEUR



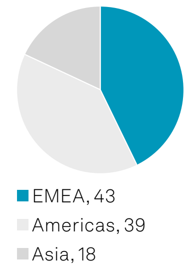
Adjusted operating margin, %



Customer segment, %

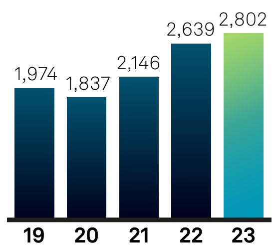


Geography, %

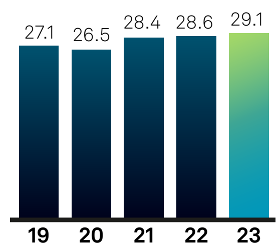


Industrial Enterprise Solutions

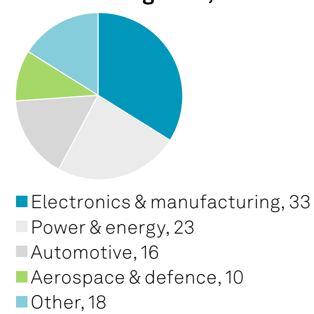
Operating net sales, MEUR



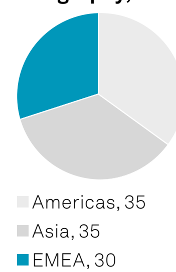
Adjusted operating margin, %



Customer segment, %



Geography, %



growth, driven by a strong performance in the mining and reality capture portfolio, but hampered by a challenging construction market in the latter part of the year. Safety, Infrastructure & Geospatial recorded -7 per cent organic growth, due to the exit of a number of low margin defence contracts. Autonomy & Positioning recorded 22 per cent organic growth, fuelled by strong demand for aerospace, defence and precision agriculture solutions.

Industrial Enterprise Solutions

Industrial Enterprise Solutions (IES) operating net sales amounted to 2,802.0 MEUR (2,638.5). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 9 per cent. Regionally, organic growth was 6 per cent in the Americas, 10 per cent in EMEA and 12 per cent in Asia. Manufacturing Intelligence recorded 9 per cent organic growth, driven by strong demand in key industries as well as the software portfolio. The Asset Lifecycle Intelligence division recorded 11 per cent organic growth, with strong growth in the entire product portfolio and good momentum in both perpetual and recurring software.

Adjusted operating earnings

Adjusted operating earnings (EBITDA) increased by 8 per cent to 2,026.6 MEUR (1,877.1), corresponding to an adjusted EBITDA margin of 37.3 per cent (36.3). Adjusted operating earnings (EBIT1), increased by 5 per cent to 1,596.7 MEUR (1,517.8), corresponding to an adjusted operating margin (EBIT1 margin) of 29.4 per cent (29.3).

Adjusted operating earnings (EBIT1) for Geospatial Enterprise Solutions increased to 807.5 MEUR (786.5), corresponding to an adjusted operating margin of 30.6 per cent (31.0). Adjusted operating earnings (EBIT1) for Industrial Enterprise Solutions increased to 814.3 MEUR (755.1), corresponding to an adjusted operating margin of 29.1 per cent (28.6).

Segments

	Operating net sales		Adjusted operating earnings (EBIT1)	
MEUR	2023	2022	2023	2022
Geospatial Enterprise Solutions	2,638.0	2,537.0	807.5	786.5
Industrial Enterprise Solutions	2,802.0	2,638.5	814.3	755.1
Group cost	-	-	-25.1	-23.8
Total	5,440.0	5,175.5	1,596.7	1,517.8

Adjusted gross earnings

Adjusted gross earnings amounted to 3,593.4 MEUR (3,384.7). The adjusted gross margin was 66.1 per cent (65.4).

Financial income and expenses

The financial net amounted to -155.3 MEUR (-38.7) in 2023.

Adjustments

During 2023 adjustments amounted to -380.7 MEUR (-231.1). Adjustments consist of share-based programme expenses (LTIP), amortisation of surplus values (PPA), acquired deferred revenue, transaction costs and the implementation of a rationalisation programme. In 2022, the adjustments also consisted of costs related to the decision to freeze business operations in Russia.

Earnings before tax

Earnings before tax, excluding adjustments, amounted to 1,441.4 MEUR (1,479.1). Including adjustments, earnings before tax were 1,060.7 MEUR (1,248.0).

Effective tax rate

Hexagon's tax expense for the year totalled -188.9 MEUR (-228.9), corresponding to an effective tax rate of 17.8 per cent (18.3). The tax rate, excluding adjustments, was 18.0 per cent (18.0) for 2023.

Non-controlling interest

The non-controlling interest's share of net earnings was 12.9 MEUR (11.5).

Net earnings

Net earnings, excluding adjustments, amounted to 1,182.0 MEUR (1,212.9) or 43.5 euro cent per share (44.6).

Net earnings, including adjustments, amounted to 871.8 MEUR (1,019.1) or 32.0 euro cent per share (37.4).

Cash flow

Cash flow from operations before changes in working capital and non-recurring items amounted to 1,530.1 MEUR (1,546.5), corresponding to 56.9 euro cent per share (57.4). Including changes in working capital, but excluding non-recurring items, cash flow from operations was 1,451.9 MEUR (1,372.7), corresponding to 54.0 euro cent per share (51.0). Cash flow from other investment activities was -432.2 MEUR (-1,244.9). Cash flow after other investments amounted to 339.9 MEUR (-466.8). The change in borrowings was 133.6 MEUR (868.7). Cash dividends to the Parent Company shareholders amounted to -322.8 MEUR (-295.8), corresponding to 0.12 EUR per share (0.11).

Profitability

Capital employed, defined as total assets less non-interest-bearing liabilities, increased to 14,186.4 MEUR (13,792.6). Return on average capital employed, excluding adjustments, for the last 12 months was 11.4 per cent (11.5). Return on average shareholders' equity for the last 12 months was 8.6 per cent (10.5). The capital turnover rate was 0.4 times (0.4).

Financing and financial position

Shareholders' equity, including non-controlling interest, increased to 10,046.1 MEUR (9,864.6). The equity ratio was 59.5 per cent (59.9).

Following a refinancing in 2021, Hexagon's main sources of financing consist of:

1. A multicurrency revolving credit facility (RCF) established in 2021. The RCF amounts to 1,500 MEUR with a tenor of 5+1+1 years.

2. A Swedish Medium-Term Note Programme (MTN) established during 2014. The MTN programme amounts to 20,000 MSEK with tenor up to 6 years. On 31 December 2023, Hexagon had issued bonds for a total amount of 11,650 MSEK (10,150).
3. A Swedish Commercial Paper Programme (CP) established in 2012. The CP programme amounts to 15,000 MSEK with tenor up to 12 months. On 31 December 2023, Hexagon had issued commercial paper for a total amount of 10,827 MSEK (7,464) and 63 MEUR (60).

On 31 December 2023, cash and unutilised credit limits totalled 1,268.6 MEUR (1,429.7). Hexagon's net debt was 3,593.2 MEUR (3,441.7). The net indebtedness was 0.33 times (0.33). Interest coverage ratio was 7.4 times (27.3).

Investments

Ordinary investments consist mainly of investments in production facilities, production equipment and intangible assets, primarily capitalised development expenses. Of the ordinary investments of 626.6 MEUR (567.5) during 2023, approximately 74 per cent (67) were capitalised expenses for development work. Development work is primarily performed in Hexagon's R&D centres with its primary units located in Switzerland, China, India and the USA, that results in products and services that are sold worldwide. The remaining part of the current investments, approximately 26 per cent, comprised mostly of investments in business equipment and machines. All current investments during the year have been financed by cash flow from operating activities. Investments corresponded to 12 per cent (11) of net sales. Hexagon does not expect any material change to current investment levels as a percentage of net sales in the near future. Depreciation, amortisation and impairment during the year amounted to -563.0 MEUR (-467.0).

Investments

MEUR	2023	2022
Investments in intangible fixed assets	489.9	413.9
Investments in tangible fixed assets	136.7	153.6
Divestments of tangible fixed assets	-28.3	-14.8
Total ordinary investments	598.3	552.7
Investments in subsidiaries	375.8	1,194.8
Investments in financial fixed assets	63.8	59.2
Divestments of financial fixed assets	-7.4	-9.1
Total other investments	432.2	1,244.9
Total investments	1,030.5	1,797.6

Intangible fixed assets

As of 31 December 2023, Hexagon's carrying value of intangible fixed assets was 12,993.7 MEUR (12,805.6). Amortisation of intangible fixed assets was -339.6 MEUR (-292.4). Impairment tests are made to determine whether the value of goodwill and/or similar intangible assets is justifiable or whether there is any impairment need in full or in part. Goodwill as of 31 December 2023 amounted to 9,616.6 MEUR (9,599.5), corresponding to 57 per cent (58) of total assets.

Goodwill

MEUR	2023	2022
Geospatial Enterprise Solutions	3,225.1	2,927.9
Industrial Enterprise Solutions	6,391.5	6,671.6
Total	9,616.6	9,599.5

Research and development

Hexagon places a high priority on investments in R&D. Being one of the most innovative suppliers in the industry, it is important not only to improve and adapt existing products, but also to identify new applications and thereby increase the total addressable market for Hexagon's products and services. Total expenditure for R&D during 2023 amounted to 836.3 MEUR (714.3), corresponding to 15 per cent (14) of net sales. Development expenses are capitalised only if they pertain to new products, the cost is significant and the product is believed to have future economic benefits. The current level of R&D costs is in line with other leading companies in the industry.

R&D cost

MEUR	2023	2022
Capitalised	461.5	377.8
Expensed (excluding amortisation)	374.8	336.5
Total	836.3	714.3
Amortisation	205.3	173.5

Share capital and ownership

On December 31, 2023, Hexagon's share capital was 85,761,451 EUR, represented by 2,705,477,888 shares. Total shares was 110,250,000 Class A shares, each carrying ten votes and 2,579,427,888 Class B shares, each carrying one vote. On December 31, 2023, Melker Schörling AB, the single largest shareholder in Hexagon, held a total of 110,250,000 Class A shares and 471,081,440 Class B shares, representing 42.6 per cent of the votes and 21.5 per cent of the capital. Hexagon AB has acquired 21,100,000 of the company's own shares of Class B as of 31 December 2023. The purpose of the repurchase is to ensure Hexagon's undertakings in respect to the long-term incentive programme (other than delivery of shares to participants in the incentive programme), including covering social security costs.

Significant agreements

To the best of the Board of Director's knowledge, there are no shareholder agreements or similar agreements between the shareholders of Hexagon with the purpose of exercising joint control of the company. Neither is the Board aware of any agreements that could lead to a change of control of the company.

As far as the Board knows, there is no shareholder agreement that could prevent the transfer of shares. Nor are there agreements between the company, directors or employees, other than as described in Note 30 on page 122, which stipulate the right to compensation if such a person voluntarily leaves the company, is dismissed without cause or if such a person's employment is terminated as a result of a public offer for shares of the company.

Management of Hexagon's capital

Hexagon's reported shareholders' equity, including non-controlling interest, was 10,046.1 MEUR (9,864.6) at year-end. Hexagon's overall long-term objective is to increase earnings per share by at least 15 per cent annually and to achieve a return on capital employed of at least 15 per cent. Another Group objective is to achieve an equity ratio of 25 per cent as Hexagon is seeking to minimise the weighted average cost of capital for the company's financing.

Hexagon has undertaken to comply with a requirement regarding a key financial ratio (covenant) towards lenders. The key financial ratio is reported to lenders in conjunction with the quarterly reports. If the requirement is not complied with, the terms and conditions are renegotiated and there is a risk of a temporary increase in borrowing costs. In addition, lenders have a right to terminate loan agreements. Hexagon has never breached any covenants, not in 2023 nor in prior years.

The company's strategy, as well as its financial position and other financial objectives, are considered in connection with the annual decision concerning the dividend.

Corporate governance

In accordance with the Swedish Annual Accounts Act, Hexagon has prepared a corporate governance report separate from the annual report. It can be found in this document on pages 24–31. The Corporate governance report contains the Board of Directors' report on internal control.

Acquisitions 2023

Hexagon's ambition is to generate profitable growth through a combination of organic growth and acquisitions. Acquisitions are an important part of Hexagon's long-term growth strategy. During 2023, Hexagon acquired the following companies:

Geospatial Enterprise Solutions

Company	Division	Area
LocLab	Geosystems	A leader in 3D digital twin content creation
Projectmates	Geosystems	A provider of SaaS-based enterprise construction project management software
Comernal Software	Geosystems	A software development center
HARD-LINE	Geosystems	A global leader in mine automation, remote-control technology and mine production optimisation
Qognify	Safety, Infrastructure & Geospatial	A leading provider of physical security and enterprise incident management software solutions

Industrial Enterprise Solutions

Company	Division	Area
Cads Additive	Manufacturing Intelligence	A provider of specialised software for metal additive manufacturing (AM)

Read about acquisitions on page 121.→

Statutory sustainability report

Hexagon has prepared a sustainability report in accordance with the Global Reporting Initiative's guidelines (GRI Standards 2021) and in accordance with the requirements of the Swedish Annual Act. The Board of Director's are responsible for the sustainability report that has been prepared. The Group's sustainability report can be found on pages 50-89 in this document.

Dividend

The dividend policy of Hexagon states that, over the long term, the dividend should comprise 25–35 per cent of earnings per share after tax, assuming that Hexagon satisfies its equity ratio objective.

A dividend of 0.12 EUR per share for the fiscal year 2022 was resolved by the Annual General Meeting (AGM) in May 2023. The record date was 4 May and date of settlement was 11 May 2023.

The Hexagon Board of Directors proposes a dividend of 0.13 EUR per share for the fiscal year 2023, corresponding to 41 per cent of net earnings after tax. The proposed record date will be 2 May and expected date for settlement is 10 May 2024.

Guidelines for remuneration to senior executives

The Board of Directors of Hexagon AB (publ) proposed that the AGM 2020 resolved on guidelines for remuneration to the President and CEO and other senior executives as follows. Other senior executives are defined as members of the Executive Leadership. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the AGM 2020. These guidelines do not apply to any remuneration decided or approved by the general meeting.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to attract and retain qualified senior executives. To this end, it is necessary that the company offers competitive remuneration on market terms. These guidelines enable the company to offer the executive management a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

The remuneration shall be on market terms and consist of fixed cash salary, variable remuneration, other benefits and pension. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related incentive programmes. The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration is capped and shall be maximised at up to 150 per cent of the fixed annual cash salary.

For senior executives, pension benefits shall be paid not earlier than from the age of 60 years. As a general guideline, pension benefits for the CEO, including health insurance, shall be fee based. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than 20 per cent of the fixed annual cash salary. As a general guideline, pension benefits for other executives, including health insurance, shall be fee based. Deviations from this general guideline may be made when appointing new senior executives whose employment agreements already comprise benefit-based pension plans or if the executive is covered by benefit pensions in accordance with mandatory collective agreement provisions. Variable cash remuneration shall qualify for pension benefits only to the extent required by mandatory collective agreement provisions applicable to the executive. The pension premiums for premium defined pension shall amount to not more than 25 per cent of the fixed annual cash salary. Other benefits may include, for example, life insurance, medical insurance and company cars. Premiums and other costs relating to such benefits may amount to not more than two per cent of the fixed annual cash salary.

For employments governed by rules other than Swedish, adjustments may be made for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines. The notice period for the President and CEO is six months. Upon termination by the company or in case of change of principal ownership the President and CEO is entitled to severance pay equal to 18 months of salary. The period of notice for senior executives is a maximum of 24 months. During the notice period, basic salary is the only severance pay.

The variable cash remuneration shall be linked to individualised predetermined and measurable criteria. The criteria shall be designed so as to contribute to the company's 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. The variable cash remuneration is based on results . The design of the criteria for variable cash remuneration contributes to the company's business strategy, long-term interests and sustainability.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be determined when the measurement period has ended. The remuneration committee is responsible for the evaluation so far as it concerns variable cash remuneration to the President and CEO. For variable cash remuneration to other executives, the President and CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company. In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company 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 Board of Directors has established a remuneration committee. Remuneration to the President and CEO and other senior executives shall be prepared by the remuneration committee and resolved by the Board of Directors based on the proposal of the 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 programmes 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 the company. The members of the remuneration committee are independent in relation to the company and the company management. The President and 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.

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 the company's long-term interests, including its sustainability, or to ensure the company's 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.

The proposed guidelines for remuneration to senior executives that were proposed and adopted by the AGM 2020 are applicable until further notice. However, since the general meeting shall adopt guidelines for remuneration to senior executives at least every fourth year, the Board will present a proposal for new guidelines for remuneration to senior executives for approval by the AGM 2024 to be applicable until further notice.

Proposal guidelines for remuneration to senior executives from 2024

The Board of Directors of Hexagon AB (publ) intends to propose that the AGM 2024 resolves on updated guidelines for remuneration to the President and CEO and other senior executives as follows. The changes in the Board of Directors' proposal compared with the current guidelines are that the guidelines have been aligned with the company's updated financial targets. In addition, the guidelines have been supplemented with information on the notice period for other senior executives upon termination by the senior executive, as well as a clarification in relation to the maximum notice salary, other employment benefits and severance pay that may in total be paid upon termination. Other senior executives are defined as members of the Executive Leadership. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the AGM 2024. These guidelines do not apply to any remuneration decided or approved by the general meeting.

A prerequisite for the successful implementation of the company's business and safeguarding of its long-term interests, including its sustainability, is that the company is able to attract and retain qualified senior executives. To this end, it is necessary that the company offers competitive remuneration on market terms. These guidelines enable the company to offer the executive management a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim to promote the company's business strategy and long-term interests, including its sustainability.

The remuneration shall be on market terms and consist of fixed salary, variable remuneration, other benefits and pension. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share-price related incentive programmes. The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration is capped and shall be maximised at up to 150 per cent of the fixed annual cash salary.

For senior executives, pension benefits shall be paid not earlier than from the age of 60 years. As a general guideline, pension benefits for the CEO, including health insurance, shall be fee based. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than 20 per cent of the fixed annual cash salary. As a general guideline, pension benefits for other executives, including health insurance, shall be fee based. Deviations from this general guideline may be made when appointing new senior executives whose employment agreements already comprise benefit-based pension plans or if the executive is covered by benefit pensions in accordance with mandatory collective agreement provisions. Variable cash remuneration shall qualify for pension benefits only to the extent required by mandatory collective agreement provisions applicable to the executive. The pension premiums for premium defined pension shall amount to not more than 25 per cent of the fixed annual cash salary. Other benefits may include, for example, life insurance, medical insurance and company cars. Premiums and other costs relating to such benefits may amount to not more than two per cent of the fixed annual cash salary.

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

The notice period for the President and CEO is six months. Upon termination by the company or in case of a change of principal ownership the President and CEO is entitled to severance pay equal to 18 months of salary. The period of notice for other senior executives is a maximum of 24 months upon termination by the company, and a maximum of six months upon termination by the senior executive. Basic salary and other employment benefits during the notice period may together with severance pay not exceed an amount equivalent to the basic cash salary for 24 months. When the employment is terminated by the senior executive, no severance pay shall be paid.

The variable cash remuneration shall be linked to individualised predetermined and measurable criteria. The criteria shall be designed so as to contribute to the company's 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. The variable cash remuneration is based on results and other financial targets, such as organic growth and the cash conversion target rate. The design of the criteria for variable cash remuneration contributes to the company's business strategy, long-term interests and sustainability.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be determined when the measurement period has ended. The remuneration committee is responsible for the evaluation so far as it concerns variable cash remuneration to the President and CEO. For variable cash remuneration to other executives, the President and CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company. In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company 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 Board of Directors has established a remuneration committee. Remuneration to the President and CEO and other senior executives shall be prepared by the remuneration committee and resolved by the Board of Directors based on the proposal of the 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 programmes 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 the company. The members of the remuneration committee are independent in relation to the company and the company management. The President and 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.

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 the company's long-term interests, including its sustainability, or to ensure the company's 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. The proposed guidelines for remuneration to senior executives that are proposed to be adopted by the AGM 2024 are proposed to be applicable until the AGM 2028, provided that no changes are proposed before then.

For a description of remuneration to senior executives see Note 30 on page 122.

Incentive programmes

The Board of Directors proposed that the Annual General Meeting resolved on implementation of a performance based long-term share programme for 2023 (Share Programme 2023/2026), for more information on the share programme see Note 30 on page 122 and page 140.

Parent company

The Parent Company's earnings before tax were 1,658.8 MEUR (-1,228.2). The equity was 6,333.3 MEUR (5,040.6). The equity ratio of the Parent Company was 38 per cent (34). Liquid funds including unutilised credit limits were 734.2 MEUR (930.7).

Hexagon's activities are financed via equity and external borrowings in the Parent Company. Substantial currency effects arise due to Intra-Group and external lending and borrowing transactions in multiple currencies.

Proposed appropriation of earnings

The following earnings in the Parent Company are at the disposal of the annual general meeting (KEUR):

Premium reserve	2,903,123
Retained earnings	1,360,563
Net earnings	1,662,520
Total	**5,926,206**

The Board of Directors proposes that these funds are allocated as follows:

Cash dividend to shareholders of 0.13 EUR per share	348,969
Balance remaining in the premium reserve	2,903,123
Balance remaining in retained earnings	2,674,114
Total	**5,926,206**

Significant events after the fiscal year

No significant events effecting the financial reporting have occurred during the period between quarter-end and date of issuance of this report.

Corporate governance report

Hexagon AB is a public company listed on Nasdaq Stockholm. The corporate governance of Hexagon is based on Swedish legislation, primarily the Swedish Companies Act, Hexagon's Articles of Association, the Board of Directors' internal rules, Nasdaq Stockholm's rules and regulations, the Swedish Corporate Governance Code (the "Code") and regulations and recommendations issued by relevant organisations.

Hexagon applies the Code, which is based on the principle "comply or explain". Hexagon did not note any deviations from the Code for the 2023 financial year.

This corporate governance report has been prepared in accordance with the provisions of the Annual Accounts Act and the Code and has, by virtue of Section 6, paragraph 8 of the Annual Accounts Act, been issued as a document separate from the annual report.

Ownership structure and share information

At 31 December 2023, Hexagon's share capital was EUR 85,761,451 represented by 2,705,477,888 shares, of which 110,250,000 are of Class A with ten votes each and 2,595,227,888 are of Class B with one vote each. As of 31 December 2023, Hexagon AB holds in total 21,100,000 of the company's own shares of Class B acquired on Nasdaq Stockholm. Repurchase of 5,300,000 shares was made during 2023 pursuant to the authorisation granted by the Annual General Meeting on 2 May 2023. The authorisation comprises acquisitions on Nasdaq Stockholm, on one or more occasions for the period up until the Annual General Meeting 2024, of maximum so many Series B shares that the company's holding does not exceed 10 per cent of all shares in the company at that time. According to the authorisation any acquisitions of shares on Nasdaq Stockholm may only occur at a price within the share price interval registered at that time, where share price interval means the difference between the highest buying price and the lowest selling price. The Board of Directors was further authorised, for the period up until the Annual General Meeting 2024 on one or more occasions, to resolve on transfer of the company's own Series B shares. According to the authorisation, transfer of Series B shares may be made at a maximum of 10 per cent of the total number of shares in the company from time to time. A transfer may be made with deviation from the shareholders' preferential rights on Nasdaq Stockholm as well as to third parties in connection with acquisition of a company or a business. Compensation for transferred shares can be paid in cash, through an issue in kind or a set-off. Transfers of shares on Nasdaq Stockholm may only occur at a price per share within the share price interval registered at that time. Transfer in connection with acquisitions may be made at a market value assessed by the Board of Directors. The purpose of the authorisations is to give the Board of Directors the opportunity to adjust the company's capital structure, to finance potential company acquisitions, and as a hedge for the company's share-based incentive programmes. The purpose of the repurchase during 2023 was to ensure Hexagon's undertakings in respect of the long-term incentive programmes (other than delivery of shares to participants in the incentive programmes), including covering social security costs. The Board of Directors did not exercise the authorisation to resolve on transfer of own shares during 2023.

The Annual General Meeting held on 2 May 2023 also authorised the Board of Directors to, with or without deviation from the shareholders' preferential rights, and with or without provisions for contribution in kind, setoff or other conditions, resolve to issue Series B shares, convertibles and/or warrants (with rights to subscribe for or convert into Series B shares). The authorisation may be utilised on one or more occasions during the period up until the Annual General Meeting 2024. By resolutions in accordance with the authorisation, the number of shares may be increased by a number corresponding to a maximum of 10 percent of the number of outstanding shares in the company at the time when the Board of Directors first uses the authorisation. The purpose of the authorisation is to ensure financing of acquisitions of companies, part of companies or businesses or to strengthen the company's capital base and equity/assets ratio. In case of deviation from the shareholders' preferential rights, issues by virtue of the authorisation shall be made on market conditions.

Melker Schörling AB, the single largest shareholder in Hexagon, held a total of 110,250,000 Class A shares and 471,081,440 Class B shares at year-end 2023, representing 42.6 per cent of the votes and 21.5 per cent of the capital. No other shareholder has any direct or indirect shareholding representing 10 per cent or more of the total votes.

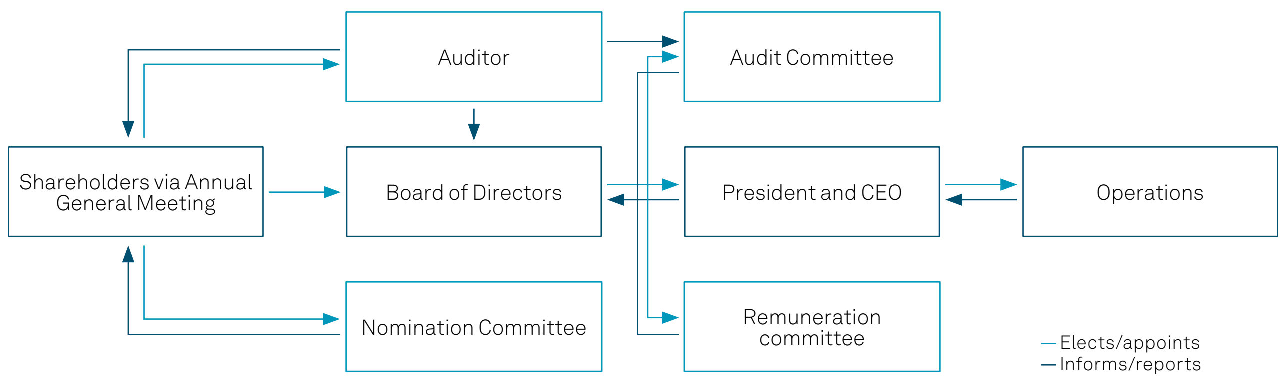
To the best of the knowledge of the Board of Directors (the "Board"), there are no shareholder agreements or similar agreements between the shareholders of Hexagon with the purpose of exercising joint control of the company. The Board also is not aware of any agreements that could lead to a change in control of the company or that could prevent the transfer of shares of the company.

Annual General Meeting

The General Meeting is Hexagon's supreme decisionmaking body in which all shareholders are entitled to participate. The Articles of Association of the company contain no restrictions regarding the number of votes that may be cast by a shareholder at general meetings. At the Annual General Meeting (AGM), the Board presents the annual report (including the consolidated accounts) and the audit report. Hexagon issues the notice convening the AGM no later than four weeks prior to the meeting. To attend the AGM, a shareholder must be recorded in the share register and notify the company of his/her intention to attend the AGM within the time limit set forth in the notice convening the AGM. The AGM is held in Stockholm, Sweden, usually at the end of April or in the beginning of May. The AGM provides shareholders with an opportunity to address a number of issues, such as the adoption of the income statement and balance sheet, the appropriation of the company's profit or loss according to the adopted balance sheet, the discharge from liability to the company of the Board members and the President and CEO, the remuneration of the Board and auditors, the principles for remuneration and employment terms for the President and CEO and other senior executives, approval of the remuneration report for the previous financial year, the election of members and the Chair of the Board, the election of the auditor, and any amendments to the Articles of Association.

Nomination Committee

The AGM has resolved that the Nomination Committee's assignment shall comprise the preparation and presentation of proposals to the shareholders at the AGM on the election of Board members, Chair of the Board, Chair of the AGM, and the company's auditors. In addition, the Nomination Committee presents proposals regarding remuneration of the Board of Directors (including for committee work) and the auditors.



The Nomination Committee shall consist of representatives for major shareholders of the company elected by the AGM. In case a shareholder, who a member of the Nomination Committee represents, is no longer one of the major shareholders of Hexagon or if a member of the Nomination Committee is no longer employed by such shareholder or for any other reason leaves the Committee before the next AGM, the Committee is entitled to appoint another representative among the major shareholders to replace such a member. No fees are paid to the members of the Nomination Committee.

Board of Directors

In accordance with the Articles of Association, the Board of Directors of Hexagon shall consist of no less than three and not more than ten members, elected annually by the AGM for the period until the end of the next AGM. The Articles of Association of the company contain no special provisions regarding the election and discharge of Board members or regarding changes to the Articles of Association. The AGM 2023 elected seven members.

The President and CEO, The Chief Financial Officer, the General Counsel and the Chief Strategy Officer participate in the Board meetings. Other Hexagon employees participate in the Board meetings to make presentations on particular matters if requested.

The Nomination Committee's conclusions regarding the Board members' independence in relation to the company, its management and major shareholders is presented on page 32. According to the requirements set out in the Code, the majority of the Board members elected by the AGM must be independent in relation to the company and its management and at least two of such Board members shall also be independent in relation to the company's major shareholders. The criteria set forth in the Code and other relevant factors were considered in making determinations about independence.

The Board of Directors is responsible for determining Hexagon's overall objectives, developing and monitoring the overall strategy, deciding on major acquisitions, divestments and investments, and ongoing monitoring of operations. The Board is also responsible for ongoing evaluation of management, as well as systems for monitoring internal controls and the company's financial position. The Board ensures that the company's external disclosure of information is characterised by openness and that it is accurate, relevant and clear. Procedural rules and instructions for the Board and the President and CEO govern issues requiring Board approval and financial information and other reporting to be submitted to the Board.

The Chair directs the Board's activities to ensure that they are conducted pursuant to the Swedish Companies Act, the prevailing regulations for listed companies and the Board's internal control instruments.

At all scheduled Board meetings, information concerning Hexagon's financial position and important events affecting the company's operations is presented.

Key data for board members

			Committee membership		Meeting attendance		
Board Member[1]	**Elected**	**Independent**	**Audit Committee**	**Remuneration Committee**	**Board of Directors**	**Audit Committee**	**Remuneration Committee**
Ola Rollén	2000	No[2]		⦿	15/15		
John Brandon	2017	Yes			15/15		
Ulrika Francke[4]	2010	Yes	⦿		5/5	2/2	
Henrik Henriksson[4]	2017	Yes			3/5		
Erik Huggers	2021	Yes	⦿		15/15	4/4	
Gun Nilsson	2008	Yes	⦿	⦿	15/15	6/6	1/1
Märta Schörling Andreen	2017	No[3]			15/15		
Sofia Schörling Högberg	2017	No[3]	⦿	⦿	14/15	5/6	1/1
Patrick Söderlund[4]	2020	Yes			3/5		
Brett Watson	2021	Yes			15/15		

1) A complete presentation of the Board Members is included on pages 32–33
2) Ola Rollén is not deemed to be independent of the company and its management
3) Märta Schörling Andreen and Sofia Schörling Högberg are not deemed to be independent of the company's major shareholders
4) Ulrika Francke, Henrik Henriksson and Patrick Söderlund resigned at the Annual General Meeting 2023

Board and committee meetings

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Board of Directors	⦿⦿⦿⦿			⦿	⦿	⦿⦿	⦿⦿⦿⦿	⦿		⦿		⦿
Audit Committee	⦿			⦿			⦿	⦿		⦿		⦿
Remuneration Committee	⦿											

Audit Committee

The Audit Committee, which is a preparatory body in the Board's contacts with the company's auditors, is appointed annually by the Board and regularly submits reports to the Board about its work. The Audit Committee follows written instructions and is, through its activities, to meet the requirements stipulated in the Swedish Companies Act and in the EU's audit regulation. The Committee's tasks include assisting the Nomination Committee in drawing up proposals for AGM resolutions on the election of auditors and remuneration to auditors, monitoring that the auditor's term of office does not exceed applicable rules, procuring the audit and making a recommendation in accordance with the EU's audit regulation. Furthermore, the Audit Committee shall review and monitor the auditors' impartiality and independence, paying particular attention to whether the auditor provides the company with other services than the audit. The Audit Committee shall also issue guidelines for services in addition to auditing services provided by the auditors and in applicable cases approve these services according to the issued guidelines. The Audit Committee shall take part in planning auditing services and related reporting and regularly meet with the external auditors to stay informed on the orientation and scope of the audit. The Audit Committee shall also review and monitor the Group's financial reporting, the activities of the external auditors, the company's internal controls, the current risk situation and the company's financial information to the market. The Audit Committee's tasks also include submitting recommendations and proposals to ensure the reliability of financial reporting and other issues that the Board assigns the Committee to consider.

The Committee has not, other than pursuant to written instructions approved by the Board specifically for the Audit Committee, been authorised to make any decisions on behalf of the Board.

Remuneration Committee

The Remuneration Committee is appointed by the Board annually and its task is, on behalf of the Board, to consider issues regarding remuneration of the President and CEO and executives that report directly to the President and CEO and other similar issues that the Board assigns the Committee to consider. The Committee shall also follow and evaluate ongoing programmes or programmes completed during the year for variable remuneration to Executive Leadership, as well as the application of the guidelines for remuneration to senior executives as resolved by the AGM. The Committee has not been authorised to make any decisions on behalf of the Board.

External auditors

The AGM appoints the company's auditors. On behalf of the shareholders, the auditors' task is to examine the company's Annual Report and accounting records and the administration by the Board of Directors and the President and CEO. In addition to the audit, the auditors occasionally have other assignments, such as work relating to acquisitions and tax. Hexagon's auditors normally attend the first Board meeting each year, at which the auditor report observations from the examination of Hexagon's internal controls and the annual financial statements. Moreover, the auditors report to and regularly meet with the Audit Committee. In addition, the auditors participate in the AGM to present the Auditor's report, which describes the audit work and observations made.

Internal control

The esponsibility of the Board for internal control is regulated in the Swedish Companies Act and in the Code. It is the duty of the Board to ascertain that the internal control and formalised routines of the company ensure that the principles for internal control and financial reporting are adhered to and that the financial reports comply with the law and other requirements applicable to listed companies. The Board bears the overall responsibility for internal control of the financial reporting. The Board has established written formal rules of procedure that clarify the Board's responsibilities and regulate the internal distribution of work between the Board and its committees.

President and CEO and Executive Leadership

The President and CEO is responsible for leading and controlling Hexagon's operations in accordance with the Swedish Companies Act, other legislation and regulations, applicable rules for listed companies, as well as the Code, the Articles of Association and the instructions and strategies determined by the Board. The President and CEO shall ensure that the Board is provided with objective, detailed and relevant information required in order for the Board to make well-informed decisions. Furthermore, the President and CEO is responsible for keeping the Board informed of the company's development between Board meetings.

The Executive Leadership, comprising the President and CEO, divisional presidents, heads of geographical regions and certain specific Group staff functions, totals 13 persons. Executive Leadership is responsible for the overall business development and the apportioning of financial resources between the business areas, as well as matters involving financing and capital structure. Regular management meetings constitute Hexagon's forum for implementing overall controls down to a particular business operation and in turn, down to the individual company level

Operations

In financial terms, Hexagon's business operations are controlled on the basis of the return on capital employed. This requires focus on maximising operating earnings and minimising working capital. Hexagon's organisational structure is decentralised with central oversight and coordination. Targets, guidelines and strategies are set centrally in collaboration with the business units. Managers assume overall responsibility for their respective business and pursue the clearly stated objectives.

ACTIVITIES DURING THE YEAR

Annual General Meeting 2023

The AGM, held on 2 May 2023 in Stockholm, Sweden, was attended by shareholders representing 64 per cent of the total number of shares and 74 per cent of the total number of votes. Apart from attending the AGM, the shareholders had the opportunity to vote by mail before the meeting. Gun Nilsson was elected Chair of the AGM.

The following main resolutions were passed at the AGM 2023:

- Re-election of Directors Ola Rollén, Gun Nilsson, John Brandon, Märta Schörling Andreen, Sofia Schörling Högberg, Brett Watson and Erik Huggers
- Election of Ola Rollén as Chair of the Board
- Election of the accounting firm PricewaterhouseCoopers AB (PwC) for a one-year period of mandate. PwC has appointed the authorised public accountant Bo Karlsson as auditor in charge
- Dividend of 0.12 EUR per share for 2022 as per the Board's proposal
- Resolution on approval of remuneration report for 2022
- Approval of a performance based long term incentive programme (Share Programme 2023/2026)
- Authorisation for the Board of Directors on acquisition and transfer of Hexagon shares
- Authorisation for the Board of Directors to issue shares, convertibles and/or warrants

Nomination Committee

For the proposal for the AGM 2023, the Nomination Committee applied rule 4.1 of the Code as the diversity policy related to the Committee's nomination work. The Nomination Committee confirmed that the Board of Hexagon has an equal gender balance and an appropriate composition in general. Additional criteria, such as background, experience, previous leadership roles, relevant insights into Hexagon's industries and other customary attributes were considered when nominating the directors.

In respect of the 2024 AGM, the Nomination Committee comprises:

- Mikael Ekdahl, Melker Schörling AB (Chair)
- Jan Dworsky, Swedbank Robur fonder
- Brett Watson, Infor
- Daniel Kristiansson, Alecta

During 2023, the Nomination Committee held six minuted meetings at which the Chair gave an account of the process of evaluation of the Board's work. The Committee discussed and decided on proposals to submit to the AGM 2024 concerning the election of Chair of the AGM, the election of Chair and other Board Members, remuneration to the Board, including remuneration for committee work, and fees to the auditors. Shareholders wishing to submit proposals have been able to do so by contacting the Nomination Committee via mail or email. Addresses have been made available on Hexagon's website.

Board of Directors' activities

In 2023, the Board held 15 minuted meetings, including the statutory Board meeting. At the Board meetings, the President and CEO presented the financial and market position of Hexagon and important events affecting the company's operations. On different occasions, Hexagon senior executives presented their operations and business strategies to the Board. In addition, items such as the approval of the interim reports, the annual report, acquisitions, cyber security and sustainability are part of the Board's work plan and the company's auditors presented a report on their audit work during the year.

Evaluation of the Board's work

The Board continuously evaluates its work and the format of its activities. This evaluation considers factors such as how the Board's work can be improved, whether the character of meetings stimulates open discussion and whether each Board member participates actively and contributes to discussions. The evaluation is coordinated by the Chair of the Board. In 2023, the Chair conducted a written survey with all the Board members. The result of the evaluation has been reported to and discussed by the Board and the Nomination Committee. The Board is also evaluated within the framework of the Nomination Committee's activities.

Audit Committee

During 2023, the Audit Committee comprised:

- Gun Nilsson (Chair)
- Sofia Schörling Högberg
- Erik Huggers

In 2023, the Committee held six minuted meetings where the financial reporting and risks of Hexagon were monitored and discussed. The Committee dealt with relevant accounting issues, audit work and reviews, new financing, and testing for impairment of goodwill.

Remuneration Committee

During 2023, the Remuneration Committee comprised:

- Ola Rollén (Chair)
- Sofia Schörling Högberg

In 2023, the Committee held one minuted meeting where remuneration and other employment terms and conditions for the President and CEO and other Executive Leadership were discussed. The Remuneration Committee also monitored and evaluated the ongoing programmes for variable remuneration to senior executives as well as the application of the guidelines for remuneration to senior managers and the structure and levels of remuneration in the company.

External auditors

The AGM 2023 re-elected the accounting firm PricewaterhouseCoopers AB (PwC) as auditor for a one-year period of mandate. PwC has appointed authorised public accountant Bo Karlsson as auditor in charge. In addition to the assignment for Hexagon, he performs audit assignments for VNV Global AB (publ) and VEF AB (publ). Other recent assignments include audit assignments for companies such as ASSA ABLOY AB (publ), SKF AB (publ) and Investment AB Latour (publ).

Hexagon's auditors attended the first Board meeting of the year, at which they reported observations from their examination of Hexagon's internal controls and the annual financial statements. The auditors met with the Audit Committee on six occasions during 2023. The address of the auditors is PricewaterhouseCoopers AB, 113 97 Stockholm, Sweden.

Remuneration principles

The following principles for remuneration to senior executives in Hexagon were adopted by the AGM 2020.

Remuneration shall consist of a basic salary, variable remuneration, pension and other benefits and all remuneration shall be competitive and in accordance with market practice. The variable remuneration shall be maximised at up to 150 per cent in relation to the basic remuneration, related to the earnings trend which the relevant individual may influence and based on the outcome in relation to individual targets.

The Board annually considers whether a share or share-based incentive programme shall be proposed to the AGM.

The notice period shall normally be six months when notice of termination of employment is delivered by the employee. In case of notice of termination of employment delivered by the company, the notice period and the period during which severance payment is paid shall, all in all, not exceed 24 months. Pension benefits shall, as a main rule, be defined contribution. Deviation from this main rule may be permitted when appointing new senior executives whose previous employment agreement included a defined benefit pension plan. The pension age for senior executives is individually determined, although not less than 60 years of age. The complete guidelines are presented on pages 20–23.

Since the general meeting shall adopt guidelines for remuneration to senior executives at least every fourth year, the Board will present a proposal for new guidelines for remuneration to senior executives for approval by the AGM 2024 to be applicable until further notice. The proposed guidelines are presented on page 22-23.

Remuneration of Executive Leadership

Remuneration of the President and CEO and other senior executives is presented in Note 30 on page 122. The Board has prepared a remuneration report for approval by the AGM 2024.

There are no agreements between the company and its directors or employees, other than as described in Note 30, which stipulate the right to compensation if such person voluntarily leaves the company, such person is dismissed with cause or if such person's employment is terminated as a result of a public offer for shares in the company.

Incentive programmes

Details of the Share Programme 2020/2023, the Share Programme 2021/2024, the Share Programme 2022/2025 and the Share Programme 2023/2026 are presented on page 140 (The Share section) and in Note 30 on page 122.

Remuneration of Board of Directors

Remuneration of the Board of Directors is resolved by the AGM upon proposal from the Nomination Committee. During 2023, the Chair of the Board and other Board Members received remuneration totaling 636.8 KEUR (774.1). Remuneration of the Board of Directors is presented in Note 30 on page 122.

Remuneration of external auditors

Remuneration for services in addition to auditing services primarily refers to work related to acquisitions and tax. Remuneration of the external auditors is presented in Note 31 on page 124.

For more details about principles practised →
- The Swedish Companies Act, regeringen.se
- The Swedish Code of Corporate Governance, corporategovernanceboard.se

More information is available at hexagon.com →
- Articles of Association
- Information from earlier General Meetings
- Information about the members of the Board of Directors, the President and CEO and the auditor
- Information about the Nomination Committee, including the company's instructions for the Nomination Committee
- Information ahead of the Annual General Meeting 2024

Internal control pertaining to financial reporting

The Annual Accounts Act and the Code stipulate that the Board of Directors must submit a report on the key aspects of the company's systems for internal controls and risk management regarding financial reports. Internal control pertaining to financial reporting is a process that involves the Board, company management and other personnel. The process has been designed so that it provides assurance of the reliability of the external reporting. According to a generally accepted framework that has been established for this purpose, internal control is usually described from five different perspectives:

1. Control environment

Hexagon's organisation is designed to facilitate rapid decision making. Accordingly, operational decisions are taken at the business area or subsidiary level, while decisions concerning strategies, acquisitions and company-wide financial matters are taken by the company's Board and Executive Leadership. The organisation is characterised by well-defined allocation of responsibility and well-functioning and well-established governance and control systems, which apply to all Hexagon units. The basis for the internal control pertaining to financial reporting is comprised of an overall control environment in which the organisation, decision-making routes, authorities and responsibilities have been documented and communicated in control documents, such as Hexagon's finance policy and reporting instructions and in accordance with the authorisation arrangements established by the President and CEO.

Hexagon's functions for financial control are integrated by means of a group-wide reporting system. Hexagon's financial control unit engages in close and well-functioning cooperation with the subsidiaries' controllers in terms of the financial statements and the reporting process. The Board's monitoring of the company's assessment of its internal control includes contacts with the company's auditor. Hexagon has no internal audit function, since the functions described above satisfy this need. All of Hexagon's subsidiaries report complete financial statements on a monthly basis. This reporting provides the basis for Hexagon's consolidated financial reporting. Each legal entity has a controller responsible for the financial control and for ensuring that the financial reports are correct, complete and delivered in time for consolidated financial reporting.

2. Risk assessment

The significant risks affecting the internal control of financial reporting are identified and managed at group, business area, subsidiary and unit level. Within the Board, the Audit Committee is responsible for ensuring that significant financial risks and the risk of error in financial reporting is identified and managed in a manner that ensures correct financial reporting. Special priority has been assigned to identifying processes that, to some extent, give rise to a higher risk of significant error due to the complexity of the process or of the contexts in which major values are involved.

3. Control activities

The risks identified with respect to the financial reporting process are managed via the company's control activities. The control activities are designed to prevent, uncover and correct errors and non-conformities. Their management is conducted by means of manual controls in the form of, for example, reconciliations, automatic controls using IT systems and general controls conducted in the underlying IT environment. Detailed analyses of financial results and evaluation in relation to budget and forecasts supplement the business-specific controls and provide general confirmation of the quality of the financial reporting.

