We provide actionable intelligence

– through leading measurement and visualisation technologies

ANNUAL REPORT 2010

HEXAGON
precision in everything

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Integrated measurement and visualisation technologies

Our solutions are used for high-precision positioning and inspection surveys of high-speed railway sections between Beijing and Tianjin in China.

Hexagon empowers customers to create, manage and share information to increase productivity, improve quality and make better, faster operational decisions, by exploiting multi-dimensional data.

Technological leadership

Continual investment in research and development is critical to Hexagon's innovation of new technologies. Nearly 2 000 engineers, more than 16 per cent of Hexagon's employees, are engaged in R&D. Hexagon has launched many award-winning innovations over the years and the patent portfolio consists of 2 100 patents.

R&D STRATEGY SEE PAGE 28

Attractive customer mix

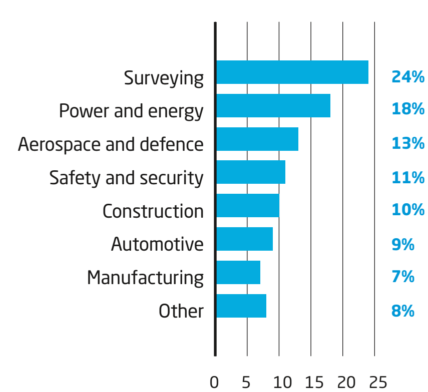
We have customers across nearly all industries throughout the world. Surveying, power and energy, aerospace and defence, safety and security, construction, manufacturing industries etc. No individual customer represent more than 1.5 per cent of Group net sales. Hexagon is a global leader in its market.

MARKET OVERVIEW SEE PAGE 10

16%

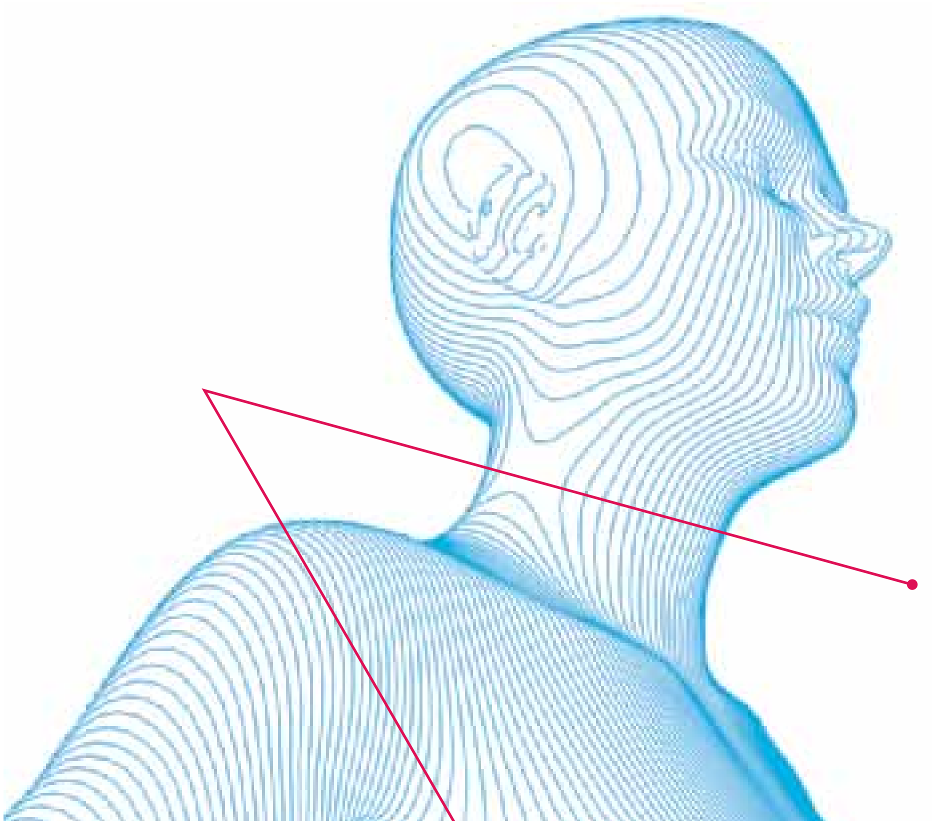
of the employees are engaged in R&D

NET SALES BY CUSTOMER GROUP [1]



[1] Including Intergraph pro forma 2010. Excluding Other Operations.

Hexagon AB is a Swedish public limited liability company with Corporate Registration Number 556190-4771.
All values are expressed in Swedish kronor unless otherwise stated. Kronor is abbreviated to SEK and millions of kronor to MSEK. Figures in parentheses refer to 2009 unless otherwise stated.
Data on markets and competition represent Hexagon's own assessments unless otherwise stated. Assessments are based on most recent available facts from published sources.
This report contains forward-looking statements based on the 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.



Speed, professionalism and entrepreneurship are three of Hexagon's six core values.

Global coverage, local presence

Hexagon has a wide geographic coverage and a strong local presence and a well-diversified customer base in terms of geographical distribution. Hexagon's products are developed and assembled locally, close to the customer, and sold across the globe. The growth in emerging markets is a significant driver for Hexagon.

MARKET OVERVIEW SEE PAGE 12

Dedicated employees

Hexagon has close to 12 000 employees in 43 countries. They provide the highest commitment and service to customers all over the globe. Our employees work in research and development, marketing, sales, assembly, installation, customer training, service and administration.

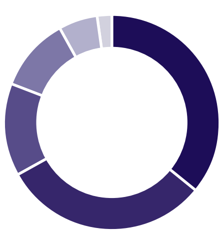
CORPORATE RESPONSIBILITY SEE PAGE 34

Creating value for shareholders

Hexagon's vision is to generate long-term growth and increase shareholder value. The Hexagon share is traded on NASDAQ OMX Stockholm's Large Cap list and SIX Swiss Exchange. Earnings per share, excluding non-recurring items, increased by 41 per cent during 2010.

THE HEXAGON SHARE SEE PAGE 36

NET SALES BY GEOGRAPHIC REGION [2]



- Western Europe 36%
- North America 31%
- China 14%
- Asia Pacific 11%
- EMEA excluding Western Europe 6%
- South America 2%

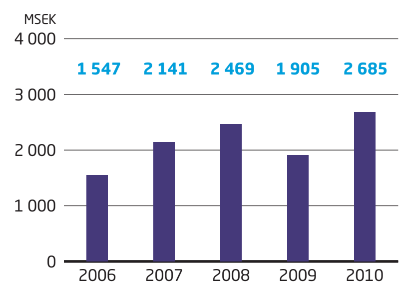
[2] Including Intergraph pro forma 2010.

Employees in

43

countries

OPERATING EARNINGS (EBIT1) [3]



[3] Excluding Other Operations.

Hexagon application areas

The Hexagon Group's operations are governed and reported on the basis of two business areas: Measurement Technologies and Other Operations. Measurement Technologies includes the application areas Geosystems, Metrology and Technology. Hexagon's customer offering spans across a wide variety of segments and is sold under a number of strong local or international brands.

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Geosystems

(see page 14)

The Geosystems application area involves measuring the world around us, mainly in the development and protection of infrastructure.

Offering
A wide array of systems and software that capture and leverage multi-dimensional measurement and positioning data.

Market
Customers include building and construction companies, map companies, surveying, extraction companies, agriculture, mining and security and defense related industries.

Share of net sales

38%[1]

Software and service content
The majority of the offering is hardware even though software is an integrated part of the products.

• Software Hardware •

Distribution
Products are sold mainly through a worldwide network of distributors.

• Direct sales Indirect sales •

Metrology

(see page 18)

The Metrology application area specialises in optimising the manufacturing process through the precise and accurate measurement of manufacturing components.

Offering
Measurement systems and dimensional software to optimise production processes by minimising quality issues and reducing cost.

Market
Customers include manufacturing industries such as automotive, aerospace, electronics, machinery, energy and medical technology.

Share of net sales

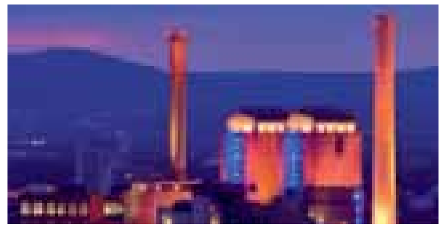
26%[1]

Software and service content
Significant proportion software and service and a fair share of hardware.

• Software Hardware •

Distribution
Products are primarily sold through an in-house sales organisation.

• Direct sales Indirect sales •



Technology

(see page 22)

The Technology application area includes enterprise engineering and geospatially-powered software solutions and GNSS and inertial technology positioning and tracking devices.

Offering
Software solutions to build and operate plants and ships and create intelligent maps, and precision components such as GNSS receivers.

Market
Customers include security and defense, utilities and communications, oil and gas, metals and mining, nuclear and power generation, marine, offshore and shipbuilding.

Share of net sales

36%[1,2]

Software and service content
Solutions contain primarily engineering and geospatial software.

• Software Hardware •

Distribution
Components and solutions are sold via a global direct sales force.

• Direct sales Indirect sales •

[1] Excluding Other Operations
[2] Including Intergraph pro forma 2010

The year in brief

Year 2010 was a year of recovery. Hexagon's strong presence in emerging markets and highly competitive product portfolio fuelled the Group's upturn. The acquisition of Intergraph closed on 28 October and by year-end Hexagon reached sales levels above previous peak numbers.

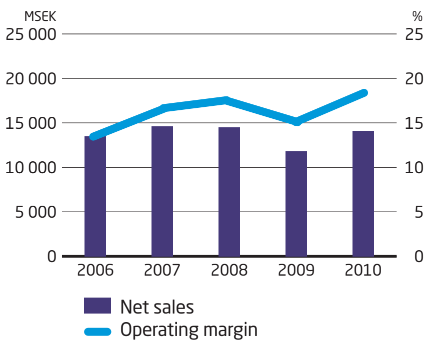
KEY FIGURES	MSEK 2010	MSEK 2009	MEUR [1] 2010	MEUR [1] 2009
Operating net sales	14 150	11 811	1 487.1	1 112.0
Revenue adjustments [2]	-54	–	-5.8	–
Net sales	14 096	11 811	1 481.3	1 112.0
Operating earnings (EBIT1)	2 604	1 784	272.9	168.0
Operating margin, %	18.4	15.1	18.4	15.1
Earnings before taxes, excluding non-recurring items	2 362	1 626	247.5	153.2
Non-recurring items [3]	-1 304	-184	-136.6	-17.4
Earnings before taxes	1 058	1 442	110.9	135.8
Net earnings	875	1 254	91.7	118.1
Earnings per share, excluding non-recurring items, SEK/EUR	6.54	4.65	0.69	0.44
Earnings per share, SEK/EUR	2.83	4.13	0.30	0.39
Operating cash flow, excluding non-recurring items	1 651	1 800	173.0	169.5
Return on equity, %	6	10	6	10
Return on capital employed, %	9	8	9	8
Share price, SEK/EUR	144	93	16.1	9.1
Average number of employees	8 179	7 549	8 179	7 549

[1] As of 1 January 2011, Hexagon has changed presentation currency from SEK to EUR.
[2] Non-recurring reduction of acquired deferred revenue in 2010 related to the acquisition of Intergraph.
[3] Non-recurring items 2010 related to the acquisition of Intergraph and impairment in Other Operations.

The Hexagon Board of Directors proposes a dividend for the financial year 2010 of 1.40 SEK per share.

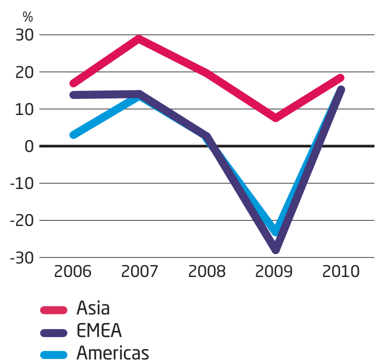
NET SALES AND OPERATING MARGIN

Operating margin improved from 13.6 per cent in 2006 to 18 per cent in 2010. In 2009 the margin decreased due to low volumes caused by the economic downturn.



ORGANIC GROWTH BY REGION

Customer demand has grown in all regions and all application areas during 2010. Asia grew by 19 per cent and was the fastest growing region during the year.



18%

operating margin

Q1

Hexagon returned to growth in order intake and net sales and the gross margin improvement in the quarter confirmed profitability of newly launched products.

Q2

North America and Europe displayed an accelerated recovery and the emerging markets continued their rapid expansion. The operating margin improved to 18 per cent in the second quarter.

Q3

The third quarter showed a continued recovery in demand with organic growth in order intake and net sales of 21 and 23 per cent respectively.

On 7 July it was announced that Hexagon had entered into an agreement to acquire US-based software provider Intergraph Corporation.

Q4

The accelerating organic growth in the fourth quarter and the recovery throughout the year, took Hexagon to sales levels above previous peaks. Hexagon, excluding Other Operations, posted a record operating margin of 22 per cent.

The acquisition of Intergraph was completed on 28 October. On 2 December a preferential rights issue was launched to raise 6 521 MSEK as part of the financing of the acquisition of Intergraph. The rights issue was fully subscribed.

An EGM on 24 November resolved that Hexagon AB shall have EUR as its accounting currency effective as of 1 January 2011.

A rewarding year for the Hexagon Group

Today, our position as a world leading developer of measurement and visualisation technologies is the result of a ten-year, radical transformation of Hexagon as a company. What began as a Nordic conglomerate of engineering and trading companies, is now a global research-intensive Group, active in rapidly growing markets that continue to define the world's progress. In 2010, Hexagon continued to develop new products, advance market positions in key sectors and grow sales in all areas. The acquisition of Intergraph was the year's major event, a move that marks a new era in our development.

2010 was one of the most exciting years in the short history of Hexagon. We emerged from the financial crisis as a stronger entity, having successfully implemented an extensive restructuring programme in 2009. Six months later we announced the largest acquisition in our history and experienced record growth. I am proud to be part of this fantastic organisation.

TECHNOLOGIES TO IMPROVE OUR PLANET

I am also very proud of what our technologies achieve. Our products and services are used in thousands of applications that all have one thing in common: making various processes more efficient, cheaper and greener. This may involve measuring the quality in production processes, using a plot of land in an optimal way, or reducing waste and loss in the construction industry. Our efforts in research and development create solutions that contribute to solving the great challenges of our time: the need for food, cleaner solutions, and a more resource-efficient society.

Our company develops and assembles high technology products under laboratory-like conditions, thus limiting the environmental impact of our operations. Our facilities are ISO 14001 certified and we have a programme for monitoring our subcontractors in place. The genuine environmental benefits derive from our customers and our customers' customers deploying our products in their activities. By doing so, our customers reduce scrap and consumption of natural resources and energy.

I'll give you a few examples. Today, our systems support the development of the future's electrically-driven cars and we have systems that not only reduce, but also eliminate energy waste in certain manufacturing processes. Our GPS-based guidance systems for agriculture machines in combination with in-depth GIS analyses of crops, can increase productivity and output by 30 per cent, largely due to reduced fuel consumption and precision watering and fertilising. Our navigation systems for civil aviation worldwide reduce fuel consumption for commercial airlines significantly by optimising flight routes and waiting times in the air.

OUR MARKET DRIVERS

I believe that demand for cleaner and more effective industrial production, agriculture, energy generation, improved infrastructure and transportation are the most important factors driving our business today and in the years ahead. A growing population and continued urbanisation lead to an ever-increasing need for more effective land and resource utilisation. Political decisions and the market's requirements create a growing demand for transport, food, and housing that generates less negative impact on our planet than past and current technologies.

It is these requirements, and the commercial opportunities they provide, that enable us to invest close to ten per cent of our net sales in research and development. We are an important part of a global green revolution that spans nearly every sector of the economy, in which advanced design, measurement and positioning technologies provide a vital contribution to the future of our planet.

THIS YEAR'S MOST IMPORTANT EVENT

The acquisition of Intergraph, that we announced in July 2010, was the defining event of the year for Hexagon. We had monitored Intergraph for the previous five years and 2010 was the year when the timing was right. On 28 October 2010, all necessary approvals had been obtained, the acquisition was complete and Intergraph's integration into the Hexagon Group could begin.

Intergraph was the natural next step in the development of Hexagon. Over the years, we have built up the capability to describe objects in the real world thanks to our 3D measurement capabilities. Intergraph adds the capability to present these objects using 3D GIS and CAD software technologies. By combining the two we give our customers the possibility to seamlessly exchange information between the real world and the design model or map. This will greatly improve customers' ability to further reduce the use of input materials, reduce scrap rates and waste, and improve performance and productivity of the final product or solution.

Again, I'll give you a few examples. Intergraph's world leading design tools are used to design the world's most effective power plants for heat and electrical production, and the company's safety initiatives feature solutions to help keep facilities running safely. Intergraph is far ahead in the development of "smart grids" for electricity transmission, an area where the expectations for energy efficiency are enormous. Intergraph also provides solutions to public safety and security agencies to improve dispatch centre efficiency and detect threats through a variety of security devices, assess the severity of incidents, and respond quickly and efficiently to allocate critical resources.

EXCITING TIMES AHEAD

The process of integrating Intergraph into the Hexagon Group is well underway. Every acquisition is unique and integration is all about the people. I am extremely content with the rapid implementation of cost synergies and the potential of the various development projects that

Point cloud created with LeicaScanStation C10, typically used in documentation of buildings, plants and crime scenes.

have been launched this winter, combining Hexagon and Intergraph technologies.

Our primary aim for Intergraph is to continue to grow the business internationally. I want to ensure that Intergraph has a good, solid presence around the world.

We will continue to focus on expanding Hexagon's presence in emerging markets. Today we have a solid position in emerging markets, representing 30 per cent of our net sales. However, this part of the world offers far higher potential, and we need to be prepared to further improve our service in these markets as well as our mature markets in terms of local product assembly, service and access.

Business development into new markets and industries is on the agenda for all three divisions: Geosystems, Metrology and Technology. The task is to develop our products so that we can enter new identified applications and future markets.

One item that lies constantly at the very top of my agenda is safeguarding our position as the industry innovator. We will continue to invest in research and development and maintain a close relationship with our customers in the process.

We have a great team of hard working talented employees, exciting plans for the future and plenty of energy to grow this company. At the Hexagon Capital Markets Day in June, I will present Hexagon's new financial targets for the coming two to three years. I have a positive outlook for our company and very much look forward to the years ahead.

Stockholm, Sweden, January 2011

Ola Rollén
President and Chief Executive Officer

"Our products and services are used in thousands of applications that all have one thing in common: making various processes more efficient, cheaper and greener."

Ola Rollén

Our vision is to be number one

Hexagon's ultimate goal is to create long-term favourable value and growth for its shareholders. The aim is to strengthen the Group's position in the market while achieving long-term profitability and sustainable competitiveness.

Core purpose

Hexagon's measurement and visualisation technologies connect the real world with computer-simulated environments to help meet the world's growth challenges.

Core thought

Hexagon's philosophy, "Precision in Everything," exemplifies the company's dedication to distinction in its business practices, solutions strategy, internal ethos and customer dealings in an effort to achieve long-term profitability and sustainable competitiveness.

Vision

Hexagon aspires to generate growth and increase shareholder value as the market leader in measurement and visualisation technologies that leverage and exploit multi-dimensional data.

Mission

Hexagon is dedicated to delivering superior solutions to design, measure and position objects and process and present data, enabling customers to increase productivity, improve quality and make better, faster operational decisions.

Superior solutions that leverage and exploit multi-dimensional data

Hexagon is working with Coal India Ltd, the world's largest coal producer, to improve production efficiencies through the implementation of an advanced fleet management system

Improving the flow of coal

Coal India Limited has engaged Hexagon's Leica Geosystems to supply, install, commission and implement the Jigsaw360 Fleet Management System (FMS) at seven mine sites, with full support initially set for a six year period.

Over 600 units will be installed on the fleet of trucks, shovels and draglines across seven sites. One of the key areas of focus for Coal India Ltd is to improve productivity at existing mines. The implementation of an advanced optimisation and production monitoring system will deliver significant benefits through enhanced production levels.

Jigsaw360 utilises highly-advanced technologies to automatically provide optimised truck and shovel assignments, increase productivity, monitor and report key performance indicators and minimise operating costs. Operators, maintenance personnel, engineers, managers and supervisors will all benefit from the capabilities of a Jigsaw360 Mine Management Solution.

Jigsaw360 Efficiency improvement in each machine's performance

Acquisitions are an important part of Hexagon's long-term growth strategy

Growth strategy

Hexagon aims to create profitable growth in selected segments through a combination of organic growth and acquisitions. During 2010 Hexagon's net sales, adjusted to fixed exchange rates and comparable Group structure, grew by 17 per cent.

When identifying technology gaps in the product portfolio, Hexagon compares the cost and benefits of developing the technology in-house with acquiring a company that can provide Hexagon with the technology needed. Aspects such as purchase price, resources and time to market are factored in to that evaluation process.

INNOVATION

Innovation is fundamental in Hexagon's long-term strategy for growth and profitability. Through successful research and development and sound knowledge of customer needs, growth is created by unique product offerings that save resources and increase competitiveness for customers. Hexagon invests close to 10 per cent of net sales in research and development and typically renews its product portfolio every 18 months.

ACQUISITIONS

Company acquisitions are an important part of Hexagon's long-term growth strategy. Acquired businesses add new technologies and know-how to the Group product portfolio, strengthening the customer offering and creating potential for a stronger presence in markets with high growth and favorable profitability.

Hexagon continuously monitors a large number of acquisition candidates. They are regularly evaluated financially, technologically and commercially. Every acquisition candidate's potential in Hexagon is determined on the basis of synergy simulations and implementation strategies.

Hexagon applies an aggressive acquisition strategy. Since 2000, the Hexagon Group has implemented some 70 acquisitions and performed about 50 divestments of non-core activities.

During 2010 Hexagon acquired the US-based software company Intergraph Corporation. The acquisition enables Hexagon to seamlessly connect the real world with maps or drawings. With Intergraph, Hexagon covers all aspects of the measurement and visualisation technology market from capturing three dimensional data from ground, air and space, processing data to creating, managing and delivering information via GIS and CAD solutions. Intergraph is headquartered in Huntsville, Alabama, USA, and employs approximately 4 000 people in 34 countries.

Brand strategy

The Hexagon brand is the parent brand to a diverse portfolio of measurement and visualisation technologies that represent high quality and reliability. Built over time, the portfolio of subsidiary brands work together to target specific customer segments, markets and geographical areas.