4. Information and communication

To ensure the completeness and correctness of financial reporting, Hexagon has formulated information and communication guidelines designed to ensure that relevant and significant information is exchanged within the business, within the particular unit and to and from management and the Board. Guidelines, handbooks and job descriptions pertaining to the financial process are communicated between management and personnel and are accessible electronically and/or in a printed format. The Board receives regular feedback in respect of the internal control process from the Audit Committee. To ensure that the external communication of information is correct and complete, Hexagon complies with a Board approved information policy that stipulates what may be communicated, by whom and in what manner.

5. Monitoring activities

The efficiency of the process for risk assessment and the implementation of control activities are reviewed continuously. The follow-up pertains to both formal and informal procedures used by the officers responsible at each level. The procedures incorporate the review of financial results in relation to budget and plans, analyses and key figures. The Board obtains current and regular reports on Hexagon's financial position and performance. At each Board meeting, the company's financial position is addressed and, on a monthly basis, management analyses the company's financial reporting at a detailed level. The Audit Committee follows up the financial reporting at its meetings and receives reports from the auditors describing their observations.

Auditor's report on the corporate governance statement

To the general meeting of the shareholders of Hexagon AB (publ), corporate identity number 556190-4771

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2023 on pages 24–30 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinions

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

Stockholm 26 March 2024

PricewaterhouseCoopers AB

Bo Karlsson
Authorised Public Accountant
Partner in charge

Helena Kaiser de Carolis
Authorised Public Accountant

Board of Directors

Ola Rollén
Born in 1965
Member of the Board since 2000,
Chair of the Board since 2023,
Chair of the Remuneration Committee
Education: B.Sc. (Economics)
Work experience: President and Chief Executive Officer of Hexagon 2000 - 2022, President of Sandvik Materials Technology and Kanthal, Executive Vice President of Avesta-Sheffield
Other assignments: Chair of the Board at Greenbridge Holdings Sàrl., Board Member at Divergent Technologies Inc., Neo4j Inc. and Nstech S.A.
Previous assignments in the past five years: –
Shareholding[1]: 502,075 shares of series B and 518,195 awards through share programmes
Independent of major shareholders

Märta Schörling Andreen
Born in 1984
Member of the Board since 2017
Education: B.Sc. (Economics)
Work experience: Brand and innovation consultant at Pond Innovation & Design
Other assignments: Board Member of Melker Schörling AB, Hexpol AB, AAK AB and Absolent Group
Previous assignments in the past five years: –
Shareholding[1]: 110,250,000 shares of series A and 471,081,440 shares of series B through Melker Schörling AB
Independent of the company and its management

John Brandon
Born in 1956
Member of the Board since 2017
Education: B.A. (History)
Work experience: Advisor at Conductive Ventures, Vice President International of Apple Inc., CEO Academic Systems Inc., Vice President and General Manager at North America of Adobe Systems Inc.
Other assignments: Board Member of Securitas AB
Previous assignments in the past five years: –
Shareholding[1]: 21,000 shares of series B
Independent of the company, its management and major shareholders

Sofia Schörling Högberg
Born in 1978
Member of the Board since 2017
Member of the Audit Committee and the Remuneration Committee
Education: B.Sc. (Economics)
Work experience: Trademark consultant at Essen International
Other assignments: Vice Chair of Melker Schörling AB, Board Member of Securitas AB and Assa Abloy AB
Previous assignments in the past five years: –
Shareholding[1]: 110,250,000 shares of series A and 471,081,440 shares of series B through Melker Schörling AB
Independent of the company and its management

1) Shareholding is based on information per 25 March 2024 and also include related-party holdings. Holding through share programmes are the total number of awards in all active share programmes and before tax deductions

Board of Directors contin. →

Board of Directors contin.

Erik Huggers
Born in 1973
Member of the Board since 2021
Member of the Audit Committee

Education: B.Sc. (Business Economics & Marketing)

Work experience: President & CEO VEVO LLC, SVP Verizon Communications, President Intel Media Inc., Executive Director British Broadcasting Corporation, Senior Director Microsoft Corporation

Other assignments: Chair of the Board at Freepik Company SL, GotPhoto and EveryoneTV Ltd. Member of the Board at Wetransfer B.V. Senior advisor to EQT Group.

Previous assignments in the past five years: Supervisory Board Member at ProSibenSat.1 Meida SE

Shareholding[1]: –

Independent of the company, its management and major shareholders

Gun Nilsson
Born in 1955
Member of the Board since 2008
Chair of the Audit Committee

Education: B.Sc. (Economics)

Work experience: President of Melker Schörling AB, CFO of IP-Only Group, Sanitec Group and Nobia Group, CEO of Gambro Holding AB, Deputy CEO and CFO of Duni AB

Other assignments: Board Member of Konecranes Plc, Bonnier Group AB and Einar Mattsson AB, Member of Listing Committee at NASDAQ Stockholm

Previous assignments in the past five years: Board Member of AAK AB, Absolent Air Care Group AB, Hexpol AB and Loomis AB

Shareholding[1]: 88,662 shares of series B

Independent of the company, its management and major shareholders

Brett Watson
Born in 1980
Member of the Board since 2021

Education: B.Sc., MBA (Finance)

Work experience: President of Koch Equity Development (KED), Senior Managing Director KED's Principal Investment Team, various positions in investment banking, principal investment and private equity

Other assignments: Board Member at Infor, Getty Images, Transaction Network Services and MITER Brands Globus Group, MITER Brands and the Flint Group

Previous assignments in the past five years: Board Member Globus Group, Flint Group, ADT Inc., and Solera Holdings Inc.

Shareholding[1]: –

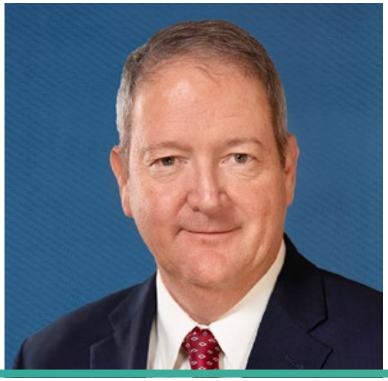
Independent of the company, its management and major shareholders

1) Shareholding is based on information per 25 March 2024 and also include related-party holdings

Executive Leadership

Paolo Guglielmini
Born in 1977
President and Chief Executive Officer
Employed since 2010
Education: M.Sc., MBA (Engineering)
Work experience: President Manufacturing Intelligence division, Chief Executive Officer MSC Software, Executive Vice President Global Business Development at Manufacturing Intelligence, Project Lead CERN, Business Analyst Accenture
Other assignments: –
Previous assignments in the past five years: –
Shareholding[1]*:* 1,061,827 shares of series B
and 329,862 awards through share programmes

Burkhard Böckem
Born in 1971
Chief Technology Officer
Employed since 2001
Education: Ph.D. (Technology), M.Sc. (Geodesy)
Work experience: Chief Technology Officer Geosystems division, various R&D manager positions within Manufacturing Intelligence division
Other assignments: –
Previous assignments in the past five years: –
Shareholding[1]*:* 103,590 awards through share programmes



Steven Cost
Born in 1967
President, Safety, Infrastructure & Geospatial division
Employed since 2007
Education: B.Sc., MBA (Accounting)
Work experience: President of Safety & Infrastructure division, Chief Accountant Officer/Controller/Treasurer at Intergraph, and senior management positions with Adtran, AVEX Electronics and Benchmark Electronics
Other assignments: –
Previous assignments in the past five years: –
Shareholding[1]*:* 137,542 awards through share programmes

Norbert Hanke
Born in 1962
Executive Vice President
Employed since 2001
Education: Diploma of Business Administration
Work experience: Chief Operating Officer Hexagon, President Manufacturing Intelligence division, Chief Financial Officer at Brown & Sharpe and various positions within the Kloeckner Group
Other assignments: –
Previous assignments in the past five years: –
Shareholding[1]*:* 158,424 shares of series B and 181,256 awards through share programmes

Thomas Harring
Born in 1971
President, Geosystems division
Employed since 2003
Education: Diploma of Technically-oriented Business Administration
Work experience: Chief Operating Officer and Chief Financial Officer Geosystems division, various management positions within Geosystems, Senior Management Consultant at Baker Tilly
Other assignments: –
Previous assignments in the past five years: –
Shareholding[1]*:* 49,365 shares of series B and 148,834 awards through share programmes

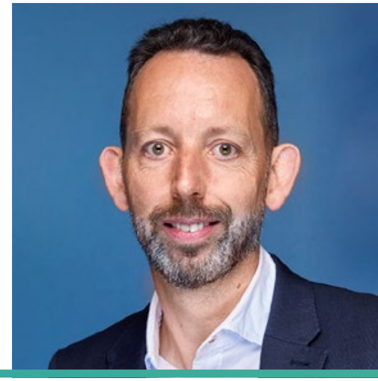
1) Shareholding is based on information per 25 March 2024 and also include related-party holdings. Holding through share programmes are the total number of awards in all active share programmes and before tax deductions

Executive Leadership contin. →

Executive Leadership contin.

Li Hongquan
Born in 1966
Vice President and President of China Region
Employed since 2001.
Education: M.Sc. (Engineering)
Work experience: President of Qingdao Brown & Sharpe and Qianshao Technology Co. Ltd. Various positions in the Chinese manufacturing industry
Other assignments: –
Previous assignments in the past five years: –
Shareholding[1]: 840,000 shares of series B and 212,786 awards through share programmes

Ben Maslen
Born in 1972
Chief Strategy Officer
Employed since 2017
Education: B.Sc. (Economics & Politics) and Chartered Accountant
Work experience: Co-head of European capital goods equity research Morgan Stanley and equity analyst at BoAML
Other assignments: Member of the Board of Martlet Capital Limited
Previous assignments in the past five years: –
Shareholding[1]*:* 7,000 shares of series B and 103,483 awards through share programmes



David Mills
Born in 1972
Chief Financial Officer
Employed since 2001
Education: B.Sc. (Economics and accounting) ACMA
Work experience: Chief Financial Officer Manufacturing Intelligence division, various financial positions within Brown & Sharpe, GEC and Telecoms industry
Other assignments: –
Previous assignments in the past five years: –
Shareholding[1]*:* 37,163 shares of series B and 90,646 awards through share programmes

Madlen Nicolaus
Born in 1981
Chief Marketing Officer
Employed since 2023
Education: Diploma in Media Management and Marketing
Work experience: VP ENT Marketing EMEA SAP Concur, Head of EMEA Cloud Marketing Salesforce, Social Media Manager EMEAR Kodak
Other assignments: –
Previous assignments in the past five years: –
Shareholding[1]*:* –

Michael Ritter
Born in 1963
President, Autonomous Solutions division
Employed since 2009
Education: M.Sc. (Engineering)
Work experience: President Autonomy & Positioning division, Staff and management positions at Schlumberger Oilfield Services and Trimble Inc.
Other assignments: –
Previous assignments in the past five years: –
Shareholding[1]*:* 138,936 awards through share programmes

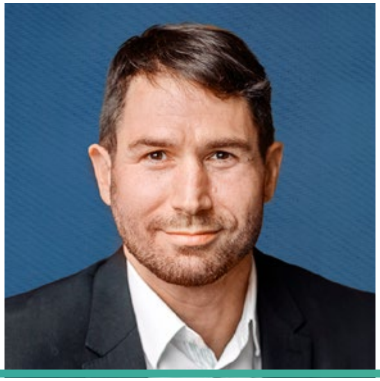
1) Shareholding is based on information per 25 March 2024 and also include related-party holdings. Holding through share programmes are the total number of awards in all active share programmes and before tax deductions

Executive Leadership contin. →

Executive Leadership contin.

Mattias Stenberg
Born in 1977
President, Asset Lifecycle Intelligence division
Employed since 2009
Education: B.Sc. (Economics)
Work experience: Chief Strategy Officer and Vice President of Strategy and Communications at Hexagon AB, various Investor Relations positions at Teleca AB and Autoliv Inc.
Other assignments: –
Previous assignments in the past five years: –
Shareholding[1]: 100,000 shares of series B and 156,013 awards through share programmes

Josh Weiss
Born in 1986
President, Manufacturing Intelligence division
Employed since 2015
Education: B.Sc. (Finance), MBA
Work experience: COO/CDO Geosystems division, President Geosystems' mining and heavy construction businesses, Senior Manager Deloitte, various leading positions at ArcelorMittal
Other assignments: –
Previous assignments in the past five years: –
Shareholding[1]*:* 103,310 awards through share programmes



Tony Zana
Born in 1979
General Counsel and Chief Compliance Officer
Employed since 2008
Education: D.Jur. (Law), B.Sc. (Management Information Systems)
Work experience: Deputy General Counsel at Hexagon, Vice President, General Counsel and Corporate Secretary at Intergraph Corporation, Attorney at Maynard, Cooper & Gale, Law Clerk at U.S. District Court
Other assignments: –
Previous assignments in the past five years: –
Shareholding[1]: 5,000 shares of series B and 86,079 awards through share programmes

1) Shareholding is based on information per 25 March 2024 and also include related-party holdings. Holding through share programmes are the total number of awards in all active share programmes and before tax deductions

Managing risks

Hexagon's risk management activities are designed to identify, control and reduce risks associated with its business. The majority of these activities are managed within each subsidiary of Hexagon. However, certain legal, strategic, sustainability and financial risks are managed at the Group level.

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	Risk management
Acquisitions and integration	
An important part of Hexagon's current and future growth strategy is to actively pursue strategic acquisitions of companies and businesses. 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 risk. The acquired entities' relations with customers, suppliers and key personnel may be negatively affected by the acquisition. There is also a risk that integration processes may prove more costly or more time consuming than estimated and that anticipated synergies in whole or in part fail to materialise or that positive impacts on earnings may take longer to realise than expected. An acquisition of a company that is not conducting its business 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, even despite Hexagon's efforts to promptly remediate such conditions.	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 synergy simulations and implementation strategies. Every effort to complete a thorough due diligence is made in order to evaluate potential risks and there are well-established procedures and structures for pricing, acquiring and integrating acquired companies. From 2000 to date, Hexagon completed more than 190 acquisitions. Based on its extensive experience in acquisitions and integration and clear strategies and goals, 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 detailed consideration 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/FCPA (Foreign Corrupt Practices Act) and export controls.

Risk	Risk management
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 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 lower market growth that falls below expectations and may reduce revenues for Hexagon, or it may have other effects, like extending the sales cycle. The resurgence of the Covid-19 pandemic or new variants 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.	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 off-set 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.
Geopolitical risks	
Understanding geopolitical risk, how geography and economics influence politics and the relations between countries, is important in a world that has become more closely intertwined due to the rise of globalisation – and additionally the trends of regionalisation that we have observed more recently in certain jurisdictions. Current geopolitical risks include the current war in Ukraine and the corresponding global sanctions, the Israeli-Palestinian conflict, other political and economic uncertainties and the potential for further escalation of the trade issues among various countries, for example the US and China. Although it is difficult to assess the evolution and impact of intensification of war hostilities, ongoing political tensions and international economic sanctions could have significant negative impacts on the global economy and the performance of financial markets, 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 complexities 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.	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 mitigates geopolitical risk through its local operations and localised products, adapted to local requirements, which mitigates risks associated with international tensions.

Risk	Risk management
Competition and price pressure	
Parts of Hexagon's operation 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 in order to retain customers and avoid erosion of market share. Other inherent risks exist with competitors, such as consolidation or entry into Hexagon's markets by companies with significant resources. Such competition may result in price reductions, reduced margins or loss of market share. R&D efforts are costly and new product development always entails a 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, creates inherent risks that are difficult to foresee.	Hexagon invests significantly in R&D. The objectives for Hexagon's R&D division 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 require active intellectual property management to secure Hexagon's technological position.

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	Risk management
Customers	
Hexagon's business activities are conducted in a large number of markets with multiple customer categories. In 2023, Surveying was the single largest customer category and accounted for 18 per cent of net sales. For Hexagon, this customer category may involve certain risks as a downturn or weak development in the surveying sector can have a negative impact on Hexagon's business. Surveying is followed by customer categories Electronics and Manufacturing with 17 per cent, Infrastructure and Construction with 12 per cent and Power and Energy with 12 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 resurgence of the Covid-19 pandemic or any other outbreak or 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.	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 all principles contained in the Code of Business Conduct and Ethics, including export controls, customs, anti-corruption, competition, public contracting and data privacy. Hexagon is committed to complying with appropriate legal requirements, such as those listed above, and the Group's compliance efforts aim to safeguard peace and security by preventing the unlawful trading of items (i.e. goods, software or technology) or diversion to destinations where they may be used for illegal purposes.

Risk	Risk management
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 resurgence of the Covid-19 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.	Hexagon seeks a favourable risk diversification, and no single supplier is decisive for the Group's performance. The largest supplier accounted for approximately 1 per cent of Hexagon's total net sales in 2023. 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 a compliance programme in place for suppliers to manage social and ethical risks and the Group regularly conducts supplier audits to ensure suppliers are compliant with the Hexagon's Code of Business Conduct and Ethics and Hexagon's Supplier Code of Conduct.

Risk	Risk management
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 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 ISO 9001 at the majority of the largest production sites.
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 resurgence of the Covid-19 pandemic, or any other wide-spread public health situation, may cause risks in the company's ability to hire and retain skilled professionals.	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 satisfaction. Hexagon uses 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	Risk management
Environment	
Hexagon provides sensors, software and data to its customers. Approximately 60 per cent of the revenues are from software and services. Hexagon does not currently operate any business that require 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.	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 regulary monitored. Hexagon routinely assesses the risk of climate change on its operations as part of its insurance programme. Hexagon has implemented ISO 14001 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.
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 anit-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.	For Hexagon, anti-corruption compliance is of utmost importance for many reasons, and it helps Hexagon advance its financial interests, sustainability goals and brand value. Hexagon has a robust Code of Business Conduct and Ethics and Anti-Corruption Compliance Programme in place, covering the entire Group, including policies, processes and training. The anti-corruption compliance documents include policies in such areas as gifts and entertainment (both to and from third parties), hiring candidates with government connections and engaging in and transacting business with third parties.

Risk	Risk management
Cyber risks and data protection	
Hexagon relies on IT systems in its operations. Disruptions or faults in critical systems may have a negative impact on Hexagon's operations, including impact on production, Hexagon's tangible and intellectual property and, in some cases, the intellectual property and operations of external parties. Advances in digital technology and increases in device connectivity have presented new security challenges as employees and Hexagon's partners, customers and service providers to a greater extent, work remotely from non-corporate managed networks. Incidents may also lead to data privacy infringements such as unauthorised access, leakage or loss of data. Data security and integrity are critical issues for Hexagon. Under the GDPR, and other analogous legislation in various jurisdictions, and ePrivacy regulations, Hexagon has firm legal requirements to protect against personal information (PI) data breaches. The regulations extend to all vendors that Hexagon uses to collect, store and process PI data on its behalf. In China and several other jurisdictions, there are also similar laws in place to protect various data types, including PI data. It is critical for Hexagon to protect and secure all data as the costs of remediating a serious breach are high and can also be damaging to Hexagon's reputation.	Cyber security risks are increasing in society in general and Hexagon works continuously to keep the Group's IT systems protected. In addition, Hexagon invests in enhanced disaster recovery and data storage capabilities, cyber security expertise and tools, and other appropriate risk mitigation techniques. Hexagon also mitigates IT-related risks through contracts with external parties. Hexagon has mandated that all divisions must implement a recognised cybersecurity framework. Hexagon applies the standards of ISO27001 and NIST-800-53. Additionally, SOC1 and SOC2, and other industry specific certifications, are followed and verified where appropriate.

Financial risk management

Financial risks are primarely 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	Risk management
Currency	
Hexagon's operations are conducted internationally. During 2023, total operating earnings, excluding adjustments, from operations in currencies other than EUR amounted to an equivalent of 1,271.5 MEUR (1,232.7). 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, including the effect on Hexagon's operating earnings in 2023.	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 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.

	Movement[1]	Net of income and cost	Profit impact
CHF	Strengthened 3%	Negative	Negative
USD	Weakened -3%	Positive	Negative
CNY	Weakened -8%	Positive	Negative
EBIT1, MEUR			-81.8

1) Compared to EUR and 2022

Risk	Risk management
Interest	
The interest rate risk is the risk that changes in market interest rates will adversely affect the Group's net interest expense and/or 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. Futher, increasing interest rate 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. 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.	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 mitigated by the variety of products and services at various prices that Hexagon offers. Supplier and vendor interest-rate sensitivity mitigate through monitoring key vendors and suppliers.
Credit	
Credit risk, i.e., the risk that customers may be unable to fulfil 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.	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.
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.	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 2023, cash and unutilised credit limits totalled 1,268.6 MEUR (1,429.7).

Risk	Risk management
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. Securing these requirements demands a strong financial position of the Group, combined with active measures to ensure access to credit. There is no guarantee that Hexagon will be able to raise sufficient funds in order to refinance maturing debt.	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 tenor up to 12 months.
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.	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.

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	Risk management
Legislation and regulation	
Hexagon's main markets are subject to extensive regulation and applicable laws. Hexagon's operations may be affected by regulatory changes, tax changes (including to customs duties) and other trading obstacles, political changes and pricing and currency controls, as well as other government legislation and restrictions in the countries where Hexagon is active. For example, more stringent regulations have been passed 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. 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.	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 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 reviewed and updated as needed based on changes in laws and regulations. Further, Hexagon will continue to comply with all applicable export control restrictions and sanctions laws relevant to our operations and with the rules of ethics and international standards.

Risk	Risk management
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.	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, copyrights, and trade secrets and protects 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.

Risk	Risk management
Tax	
Hexagon operates through subsidiaries in a number of 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, OECD guidelines and agreements entered into with foreign tax authorities may be challenged by tax authorities in some countries. Rules 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 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.	Transactions between 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.

Hexagon commitment to ethics and compliance

Introduction

Hexagon is dedicated to upholding the highest standards of ethics and compliance within all aspects of our operations. Our Ethics and Compliance System ("System") is designed to detect, prevent, and respond effectively to legal risks and misconduct, ensuring that our business practices not only comply with applicable laws and regulations but also align with recognised best practices, such as the 10 business principles recommended by Transparency International and the UN Global Compact Standards. This System contributes to Hexagon's culture of integrity, transparency, and reliability.

System design

Risk assessment

Hexagon conducts regular risk assessments to identify and prioritise legal and compliance risks associated with our global operations. This proactive approach enables us to tailor our compliance strategies and effectively allocate resources, addressing the unique challenges of our diverse and global business environments. Our risk management process evolves continually, incorporating insights from industry trends, regulatory changes, external professionals and our own experiences to refine our focus and resource allocation.

System architecture

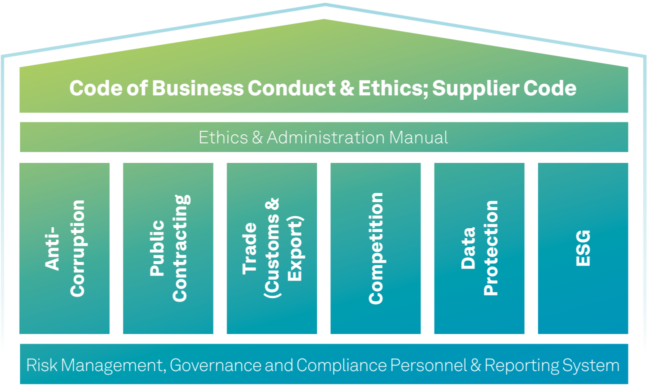
At the top of our System are our Code of Business Conduct and Ethics and Supplier Code of Conduct. These pivotal documents form the bedrock of our ethical culture, providing overarching guidance to navigate business operations with integrity. These documents are regularly reviewed and updated to reflect evolving legal and industry standards. Integral to the interpretation of all System documents, these Codes ensure that our ethical directives reach every facet of our operations.

The Ethics and Compliance Administration Manual sets out the System's governance and accountability by assigning the roles and responsibilities to both management leadership and the Compliance Team.

The System is intentionally designed with a clear focus on key areas of heightened risk, shaping our specific Compliance Programmes to cover critical aspects such as anti-corruption, competition, public contracting, trade (including export and customs compliance), data protection, and sustainability (ESG). These Compliance Programmes are operationalised through comprehensive manuals, procedures, instructions, guidance, worksheets, templates, and other tools that enable practical compliance implementation.

In addition to these core areas, the System is augmented by further policies and procedures that address other areas of heightened risk, further fortifying our compliance infrastructure. Accessibility of our System documentation is paramount; hence, we ensure it is readily available to all employees, often in many different languages.

For broader transparency, our Codes, summaries of our Compliance Programmes, and key policies are publicly accessible on our website.



Training and communication

Effective training and communication are vital components of our System, ensuring that our global workforce is well-informed and aligned with our ethics and compliance standards. Our multifaceted approach includes in-person and online training sessions, strategic management meetings, external training opportunities, internal compliance briefings, and ad-hoc guidance addressing emerging risks. In addition, annually, Hexagon defines a compliance plan addressing communication, training, and audit activities. This approach ensures systematic training on all essential compliance topics for every employee, aligning with Hexagon's commitment to an informed and compliant workforce.

We recognise the importance of tailoring training to specific roles, which is why our training programmes are customised to address the distinct risks and responsibilities and needs of different employee groups. These efforts are enhanced by lessons learned from past compliance matters and the influence of internationally renown advisors, ensuring that we continually learn and improve.

Hexagon enables collaborative efforts across various departments - Legal, Finance, Order Fulfillment, Treasury, and Supply Chain/Procurement – to further integrate compliance processes into our daily operations.

Implementation and resources

Commitment from the top

Effective compliance starts with leadership. At Hexagon, our senior management and the board of directors are deeply committed to fostering a culture of ethics and compliance. They demonstrate this commitment by consistently emphasising ethical behavior and compliance in both their communications and actions. This approach ensures that ethics and compliance are central to Hexagon's business strategies, making ethical conduct a fundamental part of our decision-making process. Their proactive efforts to align compliance with business objectives and address emerging risks underscore their strong commitment to maintaining Hexagon's ethical foundation.

A key practice is the annual Compliance Certification by Hexagon Management, which confirmes leadership's commitment to our System. Periodic communications throughout the year from various business leaders supplement our compliance alignment, ensuring ongoing adherence to our standards of integrity.

Governance

Hexagon's compliance function, overseen by the Chief Compliance Officer (CCO), operates independently and maintains direct access to the Board of Directors and Audit Committee leadership. The CCO routinely reports to these bodies on compliance matters, training activity, regulatory developments, and other pertinent activities of interest. This reporting mechanism ensures that compliance considerations are seamlessly integrated into strategic decision-making processes.

The CCO is supported by a global team of compliance experts, adequately resourced, both in terms of personnel and technology, which ensures effective monitoring, auditing and enforcement of compliance activities. The Group Compliance Officer together with the Division and Regional Compliance Officers and assisted by a large network of selected compliance coordinators manage and lead the operational implementation of the Ethics and Compliance System within all Hexagon entities.

Further, the Hexagon compliance network provides guidance, advice, and supports all employees on any issue related to compliance

Incentives and disciplinary measures

Hexagon looks for ways to enforce its compliance standards through incentives for ethical behavior and disciplinary measures for violations. This approach ensures accountability and promotes a culture where integrity and compliance are valued and rewarded.

Effectiveness in practice

Continuous improvement

Hexagon is committed to the ongoing enhancement of the System, ensuring it remains effective in responding to evolving challenges. The Strategic Compliance Cabinet, a dedicated international team of experience compliance and legal professionals, monitors regulatory developments and changes in the business landscape to propose necessary improvements to the System.

Insights into the strengths and weaknesses of our compliance framework are also gained through regular internal audits, observations of the compliance team and whistleblower reports. Additionally, Hexagon has defined a set of compliance-related Key Performance Indicators (KPIs) to systematically measure and monitor compliance activity. These KPIs serve as valuable metrics for evaluating the effectiveness of the System and identifying areas for improvement. This proactive approach allows us to refine and improve our System continually, ensuring our compliance strategy is both robust and responsive.

Response to misconduct

Our commitment to upholding the highest standards of ethics and compliance is showed by our well-documented process for investigating allegations of misconduct. Our methodology in dealing with misconduct reports follows a risk-oriented approach and ensures thorough and impartial investigations, identifying root causes, implementing effective steps to remediate issues and prevent their recurrence.

Hexagon actively promotes a culture of integrity and responsibility among its employees, while also empowering external stakeholders—including suppliers, customers, freelancers, contractors, and shareholders—to report any suspected violations of law or Hexagon's internal policies and procedures. We provide several reporting channels to submit such reports.

Since 2021, Hexagon has used an external whistleblower reporting system to manage whistleblower reports and ensure consistent case management and recordkeeping. Operational 24/7/365, it provides a secure platform for reporting in various languages, either in writing or by phone, and allows for confidential submissions.

In 2022, Hexagon introduced the Procedure for Internal Reporting and Investigations to establish a uniform standard for the management of reports and the conduct of investigations. This procedure, while informed by the EU Whistleblower Directive's approach to managing reports and conducting investigations, extends its applicability beyond the EU Directive's scope, allowing for a wider range of violations to be reported.

Hexagon's response to reports is adapted to the specifics of each case. Typically, the process includes logging the report into our case management system, acknowledging its receipt within five business days, and conducting a preliminary assessment. Based on the findings, we may proceed with a detailed investigation or take other action on or decide to close the matter. Responsive actions are taken as necessary, with updates on the investigation's progress provided to the reporter when appropriate.

A strict no-retaliation policy is enforced to protect individuals who report concerns in good faith.

The activity of the whistleblower reporting system is reviewed on an anonymous basis by Hexagon's Board of Directors and Audit Committee.

System evolution through 2023

In 2023, Hexagon demonstrated a proactive and dynamic approach to enhancing its compliance framework, responding to emerging challenges and integrating valuable insights. Below are key developments and actions taken to fortify our compliance efforts:

- Strategic personnel additions: Hexagon enhanced its compliance team through key appointments, most notably adding a Corporate Compliance Counsel.
- Training: Hexagon's investigation teams have enhanced their capabilities through participation in external investigator training. This initiative underscores our commitment to maintaining a high standard of investigative proficiency and ensuring our teams are equipped with the latest methodologies and best practices. Additionally, many informative training sessions were provided to employees.
- Employee engagement: Results from our employee surveys on compliance have provided valuable feedback, informing our strategy and helping us to tailor our compliance programmes to better meet the needs and concerns of our workforce.
- Potential Misconduct reporting: Throughout 2023, we received 66 reports. Each report was carefully evaluated, leading appropriate responses, underscoring our unwavering commitment to addressing and rectifying potential compliance issues.
- Risk management initiatives: A critical focus has been the identification and management of potential diversion risks to Russia. We have developed and implemented a detailed procedure for identifying and addressing these risks.
- Policy implementation: The introduction of the ChatGPT Policy and AML/CTF (Anti-Money Laundering/Counter-Terrorist Financing) Policy marks a significant enhancement to our compliance architecture, addressing evolving risks and ensuring robust controls are in place.
- Continuous improvement: Reflecting our dedication to continuous improvement, the Procedure for Internal Reporting and Investigations was updated to incorporate lessons learned from past incidents. Further, detailed instructions have been communicated to Hexagon employees on compliance matters impacting their daily business activities.
- Conflict of Interest Guidance: The implementation of this guidance, along with targeted training for employees, highlights Hexagon's commitment to identifying and managing conflicts of interest. The guidance provides clear examples of conflicts of interest, mandates their disclosure, and explains resolution processes. Following its implementation, there has been a notable rise in the disclosure and resolution of conflicts of interest, demonstrating its effectiveness.
- Guidance for Trade Shows and External Events: This guidance aims to prevent misconduct that breaches competition laws at trade shows and external events. It achieves this by offering clear dos and don'ts, supplemented with examples and explanations, guiding employees to maintain compliance and uphold Hexagon's ethical standards in these settings.

Conclusion

Hexagon remains steadfast in our commitment to maintaining the highest standards of ethics and compliance. Our dynamic approach to compliance management ensures that our System not only meets current legal requirements but is also poised to address future challenges.

Sustainability report

Contents

Letter from the CSO

Together towards a sustainable future

I am proud to conclude 2023 as another very strong year for Hexagon from a sustainability perspective. Perhaps most notably, the internal momentum that has been built over the past several years resulted in us confidently setting new ambitious goals related to our carbon footprint.

More specifically, we committed to increasing the ratio of renewable energy in our operations to 100% by 2027, to reduce our Scope 1 and 2 emissions 95% by 2030 and to reduce our Scope 3 emissions 25% by the same deadline, all using 2022 as the base year. The long-term target to achieve a CO_2 reduction across the full supply chain aligned with net-zero by 2050 remains, of course. Our targets and commitments to set a net-zero target approved by the Science-Based Targets initiative (SBTi) have also been recognised as aligned with the requirements of the UN Global Compact Forward Faster initiative, a global platform for ambitious corporate action guiding companies. We are encouraging more companies to join us to drive progress across all 17 sustainable development goals (SDGs) towards a sustainable future.

Value chain commitment

As the majority of Hexagon's carbon footprint can be found within our supply chain, we have also committed to ensure that our major suppliers have CO_2 reduction plans, further expanding our journey towards a greener future outside of our internal operations. 2023 was also the year where we successfully reached the goal of conducting sustainability audits of our key suppliers in what we define as risk areas, aiming to ensure that the products and components we source are produced in accordance with Hexagon's strict environmental and human rights standards. I am glad to present our key achievements and improvement areas in more detail in this sustainability report.

Having sustainability included in the core of Hexagon's strategy, environmental, social, and governance (ESG) topics are also considered during our acquisitions to ensure Hexagon's long-term success. As part of the due diligence process, target companies are assessed on their ESG practices, evaluating factors such as compliance with regulations, environmental impact, labour practices and corporate governance standards. Sustainability is also used to identify potential synergies and unlock value creation opportunities, ultimately contributing to Hexagon's overall success and sustainability impact.

Our greatest opportunity

From a holistic perspective, the area where we can have the greatest sustainability impact remains within the use of Hexagon technology by our customers. As entire industries are reshaping their business models and processes into becoming more efficient and productive, our broad portfolio of software and hardware solutions is put to the test to generate sustainable value across the world. Hexagon's core portfolio is dedicated to this very purpose, as our design and engineering, production software and metrology solutions increase efficiency throughout the lifecycles of manufactured products. Ultimately we are reducing resource inputs, emissions and waste for customers in automotive, aerospace, construction, manufacturing, agriculture and mining, among other industries. Another example is Hexagon's geospatial technology, which is used to monitor and analyse changes to our planet, providing real-time data on deforestation, flooding, wildfires, melting glaciers and other effects of changing climate for authorities, city planners and research institutes all over the world.

This also means that the increased need for technology that supports sustainability directly translates to an increased need for Hexagon's solutions, which is why we consider sustainability as our greatest growth opportunity. Strengthening our performance on the sustainability side will feed directly into a stronger performance on the business side and vice versa, and our success in business is tightly linked to our contribution to sustainability.

Simply put, Hexagon's sustainability strategy is to empower and create a positive ESG impact either through our solutions and partnerships, or through our value chain and people as visualised in the picture. Our goals and expectations are deliberately set high, and whether you are a valued shareholder, customer or employee, we look forward to sharing our journey and progress with you.

Ben Maslen
Chief Strategy Officer
Hexagon

Sustainability strategy

Change we empower

Enabling sustainability through our solutions

- Sustainability criteria in product innovation
- Innovations to optimise efficiency, productivity, quality and safety at scale

Empowering other stakeholders to accelerate change

- Engaging industry-specific platforms
- Distribution Partners Program
- Accelerating green-tech with R-evolution

Change we create

Improving sustainability across our value chain

- Division specific net-zero roadmap
- Resource efficiency improvements
- Sustainable procurement program

Driving sustainability through our culture and our people

- Inclusive- and performance-driven culture
- Social responsibility through education and partnerships

Hexagon's key stakeholders and related sustainability issues

Managing sustainability opportunities and risks are key elements in all successful business models, irrespective of what industry or region a company operates in. Hexagon is committed to understanding the sustainability issues of its key stakeholders – society, employees, customers, investors and regulators – as they are transforming the business landscape. Only through a continuous dialogue can Hexagon meet and surpass their needs. Hexagon navigates the transformative environment by taking a proactive approach to sustainability, ensuring it acts in an ethical, socially and environmentally responsible way to all its key stakeholders.

1. Society

Stable, well-functioning and prospering societies are a critical prerequisite for Hexagon to be able to operate and do business. Only by adopting sustainable processes and proactively contributing to the health and safety of present and future generations can it ensure a long-term sustainable business landscape with prospects for growth. Clean energy supply, access to fresh water and air, strong infrastructure systems and safe constructions are sustainability issues that Hexagon actively can address through its solutions and market presence. In order to contribute to healthy societies in a focused manner, Hexagon has developed a wide range of sustainable solutions for cities and nations, aiming to ensure that governments, industry and citizens can work together to build safe and vibrant communities that support the highest quality of life and sustainable economic vitality.

2. Employees

Attracting, hiring, developing and retaining the best employees in the industry is key to Hexagon's success. The company employs more than 24,000 people globally, many of whom are highly skilled engineers and software developers. With a focused approach to competence development, anti-discrimination, diversity, employee engagement and health and safety, Hexagon can remain competitive with its peers long term, regardless of where it operates.

3. Customers and suppliers

Hexagon's customers and suppliers in all industries have a growing need for sustainable solutions that lower emissions, reduce waste and spillage, increase safety and efficiency, protect data privacy and secure high standards in their supply chain. By actively incorporating the customers' sustainability issues into its product development and processes, Hexagon can protect and secure new business opportunities while contributing to a more sustainable business landscape.

4. Investors

In order to confidently evaluate and assess the ESG-related risks and opportunities in its portfolio, the investor community expects a high degree of transparency and clarity in all areas related to sustainability from their portfolio companies. By meeting and surpassing the investors' requirements, Hexagon can ensure long-term viable funding and prospects for growth.

5. Regulators

Regulators in all countries need to ensure the companies operating under their legislation follow all applicable laws, with strict requirements on anti-corruption, responsible supply chain management, accountability, human rights, labour management and export control. With strong internal processes and policies for management of compliance and business ethics, together with a high degree of transparency and close collaboration with authorities in the regions it conducts business, Hexagon can be a role model in building sustainable business processes and be compliant with all commercial laws and ethical guiding principles.

Double materiality analysis

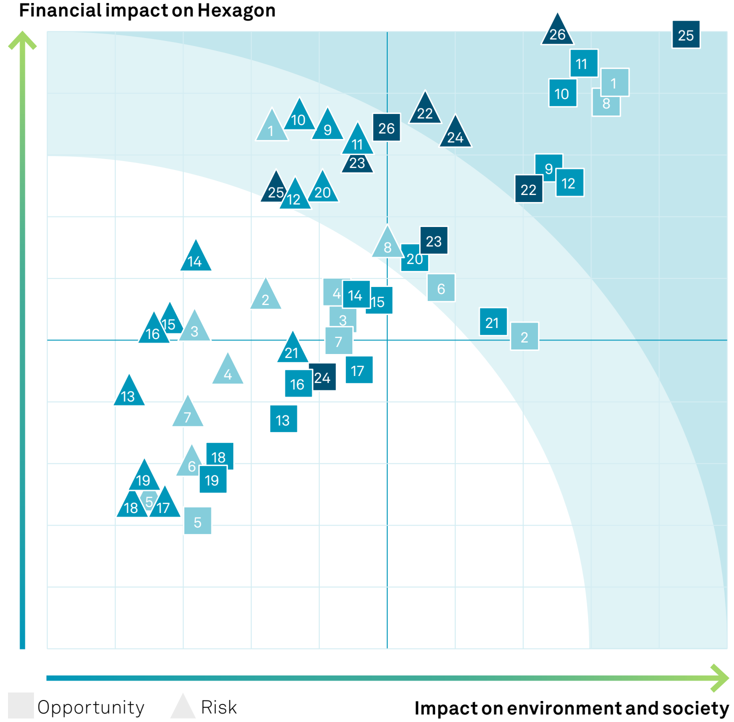
In 2023, Hexagon initiated its first double materiality assessment to determine material topics and to be compliant with the Corporate Sustainability Reporting Directive (CSRD) standards. The double materiality assessment considers the social and environmental as well as financial impacts of the material issues, taking an outside-in and inside-out perspective of relevant opportunities and risks.

Materiality assessment methodology

The assessment consisted of three stages including:

- Due diligence preparation to identify potentially material topics, utilising the European Sustainability Rerporting Standards (ESRS) and topics defined in the CSRD, also including a review of Sustainability Accounting Standards Board (SASB) sectors and peer disclosures for a comprehensive analysis.
- Survey, workshop and interview assessment of sustainability impact on the company, people and environment, considering both risks and opportunities. The assessment involved internal and external stakeholders, including shareholders, employees, suppliers, customers, subject matter experts, investors and community groups.
- Defining the key material opportunities and risks for Hexagon, prioritising efforts based on assessment outcome and following relevant ESRS standards for transparent disclosure.

Hexagon's issue pool of material topics



Environmental

1. Adaptation, mitigation, energy
2. Air, water, soil, other
3. Withdrawals, discharges
4. Loss of biodiversity
5. Loss of species
6. Ecosystem degradation
7. Dependency on ecosystem
8. Inflows, outflows, waste

Social

9. Working conditions
10. Talent attraction
11. Future of work
12. Equal treatment/opportunities
13. Other (e.g. child labor)
14. Occupational safety
15. Employee opportunities
16. Other (e.g. forced labor)
17. Economic/social/cultural rights
18. Civil and political rights
19. Rights of indigenous peoples
20. Information-related impacts
21. Safety-related impacts

Governance

22. Culture, supplier mgmt., data protection
23. Bribery/gifts, lobbying, whistleblower
24. Dual use, export controls
25. Industry 4.0, innovation/ digitalisation
26. Cyber- and data-related topics

Materiality assessment issue pool

The issue pool of potential material topics is mapped in the matrix, defined under ESG. Each sub-topic is weighed based on its financial materiality for Hexagon and its impact on the environment and society.

A topic is considered as material if it is likely to affect Hexagon's future cash flow, or if it has a significant impact on people or the environment.

Materiality assessment results:

Sustainability a key business opportunity

Environmental

Climate change (ESRS E1)

Adaption, mitigation, energy

Social

Own workforce (ESRS S1)

Working conditions

Talent attraction

Future of work

Equal treatment and opportunities

Workers in the value chain (ESRS S2)

Governance

Business conduct (ESRS G1)

Culture, supplier management, data protection

Improper use of goods (ESRS G1)

Dual use, export controls

Business responsiveness (ESRS G1)

Industry 4.0, innovation, digitalisation

Cyber security

Cyber and data-related topics

The key material topics identified through the double materiality assessment were climate change, own workforce, workers in the value chain, and business conduct. Each material topic is also associated with related material sub-topics as shown in the table.

The majority of the issues defined as highly material for Hexagon are primarily considered as opportunities by its stakeholders. Hexagon provides solutions that address the main environmental and social challenges that companies and nations face today. Furthermore, Hexagon recognise that some of the topics that scored lower and therefore have been deemed non-material, such as circular economy, biodiversity and land use, are relevant for Hexagon's future product portfolio. Embracing these topics as opportunities is necessary to ensure a more forward-thinking approach to developing future solutions.

The broad portfolio suite aiming to solve customers' challenges related to productivity, energy efficiency, data protection, climate change adaption and mitigation, digitalisation and more, are not positioned as threats or risks but rather an opening for increased profitability and stronger financial performance. By investing in bringing new tools, solutions and technologies that better meet the sustainability needs of its customers, Hexagon can continue strengthening its position as an enabler of a sustainable future.

The key material risk areas for Hexagon are within the fields of cyber security, export controls, supplier management and data protection, highlighting the need for continuous improvement and investments in strong compliance and governance processes.

Hexagon's material topics are clearly linked to the United Nations' Sustainability Development Goals (SDGs) and are the starting point for Hexagon's sustainability strategy. The description of topics, their impact materiality and the financial materiality table can be found in the ESG notes of this report.

Sustainability reporting standards

Hexagon's ESG reporting covers its own operations and value chain, and its goals are aligned to the company strategy objectives to generate value and lower risks.

Several reporting standards form the basis of the reporting. The climate targets go above and beyond the Paris Agreement goals and are submitted to the Science Based Targets initiative (SBTi) for verification. The sustainability report is prepared in accordance with the Global Reporting Initiative (GRI) Standards and United Nations' Global Compact, and also take into account the SASB and CSRD reporting framework.

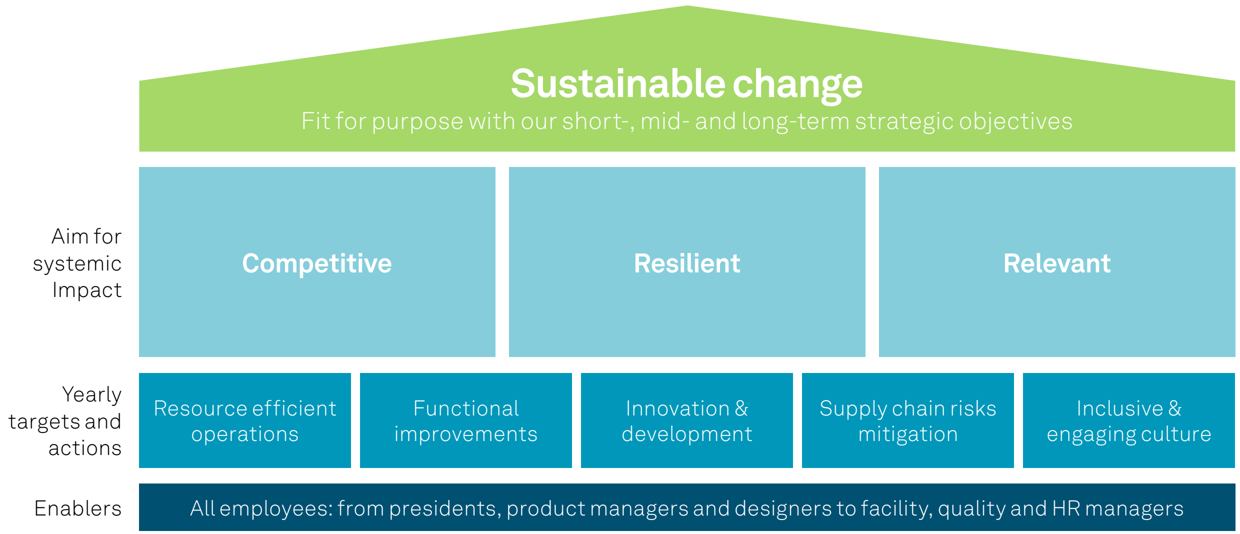
Hexagon is a signatory of the United Nations Global Compact (UNGC) which means that the company supports and actively promotes its ten principles on the environment, labour practices, human rights and anti-corruption in our operations and in relation to external stakeholders. This also means that Hexagon seeks to conduct business in a responsible and ethical manner and support the UN Sustainable Development Goals (SDGs).

To further increase transparency, Hexagon has also publicly submitted its climate impact data to the Carbon Disclosure Project (CDP). For an overview of the ESG-related reporting, please see page 84, Sustainability Key Performance Indicators.

Hexagon's goals and commitments

Focus areas	Commitment	Goals	2023 impact	Supported sustainable development goals (SDGs)
Environment **Driving change across entire value chain to generate positive environmental impact**	• Encouraging the development and diffusion of environmentally friendly technologies. • Monitoring and report regularly on environmental performance across entire organisation. • Reducing greenhouse gas emissions in operations and supply chain, and undertake initiatives to promote greater environmental responsibility. • Supporting a precautionary approach to environmental challenges. • Increasing energy efficiency, reducing waste and hazardous waste in all facilities and implementing processes for sustainable resource management. • Reducing the stress of water and air quality from own operations and supply chain. • Integrating sustainability considerations into product development, design and production processes. • Leveraging technology innovation, investment and venture capital to profitably grow and accelerate green-tech business opportunities .	• Absolute target: Reduce absolute Scope 1 and Scope 2 GHG emissions 95% by 2030 from a 2022 base year. • Intensity target: Reduce Scope 3 GHG emissions 25% per unit of revenue by 2030 from a 2022 base year. • To increase annual sourcing of renewable electricity from 34.8% in 2022 to 100% by 2027. • Reach net-zero GHG emissions across the value chain by 2050. • Reduce scope 3 GHG emissions 97% per unit of revenue by 2050 from a 2022 base year.	• Increased share of purchased or produced renewable electricity out of total electricity to 46%, compared to 42% in 2022. • Introduced eco-criteria in product design process. • Increased total renewable energy produced by 35% compared to 2022. • Doubled the share of electric vehicles of total vehicle fleet to 8% compared to 4% in 2022.	3, 6, 7, 9, 11, 12, 13, 17
Social **Driving sustainability through people and culture**	• Ensuring health and safety for our employees. Upholding the freedom of association and the effective recognition of the right to collective bargaining. • Eliminating any form of forced or compulsory labour, child labour, and discrimination. • Creating a culture of sustainability among employees through recurring trainings. • Being an attractive employer and recruiting the most talented and professional employees.	• Achieve at least 30% women in leading positions by 2025.	• Increased the number of women in leading positions to 24% compared to 23% in 2022. • Increased Diversity & Inclusion Score from employee survey to 84% compared to 83% in 2022.	5, 8, 10
Governance **Setting high standards of labour conditions and adherence to Hexagon's Code of Business Conduct and Ethics**	• Ensuring strict adherence to Hexagon's Code of Business Conduct and Ethics for employees and suppliers. • Working against corruption in all forms, including extortion and bribery. • Supporting and respecting the protection of internationally proclaimed human rights.	• 50% of Hexagon suppliers by spend covering purchased goods, will have science-based targets by 2028. • 80% of Hexagon suppliers by spend covering purchased goods, will have science-based targets by 2030.	• 411 executives certified in Hexagon's Ethics & Compliance System. • Achieved the target of auditing 100% of key suppliers in high risk countries with onsite or self-assessment audit questionnaires. • Engaged more than 15,000 employees through ESG trainings.	8, 12, 16

ESG framework



The enablers of the ESG Framework are the employees.

At Hexagon, the sustainability program and associated ESG goals, initiatives and reports are tightly linked to Hexagon's business strategy. By driving sustainable change across its operations, supply chain, product innovation and merger and acquisitions (M&A) activities, Hexagon will increase its competitiveness and financial performance short-, mid- and long-term.

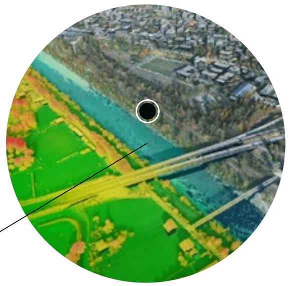
To ensure that sustainability activities support and align with the strategic objectives, Hexagon has defined an ESG Framework that guides and drives its agenda. The overall goal to drive sustainable change is supported by initiatives that should aim to provide real, systemic impact through increasing Hexagon's competitiveness, resilience and relevance for customers, employees, authorities, investors and other stakeholders.

All yearly targets and actions should support more resource efficient operations, drive functional improvements of specific tasks or business areas, steer towards stronger and more innovative development processes, mitigate supply chain risks or strengthen an inclusive and engaging culture among the employees.

The enablers of the ESG framework are the employees, and to ensure long-term commitment of the initiatives across the organisation, the activities and actions are implemented at local level with proper tools and resources for effective sharing of best practices across divisions and regions.

Sustainable core competences

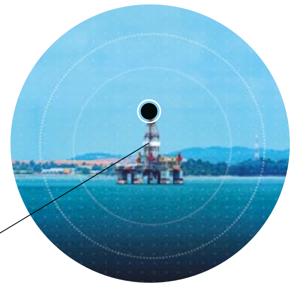
Hexagon's five core technologies solve some of the most urgent challenges of our lifetime. By unleashing data to do its greatest work – boosting efficiency, productivity, quality and safety – Hexagon is making smarter use of the earth's resources and enabling sustainable development.



Reality capture

Sustainability value proposition:

– Reality capture enables enhanced productivity, accuracy and safety, and drives more sustainable practices across multiple industries. Collecting precise environmental data supports resource management, decision-making processes and construction efficiency with less waste and emissions.



Positioning

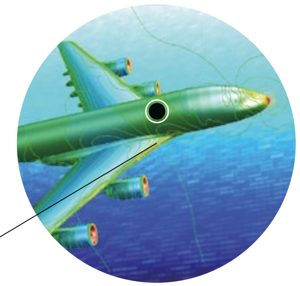
Sustainability value proposition:

– Precise and intelligent positioning technology enables safe and secure operations on land, sea and air as autonomous vehicles, planes, tractors, vessels and off-shore platforms can be operated with lower risk for incidents, saving lives and avoiding environmental disasters.

Autonomous technologies

Sustainability value proposition:

– Sensors and software utilise data to enable autonomy and drive the shift to autonomous vehicles and manufacturing processes resulting in better fuel efficiency, safer operations, smarter construction and agriculture.



Design and simulation

Sustainability value proposition:

– Simulations and computer aided engineering help manufacturers and asset managers to optimise designs before physically creating a product, identifying opportunities to reduce the quantity of material used, generate less waste and lower energy consumption.

Location intelligence

Sustainability value proposition:

– Identifying the most efficient transportation routes, promoting public transportation and encouraging the use of electric vehicles is essential in building sustainable societies, and location intelligence solutions are key for enabling this shift.

ESG customer highlights

Ziton

Customer background
Offshore service provider of wind farms, specialising in major component exchanges on wind turbines such as blades, gearboxes, transformers and generators.

Customer challenge
Positioning service platforms in the North Sea very close to the turbine structures and establish platform legs on the seabed floor with submetre accuracy to avoid obstacles such as power cables or large debris, while also avoiding collision with the structure.

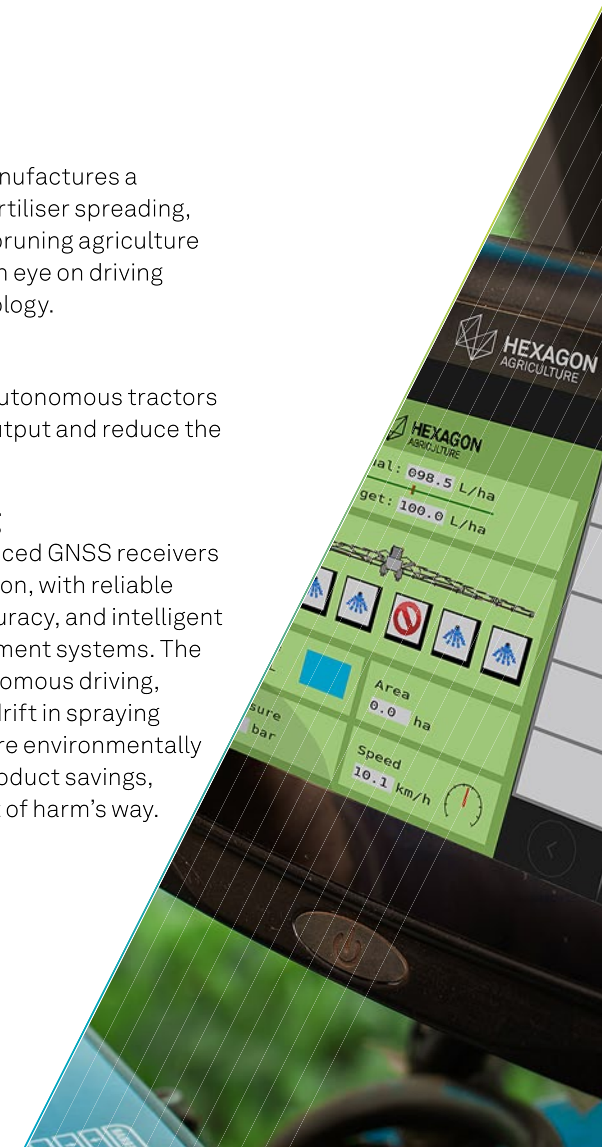
How Hexagon is helping
Ziton deployed Hexagon's positioning, navigation and timing (PNT) solutions, which use inputs from several sensors to control the output of the platform thrusters and maintain the safety of crews and structures.

Jacto

Customer background
Brazilian-based Jacto manufactures a wide range of spraying, fertiliser spreading, planting, harvesting and pruning agriculture equipment, always with an eye on driving efficiency through technology.

Customer challenge
Increase accuracy of its autonomous tractors and trailers to increase output and reduce the use of spraying products.

How Hexagon is helping
Jacto incorporated advanced GNSS receivers and antennas from Hexagon, with reliable 2.5cm year-over-year accuracy, and intelligent obstacle control management systems. The accuracy allows for autonomous driving, greater deposit and less drift in spraying products, delivering a more environmentally sound distribution and product savings, while taking the driver out of harm's way.

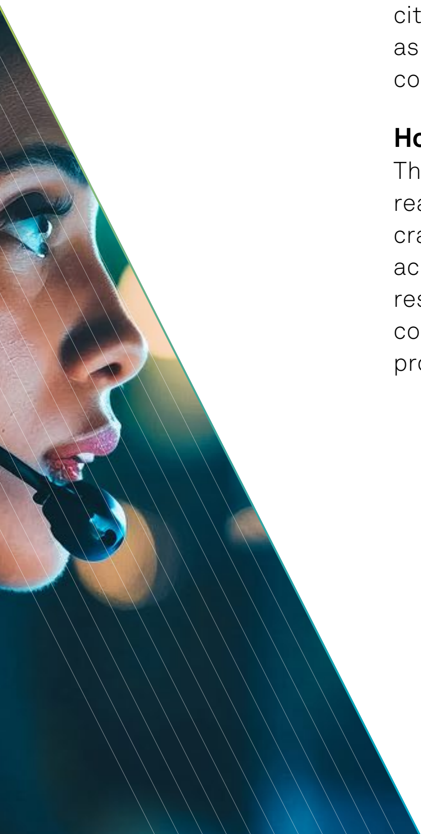


Victoria Department of Transportation

Customer background
Victoria's Department of Transport and Planning (DTP) is responsible for planning, building, operating and maintaining the transport and planning system in Victoria, Australia.

Customer challenge
To analyse root causes of accidents in the city by examining contributing factors such as crash locations, vehicle types, weather conditions and driver behavior.

How Hexagon is helping
The department implemented a 3D digital reality solution from Hexagon for integrating crash data into a map for visual analysis of accidents, contributing factors and patterns, resulting in reduced crash analysis time and costs by limiting manual inspections and provided data to create safer roadways.



TRAGSATEC

Customer background
TRAGSATEC is an environmental protection entity owned by the state and based in Madrid.

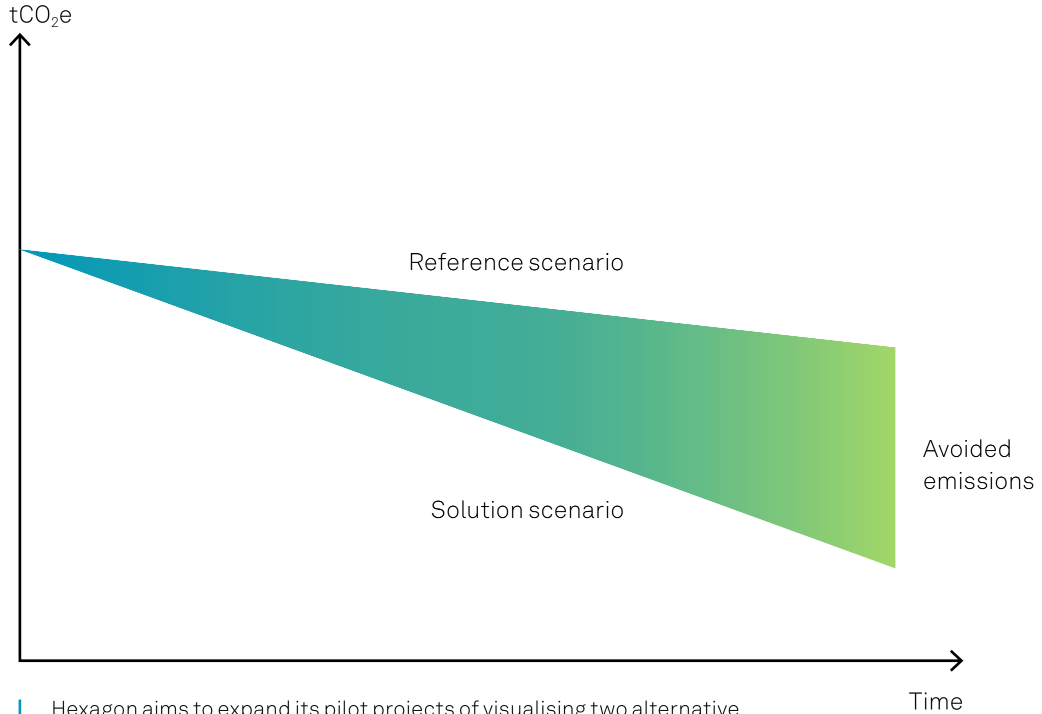
Customer challenge
TRAGSATEC had to figure out what the top contributing factors were to the region's land and water decline and propose a plan of action. It also needed to address the impact of global warming in Spain, including recurring droughts, extreme weather and desertification.

How Hexagon is helping
TRAGSATEC decided to use an all-in-one solution for geospatial data management to autonomously connect, manage and publish the data needed to map the region. They also used a situational awareness solution to visualise and analyse the data in a public digital twin. Once the data was visualised, the team ran simulations in the digital twin to understand how floods and other events would impact river dynamics, terrain and the Menor Sea. As a result, areas of concern could be identified and mitigation measures implemented to improve the health of the local environment and population.

Quantifying avoided emissions

A key benefit of Hexagon's core portfolio solutions is greater efficiency in processes for construction, manufacturing, product design and more. The efficiency is achieved through reduced material input, lower consumption of utilities and increased labour productivity. A common result of the increased efficiency is lower carbon emissions, a desired outcome for almost any company aiming to reduce its environmental impact.

To assess its impact on enhancing customer sustainability, Hexagon conducted a pilot project in 2023 utilising the BLK360 reality capture solution. The findings clearly showcased how Hexagon's solutions enabled customers to automate their workflows, consequently boosting productivity and diminishing both costs and the environmental footprint. Specifically, in the pilot customer scenario, the BLK360 enabled the automation of modular gypsum board production, which cut measuring time around 50% and reduced emissions from both the installation process and workforce commuting. The material waste decreased from 10 to 0 tonnes, while total material requirement was reduced around 1 tonne, measuring process time was halved from 2.70 to 1.35 minutes, and labour hours required were cut from 18 to just 4 hours. This resulted in savings of 827 kgCO_2-eq for an area of 1,479 m^2 functional unit, as per avoided emissions guidance from > *World Resources Institute*. In 2024 and beyond, Hexagon aims to scale this approach to empower more customers to adopt sustainable practices and drive positive environmental impact across more industries.



Hexagon aims to expand its pilot projects of visualising two alternative scenarios for its product use in specific workflows: one reference case for the status quo, and one scenario with Hexagon's solution applied. The difference between the scenarios will showcase the avoided carbon emissions in the specific project, helping customers understand the environmental impact.

R-evolution: Applying technology innovation and venture capital to accelerate green-tech businesses

One of Hexagon's most prominent initiatives to support sustainable change is R-evolution, a business arm running profit-driven investments in green-tech initiatives. R-evolution accelerates the world's sustainable transformation by applying Hexagon's technologies to business opportunities that benefit the environment and society. Its key initiatives include renewable energy, blue carbon ocean projects, desalination and biodiversity conservation. During 2023, R-evolution made a significant business impact through its sustainability contributions.

Digitalising desalination

A strategic technical partnership with Desolenator, a Dutch start-up that provides the world's first solar thermal desalination process to produce high-quality desalinated water with zero harm to the planet. The solar approach, including modular technology, eliminates the high-energy reliance issues involved in traditional methods. Unlike reverse osmosis, Desolenator's patented solution uses zero harmful chemicals, zero membranes and zero energy intermittency.

R-evolution is contributing to the optimisation of Desolenator's process by providing the desalination digital twin for monitoring and asset performance management, powered by Hexagon's Smart Digital Reality solutions.

By 2040, all communities on the planet should have affordable, sustainable and reachable access to fresh water. With a pioneering approach, Desolenator and R-evolution are tackling the fresh-water scarcity challenge with sustainability, efficiency and innovation in mind, increasing access to water for communities in need today and in the future.

Promoting biodiversity conservation

R-evolution partnered with La Gamba Tropenstation, part of the University of Vienna's Department for Botanic and Biodiversity studies, to join Green Cubes, the forest initiative to accelerate biodiversity conservation of rainforests worldwide, starting from La Gamba, Costa Rica. The Green Cubes concept is redefining the relationship between technology, science and local communities, by ensuring that rainforest conservation has higher value than alternative practices. Conservation is realised by implementing the Green Cubes Methodology in the rainforest, a technology- and science-driven approach that monitors development over time, identifying volume, measured with airborne LiDAR earth observation for detecting significant changes within the forest complexity with multispectral and in-situ LiDAR and biodiversity indication provided by soil DNA analysis, camera traps and passive acoustic sensors.

As a result, Green Cubes offers committed enterprises an opportunity to promote biodiversity conservation through an annual sponsorship model – to meet the requirements for ESG engagement and differentiate through proactive contributions to biodiversity conservation.

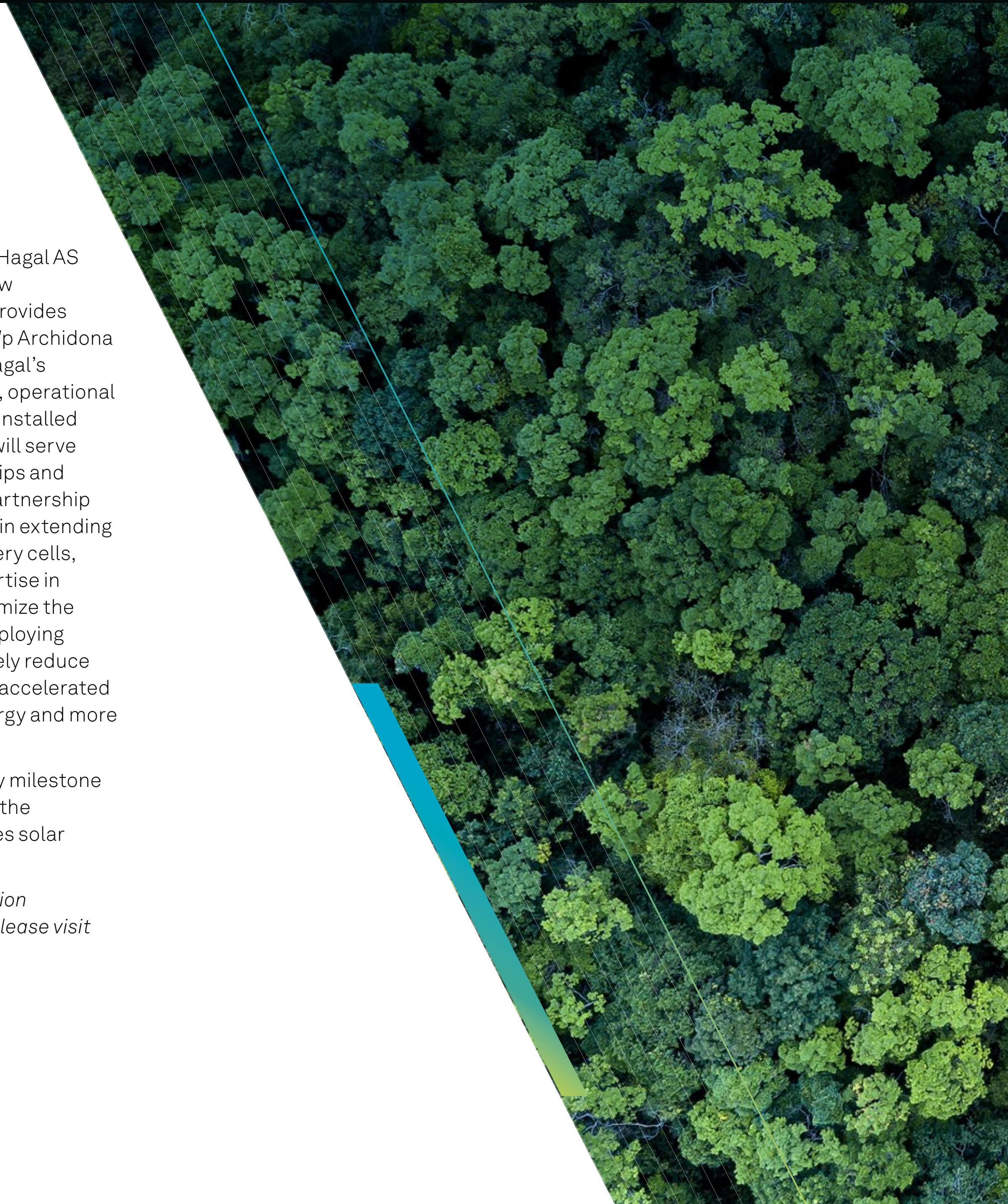
Green Cubes is a response to the urgent need to preserve the biodiversity of our planet.

Solar farm energy storage

The battery technology company Hagal AS and R-evolution teamed up in a new collaboration where R-evolution provides Hagal with access to the 16.44 MWp Archidona solar park in Spain, showcasing Hagal's battery technology in a real-world, operational setting. A Hagal battery has been installed at the Archidona solar site which will serve as a platform for future partnerships and commercial arrangements. The partnership capitalises on Hagal's technology in extending the lifespan of new and used battery cells, in tandem with R-evolution's expertise in harnessing data analytics to maximize the profitability of solar power and deploying technological solutions that actively reduce CO_2 emissions. The outcome is an accelerated transition towards renewable energy and more sustainable battery technology.

The partnership with Hagal is a key milestone in the continuous development of the renewable blueprint that digitalises solar energy production and more.

> For more information on R-evolution collaborations and partnerships, please visit r-evolution.com.



Enabling a change with our stakeholders

As a global company, Hexagon has the ability and responsibility to give back to society. Hexagon supports and actively engages with the communities where it operates through philanthropic activities and charitable organisations as well as business collaborations to support technology innovation. Local initiatives range from donating technologies to non-profits, training and supporting environmental research, partnering with universities to develop future talent, and sponsorship of community events.

Sixth Sense programme – scaling startups

To leverage Hexagon solutions to solve sustainability challenges in all industries, Hexagon has launched an open innovation platform called Sixth Sense. The platform connects tomorrow's innovators with today's industry-leaders, and the programme is helping to scale the startups that are building transformative solutions to some of humanity's biggest challenges.

Once a year, ambitious scaling startups from the worlds of design, manufacturing and engineering are invited to apply to Sixth Sense and its intensive, innovate-on-the-job accelerator programme. Through its tailored coaching, workshops, and access to Hexagon's world-class expertise and network, Sixth Sense helps innovators to refine their cutting-edge technologies, forge powerful partnerships, and take corporate innovation to the next level. Featuring startups tackling everything from sustainable manufacturing to virtual reality, the programme harnesses the power of these emerging technologies to accelerate progress towards a more autonomous, efficient, and sustainable future.

Global rainforest conservation

One initiative to support the climate is Hexagon's partnership with global rainforest conservation charity Cool Earth, offering vital funding and support across its projects. The eco-projects partnership brings together Hexagon measurement and digital reality technologies with the expertise of Cool Earth for rainforest conservation. The partnership aims to raise awareness about the importance of taking climate action by funding projects that improve understanding and address the needs of people that live in and protect carbon sink environments. As part of the initiative, Hexagon will provide vital funding to back people-powered conservation across the three largest rainforest biomes: the Amazon, Congo and New Guinea forests.

Partnerships

In 2023, Hexagon partnered with NVIDIA, AWS, Microsoft and Sony for delivering best-in-class technology platforms. Among others, the partnerships aim to enable industrial digital twin solutions that unite reality capture, manufacturing twins, AI, simulation and visualisation to deliver real-time comparison to real-world models. Digital twins are considered as a key solution to optimise manufacturing processes and decrease associated scrap and waste, and to help improve productivity, quality, safety and profitability when used with any simulated solution. For more information, please see the Strategic Partnerships chapter on page 7 in this annual report.

Group community engagement and volunteering

One example of Hexagon's social projects is the Hexagon Cares group volunteer programme which encourages employees to support local charitable organisations by providing one day of paid time off per year to come together and participate in volunteer activities, supporting local communities while also strengthening an ethical and socially engaged culture. Another example is the Hackathon-event in India in 2023 where Hexagon invited university students, startups, companies and employees to solve sustainability-related challenges. A total of 163 teams qualified for the final event displaying innovative solutions for sustainable energy, manufacturing and green tech, laying the foundation for development of groundbreaking new products and innovations.

Hexagon's sustainability milestones and roadmap

Sustainability can only be achieved with a holistic approach.

	2022	2023	2024	2025	2027	2030
Employees	**19,562** Employees conducted diversity training	All employees **trained in cyber security and anti-harassment**	All employees trained in **inclusive behaviours**	**30%** women in leadership positions		
Energy	**35%** renewable electricity	**~35,000 MWh** renewable energy produced	**50%** renewable electricity	**20%** reduction in power consumption	**100%** renewable electricity	
Company vehicles	**-5.3%** fewer combustion vehicles in car fleet	**Guidance of green vehicles** in our car fleet	All employees completed **training on CO_2**			**90%** Electric vehicles in car fleet
Nature			**Waste management programme** in manufacturing sites	**Water management programme** for sites in high-risk areas	**Biodiversity action plan** implemented in major facilities	**Zero waste** to landfill ambition
Products		**Eco design trainings** in product innovation and development	**Avoided emissions framework** by product line	**Avoided emissions** standard in place for all solutions	**Double sale** of circular products	
Suppliers	**11 key suppliers** in high-risk countries audited	**100%** of key suppliers in high-risk countries audited	**Key suppliers** in high-risk areas audited every 3 years	**Human rights due diligence** across our value chain	**20%** CO_2 reduction in logistics emissions	**> 80%** of procurement spend covered by SBTi validated targets

CO_2 reduction roadmap yearly milestones

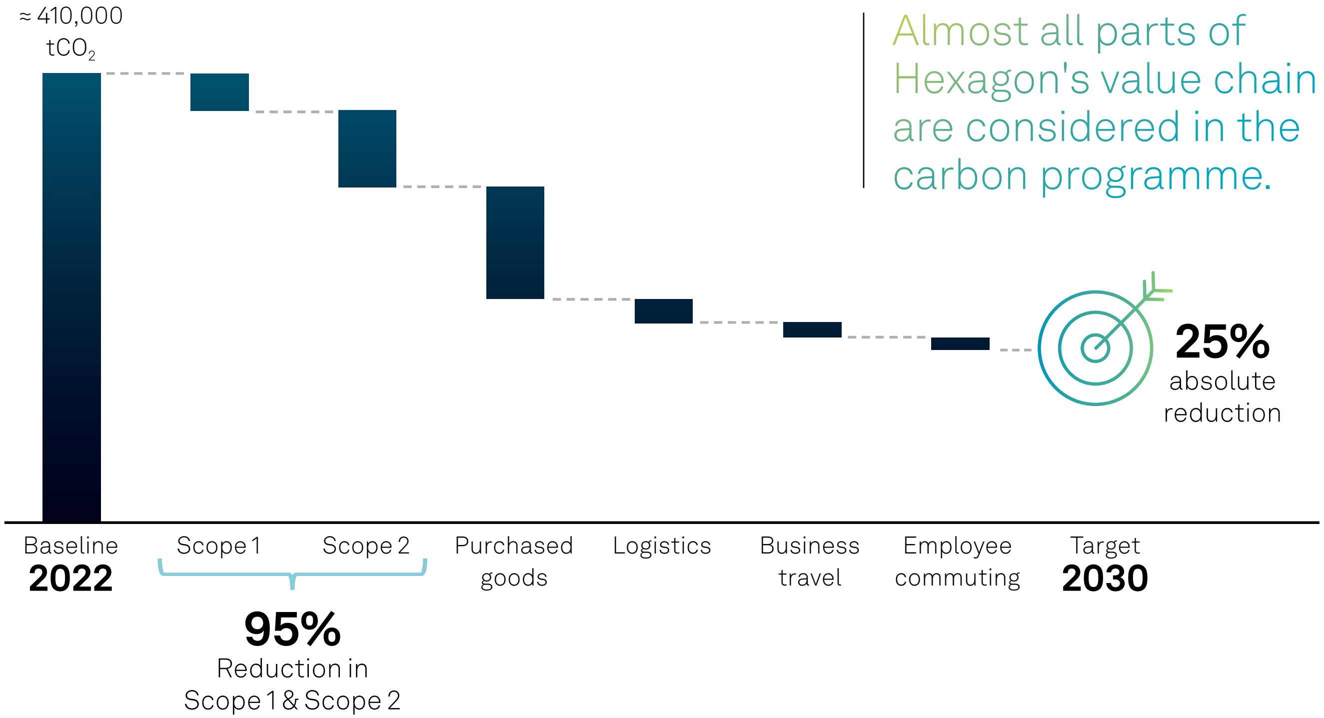
To ensure the journey towards net-zero in the full value chain by 2050 is on track, Hexagon's sustainability goals are broken down with milestones for Scope 1, 2, 3 and avoided emissions for years 2025, 2027, 2030 and 2050. The initiatives include trainings for all employees in CO_2 emissions reduction activities, a programme for expanding the use of renewable energy at all facilities and offices, criteria for product development, supplier requirements and reductions targets for downstream and upstream logistics-related carbon emissions. Hexagon will present its progress regularly in upcoming sustainability reports to increase transparency and maintain its momentum in realising its sustainability strategy.

	Scope 1	Scope 2	Scope 3		Avoided emissions
	Direct emissions	**Electricity**	**Upstream**	**Downstream**	**Customers' use**
2025	All employees completed training on CO_2	>50% energy from renewables	Eco design criteria in product innovation and development	Distribution partners programme	Avoided emissions; standard in place
2027	At least 50% reduction in Scope 1	100% energy from renewables	20% reduction in logistics emissions	20% reduction in logistics emissions Double sales of circular products	CO_2 avoidance through our products > our Scope 1 & 2 emissions Credits through R-evolution
2030	At least 90% reduction in Scope 1		>80% procurement spend covered by SBTi validated targets		
	25% reduction in our full value chain				
2050	Net–zero in our full value chain				

Hexagon's CO_2 reduction levers

To reach the goal of reducing its carbon emissions by 25% across the full value chain by 2030, Hexagon has identified its key reduction levers that it will focus on in order to reach the goal.

Almost all parts of Hexagon's value chain are considered in the carbon programme[1]. In addition to a 95% reduction of its Scope 1 and 2 emissions, the key enablers are purchased goods, logistics, business travel and employee commuting where Hexagon will implement activities and change its processes in order to achieve long-term carbon reduction. This means that Hexagon's supplier engagement programme and service providers will be critical in the progress plan, as well as enable and incentivise employees in new and more environmentally friendly ways of commuting and travelling at work. By 2030, the carbon programme is estimated to achieve roughly 100,000 tonnes of annual carbon emission reductions.



Almost all parts of Hexagon's value chain are considered in the carbon programme.

1) Hexagon calculates its corporate carbon footprint (Scope 1, 2, and 3) annually in line with the Greenhouse Gas Protocol and obtained a "limited" assurance from an independent third-party verifier on Scope 1 & 2 reported Greenhouse Gas (GHG) emissions

ESG governance

Environmental, social and governance (ESG and sustainability) topics

- The main responsibility for sustainability at Hexagon lies within the Chief Strategy Officer (CSO) with oversight from the Board of Directors and Executive Leadership Team accountability.
- The Hexagon Audit Committee is the guidance body for sustainability-related business at Hexagon.
- Relevant ESG topics are reported and reviewed in the Quarterly Business Review (QBR) for all Hexagon's divisions.

ESG accountability and governance encompasses the entire Hexagon organisation

Hexagon champions compliance with recognised principles of corporate governance, which are used as the foundation for sustainability management. Management of ESG topics is embedded across Hexagon's businesses, through the divisional units, operating functions and entities. This means that ESG criteria is included across the group functions to ensure the relevant sustainability topics are addressed by the teams that are best positioned to improve each given area.

In 2023, Hexagon significantly strengthened its sustainability organisation by introducing a clear organisational structure and responsibilities throughout the company. Each division has clearly allocated and mandated the responsibilities of sustainability.

Furthermore, sustainability has also been an integral part of the quarterly Business Reviews for all Divisions. The governance of sustainability is distributed as follows:

The Board of Directors (BoD) has the ultimate responsibility for Hexagon's sustainability strategy and ESG governance. The BoD is informed on relevant sustainability topics in all meetings, and it approves major changes to Hexagon's sustainability framework, including updates to ESG targets.

The Audit committee assesses risks and opportunities of strategic importance related to sustainability. It adopts appropriate measures to ensure company-wide implementation of the sustainability framework. The Audit committee also oversees Hexagon's ESG management and internal controls.

The ESG Steering Committee is formed by representatives from each of the divisions and key corporate functions. Its main purpose is to discuss topics of company-wide materiality. After prioritising needs, the key initiatives and investments are proposed to the Executive Leadership team.

The CSO oversees Hexagon's sustainability topics. The CSO is a member of the Hexagon Executive Leadership team and is invited to the Audit Committee on all sustainability meetings. The approval process for major investments and capital expenditures, acquisitions and/or divestitures includes sustainability considerations in the assessment. The CSO is also responsible for Hexagon's Sustainability department.

The Head of Sustainability leads the Hexagon Sustainability department. The Head of Sustainability reports to the CSO on Hexagon's sustainability topics, including the ESG strategy. The Head of Sustainability is part of the QBR and regularly informs the Hexagon Executive Leadership team on sustainability matters.

The Sustainability department of Hexagon AB is responsible for defining the group's sustainability strategy, including the specific targets. The department closely monitors any developments concerning sustainability by engaging with investors and analysts, customers, nongovernmental organisations and policy makers. All existing and new ESG programmes are supported by the Sustainability department of Hexagon AB. This includes designing the structure and processes, and developing the tools and trainings needed to address overarching sustainability topics for Hexagon's businesses. The implementation of the net-zero roadmap lies with the Sustainability department, and it also governs the purchase of credits related to renewables and carbon reduction.

In coordination with the Divisional Sustainability Council and the specific business functions, the Sustainability department supports the development and implementation framework of the related ESG initiatives. Responsibility for sustainability reporting and progress tracking is a key priority of the Divisional Sustainability responsible. All Divisional Sustainability Responsibles have a governance reporting line to their associated divisional President and a functional dotted reporting line to the Head of Sustainability. The Divisional Presidents are essentially responsible for the sustainability topics in their specific division. They are supported by their respective Divisional Sustainability Responsible to ensure progress and reach the goals.

ESG governance

ESG strategy in acquisitions

Ensuring sustainability as Hexagon grows

Acquisitions play a vital role in Hexagon's growth strategy. In this business model, a focus on sustainability is central to the company's overall sustainability management as Hexagon acquires and integrates new companies. For Hexagon, it is always a make or buy decision when evaluating the R&D roadmap and potential acquisition candidates that support Hexagon's growth strategy. In addition to filling gaps in the portfolio, Hexagon's acquisition strategy is focused on extracting synergies across its different businesses and positioning the company for future growth opportunities. Acquisition candidates are regularly monitored and evaluated on market position, customer reputation as well as growth and profitability potential.

Sustainability in the due diligence process

Hexagon considers many sustainability factors in an acquisition process as it enables the company to make better investment decisions, thereby unlocking the potential value of sustainability and reducing the harm resulting from any possible limitations. It also ensures a valuable foundation after the transaction has been completed.

In Hexagon's standard due diligence process, several sustainability elements are considered. These include a detailed review of the internal controls of the target company, quality business practices, human rights, environmental and employee matters, as well as compliance with ISO (International Organization for Standardization) standards, LEED (Leadership in Energy and Environmental Design) guidelines, anti-corruption regulations (FCPA, Foreign Corrupt Practices Act) and export controls. Hexagon also evaluates whether target companies are following a robust code of conduct and whether their own corporate sustainability programmes are effective.

The considerations and steps taken by Hexagon in a due diligence process are often project-specific. For example, when evaluating a manufacturing company, Hexagon evaluates whether the company takes measures to ensure responsible production and a sustainable supply chain. Overall, Hexagon seeks to obtain an understanding of the company's philosophy, how this has impacted operations and whether management can address potential issues in the right framework. This allows Hexagon to better determine the company's sustainability profile and its potential fit.

Hexagon also frequently uses external specialists, including counsels trained in intellectual property, employee benefits, anti-corruption, international trade, antitrust, labour and employment law and real estate. Having a cross-functional team supplemented by external experts allows Hexagon to appraise all key features of the target company, including its sustainability practices and suitability for integration into Hexagon as a whole.

Integrating companies in Hexagon

After the closing of a transaction, where a company becomes legally owned and controlled by Hexagon,the acquired company is integrated into Hexagon's processes and methods. All companies in the Group are required to adopt and implement the Hexagon Code of Business Conduct and Ethics, which is based on the UN Global Compact's ten principles on human rights, labour, environment and anti-corruption. The newly acquired company also implements the Hexagon Ethics and Compliance Programmes, covering topics including antitrust, anti-corruption, business ethics and export controls.

Hexagon also has an on-boarding checklist covering employment, ethics and compliance, legal issues, insurance, intellectual property and information technology. The operational integration often includes regular in-house visits to the acquired company to assist with multiple onboarding tasks including compliance training and financial accounting reviews.

Employment agreements are established between the target company and the acquiring entity, which set out policies regarding sick leave, equipment usage, travel policies and recordkeeping. In all cases, employees entering the Hexagon Group via an acquisition are informed about Hexagon's Code of Business Conduct and Ethics and are expected to behave consistently according to the Code.

> Hexagon's acquisition strategy is focused on extracting synergies across its different businesses and further increasing the group's exposure to software and recurring revenues.

Data privacy and cyber security

Data privacy

Data protection is one of the six pillars of Hexagon's compliance programme and a key risk topic in Hexagon's materiality analysis. Employees, customers and partners require assurance that their personal information will be handled and managed in a safe and responsible way. Hexagon is committed to ensuring all personal information will be processed in accordance with global best practices and this is reflected in its Data Protection Compliance Programme (DPC Programme). The Group Privacy and Information Security Officer has responsibility for managing and overseeing the implementation of the DPC Programme across Hexagon Divisions. Changes to the DPC Programme are reported to the Chief Compliance Officer and Audit Committee on a regular basis.

The DPC Programme is implemented through teams within each division, with responsibility for delivery managed by Divisional Privacy Officers. The principles of the European Union's General Data Protection Regulations (GDPR) are used as its baseline for the protection of all personal data, regardless of locality. GDPR is widely considered as the 'gold standard' of privacy law and provides a robust and reliable means to ensure personal information is protected appropriately. Additions have been adopted since 2018 to encompass other jurisdictional laws as these have been enacted.

Following the introduction of updated standard contracual clauses (SCC) by the European Union in 2021, Hexagon has been working to update all existing contracts and has revised its contracting procedures to implement the new SCCs in all new contracts. Under the SCCs, data transfers from an EU entity to a third country that does not provide adequate data protection can only be made after the appropriate risk assessment has been conducted. Hexagon has implemented a standard process to conduct a suitable data transfer impact assessment (DTIA) in line with the legislation. Hexagon recognises that the protection of personal information is not a point-in-time process and requires committed changes to technology, processes and people.

All Hexagon employees are required to comply with data protection principles and receive training appropriate to their role. Employees with higher levels of responsibility for the protection of personal data are provided with advanced training and offered the opportunity to become certified professionals through programmes provided by the International Association of Privacy Professionals (IAPP).

Cyber security

Hexagon's Group Cyber Council was established in 2019 to provide oversight and governance over all information security matters. The Cyber Council is chaired by the Group Privacy and Information Security Officer and includes executive members representing all major areas of the Hexagon business including Operations, Legal, Finance and Product. The objectives of the Cyber Council are to ensure protection of Hexagon's intellectual property, ensure the cyber resilience of its networks and protect Hexagon's customers through its position in the supply chain. As a global leader in digital reality solutions,

Hexagon understands the imperative of security within its products and services. The autonomous revolution relies on data as fuel, and the protection and integrity of this data is central to Hexagon's Innovation Process.

Hexagon continued to build and develop its employee awareness programme throughout 2023 and included training on all key topics of security. All new employees receive a set of baseline training courses and are then included in the ongoing annual programme of events. Additionally, employees are frequently targeted by phishing simulations using a wide range of phish lures to both train and test employees on how to identify email-based threats. Phishing simulations are run in multiple languages to match real-world threats as closely as possible. In 2023, 26,736 employees and subcontractors were trained in cyber security covering multiple relevant areas to decrease cyber security-related risks.

During 2023, Hexagon continued the delivery of its cyber-security strategy as defined in 2022. The replacement of legacy technology with market-leading solutions ensures that its ability to detect and respond to threats supports business goals and objectives. Standardisation of technology across the security spectrum ensures that as the threat landscape develops, Hexagon is optimised to defend and respond effectively and efficiently.

Hexagon has complemented the replacement of its technology landscape with a major reorganisation of its security operation. This has enhanced both the ability to respond to internal requests for service as well as external threats and incidents. The global security organisation has been further augmented by the addition of an externally managed Security Operations Centre, monitoring all of Hexagon's corporate networks and resources to provide full 24/7 visibility of events.

Hexagon continues to back up its cyber capabilities with a comprehensive cyber insurance programme, to transfer some of the residual risk. Hexagon works with leading cyber insurance brokers and a consortium of underwriters to ensure an appropriate level of cover is provided to protect against data losses and business continuity interruption.

In 2023, 26,736 employees and subcontractors were trained in cyber security.

A responsible culture

A diverse workforce imperative for innovation

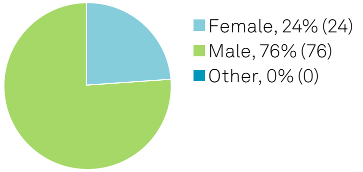
Hexagon is committed to being a diverse workplace that mirrors the international nature of the business – with employees, customers and suppliers working across the world in more than 50 countries. With an approach focused on competence development, diversity and inclusion, employee engagement and health and safety, Hexagon is able to increase its innovativeness and remain competitive with its peers, regardless of where it operates.

As a global organisation, Hexagon celebrates the differences of its employees and strives to build a working environment where different values and perspectives are actively harnessed in order to create the best solutions for an equally diverse customer base. In promoting equity and inclusion, Hexagon also ensures its access to a greater range of talent.

The Hexagon Code of Business Conduct and Ethics helps govern issues such as fair employment, diversity, discrimination, harassment, health and safety. All businesses in the company are obliged to adopt and implement the Code to ensure a uniform approach to the issues. All employees and contractors undergo mandatory training in the Code of Business Conduct and Ethics to ensure it is adopted broadly throughout the organisation, which is repeated regularly to ensure adherence. In 2023, 24,695 employees were trained in the Code of Business Conduct and Ethics.

During 2023, a global employee survey was conducted to capture the sentiment and evolvement areas among

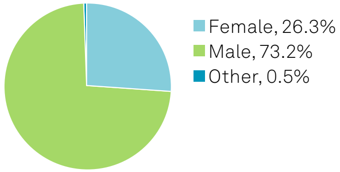
Employees by gender, %, 2023



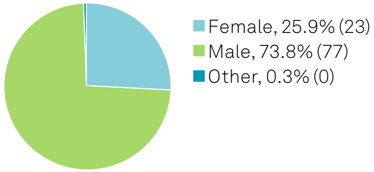
Hexagon's workforce. The engagement level was 73% - the same score as for 2022. Hexagon's 2023 engagement score was 2% higher than the score of general industry benchmark, and 6% higher than the score of the high-technology companies benchmark. However, it was 4% lower than the high performing companies benchmark, leaving further room for improvement. Using the findings of the report, Hexagon has implemented action plans for 50% of the employees participating in the survey in an effort to increase the engagement and retention rate. Areas representing the rest of the workforce are currently under assessment to determine the best approach to improve opportunities for engagement and further growth.