Included in the portfolio are a large number of world-class specialist brands that represent strong traditions and are well known in their individual sectors. As part of the Hexagon Group, each brand is not only nurtured and empowered to thrive individually but also able to benefit from an extensive network of professionalism and knowledge, a global culture, and a research and development platform that leverages and exploits synergies across the Group.

Hexagon continuously works to strengthen its brand and brand architecture system globally. Hexagon's brand strategy supports its growth strategy, helping to create long-term sustainability and profitability for the Group.

17%

organic growth in net sales

10%

of net sales invested in R&D

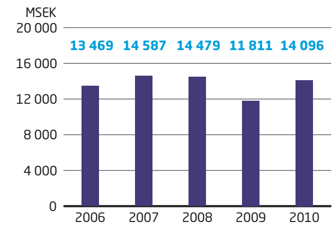
70

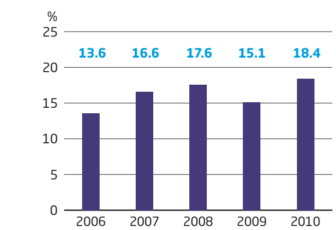
companies acquired since 2000

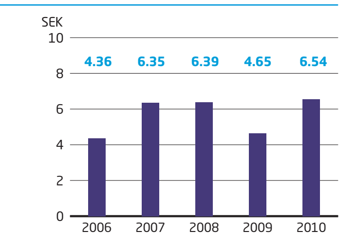
Financial Targets

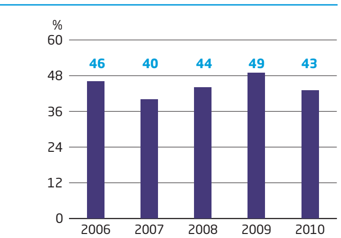
Hexagon's long-term financial targets were launched in December 2007. A review of existing financial targets will be carried out by the Board of Directors during 2011. Hexagon's current financial targets are:

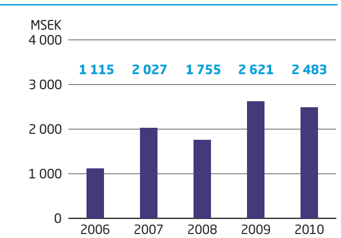
	TARGET	OUTCOME 2010
NET SALES	Hexagon's target is to reach net sales of 20 000 MSEK by the end of 2011. This target is to be achieved through a combination of organic growth and acquisitions.	In 2010 net sales amounted to 14 096 MSEK, corresponding to an organic growth of 17 per cent. The sales increase was most significant in China. Metrology was the division that showed the highest organic growth of 30 per cent. Including Intergraph, pro forma sales for 2010 amounted to 19 084 MSEK.
OPERATING MARGIN	Hexagon's target is to reach an operating margin of 20 per cent by the end of 2011.	In 2010 the operating margin amounted to 18.4 per cent. This is an increase by 3.3 percentage points compared to last year. Excluding Other Operations the operating margin increased by 3 percentage points to 19 per cent.
EARNINGS PER SHARE	Hexagon's target is to increase earnings per share by at least 15 per cent annually. Hexagon considers strong growth in earnings per share to be the best way to measure shareholder value.	In 2010 earnings per share, excluding non-recurring items related to the acquisition of Intergraph and impairment in Other Operations, increased by 41 per cent and amounted to 6.54 SEK. This outcome is above target. Including non-recurring items earnings per share amounted to 2.83 SEK.
EQUITY RATIO	Hexagon's target is to have an equity ratio of at least 25 per cent. Hexagon aims to minimise the weighted average cost of capital (WACC) for its financing. A strong equity ratio provides opportunities for financing parts of expansion via loans.	At the end of 2010 the equity ratio amounted to 43.4 per cent.
CASH FLOW	Hexagon's target is to have a positive cash flow over a business cycle. A positive cash flow contributes to freedom of action for long-term expansion and allows for a greater degree of loan financing.	In 2010 cash flow from operating activities amounted to 2 483 MSEK. This corresponds to cash flow of 8.18 SEK per share. The operating cash flow after restructuring amounted to 1 195 MSEK.
RETURN ON CAPITAL EMPLOYED	The long-term return on capital employed over a business cycle should amount to more than 15 per cent annually. The required return is based on an assumption of a long-term, risk free interest rate of approximately 5 per cent and a risk premium of 10 per cent.	In 2010 capital employed increased by 69 per cent to 37 987 MSEK. Return on average capit al employed, excluding non-recurring items, was 9.3 per cent. The rate has been negatively affected in the short term by the acquisition during the year.

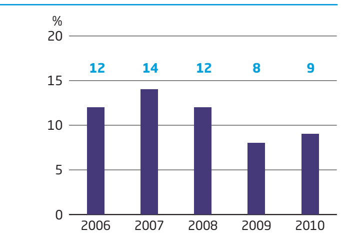












Operational Targets

Hexagon has determined that it is necessary to be the market leader in order to achieve its financial targets. Market leadership means both ability to innovate and increasing cost efficiency. Hexagon's operational targets are:

	TARGET	EXAMPLES 2010
COST EFFICIENCY	A competitive cost structure is necessary to defend a market leading position, or to enhance an operation's position as a challenger. This is needed in order to more easily manage fluctuations in demand and changes in currency exchange rates. Cost efficiency is also a prerequisite for being the innovator in the industry.	Hexagon has relative to its peers a strong operating margin which is proof of a cost efficient organisation. An example of Hexagon's focus on cost efficiency during the year is the very quick implementation of cost synergies identified in regards to the acquisition of Intergraph. The main cost synergies identified were the combination of technologies, reduction of overlapping resources and optimisation of distribution network and cross selling of existing products.
INNOVATION	Capacity for innovation is central to Hexagon's opportunities to become an attractive business partner for customers long-term. Investments in research and development are therefore highly prioritised within Hexagon. Each year about 10 per cent of net sales are invested in research and development.	A total of about 2 000 employees are engaged in research and development at Hexagon and a large number of new products were introduced to the market during the year. Expenses for 2010 was 1 330 MSEK, corresponding to about 9.3 per cent of net sales. Read more on page 28.
THE INDUSTRY'S BEST MANAGEMENT	Management know-how and experience are decisive factors that are essential for being able to operate successfully. To have the right skills at the right place at the right time is important within Hexagon. Hexagon recruits local personnel and is therefore regarded as a local company within its respective geographical markets.	From a business point of view, Hexagon makes sure that required competences to grow the business is in place. From an employee point of view Hexagon offers opportunities for further development. Read more on page 34.
SPEED MANAGEMENT	Short and fast decision-making processes, along with a time efficient implementation, enhance competitiveness and raise organisational capacity. Hexagon strives to have a working environment in which there are clear responsibilities, a flat hierarchy and minimal bureaucracy.	Hexagon's organisation is characterised by far-reaching decentralisation, creating a sound basis for committed and motivated employees. During the year this has been extremely beneficial in the acquisition process of Intergraph enabling Hexagon to make fast operational decisions when needed.

Hexagon's target is to increase earnings per share by at least 15 per cent annually

Market overview

The ability to design, measure and position objects and process and present multi-dimensional data is a prerequisite for land planning, construction, manufacturing and security. Hexagon's measurement and visualisation technologies not only meet these necessities but also save time and resources and increase knowledge and understanding throughout the process.

Hexagon's extensive range of products and services work together to provide a constant flow of updated information. This complete, end-to-end workflow enables customers to transform raw data into useful information and actionable intelligence.

1 CREATE: CAPTURE REALITY AND HARNESS DATA

Hexagon's sensors capture and position everything from individual points at a survey site to mass data from airborne sensors and 3D laser scanners. The sensors collect data through physical contact with the object, called tactile measurement, or through technologies such as laser, GPS, optics and photogrammetry.

Hexagon's software harnesses the collection of data so that it can be easily inspected or managed. It also provides an integrated design environment where drawings or 3D models can be defined.

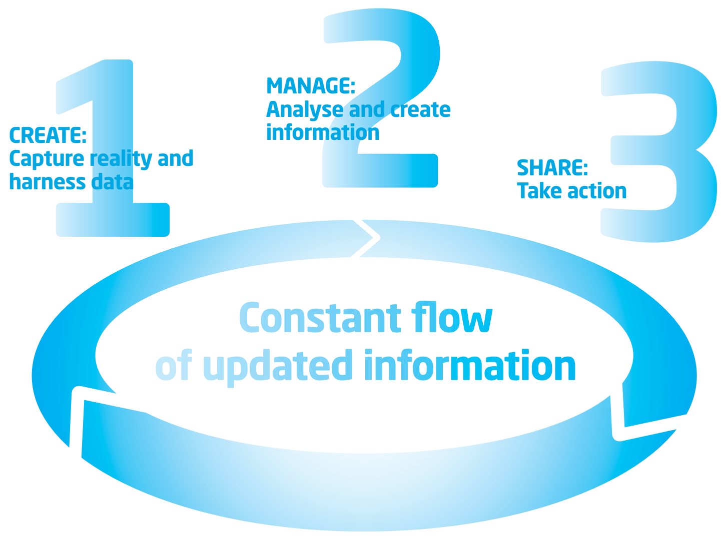
2 MANAGE: ANALYSE AND CREATE INFORMATION

Hexagon's software integrate, georeference and analyse large volumes of multi-dimensional data from countless sources to create information. Information that supports the decision-making process through a simpler, smarter and intuitive presentation.

3 SHARE: TAKE ACTION

The information created is of strategic and financial significance to Hexagon's customers worldwide. It provides input in the form of actionable intelligence enabling customers to review, distribute and act on large amounts of complex real-time information with speed, agility and precision.

Workflow of measurement and visualisation technologies



Transforming raw data into actionable intelligence

Structural changes driving the market

MARKET DRIVERS

Demand for Hexagon's technologies is expected to increase in the long-term due to structural changes in the global economy. Demand for a cleaner and more effective industrial production, agriculture, energy generation, improved infrastructure and transportation are important driving factors for Hexagon's business.

A growing population and continued urbanisation lead to an ever increasing need for more effective land and resource utilisation. Political decisions and the market's requirements create a growing demand for transport, food and housing that generates less negative impact on our planet than past and current technologies. In addition, demand for optimal quality, maximum productivity and efficiency in the manufacturing process is increasing. Customers demand minimum tolerance levels, a minimal amount of scrapping and the ability to quickly adjust processes based on changes in requirements or demand.

All of these sectors are in one way or the other dependent on the use of measurement and visualisation technologies. Capturing, analysing, creating and managing information are of major strategic and financial significance to Hexagon's customers worldwide.

CUSTOMERS IN ALL AREAS

Not all Hexagon's customers operate across the entire workflow. Many customers have specialised needs within one phase. But all benefit from the breadth of expertise Hexagon can offer. Hexagon's customers recognise the advantage of sourcing solutions from a single supplier who can meet their needs, as demands change, business expands and activities grow more complex.

Hexagon supplies thousands of customers across a large variety of industries. No individual customer represent more than 1.5 per cent of the Group's net sales. Including Intergraph pro forma 2010, surveying is the single largest customer category and accounted for 24 per cent of net sales in 2010. Surveying is followed by customer categories power and energy (18 per cent), aerospace and defence (13 per cent) and safety and security (11 per cent). The chart below lists Hexagon's largest customer groups 2010.

SIZE AND DEVELOPMENT OF THE MARKET

At the end of 2010, Hexagon estimated the size of its addressable market at around 100 billion SEK, with annual growth of approximately 8 per cent over a business cycle. The estimates are Hexagon's assessment, based on internal industry knowledge. Hexagon is a leading market player with approximately 20 per cent market share on average. However, Hexagon's position in the market varies depending on niche technology and geography.

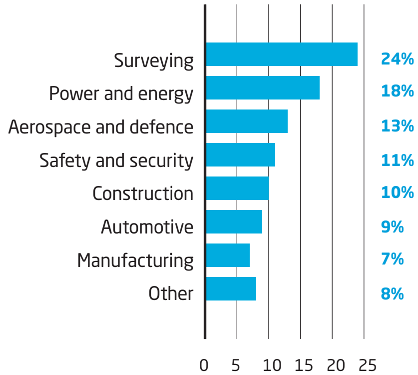
MARKET PLAYERS

The competitive landscape includes companies of varying size and with differing specialisations located across the globe. Not all market players operate across the entire workflow, many competitors specialise within one phase.

Also, some companies provide only hardware, others only software. Multinational companies compete with national companies that are sometimes market leaders within specific regions or niche technologies.

The table below lists those companies that Hexagon, based on internal industry knowledge, considers to be the most important competitors within each of Hexagon's three application areas; Geosystems, Metrology and Technology.

NET SALES BY CUSTOMER GROUP [1]



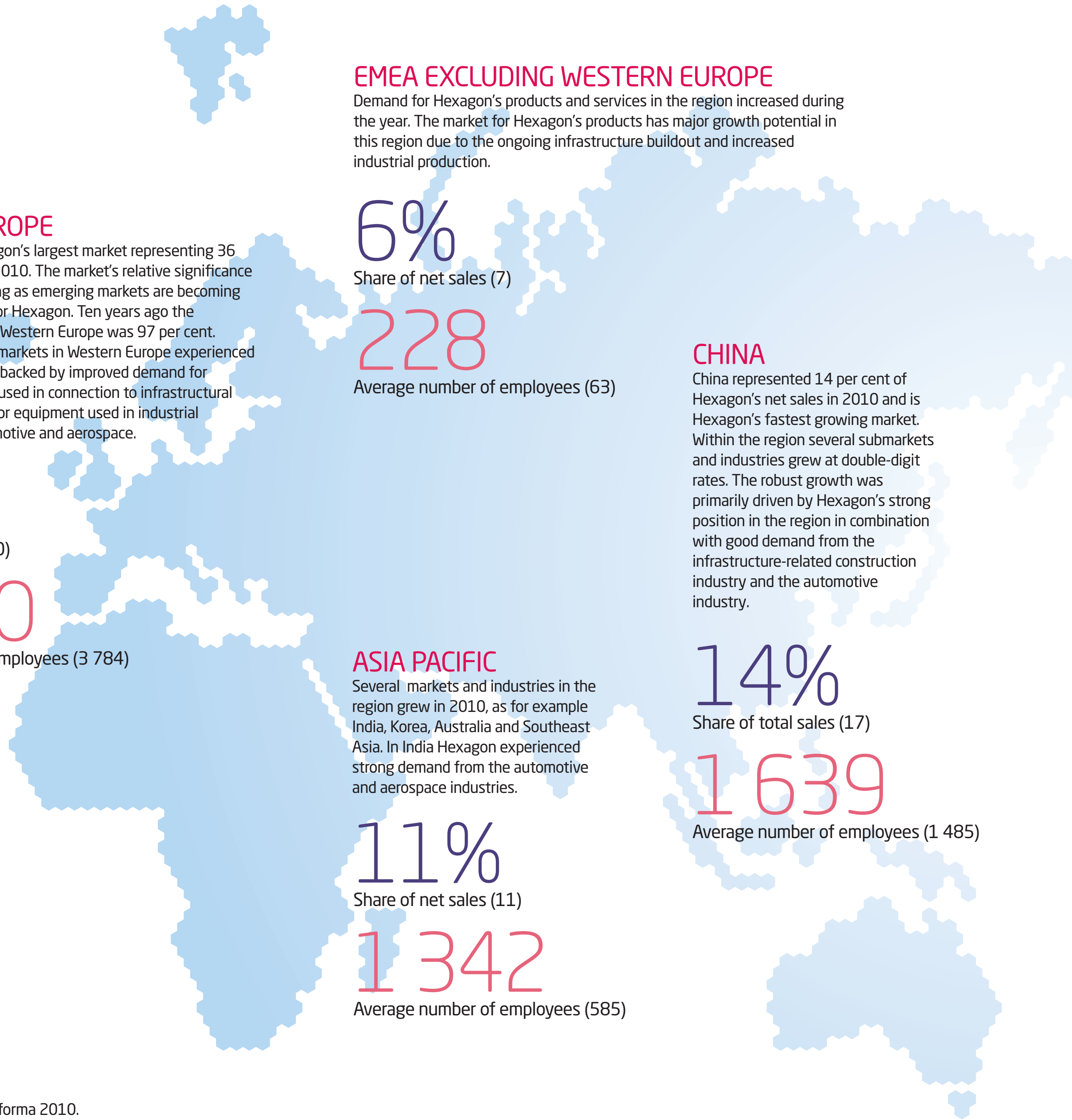
[1] Including Intergraph pro forma 2010. Excluding Other Operations.

COMPETITIVE LANDSCAPE

Company	Public company	Domiciled	Geosystems	Metrology	Technology
Autodesk	●	USA			●
AVEVA	●	United Kingdom			●
Bentley Systems		USA			●
Carl Zeiss		Germany		●	
Dassault Systemes	●	France			●
ESRI		USA			●
Faro Technologies	●	USA	●	●	
Mitutoyo		Japan		●	
Nikon	●	Japan		●	
QVI		USA		●	
Renishaw	●	United Kingdom		●	
South Survey		China	●		
Topcon	●	Japan	●		
Trimble	●	USA	●		●

Solid presence in the emerging markets

Hexagon has a wide geographic coverage and a strong local presence. Hexagon's products are developed and assembled locally, close to the customer, and the Group's products and services are sold in more than 170 countries across the globe. Emerging markets are a growing part of Hexagon's net sales and accounted for 30 per cent during 2010 including Intergraph pro forma.



WESTERN EUROPE

Western Europe is Hexagon's largest market representing 36 per cent of net sales in 2010. The market's relative significance to the Group is decreasing as emerging markets are becoming increasingly important for Hexagon. Ten years ago the proportion of sales from Western Europe was 97 per cent. During 2010, the major markets in Western Europe experienced increased activity levels backed by improved demand for measurement solutions used in connection to infrastructural investments as well as for equipment used in industrial segments such as automotive and aerospace.

36%

Share of net sales (40)

4 650

Average number of employees (3 784)

EMEA EXCLUDING WESTERN EUROPE

Demand for Hexagon's products and services in the region increased during the year. The market for Hexagon's products has major growth potential in this region due to the ongoing infrastructure buildout and increased industrial production.

6%

Share of net sales (7)

228

Average number of employees (63)

ASIA PACIFIC

Several markets and industries in the region grew in 2010, as for example India, Korea, Australia and Southeast Asia. In India Hexagon experienced strong demand from the automotive and aerospace industries.

11%

Share of net sales (11)

1 342

Average number of employees (585)

CHINA

China represented 14 per cent of Hexagon's net sales in 2010 and is Hexagon's fastest growing market. Within the region several submarkets and industries grew at double-digit rates. The robust growth was primarily driven by Hexagon's strong position in the region in combination with good demand from the infrastructure-related construction industry and the automotive industry.

14%

Share of total sales (17)

1 639

Average number of employees (1 485)

Including Intergraph pro forma 2010.

A wide geographic coverage and a strong local presence

NORTH AMERICA

North America's share of sales grew substantially during the year due to the acquisition of US-based Intergraph Corporation. North America is now Hexagon's second largest market, representing 31 per cent of net sales in 2010. Demand in North America increased during the year and several industries such as automotive, aerospace and general engineering, showed signs of recovery.

31%
Share of net sales (22)

3 560
Average number of employees (1 489)

SOUTH AMERICA

South America, led by Brazil, was experiencing strong demand throughout the year. The mining and oil exploration activity is increasing and Hexagon is gaining market share in these segments.

2%
Share of net sales (3)

185
Average number of employees (143)

Emerging markets

Demand for Hexagon's technologies is driven by customers' need to save resources, increase productivity, improve quality and increase safety.

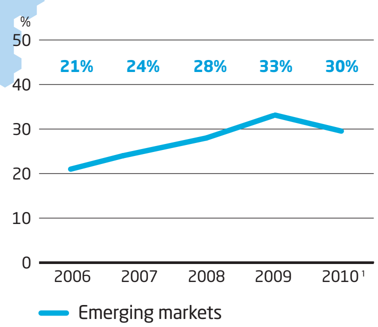
The rapid growth in emerging markets, and in China in particular, is a significant driver for Hexagon. Hexagon's share of sales in the emerging markets has increased from 21 per cent in 2006 to 30 per cent in 2010.

Hexagon's strong position in emerging economies is a result of having identified Asia as a growth area early on, with strong demand for measurement and visualisation technologies.

The Group's overall position in the rapidly growing economies is solid, but can be improved. Hexagon aims to grow faster in regions such as Asia, Africa and South America that will account for the lion's share of growth in the coming years. As part of the integration of Intergraph into the Group, Intergraph's products are being sold via Hexagon's well established network and distribution channels to strengthen Intergraph's position in the emerging markets.

For definition of emerging markets see page 100.

EMERGING MARKETS' SHARE OF NET SALES [1]



[1] Including Intergraph pro forma 2010.

©CyArk

The 3D survey of Mt. Rushmore was initiated by the non-profit organisation CyArk (www.cyark.org). CyArk's focus is to digitally preserve the world's most important heritage sites. This CyArk project, one of many performed using Hexagon 3D scanning tools, was done in conjunction with the United States National Parks Service, Historic Scotland and the Glasgow School of Art.

©CyArk

Close encounter with former presidents

Mount Rushmore National Memorial is a well-known landmark, not only for Americans, but also for people all over the world. In this intriguing monument in Keystone, South Dakota, giant faces of four former US presidents protrude from the granite rocks.

This historical site has now been thoroughly documented and analysed for future generations, using 3D technology from Hexagon. During the project, interesting details were added to the view of Mt. Rushmore, with scanners placed on horizontal as well as vertical places, sometimes upside-down using specialised rigs. Using the scanners, it was possible to electronically save the exact features of George Washington, Thomas Jefferson, Theodore Roosevelt and Abraham Lincoln, or rather the 18 meters high reproductions of the former presidents.

To be able to evaluate the needs for preserving and developing the park, every detail of the rock-hard faces was registered, using Leica Geosystems scanners. The equipment was chosen according to the characteristics of the site. The need for long-range capabilities, speed and level of detail varied around the site.

Adding to the dynamics of the project was the need to use rope teams, climbing with scanners on the memorial.

The gathering of data resulted in billions of measuring points along with more than 7 000 photographs. This massive amount of information was analysed using Leica's Cyclone software, which also enabled members of the scanning team to have continuous access to up-to-date information on the scans and scanner setup locations.

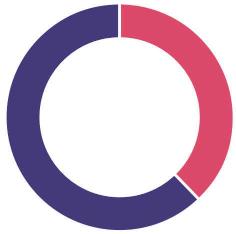
The four types of scanners used in the projects were the ScanStation 2, the HDS6000, the HDS6100 and the ScanStation C10. The ScanStation 2 was chosen for its long-range capabilities along the base of the mountain. The HDS6000 and HDS 6100, with speed and dense data capture abilities, were used to capture details in the canyon behind the sculpture. The C10 was used for wide-view scans from the mountain-top.