In 2023, the retention rate of Hexagon was 92%, compared to 89% in 2022. The diversity & inclusion index, covering 14 inclusion-related topics, was 84% which was 1% better compared to 2022, indicating that the culture- and inclusion- building activities across Hexagon are having a positive effect on the overall sentiment. Where appropriate, Hexagon supports a flexible workplace and

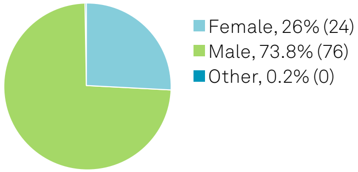
New hires by gender, %, 2023



Involuntary attrition by gender, %, 2023



Voluntary attrition by gender, %, 2023



New hires by age, %

Newly hired - Gen Z	14.8%
Newly hired - Gen Y	62.5%
Newly hired - Gen X	19.0%
Newly hired - Boomers	3.7%

Involuntary attrition by age, %

Involuntary attrition - Gen Z	12.5%
Involuntary attrition - Gen Y	39.1%
Involuntary attrition - Gen X	31.1%
Involuntary attrition - Boomers	17.4%

Voluntary attrition by age, %

Voluntary attrition - Gen Z	6.7%
Voluntary attrition - Gen Y	59.5%
Voluntary attrition - Gen X	23.0%
Voluntary attrition - Boomers	10.7%

the opportunity to work from home, as well as flexible working schedules to further support inclusion.

To further improve the general awareness of relevant ESG topics material for Hexagon, sustainability e-learning sessions were offered in 2023. Through this education programme, Hexagon successfully managed to engage 15,991 of employees in training sessions.

Diversity and inclusion — from recruitment to senior management trainings

Building a truly diverse workforce is a long-term commitment that requires a dedicated approach to diversity through the full employment cycle – from recruitment all the way to senior management trainings. Hexagon aims to ensure equity and inclusive behaviour through the four stages of a Hexagon career; recruitment, early career start, career development, senior management. For the recruitment phase, Hexagon has adopted inclusive hiring practices for its job postings and talent pool pipeline, achieved through inclusive language and gender-neutral university recruiting activities. For the early career start phase, all Hexagon employees undergo the Diversity & Inclusion educational programme that define the rights, expectations and obligations of all colleagues. In 2023, the completion rate for the DEI trainings were 78% for all employees. For the career development phase, Hexagon has implemented mentoring programs, trainings, awareness campaigns, workshops, women's leadership forums and networks of under-represented employees to support and encourage a more diverse and inclusive culture and workforce. One example is the Hexagon women's network Femme Like You, a network designed to promote equity and diversity and create events where employees can discuss challenges, pitch ideas and share best practices for building inclusive workplaces. Also, all senior management are provided with a manager toolkit workspace to provide the tools and knowledge necessary to lead by example.

Hexagon strives to be a diverse workplace across all levels of management. At year-end 2023, the Hexagon BoD consists of 3 women and 4 men while executive management consists of 1 woman and 12 men. Gender distribution in leading positions, including divisional management and their direct reports, was 24% women and 76% men in 2023. The goal is to reach 30% female managers by 2025, and Hexagon is currently implementing a set of initiatives for recruiting, retaining and developing female leaders to meet the goal by the deadline.

In promoting equity and inclusion, Hexagon also ensures its access to a greater range of talent.

Discrimination

Any kind of discrimination is completely unacceptable at Hexagon, no matter if it is exhibited internally or in relation to customer and supplier relations. Prohibiting discrimination is part of the Hexagon Code of Business Conduct and Ethics and the Unfair Discrimination and Harassment Policy. To ensure that discriminatory behaviour does not exist within the organisation, employees are trained on expectations and have several channels to report any discriminatory behaviour. The first avenue for reporting is through direct access to the HR leader within their division. If the issue cannot be handled at the divisional level, the HR EVP is approached. The Compliance Officer also offers direct communication opportunities that are managed by the Corporate Legal Group, through the anonymous third-party whistleblowing system. Employees who may be subjected to unfair discrimination and/or harassment have the right to report it to Hexagon, and there are processes in place to ensure the employee may do so without fear of victimisation and intimidation. In 2023, 20,315 employees were trained in the anti-harassment course.

Our people — transparency builds trust

Hexagon is proud of its diverse workforce and strives to increase transparency in employee data to promote accountability and highlight improvement areas related to representation and equality. This is the first employee report including representation of both women and men at different job levels globally, and also of ethnic groups in the US following local legal guidelines. Hexagon's ambition is to further support initiatives that foster an inclusive culture that increases its competitiveness as an employer, where all employees have same opportunities to grow and prosper.

Employee category by age

Job level	Under 24	25-40	41-56	Over 57
Executives	0.0%	7.0%	71.9%	21.1%
Job level A	0.2%	18.7%	62.3%	18.9%
Job level B	4.2%	51.1%	34.4%	10.4%

Employee category by gender

Job level	Male	Female	Other gender
Executives	77.2%	22.8%	0.0%
Job level A	75.0%	24.6%	0.4%
Job level B	76.2%	23.6%	0.2%

US data — ethnicity

	2023	2022
Hispanic or Latino	6.9%	6.6%
White	71.2%	73.0%
Black or African American	5.0%	5.3%
Native Hawaiian or Pacific Islander	0.5%	0.2%
Asian	13.9%	12.4%
American Indian or Alaskan Native	0.4%	0.8%
Two or more races	2.2%	1.7%
Total	100.0%	100.0%

US data — ethnicity by gender

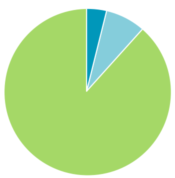
	2023		2022	
	Male	Female	Male	Female
Hispanic or Latino	4.7%	2.1%	4.8%	1.8%
White	52.5%	18.7%	54.8%	18.3%
Black or African American	3.1%	1.9%	3.2%	2.0%
Native Hawaiian or Pacific Islander	0.3%	0.1%	0.1%	0.0%
Asian	10.8%	3.1%	9.7%	2.7%
American Indian or Alaskan Native	0.3%	0.1%	0.6%	0.2%
Two or more races	1.7%	0.5%	1.3%	0.4%
Total	73.4%	26.5%	74.5%	25.4%

Environmentally and socially responsible operations

Hexagon is an enabler of a sustainable future, providing solutions that address the main environmental and social challenges that companies and nations face today. In order to work towards the UN Sustainable Development Goals and the 2030 Agenda for Sustainable Development, Hexagon takes accountability for the environmental challenges in its internal operations as well as in all steps of the value chain. Hexagon is a signatory of the United Nations Global Compact (UNGC), which means that the company supports and actively promotes its ten principles on the environment, labour practices, human rights and anti-corruption in its operations and in relation to external stakeholders. This also means that Hexagon seeks to conduct business in a responsible and ethical manner and support the UN SDGs.

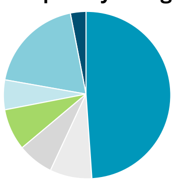
In 2023, Hexagon stipulated the goal of achieving a 95% reduction of its Scope 1 and 2 carbon emissions by 2030. The goal will be primarily achieved by improving its energy efficiency, switching its electricity consumption to renewable by 2027 and by transitioning to a clean vehicle fleet. In 2023,

Annual emissions, %



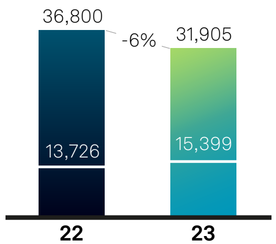
- Scope 1, 4%
- Scope 2 (market-based), 8%
- Scope 3, 88%

Scope 3 by category, %

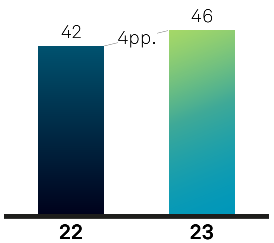


- Purchased goods and services, 49%
- Capital goods, 8%
- Upstream and downstream transportation, 7%
- Business travel, 8%
- Employee commuting, 7%
- Use of sold products, 18%
- Other Scope 3 categories, 3%

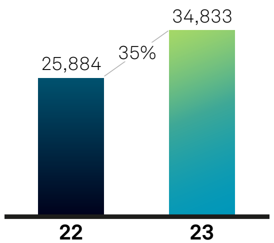
Scope 1 & Scope 2 market-based emissions, tonnes CO_2e



Share of renewable electricity in total energy consumption, %



Renewable electricity produced, MWh



the renewable energy ratio in total energy consumption was 46%, and the target will be reached and secured by investing in solar panels at its sites and to purchase renewable energy certificates (RECs). The share of electric vehicles in the car fleet was 8% in 2023, and a company car policy will be adopted to ensure combustion engine vehicles will be phased out as the leasing contracts are renewed.

Highlight achievements in 2023 includes:

- Increased share of purchased or produced renewable electricity out of total electricity to 46%, compared to 42% in 2022.
- Increased purchase of renewable energy certificates by 60% compared to 2022.
- Increased total renewable energy produced by 35% compared to 2022.
- Doubled the share of electric vehicles in total vehicle fleet.

Facility improvement programme

Hexagon facilities have started an improvement programme seeking to boost their resource efficiency to reduce their impact on the environment. Many facilities reduced their power consumption in 2023 compared to 2022, despite an increase in production. At the same time, Hexagon increased its total installed capacity of renewable energy production with photovoltaic energy and managed to increase the renewable energy produced to ~34'800 MWh (35% increase compared to 2022).

To ensure reduction of its Scope 2 emissions, Hexagon entered into a green power purchase agreement (PPA) for its major facilities. Furthermore, Hexagon covers the demand for renewable electricity in areas where direct access to renewable energy sources is not feasible via the purchase of RECs in order to stimulate investment in renewable energy projects.

Hexagon has also obtained ISO 14001 certifications for the majority of its production sites. On these as well as on other sites, environmental management is approached systematically and with a focus on continuous improvement. More information on Hexagon's environmental commitments can be found in the Hexagon Environmental Policy.

Energy consumption by region, %

- Europe, 36%
- Americas, 32%
- China, 23%
- Rest of the world, 9%

2023 outcome of facility improvement programme

	Reduce energy requirements	Increase renewable energy produced	Lower carbon intensity of energy purchased	Promote further renewables through REC
Priorities				
2023 impact	Offices reducing up to 20% energy needs	~34,800 MWh of renewable energy produced	18% reduction in Scope 2 intensity ratio (tCO_2 / MEUR sales)	~16,500 RECs purchased

Sustainability considerations in the design process

When developing new products, a robust design phase is critical to ensure that sustainability considerations are encompassing all products throughout their life cycles. New solutions are leveraged through Hexagon's Innovation Process (HIP), a process that drives the efficiency and effectiveness of products (hardware, software or services) through continuous development and improvement. In addition to quality and cost management, ESG criteria were implemented in the process to increase transparency and enable product development teams to consider the environmental impact of the alternatives while they prototype a new/upgraded solution. The process includes conducting lifecycle assessments (LCAs) of targeted products, assessment of improvement potentials and assessment of these alternatives during product development. The LCAs include assessing the materials water usage, land usage and effects on climate change together with logistics, manufacturing, usage and end-of-life scenarios. The ambition is to also include data on the components from suppliers to understand the full cradle-to-gate environmental impact of each product to support decision-making and drive sales. To ensure that the HIP is properly leveraged across Hexagon, the company provided training to 42 of its key R&D engineers that are involved in the early-stage prototyping of hardware products. A dedicated employee is supporting the process to find environmental hotspots in hardware design and iterate improvement alternatives. As part of the Hexagon Innovation Process, each product group within Geosystems receives a recycling passport, which reviews materials used while it confirms that each product complies with the EU Directives on Waste Electrical and Electronic Equipment (WEEE 2012/19/EU) and Restriction of the use of certain hazardous substances (2011/65/EU). The recycling passport gives information on the product groups' reusability, recyclability, treatment, and waste disposal.

Ethical development of artificial intelligence (AI) software

Hexagon realises that development of AI-driven technology that optimises and enriches data to prepare organisations for machine learning and to empower autonomous operations is not only associated with opportunities but also with risks. To ensure the AI-driven solutions generate value for customers and society at large and to avoid unexpected negative effects from the software development, Hexagon has defined four key principles that encompass its innovation and production of artificial intelligence software:

1. Technology augments what people do — it does not replace them.
2. System data is owned by Hexagon's customers, adheres to local laws and respects citizens' right to privacy.
3. Algorithms and output are transparent, explainable and interpretable.
4. Actionable results facilitate fair and inclusive decision-making.

As Hexagon's innovation activities for artificial intelligence software adheres to the four principles, the company can certify that the use of its solutions will provide positive outcomes for its customers while also avoiding legal or commercial risks.

Minimising carbon emissions from cloud storage

A significant part of Hexagon's business is software-related, meaning that a large share of the company's total carbon emissions is related to the operations of the cloud computing and storage at its providers and internal servers. To reduce its cloud waste, which refers to the unnecessary consumption of cloud resources leading to higher costs without providing significant benefits or value, Hexagon initiated a project with one of its major cloud providers during 2023. The purpose is to map and decrease its unnecessary emissions through purchasing server capacity hosted with green energy and to more efficiently utilise the available server computing and storage resources. Preliminary results from 2023 indicate a decrease of 40.5 metric CO_2eq tonnes, of which 38.2 metric CO_2eq tonnes was saved due to renewable energy purchases and 2.3 metric CO_2eq tonnes were due to cloud efficiences compared to on-premises equivalent workloads. Since its implementation, Hexagon tracks its related cloud emissions on a monthly basis.The final effects and outcomes of the project will be presented in 2024.

Occupational health and safety

The safety of personnel in the workplace is a top priority for Hexagon. Ensuring that employees work in a safe and healthy environment is the key to any successful business. Hexagon aims to provide a workplace that is free of incidents and promotes a culture of hazard identification and awareness, near-misses and incident reporting and self accountability. Where appropriate, Hexagon supports a flexible workplace and the opportunity to work from home. Hexagon is responsible for maintaining a safe work environment by implementing all applicable health and safety rules and practices within each Hexagon entity. Employees are provided with appropriate training and safety equipment to perform their jobs securely. Each employee is personally responsible for working in a safe manner, following all health and safety policies and procedures, participating in safety training and identifying and reporting any health and safety issues and hazards to management or the relevant internal stakeholders. In 2023, the number of work-related injuries was 31.

Certified Pre-Owned Equipment Center

To extend the lifecycles of products at Hexagon and to minimise unnecessary waste, the company has a programme in place for its used equipment at the largest hardware divisions. At the Certified Pre-Owned Equipment Center (CPEC) at the Geosystems division, all used Total Stations, GPS, HDS and construction tool equipment is checked by Hexagon's technical service team and then fully serviced to provide the same level of reliability as a new product. It is then brought back to more than 120 countries through refurbished second hand product sales, significantly extending product life usage and avoids unnecessary sourcing and production of new components.

The core principles at the CPEC is to reduce, reuse and recycle to drive circularity of products and components. Its goal is to make sustainable tools readily available globally, facilitating a wider impact on environmental conservation. The quality refurbishments are ensured by Hexagon experts to secure the tools undergo top-quality refurbishment and repairs, backed by professional warranty, saving resources and extending tool utility. The CPEC commitment to environmental and social responsibility goes beyond business and strives to fostering a positive environmental and societal impact through every tool it provides.

> In 2023 alone, Hexagon refurbished and sold 8,006 units of used items, including total stations, GPS receivers, construction instruments and laser scanners.

In 2023, the CPEC successfully recycled 8,6 tonnes of materials. It also refurbished and sold 8,006 units of used items, including total stations, GPS receivers, construction instruments and laser scanners.

At the Manufacturing Intelligence division, over 100 Hexagon service centres are strategically distributed throughout the world to guarantee customers fast and efficient repairs for their coordinating measuring machines, supporting a culture among its customers where updating and renovating equipment is encouraged to extend its lifecycle.

Role model facilities for sustainable operations

Hongdao, China

Hexagon has expanded and improved one of its larger facilities in Hongdao, China, in order to develop a blueprint for how to build and manage its production sites across the region. The site, with more than 200 R&D engineers and 35,000m² manufacturing area, has been certified as carbon neutral since 2020 and produces renewable energy through local panels covering 80% of its total energy needs. It recovers and resuses rainwater to supply and improve the biodiversity in its green areas and diverts zero of its waste into landfill. It recycled more than 65% of the total waste generated in production in 2023.

Huntsville, US

The Huntsville site in the US, representing the largest office for Hexagon's Safety, Infrastructure & Geospatial and Asset Lifecycle Intelligence divisions, has committed to several green initiatives to help reduce carbon footprint. In 2023, it purchased renewable energy credits (RECs) covering 100% of its electricity consumption, transitioned the car fleet and vehicles used by facility and security teams to hybrid and electric vehicles, eliminated chemical treatments on its turf. It is also working to complete the first solar project by the end of 2024 and will be investigating the feasibility of a larger solar project to be implemented in the next three to five years.

Wetzlar, Germany

Located in Germany and part of Hexagon's global manufacturing network, the Wetzlar factory is a flagship in the company's commitment to sustainability. The site, with approximately 465 employees, stands in the forefront of Hexagon's sustainability initiatives and has set the ambitious goal of achieving carbon neutrality and self-sufficiency. A centerpiece of Wetzlar's sustainability efforts is the construction of a solar park, symbolising an important stride towards self-sufficiency. With the installation of photovoltaic panels boasting a capacity of 1.5 MWp and battery storage capabilities of 800 kWh, Wetzlar now operates as an independent entity for a substantial portion of the year, achieving a 60-70% annual carbon reduction. The facility has also implemented a series of initiatives to enhance energy efficiency and reduce carbon emissions, such as electric vehicle charging stations, catering to the rising demand for electric mobility, and transitioned to a 100% renewable energy contract for both electricity and gas consumption in 2020.

Looking ahead, the factory remains committed to furthering its sustainability objectives, with plans to complete the installation of photovoltaic cells, battery storage and heat pump systems ,and exploration into Bosch hydrogen fuel cell technology. The journey of Hexagon's Wetzlar factory serves as a testament to the company's ambitions within innovation, sustainability and corporate responsibility. Through pioneering initiatives and dedication, Wetzlar aspires to meaningful change within the industry and beyond.

Responsible supply chain management

Supplier requirements and audits

Hexagon's compliance policies regarding supply chain management are set out in the Supplier Code of Conduct and in various Compliance Programme manuals and procedures. Hexagon selects suppliers based on an assessment of the overall competitiveness of the offering and if they live up to the goals and values expressed in the United Nations Global Compact's ten principles in the areas of human rights, labour rights, environmental impact and anti-corruption. Compliance with the Supplier Code of Conduct, or other agreed equivalent standard, is a mandatory qualifying condition for Hexagon to enter a business relationship with a supplier. In addition, third-party suppliers and subcontractors in Hexagon's global supply chain are contractually required to meet these obligations. The Hexagon policies related to supply chain management include requirements for:

1. screening Hexagon suppliers against applicable sanctions list
2. conducting additional due diligence on suppliers that may be developing Hexagon business
3. appropriate anticorruption and other compliance provisions in supplier agreements
4. prohibiting acceptance of items of value or other benefits while knowing or suspecting that it is offered or provided with an expectation that a business advantage will be provided by Hexagon

In 2023, Hexagon successfully reached its target of conducting sustainability supplier audits on 100% of its key suppliers in risk areas. The purpose of the supplier audit target was to ensure that the suppliers live up to the expectation on environmental stewardship of Hexagon and to prevent any forced labor, child labour or human trafficking within the value chain. During the year, Hexagon performed approximately 116 audits of new and existing suppliers, of which 45 audits were of suppliers in risk areas. Risk areas were considered as areas defined by the United Nations Environment Programme Finance Initiative (UNEPFI) and Transparency International which consider both environmental and social risks. The total number of suppliers in risk areas are 93, and all have been audited in the past three years. During 2023, 3 major non-conformances were found in the audits, none of which violated any local or international laws but where corrective measures are expected by Hexagon. All 3 major non-conformances cases were cases of suppliers who did not perform supplier due diligence in their own supply chain. All open non-conformances are expected to be solved in 2024.

When existing suppliers fail to comply with Hexagon's compliance requirements, Hexagon engages with the supplier and conducts an impact assessment to understand the root cause. Appropriate follow-up actions consist of taking suitable actions to ensure that the issue will not be repeated. Should infringements be deemed significant and intentional, Hexagon will terminate the supplier contract and seek a sourcing alternative. Key suppliers of manufacturing entities are evaluated through internal formal visits, reviews and evaluations to ensure that they strictly follow the Hexagon Supplier Code of Conduct. Third party assessment is used in cases where an issue cannot be verified directly with the supplier. In 2023, 39 ESG supplier audits were conducted on-site, 73 were conducted through self-assessment questionnaires, and 4 were conducted through third-party auditors.

Conflict minerals compliance

A small part of Hexagon's activities is affected by the regulation of conflict minerals including the Dodd Frank Act. Hexagon does not source conflict minerals directly, but some divisions are indirectly affected by regulations due to sourcing products and materials from suppliers and sub-suppliers. In such cases Hexagon works in close collaboration with the suppliers and apply a rigorous process to collect all necessary data as proof of compliance. Hexagon maintains a Conflict Minerals Policy outlining the commitment and actions taken to avoid conflict minerals in its value chain. Hexagon's divisions implement processes to ensure compliance with this policy as is applicable to each division's operations. For example, the Autonomy & Positioning division requests current and new suppliers to complete a Conflict Mineral Report Template (CMRT) for all parts. The CMRT has been provided by Responsible Minerals Initiative (RMI) and has been adopted by the industry. The CMRT file is constantly being revised by RMI with updated Smelter information and whenever a supplier response is received the file automatically identifies suspected Smelters. Hexagon, to best of its knowledge, represents and certifies that it does not source or receive any minerals, materials or products containing cassiterite (tin), coltan (tantalum), wolframite (tungsten) or gold (known as "3TG minerals") at all sourced from the Democratic Republic of Congo or adjoining countries.

Sustainability Key Performance Indicators

Sustainability Key Performance Indicators (KPIs)	Unit	FY 2023	FY 2022[1]	YoY change
Environment				
Total energy consumed	MWh	111,530	120,694	-8%
Energy intensity ratio	MWh/ MEUR sales	20.5	23.4	-12%
Total GHG emissions (Scope 1)	tCO_2	15,399	13,726	12%
Total electricity consumption	MWh	90,461	102,503	-12%
Electricity consumption from grid	MWh	68,542	69,374	-1%
Renewable electricity produced and consumed on-site	MWh	1,608	1,264	27%
Renewable electricity produced	MWh	34,833	25,884	35%
Green electricity and REC consumed	MWh	18,280	11,726	56%
Share of renewable electricity out of total consumption	%	46	42	4 pp
Total Indirect GHG emissions (Scope 2, market-based)	tCO_2	31,905	36,800	-14%
Total Indirect GHG emissions (Scope 2, location-based)	tCO_2	33,323	38,306	-13%
Total Scope 3 emissions	tCO_2	362,351	350,816	3%
GHG emissions intensity ratio Scope 1	tCO_2/ MEUR sales	2.8	2.7	7%
GHG emissions intensity ratio Scope 2 (market-based)	tCO_2/ MEUR sales	5.9	7.1	-18%
GHG emissions intensity ratio Scope 2 (market-based)	tCO_2/MWh	0.4	0.4	0%
GHG emissions intensity ratio Scope 3	tCO_2/ MEUR sales	66.7	68.0	-2%
Total hazardous waste generated	MT	160	265	-40%
Total waste recycled	MT	1,700	1,473	15%
Total recycled input materials used	MT	160	-	-
Water consumption	m^3	263,385	221,672	19%

Sustainability Key Performance Indicators (KPIs)	Unit	FY 2023	FY 2022	YoY change
Social				
Total number of employees	No.	24,581	24,001	2%
Total working hours by all employees	hours	36,329,666	-	-
Share of women within the Board of Directors	%	42.9	40.0	3 pp.
Share of women at top management level	%	18.4	17.5	1 pp.
Total share of women employed	%	23.6	23.7	0 pp.
Employees covered in Hexagon Share Programme	No.	1,753	-	-
Number of recordable work related injuries	No.	31	-	-
Lost time injury frequency rate (LTIFR)	No.	0.17	-	-
Employees covered by H&S system	No.	17,135	-	-
Voluntary employee turnover rate, of total workforce	%	7.8	11.0	-3 pp.
Employees covered by collective bargaining agreements	%	22.5	-	-
Share of ISO 14001 certified production sites	%	82.8	75.9	7 pp.
Share of ISO 45001 certified production sites	%	6.9	6.9	0 pp.
Governance				
Executives certified in Ethics & Compliance System	No.	411	230	79%
Share of key suppliers in high-risk countries audited	%	100	20	80 pp.
Employees engaged in ESG trainings	No.	15,991	NA	-

Full GRI and SASB reporting table can be found on page 133.

1) The environmental data for 2022 was restated to increase accuracy and year-over-year comparability

EU Taxonomy

This is the third EU Taxonomy report by Hexagon. Hexagon deems its Taxonomy eligible revenue for 2023 to be approximately 6.33 % of its total turnover. While being an enabler of sustainability, the significant majority of Hexagon's business activities are currently not defined in the EU Taxonomy and therefore will not be eligible with the screening criteria. Hexagon applied the precautionary principle to determine applicable eligible activities and excluded activities not clearly defined in the EU Taxonomy.

Total EU Taxonomy-related eligible revenue, OpEx and CapEx

	2023 MEUR	2022 MEUR	2023 % of total	2022 % of total
Total eligible revenue	344.02	57.93	6.33%	1.12%
Total eligible OpEx	50.06	12.26	12.47%	0.6%
Total eligible CapEx	36.50	16.71	4.45%	3.0%

Hexagon used the EU delegated acts information to determine its eligible activities. Of the total 2023 revenue, 6.33% is eligible and 0.05% is aligned with the criteria defined in EU Taxonomy. Hexagon has interpreted its relevance in the EU Taxonomy into the following sections under Climate change mitigation, Climate change adaptation, Circular Economy, Biodiversity and Water:

- Electricity generation using solar photovoltaic technology
- Infrastructure enabling road transport and public transport
- Data-driven solutions for GHG emissions reductions
- Provision of IT/OT data-driven solutions
- Emergency Services
- Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems
- Conservation, including restoration, of habitats[1], ecosystems[2] and species
- Repair, refurbishment and remanufacturing

The eligible economic activity "Electricity generation using solar photovaltaic technology" are associated with the Archidona solar park Hexagon acquired and operated during 2021.

The eligible economic activity "Infrastructure enabling road transport and public transport" are associated with isolated activities related to Hexagon's professional surveying and mapping services.

The eligible economic activity "Data-driven solutions for GHG emissions reductions" are associated with isolated activities related to Hexagon's applied solutions for eMobility and windfarm engineerings services, as well as the optimiser feature for the MineOperate solution.

The eligible economic activity "Provision of IT/OT data-driven solutions" are associated with solutions related to Hexagon's solutions suite at Intergraph Smart Construction, iConstruct, EAM, SDx, PAS and Jovix.

The eligible economic activity "Emergency services" are associated with isolated features related to Hexagon's OnCall solutions suite.

The eligible economic activity "Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems" are associated with the HxGN Networks solutions suite.

The eligible economic activity "Conservation, including restoration, of habitats[1], ecosystems[2] and species" are associated with iniatives to protect seagrass and salt marsh habitats.

The eligible economic activity "Repair, refurbishment and remanufacturing of electronic and optical products" are associated with Hexagon's Certified Pre-Owned Equipment Center.

Alignment:
The activity 4.1 Electricity generation using solar photovoltaic technology (the Archidona solar park) fulfils the EU Taxonomy criteria for alignment as it has substantial contribution to climate mitigation, meets the criteria for climate adaptation, biodiversity and circular economy set forth in Appendix A and D and also meets the criteria of the Minimum Safeguards set forth in the EU Taxonomy, as it has established processes and policies for due diligence of Human Rights, Corruption, Taxation and Fair Competition based on the EU Guiding Principles.

The remaining eligible activities are not considered aligned as they do not meet the technical screening criteria set forth in the Delegated Act (2021) 2800 and (2023)2486. While the activities support climate change adaptation, mitigation, circular economy, biodiversity and water and do no significant harm to the other environmental goals, there is currently not enough data available to fully comply with all technical screening criteria set forth in the Delegated Act (2021) 2800 and (2023)2486.

Definitions:

- The total turnover corresponds to Net sales in the consolidated income statement in the Hexagon 2023 Annual Report. The turnover KPI represents the proportion of the turnover derived from products or services that are taxonomy-eligible and taxonomy aligned. The taxonomy-eligible activities were screened for associated turnover. Turnover is derived from sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to turnover. Hexagon revenue streams stem from the sales of information technology solutions in which hardware and software are integrated as well as services, licenses and other assignments. Revenue from agreements with customers is reported in the income statement as Net sales.
- CapEx is defined as investments in intangible assets excluding goodwill and tangible assets such as property, machinery and other equipment, together with the IFRS 16 right of use assets. The total CapEx amount can be found in the Hexagon 2023 Annual Report in notes 14-16. The CapEx KPI represents the proportion of the capital expenditure of an activity that is taxonomy-eligible and taxonomy-aligned. The taxonomy-eligible activities were screened for associated CapEx using cost types. The taxonomy-aligned CapEx investments mainly consists of intangible assets. Own measures and purchased output from suppliers' economic activities have not been screened for eligibility in 2023.
- OpEx is defined as direct expenditures relating to the day-to-day servicing of assets of the property, plant, and equipment that are necessary to ensure the continued and effective use of such assets (e.g., research and development, building renovation measures, short-term lease, maintenance, and repair). The OpEx KPI represents the proportion of the operating expenditure of an activity that is taxonomy-eligible and taxonomy aligned. The taxonomy-eligible activities were screened for associated OpEx using cost types. Own measures and purchased output from suppliers' economic activities have not been screened for eligibility in 2023.
- The allocation of the turnover for eligible activities was prepared by using product accounts. CapEx and OpEx were allocated by using cost types. All activities were isolated when allocating turnover, CapEx and OpEx to avoid double counting.

Turnover

Financial year 2023		2023		Substantial contribution criteria						DNSH criteria (Do No Significant Harm')									
Economic activities (1)	Code(s) (2)	Absolute turnover (3), MEUR	Proportion of turnover (4), %	Climate change mitigation (5), %	Climate change adaptation (6), %	Water and marine resources (7), %	Circular economy (8), %	Pollution (9), %	Biodiversity and ecosystems (10), %	Climate change mitigation (11), Y/N	Climate change adaptation (12), Y/N	Water and marine resources (13), Y/N	Circular economy (14), Y/N	Pollution (15), Y/N	Biodiversity and ecosystems (16), Y/N	Minimum safeguards (17), Y/N	Taxonomy-aligned proportion of turnover, year 2023 (18), %	Taxonomy-aligned proportion of turnover, year 2022 (19), %	Category (enabling activity/ transitional activity) (20), %
A. ELIGIBLE ACTIVITIES																			
A.1. Eligible Taxonomy-aligned activities																			
Electricity generation using solar photovoltaic technology	4.1.	2.80	0.05	100%	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	0.05	0.06	
Turnover of eligible Taxonomy-aligned activities (A.1)		**2.80**	**0.05**																
Of which Enabling																			
Of which Transitional																			
A.2 Eligible not Taxonomy-aligned activities																			
Provision of IT/OT data-driven solutions	4.1.	254.86	4.69																
Infrastructure enabling low-carbon road transport and public transport	6.1.5.	51.57	0.95																
Data-driven solutions for GHG emissions reductions	8.2.	6.49	0.12																
Conservation, including restoration, of habitats[1], ecosystems[2] and species	1.1.	1.86	0.03																
Emergency Services	3.1.	6.14	0.11																
Repair, refurbishment and remanufacturing	5.1.	5.23	0.10																
Manufacture, installation and associated services for leakage control	1.1.	15.08	0.28																
Turnover of eligible not Taxonomy-aligned activities (A.2)		**341.22**	**6.28**																
Total (A.1 + A.2)		**344.02**	**6.33**																
B. NON-ELIGIBLE ACTIVITIES																			
Turnover of non-eligible activities (B)		**5,091.18**	**93.67**																
Total (A + B)		**5,435.2**	**100.00**																

CapEx

Financial year 2023			2023	Substantial contribution criteria						DNSH criteria (Do No Significant Harm')									
Economic activities (1)	Code(s) (2)	Absolute CapEx (3), MEUR	Proportion of CapEx (4), %	Climate change mitigation (5), %	Climate change adaptation (6), %	Water and marine resources (7), %	Circular economy (8), %	Pollution (9), %	Biodiversity and ecosystems (10), %	Climate change mitigation (11), Y/N	Climate change adaptation (12), Y/N	Water and marine resources (13), Y/N	Circular economy (14), Y/N	Pollution (15), Y/N	Biodiversity and ecosystems (16), Y/N	Minimum safeguards (17), Y/N	Taxonomy-aligned proportion of CapEx, year 2023 (18), %	Taxonomy-aligned proportion of CapEx, year 2022 (19), %	Category (enabling activity/ transitional activity) (20), %
A. ELIGIBLE ACTIVITIES																			
A.1. Eligible Taxonomy-aligned activities																			
Electricity generation using solar photovoltaic technology	4.1.	0.08	0.01	100%						-	Y	Y	Y	Y	Y	Y	0.01	2.34	
CapEx of eligible Taxonomy-aligned activities (A.1)		**0.08**	**0.01**																
Of which Enabling																			
Of which Transitional																			
A.2 Eligible not Taxonomy-aligned activities																			
Provision of IT/OT data-driven solutions	4.1.	26.29	3.21																
Infrastructure enabling low-carbon road transport and public transport	6.1.5.	6.73	0.82																
Data-driven solutions for GHG emissions reductions	8.2.	0.00	0.00																
Conservation, including restoration, of habitats[1], ecosystems[2] and species	1.1.	0.82	0.10																
Emergency Services	3.1.	0.29	0.03																
Repair, refurbishment and remanufacturing of electronic and optical products	5.1.	0.00	0.00																
Manufacture, installation and associated services for leakage control	1.1.	2.31	0.28																
CapEx of eligible not Taxonomy-aligned activities (A.2)		**36.43**	**4.45**																
Total (A.1 + A.2)		**36.50**	**4.45**																
B. NON-ELIGIBLE ACTIVITIES																			
CapEx of non-eligible activities (B)		**782.90**	**95.55**																
Total (A + B)		**819.40**	**100.00**																

OpEx

Financial year 2023		2023		Substantial contribution criteria						DNSH criteria (Do No Significant Harm')									
Economic activities (1)	Code(s) (2)	Absolute OpEx (3), MEUR	Proportion of OpEx (4), %	Climate change mitigation (5), %	Climate change adaptation (6), %	Water and marine resources (7), %	Circular economy (8), %	Pollution (9), %	Biodiversity and ecosystems (10), %	Climate change mitigation (11), Y/N	Climate change adaptation (12), Y/N	Water and marine resources (13), Y/N	Circular economy (14), Y/N	Pollution (15), Y/N	Biodiversity and ecosystems (16), Y/N	Minimum safeguards (17), Y/N	Taxonomy-aligned proportion of OpEx, year 2023 (18), %	Taxonomy-aligned proportion of OpEx, year 2022 (19), %	Category (enabling activity/ transitional activity) (20), %
A. ELIGIBLE ACTIVITIES																			
A.1. Eligible Taxonomy-aligned activities																			
Electricity generation using solar photovoltaic technology	4.1.	0.27	0.07	100%						-	Y	Y	Y	Y	Y	Y	0.07	0.003	
OpEx of eligible Taxonomy-aligned activities (A.1)		**0.27**	**0.07**																
Of which Enabling																			
Of which Transitional																			
A.2 Eligible not Taxonomy-aligned activities																			
Provision of IT/OT data-driven solutions	4.1.	31.98	7.97																
Infrastructure enabling low-carbon road transport and public transport	6.1.5.	8.89	2.21																
Data-driven solutions for GHG emissions reductions	8.2.	3.80	0.95																
Conservation, including restoration, of habitats[1], ecosystems[2] and species	1.1.	0.43	0.11																
Emergency Services	3.1.	1.56	0.39																
Repair, refurbishment and remanufacturing of electronic and optical products	5.1.	0.70	0.17																
Manufacture, installation and associated services for leakage control	1.1.	2.44	0.61																
OpEx of eligible not Taxonomy-aligned activities (A.2)		**49.79**	**12.41**																
Total (A.1 + A.2)		**50.06**	**12.47**																
B. NON-ELIGIBLE ACTIVITIES																			
OpEx of non-eligible activities (B)		351.24	87.53																
Total (A + B)		401.30	100.00																

Nuclear and fossil gas related activities

Row		
	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Hexagon AB (publ), corporate identity number 556190-4771

Engagement and responsibility
It is the board of directors who is responsible for the statutory sustainability report for the year 2023 on pages 50-89 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion
A statutory sustainability report has been prepared.

Stockholm 26 March 2024

PricewaterhouseCoopers AB

Bo Karlsson
Authorised Public Accountant

Helena Kaiser de Carolis
Authorised Public Accountant

This is a literal translation of the Swedish original report

A limited assurance of Hexagon's GHG emissions (scope 1 and scope 2) for the year 2023 has also been performed. Full Auditors Limited Assurance Report on Hexagon's Greenhouse Gas Emissions can be found on page 129.

Financial reports

Contents

Consolidated income statement

MEUR	Note	2023	2022
Net sales	3, 5, 24	5,435.2	5,160.5
Cost of goods sold	6, 12	-1,892.0	-1,799.5
Gross earnings		**3,543.2**	**3,361.0**
Sales expenses	6, 12	-1,159.3	-1,019.3
Administration expenses	6, 12	-481.2	-416.7
Research and development expenses	6, 12	-674.5	-607.1
Other operating income	7, 12	198.1	187.7
Other operating expenses	7, 12	-210.3	-218.9
Operating earnings[1]	3, 13, 22, 29, 30, 31	**1,216.0**	**1,286.7**
Financial income and expenses			
Financial income	10, 24, 25	13.1	8.8
Financial expenses	10, 16, 24, 25	-168.4	-47.5
Earnings before tax	3	**1,060.7**	**1,248.0**
Tax on earnings for the year	11	-188.9	-228.9
Net earnings		**871.8**	**1,019.1**
Attributable to:			
Parent company shareholders		858.9	1,007.6
Non-controlling interest		12.9	11.5
1) Of which adjustments	*12*	*-380.7*	*-231.1*
Earnings include depreciation, amortisation and impairment of		**-563.0**	**-467.0**
– of which amortisation of surplus values		**-115.9**	**-107.7**
Average number of shares, thousands	21	**2,687,690**	**2,693,019**
Average number of shares after dilution, thousands	21	**2,706,141**	**2,706,294**
Earnings per share, euro cent		**32.0**	**37.4**
Earnings per share after dilution, euro cent		**31.7**	**37.2**

Consolidated statement of comprehensive income

MEUR	Note	2023	2022
Net earnings		**871.8**	**1,019.1**
Other comprehensive income:			
Items that will not be reclassified to income statement			
Remeasurement of pensions	22	-10.4	20.8
Tax attributable to items that will not be reclassified to income statement	11	1.5	-5.0
Total items that will not be reclassified to income statement, net of tax		**-8.9**	**15.8**
Items that may be reclassified subsequently to income statement			
Exchange rate differences		-366.1	435.4
Tax attributable to items that may be reclassified subsequently to income statement:			
Tax attributable to effect of translation differences	11	11.3	-35.5
Total items that may be reclassified subsequently to income statement, net of tax		**-354.8**	**399.9**
Other comprehensive income, net of tax		**-363.7**	**415.7**
Total comprehensive income		**508.1**	**1,434.8**
Attributable to:			
Parent company shareholders		497.3	1,424.1
Non-controlling interest		10.8	10.7

Consolidated balance sheet

MEUR	Note	2023-12-31	2022-12-31
ASSETS			
Fixed assets			
Intangible fixed assets	8, 14	12,993.7	12,805.6
Tangible fixed assets	15	600.2	592.9
Right-of-use assets	16	200.4	198.0
Other long-term securities holdings	17, 25	129.0	78.1
Other long-term receivables	17, 18, 25	29.1	36.4
Deferred tax assets	11	179.3	122.3
Total fixed assets		14,131.7	13,833.3
Current assets			
Inventories	19	584.7	577.2
Customer receivables	5, 18, 25	1,303.1	1,285.8
Current tax receivables	11	12.8	13.3
Other receivables – interest bearing	25	1.0	0.1
Other receivables – non-interest bearing	18, 25	103.4	108.0
Prepaid expenses and accrued income	20, 25	200.0	173.0
Short-term investments	24, 25	133.0	95.4
Cash and bank balances	24, 25	414.1	390.9
Total current assets		2,752.1	2,643.7
TOTAL ASSETS		16,883.8	16,477.0

MEUR	Note	2023-12-31	2022-12-31
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	21	85.8	85.8
Other capital contributions		3,378.4	3,378.4
Revaluation reserve		-4.8	-4.8
Translation reserve		383.0	737.8
Retained earnings		6,171.5	5,633.0
Shareholders' equity attributable to Parent company shareholders		10,013.9	9,830.2
Non-controlling interest		32.2	34.4
Total shareholders' equity		10,046.1	9,864.6
Long-term liabilities			
Provisions for pensions	22	56.9	53.9
Other provisions	23	8.1	9.5
Deferred tax liabilities	11	580.0	581.8
Long-term liabilities – interest bearing	25	2,831.7	3,032.4
Lease liabilities	16	152.0	145.5
Other long-term liabilities – non-interest bearing	25	124.4	121.9
Total long-term liabilities		3,753.1	3,945.0
Current liabilities			
Accounts payable	25	288.5	309.8
Advance payments from customers	25	83.1	124.3
Current tax liabilities	11	6.5	77.1
Current liabilities – interest bearing	25	1,040.2	633.8
Lease liabilities	16	59.5	62.4
Other liabilities – non-interest bearing	25	190.8	176.4
Other provisions	12, 23	159.4	59.2
Deferred income	20, 25	790.4	741.2
Accrued expenses	20, 25	466.2	483.2
Total current liabilities		3,084.6	2,667.4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		16,883.8	16,477.0

Consolidated statement of changes in equity

MEUR	Share capital	Other capital contributions	Revaluation reserve	Translation reserve	Retained earnings	Shareholders' equity attributable to parent company shareholders	Non-controlling interest	Total shareholders' equity
Opening shareholders' equity, 2022-01-01	85.8	3,378.4	-4.8	337.9	4,934.8	8,732.1	32.6	8,764.7
Total comprehensive income	-	-	-	399.9	1,024.2	1,424.1	10.7	1,434.8
Transactions with non-controlling interest	-	-	-	-	0.3	0.3	-0.3	-
Repurchase of treasury shares	-	-	-	-	-71.0	-71.0	-	-71.0
Dividend	-	-	-	-	-295.8	-295.8	-8.6	-304.4
Share-based programme (LTIP)	-	-	-	-	40.5	40.5	-	40.5
Closing shareholders' equity, 2022-12-31	85.8	3,378.4	-4.8	737.8	5,633.0	9,830.2	34.4	9,864.6
Total comprehensive income	-	-	-	-354.8	852.1	497.3	10.8	508.1
Repurchase of treasury shares	-	-	-	-	-47.1	-47.1	-	-47.1
Dividend	-	-	-	-	-322.8	-322.8	-13.0	-335.8
Share-based programme (LTIP)	-	-	-	-	56.3	56.3	-	56.3
Closing shareholders' equity, 2023-12-31	85.8	3,378.4	-4.8	383.0	6,171.5	10,013.9	32.2	10,046.1

Share capital is described in detail in Note 21.

Other contributed capital includes, among others, premium reserves and statutory reserves.

The revaluation reserve relates to fair value adjustments related to financial assets measured at fair value through other comprehensive income

The translation reserve is the net of currency translation differences related to foreign subsidiaries and the effect after tax of the currency hedging of net assets made in foreign subsidiaries.

Retained earnings include all historical net earnings after tax excluding non-controlling interest less dividends paid, including remeasurements of pensions posted in other comprehensive income.

Non-controlling interest are the shares of equity that pertain to non-controlling interest (minority) in certain subsidiaries.

Consolidated statement of cash flows

MEUR	Note	2023	2022
Cash flow from operating activities			
Operating earnings		1,216.0	1,286.7
Adjustments for items in operating earnings not affecting cash flow:			
Depreciation, amortisation and impairment		563.0	467.0
Change in provisions		46.2	-8.4
Capital gain/loss on divestments of fixed assets		-10.2	-1.3
Share programme expenses		56.3	40.5
Other		-	-6.0
Interest received		13.3	8.6
Interest paid		-159.8	-46.6
Tax paid		-276.2	-235.9
Cash flow from operating activities before changes in working capital		1,448.6	1,504.6
Cash flow from changes in working capital			
Change in inventories		-23.2	-131.5
Change in current receivables		-57.5	-196.2
Change in current liabilities		2.5	153.9
Cash flow from changes in working capital		-78.2	-173.8
Cash flow from operating activities[1]		1,370.4	1,330.8
Cash flow from ordinary investing activities			
Investments in intangible fixed assets	14	-489.9	-413.9
Investments in tangible fixed assets	15	-136.7	-153.6
Divestments of tangible fixed assets	15	28.3	14.8
Cash flow from ordinary investing activities		-598.3	-552.7
Operating cash flow		772.1	778.1

MEUR	Note	2023	2022
Cash flow from other investing activities			
Investments in subsidiaries	27	-375.8	-1,194.8
Investments in financial fixed assets	17	-63.8	-59.2
Divestments of financial fixed assets	17	7.4	9.1
Cash flow from other investing activities		-432.2	-1,244.9
Cash flow from financing activities			
Borrowings	24, 25	839.6	1,586.2
Repayment of debt	24, 25	-706.0	-717.5
Repurchase of treasury shares	21	-47.1	-71.0
Dividend to parent company shareholders		-322.8	-295.8
Dividend to non-controlling interests in subsidiaries		-13.0	-8.6
Cash flow from financing activities		-249.3	493.3
Cash flow for the year		90.6	26.5
Cash and cash equivalents, beginning of year[2]		486.3	472.1
Effect of translation differences on cash and cash equivalents		-29.8	-12.3
Cash flow for the year		90.6	26.5
Cash and cash equivalents, end of year[2]		547.1	486.3
1) Of which non-recurring cash flow		*-81.5*	*-41.9*

2) Cash and cash equivalents include short-term investments and cash and bank balances

Parent company income statement

MEUR	Note	2023	2022
Net sales	4	26.3	19.9
Administration expenses	4, 6, 29, 30, 31	-41.4	-45.9
Operating earnings		**-15.1**	**-26.0**
Financial income and expense			
Earnings from shares in group companies	9	1,807.8	-1,283.3
Financial income	10	161.0	216.4
Financial expenses	10	-317.1	-118.0
Earnings before tax and appropriations		**1,636.6**	**-1,210.9**
Appropriations			
Group contribution, net		7.5	-2.6
Change in profit equalisation reserves		14.7	-14.7
Earnings before tax		**1,658.8**	**-1,228.2**
Tax on earnings for the year	11	3.7	-12.0
Net earnings		**1,662.5**	**-1,240.2**

Parent company statement of comprehensive income

MEUR	2023	2022
Net earnings	1,662.5	-1,240.2
Other comprehensive income	-	-
Total comprehensive income	**1,662.5**	**-1,240.2**

Parent company balance sheet

MEUR	Note	2023-12-31	2022-12-31
ASSETS			
Fixed assets			
Intangible fixed assets	14	7.0	6.4
Tangible fixed assets	15	0.4	0.0
Total intangible and tangible assets		**7.4**	**6.4**
Financial fixed assets			
Shares in group companies	17	13,541.7	13,488.9
Receivables from group companies	17	1,365.5	424.7
Other financial fixed assets	17	1.3	1.2
Deferred tax assets	11	3.4	-
Total financial fixed assets		**14,911.9**	**13,914.8**
Total fixed assets		**14,919.3**	**13,921.2**
Current assets			
Current receivables			
Receivables from group companies		1,530.9	974.8
Tax receivables	11	0.1	-
Other receivables		0.5	0.2
Prepaid expenses and accrued income	20	2.2	1.4
Total current receivables		**1,533.7**	**976.4**
Cash and bank balances		60.2	33.3
Total current assets		**1,593.9**	**1,009.7**
TOTAL ASSETS		16,513.2	14,930.9

MEUR	Note	2023-12-31	2022-12-31
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	21	85.8	85.8
Reserve for capitalised development expenses		7.0	6.4
Statutory reserve		314.3	314.3
Total restricted equity		**407.1**	**406.5**
Non-restricted equity			
Premium reserve		2,903.1	2,903.1
Retained earnings		3,023.1	1,731.0
Total non-restricted equity		**5,926.2**	**4,634.1**
Total shareholders' equity		**6,333.3**	**5,040.6**
Untaxed reserves		-	14.6
Total untaxed reserves		**-**	**14.6**
Provisions			
Other provisions		1.3	1.2
Total provisions		**1.3**	**1.2**
Long-term liabilities			
Liabilities to credit institutions	25	2,831.6	3,032.3
Liabilities to group companies		2.7	-
Total long-term liabilities		**2,834.3**	**3,032.3**
Current liabilities			
Liabilities to credit institutions	25	1,032.4	466.8
Accounts payable		2.1	1.5
Liabilities to group companies		6,299.4	6,344.7
Current tax liabilities	11	-	8.9
Other liabilities		0.2	0.3
Accrued expenses and deferred income	20	10.2	20.0
Total current liabilities		**7,344.3**	**6,842.2**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		16,513.2	14,930.9

Parent company statement of changes in equity

MEUR	Restricted shareholders' equity: Share capital	Restricted shareholders' equity: Paid-in, non-registered share capital	Restricted shareholders' equity: Reserve for capitalised development expenses	Restricted shareholders' equity: Statutory reserve	Unrestricted shareholders' equity: Premium reserve	Unrestricted shareholders' equity: Retained earnings	Total shareholders' equity
Opening balance 2022-01-01	85.8	-	3.0	314.3	2,903.1	3,341.4	6,647.6
Total comprehensive income	-	-	-	-	-	-1,240.2	-1,240.2
Capitalisation of development expenses	-	-	3.4	-	-	-3.4	-
Dividend	-	-	-	-	-	-295.8	-295.8
Repurchase of treasury shares	-	-	-	-	-	-71.0	-71.0
Closing balance 2022-12-31	85.8	-	6.4	314.3	2,903.1	1,731.0	5,040.6
Total comprehensive income	-	-	-	-	-	1,662.5	1,662.5
Capitalisation of development expenses	-	-	0.6	-	-	-0.6	-
Dividend	-	-	-	-	-	-322.8	-322.8
Repurchase of treasury shares	-	-	-	-	-	-47.1	-47.1
Rounding	-	-	-	-	-	0.1	0.1
Closing balance 2023-12-31	85.8	-	7.0	314.3	2,903.1	3,023.1	6,333.3

Parent company statement of cash flows

MEUR	Note	2023	2022
Cash flow from operating activities			
Operating earnings		-15.1	-26.0
Adjustment for operating earnings items not affecting cash flow:			
Depreciation, amortisation and impairment		1.1	0.3
Change in provisions		-	14.8
Unrealised exchange rate gains and losses		6.8	-73.8
Dividends received		766.3	61.7
Financial income received		159.7	215.7
Financial expense paid		-304.3	-116.2
Tax paid		-8.6	-0.2
Cash flow from operating activities before changes in working capital		605.9	76.3
Cash flow from changes in working capital			
Change in current receivables		-555.9	-454.0
Change in current liabilities		989.9	-280.7
Cash flow from changes in working capital		434.0	-734.7
Cash flow from operating activities		1,039.9	-658.4
Cash flow from investing activities			
Investments in intangible fixed assets	14	-1.7	-3.6
Investments in tangible fixed assets	15	-0.4	0.0
Investments in financial fixed assets	17	-46.3	-330.9
Change in long-term receivables, group companies		-946.2	287.9
Change in long-term payables, group companies		2.7	-
Cash flow from investing activities		-991.9	-46.6
Cash flow from financing activities			
Borrowings		839.4	1,577.9
Repayment of debt		-474.7	-645.3
Provisions		-14.7	-
Acquisition of treasury shares	21	-47.1	-71.0
Dividend to shareholders		-322.8	-295.8
Cash flow from financing activities		-19.9	565.8
Cash flow for the year		28.1	-139.2
Cash and cash equivalents, beginning of year[1]		33.3	93.0
Effect of translation differences on cash and bank		-1.2	79.5
Cash flow for the year		28.1	-139.2
Cash and cash equivalents, end of year[1]		60.2	33.3

1) Cash and cash equivalents include cash and bank balance

Notes

NOTE 1 Accounting policies

The consolidated accounts of Hexagon have been prepared in accordance with the International Financial Reporting Standards (IFRS)issued by the International Accounting Standards Board (IASB) and interpretation statements by the International IFRS Interpretation Committee (IFRIC), which have been approved by the European Commission for application within the EU.

Furthermore, the recommendation RFR 1 Supplementary accounting rules for corporate groups issued by the Swedish Financial Reporting Board have been applied.

The Parent Company applies the Annual Accounts Act and the recommendation RFR 2 Accounting for legal entities. The recommendation means that the Parent Company applies the same accounting policies as the Group, except in those cases when the Annual Accounts Act or current tax rules limits the opportunities to apply IFRS. Differences between the accounting principles applied by the Parent Company and the Group are outlined under Accounting Policies in the Parent Company on the next page.

The accounting policies and calculation methods applied by the Group are consistent with those of the previous financial year except as below.

On 26 March 2024, the Board of Directors and the President and CEO approved this annual report and consolidated accounts for publication and they will be presented to the Annual General Meeting on 29 April 2024 for adoption.

Application of new and amended standards from 2023
New changes in standards and interpretations that entered into force from 1 January 2023 are not expected to have had any material impact on the financial statements of Hexagon.

The group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the group neither recognises nor disclosures information about deferred tax assets and liabilities related to Pillar Two income taxes.

Application of new standards from 2024
New standards, amended standards and interpretations that have not entered into force, have not been applied in advance in the financial reports of Hexagon and are not expected to have any material impact on the financial statements of Hexagon.

Basis of reporting for the Parent Company and the Group
The functional currency of the Parent Company is EUR as is the presentation currency for the Parent Company and the Group. The financial reports are presented in EUR. All amounts, unless indicated otherwise, are rounded off to the nearest million with one decimal.

Assets and liabilities are reported at historical cost except for certain financial instruments which are reported at fair value.

Receivables and liabilities or income and expenses are only offset if required or explicitly permitted by an accounting standard.

Preparing the financial statements in compliance with IFRS requires that Management make judgements and estimates as well as make assumptions that affect the application of accounting principles and the amounts recognised as assets, liabilities, income and expenses. The actual outcome may diverge from these estimates and assumptions. Estimates and assumptions are reviewed continuously. Changes of estimates are recognised in the period when the change is made if the change only affects current period or in that period when the change is made and coming periods if the change affects both current period and coming periods.

Judgements made by Management for the application of IFRS that have a substantial impact on the financial reports and estimates made that may lead to significant adjustments in coming years' financial reports are described in more detail in Note 2.

Classification
Fixed assets and long-term liabilities essentially consist of amounts expected to be realised or settled after twelve months from the balance sheet date. Current assets and short-term liabilities essentially consist only of amounts expected to be realised or settled within twelve months from the balance sheet date. The Group's operating cycle is assessed to be less than one year.

Consolidated financial statements
The consolidated financial statements consolidate the Parent Company and the other companies in which the Parent Company has a controlling influence, that is, is exposed or has right to variable returns from its involvement and has the ability to affect those returns through its involvement.

Companies or businesses acquired (acquisitions) are accounted for under the purchase method. The method involves a business combination to be regarded as a transaction in which the Group indirectly acquires the assets of the business and assumes its liabilities. The Group's acquisition cost is determined through a purchase price allocation in connection with the acquisition. The acquisition cost is the sum of the fair value at the acquisition date of what is paid in cash, assumed liabilities or issue of own shares.

Contingent considerations are often conditional by future goals on sales or performance. At acquisition date, an estimation of the fulfilment of the goals is made. The contingent consideration is measured at fair value and included in the acquisition cost and recognised as a financial liability in accordance with IFRS. Long-term contingent considerations are discounted to present value. The measurement to fair value is initially based on the expected outcome of the acquired company's sales or performance. Contingent considerations are subsequently measured at fair value and essential effects of remeasurements are recognised in the income statement in accordance with IFRS. If a revenue is recognised as a consequence of a change in estimation, the surplus values from the acquisition will be tested for impairment. If the impairment test results in an impairment, the expense will meet the revenue from the remeasurement of the contingent consideration. Transaction costs are expensed in the income statement when incurred.

Identifiable assets acquired and liabilities assumed are recognised initially at their fair values at the acquisition date. Exceptions are made for acquired tax assets and liabilities, employee benefits, stock-based compensation and assets held for sale, valued in accordance with the principles described for each item in in each standard.

NOT 1 Accounting policies, cont.

Goodwill recorded represents the difference between the acquisition cost of group companies' shares, the value of non-controlling interest in the acquired business and the fair value of previously owned shares and on the other hand, the purchase price allocation of the assets acquired and liabilities assumed. For goodwill disclosures, see Note 14 Intangible fixed assets. Non-controlling interests are recognised at the acquisition date, either at its fair value or at its proportionate share of the carrying value of the acquires identifiable assets and liabilities. Acquisition of non-controlling interest is reported as transactions between shareholders, i.e. within equity.

Group companies' financial statements are included in the consolidated accounts as of the date when control occurs (acquisition date) until the control ceases.

When control of the Group company ceases, but the Group retains shares in the company, remaining shares are initially reported at fair value. The gain or loss from remeasurement is recorded in the income statement.

Translation of financial reports to EUR

Assets and liabilities in operations with a functional currency other than EUR are translated at the closing day exchange rate and income statements are translated at average exchange rates for the period. The resulting translation differences are recognised directly in other comprehensive income. The amount is recognised separately as a translation reserve in equity. In case of divestment of an operation with a functional currency other than EUR the accumulated translation differences related to the divested operation are reclassified from equity to income statement at the time of recognition of capital gain or loss from the divestment.

Monetary long-term items towards businesses with a functional currency other than EUR, for which settlement is not planned or will probably not occur within the foreseeable future, are part of the company's net investment. Translation differences on such monetary items, which comprise part of the company's net investment are recognised in other comprehensive income and accumulated in the translation reserve in equity.

Transactions, assets and liabilities other currencies than EUR

Transactions in non-EUR currencies are recognised in the functional currency at the exchange rate on the transaction day. Monetary assets and liabilities are translated to the functional currency on the closing day at the exchange rate then in effect. Exchange rate differences that arise through these translations are recognised in the income statement.

Eliminated transactions

Intra-Group receivables and liabilities, revenue or expenses and gains or losses that arise from transactions between group companies are eliminated in their entirety in the preparation of the consolidated accounts. Losses are eliminated in the same way as gains, but only to the extent that there is no impairment loss.

Earnings per share

The calculation of earnings per share is based on net earnings attributable to the Parent Company shareholders and on the weighted number of shares outstanding during the year. The calculation of earnings per share after dilution takes into account the quarterly calculated dilutive effect from any potential common shares.

Accounting policies in the Parent Company

The Parent Company applies the same accounting principles as the Group with the following deviations:

- In the Parent Company, the exemption in RFR 2 for IFRS 9 Financial Instruments is applied. This means, among other things, that financial instruments are valued based on acquisition value and the principles of impairment testing of loss risk provisions in IFRS 9 are applied to the Parent Company's short-term receivables and financial fixed assets.
- In the Parent Company, the exemption in RFR 2 for IFRS 16 Leasing Agreements is applied and the costs for all leasing agreements are reported on a straight-line basis over the leasing period.
- In the Parent Company participations in group companies are reported at acquisition value less any impairment.
- Acquisition value of shares in subsidiaries includes transaction costs and contingent consideration.
- Non-monetary assets acquired in a currency other than EUR are reported at historical exchange rates. Other assets and liabilities in currencies other than EUR are reported at the exchange rate on the balance sheet date.
- The Parent Company applies the alternative rule for group contributions and reports both submitted and received group contributions and appropriations in the income statement.

Dividends

The dividend proposed by the Board of Directors reduces earnings available for distribution and is recognised as a liability when the Annual General Meeting has approved the dividend.

Approval of accounts

The Parent Company's and the consolidated financial statements will be presented to the Annual General Meeting for adoption on 29 April 2024.

NOTE 2 Critical accounting estimates and assumptions

The critical accounting estimates and assumptions that are addressed in this section are those that Company Management and the Board of Directors regard as the most important for understanding Hexagon's financial reporting. The information is limited to areas that are significant considering the degree of impact and underlying uncertainty. Hexagon's accounting estimates and assumptions are based on historical experience and assumptions that company management and the Board of Directors regard as reasonable under the current circumstances. The conclusions based on these accounting estimates constitute the foundation for the carrying amounts of assets and liabilities, in the event that they cannot be established through information from other sources. The actual outcome may differ from these accounting estimates and assumptions.

Customer contracts

Parts of Hexagon's sales derive from major and complex customer contracts. The critical estimates of customer contracts include establishing the amounts that are to be recognised as income and when the income should be recognised. For example, company management makes estimates of completed performance in relation to the contractual terms and conditions, the estimated total contractual costs and the proportion of the contract that has been completed at a certain point in time. The degree of completion is established by setting incurred cost in relation to total costs required to complete the contract. The estimations are also base for any loss provision, if any.

Hexagon also enters into revenue agreements that contain multiple elements, such as hardware, software and/or services. For these agreements, Hexagon need to assess if revenue should be allocated to each element as different accounting principles apply for these elements.

Intangible assets

Intangible assets within Hexagon concern essentially pertain to goodwill, trademarks and other assets as a result of acquisition, such as customer relationships and technology. Goodwill and other acquired intangible assets with an indefinite life are not subject to annual amortisation, while other intangible assets are amortised. Insofar as the underlying operations develop negatively, an impairment requirement may arise. Impairment test is implemented if necessary, but at least once a year. Such intangible assets are subject to annual impairment testing, which is essentially based on the value in use, making assumptions about the sales trend, the Group's profit margins, on-going investments, changes in working capital and discount interest rate. Company management considers the assumptions applied to be compatible with the data received from external sources of information or from previous experience. Hexagon's goodwill on 31 December amounted to 9,616.6 MEUR (9,599.5). Other intangible assets not subject to amortisation amount to 1,073.9MEUR (1,060.4) as of this date. Performed impairment tests demonstrate that reported values are defendable.

Tax assets and liabilities

The Board of Directors and Company Management continuously assess the carrying amount of both current and deferred tax assets and liabilities. For deferred tax assets, Hexagon has to assess the probability of whether it will be possible to utilise the deductible temporary differences that give rise to deferred tax assets to offset future taxable profits. In addition, in certain situations, the value of the deferred tax assets and liabilities may be uncertain due to ongoing tax processes, for example. Accordingly, the value of deferred tax assets and liabilities may deviate from these estimates due to a change in future earning capacity, changed tax regulations or the outcome of examinations by authorities or tax courts of issued or not yet issued tax returns. When assessing the value of deferred tax assets and liabilities, Hexagon has to form an opinion of the tax rate that will apply at the time of the reversal of the temporary differences. Hexagon recognised deferred tax liabilities, net in an amount of 400.7 MEUR (459.5) net, at the end of 2023. At the same date, the Group had tax-loss carry-forwards with a value of 42.6 MEUR (49.7) that were not recognised as assets. These assets could not be capitalised based on assessments of the opportunity to utilise the tax deficits. In comparison with the final outcome, the estimates made concerning both deferred tax assets and liabilities could have either a positive or a negative impact on earnings.

Pension obligations

Within Hexagon, there are defined-benefit pension schemes based on significant assumptions concerning future benefits pertaining to either the current or prior workforce. Pension obligations amounted to 52.7 MEUR (48.2) at the end of 2023. When calculating the pension liability, a number of actuarial assumptions are of major significance to the outcome of the calculation. The most critical pertain to the discount interest rate on the obligation, the rate of pay increases, employee turnover and estimated length of life. A reduced discount interest rate increases the recognised pension liability. The actual outcome could deviate from the recognised amount if the applied assumptions prove to be wrong.

Business combination

Hexagon acquire companies on a continuous basis. In connection with the acquisitions, acquired assets and assumed liabilities are valued to fair value in a purchase price allocation analysis. The valuation is to a certain extent based on management assessment of the future earnings of the acquired company. Many of the acquisition deals contain contingent consideration which is based on the outcome of the acquired company earnings for a predetermined period. The fair value of contingent considerations recognised as a liability is reviewed on a regular basis, which requires management to assess the future performance of the acquired company. An inaccurate assessment of this might result in overstated acquired assets or liabilities for contingent considerations.

NOTE 3 Segment reporting

Hexagon's Board of Directors is responsible for determining the Group's overall objectives, developing and monitoring the overall strategy, decisions on major acquisitions, divestments and investments and ongoing monitoring of operations.

The President is responsible for leading and controlling Hexagon's operations in accordance with the strategy determined by the Board. The President is therefore the Group's chief operating decision maker (CODM) and is the function that internally within the Hexagon Group allocates resources and evaluates results. The Group's chief operating decision maker assesses the performance in the operating segments based on earnings before financial items and adjustments. Financial items and taxes are reported for the Group as a whole.

Hexagon's operations are organised, governed and reported based on the two operating segments Geospatial Enterprise Solutions and Industrial Enterprise solutions. The operating segment Geospatial Enterprise Solutions has sensors for capturing data from land and air as well as sensors for positioning via satellites. The sensors are complemented by software (GIS) for creation of 3D maps and models, which are used for decision-making in a range of software applications, covering areas such as surveying, construction, public safety and agriculture. The operating segment Industrial Enterprise Solutions provides metrology systems that incorporate the latest in sensor technology for fast and accurate measurements, as well as CAD (computer aided design) and CAM (computer aided manufacturing) software. The solutions within this segment optimise design, processes and throughput in manufacturing facilities and create and leverage asset management information critical to the planning, construction and operation of plants and process facilities in a number of industries such as automotive, aerospace and oil and gas.

The two segments have separate product offerings and customer groups and hence differentiated risk composition. There is marginal sales between the two operating segments. Both segments are applying the same accounting principles as the Group. Hexagon's internal reporting, representing the base for detailed review and analysis, is designed in alignment with the described division into operating segments. Sales within each operating segment are additionally analysed geographically.

From 2024 Hexagon will change its segments reporting and report revenues and adjusted operating earnings (EBIT1) for the operating divisions Manufacturing Intelligence, Asset Lifecycle Intelligence, Geosystems, Autonomous Solutions and Safety, Infrastructure & Geospatial.

2023	IES	GES	Total segments	Group expenses and eliminations	Group
Net sales	2,802.0	2,638.0	5,440.0	-4.8	5,435.2
Operating expenses	-1,987.7	-1,830.5	-3,818.2	-20.3	-3,838.5
Adjusted operating earnings (EBIT1)	**814.3**	**807.5**	**1,621.8**	**-25.1**	**1,596.7**
Adjustments	-183.0	-132.4	-315.4	-65.3	-380.7
Operating earnings (EBIT)	**631.3**	**675.1**	**1,306.4**	**-90.4**	**1,216.0**
Financial income and expenses				-155.3	-155.3
Earnings before tax				**-245.7**	**1,060.7**
Operating assets	9,788.2	6,445.7	16,233.9	-248.1	15,985.8
Operating liabilities	-1,179.2	-829.8	-2,009.0	248.4	-1,760.6
Net operating assets	**8,609.0**	**5,615.9**	**14,224.9**	**0.3**	**14,225.2**
Investments in fixed assets	242.9	433.0	675.9	4.3	680.2
Average number of employees	13,501	10,895	24,396	152	24,548
Number of employees at year-end	13,605	10,803	24,408	173	24,581
Depreciation, amortisation and impairment	-255.7	-299.8	-555.5	-7.5	-563.0

2022	IES	GES	Total segments	Group expenses and eliminations	Group
Net sales	2,638.5	2,537.0	5,175.5	-15.0	5,160.5
Operating expenses	-1,883.4	-1,750.5	-3,633.9	-8.8	-3,642.7
Adjusted operating earnings (EBIT1)	**755.1**	**786.5**	**1,541.6**	**-23.8**	**1,517.8**
Adjustments	-128.8	-39.6	-168.4	-62.7	-231.1
Operating earnings (EBIT)	**626.3**	**746.9**	**1,373.2**	**-86.5**	**1,286.7**
Financial income and expenses				-38.7	-38.7
Earnings before tax				**-125.2**	**1,248.0**
Operating assets	10,109.1	5,876.3	15,985.4	-245.5	15,739.9
Operating liabilities	-1,212.5	-826.8	-2,039.3	248.4	-1,790.9
Net operating assets	**8,896.6**	**5,049.5**	**13,946.1**	**2.9**	**13,949.0**
Investments in fixed assets	240.1	374.6	614.7	20.2	634.9
Average number of employees	12,939	10,134	23,073	123	23,196
Number of employees at year-end	13,249	10,626	23,875	126	24,001
Depreciation, amortisation and impairment	-232.3	-231.9	-464.2	-2.8	-467.0

NOTE 3 Segment reporting, cont.

Geographical markets

	Net sales by country[4]		Operating assets						Fixed assets	
			Assets		Liabilities		Net			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
EMEA[1]	1,878.4	1,771.5	5,567.6	5,325.1	-819.8	-827.6	4,747.8	4,497.5	4,125.6	3,961.9
Americas[2]	2,097.2	1,995.5	10,145.6	10,001.2	-983.9	-941.3	9,161.7	9,059.9	9,170.6	9,110.7
Asia[3]	1,464.4	1,408.5	1,077.1	1,143.1	-761.4	-751.5	315.7	391.6	498.1	523.9
Elimination of intra-group items/ adjustments	-4.8	-15.0	-804.5	-729.5	804.5	729.5	-	-	-	-
Group	5,435.2	5,160.5	15,985.8	15,739.9	-1,760.6	-1,790.9	14,225.2	13,949.0	13,794.3	13,596.5

1) Sweden is included in EMEA with net sales of 70.1 MEUR (76.5) and fixed assets of 42.1 MEUR (38.0)
2) USA is included in Americas with net sales of 1,580.5 MEUR (1,519.1)
3) China is included in Asia with net sales of 732.5 MEUR (722.6)
4) Relates to the country where the customer has its residence. No single customer represented more than 0.9 per cent (0.7) of net sales

NOTE 4 Parent company intra-group purchases and sales

Of the Parent Company's net sales, 100 per cent (100) refers to sales to other group companies. Of the year's purchases in the Parent Company, 81 per cent (72) refers to purchases from group companies.

NOTE 5 Revenue from contracts with customers

Hexagon sells information technology solutions in which hardware and software are integrated as well as services, licenses and other assignments. Revenue from agreements with customers is reported in the income statement as net sales.

Sale of goods

Revenue is recognised when control of the good is transferred to the customer, which coincide with the good being delivered to the customer and Hexagon has objective evidence that the customer will approve the good. The amount of the revenue will equal the consideration stated in the contract minus rebates. There is no financing component in the contract as the expected credit do not exceed one year. The Group's obligation to offer a repayment for defected goods in accordance with standard warranty terms, is accounted for as a provision, see Note 23.

Sale of services, licenses and other assignments

Parts of contracts with customers not being sale of goods compose sale of installations, service, training, licenses and software subscriptions.

Revenue from sale of services such as installations, services and training are recognised in the period when the services are performed. Licenses are classified either as a license that gives right to use the underlying immaterial asset as it is constituted at the issuing of the license (right-to-use) or as a license that gives right to access the underlying intangible asset during the license period (right-to-access). Revenue from sale of right-to-use licenses is recognised when the license is transferred to the customer. Revenue from sale of right-to-access licenses is recognised during the license period. Revenue from sale of software subscriptions is recognised straight-line as the performance obligation is fulfilled, during the subscription period.

Revenue from contracts where there is no alternative use of Hexagon's performance and where Hexagon has right to cost compensation if the customer cancels the contract is recognised over time. The degree of completion is determined by comparing the expenditure that has arisen in relation to the total estimated expenditure for the assignment. If the degree of completion cannot be reliably determined, only those amounts corresponding to the expenditure that has arisen are recognised as revenue, but only to the extent that it is likely that they will be remunerated by the buyer. If it appears likely that all the expenditure for an assignment will exceed total revenue, the probable loss is accounted immediately and fully, as an expense.

Some contracts contain several performance obligations. A performance obligation that does not contain an integration service with the other obligations in the contract, does not lead to a significant modification or adaptation of the other obligations in the contract and that is not strongly dependent on or integrated with the other obligations in the contract is distinct and represents a separate performance obligation. The transaction price of the contract is allocated to the separate performance obligations according to their stand-alone selling prices. Revenue from each performance obligation is recognised as the obligation has been fulfilled.

Estimation of revenue, cost and degree of completion is being revised if conditions change. Changes in estimations is recognised in the income statement in the period when the Executive Leadership has knowledge of the circumstances causing the change.

In fixed price contracts, the customers pay a fixed price according to an agreed payment plan. If the value of the services performed by Hexagon exceeds the payments, a contract asset will be recognised. If the payments exceed the value of the performed services, a contract liability will be recognised.

If the contract contains a fee per hour, revenue is recognised to the extent Hexagon has right to invoice the customer. Customers are invoiced on a monthly basis and right to consideration exists when the invoice has been generated.

Main part of recognised revenue reflects performance obligations fulfilled during current year. The performance obligations are usually fulfilled within 12 months, why disclosure about transaction price allocated to the remaining performance obligations is exempted.

Contract costs

Additional costs to obtain a contract are recognised as an asset if the Group expects to recover those costs. If time of depreciation of the asset that would have been recognised is below one year, the additional costs are recognised as cost when they occur.

Financing component

The Group does not expect any material contracts with customers where the period between transferring of goods and services to the customer and payment from the customer exceeds one year. As a consequence of this, the Group does not adjust transaction prices for time value of money.

NOTE 5 Revenue from contracts with customers, cont.

Disaggregation of revenue from contracts with customers

No other revenue than revenue from contracts with customers is recognised in Net sales. The Group derives revenue from the transfer of goods and services in the following operating and customer segment.

2023	Surveying	Power & energy	Infrastructure & construction	Automotive	Public safety	Electronics & manufacturing	Aerospace & defence	Natural resources	Other	Group
Industrial Enterprise Solutions (IES)	8.2	675.4	29.7	447.1	2.3	946.7	281.4	21.8	389.4	2,802.0
Geospatial Enterprise Solutions (GES)	964.5	0.5	639.8	18.6	207.6	3.5	199.1	482.3	122.1	2,638.0
Revenue adjustment[1]	-	-	-	-	-	-	-	-	-4.8	-4.8
Total	972.7	675.9	669.5	465.7	209.9	950.2	480.5	504.1	506.7	5,435.2

2022	Surveying	Power & energy	Infrastructure & construction	Automotive	Public safety	Electronics & manufacturing	Aerospace & defence	Natural resources	Other	Group
Industrial Enterprise Solutions (IES)	7.5	627.3	46.1	464.3	1.8	860.7	264.8	18.6	347.4	2,638.5
Geospatial Enterprise Solutions (GES)	961.0	0.6	656.6	23.4	171.5	2.9	186.0	401.3	133.7	2,537.0
Revenue adjustment[1]	-	-	-	-	-	-	-	-	-15.0	-15.0
Total	968.5	627.9	702.7	487.7	173.3	863.6	450.8	419.9	466.1	5,160.5

1) Reduction of acquired deferred revenue (haircut) related to acquisitions

Contract balances

Group	2023-12-31	2022-12-31
Customer receivables	1,303.1	1,285.8
Contract assets	72.9	37.5
Contract liabilities	873.5	865.5

For information on impairment of receivables and contract assets, see Note 18.

Contract assets include accrued income from fulfilling performance obligations over time. Contract liabilities include advance payments and deferred income. Deferred income relates to revenue from service, installation and training. Main portion of contract liabilities at the beginning of the year has been recognised as revenue during 2023.

NOTE 6 Operating expenses

	Group		Parent company	
	2023	2022	2023	2022
Cost of goods sold				
Cost of goods	891.9	866.1	-	-
Personnel cost	565.8	510.5	-	-
Depreciation and amortisation	82.0	74.1	-	-
Other	352.3	348.8	-	-
Total	1,892.0	1,799.5	-	-
Sales expenses				
Personnel cost	801.0	737.1	-	-
Depreciation and amortisation	52.6	52.6	-	-
Other	305.7	229.6	-	-
Total	1,159.3	1,019.3	-	-
General and administrative cost				
Personnel cost	304.0	281.2	7.3	23.2
Depreciation and amortisation	74.2	58.9	1.1	0.3
Other	103.0	76.6	33.0	22.4
Total	481.2	416.7	41.4	45.9
Research and development cost				
Personnel cost	318.1	303.7	-	-
Depreciation and amortisation	299.7	270.6	-	-
Other	56.7	32.8	-	-
Total	674.5	607.1	-	-

NOTE 7 Other operating income/ expenses

Other operating income and operating expenses consist of exchange rate gains and exchange rate losses of an operating nature. In addition, items that do not belong to the primary business are reported in this function, such as impairments and fair value changes.

Group	2023	2022
Other operating income		
Capital gain on divestment of fixed assets	11.2	5.1
Exchange rate gains	119.5	149.6
Government grants	9.9	8.2
Reversal of unutilised amounts supplementary payments for acquired companies	41.6	16.7
Rental income	0.8	0.9
Other	15.1	7.2
Total	**198.1**	**187.7**
Other operating expenses		
Capital loss on divestment of fixed assets	-1.0	-1.3
Exchange rate losses	-143.4	-153.7
Rental related expenses	-	-0.5
Impairment	-54.5	-13.4
Acquisition related expenses	-8.2	-10.0
Other [1]	-3.2	-40.0
Total	**-210.3**	**-218.9**

1) Other in 2022 consists mainly of expenses related to freezing the business in Russia

NOTE 8 Impairment

Cash-generating units

Goodwill and other intangible assets with indefinite lives acquired through business combinations has been allocated to the five (five) cash generating units (CGU) below, which complies with the Group's organisation: Geosystems, Manufacturing Intelligence, Autonomy & Positioning, Asset Lifecycle Intelligence and Safety, Infrastructure & Geospatial.

Carrying amount of goodwill and other intangible assets allocated to each of the CGUs:

	Geosystems		Manufacturing Intelligence		Autonomy & Positioning		Asset Lifecycle Intelligence		Safety, Infrastructure & Geospatial		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Goodwill	1,957.1	1,757.3	2,583.7	2,682.1	572.4	583.7	3,807.8	3,989.5	695.6	586.9	9,616.6	9,599.5
Other intangible assets with indefinite useful lives[1]	470.2	452.1	159.3	161.8	14.3	14.7	327.5	339.1	102.6	92.7	1,073.9	1,060.4
Intangible assets subject to amortisation[2]	646.5	541.8	730.5	751.3	125.6	98.3	627.5	648.1	173.1	106.2	2,303.2	2,145.7
Total	**3,073.8**	**2,751.2**	**3,473.5**	**3,595.2**	**712.3**	**696.7**	**4,762.8**	**4,976.7**	**971.3**	**785.8**	**12,993.7**	**12,805.6**

1) Comprises brands
2) Comprises capitalised development costs, patents, technology and other intangible assets, which are amortised linearly based on estimated useful life

Hexagon performed its annual impairment test for goodwill and other intangible assets with indefinite lives during the fourth quarter 2023 and tested if the carrying value of the CGU's exceed their recoverable value. The recoverable value is the higher of the units net realisable value and value in use, which is the discounted present value of future cash flows.

Calculation of recoverable value

The recoverable values of the cash-generating units consist of its value in use. The utilisation values are calculated using cash flow forecasts based on budgets approved by the management that extend over a period of five years. The after-tax discount rates applied to cash flow forecasts are shown in the table below. The annual growth rate for extrapolating cash flows beyond the five-year period was 2.0 per cent (2.0) for all cash-generating units. Annual growth is a conservative assessment and is set equal to expected inflation. The result of a write-down test has resulted in the management not identifying any write-down need for any cash-generating unit.

NOTE 8 Impairment, cont.

	Discount rate after tax	
	2023	2022
Geosystems	8.4%	7.6%
Manufacturing Intelligence	9.9%	9.2%
Autonomy & Positioning	9.7%	9.3%
Asset Lifecycle Intelligence	10.1%	10.1%
Safety, Infrastructure & Geospatial	10.1%	10.1%

Key assumptions
The calculation of value in use for all CGU is most sensitive to the following assumptions:

- Forecasts, including operating margins and sales growth
- Discount rates
- Growth rates used to extrapolate cash flow beyond the forecast period

Forecasts
Projected cash flows, approved by management, is based on an analysis of historic performance as well as a best estimation regarding the future. Hexagon has since 2001 mainly shown rising operating margins and virtually continuous good organic growth.

The operating margins are based on average values achieved historically. The margins are increased over the period to reflect anticipated efficiency improvements. The organic growth is based on an analysis of how the competition situation is judged to develop over time.

Discount rates
Discount rates represent the current market assessment of the risks specific to respective CGU, taking into consideration the time value of money as well as individual risks. The discount rate calculation is based on the specific circumstances of respective CGU and is derived from its weighted average cost of capital (WACC). The WACC considers both debt and equity. The cost of equity is derived from the expected return on investment by the Group investors. The cost of debt is based on the interest bearing borrowings. Specific risks are incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Discount rate before tax is approximately 10–13%.

Growth rates used to extrapolate cash flow
To extrapolate cash flows over the forecast period, growth figures start based on published research of each respective industry. The long-term rate is conservatively estimated as equal to the expected long-term inflation rate.

Sensitivity to changes in assumptions
A sensitivity analysis including all key assumptions is performed and management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed the recoverable value. For all cash generating units except Asset Lifecycle Intelligence there is a significant headroom before any changes in key assumptions would cause a valuation adjustment, since the recoverable value totally is nearly double the book value. The performed sensitivity analysis demonstrates that the value of goodwill and other intangible assets with indefinite useful life is more than defendable even if the discount rate is increased with one percentage point or if the growth rate after the forecast period is decreased with one percentage point for all cash generating units except Asset Lifecycle Intelligence. For Asset Lifecycle Intelligence the recoverable amount would equal the carrying value if the discount rate would be increased by 0.6 percentage point or the terminal growth rate would be decreased by 0.5 percentage point. Even forecasts for sales growth and operating margin are included in the sensitivity analysis and no reasonable changes in these would cause a need of impairment.

NOTE 9 Earnings from shares in group companies

	Group		Parent company	
	2023	2022	2023	2022
Earnings from shares in group companies				
Dividend from subsidiaries	-	-	1,807.8	202.5
Impairment loss of shares in group companies	-	-	-	-1,485.8
Total	-	-	1,807.8	-1,283.3

NOTE 10 Financial income and expenses

	Group		Parent company	
	2023	2022	2023	2022
Financial income				
Interest income	12.4	7.6	2.3	0.4
Interest income, intercompany receivables	-	-	82.0	37.5
Other financial income	0.7	1.2	76.7	178.5
Total	13.1	8.8	161.0	216.4
Financial expenses				
Interest expenses	-144.5	-27.0	-138.5	-24.8
Interest expenses, lease liabilities	-8.3	-7.9	-	-
Interest expenses, intercompany liabilities	-	-	-84.6	-20.7
Net interest on pensions	-1.3	-0.7	-	-
Other financial expenses	-14.3[1]	-11.9[1]	-94.0	-72.5
Total	-168.4	-47.5	-317.1	-118.0

1) Mainly bank costs

NOTE 11 Income taxes

Income taxes comprise of:

- Current tax, meaning the tax calculated on taxable earnings for the period and adjustments regarding prior periods and;
- Deferred tax, meaning the tax attributable to taxable temporary differences to be paid in the future and the tax that represents a reduction of future tax attributable to deductible temporary differences, deductible loss carry-forwards and other tax deductions.

The income tax expenses for the year consist of current and deferred tax. Transactions recognised in other comprehensive income are including tax effects, i.e. tax related to these transactions are also posted in other comprehensive income. Tax related to transactions directly recognised in equity, is posted in equity.

GROUP
Tax on earnings for the year

	2023	2022
Current tax	-206.7	-255.5
Deferred tax	17.8	26.6
Total tax on earnings for the year	-188.9	-228.9

Specification of deferred tax

	2023-12-31	2022-12-31
Deferred tax assets (liabilities) comprise:		
Fixed assets	-636.2	-617.3
Inventories	56.8	51.8
Receivables	12.3	4.0
Provisions	13.9	6.6
Other	116.1	95.2
Unutilised loss carry-forwards and similar deductions	79.0	49.9
Less items not satisfying criteria for being recognised as assets	-42.6	-49.7
Total	-400.7	-459.5
According to the balance sheet:		
Deferred tax assets	179.3	122.3
Deferred tax liabilities	-580.0	-581.8
Total, net	-400.7	-459.5

Unutilised loss carry-forwards and similar deductions not satisfying criteria for being recognised as assets have not been recognised. Deferred tax assets that depend on future taxable surpluses have been valued on the basis of both historical and forecast future taxable earnings. Hexagon is striving for a corporate structure that enables tax exemption when companies are divested and favourable taxation of dividends within the Group. Certain potential tax on dividends and divestments remains within the Group.

Reconciliation of the year's change in current and deferred tax assets/liabilities

Deferred tax	2023	2022
Opening balance, net	-459.5	-372.1
Change via income statement		
Deferred tax on earnings	-13.6	32.3
Change in reserve for deductions not satisfying criteria for being recognised as assets	53.8	-36.8
Change in tax rates and tax reforms	-12.4	0.4
Items pertaining to prior years	-10.0	30.7
Total	17.8	26.6
Change via other comprehensive income		
Deferred tax on other comprehensive income	12.8	-40.5
Total	12.8	-40.5
Change via equity		
Change via acquisitions and divestments	-23.2	-58.0
Reclassification	52.4	-
Translation difference	-1.0	-15.5
Closing balance, net	-400.7	-459.5

Current tax	2023	2022
Opening balance, net	-63.8	-45.4
Change via income statement		
Current tax on earnings	-218.7	-270.7
Items pertaining to prior years	12.0	15.2
Total	-206.7	-255.5
Change via acquisitions and divestments	0.6	-0.4
Payments, net	276.2	235.9
Translation difference	-	1.6
Closing balance, net	6.3	-63.8

The Group's unutilised loss carry-forwards and similar deductions mature as follows:

	2023-12-31
2023	11.4
2024	2.0
2025	0.6
2026	2.5
2027 and later	227.9
Indefinitely	174.4
Total	418.8

The difference between nominal Swedish tax rate and effective tax rate arises as follows:

	2023	2022
Earnings before tax	1,060.7	1,248.0
Tax pursuant to Swedish nominal tax rate 20.6%	-218.5	-257.1
Difference in tax rates between Swedish and foreign tax rate	-7.8	51.3
Revaluation of loss carry-forwards, etc.	86.3	-36.8
Income not subject for tax	43.4	20.1
Expenses not tax-deductible	-62.5	-47.7
Change in tax rates and tax reforms	-12.4	0.4
Items not included in the booked result	-2.9	-6.3
Items pertaining to prior years	-14.5	47.2
Tax, income statement	-188.9	-228.9

Pillar Two

The group is covered by the OECD's model rules for Pillar Two. Legislation on Pillar Two has been adopted in Sweden, where Hexagon AB is based, and will enter into force on 1 January 2024. As the legislation on Pillar Two had not entered into force on the balance sheet date, the group has no related current tax exposure. The group applies the exemption for reporting and providing information on deferred tax assets and tax liabilities related to income taxes from Pillar Two, as set out in the amendments to IAS 12 issued in May 2023.

Under the legislation, the group is required to pay an additional tax for the difference between the effective tax rate calculated according to the GloBE rules for each jurisdiction and the minimum tax rate of 15%.

The group is currently evaluating its exposure to the Pillar Two legislation when it comes into force. Due to the complexity of the application of the legislation and the calculation of GloBE revenues, the quantitative impact of the adopted legislation is not yet possible to estimate with reasonable certainty. Therefore, even

NOTE 11 Income taxes, cont.

for those subsidiaries with a reported effective tax rate above 15%, there may still be tax consequences regarding Pillar Two. The group is currently working with tax specialists to help implement the legislation.

PARENT COMPANY
Tax on earnings for the year

	2023	2022
Current tax	0.3	-9.0
Deferred tax	3.4	-3.0
Total tax on earnings for the year	**3.7**	**-12.0**

Reconciliation of the year's change in current and deferred tax assets/liabilities

	2023	2022
Deferred tax		
Opening balance, net	-	3.0
Change via income statement		
Deferred tax on earnings	3.4	-3.0
Total	3.4	-
Closing balance, net	3.4	-
Current tax		
Opening balance, net	-8.9	0.1
Change via income statement		
Current tax on earnings	0.3	-9.0
Total	0.3	-9.0
Payments, net	8.6	0.2
Translation difference	0.0	-0.2
Closing balance, net	-	-8.9

The Parent Company has unutilised loss carry-forwards and future tax deductions of 148.1 MEUR (-).

NOTE 12 Adjustments

Adjustments consists of expenses related to the share programme (LTIP), amortisation of surplus values (PPA) and non-recurring items which refers to income and expenses that are not expected to appear on a regular basis and impact comparability between periods. In 2023 adjustments consist of share-based programme expenses (LTIP), amortisation of surplus values (PPA), acquired deferred revenue, transactions costs and the implementaton of a rationalisation programme.

Group	2023	2022
Acquired deferred revenue	-4.8	-15.0
Cost nature		
Personnel costs	-142.2	-20.2
Transaction costs	-2.5	-16.7
Impairments	-17.2	-25.6
Reduction offices/facilities	-24.3	-
Amortisation of surplus values	-115.9	-107.7
Share-based programme	-61.4	-44.7
Other	-12.4	-1.2
Total cost nature	-375.9	-216.1
Total adjustments	-380.7	-231.1
Function		
Net sales	-4.8	-15.0
Cost of goods sold	-45.4	-8.6
Sales expenses	-142.4	-51.3
Administration expenses	-63.0	-21.2
Research and development expenses	-106.5	-91.4
Other operating expenses	-18.6	-43.6
Total adjustments	-380.7	-231.1

NOTE 13 Government grants

During the year some of the subsidiaries within the Group have received government grants in their country. Government grants have been recognised in accordance with IAS 20. Receivables and revenues are recognised when there is a reasonable assurance that the terms and conditions will be met, and it is reasonable certain that the grant will be received. The government grants received was primarily related to education of employees and R&D funding. The table below shows how the grants are allocated to functions.