Geosystems

– MEASURING THE WORLD AROUND US

Hexagon Geosystems – Advancing the earth's infrastructure

During the planning and execution of infrastructural projects, surveyors and construction industries utilise measurement technology in every phase: project planning, execution and inspection.



Geosystems 38% of net sales

Hexagon's systems capture, reference, analyse, process and store geographical information. In many applications, the measurement data can be presented as 3D drawings or images.

Hexagon's solutions are used by customers involved in infrastructural projects such as the preparation, execution and monitoring of buildings, roads, bridges, railroads, tunnels, airplanes and ports.

Cartographic companies and government authorities, defence-related industries, system administrators and companies selling Geographic Information Systems (GIS) services use Hexagon's solutions for collecting, storing, analysing and presenting position related information. The results are used in urban planning, landscape design, updating of maps and prevention, monitoring and management of natural disasters.

By using Hexagon's more advanced measurement solutions, customers can conduct measurements with fewer personnel in the field, thus increasing productivity, speed of data acquisition, and reducing costs.

TECHNOLOGIES THAT PREVENT DISASTERS

In infrastructural projects, surveyors and construction companies utilise measurement technologies in every phase of the project: planning, execution and inspection. Hexagon's solutions enable customers to track the movement of man-made objects such as dams, bridges and buildings, and natural phenomena like landslides.

Surveyors also use Hexagon's solutions to map land surfaces, for example when defining the legal boundaries of property ownership. The results are used to create or update cadastres, which are public registers containing the boundaries of land property ownership.

Using Hexagon's solutions, customers can create precise 3D models of objects, such as an oil rig, without updated blueprints or a historical building of which a digital copy is needed.

MACHINE CONTROL FOR OPTIMISATION

Customers in the construction, mining and agricultural industries use Hexagon's machine control solutions and software to operate heavy machinery. Hexagon provides solutions for guiding and coordinating fleets of heavy machinery above and below ground, and for steering individual pieces of equipment. By using Hexagon's systems for steering and control of agricultural and construction equipment, customers increase productivity and efficiency with less impact on the environment. Hexagon's machine control solutions can improve efficiency, for example in a road construction project, by more than 30 per cent.

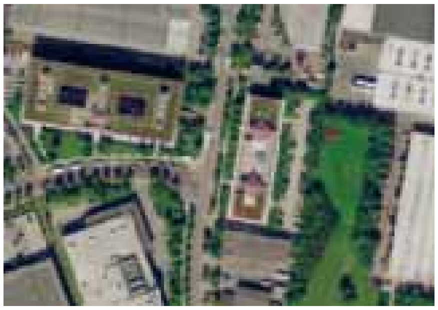
INNOVATION IN HEXAGON GEOSYSTEMS

Machine control is a fast-growing segment with significant market potential. On the software side, integration for fleet monitoring, remote diagnostics, data exchange and machine performance metrics (telemetry) will be the cornerstone of Hexagon's machine control solutions in the near future.

There is also a clear trend towards increased prioritisation of environmental and working conditions. Activity levels in Hexagon's R&D division are high, working on being able to meet this demand going forward.

WHAT DO GEOSYSTEMS PRODUCTS AND SOLUTIONS DO?

CREATE: Capture reality and harness data



CAPTURE DATA
Data is captured from countless sensors in the planning, execution and inspection of infrastructure.

MANAGE: Analyse and create information

PROCESS INFORMATION
Captured data is leveraged in GIS/CAD systems, processed into maps for easy viewing and analysis.

SHARE: Take action

DISTRIBUTE INFORMATION
Presenting data in a user-friendly manner enables inspection and continual assessment of projects.

PRODUCTS AND APPLICATIONS

Product examples	Application area examples	Customer examples
Airborne sensors	Land and infrastructure management, engineering, border control, risk assessment, rapid response and corridor mapping, asset and environmental mapping.	Airborne sensing agencies, surveying and mapping agencies.
Construction lasers	Interior construction and height, grade and align control measuring of outdoor facilities, civil engineering, machine control and land leveling within agriculture.	Construction, architects, landscaping.
Field and mobile solutions	Feature accuracy mapping in real-time for risk assessment, rapid response mapping, asset and environmental mapping, infrastructure inspection, emergency response, exploration of natural resources, as-built and incident mapping.	Surveying and mapping agencies, utilities, power supply industries, farmers.
GNSS/GPS systems	As-built and topographic surveys, border control, land management, cadastre surveys, monitoring, engineering, feature accuracy mapping in real-time for agriculture, asset and environmental mapping, infrastructure inspection, exploration of natural resources, as-built and incident mapping, mining, utility mapping, transport navigation, fleet management.	Surveying and mapping agencies, cadastre and monitoring agencies, utilities, power supply industries, construction, engineering, farmers, mining, police.
HDS laser scanners	Surveys of structures, topographic surveys, volume calculation, crime investigation, monitoring, retrofit, simulation, archaeology, asset management, design, as-built to design comparison.	Engineering, construction, police, surveying and mapping agencies, ship builders, architects, designers, miners.
Laser distancemeter	Deriving ranges, heights, areas and volumes of the measured distances within construction and asset management, forestry management, map revisions.	Construction, painters, carpenters, solar panel companies, architects, real-estate agents.
Levels	Stake out, transfer and control for asset management, construction, monitoring, topocadastre, civil engineering.	Construction, architects, gardeners.
Locators	Construction, asset and infrastructure management, machine control.	Construction, utilities, power supply industries, water distribution companies.
Machine control	Steering systems for construction machines, rail, tunneling, civil engineering, underground work, mining and fleet management. Manual and automated steering systems for farm vehicles.	Construction and mining industries, farmers.
Mining systems	Mining, fleet management, mine management.	Construction and mining industries.
Monitoring systems	Deformation measurement, security and risk management of man-made and natural structures, flood management.	Construction and mining industries, surveying and mapping agencies, airborne sensing agencies.
Software	Surveying and engineering, 3D laser scanning, monitoring, reference station networks, image processing, machine control, mining, mobile mapping.	Surveying and mapping agencies, utilities, farmers, cadastre and monitoring agencies, miners, police, ship builders, architects, designers, airborne sensing agencies, power supply and water distribution companies, heavy industry.
Theodolites	Civil engineering, construction, metrology.	Construction and heavy industry.
Total stations	As-built and topographic surveys, border control, land management, cadastre surveying, monitoring, engineering, construction, feature accuracy mapping in real-time, infrastructure inspection, exploration of natural resources, incident mapping, mining, utility mapping, metrology.	Surveying and mapping agencies, cadastre agencies, utilities, power supply and water distribution companies, construction, engineering, mining, police, heavy industry.

GEOSYSTEMS INCLUDES A NUMBER OF INTERNATIONAL BRANDS

Designing cars the smarter way

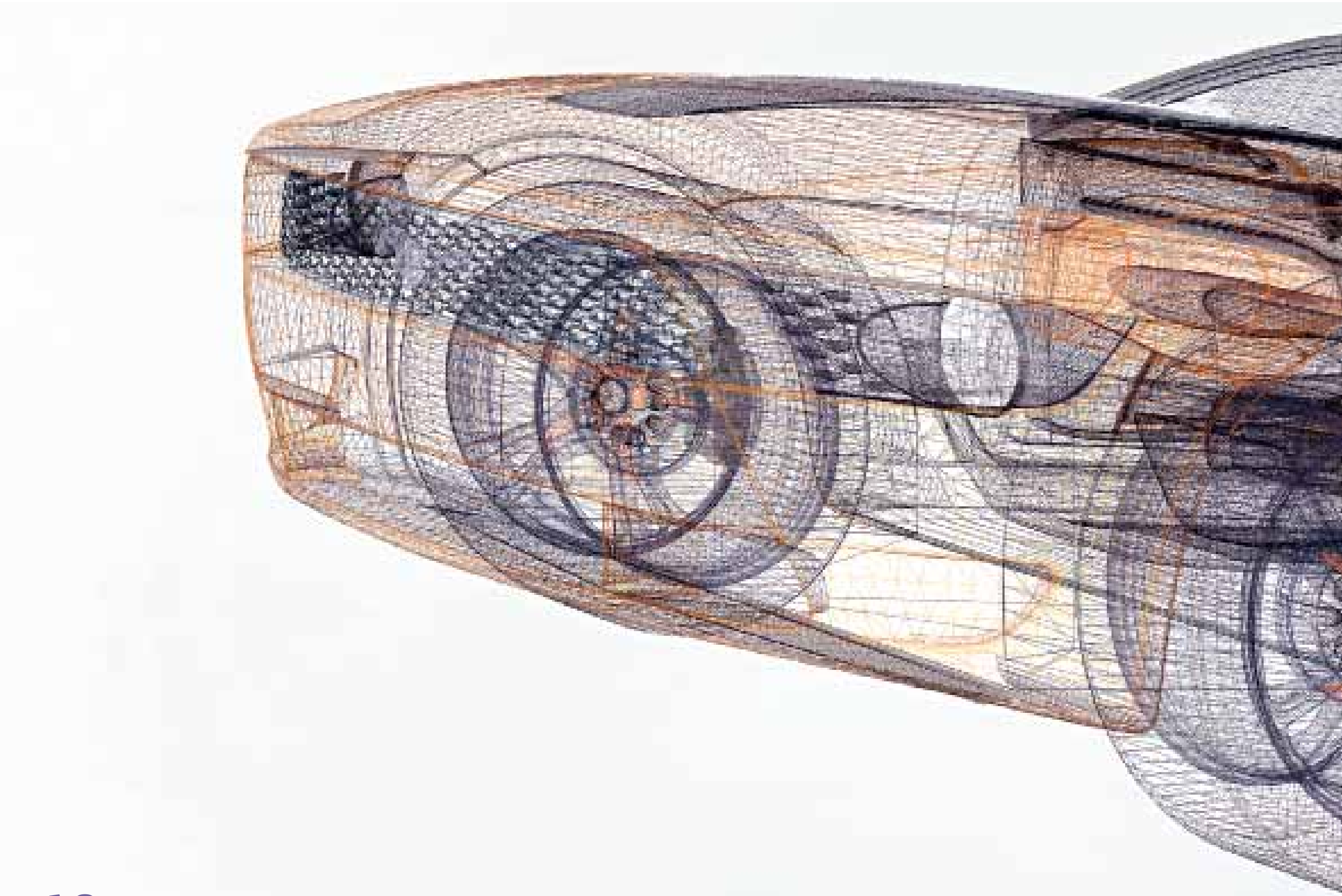
New car models are inspected and tested at Italdesign Giugiaro using high-precision equipment from Hexagon.

The Italian design and engineering company, Italdesign Giugiaro, is renowned for creating elegant cars such as Alfa Romeo, BMW and Lamborghini. The company works in the field of design and development, through to validation and type approval. More than 200 car models have been designed here.

A new metrology lab, for inspecting models, body shells and prototypes of the new vehicles, is now in operation. The partner in building the lab was Hexagon, and the measuring machine being installed was a dual-arm horizontal DEA BRAVO HP 60.16.25.

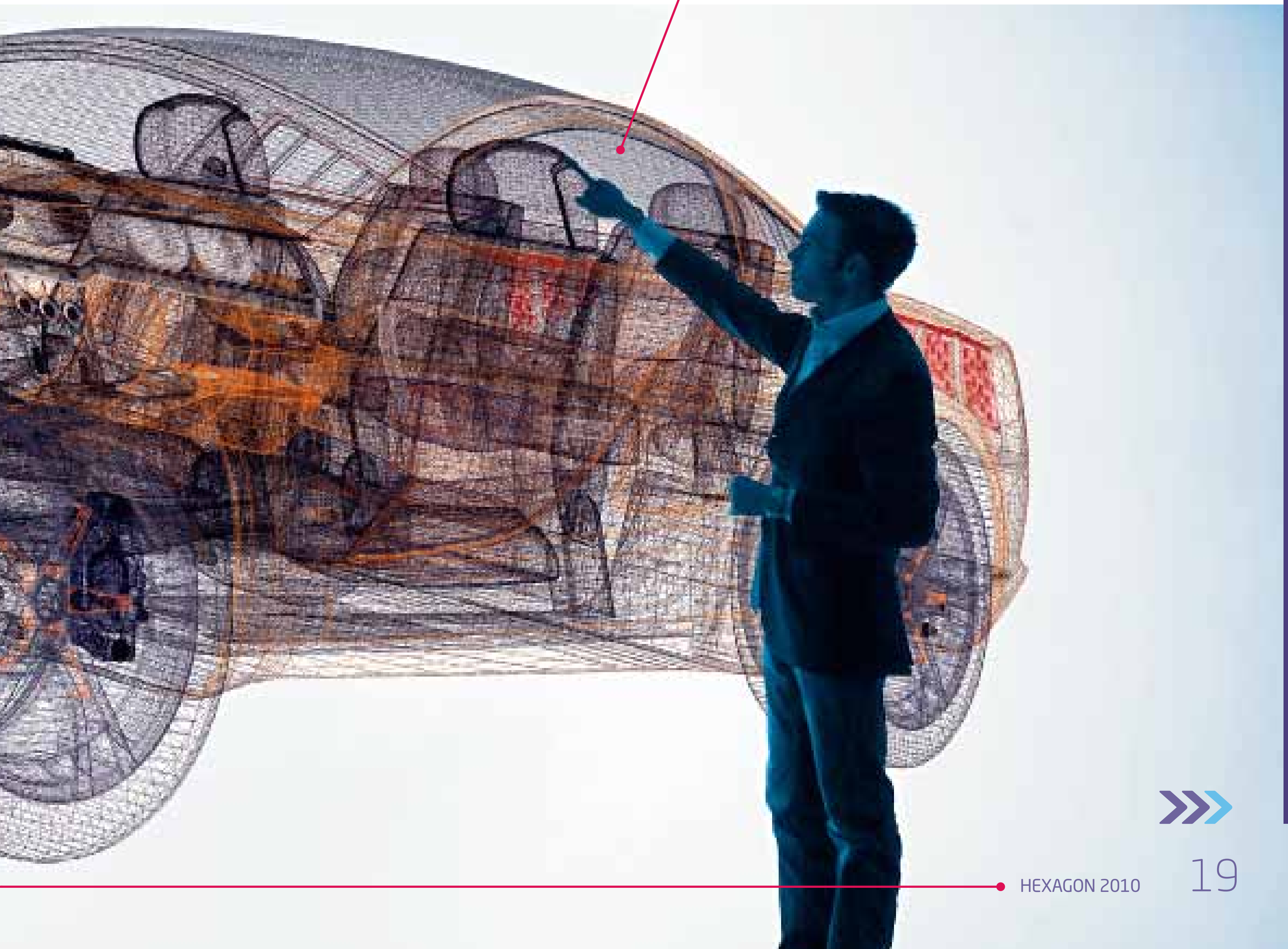
The development process is complex and finely articulated. It goes from establishing specifications through style, engineering, suppliers handling, prototype development, experimenting, putting into operation of the production lines, validation and approval of the vehicle. The new measurement equipment is placed in prototype construction and dimensional validation to optimise the process, increase data production and reduce measurement time required.

Italdesign Giugiaro was founded in 1968, by designer Giorgetto Giugiaro, who still is active designing. Italdesign Giugiaro became a part of the Volkswagen Group in 2010.



Metrology

– MEASUREMENTS IN MANUFACTURING



Hexagon Metrology
– Optimising the manufacturing process

A significant aspect of every manufacturing process is measurement and quality inspection of complex parts. Customers use Hexagon's systems for manufacturing evaluation, process qualification, as well as final product inspections. The systems are used in manufacturing and assembly processes to test a part or assembly against the design intent.

Metrology 26% of net sales

Hexagon provides customers with rapid design capabilities, greater control of the manufacturing process, comparability of components to CAD specifications, the ability to precisely measure components and to capture and analyse large volumes of three-dimensional data for modeling and analysis in the manufacturing process.

By using Hexagon's solutions, customers can increase productivity, efficiency and improve quality by measuring every step in a manufacturing process to reduce or eliminate defects. By optimising the process, the level of rework and scrap in the manufacturing process can be limited, which reduce costs in the production phase and saves resources.

OPTIMISING PRODUCTION

Nearly all of the world's automotive manufacturers use Hexagon's metrology systems to some extent. Systems are well integrated into the research and development processes of car and truck manufacturers. Customer investments are often driven by new model launches and the relocation of production facilities.

Applications for Hexagon's systems in the aerospace industry are similar to those of the automotive industry. However, as opposed to the automotive industry, where regular random vehicle inspections take place, the aerospace industry measures and inspects every individual aircraft.

Hexagon also has a large number of customers within the manufacturing, electronics, industrial machine and energy industries where the systems are used to increase efficiency, quality and productivity in manufacturing processes and thus keep costs down and improve sustainability.

Hexagon's solutions are also used in manufacturing of high precision parts and components such as implants and prosthetics within the medical device industry.

INTEGRATED SOFTWARE

Hexagon Metrology is the largest software developer in the metrology industry and offers a wide range of in-house developed, individually customisable software packages that deliver intelligent and effective acquisition, analysis, management and presentation of collected data. The software enables users to process and present results quickly and effectively.

HIGH-QUALITY SERVICES

Hexagon's specialists and engineers help select the solution that best suits specific manufacturing and inspection needs and provide metrology courses to optimise the measurement systems' productivity. Hexagon performs regular certification and calibration to maximise system accuracy and repeatability. Hexagon also provides dimensional inspection resources by supplying contract measuring of customers' components and temporary outsourced personnel.

INNOVATION IN HEXAGON METROLOGY

A trend in metrology is the requirement for measurement capabilities to be integrated in to the manufacturing process. Demand for automatisation and robotisation is increasing. By integrating the systems into the manufacturing process, the repetition and risk of errors and stoppages can be reduced.

Another trend is the high demand for measuring device mobility. For example in the wind power industry, portable solutions are needed in the production and assembly of large components such as tower segments and to measure large axis diameters and housing geometry of the fastenings for rotor blades. As a result Hexagon has developed portable coordinate measuring devices that were introduced to the market during 2010.

WHAT DO METROLOGY PRODUCTS AND SOFTWARE DO?

CREATE: Capture reality and harness data

INSPECT DATA
The process starts with the collection of an object's measurement data which is used in evaluation, process qualification and final product inspections.

MANAGE: Analyse and create information

CONTROL INFORMATION
Demand for manufacturing measurement systems is driven by the need to increase quality, productivity and cost efficiency.

SHARE: Take action

REVIEW INFORMATION
Measuring every step in the manufacturing process reduces defects and limits the level of rework.

PRODUCTS AND APPLICATIONS

Product examples	Application area examples
Coordinate measuring systems	Stationary coordinate measuring machines (CMM) are appropriate for measuring tasks in nearly every industry where accuracy, repeatable results and automated measuring of dimensions are required. Hexagon CMMs measure on the production floor, in a production cell or in the measuring room. Main applications are 3D measurements for large components and assemblies in the aerospace industry, defense, ship building and in the power generation industry.
Gauges and hand tools	Calipers, thread gages, bore and height measuring devices are suitable for countless applications in the metrology laboratory or on the production floor, often in combination with mechanical instruments or stationary machines. Traditional mechanical and electronic precision measuring gauges provide portability, extended service life and large variety of measuring ranges.
Industrial theodolites	Industrial theodolites and laser stations measure volumes of over 500 metres and are used for inspection and assembly of very large components. The non-contact autocollimation function provides industrial theodolites with a legendary degree of precision.
Laser scanners	Laser scanners are primarily used for quality control of geometries and surfaces, but also for reverse engineering, fit and finish and assembly applications. A 3D scanner is attached like a probe to a measuring arm or can work as a part of a Laser Tracker System or fixed CMM. Software generates 3D data in real time from the scanner-created point cloud and recognises deviations from the CAD data immediately. The point cloud is then used to create CAD models to reproduce, redesign or inspect the part.
Laser tracker systems	Laser tracker systems are leading in terms of the accuracy, reliability and durability of portable CMMs. Expansion or automation of the system with hand-guided scanners, wireless probes or robot applications gives a large number of possible applications. Rapid and highly accurate measurements are being fed directly into production, leading to cost savings and quality improvements.
Machine tool probing	Machine tool probing solutions measure workpieces on milling machines, machining centers, lathes, grinding machines, special machines and robots. The probes facilitate daily work and reduce manufacturing time and costs.
Milling systems	Fast milling and drilling of soft materials is possible with automated modeling systems, used especially in the industrial design studios and research centers of automotive manufacturers.
Multisensor and optical systems	The systems give the freedom of choice between contact and optical measurement – with only one measuring system. A single system is therefore sufficient for the contact and optical measurement of all inspection features on a workpiece. For the measurement of materials sensitive to the touch, the solution is optical measuring systems.
Portable measuring arms	Portable measuring arms measure directly in the manufacturing environment. Articulated arms can be equipped with different length probes and scan heads to measure difficult-to-access points either optically or by touch. These portable CMMs are used in a wide range of industries.
Probing systems and styli	Matching probing systems and styli for all portable and stationary measuring systems, including probing for machine tools. For CMMs the range is a complete offering of touch probes, manual and motorised probe heads, analogue scanning probes, change racks, extensions and styli. For portable systems the range is of interchangeable probes including hard probes, touch probes, infrared tube probes, laser line scanner systems and machine control sensors.
Software	Hexagon Metrology produces dimensional metrology software packages, which offers modules beyond its core offering for CMMs and interface to vision machines, portable measuring arms, laser trackers, as well as devices that are non-Hexagon Metrology brands. Specialty packages for measurement of gears, blades and other specialised geometry are also available.
White light scanner systems	White light scanner systems are comprehensive 3D optical measurement solutions, focused on improving engineering and manufacturing processes in automotive and other manufacturing industries. The systems allow manufacturing organisations to accelerate product introductions, reach higher product quality, reduce production costs and bring about higher profits for each product.

METROLOGY INCLUDES A NUMBER OF INTERNATIONAL BRANDS

Visionary energy using 3D

Siemens AG chose to modernise its plant engineering and communication process by using the design software SmartPlant® 3D from Intergraph. As a result, Siemens experienced a reduction in project hours and costs, as well as quality improvements.

Intergraph® PP&M

Siemens' Energy Sector offers products, services and solutions for power generation, transmission and distribution, and for oil and gas production, conversion and transport. There is also a growing focus on the renewable energy market, with emphasis on wind turbines, photovoltaic projects and solar-thermal power plants.