Group	2023	2022
Function		
Cost of goods sold	-	0.2
Sales expenses	-	0.6
Administration expenses	-	0.3
Research and development expenses	0.1	1.2
Other operating income	9.9	8.2
Total	10.0	10.5

NOTE 14 Intangible fixed assets

Intangible fixed assets could be acquired separately, as part of a business combination or internally generated. The Group's intangible fixed assets include mainly capitalised development expenses, trademarks and goodwill. Trademarks, goodwill, technology and customer relations are often acquired as part of a business combination, while capitalised development expenses are internally generated. Any impairments are reported as other operating expenses in the income statement.

The impairment for the year relates to impairment of releases of earn-out provisions. See Note 8 for further disclosures about impairment.

Capitalised development expenses

An internally generated intangible asset that are expected to generate a future economic benefit and whose cost could be determined reliably must, according to IAS 38, be recognised as an asset in the balance sheet. To assess if those criterias are fulfilled, the generation of the asset is classified into a research phase and a development phase. The research phase includes activities such as obtaining new knowledge, new products, systems, methods or materials. At a certain point in time, the activities change and includes design, construction and testing of chosen alternatives. This point in time differs between different projects and constitutes the inflection point between research phase and development phase. Hexagon expenses expenditure on research in the income statement and expenditures arising in the development phase must be recognised as an intangible asset in the balance sheet. If the research phase cannot be distinguished from the development phase, all expenditures will be reported as expenses in the income statement.

Capitalised development expenses are measured at cost less accumulated amortisations and impairment. Amortisation is accounted for linearly based on estimated useful life and expensed as a research and development expense. Useful life for capitalised development expenses is 2-10 years. The average amortisation period is less than six years. The assets' residual value and useful life are tested on each closing date and are adjusted if necessary.

Trademarks

Separately acquired trademarks are measured at cost. Trademarks acquired as part of a business combination are measured at fair value at acquisition date. In cases where the assets have a limited useful life, amortisation is estimated to 5 years. If the trademark can be used without any time limitations, it is not subject to amortisation according to plan. A new assessment is done yearly. The right to use the name Leica derives from a contractual useful life under an agreement that expires in 80 years' time. The agreement contains clauses stipulating extension opportunities. Since Hexagon is of the opinion that there is reason to believe that it will be possible to extend the agreement without considerable expenditure, the value of the right to use the name Leica is not subject to amortisation.

Goodwill

Goodwill comprises the difference between the acquisition cost and fair value of the Group's share of acquired business' identifiable net assets on the date of acquisition. Goodwill is not amortised, but an impairment test is performed annually or more often if events or changes in circumstances indicate a possible need for impairment. Goodwill is recognised at acquisition value less accumulated impairment losses.

Other intangible assets

Both acquisition-related and separately acquired intangible assets are reported at acquisition value less accumulated amortisation and impairment losses, if any. Other intangible assets consist of patents, customer relations and technology identified upon acquisitions. Amortisation is linear and is calculated on the original acquisition value and based on the asset's estimated useful life. For other intangible assets, the estimated useful life varies between 2 and 20 years. Both the residual value of the assets and the useful life are tested each closing date and adjusted if necessary.

Group 2023	Capitalised development expenses	Trademarks	Goodwill	Other intangible fixed assets	Total
Acquisition value, opening balance	2,858.1	1,082.5	9,608.3	2,031.9	15,580.8
Investments	461.5	0.1	-	28.3	489.9
Investments/divestments of business	-1.0	34.0	331.2	96.7	460.9
Sales/disposals	-4.3	-	-	-10.0	-14.3
Reclassification	-7.0	-	-52.4	0.9	-58.5
Translation differences	-25.9	-20.0	-261.9	-46.0	-353.8
Acquisition value, closing balance	**3,281.4**	**1,096.6**	**9,625.2**	**2,101.8**	**16,105.0**
Amortisation, opening balance	-1,524.3	-	-	-734.3	-2,258.6
Amortisation for the year	-205.3	-	-	-134.3	-339.6
Investments/divestments of business	1.0	-	-	-3.0	-2.0
Sales/disposals	-37.0	-	-	10.0	-27.0
Reclassification	3.7	-	-	2.3	6.0
Translation differences	13.6	-	-	13.9	27.5
Amortisation, closing balance	**-1,748.3**	**-**	**-**	**-845.4**	**-2,593.7**
Impairments, opening balance	-414.7	-22.1	-8.8	-71.0	-516.6
Impairment for the year	-37.0	-1.0	-	-11.4	-49.4
Sales/disposals	41.3	-	-	-	41.3
Translation differences	4.2	0.4	0.2	2.3	7.1
Impairments, closing balance	**-406.2**	**-22.7**	**-8.6**	**-80.1**	**-517.6**
Carrying value	1,126.9	1,073.9	9,616.6	1,176.3	12,993.7

NOTE 14 Intangible fixed assets, cont.

Group 2022	Capitalised development expenses	Trademarks	Goodwill	Other intangible fixed assets	Total
Acquisition value, opening balance	2,491.3	1,050.5	8,213.9	1,614.5	13,370.2
Investments	377.8	0.1	-	36.0	413.9
Investments/divestments of business	-	0.7	1,023.0	318.4	1,342.1
Sales/disposals	-32.8	-	-	-7.6	-40.4
Reclassification	-2.3	-	-	19.9	17.6
Translation differences	24.1	31.2	371.4	50.7	477.4
Acquisition value, closing balance	**2,858.1**	**1,082.5**	**9,608.3**	**2,031.9**	**15,580.8**
Amortisation, opening balance	-1,366.1	-	-	-595.0	-1,961.1
Amortisation for the year	-173.5	-	-	-118.9	-292.4
Investments/divestments of business	-	-	-	-0.2	-0.2
Sales/disposals	28.1	-	-	7.5	35.6
Reclassification	0.2	-	-	-17.3	-17.1
Translation differences	-13.0	-	-	-10.4	-23.4
Amortisation, closing balance	**-1,524.3**	**-**	**-**	**-734.3**	**-2,258.6**
Impairments, opening balance	-408.4	-15.0	-8.3	-68.0	-499.7
Impairment for the year	-3.9	-6.2	-	-	-10.1
Sales/disposals	4.3	-	-	-	4.3
Reclassification	-0.1	-	-	-	-0.1
Translation differences	-6.6	-0.9	-0.5	-3.0	-11.0
Impairments, closing balance	-414.7	-22.1	-8.8	-71.0	-516.6
Carrying value	**919.1**	**1,060.4**	**9,599.5**	**1,226.6**	**12,805.6**

Amortisation of intangible fixed assets allocated by function:

Group	2023	2022
Cost of goods sold	-8.6	-5.9
Sales expenses	-24.8	-23.6
Administration expenses	-20.9	-4.7
Research and development expenses	-285.3	-258.1
Other operating expenses	-	-0.1
Total	**-339.6**	**-292.4**

Other intangible fixed assets

Parent company	2023	2022
Acquisition value, opening balance	8.2	3.5
Investments	1.7	3.6
Investments/divestments of business	-1.1	1.1
Acquisition value, closing balance	**8.8**	**8.2**
Amortisation, opening balance	-1.8	-0.5
Amortisation for the year	-1.1	-0.3
Investments/divestments of business	1.1	-1.0
Amortisation, closing balance	**-1.8**	**-1.8**
Carrying value	**7.0**	**6.4**

NOTE 15 Tangible fixed assets

Tangible fixed assets are recognised at acquisition value less accumulated depreciation and impairment losses. Acquisition value includes expenditure that is directly attributable to acquisition of the asset.

Gains and losses on the divestment of a tangible fixed asset are recognised in the income statement as other operating income or expenses and comprise the difference between the sales revenue and the carrying amount. Amounts that can be depreciated comprise acquisition value less estimated residual value. The assets' carrying value and useful life are impairment tested on every balance sheet date and adjusted if necessary.

Depreciation and amortisation

Depreciation and amortisation is calculated on the original acquisition value and based on the asset's estimated useful life. The depreciation terms for various asset classes are:

- Computers 3–8 years
- Machinery and equipment 3–15 years
- Office buildings 20–50 years
- Industrial buildings 20–50 years
- Land improvements 5–25 years

NOTE 15 Tangible fixed assets, cont.

Group 2023	Buildings	Land and other real estate	Machinery and other technical plants	Equipment, tools and installation	Construction in progress and advances to suppliers	Total
Acquisition value, opening balance	437.7	37.4	414.1	443.9	7.1	1,340.2
Investments	11.4	-	42.0	78.1	5.2	136.7
Investments/divestments of business	0.5	-	5.2	9.0	-	14.7
Sales/disposals	-11.6	-1.4	-12.8	-50.0	-	-75.8
Reclassification	3.3	-1.9	-5.4	2.4	-0.6	-2.2
Translation differences	-9.6	-0.9	-4.3	-9.3	-0.2	-24.3
Acquisition value, closing balance	**431.7**	**33.2**	**438.8**	**474.1**	**11.5**	**1,389.3**
Depreciation, opening balance	-163.2	-2.6	-297.4	-283.6	-0.1	-746.9
Depreciation for the year	-15.9	-0.2	-26.4	-49.4	-2.4	-94.3
Investments/divestments of business	-0.3	-	-4.7	-8.3	-	-13.3
Sales/disposals	7.8	0.4	12.6	36.6	-	57.4
Reclassification	-2.0	1.2	2.9	-0.2	-	1.9
Translation differences	2.2	0.1	2.8	6.1	0.1	11.3
Depreciation, closing balance	**-171.4**	**-1.1**	**-310.2**	**-298.9**	**-2.4**	**-784.0**
Impairment, opening balance	-0.2	-0.1	-0.1	-	-	-0.4
Impairments of the year	-1.0	-	-3.7	-0.4	-	-5.1
Sales/disposals	0.2	-	-	0.2	-	0.4
Impairments, closing balance	**-1.0**	**-0.1**	**-3.8**	**-0.2**	**-**	**-5.1**
Carrying value	**259.3**	**32.0**	**124.8**	**175.0**	**9.1**	**600.2**

Group 2022	Buildings	Land and other real estate	Machinery and other technical plants	Equipment, tools and installation	Construction in progress and advances to suppliers	Total
Acquisition value, opening balance	395.7	37.0	389.7	397.1	16.3	1,235.8
Investments	42.3	1.2	42.2	77.0	-9.1	153.6
Investments/divestments of business	0.7	-	0.4	8.9	-	10.0
Sales/disposals	-3.7	-1.0	-10.5	-32.9	-	-48.1
Reclassification	1.8	0.1	-10.5	-8.7	-0.4	-17.7
Translation differences	0.9	0.1	2.8	2.5	0.3	6.6
Acquisition value, closing balance	**437.7**	**37.4**	**414.1**	**443.9**	**7.1**	**1,340.2**
Depreciation, opening balance	-147.5	-2.3	-288.4	-260.4	-0.1	-698.7
Depreciation for the year	-16.2	-0.3	-24.1	-49.3	-	-89.9
Investments/divestments of business	-0.5	-	-0.1	-4.1	-	-4.7
Sales/disposals	2.5	-	10.2	22.4	-	35.1
Reclassification	-0.8	-	7.6	10.3	-	17.1
Translation differences	-0.7	-	-2.6	-2.5	-	-5.8
Depreciation, closing balance	**-163.2**	**-2.6**	**-297.4**	**-283.6**	**-0.1**	**-746.9**
Impairment, opening balance	-0.2	-0.1	-0.1	-	-	-0.4
Impairments, closing balance	**-0.2**	**-0.1**	**-0.1**	**-**	**-**	**-0.4**
Carrying value	**274.3**	**34.7**	**116.6**	**160.3**	**7.0**	**592.9**

Depreciation of tangible fixed assets allocated by function:

Group	2023	2022
Cost of goods sold	-58.7	-54.4
Sales expenses	-7.8	-7.3
Administration expenses	-19.9	-20.6
Research and development expenses	-7.9	-7.3
Other operating expenses	-	-0.3
Total	**-94.3**	**-89.9**

Equipment

Parent company	2023	2022
Acquisition value, opening balance	0.1	0.1
Investments	0.4	0.0
Acquisition value, closing balance	**0.5**	**0.1**
Depreciation, opening balance	-0.1	-0.1
Depreciation for the year	0.0	0.0
Depreciation, closing balance	**-0.1**	**-0.1**
Carrying value	**0.4**	**0.0**

NOTE 16 Leasing

Hexagon as lessee

Hexagon has the role of lessee mainly in contracts regarding real estate, vehicles and office equipment. The leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Lease payments are allocated to interest payments and repayment of debt. The interest part is presented as paid interest in the cash flow analysis. The right-of-use asset is depreciated on a linear basis over the shorter of the asset's useful life and the lease period.

Assets and liabilities arising from lease contracts are measured on a present value basis. Lease liabilities include the net present value of fixed payments, variable payments based on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of purchase options that will reasonably certainly be exercised and payments of penalties for terminating the lease, if such option will be exercised.

The future payments are discounted using the implicit interest rate in the contract. If that rate could not be determined, the group's incremental borrowing rate could be used. The discount rate is updated semi-annually.

The right-of-use asset is measured and cost and comprises, besides the amount of the initial measurement of the lease liability, of payments (less incentives received) made before the date of commencement, initial indirect costs and restoration costs.

Payments of lease contracts with a lease period below 12 months and lease contracts of low value assets are expensed straight-line in the income statement. Low value assets are mainly IT-equipment, office furniture and other office equipment.

Group 2023	Real estate	Vehicles	Machinery	Office equipment	Total
At the beginning of the year	327.6	48.0	1.6	3.5	380.7
New contracts	32.3	20.4	0.4	0.5	53.6
Termination of contracts	-36.4	-15.7	-0.3	-0.7	-53.1
Remeasurements	31.1	1.0	0.0	0.3	32.4
Reclassification	-0.5	0.3	0.0	0.0	-0.2
Translation differences	-6.8	0.0	-0.1	0.1	-6.8
Acquisition value, closing balance	**347.3**	**54.0**	**1.6**	**3.7**	**406.6**
Depreciation, opening balance	-154.6	-25.0	-1.0	-2.0	-182.7
Depreciation for the year	-58.3	-15.0	-0.4	-0.9	-74.6
Termination of contracts	30.8	15.5	0.3	0.8	47.4
Remeasurements	-0.9	0.1	-	-	-0.8
Reclassification	1.3	-0.2	0.0	0.0	1.1
Translation differences	3.5	-0.1	0.0	0.0	3.4
Amortisation, closing balance	**-178.2**	**-24.7**	**-1.1**	**-2.1**	**-206.2**
Carrying value	**169.1**	**29.3**	**0.5**	**1.6**	**200.4**

Group 2022	Real estate	Vehicles	Machinery	Office equipment	Total
At the beginning of the year	297.5	47.8	1.5	4.2	351.0
New contracts	52.9	13.8	0.2	0.5	67.4
Termination of contracts	-41.4	-14.2	-0.1	-0.6	-56.3
Remeasurements	15.6	0.9	0.0	0.1	16.6
Reclassification	0.6	-	-	-0.7	-0.1
Translation differences	2.4	-0.3	0.0	0.0	2.1
Acquisition value, closing balance	**327.6**	**48.0**	**1.6**	**3.5**	**380.7**
Depreciation, opening balance	-121.5	-25.3	-0.8	-1.7	-149.3
Depreciation for the year	-59.5	-13.8	-0.4	-0.9	-74.6
Termination of contracts	28.6	13.9	0.2	0.6	43.2
Remeasurements	-1.0	-0.1	-	0.0	-1.1
Reclassification	-0.5	0.0	-	-	-0.5
Translation differences	-0.7	0.2	0.0	0.0	-0.5
Amortisation, closing balance	**-154.6**	**-25.0**	**-1.0**	**-2.0**	**-182.7**
Carrying value	**173.0**	**23.0**	**0.6**	**1.5**	**198.0**

Depreciation of right-of-use assets allocated by function:

Group	2023	2022
Cost of goods sold	-14.7	-13.8
Sales expenses	-20.0	-21.7
Administration expenses	-33.4	-33.6
Research and development expenses	-6.5	-5.2
Other operating expenses	-	-0.3
Total	**-74.6**	**-74.6**

NOTE 16 Leasing, cont.

Set out below are the carrying amounts of the lease liabilities and the movements during the period.

Group	2023	2022
At the beginning of the year	207.9	212.6
Additions	53.6	67.4
Remeasurement	26.8	-
Interest	8.3	7.9
Payments	-80.1	-81.5
Translation difference	-4.9	1.5
Closing balance	211.5	207.9
Of which current liabilities	59.5	62.4
Of which non-current liabilities	152.0	145.5

The maturity structure of the lease liabilities is presented in the table Group's maturity structure of interest bearing financial liabilities – undiscounted cashflows in Note 24.

The Group had total cash outflows for leasing of -80.1 MEUR (-81.5) in 2023.

Expenses regarding short-term leases and leases of low value are insignificant in relation to the Group as a whole.

Hexagon as lessor

There are a few contracts in which Hexagon is the lessor and which are classified as finance lease contracts. The revenue of such contracts is allocated to sale of hard- and software and service. Revenue from sale is recognised at the commencement date. Revenue from service is recognised during the lease term.

Agreements where a group entity is lessor

Group 2023-12-31	Machinery, equipment, etc.
Lease payments due in	
2024	2.4
2025–2028	3.4
Total	5.8

Group 2022-12-31	Machinery, equipment, etc.
Lease payments due in	
2023	2.5
2024–2027	5.9
Total	8.4

NOTE 17 Financial fixed assets

	Other long-term securities holdings		Other long-term receivables	
Group	2023	2022	2023	2022
Opening balance	78.1	20.9	36.4	48.7
Investments	55.0	58.2	8.8	1.0
Acquired as subsidiary	-	-	-	1.4
Sales	-	-	-9.2	-9.1
Reclassification	0.0	-	-6.5	-7.2
Translation differences	-4.1	-1.0	-0.4	1.6
Closing balance	129.0	78.1	29.1	36.4

	Shares in group companies		Receivables from group companies		Other financial fixed assets	
Parent company	2023	2022	2023	2022	2023	2022
Opening balance	13,488.9	10,527.4	424.7	718.0	1.2	1.1
Shareholder's contribution	46.2	1,228.8	-	-	-	-
Redemption of shares	-	-1,485.8	-	-	-	-
Investments	6.6	3,218.5	-	-	-	-
Increase/decrease in receivables	-	-	940.8	-293.3	0.1	0.1
Closing balance	13,541.7	13,488.9	1,365.5	424.7	1.3	1.2

Other long-term securities holdings

Group	2023-12-31	2022-12-31
Clothing Tech LLC	9.5	7.0
Divergent Technologies Inc	90.5	46.9
Eucliedon PTY	1.0	1.0
CICV Co Ltd	12.7	13.6
Hangzhou Unitree Technology Co	3.4	3.8
Huixin Quanzhi Gongye Hulian Keji Co Ltd	1.0	1.0
Martlet Capital	4.6	4.5
Paperless Parts Inc	4.5	-
Baukunst LLC	1.2	0.2
Other	0.6	0.1
Total	129.0	78.1

NOTE 17 Financial fixed assets, cont.

Subsidiaries of Hexagon AB

	Corp ID. No.	Reg. Office/ Country	No. of shares	Portion of share capital and voting rights, %	Carrying amount 2023-12-31	Carrying amount 2022-12-31
Clever Together AB	556070-5138	Stockholm, Sweden	2,500	100	0.0	0.0
Hexagon Corporate Services Ltd	-	Hong Kong	10,000	100	-	-
Hexagon Corporate Solutions Ltd	-	England	1	100	0.0	0.0
R-evolution AB	556016-3049	Stockholm, Sweden	200,000	100	21.0	21.0
Hexagon Global Services AB	556788-2401	Stockholm, Sweden	1,000	100	-	-
Hexagon Intergraph AB	556370-6828	Stockholm, Sweden	1,000	100	226.5	226.5
Hexagon Position Intelligence Ltd	-	England	3	100	261.0	261.0
Hexagon Solutions AB	556083-1124	Stockholm, Sweden	100,000	100	1.6	1.6
Hexagon Technology Center GmbH[1]	-	Switzerland	583	79.8	1,859.6	1,859.6
Intergraph Corporation	-	USA	1,000	100	4,047.5	4,047.5
Hexagon Smart Solutions AB	556394-3678	Stockholm, Sweden	1,439,200	100	3,888.1	3,841.9
Tecla AB	556068-1602	Stockholm, Sweden	160,000	100	1.6	1.6
Östgötaeken AB	556197-2380	Stockholm, Sweden	2,000	100	9.7	9.7
Leica Geosystems AG	-	Switzerland	633,546	100	3,218.5	3,218.5
Hexagon Capability Center India Pvt Ltd[1]	-	India	50,000	12.3475	6.6	-
Total					13,541.7	13,488.9

1) The remaining part of share capital and voting rights in the company are owned by wholly owned subsidiaries in the Group

NOTE 18 Receivables

Group	Not due	Due less than 30 days	Due between 30–60 days	Due between 61–90 days	Due between 91–120 days	Older than 120 days	Total
Aging analysis of receivables, 31 December 2023, net of impairment losses							
Other non-current receivables	23.2	0.2	0.0	-	0.0	5.7	29.1
Accounts receivable	919.6	144.4	74.1	43.7	29.3	92.0	1,303.1
Other current receivables – non-interest bearing	92.3	3.6	1.1	0.3	-	6.1	103.4
Total	1,035.1	148.2	75.2	44.0	29.3	103.8	1,435.6
Aging analysis of receivables, 31 December 2022, net of impairment losses							
Other non-current receivables	34.2	0.4	0.1	-	0.0	1.7	36.4
Accounts receivable	942.5	136.0	66.8	42.7	24.9	72.9	1,285.8
Other current receivables – non-interest bearing	99.3	3.4	1.1	0.6	0.1	3.5	108.0
Total	1,076.0	139.8	68.0	43.3	25.0	78.1	1,430.2

The Group applies the simplified approach to measuring expected credit losses. The method uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets too, as the contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts.

The expected loss rates are based on the payments profiles of sales and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the consumers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses are presented within operating profit. Any recoveries of amounts previously written off are credited against the same line item.

The closing loss allowances for trade receivables reconcile to the opening loss allowances as follows:

Reserve for expected credit loss

Group	2023-12-31	2022-12-31
Opening balance	49.3	44.7
Reserve for anticipated losses	12.5	14.6
Adjustment for actual losses	-6.1	-2.0
Reclaimed expected losses	-11.3	-8.0
Increase through acquisition	-1.2	0.6
Translation differences	-2.1	-0.6
Closing balance	41.1	49.3

NOTE 19 Inventories

Inventories are accounted according to the FIFO (first-in first-out) principle. Raw materials and purchased finished and semifinished goods are recognised at the lower of cost and net realisable value. Manufactured finished and semi-finished goods are recognised at the lower of manufacturing cost (including a reasonable portion of indirect manufacturing costs) and fair value. Market terms are applied for intra-group transactions. The necessary provisions and eliminations are made for obsolescence and intra-group gains respectively.

Group	2023-12-31	2022-12-31
Raw materials and supplies	279.0	285.7
Work in progress	42.8	52.3
Finished goods and goods for sale	262.9	239.2
Total	584.7	577.2
Value adjustment reserve includes provisions for obsolescence of	-78.1	-75.1

NOTE 20 Prepaid expenses and accrued income/ accrued expenses and deferred income

Prepaid expenses and accrued income

	Group		Parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Accrued invoicing	29.9	17.2	-	-
Accrued interest income	0.6	0.8	-	-
Work in progress	43.0	20.3	-	-
Prepaid maintenance costs	18.1	16.7	-	-
Prepaid license costs	29.7	31.2	-	-
Prepaid products and services	40.3	61.3	-	-
Prepaid rent	6.6	5.3	0.1	0.1
Prepaid insurance	4.7	6.0	-	0.1
Other items	27.1	14.2	2.1	1.2
Total	200.0	173.0	2.2	1.4

Accrued expenses and deferred income

	Group		Parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Accrued personnel-related expenses	296.1	320.1	3.6	16.9
Accrued sales commission	30.6	26.3	-	-
Accrued installation and training expenses	0.5	0.6	-	-
Accrued R&D expenses	6.9	5.6	-	-
Accrued fees	16.8	21.7	0.1	0.1
Accrued royalties	4.9	4.4	-	-
Accrued interest expenses	6.0	2.3	5.8	2.3
Work in progress	17.7	22.5	-	-
Prepaid revenue	790.4	741.2	-	-
Other items	86.7	79.7	0.7	0.7
Total	1,256.6	1,224.4	10.2	20.0

NOTE 21 Share capital and number of shares

Parent company

		Number of shares							
		Outstanding			Repurchased	Total issued			
	Quota value per share, EUR	Class A	Class B	Total	Class B	Class A	Class B	Total	Share capital, MEUR
Opening balance 2022	0.03	110,250,000	2,585,877,888	2,696,127,888	9,350,000	110,250,000	2,595,227,888	2,705,477,888	85.8
Acquisition of treasury shares	0.03	-	-6,450,000	-6,450,000	6,450,000	-	-	-	-
Closing balance 2022	0.03	110,250,000	2,570,427,888	2,689,677,888	15,800,000	110,250,000	2,595,227,888	2,705,477,888	85.8
Acquisition of treasury shares	0.03	-	-5,300,000	-5,300,000	5,300,000	-	-	-	-
Closing balance 2023	0.03	110,250,000	2,574,127,888	2,684,377,888	21,100,000	110,250,000	2,595,227,888	2,705,477,888	85.8

Each series A share entitles the holder to ten votes and each series B share to one vote. All shares entail the same right to share of profits in Hexagon. Dividend per share paid in 2023 regarding the financial year of 2022 amounted to 0.12 EUR (0.11).

Average number of shares before and after dilution, thousands

	2023	2022
Average number of shares before dilution	2,687,690	2, 693,019
Estimated average number of potential shares pertaining to warrants plans	18,451	13,275
Average number of shares after dilution	2,706,141	2,706,294

NOTE 22 Pension provisions

Within the Group there are defined contribution plans as well as defined benefit plans.

For the defined contribution plans, Hexagon pays a fixed amount. Expenditure for defined contribution plans is expensed as incurred.

Expected expenditure under defined benefit plans are recognised as a liability calculated in accordance with actuarial models, consisting of an estimate of future benefits that employees have earned through their employment during the current and prior periods. This benefit is discounted to its present value. The discount rate is the yield on high-quality corporate bonds or if there is no deep market for such bonds, government bonds – that have maturity dates approximating the terms of the Group's obligations.

Changes of the defined benefit obligation related to changed actuarial assumptions including currency revaluation on defined benefit obligation in another currency than functional currency and experience-based adjustment are reported in other comprehensive income. Pension expense for the year consists of pensions earned in the current period and pensions earned from prior periods resulting from any changes in the plan. Pension liabilities, -assets net is multiplied with discount rate and accounted for as a financial expense. Obligations related to defined benefit plans are recognised net in the balance sheet as a provision, meaning after a deduction of the value of any plan assets.

Defined benefit plans for which the insurer (Alecta) cannot specify Hexagon's share of the total plan assets and pension obligations, pending this information becoming available, are recognised as defined contribution plans. This only exist in limited extent in Sweden.

GROUP
Provisions – defined-benefit plans

	2023-12-31	2022-12-31
Pension obligations	746.5	668.9
Fair value of plan assets	-779.6	-715.5
Pension obligations less plan assets	**-33.1**	**-46.6**
Unrecognised assets	85.8	94.8
Pension obligations, net	**52.7**	**48.2**

Pension expenses - defined-benefit plans

	2023	2022
Current service cost	31.5	32.8
Interest expense	16.8	4.2
Calculated interest income	-17.5	-3.5
Change in terms and conditions	0.1	0.1
Total	**30.9**	**33.6**

Total pension expenses impact on the income statement

	2023	2022
Operating expenses – defined benefit plans	31.5	32.8
Operating expenses – defined contribution plans	63.4	54.2
Operating earnings impact	**94.9**	**87.0**
Net interest expenses – defined benefit plans	-0.7	0.7
Earnings before tax impact	**94.2**	**87.7**

Defined-benefit obligations

2023-12-31	Plan assets	Pension obligations	Net
Switzerland	734.1	-667.9	66.2
Other countries	45.5	-78.6	-33.1
Total (fair/present value)	**779.6**	**-746.5**	**33.1**
Unrecognised assets	-85.8	-	-85.8
Pension provisions, net	**693.8**	**-746.5**	**-52.7**
Of which:			
Reported as asset (other non-current receivables)			4.2
Reported as liability			-56.9

2022-12-31	Plan assets	Pension obligations	Net
Switzerland	664.2	-588.3	75.9
Other countries	51.3	-80.6	-29.3
Total (fair/present value)	**715.5**	**-668.9**	**46.6**
Unrecognised assets	-94.8	-	-94.8
Pension provisions, net	**620.7**	**-668.9**	**-48.2**
Of which:			
Reported as asset (other non-current receivables)			5.7
Reported as liability			-53.9

Three-year summary

	2023-12-31	2022-12-31	2021-12-31
Fair value of plan assets	779.6	715.5	741.4
Pension obligations	-746.5	-668.9	-779.1
Net	**33.1**	**46.6**	**-37.7**
Unrecognised assets	-85.8	-94.8	-31.6
Recognised value	**-52.7**	**-48.2**	**-69.3**

Pension obligations

	2023-12-31	2022-12-31
Opening balance	668.9	779.1
Change in terms and conditions	0.2	-4.9
Current service cost	31.5	32.8
Interest expense	16.8	4.2
Benefits paid	-34.9	-24.1
Acquired/divested subsidiaries	0.3	-0.1
Settlement of pension obligations	0.1	-0.3
Actuarial gains/losses – Financial assumptions	24.3	-147.7
Actuarial gains/losses – Demographic assumptions	-2.6	-0.4
Actuarial gains/losses – Experience adjustments	3.8	24.5
Currency translation differences	38.1	5.8
Closing balance	**746.5**	**668.9**

Plan assets

	2023-12-31	2022-12-31
Opening balance	715.5	741.4
Change in terms and conditions	-3.0	-9.4
Calculated interest income	17.5	3.5
Contributions – employer	22.3	20.2
Contributions – employee	18.4	16.5
Benefits paid	-34.5	-23.3
Acquired/divested subsidiaries	0.2	-
Return on plan assets excluding calculated interest income as above	6.1	-39.7
Currency translation differences	37.1	6.3
Closing balance	**779.6**	**715.5**

Fair value of plan assets

	2023-12-31	2022-12-31
Equities and similar financial instruments	223.5	209.8
Interest bearing securities, etc.	279.3	256.1
Real estate	276.8	249.6
Total	**779.6**	**715.5**

NOTE 22 Pension provisions, cont.

For 2024, the contributions to defined benefit plans are estimated at 45.2 MEUR, of which employer's contribution 25.7 MEUR.

Characteristics of the pension obligations

The following applies for the Swiss plans which represent 89 per cent of the total pension obligations. The Swiss plans include the following sub-plans: retirement pension (main plan), disability pension, management plan, early retirement plan and jubilee plan. The main plan, retirement pension, is financed through an individual savings account. The plan defines a retirement credit in per cent of insured salary depending on the age of the plan member and it guarantees an interest rate, which is annually determined by the Pension Fund. The minimum legal rate as fixed by the Swiss government has to be credited to the minimum savings account. The interest is not allowed to negative, even if the actual return on assets is negative (capital protection). The other kind of plans in Switzerland are of similar nature.

Shortfall in the schemes in Switzerland must be covered by the employer, while surpluses can only become due to the beneficiaries. The value of plan assets has been reduced accordingly.

Remaining duration is in average 20 year.

Actuarial assumptions for the defined-benefit pension schemes

(weighted average, where applicable)	2023	2022
Discount interest rate, %	2.5	0.5
Inflation, %	0.8	0.8
Future salary increase, %	2.2	2.3

For 89 per cent of the defined benefit obligation, the Swiss BVG 2020 tables have been used for the actuarial assumptions regarding employee turnover and life expectancy.

Sensitivity analysis

The table below describes the effect on the value of the defined benefit obligations of an isolated change in assumptions as described.

	Change in assumption, %	Effect, MEUR	Change in assumption, %	Effect, MEUR
Discount rate	-0.3	-10.9	+0.3	6.9
Salary increase	-0.5	-1.0	+0.5	0.2
Employee turnover	-1.0	-3.5	+1.0	2.8

	Change in assumption, no. of years	Effect, MEUR	Change in assumption, no. of years	Effect, MEUR
Life expectancy	-1.0	13.1	+1.0	-13.1

NOTE 23 Other provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

If the effect is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of all possible outcomes with their associated probabilities.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been publicly announced. No provision is posted for future operating losses.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group are lower than the unavoidable cost of meeting its obligations under the contract.

Group

	Restructuring provisions	Warranty provisions	Other provisions	Total
Opening balance 2022-01-01	39.9	18.6	10.2	68.7
Provision for the year	63.4	22.2	0.8	86.4
Increase through acquisition of businesses	0.8	-	3.6	4.4
Utilisation	-44.0	-22.3	-2.8	-69.1
Reversal of unutilised amounts	-3.5	-1.2	-4.1	-8.8
Reclassification	-15.1	-	0.0	-15.1
Translation difference	1.9	0.0	0.3	2.2
Closing balance 2022-12-31	43.4	17.3	8.0	68.7
Provision for the year	178.0	17.9	4.3	200.2
Utilisation	-82.2	-17.4	-1.5	-101.1
Reversal of unutilised amounts	-4.1	-0.6	-	-4.7
Reclassification	5.6	-	0.2	5.8
Translation difference	-0.6	-0.5	-0.3	-1.4
Closing balance 2023-12-31	140.1	16.7	10.7	167.5

Restructuring provisions

Restructuring provisions primarily relates to a rationalisation programme that was introduced in the third quarter of 2023 and to transaction costs and cost in connection with the decision to freeze operations in Russia in the first quarter of 2022. The remaining part of restructuring provisions are mainly related to personnel and are expected to become due within 12 months.

Warranty provisions

Warranty provisions are estimated based on previous years statistical data and are evaluated on a regular basis. Since the warranty provisions are based on historical statistical data, the provided amount has a low uncertainty regarding the amount and timing of outflow. The majority of warranty provisions run over a period of 1 - 3 years. Estimated costs for product warranties are recognised when the products are sold.

Other provisions

Other provisions primarily consist of provisions for buildings, tax and legal disputes and also legally required personnel-related provisions. The personnel-related provisions are considered as long-term.

NOTE 24 Financial risk management

Risk management

Hexagon is a net borrower and has extensive international operations and is therefore exposed to various financial risks. The Group Treasury Policy, approved by the Board, stipulates the rules and limitations for the management of the different financial risks within the Group. Hexagon's treasury operations are centralised to the Group's internal bank, which is in charge of coordinating the financial risk management. The internal bank is also responsible for the Group's external borrowing and its internal financing. Centralisation entails substantial economies of scale, lower financing cost and better control and management of the Group's financial risks. The internal bank has no mandate to conduct independent trading in currencies and interest rate instruments. All relevant exposures are monitored continuously and are reported to the Executive Leadership and the Board of Directors on a regular basis.

Currency risk

Currency risk is the risk that exchange rate fluctuations will have an adverse effect on income statement, balance sheet and cash flow. Furthermore, the comparability of Hexagon's earnings between periods will be affected by changes in currency exchange rates. Hexagon's operations are mainly conducted internationally and sales, costs and net assets are therefore denominated in a number of currencies. As of 1 January 2011 the presentation currency is EUR for the Group. The change decreases the currency exposure in both the income statement and balance sheet as well as in other comprehensive income. It also allows the Hexagon Group to better match debt to net assets. Currency exposure originates both from transactions in non-domestic currencies in the individual operating entities, i.e. transaction exposure and from translation of earnings and net assets into EUR upon consolidation of the Group, translation exposure.

Transaction exposure

Sales and purchase of goods and services in currencies other than respective subsidiary's functional currency give rise to transaction exposure. Transaction exposure is, as far as possible, concentrated to the countries where manufacturing entities are located. This is achieved by invoicing the sales entities in their respective functional currency.

In accordance with the Group Treasury Policy the transaction exposure should not be hedged.

Translation exposure – Balance sheet

Translation exposure arises when the net assets are translated into EUR upon consolidation. Translation differences from net assets in other currencies than EUR reported in other comprehensive income during 2023 were -366.1 MEUR (435.4).

Net exposure per currency

	2023-12-31	Hedging rate
USD	8,607.9	0%
GBP	513.7	-
CAD	492.0	0%
CNY	389.2	0%
AUD	308.6	-
BRL	151.0	0%
INR	113.3	5%
Other	384.8	0%
Total	**10,960.5**	**0%**

Translation exposure – Income statement

The consolidated operating income and expense is mainly generated in subsidiaries outside the Euro-area. Changes in exchange rates therefore have a significant impact on the Group's earnings when the income statements are translated into EUR. Translation exposure related to actual and forecasted earnings is not hedged.

Net sales per currency

	2023	2022
USD	2,168.6	2,076.9
EUR	1,157.5	1,054.8
CNY	666.0	648.4
GBP	194.0	214.8
JPY	175.1	175.8
AUD	135.6	128.4
Other	938.4	861.4
Total	**5,435.2**	**5,160.5**

Interest rate risk

The interest rate risk is the risk that changes in interest rates will adversely affect the Group's net interest expense and/or cash flow negatively. Interest rate exposure arises primarily from the external interest bearing debt. In accordance with the Group Treasury Policy the average interest rate duration for the external debt should be in a range from 6 months to 3 years.

During 2023 interest rate derivatives were used in order to manage the interest rate risk.

Financial income and expenses

	2023	2022
Interest income	12.4	7.6
Interest expense	-154.1	-35.6
Other financial income and expense	-13.6	-10.7
Net	**-155.3**	**-38.7**

Credit risk

Credit risk is the risk that counterparts may be unable to fulfil their payment obligations. Financial credit risk arises when investing cash and cash equivalents and when trading in financial instruments. To reduce the Group's financial credit risk, surplus cash is only invested with a limited number by the company approved banks and derivative transactions are only conducted with counterparts where an ISDA netting agreement has been established.

As the Group is a net borrower, excess liquidity is primarily used to amortise external debt and therefore the average surplus cash invested with banks is kept as low as possible.

Credit risk also includes the risk that customers will not pay receivables that the company has invoiced or intends to invoice. Through a combination of geographical and business segmental diversification of the customers the risk for significant customer credit losses is reduced. An aging analysis of the receivables can be found in Note 18.

Liquidity risk

Liquidity risk is the risk of not being able to meet the Group's payment obligations in full as they fall due or can only do so at materially disadvantageous terms due to lack of cash resources. To minimise the liquidity risk, the Group Treasury Policy states that total liquidity reserves should at all times be at least 10 per cent of the Group's forecasted annual net sales.

On 31 December 2023, cash and unutilised credit limits totalled 1,268.6 MEUR (1,429.7).

NOTE 24 Financial risk management, cont.

The Group's maturity structure of interest bearing financial liabilities - undiscounted cash flows

The table below presents the undiscounted cash flows of the Group's interest bearing liabilities related to financial instruments based on the remaining period at the balance sheet to the contractual maturity date. Floating interest cash flows with future fixing dates are based on the actual interest rates at year-end. Any cash flow in foreign currency is translated to EUR using the exchange rate at year-end.

	2024		2025 – 2026		2027 and later		Total	
	Capital	Interest	Capital	Interest	Capital	Interest	Capital	Interest
Liabilities to credit institutions								
Revolving Credit	-	-	-	-	0.0	-	0.0	-
Term loan	650.0	59.0	950.0	15.3	-	-	1,600.0	74.3
Lease liability	59.5	5.5	83.9	8.9	68.1	7.9	211.5	22.3
Bond loans	380.5	30.2	573.4	44.1	315.1	33.5	1,269.0	107.8
Commercial paper[1]	-	47.0	-	93.5	993.1	91.2	993.1	231.7
Other lenders	9.2	0.5	0.1	0.0	-	-	9.3	0.5
Total liabilities to credit institutions	1,099.2	142.2	1,607.4	161.8	1,376.3	132.6	4,082.9	436.6
Other interest bearing liabilities	0.5	0.0	0.0	0.0	0.0	0.0	0.5	0.0
Total interest bearing liabilities	1,099.7	142.2	1,607.4	161.8	1,376.3	132.6	4,083.4[2]	436.6

1) The Commercial Paper Programme is supported by the long-term revolving credit facilities as back-up and therefore classified as long-term
2) Interest bearing liabilities in the Parent Company, 3,864.0 MEUR

There were interest rate derivatives pertaining to borrowing on 31 December 2023. The agreement governing the Revolving Credit Facility include a financial covenant for Net debt/EBITDA to be fulfilled to avoid additional financing costs.

Currency composition pertaining to interest bearing liabilities

	2023-12-31	2022-12-31
EUR	100%	100%
INR	0%	0%
SEK	0%	0%
CHF	0%	0%
Other	0%	0%
Total	100%	100%

Refinancing risk

Refinancing risk refers to the risk that Hexagon does not have sufficient financing available when needed to refinance maturing debt, due to existing lenders do not extend or Hexagon has difficulties in procuring new lines of credit at a given point in time. Securing these requirements demands a strong financial position in the Group, combined with active measures to ensure access to credit.

In order to ensure that appropriate financing is in place and to decrease the refinancing risk, no more than 20 per cent of the Group's gross debt, including unutilised credit facilities, is allowed to mature within the next 12 months without replacing facilities agreed.

Following a refinancing in 2021, Hexagon's main sources of financing consist of:

1) A multicurrency revolving credit facility (RCF) established during Q4 2021. The RCF amounts to 1,500 MEUR with a tenor of 5+1+1 years.

2) A Swedish Medium Term Note Programme (MTN) established during Q2 2014. The MTN programme enables Hexagon to issue bonds up to a total amount of 20,000 MSEK. On 31 December 2023, Hexagon had issued bonds of a total amount of 11,650 MSEK (10,150).

3) A Swedish Commercial Paper Programme (CP) established during 2012. The CP programme enables Hexagon to issue commercial paper up to a total amount of 15,000 MSEK. Commercial paper with tenor up to 12 months can be issued under the programme. On 31 December 2023, Hexagon had issued commercial paper of a total amount of 10,827 MSEK (7,464) and 63 MEUR (60). The 1,500 MEUR multicurrency revolving facility support the commercial paper programme.

During Q2 2022 Hexagon issued a private placement bond to SEK (Swedish Export Agency) of 2,000 MSEK with a tenor of 7 years.

A term loan of 200 MEUR with a tenor of 2+1+1 years was established during Q3 2021, of which 200 MEUR was utilised as per 31 December 2023.

Three term loans of 250 MEUR each with a tenor of 2+1+1 years was established during Q1 2022, of which 750 MEUR was utilised as per 31 December 2023.

A two-year term loan of 350 MEUR was established during Q1 2022, of which 350 MEUR was utilised as per 31 December 2023.

A term loan of 300 MEUR with a tenor of 1+1 years was established during Q3 2022, of which 300 MEUR was utilised as per 31 December 2023.

Group's capital structure

	2023-12-31	2022-12-31
Interest bearing liabilities and provisions	4,140.3	3,928.0
Cash, bank and short-term investments	-547.1	-486.3
Net debt	3,593.2	3,441.7
Shareholders' equity	10,046.1	9,864.6

Sensitivity analysis

The Group's earnings are affected by changes in certain key factors, as described below. The calculations proceed from the conditions prevailing in 2023 and the effects are expressed on an annualised basis. Earnings in non-EUR subsidiaries are converted into EUR based on average exchange rates for the period when the earnings arise.

During the year there have been significant changes to the exchange rates of currencies that have the biggest impact on Hexagon's earnings and net assets, CHF, CNY and USD. Compared to last year the EUR has weakened against CHF and strengthened against CNY and USD. Since Hexagon has a majority of the operating earnings denominated in CNY and USD, this had a negative impact on operating earnings. The strengthening of the CHF had a negative impact since a considerable part of the costs are denominated in CHF. An isolated strengthening in the exchange rate for EUR by 5 per cent for all assets and liabilities denominated in non-EUR currencies would have had an immaterial effect on net income but a negative effect on equity of 547.8 MEUR (535.3) net, and vice versa, after the impact of hedging.

During 2023, total operating earnings, excluding adjustments, from operations in other currencies than EUR amounted to an equivalent of 1,271.5 MEUR (1,232.7). An isolated change in the exchange rate for EUR by 5 per cent against all other currencies would have a net effect on operating earnings of approximately 63.6 MEUR (61.6).

The average interest fixing period in the Group's total loan portfolio as of year-end 2023 was less than one year. A simultaneous 1 percentage point change in interest rates in all of Hexagon's funding currencies would entail a pre-tax impact of about 25.0 MEUR (25.5) in the coming 12 months earnings.

NOTE 25 Financial instruments

Financial instruments mainly comprise customer accounts receivable, loans, cash and cash equivalents and accounts payable.

Classification

The Group classifies financial assets in the following categories:

- Financial assets measured at fair value (through other comprehensive income or profit or loss)
- Financial assets measured at amortised cost

Classification depends on the Group's business model and on the contractual cash flows the Group will obtain from the financial asset.

Gains and losses from assets measured at fair value will be recognised either through comprehensive income or through profit or loss. For debt instruments, this depends on the Group's business model. For equity instruments not available for sale, recognition depends on if the Group initially has chosen to measure the equity instrument at fair value through other comprehensive income. Reclassification does only occur if the business model is changed.

Measurement

Financial assets are initially measured at fair value plus, if financial assets not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial assets. Transaction cost for financial assets measured at fair value through profit or loss is recognised in the income statement. Purchases and sales of financial assets are recognised on settlement date.

Subsequent measurement of debt instruments depends on the Group's business model and the cash flows generated by the financial asset. Financial instruments are classified in three different measurement categories:

- Amortised cost: assets held for obtaining contractual cash flows and those cash flows consist of compensation for capital and interest, are measured at amortised cost. Gains or losses when debt instruments are derecognised or impaired are recognised in profit or loss. Interest income is classified as financial income according to the effective rate method.
- Fair value through other comprehensive income: assets held for obtaining contractual cash flows and for sale and where the contractual cash flows exclusively are compensation for capital and interest on outstanding capital is measured at fair value through other comprehensive income. Changes in recognised value is recognised in other comprehensive income except from impairments, interest income and currency effects recognised in profit or loss. When the financial asset is derecognised the accumulated profit or loss is reclassified from other comprehensive income in equity to the income statement. Interest income is recognised as financial income according to the effective rate method. Currency effects are recognised as other operating income or other operating cost and any impairment is recognised as other operating cost.
- Fair value through profit or loss: assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income is measured at fair value through profit or loss. Assets measured at fair value through profit or loss consist of other long-term security holdings. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial instruments held for trading consist of short term and long-term swap contracts. Gain or loss from a debt instrument measured at fair value through profit or loss is recognised in the income statement at net value, together with other profits and losses in the period they arise.

Derivatives are initially measured at fair value at the day of entering the contract and are subsequently measured at fair value at the end of every reporting period.

Impairment

The Group estimates on a forward-looking basis expected loss from debt instruments measured at amortised cost and fair value through other comprehensive income. The applied methodology for impairment depends on if there is a significant increase in credit risk.

For customer receivables, the Group applies the simplified methodology according to IFRS 9, which requires an initial provision for expected losses.

Financial instruments - Fair value

Assets	2023-12-31		2022-12-31	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets measured at fair value through profit or loss				
Other long-term securities holdings	129.0	129.0	78.1	78.1
Assets measured at amortised cost				
Long-term receivables	29.1	29.1	36.4	36.4
Accounts receivable	1,303.1	1,303.1	1,285.8	1,285.8
Other current receivables	104.4	104.4	108.1	108.1
Accrued income	37.5	37.5	37.5	37.5
Accrued interest	0.6	0.6	0.8	0.8
Short-term investments	133.0	133.0	95.4	95.4
Cash and cash equivalents	414.1	414.1	390.9	390.9
Total	2,150.8	2,150.8	2,033.0	2,033.0

NOTE 25 Financial instruments, cont.

Liabilities	2023-12-31		2022-12-31	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities measured at fair value through profit or loss				
Estimated supplementary payments for acquired companies	175.8	175.8	162.1	162.1
Currency forward and swap contracts – short term	24.7	24.7	16.1	16.1
Currency forward and swap contracts – long-term	-13.4	-13.4	78.8	78.8
Financial liabilities measured at *amortised* cost				
Long-term liabilities – interest bearing[1]	2,983.7	2,978.8	3,099.1	3,113.5
Other long-term liabilities – non-interest bearing	124.4	124.4	121.9	121.9
Current liabilities – interest bearing[1]	1,099.7	1,100.8	628.6	629.1
Accounts payable	288.5	288.5	309.8	309.8
Other current non-interest bearing liabilities	273.9	273.9	300.7	300.7
Accrued expenses	466.2	466.2	480.9	480.9
Accrued interest	6.0	6.0	2.3	2.3
Total	5,429.5	5,425.7	5,200.3	5,215.2

1) Commercial papers and bonds have with currency forward and swap contract being swapped from SEK to EUR. The fair value of the derivatives is in the balance sheet included in current and long-term interest bearing liabilities

Financial instruments valued at fair value

	2023-12-31			2022-12-31		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
– Currency forward and swap contracts	-	-11.3	-	-	-94.9	-
– Estimated supplementary payments for acquired companies	-	-	175.8	-	-	162.1
– Other long-term securities holdings	-	129.0	-	-	78.1	-
Total	-	117.7	175.8	-	-16.8	162.1

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

For further information about estimated supplementary payments for acquired companies see below.

During the reporting period ending 31 December 2023, there were no transfers between levels.

Estimated supplementary payments for acquired companies

	2023	2022
Opening balance	162.1	136.2
Present value adjustment	3.2	1.1
Increase through acquisition of businesses	88.4	60.6
Payment of supplementary acquisition considerations	-33.7	-18.4
Reversal of unutilised amounts	-41.6	-16.7
Translation difference	-2.6	0.7
Closing balance	175.8	162.1

The fair value of the estimated supplementary payments for acquisitions are evaluated regularly and includes management's assessment of future financial performance of the acquired companies. Estimated supplementary payments for acquired companies have been discounted to present value using an interest rate that is judged to be in line with the market rate at the time of acquisition. Adjustments for changes in market interest rates are not made on a regular basis, as this effect is considered to be immaterial.

The valuation method is unchanged compared to the previous period. In connection with the valuation of contingent considerations the assets acquired and liabilities assumed in the purchase price allocation are reviewed. Any indication of impairment due to the revaluation of contingent considerations is considered and adjustments are made to off-set the impact from revaluation.

Changes in liabilities arising from financing activities

	Group	Parent company
Opening balance 2022-01-01	2,937.9	2,566.2
Cash flow	868.7	932.6
Lease liabilities	59.5	-
Acquisitions	5.6	-
Translation differences	2.4	0.3
Closing balance 2022-12-31	3,874.1	3,499.1
Cash flow	133.6	364.7
Lease liabilities	79.7	-
Acquisitions	0.6	-
Translation differences	-4.6	0.2
Closing balance 2023-12-31	4,083.4	3,864.0

NOTE 26 Assets pledged and contingent liabilities

Pledged assets to credit institutions for loans, bank overdrafts and guarantees

	Group		Parent company	
December 31	**2023**	**2022**	**2023**	**2022**
Pledged assets	3.2	2.8	-	-
Total	3.2	2.8	-	-

Contingent liabilities

	Group		Parent company	
December 31	**2023**	**2022**	**2023**	**2022**
Guarantees in favour of group companies	-	-	15.4	171.0
Other contingent liabilities	8.1	7.9	0.2	0.4
Total	8.1	7.9	15.6	171.4

NOTE 27 Net assets in acquired and divested businesses

The fair values of assets and liabilities in businesses acquired and total cash flow from acquisitions is divided as follows:

	2023	2022
Intangible fixed assets	127.7	304.6
Tangible fixed assets	1.9	11.1
Other fixed assets	1.5	2.7
Total fixed assets	**131.1**	**318.4**
Current receivables, inventories, etc.	20.5	18.1
Cash and cash equivalents	3.5	22.1
Total current assets	**24.0**	**40.2**
Total assets	**155.1**	**358.6**
Provisions	24.7	59.2
Long-term liabilities	2.3	10.3
Total long-term liabilities	**27.0**	**69.5**
Current liabilities, etc.	25.3	59.8
Total liabilities	**52.3**	**129.3**
Identifiable net assets at fair value	**102.8**	**229.3**
Goodwill	331.2	1,023.0
Total purchase consideration transferred	**434.0**	**1,252.3**
Less cash and cash equivalents in acquired group companies	-3.5	-22.1
Less unpaid acquisition price	-88.4	-75.9
Payment of unpaid portion of acquisition price from prior acquisitions	33.7	40.5
Cash flow from acquisitions of group companies, net	**375.8**	**1,194.8**

During 2023, Hexagon acquired the following companies:

- LocLab, a leader in 3D digital twin content creation
- Projectmates, provider of SaaS-based enterprise construction project management software
- Comernal Software, a software development center
- Qognify, a leading provider of physical security and enterprise incident management software solutions
- Cads Additive, a provider of specialised software for metal additive manufacturing (AM)
- HARD-LINE, a global leader in mine automation, remote-control technology and mine production optimisation

During the year, Hexagon divested the following:

- A business within the Safety, Infrastructure and Geospatial division providing help-desk support and services. Full year 2022 revenues amounted to 12 MEUR.

Further information related to the acquisitions of Qognify is presented below. The other acquisitions are individually assessed as immaterial from a group perspective which is why only aggregated information is presented. The analysis of the acquired net assets is preliminary and the fair value might be subject to change.

Contingent considerations are recognised to fair value (level 3 according to definition in IFRS 13) each reporting period and based on the latest relevant forecast for the acquired company. The valuation method is unchanged compared to the previous period. The estimated liability for contingent considerations amounted to 175.8 MEUR (162.1) as of 31 December, whereof the fair value adjustment in 2023 amounted to 41.6 MEUR (16.7). In connection with the valuation of contingent considerations the assets acquired and liabilities assumed in the purchase price allocation are reviewed. Any indication of impairment due to the revaluation of contingent considerations is considered and adjustments are made to off-set the impact from revaluation.

NOTE 27 Net assets in acquired and divested businesses, cont.

Acquisitions analysis

Acquisition of Qognify

In April 2023, Hexagon acquired Qognify, a leading provider of physical security and enterprise incident management software solutions.

Background and reasons for the transaction

Serving more than 4,000 customers worldwide in banking, government, logistics, manufacturing, retail, transportation and more, Qognify's solutions link business and operational workflows with video data to minimise the impact of security, safety and operational incidents. End markets include everything from large utility networks and educational campuses to complex industrial facilities - the same customers that also benefit from Hexagon's computer-aided dispatch (CAD) solutions, which play a crucial role in mobilising the people ultimately responsible for incident resolution. Qognify's solutions are a natural expansion of our public safety portfolio, adding comprehensive and tightly integrated video capabilities that can provide dispatchers, responders and investigators with new levels of intelligence to serve and protect their communities.

From the date of acquisition, Qognify has contributed 36.9 MEUR of net sales in 2023. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 48.2 MEUR. The contribution to the group operating margin has been slightly dilutive.

Acquisitions analysis 2022

Acquisition of ETQ

in April 2022, Hexagon acquired ETQ, a leading provider of SaaS-based QMS (quality management system), EHS (environment, health and safety) and compliance management software.

Background and reasons for the transaction

ETQ's SaaS QMS solution provides the data backbone for automating the collection and delivery of manufacturing quality control data, non-conformance reports, customer feedback and more. It provides an enterprise view of quality management across the entire product lifecycle. ETQ's broad portfolio of best-in-class applications comes with out-of-the- box functionality and no-code configurability, enabling customers to tailor the solution to their unique needs and optimise critical business processes to achieve their quality, safety and environmental goals. Given the strong fit across Hexagon's manufacturing and process industries and the significant scope for geographical expansion, the transaction is expected to generate sales synergies of over 40 MUSD, with very strong incremental margins, by 2026.

From the date of acquisition, ETQ has contributed 50.6 MEUR of net sales in 2022. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 65.2 MEUR. The contribution to the group operating margin has been accretive.

NOTE 28 Average number of employees

	2023			2022		
	Men	Women	Total	Men	Women	Total
Parent company	7	11	18	9	10	19
Subsidiaries	18,836	5,694	24,530	17,989	5,188	23,177
Total, Group	**18,843**	**5,705**	**24,548**	**17,998**	**5,198**	**23,196**
Average number of employees by country						
Nordic region	529	150	679	532	150	682
Rest of Europe	6,479	1,792	8,271	6,311	1,708	8,019
Total, Europe	**7,008**	**1,942**	**8,950**	**6,843**	**1,858**	**8,701**
North America	4,679	1,530	6,209	4,471	1,388	5,859
South America	942	247	1,189	811	225	1,036
Africa	136	55	191	130	54	184
Australia and New Zealand	334	93	427	348	89	437
Asia	5,744	1,838	7,582	5,395	1,584	6,979
Total, Group	**18,843**	**5,705**	**24,548**	**17,998**	**5,198**	**23,196**

NOTE 29 Employee benefits

Salaries and remuneration	**2023**	**2022**
Parent company	6.1	22.5
(of which performance related pay and bonus)	(1.5)	(6.7)
Subsidiaries	1,772.2	1,678.2
(of which performance related pay and bonus)	(190.4)	(199.1)
Total, Group	**1,778.3**	**1,700.7**

Social security expenses	**2023**	**2022**
Parent company	2.7	2.8
(of which pension expenses)	(1.0)	(1.6)
Subsidiaries	338.2	263.8
(of which pension expenses)	(93.2)	(86.1)
Total, Group	**340.9**	**266.6**
(of which pension expenses)	(94.2)	(87.7)

At year-end, the board of directors in Hexagon AB consists of seven board members of which four are men and three are women. The President and Chief Executive Officer and other senior executives consists of 12 men and one woman.

NOTE 30 Remuneration to senior executives

Pursuant to resolutions by the Annual General Meeting, the Chair of the Board and Board members were paid remuneration totalling 636.8 KEUR (774.1). The Chair of the Board received 191.7 KEUR and other Board members 60.1 KEUR each. The President and Chief Executive Officer of Hexagon AB did not receive any director fees. In addition to ordinary director fees, remuneration is paid for work on committees. The Chair of the Remuneration Committee received 7.4 KEUR and each member received 5.2 KEUR. The Chair of the Audit Committee received 28.3 KEUR and each member received 21.8 KEUR. No board member received any remuneration in addition to director fees or remuneration for committee work. Remuneration to the President and Chief Executive Officer, as well as the Other senior executives, comprises basic salary, variable remuneration, other benefits and pension. The President and Chief Executive Officer total remuneration is recognised in Note 29 in Parent company. Paolo Guglielmini has received remuneration as President of the Parent Company and as Chief Executive Officer of the Group according to a separate employment contract with a group company.

Other senior executives are Burkhard Böckem, Chief Technology Officer, Steven Cost, President Safety, Infrastructure & Geospatial division, Norbert Hanke, Executive Vice President, Thomas Harring, President Geosystems division, Li Hongquan, Vice resident and President of China Region, Ben Maslen, Chief Strategy Officer, David Mills, Chief Financial Officer, Madlen Nicolaus, Chief Marketing Officer, Michael Ritter, President Offroad Autonomy Portfolio, Mattias Stenberg, President Asset Lifecycle Intelligence division, Josh Weiss, President Manufacturing Intelligence division and Tony Zana, General Counsel.

Variable remuneration is based on operational performance. Pensions and other benefits received by the president and other senior executives are paid as part of their total remuneration.

Pension

Pension expense comprises defined-contribution pension schemes and is the expense affecting earnings for the year. The President's and CEO's pension premiums are payable at 20 per cent of pensionable salary. Pension premiums for the Other senior executives are not higher than 25 per cent of pensionable salary. Pensionable salary means basic salary.

NOTE 30 Remuneration to senior executives, cont.

Severance pay

The notice period for the president and CEO is six months. Upon termination by the Company or in case of change of principal ownership the President and CEO is entitled to severance pay equal to 18 months of salary. The period of notice for senior executives is a maximum of 24 months. During the notice period, basic salary is the only severance pay.

Advisory and resolution model

Remuneration and other benefits to the Group's senior executives is regulated by the Remuneration Committee, which is appointed by the Board of Directors, comprising the Chair of the Board and one additional Board member.

Remuneration and other benefits

	Basic salary/ Director fees		Variable remuneration		Other benefits[1]		Pension expenses		Total	
KEUR	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Ola Rollén, Chair of the Board [2]	199.1	3,920.0	-	4,967.0	-	7,840.0	-	784.0	199.1	17,511.0
John Brandon	60.1	63.0	-	-	-	-	-	-	60.1	63.0
Ulrika Francke [3]	-	88.9	-	-	-	-	-	-	-	88.9
Henrik Henriksson [3]	-	63.0	-	-	-	-	-	-	-	63.0
Erik Huggers	81.9	63.0	-	-	-	-	-	-	81.9	63.0
Gun Nilsson	88.4	217.3	-	-	-	-	-	-	88.4	217.3
Märta Schörling Andreen	60.1	63.0	-	-	-	-	-	-	60.1	63.0
Sofia Schörling Högberg	87.1	89.9	-	-	-	-	-	-	87.1	89.9
Patrick Söderlund [3]	-	63.0	-	-	-	-	-	-	-	63.0
Brett Watson	60.1	63.0	-	-	-	-	-	-	60.1	63.0
Paolo Guglielmini, President and Chief Executive Officer	2,000.0	-	693.4	-	-	-	400.0	-	3,093.4	-
Other senior executives (14 people)[4]	10,170.8	11,272.1	5,088.4	12,931.3	1,701.1	63.3	1,064.4	1,298.4	18,024.6	25,565.1
Total	**12,807.7**	**15,966.2**	**5,781.8**	**17,898.3**	**1,701.1**	**7,903.3**	**1,464.4**	**2,082.4**	**21,754.9**	**43,850.2**

1) Other benefits comprices company car and insurance (excluding pension insurance). Expenses during 2023 for all share programmes amounts to 0.9 MEUR for the President and CEO and to 6.1 MEUR for Other senior executives (current and former)
2) Comparison number 2022 refers to remuneration as President and CEO
3) Resigned at the Annual General Meeting 2023
4) Including costs for senior executives who acceded and resigned their positions during the year. Former Executive Vice President is included in Other senior executives, more detailed information on remuneration to the former Executive Vice President can be found in the Remuneration Report 2023

Share Programme

At the Extraordinary General Meeting on 1 December 2020, it was decided to implement the Share Programme 2020/2023, at the Annual General Meeting on 29 April 2021 it was decided to implement the Share Programme 2021/2024, on the Annual General Meeting on 29 April 2022 it was decided to implement the Share Programme 2022/2025 and on the Annual General Meeting on 2 May 2023 it was decided to implement the Share Programme 2023/2026 for key employees in the company. Hexagon's share programme is accounted for according to IFRS 2 and is classified as an equity-settled share-based payment transaction, which means the programme is reported within equity. Social fees are reported as a liability in the balance sheet. Participants in the share programmes are offered to be granted, free of charge, performance awards which may entitle to shares of Class B if performance conditions are met during the measurement periods 1 January 2020 to 31 December 2023, 1 January 2021 to 31 December 2024, 1 January 2022 to 31 December 2025 and 1 January 2023 to 31 December 2026. The purpose of the share programme is to strengthen Hexagon's ability to retain and recruit competent employees, provide competitive renumeration and to align the interest of the shareholders with the interest of the employees concerned. The total cost of the share-based incentive programmes is estimated at 60 MEUR each and is recognised as a personnel expense in profit or loss during the vesting period.

The measurement period for the performance-based condition of Share Programme 2020/2023 was 1 January 2020 until 31 December 2023. The performance-based condition for the Share Programme 2020/2023 related to the development of Hexagon's earnings per share compared to a level set by the Board for target fulfillment during the measurement period, where the last financial year during the measurement period (2023) is compared with the financial year immediately preceding the measurement period (2019). The Board has confirmed fulfillment of the performance-based condition, an increase in the company's profit per share during the financial year 2023 compared to the financial year 2019, which pursuant to the duly adopted terms and conditions of Share Programme 2020/2023 entitles eligible participants to receive shares of Class B in the company.

Allocated performance awards in Share Programme 2020/2023[1]

	Number of awards[1]	Market value, EUR
President and Chief Executive Officer	44,345	483,361
Other senior executives (14 people)	349,818	3,813,016
Other employees	4,185, 412	45,620,991
Total	**4,579,575**	**49,917,368**

1) Relates to allocated performance awards, restated after share split 7:1, which may entitle to shares of Class B to be received during year 2024

Allocated performance awards in Share Programme 2021/2024[1]

	Number of awards[1]	Market value, EUR
President and Chief Executive Officer	40,461	441,025
Other senior executives (14 people)	305,977	3,335,149
Other employees	4,005,045	43,654,991
Total	**4,351,483**	**47,431,165**

1) Relates to allocated performance awards which may entitle to shares of Class B to be received during year 2025 if the performance conditions are met

NOTE 30 Remuneration to senior executives, cont.

Allocated performance awards in Share Programme 2022/2025[1]

	Number of awards[1]	Market value, EUR
President and Chief Executive Officer	51,051	556,456
Other senior executives (14 people)	394,431	4,299,298
Other employees	4,752,156	51,798 ,500
Total	5,197,638	56,654,254

1) Relates to allocated performance awards which may entitle to shares of Class B to be received during year 2026 if the performance conditions are met

Allocated performance awards in Share Programme 2023/2026[1]

	Number of awards[1]	Market value, EUR
President and Chief Executive Officer	194,005	2,114,655
Other senior executives (14 people)	412,249	4,493,514
Other employees	4,657,107	50,762,466
Total	5,263,361	57,370,635

1) Relates to allocated performance awards which may entitle to shares of Class B to be received during year 2027 if the performance conditions are met

NOTE 31 Remuneration of the Group's auditors

	Group		Parent company	
	2023	2022	2023	2022
PwC				
Audit	5.1	4.8	0.6	0.9
Audit-related fees	0.0	-	-	-
Tax assignments[1]	0.4	0.9	-	-
Other fees	0.1	-	-	-
Total, PwC	5.6	5.7	0.6	0.9
Audit, others	0.7	0.8	-	-
Total	6.3	6.5	0.6	0.9

1) Tax assignments mainly relates to tax return compliance, transfer pricing and questions relating to tax legislation and compliance

NOTE 32 Related-party disclosures

Remuneration of senior executives, meaning both the Board of Directors and Executive Leadership, is presented in Note 30. The Group's holdings in associated companies and receivables from and liabilities to associated companies are immaterial. There were no significant transactions between Hexagon and its associated companies. Similarly, there were no significant transactions between Hexagon Group and Schörling Group.

NOTE 33 Subsequent events after the financial year's end

No significant events effecting the financial reporting have occurred during the period between year-end and date of issuance of this report.

NOTE 34 Appropriation of earnings

The following earnings in the Parent Company are at the disposal of the annual general meeting (KEUR):

Premium reserve	2,903,123
Retained earnings	1,360,563
Net earnings	1,662,520
Total	5,926,206

The board of the directors proposes that these funds are allocated as follows:

Cash dividend to shareholders of 0.13 EUR per share	348,969
Balance remaining in the premium reserve	2,903,123
Balance remaining in retained earnings	2,674,114
Total	5,926,206

Signing of the annual report

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and generally accepted accounting principles, respectively and give a true and fair view of the financial position and earnings of the Group and the Company and that the Board of Directors' Report for the Group and the Company give a fair review of the development of the operations, financial position and earnings of the Group and the Company and describes substantial risks and uncertainties that the Group companies face.

Stockholm, Sweden 26 March 2024

Ola Rollén
Chair of the Board

John Brandon
Member of the Board

Gun Nilsson
Member of the Board

Erik Huggers
Member of the Board

Märta Schörling Andreen
Member of the Board

Sofia Schörling Högberg
Member of the Board

Brett Watson
Member of the Board

Paolo Guglielmini
President and CEO

Our Audit Report was submitted on 26 March 2024

PricewaterhouseCoopers AB

Bo Karlsson
Authorised Public Accountant
Partner in charge

Helena Kaiser de Carolis
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Hexagon AB (publ), corporate identity number 556190-4771.

Report on the annual accounts and consolidated accounts
Opinions
We have audited the annual accounts and consolidated accounts of Hexagon AB (publ) for the year 2023. The annual accounts and consolidated accounts of the company are included on pages 15–23 and 90–125 in this document.

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

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

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

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

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

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

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

The Hexagon Group comprises a large number of subsidiaries. None of these subsidiaries have, individually, been deemed to be significant for the audit of the Group. For the Group audit, we have selected the Parent company and a large number of entities allocated across the Group's five business areas for Group reporting. The majority of the subsidiaries in the Group are also subject to statutory audits according to local requirements. For other reporting units, analytical audit procedures are performed as a part of the audit of the consolidation. The Group audit team has performed audit work in a selected number of legal entities as well as performed work on the finance and accounting consolidation processes, treasury operations among other.

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 judgment, 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.

Revenue recognition
Key audit matter
Hexagon's customer offerings contain solutions in which hardware and software are integrated as well as services and licenses. The critical management estimates of customer contracts include establishing the amounts that are to be recognised as income and when the income should be recognised.

For integrated customer contracts management needs to assess if revenue should be allocated to each revenue type as different accounting principles apply for these revenue types. Management makes estimates of completed performance in relation to the contractual terms and conditions as these performance obligations are or can be fulfilled at different points in time.

Part of Hexagons business comes from major long term, complex and fixed-price customer contracts. Management makes estimates of completed performance in relation to the contractual terms as a base for recognising revenue on every reporting date, these estimations are also the base for any potential loss provision.

Due to the degree of management judgment in arrangements containing multiple performance obligations, these types of arrangements have been a key audit matter in our audit.

Accounting principles for revenue recognition are included in Note 5 and key estimates and assumptions used for customer arrangements are included in Note 2.

How our audit addressed the Key audit matter
Our audit included, amongst others, a combination of testing of internal controls over financial reporting including procedures to test key application configurations, analytical procedures including analysing complete transactional data sets with software tools to identify large transactions, anomalies, unexpected trends or variation. We have, in order to validate revenue for existence and accuracy performed detailed tests of new major contracts in the Hexagon subsidiaries. We have also assessed that disclosures are appropriate.

Business combinations
Key audit matter
Acquisition of new businesses and the consolidation of new businesses (business combinations) include purchase price allocations of the fair values of acquired assets and liabilities including identification of goodwill and other intangible assets. The valuation is partly based on management assumptions of the future earnings of the acquired business and valuation of intangible assets at fair value.

The acquisitions contracts includes contingent earn-out payments which are included in the acquisition cost as a contingent consideration and remeasured at every reporting date and thus subject to management estimates and assumptions.

Business combinations and contingent earn-out payments have been a key audit matter in our audit due to the degree of management judgment in identifying and accounting of various acquired intangible assets.

Accounting principles for business combinations are included in Note 1 and key estimates and assumptions used for fair values of acquired assets and assumed liabilities as well as identification of intangible assets and contingent consideration are included in Note 2.

How our audit addressed the Key audit matter
Our audit procedures included, amongst others assessment of significant purchase agreements, test of the purchase price allocations including calculation and accounting for contingent considerations. We have involved our valuation specialists to challenge the valuation and calculation methods used by management. We have also assessed that disclosures are appropriate.

Goodwill and other intangible assets with indefinite useful lives
Key audit matter
The carrying value of goodwill, and other intangible assets with indefinite useful lives represent some 65 percent of reported total assets. IFRS require annual impairment tests or when there is an indication that values could be impaired.given that the carrying value of these assets are not amortised.

Market data, Hexagon's business plans and forecasts on future development forms the expectations on sales, earnings and cash flows that are central in the model to calculate a recoverable value to be compared to the booked carrying value.

We have focused on the valuation of goodwill and intangible assets with indefinite useful lives as these items involve a large degree of judgment on behalf of management in assessing future cash flows.

The key assumptions used and management's sensitivity analysis for how changes in key assumptions would affect the value in use are presented in Note 8. As stated in Note 2 the impairment test require management estimates and assumptions such as projected cash flows, future market conditions and discount rates.

How our audit addressed the Key audit matter
Our audit procedures included amongst others a review of management impairment tests of goodwill and intangible assets with indefinite lives. We have examined whether Hexagon's impairment test is based on the divisions' (cash generating units) financial forecasts approved by management. We also evaluated the sensitivity analysis for changes in significant parameters, which, individually or on a collective basis, could imply the existence of an impairment requirement. Valuation experts have been involved to challenge the assumptions and estimates made by management. We have also assessed that disclosures are appropriate.

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 1-14, 32–89 and 130–147. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

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

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

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

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opin-

ions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements
Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Hexagon AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

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

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

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

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

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

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

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

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

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

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

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

Our examination and 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 Opinions
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 Hexagon 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 ensuring that the Esef report has been prepared 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 form an opinion with 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 compliance 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 and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

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

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

PricewaterhouseCoopers AB, was appointed auditor of Hexagon AB (publ) by the general meeting of the shareholders on the 2 May 2023 and has been the company's auditor since 2021.

Stockholm 26 March 2024

PricewaterhouseCoopers AB

Bo Karlsson
Authorised Public Accountant
Partner in charge

Helena Kaiser de Carolis
Authorised Public Accountant

Auditor's Limited Assurance Report on Hexagon AB's Greenhouse Gas Emissions

To Hexagon AB (publ), corporate identity number 556190-4771

Introduction
We have been engaged by the Board of Directors and Group Management to undertake a limited assurance engagement of Hexagon AB (publ) greenhouse gas (GHG) emissions (scope 1 and scope 2) for the year 2023, as disclosed on page 84 in the Annual Report 2023, more specifically in the diagram "Sustainability Key Performance Indicators".

Responsibilities of the Board and Group Management
The Board of Directors and Group Management are responsible for the preparation of the GHG emissions data in accordance with the applicable criteria, as explained on page 130. The criteria consists of the Greenhouse Gas (GHG) Protocol – A Corporate Accounting and Reporting Standard, and the accounting and calculation principles that the company has developed. This responsibility includes the internal control relevant to the reporting of GHG emissions that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor
Our responsibility is to express a conclusion on the reported GHG emissions based on the limited assurance procedures we have performed. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our limited assurance procedures in accordance with ISAE 3410 Assurance Engagements on Greenhouse Gas Statements issued by IAASB. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the GHG emission data, and applying analytical and other limited assurance procedures. A limited assurance engagement has a different focus and a considerably 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.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Hexagon AB (publ) according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement do not allow us to obtain such assurance that we would become aware of all significant matters that could have been identified if an audit was performed. The conclusion based on a limited assurance engagement, therefore, does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria suitable for the preparation of the GHG emission data.

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

Conclusion
Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that Hexagon AB (publ)'s GHG emissions data (as specified above) is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

Stockholm 26 March 2024

PricewaterhouseCoopers AB

Bo Karlsson
Authorised Public Accountant

Helena Kaiser de Carolis
Authorised Public Accountant

ESG related notes

Reporting period and standards
Hexagon's sustainability performance content and data presented in this report on page 50-89 covers the scope from January 1, 2023, to December 31, 2023. This report has been prepared in accordance with the GRI Standards of the Global Reporting Initiative (GRI 2021). Furthermore, information from other standards and guidelines such as the SASB standards for Technology, Communication, Software and IT Services have also been considered where appropriate.

Organisational Boundaries
Hexagon's organisational reporting boundaries cover all its divisions and subsidiaries. These are fully consolidated, following the control-based approach.

Operational Boundaries
Hexagon has completed a company-wide Scope 1 & 2 and Scope 3 emissions inventory that covers all its production sites and offices. To calculate the GHG emissions, Hexagon has followed the GHG Protocol Corporate Accounting and Reporting Standard – revised edition, the GHG Protocol Scope 2 Guidance and GHG Protocol Scope Corporate Value Chain (Scope 3). Scope 3 inventory covers the following categories: purchased goods, capital goods, fuel-and-energy related activities, upstream transportation, waste generated, business travel, employee commuting, downstream transportation, use of sold products and end-of-life treatment. The Scope 3 categories not mentioned are considered not relevant to the company based on Hexagon's business model. Hexagon is only emitting CO_2 in its Scope 1. All figures reported are based on CO_2e to account for the emissions from upstream and downstream activities.

Environmental data collection and reporting methodology
The data has been collected via Hexagon's ESG reporting system, developed and aligned to the Financial reporting system during 2023 for ESG data gathering and calculation purposes.

In 2023, environmental data was collected from all manufacturing sites and all the facilities under our operational control with more than 35 FTEs. In order to cover the full scope of Hexagon's operations, values have been extrapolated for energy consumption, GHG emissions, water and waste. The extrapolation was performed on employees (FTEs) basis for sites not covered in the reporting system. The 2022 environmental data for energy consumption, GHG emissions, water and waste has been restated to increase accuracy and year-over-year comparability.

Scope 1 and Scope 2
Scope 1 and Scope 2 emissions from energy consumption are calculated using energy data in KWh by energy source (natural gas, diesel, electricity by country etc.). Scope 1 CO_2 emissions are calculated using the emission factor for the corresponding type of fuel (source Defra 2023). Scope 2 CO_2 emissions are calculated with the location-based and the market-based methodology in accordance with the GHG Protocol Scope 2 guidance. Location-based emissions are calculated using average country/region emission factor (source IEA and eGrid). Market-based emissions are calculated using residual mix electricity emission factor for European counties (source AIB) and the USA (source Green-e) and average country emission factors for all other countries (source IEA). To capture the CO_2 emissions from energy consumption for sites not covered (offices with low number of people in them), we estimated the Scope 1 and 2 by associating CO_2 emissions per employee and extrapolating to the number employees in the sites not covered.

Scope 1 direct CO_2 emissions include emissions from stationary combustion and vehicles of internal combustion engines in the company car fleet.

Scope 2 indirect CO_2 emissions include emissions from electricity in all our facilities, purchased district heating and electric vehicles in the company car fleet.

Scope 3
Scope 3 emissions are calculated in line with the GHG Protocol for calculating Scope 3 emissions. All transport-related emissions from fuel use emissions are reported on a Well-to-wheel basis. That includes the categories upstream & downstream transportation, business travel and employee commuting.

Purchased goods
These emissions are calculated for our major purchased products using the average-data method and their associated cradle-to-gate emission factor. To capture 100% of our emissions in this category we extrapolated to our total spending on purchased goods.

Capital goods
These emissions are calculated using the average spend-based method for our total spending on capital goods. The emissions are reported on a cradle-to-gate basis.

Fuel-and Energy-Related activities not included in Scope 1 or Scope 2
These emissions are calculated using energy consumption data in KWh by energy course (natural gas, diesel, electricity by county etc.) and the associated upstream emission factor (Well-to-tank). For electricity the CO_2 emissions are calculated using the average country upstream emission factor (source IEA). For the fuels the CO_2 emissions are calculated using the emission factor for the corresponding type of fuel (source Defra). To capture the CO_2 emissions for sites not covered, we associated CO_2 emissions per employee and extrapolated to the number employees in the sites not covered.

Upstream transportation
These emissions are calculated for our major purchased products using the distance-based method. For calculating the CO_2 emissions, we applied the appropriate mass-distance emission factor for the mode of transport used (source Defra). Air, marine and road transport were the main modes of transport used for upstream transportation. To capture 100% of our emissions in this category, we extrapolated to our total spend on purchased goods.

Waste generated in operations
These emissions are calculated using actual waste data in kg by type of waste (hazardous, non-hazardous, residual), type of treatment (landfill, recycle, incinerated) and the corresponding emission factor (source Defra and Ecoinvent 3.8). To capture the CO_2 emissions from waste generated for sites not covered, we associated CO_2 emissions per employee and extrapolated them to the number employees in the sites not covered.

Business Travel
Business travel emissions have been provided by the travel agency. The modes of transport that have been used for business purposes are airplanes, trains, buses, and rental cars. No hotel stays emissions have been included.

Employee commuting
Employee commuting emissions are calculated for our major company sites (globally represented) that cover one third of our employees using the average-data method. To capture the CO_2 emissions for sites not covered, we associated CO_2 emissions per employee and extrapolated to the number of employees in the sites not covered.

Downstream transportation
These emissions are calculated for our major products sold using the distance-based method. For calculating the CO_2 emissions, we applied the appropriate mass-distance emission factor for the mode of transport used (source Defra). Air and road transport were the main modes of transport used for downstream transportation. To capture 100% of our emissions in this category, we extrapolated to our total revenues from sold products.

Use of sold products
These emissions are associated with the products sold by Hexagon during the year and aggregated over their lifetime. These emissions are related to electricity consumption of products over their entire life. We calculated these emissions for our major products using their technical characteristics (electricity consumption in KWh) and the main assumption was a 10-year lifetime (even though more of our products have a lifetime more than 15 years). The emission factors applied was the average country electricity emission factor, for the main markets that the products sold as defined (source IEA). To capture the CO_2 emissions for the products that are not covered, we extrapolated based on the total revenues from sold products.

End of life treatment
Most hardware products have a lifetime longer than 15 years, so we can re-furbish the products and resale them even after 10 years of use. When the products have come to their end of life, we seek to recycle major components. The pieces that are not recycled are disposed.

Social data collection
The methodology used for the social data includes the total headcount at the end of the reporting period (31/12/2023). By employees, we refer to everyone in an active employment relationship with our company, excluding interns.

As employee turnover we define the ratio of voluntary and involuntary attritions during the year to the total number of employees at the year-end. Group Management category includes the leadership of the company. Executives include all the employees directly reporting to the leadership. Level A includes all the employees directly reporting to the Executives. Level B includes all the other employees of the company.

Description of material topics

Topic	Description	Impact Materiality	Financial Materiality
Climate change (ESRS E1)	Our biggest opportunity lies in the impact we can make through our products. Hexagon is very well positioned to enable the shift towards a net-zero carbon economy in the industries we serve. To ensure an effective response to this opportunity, Hexagon is including ESG criteria in its innovation process.	We actively work with customers to offer efficiency gains in the process they operate. In many cases the gains come from energy-efficient solutions and from reduction of materials across the processes they need to deliver. This efficiency gains in several cases reduce greenhouse gas emissions and support the transition to a low-carbon economy. Furthermore, to ensure Hexagon also contributes to mitigating Climate Change, Hexagon has joined the Business Ambition for 1.5°C. Hexagon has submitted to the SBTi (Science Based Target initiative) near-term and long-term net-zero science-based targets for carbon emissions covering our full value chain.	Having a financially stable business that is able to continue to grow positively impacts Hexagon's long-term success, ensuring Hexagon's financial resilience as well as its reputation. This will enable us to further reinvest in operations and take advantage of opportunities. Achieving further growth in adapting and mitigating climate change will further build customer confidence, motivate employees eager to contribute to a positive impact in the planet and ensure a resilient growth strategy. Hexagon is incorporating climate transition risks (such as emissions trading and other regulatory developments) into our annual supplier risk management analysis.
Own workforce (ESRS S1)	Another opportunity we see is in ensuring an empowered workforce. To manage this topic, we have been promoting inclusive workplace through DEI (Diversity Equity and Inclusion) Committee and divisional councils to cover all the countries our employees are located.	Hexagon believes driving the best practices within its workforce in terms of working conditions and providing an inclusive workforce generate a positive impact in the communities where we operate. Hexagon delivers a positive impact from good hiring practices to eliminate any unconscious bias. In 2023, interactive sessions were held globally with external experts to address inclusive workplace. Cultural awareness has been also highlighted as an opportunity to thrive for inclusivity.	In Hexagon we understand that employees who feel engaged with their work are more productive, focused and driven. More importantly, we are a company of innovation and we believe innovation happens when bright ideas come from a diverse view points. In this regards, having the best workforce sets us in the right position to tackle society's challenges and ensures we have the best team in place to deliver sustainable business impact.
Workers in the value chain (ESRS S2)	This topic refers to Hexagon's commitment to comply and promote internationally recognised standards and regulations that promote fair treatment of people along our value chain. See more in the section "Operational risk management".	By ensuring that workers are treated fairly and by requiring safe and fair working conditions within suppliers, Hexagon promotes improvements in the quality of life and well being of the workers from our supply-chain partners. Not respecting human rights and not providing a safe mechanism to raise concerns can potentially result in physical and economic harm to people and communities.	Respect for universal human rights and labor standards is a prerequisite for suppliers to do business with Hexagon, as described in Hexagon's Supplier Code of Conduct. By advocating high labor standards, Hexagon improves its reputation as a responsible business partner and foster enhanced collaboration with suppliers. The impact of this topic depends on financial impact the specific supplier could have for Hexagon. See more in the section "Responsible supply chain management".
Business conduct and Responsiveness	These topics includes a wide variety of aspects such as improper use of goods, anti-corruption, business responsiveness, Industry 4.0 (with innovation and digitalisation), cyber security, data-related topics, and product quality and safety. See more in the section "Operational risk management".	Through Hexagon's compliance program, which covers business response in face of corruption and other inappropriate business behavior, we can prevent negative socioeconomic and environmental impacts and raise standards in the industries we serve. Hexagon has a positive impact on data and cyber security by actively managing risks and increasing awareness. We recognise that there are risks resulting from cyber incidents which may affect the users. Hexagon aims to minimise risky by raising awareness within our full workforce and by providing safer digital solutions. Hexagon takes pride in its product quality and safety with customer focus. Together with customers, Hexagon enables positive impact on the society and tne environment with high quality and safety standards.	Failure to act with integrity and meet our high ethical standards, values and code of conduct could lead to adverse reputational impact, fines and litigations. Reputational impacts could significantly hinder our ability to maintain revenues as we could lose customer base, while fines and legal proceedings may even hamper our ability to continue to operate in specific markets.

GRI and SASB reporting table

Reporting name	Unit		FY 2023	FY 2022[1]	Variance (+/-)	Standard
General Disclosures						
Organisational details	Qualitative	Section: About this report				GRI: 2-1
Entities included in the organisation's sustainability reporting	Qualitative	Section: ESG Reporting Methodology				GRI: 2-2
Reporting period, frequency and contact point	Qualitative	Section: ESG Reporting Methodology				GRI: 2-3
Restatements of information	Qualitative	Section: ESG Reporting Methodology				GRI: 2-4
External assurance	Qualitative	Section: Auditor's report on the corporate governance statement				GRI: 2-5
Economic Performance						
Direct economic value generated (revenues)	Million €		5 435,2	5 160,5	5%	GRI: 201-1
Economic value distributed	Million €		4 905,2		-	
Economic value retained	Million €		530,0		-	
Financial implications and other risks and opportunities due to climate change		Section: Operational Risk Management				GRI: 201-2
Defined benefit plan obligations and other retirement plans		Section: Financial Report / Pension provisions				GRI: 201-3
Activities and workers						
Activities, value chain and other business relationships	Qualitative	Section: Business overview				GRI: 2-6
Total number of employees	No.		24,581	24,001		GRI: 2-7
Breakdown by gender						
Female	%		24	24	0%	
Male	%		76	76	0%	
Other gender	%			-	-	
Breakdown by type of contract and gender			0			
Full-time female	%		22	-	-	
Full-time male	%		74	-	-	
Full-time other gender	%		0	-	-	
Part-time female	%		2	-	-	
Part-time male	%		2	-	-	
Part-time other gender	%		-	-	-	
Total number of contractors	No.		2,689	-	-	GRI: 2-8
Governance						
Governance structure and committees	Qualitative	Section: Corporate Governance Report				GRI: 2-9
Diversity and composition of governance body:						
Male	No.		4	6	-33%	
Female	No.		3	4	-25%	
Other gender	No.		0	0	-	
Gen Z	No.		0	0	-	
Gen Y	No.		1	1	0%	
Gen X	No.		3	5	-40%	
Boomers	No.		3	4	-25%	
Executive members	No.		0	0	-	
Non-executive members	No.		7	10	-30%	
Independence	Yes		3	6	-50%	
Independence	No		4	4	0%	
Nomination and selection of the highest governance body	Qualitative	Section: Corporate Governance Report			-	GRI: 2-10
Chair of the highest governance body	Qualitative	Section: Corporate Governance Report			-	GRI: 2-11

1) The 2022 environmental data for energy consumption, GHG emissions, water and waste has been restated to increase accuracy and year-over-year comparability.