Siemens' vision for its plant engineering framework required a change in the engineering execution process to make the tools more integrated, the data storage more centralised and the automated data transfer more process-oriented.

The strategy for realising this vision of an integrated engineering environment is to implement Intergraph's SmartPlant® Enterprise software.

In 2007, Siemens began using SmartPlant 3D, one of the solutions within the SmartPlant Enterprise family, for six plant projects. Siemens believed it would derive benefits not only in engineering and data management, but also in time and cost savings and quality improvements. The company expected savings in per-project hours among the disciplines – process, civil, electrical, mechanical and 3D modelling. Every one of these expectations was met successfully.

MAJOR TIME SAVINGS

In evaluating SmartPlant 3D's performance of modelling tasks, the company found the greatest reduction in project hours in modeling piping, 39 per cent time savings, and piping supports, 26 per cent savings.

Technology

– Geospatial and life-cycle engineering solutions

Hexagon Technology – Delivering superior solutions

The Hexagon Technology application area includes newly acquired software company Intergraph that provides superior enterprise engineering software and geospatially powered solutions. It also includes NovAtel, supplier of the industry's most comprehensive line of Global Navigation Satellite System (GNSS) products.

DESIGN AND ENGINEERING SOFTWARE

Intergraph Process, Power & Marine (PP&M) provides software for the design, construction and operation of plants, ships and offshore facilities. The software is used for 3D modelling and visualisation, engineering and schematics, materials management and project controls and engineering information management.

Fossil fuel and nuclear power plant layout software supports nuclear plant construction and maintenance and provides engineers with the ability to create 3D plant models and interactive visualisations to meet nuclear plant requirements.

Intergraph's 3D and marine engineering design solutions for ship design, production and overall life-cycle management are used for shipbuilding, as well as offshore applications.

Plant management software streamlines structural plant automation and planning, optimises material flow and supports workflow management. To address plant security issues, Intergraph's plant safety and maintenance solutions are applied across the enterprise to aid daily plant operations and protection.

GEOSPATIALLY POWERED SOLUTIONS

Intergraph Security, Government & Infrastructure (SG&I) provides solutions to create a data-centric, user-defined operational picture that enables organisations to capture, integrate, manage, analyse and act on unorganised and complex event data.

Intergraph's emergency response management software achieves a common operational picture, providing consistent and standardised information and geospatial intelligence supporting agencies in disaster planning, incident management and police records management.

Intergraph's Computer-Aided Dispatch (CAD) incident management response software provides an integrated emergency management system that addresses everything from call handling and dispatching to remote access and mobile data.

Intergraph assists airports and transportation agencies in building intelligent transportation systems networks including airport management systems, highway asset management systems and rail management systems.

Utility companies enhance their infrastructure through development of a more intelligent power grid, or smart grid. These utility GIS solutions include outage management and smart grid command and control centre solutions.

SUPERIOR POSITIONING ACCURACY

GNSS technology has increased the speed and productivity of surveyors through the use of on-demand centimetre-level accuracy. GNSS currently incorporates the American GPS, Russia's GLONASS, China's Compass and the European Economic Union's Galileo satellite systems. The ability to track all constellations is significant to Hexagon's customers as the more constellations that are tracked, the better the reliability and availability of the positioning and navigation solutions.

NovAtel is a sub-supplier of technologies, systems and precision components to Original Equipment Manufacturers (OEMs) and an important supplier to Hexagon Geosystems.

GNSS receivers and antennas are supplied to the survey, construction and mining industries, delivering superior position accuracy and increased signal availability in demanding work environments, heavily forested areas or in deep open pit mines.

NovAtel receivers also provide GNSS corrections to the aerospace industry which is critical for collision avoidance systems and for systems used to improve the accuracy of runway approaches. NovAtel provides navigation capabilities in unknown terrain, ground and aerial unmanned vehicle navigation and positioning to search and rescue operations.

For the agriculture industry, Hexagon's high accuracy positioning products drive improvements in productivity, increase efficiency, time-savings and reduce input costs.

WHAT DO TECHNOLOGY SOLUTIONS DO?

CREATE: Capture reality and harness data

COLLECT
Geospatial data is integrated into data-centric, user-defined operational pictures.

MANAGE: Analyse and create information

ANALYSE
Advanced analytics facilitate situational awareness, aiding in both prevention and response.

SHARE: Take action

VISUALISE
Operational pictures are shared to make the right decisions, at the right time, using the right information.

PRODUCTS AND APPLICATIONS

Product examples	Application area examples	Customer examples
Business Intelligence for Public Safety	Improves access to and analysis of data collected in public safety applications for enhanced operational effectiveness in incident prevention, preparedness and response.	Public safety and security, command staff, emergency centre management, operations supervisors, investigators, IT Staff and records department, public access.
Computer-Aided Dispatch	Provides call-center and communications center operators with easy-to-use tools to field emergency and non-emergency calls, create and update incidents and manage critical resources.	Defence, government, public safety and security, transportation, utilities.
G/Technology	Meets the geospatial resource management needs of utilities and communications companies, based on open standards database, enterprise-wide data sharing and seamless workflows.	Utilities and communications: design engineers, network planners, technicians, mapping clerks, field crews, decision-makers.
GeoMedia	Geospatial processing capabilities such as map production, infrastructure management, land management, data analysis and data sharing.	Communications, defence, government, public safety and security, transportation, utilities.
Records Management	Helps create, query and manage law enforcement records and deliver National Incident-based Reporting System (NIBRS) and Uniform Crime Reporting (UCR) reports to state governments.	Public safety and security, law enforcement field officers, investigators, management, agencies, prisons facilities.
Security	Integrates multiple state-of-the-market systems and traditional security infrastructure into a single, all-inclusive solution.	Defence, government, public safety and security, transportation, communications, utilities.
3D modeling and visualisation	Plant, marine, offshore, shipbuilding computer-aided design/engineering, construction, building, operations, drawing and database connectivity, automation, drafting, as-built design, metals and mining industry platework and conveyor layout design.	Architectural, beverage, brewing, building services, chemical, consumer goods, equipment, food, marine, metals and mining, nuclear and power generation, offshore, oil and gas, petrochemical, pharmaceutical, piping, power, process and plant design.
Engineering and schematics	Piping and instrumentation diagramme development and management, instrumentation creation and support, data viewing and reporting, power distribution system design and maintenance.	Chemical, consumer goods, marine, metals and mining, nuclear and power generation, oil and gas, offshore, pharmaceutical, shipbuilding.
Analysis	Engineering analysis, plant piping systems analysis models, vessel and heat exchanger design, analysis and evaluation, oil storage tank design and analysis.	Architectural, beverage, building services, chemical, equipment, food, offshore, petrochemical, pharmaceutical, piping, power, process and plant design, shipbuilding, water treatment.
Procurement, fabrication and construction	Material and supply chain and subcontracting management, catalog and pipe specifications, piping isometric drawings for fabrication and erection, construction resources, materials and schedule management.	Chemical, consumer goods, marine, metals and mining, nuclear and power generation, oil and gas, offshore, pharmaceutical, shipbuilding.
Integration and Information Management	Engineering data, decision support, life cycle optimisation, data integration, independent data storage and security, preconfigured work processes, interoperability with maintenance and operations' systems.	Chemical, consumer goods, marine, metals and mining, nuclear and power generation, oil and gas, offshore, pharmaceutical, shipbuilding.
GNSS receivers	Provide position, velocity and timing solutions based on GNSS measurements. User can also capture raw GNSS measurement data or generate correction outputs for other GNSS receivers.	High precision aerial, ground and marine survey and mapping. Unmanned vehicles, military and defense, machinery, mining, construction, precision agriculture and navigation tracking.
Firmware options	Wide range available including Receiver Autonomous Integrity Monitoring (RAIM).	Navigation systems, unmanned vehicles, precision agriculture, military and defense, machinery, mining and construction.
Antennas	Used to receive GNSS signals from satellites. Provide compact, high performance and fix reference type form factors for different integration purposes and needs.	High precision aerial, ground and marine survey and mapping. Unmanned vehicles, military and defense, machinery, mining, construction, precision agriculture and navigation tracking.
GNSS intertial systems	Full roll, pitch, yaw, position, velocity and timing from GNSS and Inertial measurements. User can also capture raw GNSS measurement data or generate correction outputs for other GNSS receivers.	High precision aerial, ground and marine survey and mapping. Unmanned vehicles, military and defense, machinery, mining, construction, precision agriculture, and navigation tracking.
Post-processing software	Provide GNSS and GNSS/INS post-processing solution and diagnostics tools. Can process GNSS data from most commercially available GNSS manufacturers, determine real-time trajectory, access online reference station data and do mission planning.	High precision aerial, ground and marine survey and mapping. Unmanned vehicles, military and defense, machinery, mining, construction, precision agriculture and navigation research.

TECHNOLOGY INCLUDES A NUMBER OF INTERNATIONAL BRANDS

erdas INTERGRAPH NovAtel

To speed emergency response and better protect the city, the Toronto Police Service deployed Intergraph Public Safety's mobile dispatch and vehicle tracking solutions.

Toronto Police right on track

Intergraph® SG&I

The solution enables police supervisors to monitor and track the location of field personnel via the integrated computer-aided dispatch (CAD) map and automatic vehicle location (AVL) capabilities, which display the location of units and events. As soon as a field officer logs into the system, he or she is trackable. These new tracking capabilities enhance officer safety and optimise the dispatch of officers to events.

The mobile CAD map also enables officers to find specific locations easily. A language skills search function allows the police to quickly locate and contact officers with translation skills needed for a particular situation – a useful feature in a melting pot of a city.

All this can be done from the officer's patrol car, saving time and streamlining the process.

IMPEDING PERPETRATORS

The Toronto Police can also cordon off areas due to emergency events, natural disasters, criminal investigations, or city-sponsored activities. Responding to a breaking and entering offense currently in progress, supervisors used the mobile CAD map to set up perimeters and position police cars to block and impede the progress of the perpetrator.

The Toronto Police Service chose Intergraph for the first time in 1991, largely due to its map-based and graphical interfaces that were unique at the time. The organisation implemented its first CAD system in 1994, migrating from a home-grown system. Much of the functionality in today's dispatching application had its roots in the operational requirements and technological challenges of those early years.

The current mobile solution was configured to fit Toronto Police Service's specific needs. The rollout included installing mobile workstations in 500 vehicles and training 1 800 officers.

Protecting the public

Excellence through innovation

Being the industry's most innovative supplier is about more than just reacting to customer demands as they arise. Hexagon's research and development team strives to discover opportunities in advance by taking the pulse of the market in order to achieve a genuine understanding of the needs within industries that are dependent on measurement and visualisation technologies.

Hexagon is an innovative company, which has positioned itself as a leader in its core industries. Whereas the majority of Hexagon's R&D workforce is focused on product development, about 10 per cent of R&D spending is allocated toward new technology development.

In order for Hexagon to be successful, whether in terms of improving existing products and services or finding new application areas for established technologies, it is necessary to have a complete understanding of the needs in the customers' end-user markets. The objective for Hexagon's R&D division is to transform customer needs into products and services, even before they are articulated, by inventing and applying cutting-edge technology.

HEXAGON R&D DIVISION ATTRIBUTES:

1 **Efficiency – To detect market and technological opportunities early on**
The balance between the two elements results in new products being available when the need for them arises. There is also a constant focus on costs of development and production, as well as on product price. Clearly defined objectives help control and realise cost targets.

2 **Responsiveness – To quickly and precisely meet customer requirements**
Hexagon's R&D integrates customers, partners and internal and external experts at an early stage, so that new product specifications reflect a clear picture of the required product from the very beginning. The sooner a project reaches completion, the better it fits the defined market expectations, thus making it imperative that Hexagon continuously works to reduce time to market to increase responsiveness.

3 **Learning – To avoid rigidity and inflexibility**
Monitoring innovation provides data and facts to continuously improve the innovation process. Employee development is a key component of this process. A comprehensive framework of process rules allows Hexagon to develop a range of R&D projects simultaneously and to achieve synergies across the Group.

PATENT PORTFOLIO 2010

	PRODUCT GROUPS							
TECHNOLOGIES	CMM Bridge Systems	Articulated Arms	Laser Tracker	Camera Based Systems	Total Stations	GNSS Receivers	Airborne Systems	Terrestrial Scanners
Terrestrial Surveying			●	●	●	●		●
Portable Metrology		●	●	●	●			
Stationary Metrology	●			●				
Components	●	●	●	●	●	●	●	●
Probe Technology	●	●	●					
GNSS Technology					●	●	●	
Sensors EDM	●	●	●	●	●		●	●
Sensors Angle, Tilt, Others	●	●	●	●	●		●	●
Optics	●		●	●	●		●	●
Signal and Data Processing	●	●	●	●	●	●	●	●
Calibration and Compensation	●	●	●	●	●		●	●
Information Technology, Control, Electronics	●	●	●	●	●	●	●	●
2D, 3D Modelling & Visualisation	●	●	●	●			●	●
Spatial Software Technologies					●		●	●
Image Processing	●	●	●	●	●		●	●
Machine Automation, Control								
Other Technology				●			●	●

A worldwide network of knowledge exchange and close cooperation

A WORLDWIDE R&D NETWORK

A total of some 2 000 engineers are engaged in research and development at Hexagon. This is more than 16 per cent of Hexagon's total number of employees. The R&D division forms a worldwide network of knowledge exchange and close cooperation with employees based in Sweden, Denmark, Switzerland, Germany, France, Italy, the UK, Israel, the US, Canada, Singapore, India, China, Japan and Australia. The R&D units create tomorrow's products, while the task of technology development is to conceive those for the day after tomorrow.

The acquisition of Intergraph adds the India Capability Centre in Hyderabad to the Group. Evaluations are currently under way as to how the growing R&D team in India can best be utilised in R&D activities throughout the Group.

INVESTMENTS IN R&D

Hexagon places a high priority on investments in research and development. In 2010, expenses in the core business of measurement technologies was 1 307 MSEK (1 255), corresponding to almost 10 per cent (11) 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 major earnings potential. The current level of research and development investments is in line with or above those of other leading market players in the industry.

PATENTS CRUCIAL TO PROTECT INNOVATION

In order to secure return on investments in R&D, Hexagon strives to protect its technical innovations through patents when the Group considers it justified. Hexagon submits a large number of patent applications each year and carefully monitors its competitors to ensure that its patents are respected. The company views patent infringement seriously and has a policy of legally defending its rights. Hexagon carefully respects the patents of its industry peers.

The Hexagon patent portfolio consists of nearly 2 100 active patents worldwide. See the table below for details on the patent portfolio as of 31 December 2010.

INNOVATION PROCESSES

Research and development at Hexagon is conducted through joint innovation processes through which Hexagon conceives, develops and brings to market a continuous flow of new products and services.

The innovation processes clearly define the phases and milestones a product innovation has to pass to reach large-scale production. The processes are based on a set of rules that allow many projects to be managed simultaneously and in parallel. The roles of the team members of the innovation process are clearly defined, and knowledge is shared between divisions in order to create synergies across the Group.

AWARD-WINNING INNOVATIONS

Hexagon has launched a large number of award-winning innovations over the years. For example, during 2010 Hexagon received recognition for the handheld laser distance meter Leica DISTO D8 receiving an Innovation Award at the Galabau 2011 exhibition in Germany. The same product also won an award for product innovation at BAU 2011 trade show in Munich.

	PRODUCT GROUPS						
TECHNOLOGIES	**Handheld Tools**	**Earthmoving, Road Construction**	**Precision Farming**	**Monitoring**	**Plant, Marine & Offshore**	**Public & Governmental**	**Transport & Infrastructure**
Terrestrial Surveying	●	●	●	●	●	●	●
Portable Metrology	●						
Stationary Metrology							
Components	●	●	●	●			
Probe Technology							
GNSS Technology		●	●	●	●	●	●
Sensors EDM	●	●	●	●			
Sensors Angle, Tilt, Others	●	●	●	●			
Optics	●						
Signal and Data Processing	●	●	●	●	●	●	●
Calibration and Compensation	●						
Information Technology, Control, Electronics				●			
2D, 3D Modelling & Visualisation			●	●	●	●	●
Spatial Software Technologies		●	●	●	●	●	●
Image Processing	●		●		●	●	●
Machine Automation, Control		●	●				●
Other Technology	●						

Hexagon has launched a large number of award-winning innovations over the years

NovAtel was presented with the 2010 Alberta Export Award for Advancing technologies, an award which recognises companies who have effectively harnessed the powers of intellectual property and value-added know-how.

During the year employees in Unterentfelden, Switzerland, were awarded the European Inventor Award 2010 for outstanding technical innovations. The award was a result of numerous new developments, which have simplified metrology, improved the usability of measurement results and enabled the introduction of many industrial procedures. They were awarded for portable measuring devices, which considerably facilitate the inspection of industrial components.

RECENTLY LAUNCHED CUSTOMER OFFERINGS

The last several years have been intensive for Hexagon's R&D division. In 2010, Hexagon released hundreds of news from Geosystems, Metrology and Technology, whereof a large amount is complete new break-through products.

Among the many material customer offerings launched during the year are Leica SP Technology, Leica Absolute Tracker AT401, ROMER Absolute Arm and Robotic Imaging Total Station Leica Viva TS15.

Leica SP Technology

SP Technology provides improved hydraulic control that allows faster grading without loss of precision at higher speeds, thus increasing machine utilisation and productivity. Bulldozers can now take on more fine grading jobs, allowing contractors to complete their work with fewer machines and helping them to finish their projects ahead of schedule and at lower cost.

By using inertial guidance with highly responsive hydraulic control, GPS performance is enhanced. SP technology reduces the need for rework and increases uptime during poor GPS/GLONASS coverage or temporary loss of correction signals. This allows for consistent and precise grading even under the most difficult conditions.

Leica Absolute Tracker AT401

A laser tracker is a portable measurement system that relies on a laser beam to accurately measure and inspect within a radial volume of up to 320 metres. The Leica Absolute Tracker AT401 is powered by its own internal battery and is able to work in highly demanding environments, yet with a high level of precision. It has an "all-in-one" system design that incorporates accessories such as built-in live video, level to gravity, environmental monitoring and integrated IR remote control.

ROMER Absolute Arm

For workpieces that are large, difficult to move, or cannot be moved to an offline inspection station, dimensional inspection at the point of production is essential. The ability to quickly measure parts wherever and whenever required allows manufacturers to ensure quality, control processes, reduce scrap and eliminate re-work.

The new generation of portable 3D measuring arms, the ROMER Absolute Arm, is the first measuring arm to have absolute encoders, a development that will simplify the inspection process. The user can now easily switch the system on and start measuring without having to initialise the encoders. The ROMER Absolute Arm is notable for its low weight and systematic, ergonomic design. With WiFi capabilities and high-capacity rechargeable batteries, it can also operate wirelessly.

Robotic imaging total station Viva TS15

Leica Viva combines a wide range of innovative hardware and software designed to meet the daily challenges of all positioning tasks.

The new robotic Imaging Total Station, the Leica Viva TS15, provides advanced imaging functionality combined with dynamic tracking capabilities for one-person surveying. The Leica Viva TS15 also adds a high-resolution camera with advanced picture treatment to further enhance the total station productivity. The system incorporates Leica SmartWorx Viva onboard software to provide a wide range of applications.

INNOVATION STRATEGY GOING FORWARD

During 2011, Hexagon's R&D division will mainly focus on keeping the momentum gained from recently launched projects combining Hexagon and Intergraph technologies. Hexagon's hardware and Intergraph's software activities are highly complementary, and the combination of technologies will create new customer offerings, which will allow Hexagon to move up the value chain and become a global solutions provider.

The combination of Hexagon's and Intergraph's technologies can be applied in several areas, which will provide customers with new value-added solutions to improve project execution and efficiency while reducing costs.

Assisting in restoration after tornado

The software Erdas Apollo from Hexagon was used in the cleanup of storm damage in Germany, enabling a more efficient restoring process.

After a tornado swept through the state of Saxony in Germany, the forest was left with at path of destruction 100 kilometres long.

Working to clean up the area, the state agency Sachsenforst chose to implement the Erdas Apollo system to manage and deliver imagery of the damages.

"This approach serves as a model for future disaster response endeavors, says Karina Hoffman, at Sachsenforst.

Shortly after the tornado, forestry agencies responsible for restoring the forests were able to access the actual orthoimages of the damage via the Sachsenforst data portal. Precise geoinformation was used for damage assessment and coordination of the clean-up operations.

Immediately after the tornado, Sachsenforst began the aerial survey and orthoimage production process for 600 square kilometres of forest. The raw data consisted of 326 tiles.

To make the data more manageable, it was mosaicked and compressed using Erdas technology, allowing a considerable reduction of the data volume without loosing visual quality.

ERDAS APOLLO Assists restoration of German forests ravaged by tornado

Sustainability

Hexagon's organisation is characterised by far-reaching decentralisation, creating a sound basis for committed and motivated employees while enabling Hexagon to make fast operational decisions close to customers. The decentralised nature of the company influences the governance of sustainability objectives. Hexagon remains committed to acting responsibly and meeting the high expectations of its employees, customers and the broader communities.

DECENTRALISATION WITH SHARED VALUES

Hexagon's business activities are organised in 43 countries across the world. Hexagon conducts research, development and assembly of high technology products under laboratory-like conditions from which the environmental impact is limited. The facilities are ISO 14001 certified, and the company has a program for monitoring suppliers.

Hexagon strives to maintain a working environment in which there are clear responsibilities, flat hierarchy and minimal bureaucracy in order to enable fast decision-making processes, enhance competitiveness and raise organisational capacity.

In practice, most of Hexagon's efforts towards contributing to society, the environment and social development are carried out at a local level by the individual companies within the Group.

Hexagon's Code of Business Conduct and Ethics is the basic foundation for how the company operates. All Hexagon employees and individual business units are required to comply with this Code and with the specific standards which may be established at the local level. The Code reflects the Group's responsibility as a market leader to uphold the highest standards of ethics and integrity.

Hexagon's Corporate Responsibility Guidelines apply to all locations and companies within the Group. The main purpose is to ensure Hexagon's commitment to the continuous improvement of its management of these issues. Employees are encouraged and expected to report incidents of non-compliance to relevant internal officers, with the assurance that there will be no retaliation or other negative consequences for persons acting in good faith. No significant incidents of non-compliance have been reported during 2010.

Sustainable development – responsibility in every step of the product life cycle

In setting corporate responsibility priorities Hexagon strives to ensure alignment with overall business goals. This means that efforts and strategies are prioritised based on a balanced assessment of financial, technological and sustainability factors.