Reporting name	Unit	FY 2023	FY 2022[1]	Variance (+/-)	Standard
Role of the highest governance body in overseeing the management of impacts	Qualitative	Section: ESG Governance		-	GRI: 2-12
Delegation of responsibility for managing impacts	Qualitative	Section: ESG Governance		-	GRI: 2-13
Role of the highest governance body in sustainability reporting	Qualitative	Section: ESG Governance		-	GRI: 2-14
Conflicts of interest	Qualitative	Section: Commitment to Ethics and Compliance		-	GRI: 2-15
Communication of critical concerns	Qualitative	Section: ESG Governance		-	GRI: 2-16
Collective knowledge of the highest governance body	Qualitative	Section: ESG Governance		-	GRI: 2-17
Evaluation of the performance of the highest governance body	Qualitative	Section: Corporate Governance Report		-	GRI: 2-18
Remuneration policies	Qualitative	Section: Corporate Governance Report		-	GRI: 2-19
Process to determine remuneration	Qualitative	Section: Corporate Governance Report		-	GRI: 2-20
Strategy, policies and practices					
Sustainable development strategy	Qualitative	Section: Sustainability strategy		-	GRI: 2-22
Policy commitments	Qualitative	Section: ESG Governance		-	GRI: 2-23
Embedding policy commitments	Qualitative	Section: ESG Governance		-	GRI: 2-24
Processes to remediate negative impacts	Qualitative	Section: Commitment to Ethics and Compliance		-	GRI: 2-25
Mechanisms for seeking advice and raising concerns	Qualitative	Section: Commitment to Ethics and Compliance		-	GRI: 2-26
Number of significant instances of non- compliance with laws and regulations for which fines were incurred	No.	0	-	-	GRI: 2-27
Number of significant instances of non- compliance with laws and regulations for which non-monetary sanctions were incurred	No.	0	-	-	
Stakeholder Engagement					
Approach to stakeholder engagement	Qualitative	Section: Materiality analysis			GRI: 2-29
Employees covered by collective bargaining aggreements	%	22.5	-	-	GRI: 2-30
Material Topics					
Process to determine material topics	Qualitative	Section: Double materiality analysis		-	GRI: 3-1
List of material topics	Qualitative	Section: Materiality assessment results		-	GRI: 3-2
Management of material topics	Qualitative	Section: Sustainability Roadmap		-	GRI: 3-3
Environmental Indicators					
Number of manufacturing sites	No.	29	23	26%	
Sites with Environmental Management System					
ISO 14001 certified production sites	No.	24	22	9%	
Share of ISO 14001 certified production sites	%	83	76	6 pp.	
Area of manufacturing facilities	m^2	302,000	-	-	SASB: TC-HW-000.B
Percentage of production from owned facilities	%	24	-	-	SASB: TC-HW-000.C
Energy					
Total stationary combustion energy consumption	MWh	21,068.9	18,190.9	16%	GRI: 302-1 / SASB: TC-SI-130a.1
Natural gas	MWh	14,488.2	13,630.1	6%	GRI: 302-1
Crude oil	MWh	2,301.3	483.3	376%	
Diesel	MWh	75.2	644.8	-88%	
LPG	MWh	9.8	6.8	44%	
Estimated stationary combustion of sites not covered*	MWh	4,194.5	3,425.9	22%	

Reporting name	Unit	FY 2023	FY 2022[1]	Variance (+/-)	Standard
Electricity Consumption					
Total Electricity Consumption	MWh	90,460.6	102,503.1	-12%	GRI: 302-1 / SASB: TC-SI-130a.1
Electricity consumption from grid	MWh	68,541.6	69,374.1	-1%	GRI: 302-1
of which purchased renewable electricity	MWh	16,672.0	10,462.1	59%	
Renewable electricity produced and consumed on-site	MWh	1,607.6	1,263.8	27%	
Estimated electricity of sites not covered*	MWh	20,311.5	31,865.2	-36%	
Green electricity and REC consumed	MWh	18,279.6	11,725.9	56%	
Renewable electricity produced	MWh	34,833.5	25,883.8	35%	
Share of purchased or produced renewable electricity out of total electricity consumption	%	46.2	42.2	4 pp.	GRI: 302-1 / SASB: TC-SI-130a.1
Greenhouse gas (GHG)					
Direct (Scope 1) GHG emissions	tCO_2	4,335.6	3,443.5	26%	GRI: 305-1
Natural gas	tCO_2	2,892.0	2,523.7	15%	
Crude oil	tCO_2	597.3	125.4	376%	
Diesel	tCO_2	18.9	163.3	-88%	
LPG	tCO_2	2.2	1.6	44%	
Estimated Scope 1 GHG emissions of sites not covered*	tCO_2	825.1	629.5	31%	
Indirect (Scope 2) GHG emissions from grid electricitiy (market-based)	tCO_2	31,732.3	36,799.6	-14%	GRI: 305-2
Indirect (Scope 2) GHG emissions from grid electricitiy (location-based)	tCO_2	33,323.2	38,306.4	-13%	
Company Cars					
GHG emissions from owned vehicles fleet (Scope 1)	tCO_2	11,063.1	10,282.9	7%	GRI: 305-1
GHG emissions from owned electric vehicles (Scope 2)	tCO_2	173.6	-	100%	GRI: 305-2
Electric Vehicles share of company car fleet	%	8.5	4.6	3 pp.	GRI: 302-1
Total Direct (Scope 1) GHG emissions	tCO_2	15,398.7	13,726.4	12%	GRI: 305-1
Total Indirect (Scope 2) GHG emissions (market-based)	tCO_2	31,905.9	36,799.6	-13%	GRI: 305-2
Total Indirect (Scope 2) GHG emissions (location-based)	tCO_2	33,496.8	38,306.4	-13%	
Direct and Indirect GHG emissions (Scope 1 + 2, market-based)	tCO_2	47,304.7	50,526.0	-6%	GRI: 305-1
Direct and Indirect GHG emissions (Scope 1 + 2, location-based)	tCO_2	48,895.5	52,032.8	-6%	
Scope 3					
Other relevant indirect (Scope 3) GHG emissions	tCO_2	362,351	350,816	3%	GRI: 305-3
Upstream	tCO_2	284,825	276,910	3%	
Purchased goods and Services	tCO_2	177,546	170,401	4%	
Capital goods	tCO_2	29,236	36,503	-20%	
Fuel-and energy-related activities (not included in Scope 1 or Scope 2)	tCO_2	9,598	12,362	-29%	
Upstream transportation	tCO_2	14,533	14,257	2%	
Waste generated in operations	tCO_2	566	798	-29%	
Business travel	tCO_2	29,064	22,054	32%	
Employee commuting	tCO_2	24,282	20,535	18%	
Downstream	tCO_2	77,526	73,907	5%	
Downstream transportation	tCO_2	11,267	10,515	7%	
Use of sold products	tCO_2	66,101	63,234	5%	
End-of-life treatment of sold products	tCO_2	158	158	0%	

Reporting name	Unit	FY 2023	FY 2022[1]	Variance (+/-)	Standard
Intensity Ratio's					
Revenues	MEUR	5,435.2	5,160.5	5%	GRI: 201-1
GHG intensity ratio Scope 1 & Scope 2 (market-based) per million EUR	tCO_2 / Mio €	8.7	9.8	-11%	GRI: 305-4
GHG intensity ratio Scope 1 per million EUR	tCO_2 / Mio €	2.8	2.7	7%	
GHG intensity ratio Scope 2 (market-based) per million EUR	tCO_2 / Mio €	5.9	7.1	-18%	
GHG intensity ratio Scope 2 (market-based) per electricity in MWh	tCO_2 / MWh	0.4	0.4	-2%	
GHG intensity ratio Scope 3 per million EUR	tCO_2 / Mio €	66.7	68.0	-2%	
Energy intensity ratio per million EUR	MWh / Mio €	20.5	23.4	-12%	GRI: 302-3
Waste					
Total waste generated	MT	2,754.6	2,505.9	10%	GRI: 306-3
Hazardous waste generated	MT	159.5	264.8	-40%	
Waste recycled	MT	1,699.6	1,472.5	15%	GRI: 306-4
Residual waste, recycled	MT	624.5	1,356.6	-54%	GRI: 306-3, 306-4
Hazardous waste, recycled	MT	110.5	116.0	-5%	
Non-hazardous waste, recycled	MT	964.5	-	-	
Residual waste, landfill	MT	178.0	637.0	-72%	GRI: 306-3, 306-5
Residual waste, incinerated	MT	235.7	247.6	-5%	
Hazardous waste, landfill	MT	46.5	0.8	5482%	
Hazardous waste, incinerated	MT	2.6	148.0	-98%	
Non-hazardous waste, landfill	MT	404.8	-	-	
Non-hazardous waste, incinerated	MT	187.6	-	-	
Water					
Water consumption	m^3	263,385.1	221,672.0	19%	GRI: 303-5 / TC-SI-130a.2
Rainwater & Runoff-water harvesting system available onsite	No. of sites	1	-	-	GRI: 303-1
Water recycling system available onsite	No. of sites	3	-	-	
Materials					
Weight of non-renewable materials that are used to produce and package our primary products	MT	13,111.9	-	-	GRI: 301-1
Weight of renewable materials that are used to produce and package our primary products	MT	2,215.8	-	-	
Weight of materials that are used to produce and package our primary products	MT	15,327.7	-	-	
Recycled input materials used	MT	159.6	-	-	GRI: 301-2
Share of recycled input materials used to manufacture the products	%	1.04	-	-	
Social Indicators					
Employee engagement level	%	73%	73%	0 pp.	SASB: TC-SI-330a.2
Voluntary turnover, of total workforce	%	8	11	-3 pp.	
Benefits provided to full- time employees		Section: Employee benefits		-	GRI: 401-2
New employee hires and employee turnover					
Newly hired by gender and generation					
Female	No.	926	-	-	GRI: 401-1
Male	No.	2,582	-	-	
Other gender	No.	17	-	-	
Gen Z	No.	521	-	-	
Gen Y	No.	2,200	-	-	
Gen X	No.	669	-	-	
Boomers	No.	129	-	-	

Reporting name	Unit	FY 2023	FY 2022[1]	Variance (+/-)	Standard
Involuntary attrition breakdown by gender and generation					
Female	No.	297	150	98%	
Male	No.	847	489	73%	
Other gender	No.	3	-	-	
Gen Z	No.	143	-	-	
Gen Y	No.	448	-	-	
Gen X	No.	356	-	-	
Boomers	No.	199	-	-	
Voluntary attrition breakdown by gender and generation					
Female	No.	470	604	-22%	
Male	No.	1,336	1,914	-30%	
Other gender	No.	4	-	-	
Gen Z	No.	122	-	-	
Gen Y	No.	1,077	-	-	
Gen X	No.	417	-	-	
Boomers	No.	194	-	-	
Turnover rate, of total workforce	%	13	13	0 pp.	
Parental Leave					
Female employees that were entitled to parental leave	No.	2,550	-	-	GRI: 401-3
Male employees that were entitled to parental leave	No.	6,871	-	-	
Female employees that took parental leave	No.	164	-	-	
Male employees that took parental leave	No.	330	-	-	
Occupational health and safety management system					
Occupational health and safety management system	Qualitative	Section: Occupational Health and Safety		-	GRI: 403-1
Employees who are covered by an occupational health and safety management system	No.	17,135	-	-	GRI: 403-8
ISO 45001 certified production sites	No.	2	2	0%	
Share of ISO 45001 certified production sites	%	6.9	6.9	0 pp.	
For all employees:					
Proportion of senior management hired from the local community	%	79.9	-	-	GRI: 202-2 / SASB: TC-SI-330a.1
Total hours worked by all employees	No.	36,329,666	-	-	GRI: 403-9
Fatal accidents	No.	0	-	-	
High consequence work-related injuries	No.	0	-	-	
Recordable work-related injuries	No.	31	-	-	
Fatalities accidents Rate	No.	0	-	-	
Rate of high consequence work-related injuries	No.	0	-	-	
Rate of recordable work-related injuries	No.	0.17	-	-	
For contractors:					
Total hours worked by all contractors	No.	2 257 827	-	-	
Fatal accidents	No.	0	-		
High consequence work-related injuries	No.	0	-		
Recordable work-related injuries	No.	1	-	-	
Fatalities accidents Rate	No.	0	-	-	
Rate of high consequence work-related injuries	No.	0	-	-	
Rate of recordable work-related injuries	No.	0,09	-	-	

Reporting name	Unit	FY 2023	FY 2022[1]	Variance (+/-)	Standard
Diversity of Employees by category					
Employees trained in Diversity, Equity & Inclusion	No.	10,791	19,562	-45%	
Share of women at top management level	%	18	18	1 pp.	GRI: 405-1 / SASB: TC-SI-330a.3
Share of women employed in relation to the whole organisation	%	24	24	0 pp.	GRI: 405-1
Group Management					
Male	%	92	92	0 pp.	
Female	%	8	8	0 pp.	
Other gender	%	0	0	0 pp.	
Gen Z	%	0	0	0 pp.	
Gen Y	%	8	8	0 pp.	
Gen X	%	69	69	0 pp.	
Boomers	%	23	23	0 pp.	
Executives					
Male	%	77	80	-3 pp.	
Female	%	23	20	2 pp.	
Other gender	%	0	0	0 pp.	
Gen Z	%	0	-	-	
Gen Y	%	7	-	-	
Gen X	%	72	-	-	
Boomers	%	21	-	-	
Job level A					
Male	%	75	75	0 pp.	
Female	%	25	25	0 pp.	
Other gender	%	0	0	-	
Gen Z	%	0	-	-	
Gen Y	%	19	-	-	
Gen X	%	62	-	-	
Boomers	%	19	-	-	
Job level B					
Male	%	76	76	0 pp.	
Female	%	24	24	0 pp.	
Other gender	%	0	0	-	
Gen Z	%	4	-	-	
Gen Y	%	51	-	-	
Gen X	%	34	-	-	
Boomers	%	10	-	-	
Governance Indicators					
Incidents of non-compliance with regulations concerning the health and safety impacts of products	No.	0	-	-	GRI: 416-2
Incidents of non-compliance with regulations concerning product information and labeling	No.	0	-	-	GRI: 417-2
Ethics & Compliance System, executives certified	No.	411	230	79%	
Whistleblower reports	No.	66	25	164%	
Solved whistleblower cases	No.	53	25	-	
Discrimination incidents	No.	0	0	-	GRI: 406-1

Reporting name	Unit		FY 2023	FY 2022[1]	Variance (+/-)	Standard
Employees and subcontractors trained in cyber security	No.		26,736	22,560	19%	
Policies and practices relating to targeted advertising and user privacy	Qualitative	Section: Data privacy and Cyber Security				SASB: TC-SI-220a.1
Approach to identifying and addressing data security risks	Qualitative	Section: Operational risk management				SASB: TC-SI-230a.2
Business continuity risks related to disruptions of operations	Qualitative	Section: Operational risk management				SASB: TC-SI-550a.2
Child Labor and Forced or Compulsory Labor						
Operations and suppliers at significant risk for incidents of child labor	Qualitative	Section: Responsible supply chain management				GRI: 408-1
Operations and suppliers at significant risk for incidents of forced labor	Qualitative	Section: Responsible supply chain management				GRI: 409-1
Rights of indigenous peoples						
Number of incidents of violations involving the rights of indigenous peoples	No.		0	0	-	GRI: 411-1
Anti-Corruption						
Operations assessed for risks related to corruption	No.		4	-	100%	GRI: 205-1
Employees that the company's anti-corruption policies and procedures have been communicated to	No.		22,525	-	100%	GRI: 205-2
Employees trained in Code of Business Conduct	No.		24,695	23,531	5%	GRI: 205-2
Number of confirmed incidents of corruption	No.		3	-	100%	GRI: 205-3
Public legal cases regarding corruption brought against the organisation or its employees	No.		0	-	-	GRI: 205-3
Procurement Practices						
Key direct procurement suppliers	No.		1,053	929	13%	
Key direct procurement suppliers in high risk countries	No.		93	51	82%	
Key direct procurement suppliers in medium risk countries	No.		5	5	0%	
Key direct procurement suppliers having approved or signed the Hexagon Supplier Code of Conduct	No.		903	802	13%	
Suppliers assessed for negative social impacts	No.		47	-	-	GRI: 414-2
Suppliers assessed for negative environmental impacts	No.		27	-	-	GRI: 308-2
Suppliers Audits						
ESG audits of key direct procurement suppliers	No.		116	80	45%	SASB: TC-HW-430a.1
ESG audits of key direct procurement suppliers in risk countries	No.		45	11	309%	
ESG audits of key direct procurement suppliers that were conducted on-site	No.		39	84	-54%	
ESG audits of key direct procurement suppliers that were self-assessed (SAQ)	No.		64	90	-29%	
Third-party ESG audits of key direct procurement suppliers	No.		4	7	-43%	
Unannounced ESG audits of key direct procurement suppliers	No.		0	0	-	
Number of major non-conformances found in audits of key direct procurement suppliers	No.		3	27	-89%	SASB: TC-HW-430a.2
Number of solved major non-conformances in audits of key direct procurement suppliers	No.		0	26	-100%	SASB: TC-HW-430a.2
Conflict minerals						
Management of risks associated with the use of critical materials	Qualitative	Section: Responsible supply chain management				SASB: TC-HW-440a.1
Suppliers possibly handling conflict minerals (3TG: tin, tantalum, tungsten, gold)	No.		257	149	72%	
Suppliers handling conflict minerals that have submitted a CMRT	No.		234	177	32%	
Eventual smelters or refineries reported by suppliers handling conflict minerals (3TG: tin, tantalum, tungsten, gold)	No.		1 324	823	61%	
Eventual smelters reported by suppliers handling conflict minerals that are Conformant	No.		761	760	0%	
Non-compliant or non-conformant smelters reported by suppliers	No.		85	48	77%	

The share

Share price development and trading
In 2023, the Hexagon share price increased by 9.6 per cent to 120.95 SEK as of 31 December. The share price reached the 52-week high of 132.80 SEK on 16 June and the 52-week low on 27 October at 89.16 SEK. Hexagon's total market capitalisation as of 31 December 2023 was 314,022.6 MSEK.

Ownership structure
At year-end 2023, Hexagon had 66,198 registered shareholders (57,171). Shareholders in the USA accounted for the largest foreign holding, representing 26.1 per cent (30.1) of total shares followed by the UK, representing 4.9 per cent (5.4). The ten largest owners held 58.3 per cent (54.7) of the share capital and 69.5 per cent (66.9) of the votes.

Share capital
At year-end 2023, Hexagon's share capital amounted to 85,761,451 EUR, represented by 2,705,477,888 shares, of which 110,250,000 are of Class A with ten votes each and 2,595,227,888 are of Class B with one vote each. Each share has a quota value of 0.03 EUR. Hexagon AB has acquired 21,100,000 of the company's own shares of Class B as of 31 December 2023. The purpose of the repurchase is to ensure Hexagon's undertakings in respect of the long-term incentive programmes (other than delivery of shares to participants in the incentive programmes), including covering social security costs.

Incentive programmes
At the Annual General Meeting on 2 May 2023, it was decided to implement the Share Programme 2023/2026. Participants in the share programme are offered to be granted, free of charge, performance awards that may entitle them to receive shares, provided that the performance conditions are fulfilled. The performance condition is related to the development of Hexagon's earnings per share compared with the target level set by the Board during the measurement period 1 January 2023 to 31 December 2026, where the last financial year during the measurement period is compared with the financial year preceding the measurement period. The fulfilment of the performance-based condition will be presented in the annual report for the financial year 2026.

Shares allotted are acquired by a third party, in its own name, and transferred to the participants in accordance with the Share Programme 2023/2026. The total costs for the share programme upon full fulfilment of the performance condition are estimated to amount to a maximum of approximately 60 MEUR allocated over the vesting period.

Dividend and share split
The dividend policy of Hexagon provides that, over the long-term, dividends should comprise between 25 and 35 per cent of earnings per share after tax, assuming that Hexagon satisfies its equity ratio objective. Dividends are resolved upon by the Annual General Meeting and payment is administered by Euroclear Sweden.

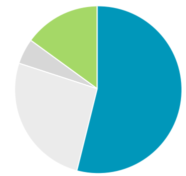
The Board of Directors proposes a dividend of 0.13 EUR (0.12) per share for 2023. The proposed dividend amounts to 41 per cent of the year's earnings per share after tax.

10%

Share price increase 2023

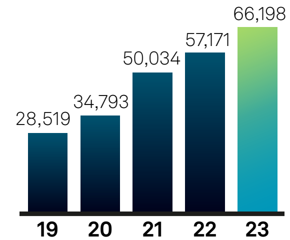
ISIN **SE0000103699**
Nasdaq **OMX Stockholm HEXA B**
Reuters **HEXAb.ST**
Bloomberg **HEXAB SS**
Sector **Technology**
Segment **Large Cap**

Geographic distribution of shareholdings, %

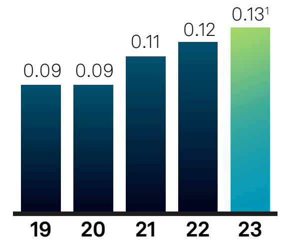


Sweden, 54
USA, 26
UK, 5
Other, 15

Number of shareholders



Cash dividend per share, EUR



1) According to the Board of Directors' proposal

Class of shares	Number of shares	Number of votes	% of capital	% of votes
A shares	110,250,000	1,102,500,000	4.1	29.9
B shares	2,574,127,888	2,574,127,888	95.1	70.1
Holding of treasury B shares	21,100,000	-	0.8	-
Total	2,705,477,888	3,676,627,888	100.0	100.0

Largest shareholders

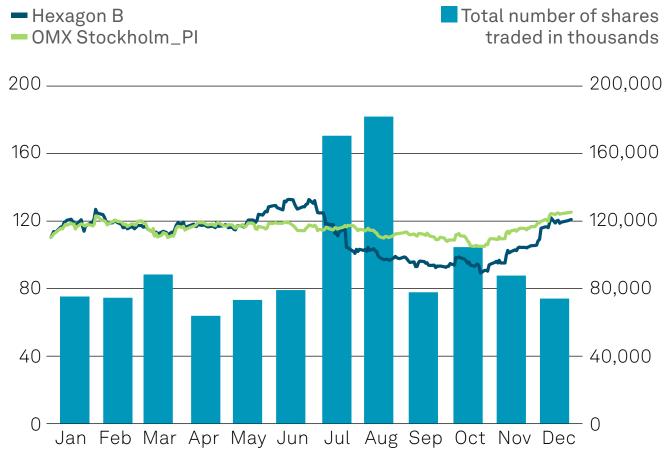
Owner/manager/deposit bank	A shares	B shares	% of capital	% of votes
Melker Schörling AB	110,250,000	472,081,440	21.52	42.58
State Street Bank and Trust Co.		244,415,546	9.03	6.61
JP Morgan Chase Bank NA		164,253,494	6.07	4.44
Swedbank Robur Fonder		157,283,838	5.81	4.25
Alecta Tjänstepension Ömsesidigt		92,570,000	3.42	2.50
JP Morgna Securities LLC		91,613,393	3.39	2.48
AMF Pension & Fonder		69,768,131	2.58	1.89
Handelsbanken Fonder		65,587,946	2.42	1.77
The Bank of New York Mellon		60,418,362	2.23	1.63
SEB Investment Management		49,033,344	1.81	1.33
CBNY-Norges Bank		46,269,007	1.71	1.25
Ramsbury Invest AB		45,000,000	1.66	1.22
Northern Trust Company, London branch		43,597,076	1.61	1.18
The Bank of New York Mellon SA/NV		40,196,749	1.49	1.09
Nordea Investment Funds		33,021,141	1.22	0.89
Folksam		32,106,409	1.19	0.87
Första AP-Fonden		27,262,247	1.01	0.74
Spiltan Fonder		24,222,496	0.90	0.66
Länsförsäkringar fondförvaltning AB		23,244,227	0.86	0.63
Clearstream Banking S.A.		21,675,069	0.80	0.59
Subtotal, 20 largest shareholders[1]	110,250,000	1,802,619,915	70.74	78.59
Summary, others		771,507,973	28.45	21.41
Total number of outstanding shares	110,250,000	2,574,127,888	99.19	100.00
Holding of treasury B shares		21,100,000	0.81	-
Total number of issued shares	110,250,000	2,595,227,888	100.00	100.00

1) The concentration corresponds to the 20 largest shareholders presented in the list
Source: Euroclear Sweden AB as of 29 December 2023

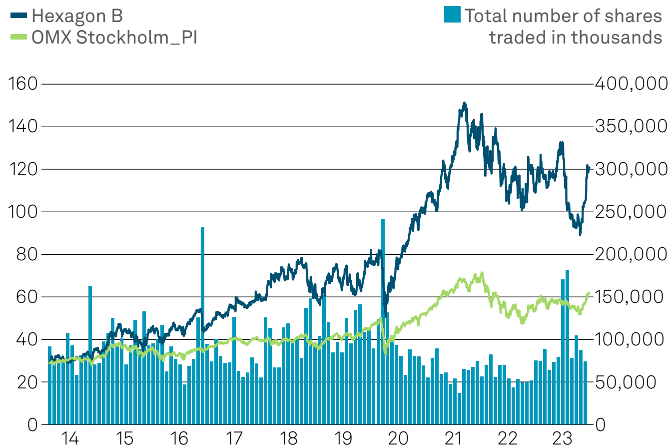
Key data per share

	2023	2022	2021	2020	2019
Shareholder's equity, EUR	3.73	3.65	3.24	2.31	2.36
Net earnings, euro cent	32.0	37.4	30.8	24.0	27.4
Cash flow, euro cent	54.0	51.0	52.0	53.4	43.1
Cash dividend, EUR	0.13[1]	0.12	0.11	0.09	0.09
Pay-out ratio, %	41.0	32.1	35.7	38.7	32.3
Share price, EUR	10.90	9.80	14.02[2]	74.72	50.25
P/E ratio[3]	34	26	46	45	26

1) According to the Board of Directors' proposal
2) Share split 7:1 2021, historical data has not been restated
3) Based on the share price on 31 December and calendar year earnings



Source: Nasdaq



Source: Nasdaq

The Hexagon share

Year Transaction	Nominal value, SEK/ EUR	A shares, change	B shares, change	A shares, total	B shares, total	Share capital, SEK/EUR
2000	10			840,000	13,953,182	147,931,820
2002 Rights issue	10	210,000	3,488,295	1,050,000	17,441,477	184,914,770
2004 New issue, warrants exercised	10		10,170	1,050,000	17,451,647	185,016,470
2005 New issue, warrants exercised	10		722,635	1,050,000	18,174,282	192,242,820
2005 Bonus issue	12			1,050,000	18,174,282	230,691,384
2005 Split 3:1	4	2,100,000	36,348,564	3,150,000	54,522,846	230,691,384
2005 New issue, warrants exercised	4		154,500	3,150,000	54,677,346	231,309,384
2005 Issue in kind of consideration shares[1]	4		11,990,765	3,150,000	66,668,111	279,272,444
2005 Issue in kind of consideration shares[1]	4		82,000	3,150,000	66,750,111	279,600,444
2006 Rights issue	4	787,500	16,687,527	3,937,500	83,437,638	349,500,552
2006 New issue, warrants exercised	4		508,933	3,937,500	83,946,571	351,536,284
2006 Compulsory redemption, Leica Geosystems	4		198,635	3,937,500	84,145,206	352,330,824
2006 New issue, warrants exercised	4		309,119	3,937,500	84,454,325	353,567,300
2007 New issue, warrants exercised[2]	4		58,170	3,937,500	84,512,495	353,625,470
2007 Bonus issue	6			3,937,500	84,512,495	530,699,970
2007 Split 3:1	2	7,875,000	169,024,990	11,812,500	253,537,485	530,699,970
2008 New issue, warrants exercised[2]	2		169,785	11,812,500	253,707,270	531,039,540
2008 Repurchase of shares	2		-1,311,442	11,812,500	252,395,828	531,039,540
2009 Sale of repurchased shares, warrants exercised	2		138,825	11,812,500	252,534,653	531,039,540
2010 Sale of repurchased shares, warrants exercised	2		20,070	11,812,500	252,554,723	531,039,540
2010 Rights issue	2	3,937,500	83,845,572	15,750,000	336,400,295	707,284,354
2011 Rights issue	2		339,335	15,750,000	336,739,630	707,284,354
2011 Change of functional currency to EUR	0.22			15,750,000	336,739,630	78,471,187
2012 Sale of repurchased shares, warrants exercised	0.22		185,207	15,750,000	336,924,837	78,471,187
2013 Sale of repurchased shares, warrants exercised	0.22		967,340	15,750,000	337,892,177	78,471,187
2013 New issue, warrants exercised	0.22		1,354,800	15,750,000	339,246,977	78,771,810
2014 New issue, warrants exercised	0.22		2,392,236	15,750,000	341,639,213	79,302,633
2015 New issue, warrants exercised	0.22		2,947,929	15,750,000	344,587,142	79,956,762
2016 New issue, warrants exercised	0.22		106,000	15,750,000	344,693,142	79,980,283
2018 New issue, warrants exercised	0.22		2,481,550	15,750,000	347,174,692	80,530,925
2019 New issue, warrants exercised	0.22		4,614,810	15,750,000	351,789,302	81,554,881
2020 New issue, warrants exercised	0.22		11,500	15,750,000	351,800,802	81,557,432
2020 Repurchase of treasury shares	0.22		-646,000	15,750,000	351,154,802	81,557,432
2021 Split 7:1	0.03	94,500,000	2,105,704,812	110,250,000	2,456,655,614	81,557,432
2021 Issue in kind of consideration shares[3]	0.03		132,622,274	110,250,000	2,587,877,888	85,761,451
2021 Repurchase of shares	0.03		-4,828,000	110,250,000	2,595,227,888	85,761,451
2022 Repurchase of shares	0.03		-6,450,000	110,250,000	2,579,427,888	85,761,451
2023 Repurchase of shares	0.03		-5,300,000	110,250,000	2,574,127,888	85,761,451
Total number of outstanding shares	0.03			110,250,000	2,574,127,888	85,761,451

1) Issues in kind in connection with the acquisition of Leica Geosystems whereby shares in Leica Geosystems were contributed in exchange for B shares in Hexagon
2) Issue in kind in connection with annual block exercise in Leica Geosystems' warrant programme whereby shares in Leica Geosystems received by the programme participants based on the exercise of warrants were contributed in exchange for B shares in Hexagon
3) Issue in kind in connection with the acquisition of Infor's EAM business

Ownership structure

Holding per shareholder	Number of shareholders	No. of A shares	No. of B shares
1–500	46 369	-	5,097,953
501–1,000	6,143	-	4,676,850
1,001–2,000	4,568	-	6,749,139
2,001–5,000	4,387	-	14,160,115
5,001–10,000	1,973	-	14,481,892
10,001–20,000	1,127	-	15,800,219
20,001–50,000	781	-	23,887,899
50,001–100,000	312	-	21,872,484
100,001–500,000	295	-	64,259,797
500,001–1,000,000	51	-	35,908,209
1,000,001–5,000,000	117	-	265,801,911
5,000,001–10,000,000	29	-	203,976,719
10,000,001-	46	110,250,000	1,918,554,701
Total	66,198	110,250,000	2,595,227,888

Source: Euroclear Sweden AB as of 29 December 2023

Analysts following Hexagon AB

Organisation	Name
ABG Sundal Collier	Olof Cederholm
Bank of America	Alexander Virgo
Barclays	Sven Merkt
Berenberg	Nay Soe Naing
Bernstein	Nicholas Green
Carnegie	Mikael Laséen
Citi	Pavan Daswani
Danske Bank	Viktor Trollsten
Deutsche Bank	Johannes Schaller
DNB	Joachim Gunell
Goldman Sachs	Mohammed Moawalla
Handelsbanken	Daniel Djurberg
HSBC	Puneet Garg
JP Morgan	Toby Ogg
Kepler Cheuvreux	Johan Eliason
Morgan Stanley	Adam Wood
Nordea	Magnus Kruber
SEB Equities	Erik Golrang
UBS Investment Research	Guillermo Peigneux-Lojo

Quarterly income statements

	2023					2022				
MEUR	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Net sales	1,285.1	1,365.0	1,349.8	1,435.3	5,435.2	1,159.7	1,282.3	1,316.6	1,401.9	5,160.5
Gross earnings	853.3	893.7	842.1	954.1	3,543.2	744.3	834.2	856.0	926.5	3,361.0
Sales expenses	-259.6	-276.8	-333.3	-289.6	-1,159.3	-226.9	-250.0	-262.6	-279.8	-1,019.3
Administration expenses	-108.1	-110.5	-153.2	-109.4	-481.2	-100.7	-99.8	-107.5	-108.7	-416.7
Research and development expenses	-157.9	-155.2	-198.1	-163.3	-674.5	-141.7	-153.0	-155.4	-157.0	-607.1
Other income and expenses, net	0.7	-1.0	-10.7	-1.2	-12.2	-39.1	3.2	11.9	-7.2	-31.2
Operating earnings[1]	328.4	350.2	146.8	390.6	1,216.0	235.9	334.6	342.4	373.8	1,286.7
Financial income/expenses net	-26.8	-36.2	-43.0	-49.3	-155.3	-5.8	-5.6	-8.9	-18.4	-38.7
Earnings before tax	301.6	314.0	103.8	341.3	1,060.7	230.1	329.0	333.5	355.4	1,248.0
Tax	-54.3	-56.6	-16.6	-61.4	-188.9	-45.7	-59.2	-60.0	-64.0	-228.9
Net earnings[2]	247.3	257.4	87.2	279.9	871.8	184.4	269.8	273.5	291.4	1,019.1
1) of which adjustments	-42.8	-43.9	-246.2	-47.8	-380.7	-99.2	-43.9	-43.8	-44.2	-231.1
2) of which non-controlling interest	2.9	3.7	3.6	2.7	12.9	2.6	3.1	3.3	2.5	11.5
Earnings include depreciation/ amortisation and impairments of	-119.0	-124.6	-144.7	-174.7	-563.0	-103.6	-116.0	-114.5	-132.9	-467.0
Earnings per share, euro cent	9.1	9.4	3.1	10.3	32.0	6.7	9.9	10.0	10.7	37.4
Earnings per share after dilution, euro cent	9.0	9.4	3.1	10.2	31.7	6.7	9.9	10.0	10.7	37.4
Earnings per share excl. adjustments, euro cent	10.4	10.8	10.6	11.8	43.5	9.9	11.2	11.4	12.1	44.6
Average number of shares (thousands)	2,689,678	2,689,678	2,687,028	2,684,378	2,687,690	2,695,712	2,694,555	2,691,928	2,689,882	2,693,019
Average number of shares after dilution (thousands)	2,705,478	2,705,478	2,708,128	2,705,478	2,706,141	2,705,912	2,707,105	2,706,478	2,705,682	2,706,294

10-year summary

MEUR	2014	2015	2016	2017	2017[2]	2018	2019[3]	2020	2021	2022	2023
Income statement											
Net sales	2,622.4	3,043.8	3,149.2	3,448.4	3,448.1	3,760.7	3,907.7	3,764.4	4,341.1	5,160.5	5,435.2
Operating earnings (EBITDA)	743.5	912.3	970.0	1,109.5	1,107.0	1,197.7	1,339.1	1,411.6	1,654.1	1,877.1	2,026.6
Adjusted operating earnings (EBIT1)[4]	602.8	725.0	771.3	880.2	877.7	978.0	1,023.6	1,009.5	1,269.6	1,517.8	1,596.7
Operating earnings	542.1	656.1	736.1	762.1	759.6	925.1	892.2	787.0	1,009.8	1,286.7	1,216.0
Earnings before tax	508.5	629.6	714.3	739.4	736.9	902.3	865.3	759.6	983.6	1,248.0	1,060.7
- of which adjustments	-60.7	-68.9	-35.2	-118.1	-118.1	-52.9	-131.4	-222.5	-259.8	-231.1	-380.7
Net earnings	406.2	505.1	578.6	673.8	671.2	738.1	708.6	624.7	810.0	1,019.1	871.8
- of which non-controlling interest	3.4	5.2	5.3	7.1	7.1	8.1	6.2	6.6	8.4	11.5	12.9
Balance sheet											
Current assets	1,410.7	1,492.7	1,672.4	1,815.4	1,799.8	2,061.6	2,118.4	1,894.1	2,271.7	2,643.7	2,752.1
Fixed assets	5,401.3	5,939.4	6,241.7	6,813.8	6,813.8	7,622.5	8,482.2	8,809.5	11,823.3	13,833.3	14,131.7
Non-interest bearing liabilities and provisions	1,216.5	1,360.7	1,474.5	1,666.8	1,664.7	1,901.0	1,939.7	1,981.1	2,317.4	2,684.4	2,697.4
Interest bearing liabilities and provisions	2,125.3	1,969.1	1,848.8	2,344.3	2,344.6	2,463.9	2,584.0	2,773.3	3,012.9	3,928.0	4,140.3
Shareholders' equity	3,470.2	4,102.3	4,590.8	4,618.1	4,604.4	5,319.2	6,076.9	5,949.2	8,764.7	9,864.6	10,046.1
Total assets	6,812.0	7,432.1	7,914.1	8,629.2	8,613.4	9,684.1	10,600.6	10,703.6	14,095.0	16,477.0	16,883.8
Key ratios											
Adjusted operating margin, %	23	24	24	26	25	26	26	27	29	29	29
Return on capital employed, %	12	12	13	13	13	14	13	12	13	12	11
Return on equity, %	13	13	14	15	15	15	12	10	12	11	9
Investments	232.5	230.3	257.6	275.6	275.6	389.1	399.1	383.3	419.4	552.7	598.3
Equity ratio, %	51	55	58	54	54	55	57	56	62	60	60
Share of risk-bearing capital, %	56	61	64	59	59	60	62	60	66	63	63
Interest coverage ratio (times)	14.3	20.3	27.9	27.1	27.0	31.9	26.8	23.5	32.4	27.3	7.3
Net debt/equity ratio (times)	0.50	0.38	0.30	0.40	0.40	0.35	0.31	0.37	0.27	0.33	0.34
Cash flow before changes in working capital and excluding non-recurring items	619.2	749.9	832.1	882.3	879.7	1,004.8	1,125,5	1,153.2	1,372.8	1,546.5	1,530.1
Cash flow after changes in working capital and excluding non-recurring items	563.4	722.6	782.1	907.2	907.2	944.1	1,103.6	1,374.5	1,351.4	1,372.7	1,451.9
Earnings per share, euro cent	16.1	19.9	22.7	26.4	26.3	28.9	27.4	24.0	30.8	37.4	32.0
Earnings per share after dilution, euro cent	16.1	19.9	22.7	26.3	26.3	28.7	27.4	24.0	30.8	37.2	31.7
Cash flow per share before changes in working capital and excluding non-recurring items, euro cent	24.9	29.9	33.0	35.0	34.9	39.7	44.0	44.9	52.8	57.4	56.9
Cash flow per share after changes in working capital and excluding non-recurring items, euro cent	22.6	28.7	31.0	36.0	36.0	37.4	43.1	53.4	52.0	51.0	54.0
Equity per share, EUR	1.38	1.62	1.81	1.83	1.82	2.09	2.36	2.31	3.24	3.65	3.73
Closing share price, SEK	242	315	326	411	411	408	525	750	144	109	121
Cash dividend per share, EUR	0.05	0.06	0.07	0.08	0.08	0.08	0.09	0.09	0.11	0.12	0.13[1]
Average number of shares (thousands)	2,490,348	2,515,709	2,523,031	2,523,101	2,523,101	2,526,594	2,554,286	2,572,780	2,599,293	2,693,019	2,687,690
Average number of shares after dilution (thousands)	2,500,575	2,518,719	2,526,153	2,531,123	2,531,123	2,536,107	2,556,694	2,573,914	2,606,291	2,706,294	2,706,141
Number of shares, closing balance (thousands)	2,501,723	2,522,359	2,523,101	2,523,101	2,523,101	2,540,475	2,572,773	2,568,335	2,696,128	2,689,678	2,684,378
Average number of employees	14,865	15,891	16,460	17,543	17,543	19,249	20,250	20,343	21,291	23,196	24,548

1) As proposed by the Board of Directors
2) Restated – IFRS 15
3) IFRS 16 is applied from 2019, comparison numbers have not been restated
4) From 2021 adjusted operating earnings (EBIT1) is excluded from amortisation of surplus values in the purchase price allocation (PPA), comparison numbers have been restated

The share-related key financial ratios have been calculated considering all historical share issues and splits.

Financial definitions

In addition to the financial measures as required by the financial reporting framework based on IFRS, this report also includes other measures and indicators that are used to follow-up, analyse and manage the business. These measures also provide Hexagon stakeholders with useful financial information on the Group's position, performance and development in a consistent way. Below is a list of definitions of measures and indicators used in this report.

Amortisation of surplus values
When a company is acquired, the purchase consideration is allocated to the identified assets and liabilities of the company. Intangible assets are most often allocated the substantial part of the purchase consideration. The amortisation of surplus values is defined as the difference between the amortisation of such identified intangible assets and what the amortisation would have been in the acquired company had the acquisition not taken place at all.

Adjustments
Adjustments consists of expenses related to the share programme (LTIP), amortisation of surplus values (PPA) and non-recurring items which refers to income and expenses that are not expected to appear on a regular basis and impact comparability between periods.

Adjusted operating earnings (EBIT1)
Operating earnings excluding adjustments. Adjustments are excluded to facilitate the understanding of the Group's operational development and to give comparable numbers between periods.

Adjusted operating earnings (EBITDA)
Adjusted operating earnings (EBIT1) excluding amortisation, depreciation and impairment of fixed assets. The measure is presented to give depiction of the result generated by the operating activities.

Adjusted EBITDA-margin
Adjusted operating earnings (EBITDA) as a percentage of operating net sales.

Adjusted operating margin
Adjusted operating earnings (EBIT1) as a percentage of net sales for the year.¨

Capital employed
Total assets less non-interest bearing liabilities.

Capital turnover rate
Net sales for the year divided by average capital employed.

Cash conversion
Operating cash flow excluding interest, tax payments and non-recurring items divided by operating earnings (EBIT1).

Cash flow
Cash flow from operations before change in working capital and excluding non-recurring items.

Cash flow per share
Cash flow from operations, after change in working capital, excluding non-recurring items divided by average number of shares.

Commercial paper
An unsecured promissory note with a fixed maturity of 1 to 365 days.

Earnings per share
Net earnings excluding non-controlling interests divided by average number of shares.

Equity ratio
Shareholders' equity including non-controlling interests as a percentage of total assets.

Gross margin
Gross earnings divided by operating net sales.

Interest coverage ratio
Earnings after financial items plus financial expenses divided by financial expenses.

Investments
Purchases less sales of tangible and intangible fixed assets, excluding those included in acquisitions and divestitures of subsidiaries.

Net debt
Interest bearing liabilities including pension liabilities and interest bearing provisions less cash and cash equivalents.

Net indebtedness
Interest bearing liabilities less interest bearing current receivables and liquid assets divided by shareholders' equity excluding non-controlling interests.

Operating net sales
Net sales adjusted by the difference between fair value and book-value of deferred revenue regarding acquired businesses.

Organic growth
Net sales compared to prior period excluding acquisitions and divestments and adjusted for currency exchange movements.

Pay-out ratio
Dividend per share as a percentage of earnings per share.

P/E ratio
Share price divided by earnings per share.

Profit margin before tax
Earnings after financial items as a percentage of net sales.

Return on capital employed (12-month average)
Twelve months to end of period earnings after financial items, excluding adjustments, plus financial expenses as a percentage of twelve months to end of period average capital employed. The twelve months average capital employed is based on average quarterly capital employed.

Return on shareholders' equity (12-month average)
Twelve months to end of period net earnings excluding non-controlling interests as a percentage of twelve months to end of period average shareholders' equity excluding non-controlling interests last twelve months. The twelve months average equity is based on quarterly average equity.

Revolving credit facility
A loan facility where the borrower may increase and reduce the size of outstanding debt up to the available limit during the term of the loan.

Shareholders' equity per share
Shareholders' equity excluding non-controlling interests divided by the number of shares at year-end.

Share of risk-bearing capital
Shareholders' equity including non-controlling interests and provision for taxes as a percentage of total assets.

Share price
Last settled transaction on Nasdaq OMX Stockholm on the last business day for the year.

Term loan
A fixed amount loan with a maturity date of more than one year and with a specified repayment schedule where the borrower is not entitled to re-borrow any amount which it has repaid.

Business definitions

AI Artificial Intelligence

AIM Asset Information Management

Americas North America, South America and Central America

Asia Asia (excluding Middle East), Australia and New Zealand

BIM Building Information Modelling

CAD Computer-Aided Design, software for creating technical drawings

CAE Computer-Aided Engineering, simulation software

CAM Computer-Aided Manufacturing, software for controlling machine tools

CMM Coordinate Measuring Machine

EAM Enterprise Asset Management

EHS Environment, Health and Safety

EMEA Europe, Middle East and Africa

Emerging markets Eastern Europe, Middle East, South America, Africa and Asia excluding Australia, New Zealand, Japan and Korea

ESG Environmental, Social and Governance

GDPR General Data Protection Regulation

GES Hexagon's operating segment Geospatial Enterprise Solutions

IES Hexagon's operating segment Industrial Enterprise Solutions

IMU Inertial Measurement Unit

ISDA International Swaps and Derivatives Association

OECD Organisation of Economic Cooperation and Development

R&D Research and development

QMS Quality Management System

SaaS Software as a service

Currency codes

AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
CHF	Swiss Franc
CNY	Chinese Yuan
EUR	Euro
GBP	British Pound
INR	Indian Rupee
JPY	Japanese Yen
SEK	Swedish Kronor
USD	US Dollar

Shareholder information

Annual General Meeting 2024
The Annual General Meeting (AGM) will be held on Monday 29 April 2024 at 17:00 CET at IVA Konferenscenter, Grev Turegatan 16 in Stockholm, Sweden. Shareholders who wish to attend the AGM in person, by proxy or by postal voting must

- be registered in the share register maintained by Euroclear Sweden AB on Friday 19 April 2024. Shareholders with nominee-registered holdings should temporarily have their shares registered in their own names through the agency of their nominees so that they are recorded in the share register well before 19 April 2024.
- give notice to the Company of their intention to participate no later than Tuesday 23 April 2024 in accordance with the instructions below.

Participation in person or by proxy
Notification of participation in the AGM can be made via Hexagon's website hexagon.com, by post to Hexagon AB, "Annual General Meeting", c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 92 21 no later than 23 April 2024.

Upon notification, the shareholder shall state name, personal or corporate identity number, address, telephone number (daytime) and shareholding. Proxies and representatives of legal entities must submit relevant authorisation documents before the meeting. Proxy forms are available on the Company's website and will be sent by post to shareholders who contact the Company and state their address.

Participation by postal voting
A special form must be used for postal voting. The form is available on the Company's website. Notification to the meeting does not need to be made separately as the postal voting form is also valid as notification.

The completed and signed postal voting form can be sent by post to Hexagon AB, "Annual General Meeting", c/o Euroclear Sweden, P.O. Box 191, SE-101 23 Stockholm, Sweden or by e-mail to GeneralMeetingService@euroclear.com. The completed and signed form must be received by Euroclear Sweden AB no later than 23 April 2024. Shareholders may also, no later than 23 April 2024, cast a postal vote electronically by verifying with BankID via Euroclear Sweden AB's website https://anmalan.vpc.se/EuroclearProxy. The shareholder may not provide the postal vote with special instructions or conditions. If so, the entire postal vote is invalid. Further instructions and conditions can be found in the postal voting form and on https://anmalan.vpc.se/EuroclearProxy.

Dividend
The Board of Directors proposes that a dividend of 0.13 EUR per share be declared for the financial year 2023. As record day for right to receive dividend, the Board of Directors proposes Thursday 2 May 2024. If the AGM resolves in accordance with the proposal, the dividend is expected to be paid through Euroclear Sweden AB starting on Friday 10 May 2024. Payment is made in EUR, provided that EUR can be received on the shareholder's yield account; if not, payment will be distributed in SEK, whereby currency exchange is made in accordance with Euroclear Sweden AB's applicable procedures.

Financial information 2024
Hexagon will issue financial information concerning the business year 2024 on the following dates:

Q1 Interim Report	26 April 2024
Q2 Interim Report	26 July 2024
Q3 Interim Report	25 October 2024
Year-End Report	31 January 2025

Distribution policy
The Hexagon Annual Report is distributed digitally. The annual report can be downloaded at the website where Hexagon's Annual Reports from 1997 and onwards are available. For a printed copy please contact Hexagon AB.

NORDIC SWAN ECOLABEL
Printed matter
3041 0001

Produced by Hexagon in cooperation with Hallvarsson & Halvarsson. Print: Åtta.45. Photo: Hexagon, Shutterstock and AdobeStock.

Hexagon AB
P. O. Box 3692
SE-103 59 Stockholm, Sweden

Visiting address
Lilla Bantorget 15, Stockholm

Telephone: +46 8 601 26 20
E-mail: info@hexagon.com
Website: hexagon.com