Hexagon's footprint and responsibility are described below from a life cycle perspective.

1 RESEARCH AND DEVELOPMENT

Hexagon has a responsibility as an innovator to consider sustainability aspects in every product development and design process. As an integrated part of research and development, continuous discussions are held and tests performed concerning product improvements and whether they are financially, technologically and ecologically justifiable.

For Hexagon, sustainable product development involves minimising resources used by reducing the size and weight of products. Hexagon also aims to minimise the use of metals and plastics, reduce the consumption of hazardous materials through the use of alternative materials such as lead-free glass, power systems with low environmental impact and recyclable materials such as aluminium and brass in design and production of all products.

In the development of new technologies Hexagon aims to increase compatibility with other measuring systems or components in order to broaden the functionality of the measuring system. Hexagon also aims to develop ergonomic products that are easier for customers to use.

Hexagon's innovation processes involve knowledge sharing between divisions, thus creating synergies throughout the Group.

2 SOURCING

Hexagon sources components and subsystems from a large number of suppliers around the world. The largest supplier accounts for approximately 2.8 per cent of Hexagon's total net sales. The selection of suppliers is based on an assessment of the overall competitiveness of the offering. This includes a number of factors, other than financial, such as competence, technology, process management, logistics, leadership and investments in continuous improvement.

Hexagon requires that its suppliers support the Group's ethical standards, defined in the Code of Business Conduct and Ethics. Hexagon maintains close and ongoing contacts with its suppliers to ensure quality and sound business practices. Audits are performed and in cases where noncompliance is discovered, Hexagon will engage with suppliers and promptly take appropriate action, which may consist of changing suppliers or taking other suitable measures to ensure that such actions will not be repeated.

Hexagon's Corporate Responsibility Guidelines are used both as a tool for selecting suppliers and as a basis for active engagement with suppliers to promote good corporate responsibility management practices. Hexagon expects their suppliers to demonstrate continuous improvement.

Within an extended global supply chain there is always a risk that suppliers might not meet acceptable standards. This risk is greater in some developing countries with weak regulations or enforcement procedures. Purchasing officers within the Group strive to take this into account when assessing new suppliers or monitoring existing suppliers.

Sourcing of components and subsystems is co-ordinated in a systematic manner throughout Hexagon. The aim is to minimise costs, ensure quality and eliminate bottlenecks.

3 ASSEMBLY AND MANUFACTURING

Hexagon's policy is to localise operations whenever feasible. Assembly facilities are established in locations where it is justified from a customer-base perspective. Hexagon's facilities are ISO 14001 certified and are located in Brazil, China, France, Germany, Israel, Italy, India, Japan, Switzerland and the US.

At Hexagon highly skilled personnel assemble components into complete measurement and positioning systems and integrate proprietary software. The systems are calibrated and carefully tested in Hexagon's facilities before being shipped to the customer.

Critical subsystems are produced in-house. The decision for in-house manufacturing is taken in order to protect intellectual property and due to lack of suppliers that are able to achieve the required quality at a fair cost. Examples of subsystems produced in Hexagon's facilities are precision rotary axis systems, housing and surface technologies used in the assembly of theodolites, laser scanners and laser trackers.

Operations at Hexagon's facilities around the world are carefully coordinated. Both skill and scale advantages are utilised and the assembly facilities' ability to meet demands in terms of the measurement system's precision and quality is guaranteed.

4 MARKETING AND SALES

Hexagon conducts its sales and marketing efforts on a decentralised basis. In advertising and marketing communication practices, Hexagon adheres to the ethical standards applicable in the relevant markets.

In dealings with customers all Hexagon employees are required to comply with the Code of Business Conduct and Ethics. Hexagon is compliant with all of the applicable antitrust and competition laws and standards of the countries where it conducts business. All employees must avoid situations that can lead to unlawful and anticompetitive conduct. Employees are expected to only make statements and commitments that can be honoured and fulfilled.

5 DISTRIBUTION

Distribution of Hexagon's products is handled locally and close to the customer. Because measurement and visualisation technologies often involve significant investments for the customer, it is of vital importance to establish close relationships for continued service and future upgrades. Hexagon aims to limit shipping of products whenever possible.

Hexagon Geosystems' products are sold mainly through a worldwide network of distributors. Hexagon Metrology's products are primarily sold through an in-house sales organisation, with some 65 local precision and service centres throughout the world in which products are demonstrated and where customers are able to personally carry out their own test measurements. Hexagon Technology's components and solutions are sold via a global direct sales force.

All companies within the Group must adhere to all applicable export control statutes and regulations in order to safeguard their products and services from potential misuse and to monitor and regulate deliveries to countries and end-users that may be considered sensitive. In order to promote compliance with applicable export requirements, the Hexagon Group Export Control Policy has been adopted.

6 USE AND SERVICE

Hexagon's products and services all serve to make various processes cheaper, safer, greener and more efficient. This may involve quality measurements in production processes, optimal land usage management, or reducing waste and resources in the construction industry. Approximately 80 per cent of all carbone dioxide emissions today come from transport, agriculture, manufacturing, and electricity and heat production. Advanced measurement and positioning technologies are used to reduce emissions in all these areas.

A large and growing part of Hexagon's customer offering is services and support, including regular certification and calibration to guarantee the highest levels of system accuracy and repeatability.

7 END OF LIFE

Hexagon facilitates upgrades and rebuilds of products in order to extend the life cycle of the systems. Old measurement systems are being revitalised by combining advanced hardware and software with existing equipment.

For example, all NovAtel antennas meet the European Union's Restriction of Hazardous Substances (RoHS), which aims to reduce the content of hazardous materials in electronic products, and the Waste Electrical and Electronic Equipment (WEEE) Directive, which aims to minimise the environmental impacts of electrical and electronic equipment by designing products with recycling in mind and encouraging reuse, recycling and recovery. All NovAtel antennas also meet the Registration, Evaluation, Authorization and Restriction of Chemical Substances (REACH) Directive, and FAA Airworthiness Certification is available on avionic models.

Leica Geosystems reduces the amount of waste produced by its products at the end of their life cycles. Materials and parts are chosen which can be reused, recycled or at least recovered. Information on the waste treatment of products is available in a recycling passport. The selling units in each country inform their customers where the products can be deposited for recycling or waste treatment.

Highly valued employees

Hexagon employs some 12 000 people in 43 countries, in areas such as research and development, marketing, sales, production, installation, customer training, service and administration. Corporate culture is based on competence, innovative thinking, loyalty and trust.

RECRUITMENT

Hexagon is committed to a diverse workplace and actively recruit, continually develop and retain talented people from diverse backgrounds and origins.

For a global company like Hexagon, local expertise is a necessary and decisive factor for success in specific geographic markets. For this reason, most recruitment is carried out locally. To develop skills and ensure up-to-date knowledge among employees, Hexagon cooperates with a wide range of universities and colleges throughout the world. For example, Hexagon provides universities with measurement instruments, which can be used by students in their curricular and research activities. Hexagon also offers students research and practical experience opportunities for their academic theses and participates in education by giving lectures at universities.

NUMBER OF EMPLOYEES

The average number of employees during 2010 was 8 179. The number of employees at the end of the year was 11 992. The increase was due to the acquisition of Intergraph.

The average number of employees in China was 1 505, the US 1 410 and Switzerland 1 370. The average number of employees in Sweden was 503 during 2010. Including Intergraph pro forma, the average number of employees in the US grew to 26 per cent. Data on the average number of employees is available in Note 3 on page 75.

EMPLOYEE TURNOVER

Hexagon's total employee turnover during the year was approximately 10 per cent. This is in line with the average turnover in the industry.

EMPLOYEE SATISFACTION

In the summer of 2011 an employee engagement survey will be performed across the Group as part of Hexagon's aim to gather better insight into employees' commitment, job satisfaction and productivity.

KNOWLEDGE MANAGEMENT

Hexagon fosters a work environment that encourages employees to develop their talents and careers, exercise creativity and achieve superior performance.

Communication and collaboration across divisions and geographic boundaries are encouraged to ensure the best possible use of available knowledge and expertise. Hexagon teams work globally, sharing their knowledge and professional skills. Within the Group there is a dynamic exchange of information, on the management level as well as among individual employees working together on large-scale projects.

Hexagon profits not only from the professional knowledge of the employees, but also from their cultural background and individual approach, ensuring that customers get the best out of Hexagon's worldwide network.

Career-oriented competence development is geared toward the needs of the Group and the individual. Managers are provided training to ensure that they live up to the Group's high leadership standards.

The level of remuneration should be market-based and competitive. Where appropriate, there is also a performance-based component.

HUMAN RIGHTS

The Hexagon Code of Conduct defines the upholding of high standards of ethical conduct as a duty of all Hexagon employees. The Code also aims to ensure a safe work environment where all employees are treated equally and fairly.

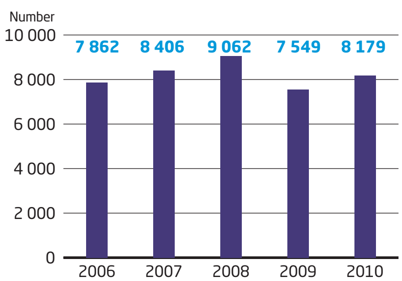
All employees are to be treated with equal respect and will have an equal opportunity to contribute fully to the company's success based on their individual skills and interests. Hexagon has a zero-tolerance policy against harassment and discriminatory practices.

HEALTH AND SAFETY

Employee safety in the workplace is a top priority, and Hexagon strives to minimise the risks of accidents or illness among its workers. Hexagon promotes the maintenance of a safe work environment by implementing all of the applicable health and safety rules and practices within the entire Group.

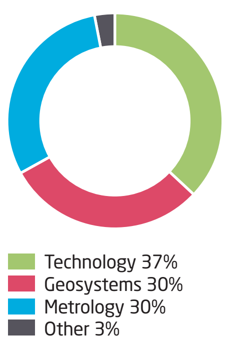
AVERAGE NUMBER OF EMPLOYEES

In 2010 the average number of employees was 8 179. Including Intergraph pro forma the average number of employees was 11 603.



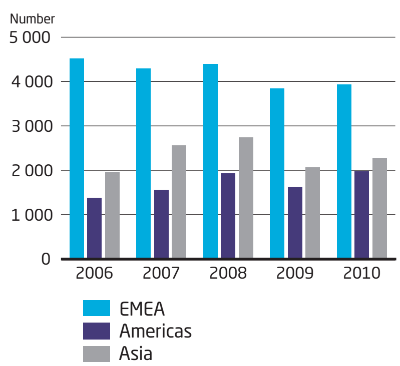
EMPLOYEES PER APPLICATION AREA

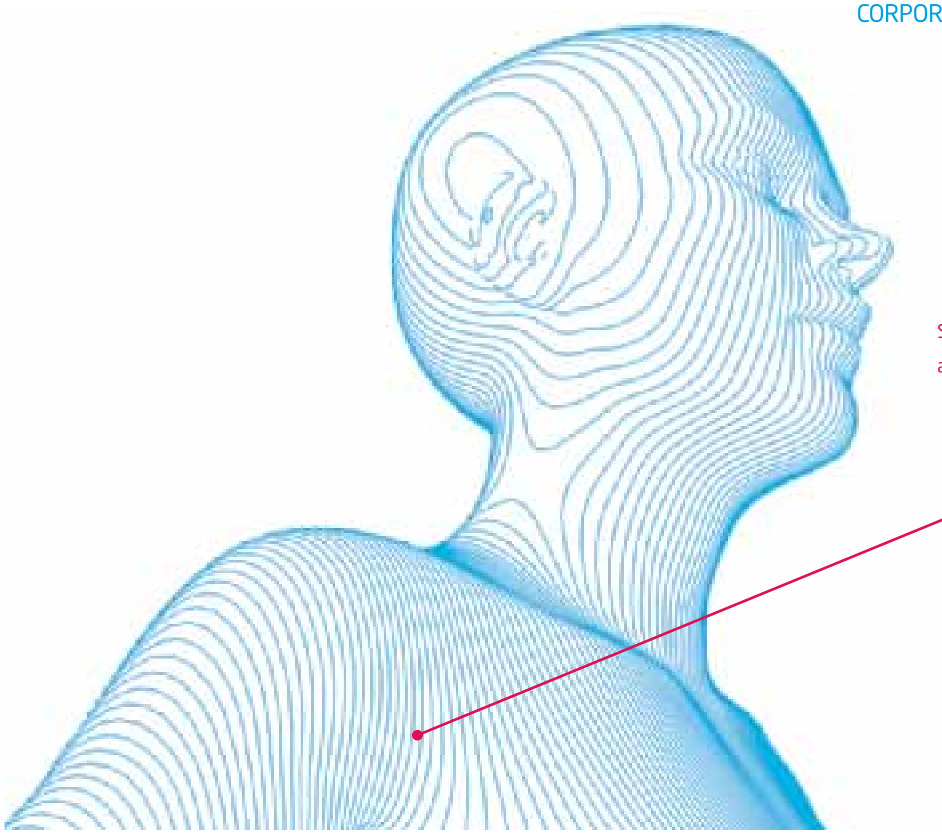
Technology is the application area with the most employees at the end of the year. The increase is due to the acquisition of Intergraph.



EMPLOYEES PER REGION

EMEA is the region in which Hexagon had the highest average number of employees. EMEA had 3 933 employees, Asia 2 275 and Americas 1 971 during 2010.





Speed, professionalism and entrepreneurship are three of Hexagon's six core values.

SOCIAL COMMITMENT

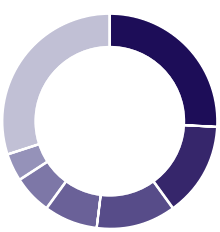
All of Hexagon's businesses aim to participate in social activities to whatever extent, or in whatever way, they can. The commitments made are based on local circumstances and on the extent to which Hexagon's various technologies can provide the most value and be best utilised. Hexagon's social commitment often involves working with voluntary organisations and authorities.

For example, ERDAS, one of Hexagon's software companies, is providing access to datasets that illustrate the devastation in Japan after the earthquake and the subsequent tsunami in March 2011. This is supplied as a free web service that enables users to access various data, and will be updated continually as events unfold.

The Group also maintains ongoing contacts with schools and universities. A number of units also accept study visits and offer opportunities for work experience and research projects.

EMPLOYEES PER COUNTRY [1]

Based on the average number of employees in 2010, including Intergraph pro forma, the US, China and Switzerland had the highest number of employees.

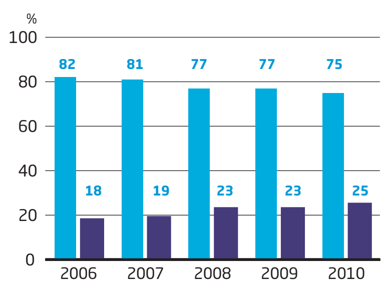


USA 26%
China 14%
Switzerland 12%
Germany 8%
India 6%
Sweden 4%
Other 30%

[1] Including Intergraph pro forma 2010.

SHARE OF MEN AND WOMEN

During 2010 the average share of female employees increased by 2 percentage points to 25 per cent of the total number of Hexagon employees.



Men
Women

HEXAGON VALUES

SUSTAINABLE PROFIT
Hexagon exists to generate favourable results for its shareholders. Its employees are result-oriented individuals with a focus on business operations and performance.

SPEED
Hexagon's strategy relies on a decentralised hierarchy with short decision-making processes. Employees are committed and take responsibility for their actions.

PROFESSIONALISM
Hexagon's employees act professionally and are knowledgeable about their operations.

NO POLITICS
A true and trustworthy image is everything. Hexagon employees are motivated not by status but by the opportunity to drive business forward.

ENTREPRENEURSHIP
Hexagon's employees apply personal vision and ambition to their work while working together with colleagues toward a common goal.

CORPORATE RESPONSIBILITY
Hexagon shows respect for employees, customers and the environment - a commitment which is vital for achieving the credibility needed to ensure sustainable success.

Share capital and ownership structure

Hexagon's series B share has been listed on the NASDAQ OMX Stockholm, previously the Stockholm Stock Exchange, since 1988. It is traded on NASDAQ OMX Stockholm's Large Cap list. The Hexagon series B share is also listed on the SIX Swiss Exchange. The share price increased by 56 per cent in 2010, ending the year at 144.20 SEK.

SHARE PRICE DEVELOPMENT AND TRADING

The value of the Hexagon share increased by 56 per cent in 2010, including the effect of the rights issue conducted during the year, to 144.20 SEK at year-end. The highest and lowest prices during the year were 146.70 SEK on 23 December and 80.64 SEK on 15 February, respectively. Hexagon's total market capitalisation as of 31 January 2011, after the rights issue was concluded, was 48 730 MSEK. During the year, 271 million (291) Hexagon shares were traded on the NASDAQ OMX Stockholm. The turnover rate, i.e. the degree of liquidity, was 102 per cent (109).

OWNERSHIP STRUCTURE

On 31 January 2011, Hexagon had 21 260 shareholders (19 406). The proportion of shares held by shareholders based outside Sweden was 30 per cent (22) of the total number of shares. Shareholders in the US accounted for the largest foreign holding, representing 12 per cent (8) of total shares. The ten largest groups of owners held 54 per cent (57) of the share capital and 67 per cent (70) of the votes.

RIGHTS ISSUE

On 24 November 2010, an extraordinary general meeting approved the resolution by the Board of Directors, passed on 22 October, to perform a new share issue with preferential right for the company's shareholders. The rights issue was intended to finance part of the acquisition of the US-based software provider Intergraph Corporation.

The final result of Hexagon's rights issue showed that 87 783 072 shares, representing approximately 99.6 per cent of those offered, were subscribed for by the exercise of subscription rights. The 339 335 shares of series B that were not subscribed for with subscription rights were allocated to persons who had subscribed for shares on the basis of subsidiary preferential rights. Through the rights issue, Hexagon received proceeds amounting to approximately 6 521 MSEK before transaction costs.

SHARE CAPITAL

The rights issue increased Hexagon's share capital by 176 244 814 SEK to 707 284 354 SEK, represented by 353 642 177 shares, of which 15 750 000 are series A shares and 337 892 177 are series B shares. Each share has a quota value of 2 SEK.

TREASURY SHARES

Hexagon's Annual General Meeting in 2010 authorised the Board of Directors to resolve on the acquisition and transfer of series B shares for the purpose of giving the Board the opportunity to adjust the company's capital structure and to enable the financing of acquisitions. The authorisation covers repurchase and transfers of a maximum of ten per cent of outstanding Hexagon shares.

The total number of treasury shares held by Hexagon as of 31 December 2010 was 1 152 547 series B shares, each with a quota value of 2.00 SEK, corresponding to 0.3 per cent of the total number of shares in Hexagon.

DIVIDEND POLICY

The dividend policy of the Group 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.

Hexagon's Board of Directors proposes a dividend of 1.40 SEK (1.05) per share for 2010. The proposed dividend amounts to 21 per cent of the year's earnings per share after tax and excluding effects from non-recurring items. Including non-recurring items, the proposed dividend amounts to 50 per cent of earnings per share.

INCENTIVE PROGRAMME

Hexagon's Extraordinary General Meeting in December 2007 resolved on the implementation of an incentive programme through a directed issue of 2 500 000 warrants to the wholly owned subsidiary Hexagon Förvaltning AB. The issue price was 20 SEK per warrant. Each warrant entitles the holder to subscribe for one series B share in Hexagon during the period from 2 July 2011 up to and including 2 January 2012. Under the terms and conditions of the warrants, the price to be paid upon subscription for new shares (the exercise price) is based on a market valuation upon allotment, considering the issue price and the exercise period using the Black-Scholes model. In April 2008, 1 391 000 options, with the exercise price established at 177.00 SEK per share, were allotted to and purchased by 80 management and other key staff in the Group. Remaining warrants have been reserved for future recruitment of management and key employees. Following the distribution of the shares in Hexpol AB in 2008 and the rights issue in 2010, the number of series B shares that each warrant entitles to has been recalculated to 1.20 and the exercise price to 147.90 SEK.

Upon full exercise of Hexagon's warrant programme, the dilutive effect would be 0.8 per cent of the current share capital and 0.8 per cent of the current number of votes in Hexagon.

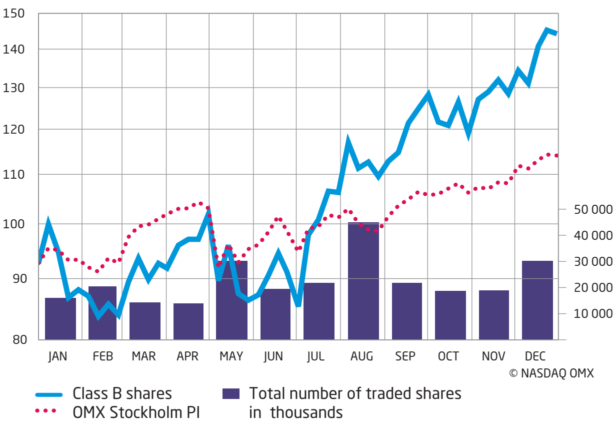
SHAREHOLDER VALUE

Hexagon works continuously to develop and improve the quality and availability of financial information about the Group to support the market in determining the value of the company as fairly as possible. This includes participating actively when meeting with analysts, shareholders and the media.

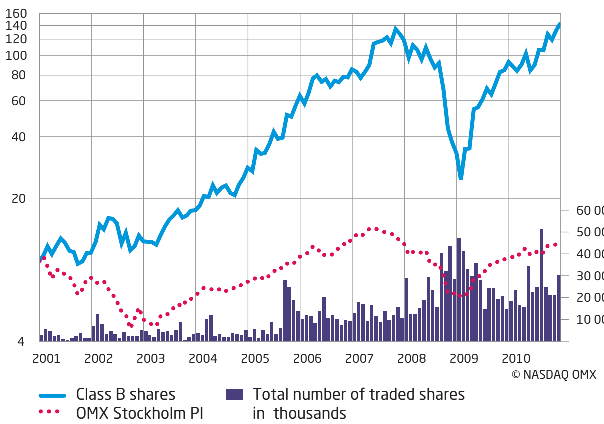
TICKER NAMES

ISIN code	SE0000103699
NASDAQ OMX Stockholm	HEXA B
SIX Swiss Exchange	HEXN
Reuters Ticker	HEXAb.ST
Bloomberg Ticker	HEXAB SS

SHARE PERFORMANCE 2010



SHARE PERFORMANCE 2001 – 2010



CLASS OF SHARES [1]	Number of shares	Number of votes	% of capital	% of votes
A shares	15 750 000	157 500 000	4.45	31.87
B shares	336 739 630	336 739 630	95.22	68.13
Hexagon AB treasury B shares	1 152 547	–	0.33	-
Total	**353 642 177**	**494 239 630**	**100.00**	**100.00**

[1] As of 31 January 2011.

CHANGES IN SHARES OUTSTANDING AND SHARE CAPITAL

Year	Transaction	Nominal value, SEK	A shares, change	B shares, change	A shares, total	B shares, total	Share capital, SEK
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, options exercised	10	–	10 170	1 050 000	17 451 647	185 016 470
2005	New issue, options 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, options exercised	4	–	154 500	3 150 000	54 677 346	231 309 384
2005	Private Placement [1]	4	–	11 990 765	3 150 000	66 668 111	279 272 444
2005	Private Placement [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, options 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, options exercised	4	–	309 119	3 937 500	84 454 325	353 567 300
2007	New issue, options 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, options 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	Options exercised	2	–	138 825	11 812 500	252 554 723	531 039 540
2010	Options exercised	2	–	20 070	11 812 500	252 534 653	531 039 540
2010	Rights issue	2	3 937 500	84 184 907	15 750 000	336 739 630	707 284 354

[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' option programme whereby shares in Leica Geosystems received by the programme participants based on the exercise of options were contributed in exchange for B-shares in Hexagon.

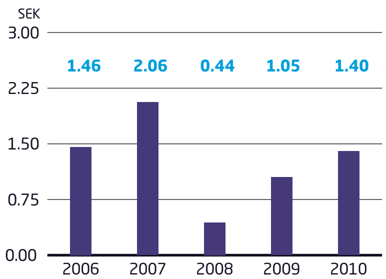
LARGEST SHAREHOLDERS

Owner/manager/deposit bank	A shares	B shares	Share capital, %	Voting rights, %
Melker Schörling AB	15 750 000	88 670 582	29.53	49.81
Swedbank Robur Funds	–	18 426 645	5.21	3.73
Columbia Wanger Asset Management	–	13 073 505	3.70	2.65
Ramsbury Invest AB	–	12 416 000	3.51	2.51
AMF Pension Funds	–	10 118 524	2.86	2.05
AFA Insurance	–	8 301 262	2.35	1.68
Alecta Pension Insurance	–	6 845 000	1.94	1.38
Nordea Investment Funds	–	6 714 348	1.90	1.36
Didner & Gerge Funds	–	5 503 338	1.56	1.11
Skandinaviska Enskilda Banken	–	4 692 780	1.33	0.95
Mellon Omnibus	–	4 560 120	1.29	0.92
JPM Chase NA	–	4 422 030	1.25	0.89
First AP Fund	–	4 313 829	1.22	0.87
Ola Rollén, President and CEO Hexagon AB	–	3 741 001	1.06	0.76
Fourth AP Fund	–	3 443 145	0.97	0.70
Folksam with subsidiaries	–	2 688 419	0.76	0.54
SEB Investment Management	–	2 426 137	0.69	0.49
Enter Funds	–	2 121 932	0.60	0.43
Lannebo Funds	–	1 947 355	0.55	0.39
Simon Bonnier	–	1 745 098	0.49	0.35
Subtotal, 20 largest shareholders	**15 750 000**	**206 171 050**	**62.75**	**73.58**
Other	–	130 568 580	36.92	26.42
Total number of outstanding shares	**15 750 000**	**336 739 630**	**99.67**	**100.00**
Hexagon AB Treasury shares	–	1 152 547	0.33	–
Total issued number of shares	**15 750 000**	**337 892 177**	**100.00**	**100.00**

Source: Euroclear Sweden AB as of 31 January 2011 (with some adjustments).

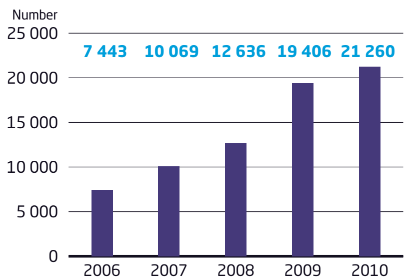
CASH DIVIDEND PER SHARE

The Board of Directors proposes a dividend of 1.40 SEK, corresponding 21 per cent of earnings per share after tax and excluding effects from non-recurring items.



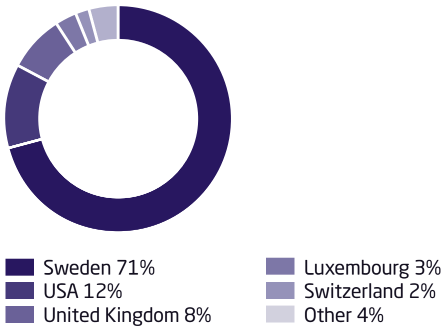
NUMBER OF SHAREHOLDERS

The number of Hexagon shareholders has steadily increased. At 31 January 2011, when the rights issue was concluded, Hexagon had 21 260 shareholders.



GEOGRAPHIC DISTRIBUTION OF SHAREHOLDERS

Distribution is based on where the shareholding is registered. At year-end, Swedish ownership was 71 per cent followed by 12 per cent in the US and 8 in UK.



OWNERSHIP STRUCTURE

Holding per shareholder	Number of shareholders	Number of outstanding shares A	Number of outstanding shares B
1-500	11 066	-	1 872 342
501-1 000	3 312	-	2 465 199
1 001-2 000	3 021	-	4 477 029
2 001-5 000	1 978	-	6 404 253
5 001-10 000	843	-	5 993 178
10 001-20 000	446	-	6 393 536
20 001-50 000	261	-	8 003 084
50 001-100 000	89	-	6 103 064
100 001-500 000	146	-	31 702 343
500 001-1 000 000	38	-	26 728 758
1 000 001-5 000 000	52	-	102 961 394
5 000 001-10 000 000	3	-	18 546 837
10 000 001-	4	15 750 000	115 089 613
Total number of outstanding shares	**21 259**	**15 750 000**	**336 739 630**
Hexagon AB Treasury shares	1	-	1 152 547
Total issued number of shares	**21 260**	**15 750 000**	**337 892 177**

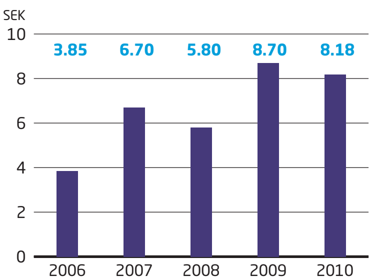
Source: Euroclear Sweden AB as of 31 January 2011.

KEY DATA PER SHARE	2010	2009	2008	2007	2006
Shareholders' equity, SEK	55	41	40	33	28
Net earnings, SEK [1]	2.83	4.13	5.81	5.30	3.93
Cash flow, SEK [2]	8.18	8.70	5.80	6.70	3.85
Cash dividend, SEK	1.40 [3]	1.05	0.44	2.06	1.46
Dividend yield, %	1.0	1.1	1.3	1.7	1.3
Pay-out ratio, %	49	25	7	35	33
Share price, SEK	144	93	33	118	85
P/E ratio, SEK [4]	51	22	5	19	19

[1] Excluding Hexpol AB, which was de-consolidated from Hexagon AB as of 1 June 2008.
[2] Excluding non-recurring items.
[3] According to the Board of Directors' proposal.
[4] Based on the share price at 31 December and calender year earnings.

CASH FLOW PER SHARE

Cash flow from operating activities including changes in working capital increased to 2 483 MSEK, corresponding to 8.18 SEK per share.



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Governance for long-term competitiveness

The corporate governance in Hexagon is based on Swedish legislation, primarily the Swedish Companies Act, Hexagon's Articles of Association, the Board of Director's internal rules, the rules and regulations of NASDAQ OMX Stockholm and the regulations and recommendations issued by relevant organisations.

Hexagon corporate governance

The company applies the Swedish Code of Corporate Governance (the "Code"). The Code is based on the principle "comply or explain". This means that a company which applies the Code may deviate from individual provisions, but, if doing so, has to provide an explanation for each deviation. Hexagon did not report any deviations from the Code in 2010.

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 drawn up as a separate document from the Annual Report.

OWNERSHIP STRUCTURE AND THE SHARE

At 31 January 2011, after the completion of the rights issue conducted during 2010, Hexagon's share capital was 707 284 354 SEK, represented by 353 642 177 outstanding shares. Total outstanding shares were 15 750 000 class A shares, each carrying ten votes, and 337 892 177 class B shares, each carrying one vote. Melker Schörling AB, the single largest shareholder in Hexagon, held at year-end 2010 a total of 15 750 000 class A shares and 88 670 582 class B shares, representing 49.8 per cent of the votes and 29.5 per cent of the capital. No other shareholder has any direct or indirect shareholding representing at least ten percent of the votes of all shares in the company.

To the knowledge of the company, there are no shareholder agreements which could entail restrictions on transfer of shares. Neither are there any agreements between the company and any Board member or any employee which prescribe for compensation if such person's is dismissed, with or without cause, or if such persons employment is terminated as a consequence of a public offer regarding the shares in the company.

ANNUAL GENERAL MEETING (AGM)

The Annual General Meeting (or, when applicable, an Extraordinary General Meeting) is Hexagon's supreme executive body in which all shareholders may 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, the Board presents the Annual Report, consolidated accounts and audit report. Hexagon issues the notice convening the Annual General Meeting no later than four weeks prior to the meeting. The Annual General Meeting is held in Stockholm, Sweden, usually in the month of May. The Annual General Meeting resolves on a number of issues, such as the adoption of the income statement and balance sheet, the allocation of the company's profit and the discharge from liability to the Company for the Board members and the CEO, remuneration to the Board and auditors, the principles for remuneration and employment terms for the CEO and other senior executives, election of members and Chairman of the Board or Directors, election of auditor and any amendments to the Articles of Association, etc.

NOMINATION COMMITTEE

Hexagon's Annual General Meeting resolves on procedures for the appointment and work of the Nomination Committee. The Annual General Meeting has resolved that the Nomination Committee's assignment shall comprise the preparation and presentation of proposals to the shareholders at the Annual General Meeting on the election of Board members, Chairman of the Board and Chairman of the Meeting. In addition, the Nomination Committee presents proposals regarding appointment of auditors, remuneration to the Board of Directors (including for committee work) and the auditors.

The Nomination Committee shall consist of five members selected by the Annual General Meeting. 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 Annual General Meeting, the Committee shall be entitled to appoint another representative among the major shareholders to replace such member. No fees are paid to the members of the Nomination Committee.

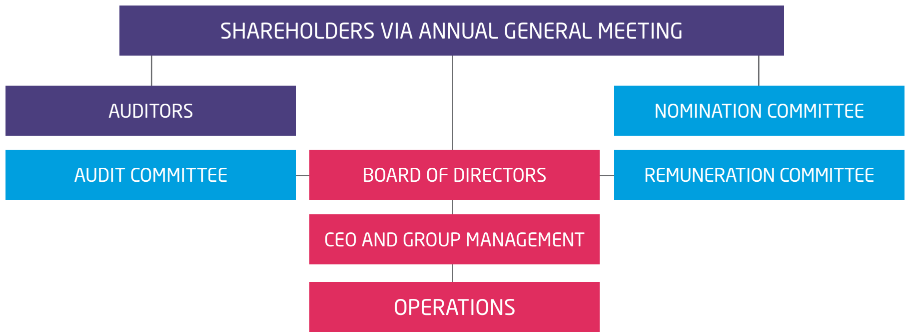
BOARD OF DIRECTORS

In accordance with the Articles of Association, the Board of Directors of Hexagon shall consist of no fewer than three and not more than nine members, elected annually by the Annual General Meeting for the period until the end of the next Annual General Meeting. The Articles of Association of the company contains no special provisions regarding the election and discharge of Board members or regarding changes of the Articles of Association. The Annual General Meeting 2010 elected seven members, including the CEO. Hexagon's CFO, Vice President and General Counsel participate in the Board meetings. Other Hexagon employees participate in the Board meetings to make presentations on particular matters if requested. Hexagon's auditors attend the first Board meeting of the year and report their observations from their examination of the Group's internal controls and financial statements.

The Nomination Committee's assessment of the members' independence in relation to the company, its management and major shareholders is presented on page 43. According to the requirements set out in the Code, the majority of the Board members elected by the General Meeting 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. As evident from the table on page 43, Hexagon complies with these requirements.

The Board of Directors is responsible for determining the Group'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 and internal control 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 CEO govern issues requiring Board approval, and financial information and other reporting to be submitted to the Board.

The Chairman 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 the Group's financial position and important events affecting the company's operations are presented.

The Board of Directors has, within itself, established two committees, the Audit Committee and the Remuneration Committee.

Audit Committee

The Audit Committee is appointed annually by the Board, and its purpose is to consider issues regarding tendering and remunerating auditors on behalf of the Board, including reviewing and surveying the auditors' impartiality and independence, considering plans for auditing and the related reporting, to quality assure the company's financial reporting, and to meet the company's auditors on an ongoing basis to stay informed on the orientation and scope of the audit. The Audit Committee's tasks include monitoring external auditors' activities, and the company's internal control systems, monitoring the current risk situation and the company's financial information, and other issues the Board assigns the Committee to consider. The Committee has not 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 to consider issues regarding remuneration to the CEO and executives that report directly to the CEO, on behalf of the Board, and other similar issues that the Board assigns the Committee to consider. The Committee has not been authorised to make any decisions on behalf of the Board.

EXTERNAL AUDITORS

The Annual General Meeting 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 of the Board of Directors and the CEO. In addition to the audit, the auditors occasionally have other assignments, such as work relating to acquisitions. Hexagon's auditors normally attend the first Board meeting each year, at which the auditors report observations from the examination of the Group'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 Annual General Meeting to present the auditors' report, which describes the audit work and observations made.

INTERNAL CONTROL

The responsibility of the Board of Directors for internal control is regulated in the Swedish Companies Act and in the Code, which also includes requirements on annual external information disclosure concerning how internal control is organized insofar as it affects financial reporting. The Board of Directors bears the overall responsibility for internal control of the financial reporting. The Board of Directors has established written formal rules of procedure that clarifies the Board of Directors' responsibilities and regulates the Board of Directors' and its committees' internal distribution of work.

CEO AND GROUP MANAGEMENT

The 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, including the Code, the Articles of Association and the instructions and strategies determined by the Board. The 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 CEO is responsible for keeping the Board informed of the company's development between Board meetings.

The CEO has appointed a Group Management comprising heads of application areas, heads of geographical regions and certain Group staff functions, a total of eight persons. Group Management is responsible for overall business development, and apportioning financial resources between the business areas, as well as matters involving financing and capital structure. Where necessary, specialist know-how from leading experts is also commissioned. Regular management meetings constitute the Group's forum for implementing overall controls down to a particular business operation, and in turn, down to individual company level.

The CEO and other members of the Group management are presented in further detail on page 48.

OPERATIONS

In financial terms, Hexagon's business operations are controlled on the basis of the return on capital employed. This requires that they focus on maximising operating earnings, and minimising their working capital. Hexagon's organisational structure is distinctly characterised by decentralisation. Individual managers assume overall responsibility for their respective business, and pursue clearly stated objectives.

Activities during the year

ANNUAL GENERAL MEETING (AGM)

The AGM was held on 5 May 2010 in Stockholm, Sweden, and was attended by a total of 185 shareholders, who jointly represented 56 per cent of the total number of shares and 69 per cent of the total number of votes. Melker Schörling was elected Chairman of the AGM.

The following main resolutions were passed:

- Re-election of Directors Melker Schörling, Ola Rollén, Mario Fontana, Ulf Henriksson and Gun Nilsson and election of Ulrik Svensson and Ulrika Francke as new ordinary Board members. The Board members are presented in further detail on page 46.
- Re-election of Melker Schörling as Chairman of the Board.
- Dividend of 1.20 SEK per share for 2009 as per the Board's proposal.
- Guidelines for remuneration to Hexagon's senior executives.
- Issue in kind whereby the company's share capital shall be increased by a maximum of 100 200 SEK by a new issue of not more than 50 100 B-shares.
- Transfer of the company's shares.
- Authorisation of the Board to resolve on acquisition and transfer of the company's shares.

The notice, minutes and documents presented at the AGM are available in Swedish and in English on Hexagon's website.

EXTRAORDINARY GENERAL MEETING (EGM)

The EGM was held on 24 November 2010 in Stockholm, Sweden, and was attended by a total of 28 shareholders, who jointly represented 54 per cent of the total number of shares and 67 per cent of the total number of votes. Melker Schörling was elected Chairman of the EGM.

The following main resolutions were passed:

- Approval of the resolution by the Board of Directors on 22 October 2010 to perform a new share issue with preferential right for Hexagon's shareholders.
- Change of accounting currency from SEK to EUR effective as of 1 January 2011.

The notice, minutes and documents presented at the EGM are available in Swedish and in English on Hexagon's website.

NOMINATION COMMITTEE

In respect of the 2011 Annual General Meeting, the Nomination Committee comprises:

- Mikael Ekdahl, Melker Schörling AB (Chairman)
- Anders Algotsson, AFA Försäkring
- Fredrik Nordström, AMF Pension
- Jan Andersson, Swedbank Robur fonder
- Henrik Didner, Didner & Gerge Aktiefond

During 2010, the Nomination Committee held two minuted meetings at which the Chairman made a presentation of the evaluation process. The Committee discussed desirable changes and decided on proposals to submit to the 2011 AGM concerning the election of Chairman of the AGM, the election of Chairman and other Board Members, directors' fees, remuneration for committee work and to the auditors. Shareholders wishing to submit proposals have been able to do so by contacting the Nomination Committee via mail or e-mail. Addresses are available on Hexagon's website.

BOARD OF DIRECTORS' ACTIVITIES

In 2010, the Board held 12 minuted meetings, including the statutory Board meeting. At all 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 managers presented their operations and business strategies to the Board. In addition, items such as the adoption of the interim reports and the annual report are part of the Board's work plan and the company's auditors presented a report on their audit work during the year.

The Board's work during 2010 was strongly influenced by the acquisition of Intergraph and the new share issue with preferential right for the company's shareholders. Also Hexagon's expansion in emerging markets was in focus during the year. At the final Board meeting of the year, the Board approved the operational strategy and the financial plan for 2011.

Evaluation of 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 Chairman of the Board. The Board is also evaluated within the framework of the Nomination Committee's activities.

Audit Committee

During 2010 the Audit Committee comprised:

- Ulrik Svensson (Chairman)
- Mario Fontana
- Gun Nilsson

In 2010, the Committee held five minuted meetings where the financial reporting of Hexagon was monitored and discussed. The Committee dealt with relevant accounting issues, audit work and reviews such as for example the acquisition of Intergraph, new financing and testing of impairment requirements for goodwill.

Remuneration Committee

During 2010 the Remuneration Committee comprised:

- Melker Schörling (Chairman)
- Gun Nilsson

In 2010, the Committee held one minuted meetings where remuneration and other employment terms and conditions for the CEO and Group Management was 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 executives and the structure and levels of remuneration in the company.

EXTERNAL AUDITORS

The 2008 Annual General Meeting re-elected the accounting firm Ernst & Young AB, with the authorised public accountant Hamish Mabon (born in 1965) as chief auditor, as auditor for a term of office of four years. Hamish Mabon possesses the requisite expertise and is a member of FAR. Hamish Mabon has participated in the assignment of auditing Hexagon since 2001. In addition to Hexagon, he conducts auditing assignments for such companies as Vattenfall AB, Relacom Holding AB and Scania Sverige AB. Hamish Mabon has no active assignments in companies that are closely related to Hexagon's major shareholders or President and CEO.

During 2010, in addition to the audit, the auditors had other assignments in the form of work connected to acquisitions and the new share issue with preferential right for the company's shareholders. Hexagon's auditors attended the first Board meeting of the year, at which they reported observations from their examination of the Group's internal controls and the annual financial statements. The auditors met the Audit Committee on four occasions during 2010.

The address of the auditors is Ernst & Young AB, P.O. Box 7850, 103 99, Stockholm, Sweden.

BOARD OF DIRECTORS AND COMMITTEES [1]

Board member	Elected	Independent	Committee: Audit	Committee: Remuneration	Meeting attendance: Board of Directors	Meeting attendance: Audit Committee	Meeting attendance: Remuneration Committee
Melker Schörling	1999	No [2]		●	12/12		1/1
Mario Fontana	2006	Yes	●		12/12	5/5	
Ulrika Francke [3]	2010	Yes			11/12		
Ulf Henriksson	2007	Yes			10/12		
Gun Nilsson	2008	Yes	●	●	12/12	5/5	1/1
Ola Rollén	2000	No [2]			12/12		
Ulrik Svensson [3]	2010	No [2]	●		10/12	4/5	

[1] A complete presentation of the Board Members is included on pages 46-47.
[2] Melker Schörling and Ulrik Svensson are not deemed to be independent of the company's major shareholders.
Ola Rollén is not deemed to be independent of the company as a result of his position as Hexagon's President and CEO.
[3] Elected as new ordinary Board member at AGM 5 May 2010.

BOARD AND COMMITTEE MEETINGS

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

Remuneration

PRINCIPLES

The following principles for remuneration to senior executives in the Group were adopted by the Annual General Meeting 2010. The guidelines for the remuneration of senior executives, essentially entail that such remuneration should comprise a basic salary, variable remuneration, other benefits and pension, and that all in all this remuneration shall be competitive and in accordance with market practice. The variable remuneration shall be maximised in relation to the basic salary, tied to such performance that the relevant individual may influence and based on the outcome in relation to individual targets.

The Board shall annually consider whether a share or share price related incentive programme shall be proposed to the Annual General Meeting.

The President and CEO must normally provide six months notice of termination of employment. If the company terminates the President and CEO's employment, the period of notice and severance pay should not exceed a total of 24 months. Pension rights shall be either benefit or fee-based, or a combination of both, with an individual pension age, however, not lower than 60 years.

The notice period shall normally be six months on the part of the employee. At notice of termination by the company, the notice period and the period during which severance payment is paid, all in all, shall not exceed 24 months.

REMUNERATION OF GROUP MANAGEMENT

Remuneration of the President and CEO and other senior executives comprises basic salary, variable remuneration, other benefits and pension. In 2009 the President and CEO and the other senior executives declined salary increases as well as bonus payments with consideration to the fact that the Group at the same time were carrying out a cost reduction programme. Remuneration of the President and CEO and other senior executives is presented in Note 4B on page 78.

INCENTIVE PROGRAMMES

In 2007 Hexagon implemented a warrant program for senior executives and key employees in the Group by means of an issue of 2 500 000 warrants. 1 391 000 of the warrants have been alloted to and purchased by approximately 80 senior executives and key employees identified by the Board, and the remaining warrants have been reserved for future recruitment of senior executives and key employees in the Group. The outstanding incentive programme is described in further detail on page 79.

REMUNERATION OF BOARD OF DIRECTORS

Remuneration to the Board of Directors is resolved by the Annual General Meeting on the proposal from the Nomination Committee. During 2010, the Chairman of the Board and other Board Members received remuneration totalling 2 075 000 SEK. Remuneration of the Board of Directors is presented in Note 4B on page 78.

REMUNERATION OF EXTERNAL AUDITORS

Remuneration for services in addition to auditing services primarily refers to work related to acquisitions. Remuneration of the external auditors is presented in Note 6 on page 80.

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.

These five perspectives serve as subheadings below.

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 companywide financial matters are taken by the company's Board and Group Management. 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 comprises an overall control environment in which the organisation, decision-making routes, authorities and responsibilities have been documented and communicated in control documents, such as in Hexagon's finance policy and reporting instructions and in accordance with the authorisation arrangements established by the CEO.

Hexagon's financial-control functions are integrated by means of a Group-wide reporting system. The Group'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 the Group'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.

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 are identified and managed in a manner that ensures correct financial reporting. Special priority has been assigned to identifying processes that, relatively speaking, 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.

CONTROL ACTIVITIES

The risks identified with respect to the financial reporting process are managed via the company's control activities, which 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 follow-ups in relation to budget and forecasts supplement the business-specific controls and provide general confirmation of the quality of the financial reporting.

INFORMATION AND COMMUNICATION

To ensure the completeness and correctness of financial reporting, the Group 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.

MONITORING ACTIVITIES

The efficiency of the process for risk assessment and the implementation of control activities are followed up continuously. The follow-up pertains to both formal and informal procedures used by the officers responsible at each level. The procedures incorporate the follow-up of financial results in relation to budget and plans, analyses and key figures. The Board obtains current reports on the Group'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.

Comments from the Chairman of the Board

The role of the Board of Directors is to work for Hexagon's long-term development and for the best interests of the company's shareholders. We establish an overall strategy for the Group, but also take into consideration, at the earliest possible time, other circumstances that may affect the company's performance and development. Together with Hexagon's management, we establish a direction for the company and make overall decisions on how Hexagon's assets are to be used for investments, acquisitions and dividends.

On 7 July 2010, we announced our plans to acquire the US-based engineering and geospatial software provider Intergraph. The acquisition strengthens Hexagon's position as the leading global provider of measurement technology. Once fully integrated into the Group, we will be able to develop new products where the real world is interconnected with computer-simulated environments and platforms. The acquisition enables Hexagon to provide a comprehensive measurement technology service, including measurements in one up to three dimensions on ground, air and space, processing and simulation of data as well as presentation of data with CAD and GIS technologies.

The synergies of the acquisition are several-fold, and have been clearly acknowledged by the market. During the second half of 2010, our shareholders have experienced a substantial increase in the value of their investment. With the incorporation of Intergraph, the Group will develop its software focus, paving the way for higher margins and thus potentially higher value. Hexagon is constantly seeking to maintain and enhance its position as the leading company in this sector, and increase shareholder value.

On behalf of Hexagon's Board of Directors, I am pleased to experience our shareholders' uninterrupted trust and commitment to Hexagon during the year. I am grateful to our management and our highly skilled and motivated employees – their outstanding work has driven our excellent performance. It also gives me great pleasure to welcome our new Intergraph colleagues to the Group.

Stockholm, Sweden, March 2011

Melker Schörling
Chairman of the Board

Auditor's report on the corporate governance statement

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

It is the Board of Directors who is responsible for the corporate governance statement for the year 2010 on pages 40-44 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our conclusion that the corporate governance statement has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the corporate governance statement and assessed its statutory content based on our knowledge of the company.

Our conclusion is that the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, Sweden, 25 March 2011

Ernst & Young AB

Hamish Mabon
Authorised Public Accountant

Board of Directors

MELKER SCHÖRLING

Born 1947

Chairman of the Board since 1999.

Chairman of Remuneration Committee.

Education: B.Sc. (Econ.).

Work Experience: CEO Securitas AB, President and CEO Skanska AB.

Other assignments: Chairman of Melker Schörling AB, AAK AB, Securitas AB, Hexpol AB. Board Member of Hennes & Mauritz AB.

Previous assignments in the past five years: Chairman of Niscayah Group AB and Board Member of Assa Abloy AB.

Shareholding [1]: 15 750 000 shares of series A and 88 670 582 shares of series B through Melker Schörling AB.

Independent of the company and its management.

MARIO FONTANA

Born 1946

Member of the Board since 2006.

Member of Audit Committee.

Education: Master of Engineering.

Work Experience: Chief of Staff and CIO Brown Boveri Brazil, Country General Manager Storage Technology Switzerland, Country General Manager Hewlett-Packard Switzerland, General Manager Computer Business Hewlett-Packard Europe and General Manager Financial Services worldwide Hewlett-Packard USA.

Other assignments: Chairman of Swissquote and Regent Lighting. Board Member of Dufry.

Previous assignments in the past five years: Board Member of Büro Fürrer, Inficon, SBB – Swiss Railways, Sulzer and X-Rite.

Shareholding [1]: 30 000 shares of series B.

Independent of the company, its management and major shareholders.

ULRIKA FRANCKE

Born 1956

Member of the Board since 2010.

Education: University studies.

Work Experience: City Planning Director and Street and Property, Director City of Stockholm and CEO SBC.

Other assignments: CEO Tyréns AB, Chairman of the Board of Stockholms Stadsteater AB, Board Member of Stockholms Stads Brandförsäkringskontor and Swedbank AB.

Previous assignments in the past five years: Managing Director of SBC, Sveriges BostadsrättsCentrum AB, Board Member of Skanska AB and Stockholms Business Region AB.

Shareholding [1]: 4 000 shares of series B.

Independent of the company, its management and major shareholders.

ULF HENRIKSSON

Born 1963

Member of the Board since 2007.

Education: Master of Engineering.

Work Experience: Executive and Senior Leader Eaton Corporation, Honeywell International/Allied Signal Inc. and Volvo Aero.

Other assignments: CEO Invensys plc.

Previous assignments in the past five years: Operative Vice President Eaton Hydraulics.

Shareholding [1]: 75 133 shares of series B.

Independent of the company, its management and major shareholders.

[1] As of 31 January 2011.

GUN NILSSON

Born 1955

Member of the Board since 2008.

Member of Audit Committee and Remuneration Committee.

Education: B.Sc. (Econ.).

Work Experience: CFO Nobia Group, CEO Gambro Holding AB, Managing Director Indap Sweden AB, Deputy CEO and Executive Vice President Duni AB.

Other assignments: CFO Sanitec. Deputy Board Member of Vinpröjsaren AB and Art Photo Foundation Sweden AB.

Previous assignments in the past five years: Chairman of Yra AB and Svenska Golftourerna AB. Board Member of Duni AB, Husqvarna AB, LFV, Lidingö Golfklubbs Fastighets AB, SPP Fonder AB and Svenska Golfförbundet Affärsutveckling AB.

Shareholding [1]: 6 666 shares of series B

Independent of the company, its management and major shareholders.

OLA ROLLÉN

Born 1965

President and CEO since 2000.

Member of the Board since 2000.

Education: B.Sc. (Econ.).

Work Experience: President Sandvik Materials Technology, Executive Vice President Avesta-Sheffield and President of Kanthal.

Other assignments: -

Previous assignments in the past five years: Board Member of Vestas WindSystems A/S.

Shareholding [1]: 3 741 001 shares of series B.

Independent of major shareholders.

ULRIK SVENSSON

Born 1961

Member of the Board since 2010.

Chairman of Audit Committee.

Education: B.Sc. (Econ.).

Work Experience: CFO Esselte and CFO Swiss International Air Lines.

Other assignments: CEO of Melker Schörling AB. Board Member of Assa Abloy AB, AAK AB, Loomis AB, Niscayah Group AB, Hexpol AB and Flughafen Zürich AG.

Previous assignments in the past five years: Board Member of Securitas Direct AB.

Shareholding [1]: -

Independent of the company and its management.

Group Management

OLA ROLLÉN

Born 1965

President and CEO since 2000

Employed since 2000.

Education: B.Sc. (Econ.).

Work Experience: President Sandvik Materials Technology, Executive Vice President Avesta-Sheffield and President of Kanthal.

Other assignments: -

Previous assignments in the past five years: Board Member of Vestas Wind Systems A/S.

Shareholding [1]: 3 741 001 shares of series B.

JÜRGEN DOLD

Born 1962

President Hexagon Geosystems

Employed since 2005.

Education: M.Sc. (Engineering).

Work Experience: Academic counsel and assistant professor at the Technical University of Braunschweig, Germany.

Other assignments: -

Previous assignments in the past five years: -

Shareholding [1]: 8 615 shares of series B and 25 000 warrants for shares of series B.

WILLIAM GRUBER

Born 1953

Vice President

Employed since 2003.

Education: B.Sc. (Econ.).

Work Experience: Various positions within Milacron Group.

Other assignments: -

Previous assignments in the past five years: Premier Advisory Board (Premier Manufacturing Support Services, Inc.).

Shareholding [1]: 108 818 shares of series B and 50 000 warrants for shares of series B.

HÅKAN HALÉN

Born 1954

Chief Financial Officer

Employed since 2001.

Education: B.Sc. (Econ.).

Work Experience: Various positions within Skandia Group and Trygg-Hansa Group.

Other assignments: -

Previous assignments in the past five years: Board Member of Tradimus AB.

Shareholding [1]: Shareholding via capital insurance.




[1] As of 31 January 2011.

NORBERT HANKE

Born 1962

President Hexagon Metrology

Employed since 2001.

Education: B.Sc. (Econ.).

Work Experience: Various positions within Kloeckner Group, Financial Director Brown & Sharpe.

Other assignments: -

Previous assignments in the past five years: -

Shareholding [1]: 94 529 shares of series B and 50 000 warrants for shares of series B.

LI HONGQUAN

Born 1966

Vice President

Employed since 2001.

Education: M.Sc. (Engineering).

Work Experience: President Qingdao Brown & Sharpe Qianshao Technology Co. Ltd. Operation Manager, VP, President Qingdao Qianshao Indivers Technology Co. Ltd. Mechanical Designer, Quality Dept. Manager Qingdao Qianshao Precision Machinery Company.

Other assignments: -

Previous assignments in the past five years: -

Shareholding [1]: 132 000 shares of series B and 50 000 warrants for shares of series B.

FREDERICK LONDON

Born 1952

General Counsel

Employed since 2007.

Education: B.A. (Econ.), J.D. (Law).

Work Experience: General Counsel Securitas AB, Partner Dunnington, Bartholow & Miller.

Other assignments: -

Previous assignments in the past five years: -

Shareholding [1]: 4 480 shares of series B and 40 000 warrants for shares of series B.

BO PETTERSSON

Born 1952

Chief Technical Officer

Employed since 2001.

Education: M.Sc. (Engineering).

Work Experience: Research & Development positions within ABB Group and Erisoft Group.

Other assignments: -

Previous assignments in the past five years: -

Shareholding [1]: 257 087 shares of series B and 50 000 warrants for shares of series B.

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Board of Directors' Report

Operations and structure

Hexagon is a global measurement and visualisation technologies Group with business activities in 43 countries across the world.

Hexagon's corporate identity number is 556190-4771 and its registered office is in Stockholm, Sweden. The Hexagon share is listed on the NASDAQ OMX Stockholm and SIX Swiss Exchanges.

Hexagon's operations are organised, governed and reported in two business areas: Measurement Technologies and Other Operations. Measurement Technologies includes the application areas Geosystems, Metrology and Technology, including the newly acquired company Intergraph.

The Hexagon product portfolio consists of systems that design, measure in one, two or three dimensions and position and update objects. The portfolio's different measuring and visualisation solutions are built upon common core technologies, and to a large extent, have coordinated development and assembly. Aftermarket services and support are also an important part of our offering.

The business area Other Operations is mainly focused on the transportation industry and the car and heavy vehicle segments. Other Operations has the bulk of its business in the Nordic region.

Hexagon's brand portfolio comprises a large number of world-class brands that are well known in their individual sectors and that have strong traditions of quality and reliability.

OPERATING STRUCTURE

Hexagon's business activities are conducted by 244 operating companies in 43 countries. The President and CEO is responsible for daily management and decision-making, together with the other members of the Group Management, consisting of the Vice Presidents, CFO, CTO, General Counsel and application area and regional directors.

The Group functions consist of Finance (consolidation, treasury and taxes), Business and Technology development, Legal and Corporate Communications.

EMPLOYEES

The average number of employees in Hexagon in 2010 was 8 179 (7 549). The share of employees located outside Sweden increased to 94 per cent (93). The average number of employees in the Parent Company was 11 (11). The number of employees at the end of the year was 11 992. The increase was due to the acquisition of Intergraph.

SIGNIFICANT EVENTS DURING THE YEAR

New Group management

In April 2010, William Gruber assumed the position of Vice President of the Hexagon Group. Norbert Hanke became President of application area Hexagon Metrology, Jürgen Dold was appointed President of Hexagon Geosystems, and Li Hongquan has assumed the position of Vice President of the Hexagon Group and President of operations in China. All have joined the Hexagon Group management team.

Refinancing

In July 2010 Hexagon entered into a 1 225 MUSD Bridge Term Credit Facilities Agreement and a five-year 900 MUSD and 1 000 MEUR Term and Revolving Credit Facilities Agreement in order to finance the acquisition of Intergraph and to refinance the company's previous 1 000 MEUR revolving credit facility.

Acquisition of Intergraph

On 6 July 2010, Hexagon entered into an agreement to acquire the US-based software provider Intergraph Corporation. The acquisition was completed on 28 October 2010 when Hexagon paid a cash purchase price of 2 125 MUSD on a cash and debt-free basis. For more information see page 51.

New share issue

A resolution to conduct a new share issue with preferential right for the company's shareholders, passed by the Board of Directors on 22 October 2010, was subsequently approved at an extraordinary general meeting on 24 November 2010. The rights issue was designed to partly finance the acquisition of Intergraph Corporation.

According to the terms of the rights issue, series A shareholders were entitled to one (1) series A subscription right per series A share and series B shareholders were entitled to one (1) series B subscription right per series B share. Three (3) series A or series B subscription rights entitled the holder to subscribe for one (1) new share of the corresponding series (primary subscription right). The subscription price was 74 SEK per share.

The issue proved successful as 87 783 072 shares, representing approximately 99.6 per cent of the offered shares, were subscribed for by the exercise of subscription rights. The 339 335 series B shares that were not subscribed for with subscription rights were allocated to persons who had subscribed for shares on the basis of subsidiary preferential rights. Hexagon received proceeds amounting to 6 521 MSEK before transaction costs from the issue.

Acquisitions and investments

Hexagon aims to create profitable growth through a combination of organic growth and acquisitions. Acquisitions are an important part of Hexagon's long term growth strategy.

ACQUISITION OF INTERGRAPH CORPORATION

On 6 July 2010, Hexagon AB entered into an agreement to acquire the US-based software provider Intergraph Corporation. Completion of the transaction was subject to certain conditions, including clearance from the relevant competition authorities and CFIUS (Committee on Foreign Investment in the United States). The acquisition was completed on 28 October 2010 when Hexagon paid a cash purchase price of 2 125 MUSD on a cash and debt-free basis.

Founded in 1969, Intergraph is a leading global provider of enterprise engineering software and geospatially powered solutions that enable customers to visualise and manage complex data. Businesses, governments and security organisations in more than 60 countries rely on Intergraph's industry-specific software solutions to organise large amounts of data into understandable visual representations and actionable intelligence. Operating through two divisions, Process, Power & Marine (PP&M) and Security, Government & Infrastructure (SG&I), Intergraph's solutions empower customers to design, build and operate more efficient plants, ships and offshore facilities, create intelligent maps, protect critical infrastructure and provide security for hundreds of millions of people around the world.

In recent years, Intergraph has consistently shown strong and resilient financial results. In 2009, sales amounted to 770 MUSD and 842 MUSD in 2010. Intergraph was consolidated into Hexagon's accounts as of 28 October 2010. Intergraph is headquartered in Huntsville, Alabama, USA, and employs about 4 000 people in 34 countries.

Intergraph fulfils all prerequisites that Hexagon has set for software driven expansion. The combination of Hexagon's leadership in measurement solutions using aerial and ground-based point cloud sensor technology, with Intergraph's leadership in enterprise engineering software and geospatially powered solutions, will enable the enlarged Group to develop and provide unrivalled integrated solutions for clients.

The goodwill of 11 935 MSEK, arising from the transaction, comprises the value of expected synergies and the assembled workforce, which are not separately recognised. Synergies have primarily been identified to arise by i) combining Hexagon and Intergraph technologies, ii) cross selling of existing products, iii) rationalisation of overlapping resources at Hexagon and Intergraph, iv) enlarged market for Intergraph's PP&M division via Hexagon measuring products, v) the use of Hexagon sensors in combination with response GIS within Intergraph's SG&I division and vi) enabling Intergraph to sell its products through Hexagon's emerging markets organisation.

Goodwill is allocated entirely to the Measurement Technologies business area. No goodwill is expected to be deductible for income tax purposes.

Of the 4 244 MSEK of acquired intangible assets, 2 695 MSEK was assigned to trademarks that are not subject to amortisation. The remaining 1 549 MSEK was assigned to capitalised development expenses, patents and other assets with useful lives of between 8 and 12 years. Intangible assets have been valued using a discounted cash flow method.

Acquired deferred revenue liabilities related to post contract sales (service, maintenance and upgrades) have been analysed to determine what portion of the liability represents an actual future obligation and what amount does not. The resulting fair value adjustment in the purchase price allocation was 105 MSEK, which has reduced goodwill.

From the date of acquisition, Intergraph has contributed 1 015 MSEK of net sales after a post-acquisition impact of the above mentioned deferred revenue adjustment of -54 MSEK. If the acquisition had taken place at the beginning of the year, net sales would have been 6 003 MSEK.

Transaction costs of -366 MSEK (of which -316 MSEK were paid in 2010) have been expensed and are included in administration expenses.

The analysis of the acquired net assets is preliminary and the fair values may be subject to change in 2011.

INVESTMENTS

The table below summarises Hexagon's investments during 2009–2010. Ordinary investments consist mainly of investments in production facilities, production equipment and intangible assets, primarily capitalised development costs. Of the ordinary investments of 832 MSEK (821) during 2010, approximately 73 per cent 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 and the US. Development work results in products and services that are sold worldwide. The remaining part of the ordinary investments, approximately 27 per cent, were widely spread and comprised mostly investments in buildings, business equipment and machines.

All ordinary investments during the periods have been financed by cash flow from operations.

Investments corresponded to 6 per cent (7) of net sales. Hexagon does not expect any material change in the near future to current ordinary investment levels as a percentage of net sales. Depreciation and amortisations during the year, including -601 MSEK (4) for impairment losses, amounted to -1 455 MSEK (-756).

MSEK	2010	2009
Investments in intangible fixed assets	626	673
Investments in tangible fixed assets	233	157
Divestments of tangible fixed assets	-27	-9
Total ordinary investments	**832**	**821**
Investment in subsidiaries	14 824	222
Divestment of subsidiaries	–	–
Investment of financial fixed assets	70	54
Divestment of financial fixed assets	-6	-8
Total other investments	**14 888**	**268**
Total investments	**15 720**	**1 089**

Sales and earnings

Net sales grew organically by 17 per cent during the year, amounting to 14 096 MSEK. Operating earnings increased by 46 per cent to 2 604 MSEK.

MARKET DEMAND

Demand for Hexagon's products and services increased during 2010. Hexagon's net sales adjusted to fixed exchange rates and a comparable Group structure (organic growth) increased by 17 per cent during the year.

Net sales in Asia increased throughout 2010, with several submarkets and industries growing at double-digit rates. Hexagon's strong position in the region, coupled with high demand from infrastructure related construction industry primarily in China, were the primary drivers of sales in the region. Organic growth in net sales in Asia was 19 per cent in 2010.

Demand for Hexagon's products in Europe, Middle East and Africa (EMEA) grew during 2010. Organic growth in net sales was 16 per cent. By the end of 2009, customers had stopped reducing inventory levels and sales volumes increased in both the industrial and construction related segments across Western Europe. Russia, the Middle East and Africa grew throughout the year.

In Americas demand from the manufacturing industry in the region strengthened during 2010. South America, led by Brazil, grew throughout the year primarily due to increasing activity in the mining and automotive industries. Americas displayed organic growth in net sales of 16 per cent in 2010.

NET SALES

Net sales for the year increased to 14 096 MSEK (11 811). Using fixed exchange rates and a comparable Group structure, order intake increased by 22 per cent and net sales by 17 per cent.

Hexagon Measurement Technologies' net sales amounted to 13 646 MSEK (11 458), excluding non-recurring effect from revaluation of acquired deffered revenue of -54 MSEK. Using fixed exchange rates and a comparable Group structure, order intake and net sales increased by 20 per cent and 16 per cent, respectively.

Net sales from Other Operations amounted to 504 MSEK (353). Using fixed exchange rates and a comparable Group structure, order intake and net sales increased by 81 per cent and 43 per cent, respectively.

SALES BRIDGE 2010

MSEK	Order intake [1]	Net sales
2009	**11 842**	**11 811**
Structure, %	–	9
Currency, %	-7	-6
Organic growth, %	22	17
Total, %	**15**	**20**
2010	**13 631**	**14 096**

[1] Excluding Intergraph.

GROSS EARNINGS

Gross earnings amounted to 7 158 MSEK (5 580). The gross margin was 50.9 per cent (47.3).

FIVE YEAR SUMMARY

MSEK	2010	2009	2008 [1]	2007 [1]	2006 [1]
Net sales	14 096	11 811	13 060	11 857	10 981
Operating earnings (EBIT1)	2 604	1 784	2 405	2 111	1 604
Operating margin, %	18.4	15.1	18.4	17.8	14.6
Earnings before taxes excluding non-recurring items	2 362	1 626	2 104	1 940	1 415
Non-recurring items	-1 304	-184	-100	-151	13
Earnings before taxes	1 058	1 442	2 004	1 789	1 428
Net earnings	875	1 254	1 770	1 615	1 145
Earnings per share, SEK	2.83	4.13	5.81	5.30	3.93
Earnings per share excluding non-recurring items, SEK	6.54	4.65	6.10	5.59	3.82

[1] Excluding Hexpol AB, which was de-consolidated from Hexagon AB as of June 2008.

OPERATING EARNINGS

Operating earnings (EBITDA) increased by 36 per cent to 3 458 MSEK (2 537), corresponding to an operating margin (EBITDA margin) of 25 per cent (21).

Operating earnings excluding non-recurring items (EBIT1) increased by 46 per cent to 2 604 MSEK (1 784), corresponding to an operating margin (EBIT1 margin) of 18.4 per cent (15.1).

Hexagon Measurement Technologies' operating earnings (EBIT1) increased to 2 685 MSEK (1 905), corresponding to an operating margin of 20 per cent (17).

Operating earnings (EBIT1) from Other Operations increased to -11 MSEK (-74), corresponding to an operating margin of -2 per cent (-21).

NON-RECURRING ITEMS

Restructuring programme 2008-2009

During the fourth quarter of 2008 and into 2009, Hexagon took advantage of weakened demand to accelerate planned rationalisations and extract synergies from acquisitions made in recent years. The cost savings affected approximately 1 200 employees through lay-offs and temporary leaves of absence. As a consequence, Hexagon reported restructuring charges of 184 MSEK in 2009. Annualised savings amount to approximately 900 MSEK by the end of 2009 compared to the cost level in September 2008.

Costs related to the acquisition of Intergraph

Cash integration, transaction and refinancing costs due to the acquisition of Intergraph Corporation amounted to 533 MSEK, of which 401 MSEK were charged in the fourth quarter 2010. The remaining part, approximately 132 MSEK relating to loans, was capitalised and will be amortised over the maturity of the loans, which is 5 years. The majority of the 533 MSEK was paid during the fourth quarter of 2010.

Also in the fourth quarter, Hexagon recorded non-cash, non-recurring costs of 649 MSEK. These items affecting comparability are primarily related to write-downs of overlapping technologies in Hexagon and Intergraph, as well as post-closing non-recurring earnings impact from PPA adjustments (Purchase Price Allocation).

In the same period, Hexagon recorded an impairment charge of 254 MSEK in relation to other operations. The impairment charge did not have any cash impact.

BUSINESS AREAS

	Net sales		Operating earnings (EBIT1)	
MSEK	2010	2009	2010	2009
Measurement Technologies	13 646	11 458	2 685	1 905
Other Operations	504	353	-11	-74
Group costs and adjustments	-54	–	-70	-47
Total	**14 096**	**11 811**	**2 604**	**1 784**

INTANGIBLE FIXED ASSETS

As of 31 December 2010, Hexagon's carrying value of intangible fixed assets was 32 235 MSEK (16 396). The increase is primarily related to the acquisition of Intergraph. Amortisation of intangible fixed assets for the 2010 financial year was -569 MSEK (-472).

FINANCIAL REVENUE AND EXPENSES

The financial net amounted to -389 MSEK (-158) in 2010. The increase is mainly explained by higher interest rates and higher net debt due to the acquisition of Intergraph.

EARNINGS BEFORE TAXES

Earnings before taxes, excluding non-recurring items, amounted to 2 362 MSEK (1 626). Including non-recurring items, earnings before taxes amounted to 1 058 MSEK (1 442).

EFFECTIVE TAX RATE

The Group's tax cost for the year totalled -183 MSEK (-188), corresponding to an effective tax rate of 17 per cent (13). The tax rate of Hexagon including Intergraph is estimated to be 18-22 per cent in the next few years.

NON-CONTROLLING INTEREST OF NET EARNINGS

The non-controlling interest of net earnings was 17 MSEK (9).

NET EARNINGS

Net earnings, excluding non-recurring items, amounted to 2 003 MSEK (1 412), or 6.54 SEK (4.65) per share. Net earnings, including non-recurring items, amounted to 875 MSEK (1 254), or 2.83 SEK (4.13) per share.

CASH FLOW

Cash flow from operations before changes in working capital and restructuring amounted to 2 805 MSEK (2 003), corresponding to 9.24 SEK (6.64) per share. Including changes in working capital, cash flow from operations was 2 483 MSEK (2 621), corresponding to 8.18 SEK per share (8.70). Cash flow was negatively affected by non-recurring items, amounting to -456 MSEK (-190). Operating cash flow after ordinary investments amounted to 1 195 MSEK (1 610). Cash flow from other investments activities was -14 888 MSEK (-268). The change in borrowings was 8 228 MSEK (-1 327). Cash dividends to the Parent Company shareholders amounted to -317 MSEK (-148), corresponding to 1.05 SEK (0.44) per share.

PROFITABILITY

Capital employed, defined as total assets less non-interest bearing liabilities, increased to 37 734 MSEK (22 300). Return on average capital employed, excluding non-recurring items, for the last twelve months was 9.3 per cent (7.8). Return on average shareholders' equity for the last twelve months was 6.1 per cent (10.3). The capital turnover rate was 0.6 times (0.5).

FINANCIAL POSITION

Shareholders' equity, including non controlling interest, increased to 19 476 MSEK (12 484). The increase was primarily driven by net income and the new share issue. The equity ratio decreased to 43 per cent (49). Hexagon's total assets increased to 44 887 MSEK (25 426).

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. Such a test was conducted at the end of 2010 and no impairment requirement arose. Consolidated goodwill at 31 December 2010 amounted to 22 121 MSEK (10 196), corresponding to 49 per cent (40) of total assets. The table below shows the business areas to which the goodwill is attributable. For more information see page 72.

GOODWILL

MSEK	2010	2009
Measurement Technologies	22 110	10 185
Other Operations	11	11
Total ordinary investments	**22 121**	**10 196**

In July 2010 Hexagon entered into a 1 225 MUSD Bridge Term Credit Facilities Agreement and a five-year 900 MUSD and 1 000 MEUR Term and Revolving Credit Facilities Agreement in order to finance the acquisition of Intergraph and to refinance the company's previous 1 000 MEUR revolving credit facility. In December 2010, 850 MUSD of the Bridge Term Credit Facilities Agreement was repaid with the proceeds from the rights offering. The remaining Bridge Term Loan of 375 MUSD matures in July 2011 with an optional extension of one year.

On 31 December 2010, cash and unutilised credit limits totalled 4 556 MSEK (4 737). Hexagon's net debt was 16 819 MSEK. The net indebtedness was 0.82 times (0.66). The interest coverage ratio was 3.6 times (9.5).

MANAGEMENT OF THE HEXAGON GROUP'S CAPITAL

The Hexagon Group's capital comprises reported shareholders' equity, including non-controlling interest, which was 19 476 MSEK (12 484) 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 between 25–35 per cent because Hexagon is seeking to minimise the weighted average cost of capital for the company's financing.

Hexagon's expansion rate is limited by financial covenants made to the company's lenders. All key ratios related to the financial covenants are reported to the lenders in conjunction with the disclosure of quarterly reports. If the financial covenants are breached, the terms and conditions are re-negotiated and the borrowing cost can increase temporarily. In addition, the lenders has a right to terminate the loan agreements upon a breach of the covenants. Hexagon has not breached any covenants in 2010 or prior years.

Implementation of the company's strategy, as well as its financial position and other financial objectives are taken into account in connection with the annual decisions concerning dividend payments.

Other Group information

RESEARCH AND DEVELOPMENT (R&D)

Hexagon places a high priority on investment in research and development. Being the most innovative supplier necessitates major product and process development, partly to improve and adapt existing products, but also to identify new applications and thereby increase the total market for Hexagon's products and services. Total expenditure for research and development during 2010 amounted to 1 330 MSEK (1 255), corresponding to almost 10 per cent (11) 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 considerable earnings potential. The current level of R&D investment is in line with other leading suppliers in the industry. Hexagon's R&D costs are presented in the table below.

R&D COST

MSEK	2010	2009
Capitalised	608	672
Expensed (excluding amortisation)	722	583
Total	**1 330**	**1 255**

ENVIRONMENTAL IMPACT

Hexagon's research and development work generates products and systems that comply with customer requirements for being able to measure with considerable precision in one, two or three dimensions. High-quality measurement systems contribute to increased quality, productivity and efficiency and reduced waste and thus to a decrease in the consumption of materials and raw materials.

When Hexagon implements processes, it takes the environment into account and endeavours to achieve sustainable product development. A fundamental requirement for Hexagon's environmental efforts is to use environmentally friendly resources in production, to whatever extent possible. Hexagon satisfies environmental requirements pursuant to legislation, ordinances and international accords. Decisions regarding operations that affect the environment are guided by what is ecologically justifiable, technically feasible and economically viable. Hexagon's subsidiaries are obliged to have ISO quality accreditation, wherever this is warranted.

PARENT COMPANY

The Parent Company's earnings after financial items were -1 959 MSEK (302). The solvency ratio of the Parent Company was 33 per cent (38). The equity was 11 242 MSEK (7 046). Liquid funds including unutilised credit limits was 3 158 MSEK (3 734).

The Group's activities are financed via the equity and external borrowings in the Parent Company. In connection with the acquisition of Intergraph, the Parent Company performed a total re-financing of the Group and a rights issue. See page 59 for more information.

Substantial currency effects arise due to the multicurrency Group internal and external lending and borrowing.

The Parent Company has significant loss carry-forwards. In 2010, partly due to the refinancing of the Group, new tax losses of 2 660 MSEK with a tax value of 700 MSEK arose. Of this tax value, the Parent Company only recognised 30 MSEK as a deferred tax asset in the balance sheet.

SHARE CAPITAL AND OWNERSHIP

Hexagon's share capital was 706 605 684 SEK, represented by 353 302 842 outstanding shares. Total outstanding shares at 31 January 2011, after completion of the rights issue, was 15 750 000 class A shares, each carrying ten votes, and 337 892 177 class B shares, each carrying one vote. At 31 January 2011 Melker Schörling AB, the single largest shareholder in Hexagon, held a total of 15 750 000 class A shares and 88 670 582 class B shares, representing 49.8 per cent of the votes and 29.5 per cent of the capital.

Share repurchases

The Annual General Meeting on 5 May 2010 authorised Hexagon's Board of Directors to acquire the company's own shares for the purpose of, among other things, providing the Board with the possibility to adapt the company's capital structure and to enable the financing of acquisitions. The authorisation to repurchase totals a maximum of ten per cent of all outstanding shares in the company. No shares were repurchased in 2010. By year-end 2010 Hexagon held 1 152 547 treasury shares.

Significant agreements

To the knowledge of Hexagon's Board of Directors, no shareholder agreements or equivalent agreements exist between shareholders in Hexagon with the objective of creating a joint influence over the company. To the best of the Board of Directors' knowledge, there are no agreements or equivalent arrangements that may lead to a change in control over the company.

To the knowledge of the company, there are no shareholders' agreements which could entail restrictions on transfer of shares. Neither are there any agreements between the company, any Board member or any employee that prescribes compensation if such a person is dismissed, with or without cause, or if such person's employment is terminated as a consequence of a public offer regarding the shares in the company.

CORPORATE GOVERNANCE

In accordance with the Swedish Reports Act, Hexagon has prepared a corporate governance report separate from the annual report. It can be found in this document on pages 40-45. The corporate governance report contains the Board of Directors' report on internal control. See page 44 in this document.

DIVIDEND

Future dividends will be adjusted in line with, for example, Hexagon's earnings and equity ratio, financial position and future development potential. The dividend policy of the Group provides that, over the long-term, dividends should comprise 25 to 35 per cent of earnings per share after tax, assuming that Hexagon satisfies its equity ratio objective.

The Board of Directors proposes a dividend of 1.40 SEK per share, corresponding to 21 per cent of earnings per share after tax, excluding the effect of non-recurring items, and 25 per cent of cash flow from current operations per share. The dividend is expected to total approximately 495 MSEK (329). The proposed record date for dividend payments is 13 May 2011.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

Remuneration of the CEO and other senior executives comprises basic salary, variable remuneration, other benefits and pension. The variable portion of salary is connected to the Group's earnings trend, comprises a maximum amount in relation to the fixed salary and does not give rise to additional pension benefits. Pension benefits are based on defined contribution plans.

The Annual General Meeting 2010 resolved, as proposed by the Board, on the establishment of guidelines concerning the remuneration of senior executives. The remuneration shall consist of a basic salary, a variable remuneration, other benefits and pension and all in all be competitive and in accordance with market practice. The variable remuneration shall be maximised in relation to the basic salary, tied to such performance that the relevant individual can influence and based on the outcome in relation to individual targets. The Board shall annually consider whether a share or share price related incentive program shall be proposed to the Annual General Meeting. The notice period shall normally be six months on the part of the employee. In case of notice of termination by the company, the notice period and the period during which severance payment is paid shall, all in all, not exceed 24 months. Pension rights shall be either benefit or fee-based, or a combination of both, with an individual pension age, however, not lower than 60 years.

The Board of Directors' proposal to the Annual General Meeting 2011 is that these guidelines remain unchanged.

SUBSEQUENT EVENTS

Hexagon AB has replaced SEK with EUR as the accounting currency effective as of 1 January 2011. The presentation currency for the Group is EUR from the same date.

The earthquake and tsunami in Japan in March 2011 have to date had limited effect on Hexagon's operations.

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 and financial risks are managed at Group level.

MARKET AND OPERATIONAL RISK MANAGEMENT

Market and operational risks are primarily managed within each subsidiary of Hexagon. Since the majority of operational risks are attributable to Hexagon's customer and supplier relations, ongoing risk analysis of customers and suppliers are conducted to assess business risks.

	RISK	RISK MANAGEMENT
ACQUISITIONS AND INTEGRATION	An important part of Hexagon's strategy is to work actively with acquisitions of companies and businesses. Strategic acquisitions will continue to be part of Hexagon's growth strategy going forward. 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. This may lead to decreasing growth rates for Hexagon. Acquisitions entail risk. The acquired entities' relations with customers, suppliers and key personnel may be negatively affected. 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.	Hexagon monitors a large number of companies to find acquisitions that can strengthen the Group's product portfolio or improve its distribution network. Potential targets are regularly evaluated on financial, technological and commercial grounds. Every acquisition candidate's potential place in the Group is determined on the basis of synergy simulations and implementation strategies. Thorough due diligence is perfomed to evaluate potential risks. During 2000 to 2010, Hexagon made some 70 acquisitions, including the key strategic acquisitions of Brown & Sharpe (2001), Leica Geosystems (2005), NovAtel (2007) and Intergraph (2010). Based on extensive experience of acquisitions and integration, and clear strategies and goals, Hexagon is strongly positioned to successfully integrate acquired companies into the Group.
ACQUISITION AND INTEGRATION OF INTERGRAPH	Subsequent to Hexagon's acquisition of Intergraph, senior management of Intergraph has in part been replaced. There is a risk that the new management's impact on the business of Intergraph may not achieve their targets. A method for achieving cost synergies in relation to the acquisition of Intergraph may be reduction of overlapping resources, including reduction of staff, which may entail some financial risk. Intergraph has ongoing business operations and contractual relationships with entities within the U.S. Government. There is a risk that this may limit Hexagon's insight in such businesses activities and restrict Hexagon's possibilities to exert influence in relation to the part of Intergraph's business comprised by such contracts. In connection with the acquisition of Intergraph, parts of the purchase price have been classified as goodwill. There is a risk that Hexagon may not be able to support the value of such goodwill in the future. In the event that future impairment tests display a sustainable decrease in the value of goodwill, this will lead to impairment charges, which will have a negative impact on Hexagon's financial position and results.	Intergraph continues to operate under the Intergraph name and branding. The management of the two Intergraph divisions Process, Power & Marine (PP&M) and Security Government & Infrastructure (SG&I) remains unchanged. Hexagon's President and CEO has taken on the role as President of Intergraph which should result in accelerated integration of Intergraph into the Hexagon Group. The integration of Intergraph is proceeding according to plan and expected synergies remain unchanged. In order to comply with US requirements relating to the mitigation of foreign ownership, control or influence (FOCI) over the affairs of a business having access to such information, Intergraph has transferred the contracts involving access to classified information and certain related business into a new subsidiary – Intergraph Government Solutions Corp (IGS). Hexagon has entered into a proxy agreement with the US Defense Security Service relating to IGS pursuant to which IGS is being managed by a minimum of three proxy board directors who are completely independent of Hexagon and will be subject to a variety of procedures designed to mitigate FOCI. As a result, a substantial portion of the assets and business being acquired through the Intergraph transaction will be managed by a proxy board which will have the legal ability to exercise substantial control over the conduct of the business of IGS. In addition, the ability of IGS to continue to conduct operations that involve access to classified information will be dependent upon its ability to comply with the relevant FOCI mitigation requirements and to maintain the necessary security clearances.

	RISK	RISK MANAGEMENT
IMPACT OF THE ECONOMY	Hexagon engages in worldwide operations that are dependent on general economic trends and conditions that are unique for certain countries or regions. As in virtually all businesses, general market conditions affect the inclination and the capabilities of Hexagon's existing and potential customers to invest in measurement and visualisation technologies. A weak economic trend in the whole or part of the world may therefore result in lower market growth that falls below expectations.	Hexagon's business is widely spread geographically, with a broad customer base within numerous market segments. Potential negative effects of a downturn on Hexagon's performance are somewhat balanced by sales of growth technologies and sales to growth markets with differing economic cycles. Emerging markets accounted for about 30 per cent of net sales in 2010 and Hexagon is continuously focusing on increasing its local presence in regions where growth is expected to remain strong.
COMPETITION AND PRICE PRESSURES	Parts of Hexagon's operations are carried out in sectors which are subject to price pressure and rapid technological change. Hexagon's ability to compete in the market environment 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 avoid erosion of market share. Research and development efforts are costly and new product development always entails a risk of unsuccessful product launches or commercialisation, which could have material consequences.	Hexagon invests annually approximately 10 per cent of net sales in research and development. A total of about 2 000 engineers are engaged in research and development at Hexagon. The objective for Hexagon's R&D division is to transform customer needs into products and services and to detect market and technological opportunities early on. Read more about Hexagon's research and development on page 28.
CUSTOMERS	Hexagon's business activities are conducted in a large number of markets with multiple customer categories. Including Intergraph pro forma 2010, surveying is the single largest customer category and accounted for 24 per cent of net sales in 2010. For Hexagon, this customer category may involve certain risks. A downturn or weak development in the surveying sector can have a negative impact on Hexagon's business. Surveying is followed by customer categories power and energy (18 per cent), aerospace and defence (13 per cent) and safety and security (11 per cent).	Hexagon has favourable risk diversification in products and geographical areas, and dependence of a single customer or customer category is not decisive for the Group's performance. The largest customer represents about 1.5 per cent of the Group's total net sales. Credit risk in customer receivables account for the majority of Hexagon's counterparty risk. Hexagon believes there is no significant concentration of counterparty risk. Read more about Hexagon's customers on page 11.
SUPPLIERS	Hexagon's 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.	Hexagon has a favourable risk diversification and dependence of a single supplier is not decisive for the Group's performance. The largest supplier accounts for approximately 2.8 per cent of Hexagon's total net sales. To minimise the risk of shortages in the supply or of excessive price variations among suppliers, Hexagon works actively to coordinate sourcing within the Group and to identify alternative suppliers for strategic components.
HUMAN CAPITAL	The future success of Hexagon is largely dependent on the capacity to retain, recruit and develop skilled employees. Accordingly, being an attractive employer is an important success factor for Hexagon. The resignation of key employees or Hexagon's failure to attract skilled personnel may have an adverse impact on the Group's operations.	Since future success is largely dependent on the capacity to retain, recruit and develop skilled staff, being an attractive employer is an important success factor for Hexagon. Group and business area management jointly handle risks associated with human capital.

FINANCIAL RISK MANAGEMENT

Financial risks are managed at Group level. The Group's Treasury Policy, which is updated and approved annually by the Board, stipulates the rules and limitations for the management of financial risks throughout the Group. Hexagon's treasury operations run the Group's internal bank, which is responsible for coordinating the financial risk management. The internal bank is also responsible for the Group's external borrowing and its internal financing. Centralisation generates substantial economies of scale, lower financing costs, as well as better control and management of the Group's financial risks. Within Hexagon, there is no mandate to conduct independent trading in currency or interest rate instruments. All relevant exposures are monitored continuously and are reported to Group Management on a regular basis.

CURRENCY

RISK

Hexagon's operations are mainly located outside Sweden. During 2010, total operating earnings, excluding non-recurring items, from operations in foreign currencies amounted to an equivalent of 2 604 MSEK. The foreign currencies that have the biggest impact on Hexagon's earnings and net assets are USD, CHF, EUR and CNY.

Currency risk is the risk that foreign currency exchange rate fluctuations will have an adverse effect on cash flow, income statement or balance sheet. Sales and purchase of goods and services in currencies, other than the subsidiary's functional currency, give rise to transaction exposure. As far as possible, transaction exposure is concentrated in the countries where manufacturing entities are located. This is achieved by invoicing the sales entities in their respective functional currency.

Translation exposure arises when the profit and loss accounts and balance sheets are translated into SEK.

Furthermore, the comparability of Hexagon's result between periods is affected by changes in foreign currency exchange rates. The table below illustrates the movements of the currencies having the largest impact on Hexagon's earnings and net assets and the effect on Hexagon's EBIT in 2010 compared to 2009.

CURRENCY IMPACT 2010

	Movement [1]	Net of income and cost	Profit impact
CHF	Weakened	Negative	Positive
USD	Weakened	Positive	Negative
EUR	Weakened	Positive	Negative
CNY	Weakened	Positive	Negative
EBIT1, MSEK			-148

[1] Compared to SEK.

RISK MANAGEMENT

The General Meeting of Hexagon resolved on 24 November 2010 to replace SEK with EUR as the accounting currency effective as of 1 January 2011. In addition, Hexagon has decided to have EUR as the presentation currency for its consolidated financial statements starting 1 January 2011.

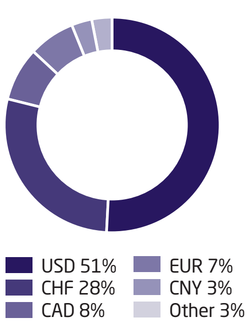
The reason for the change is that due to the accelerating globalisation of Hexagon's operations, the Group's sales, costs and net assets are primarily denominated in currencies other than SEK. A change of accounting currency from SEK to EUR should decrease the currency exposure in both the profit and loss statement as well as in comprehensive income. The move will also enable Hexagon to better match debt with net assets which will have a stabilising effect on certain key ratios that are of importance to Hexagon's cost of capital.

Transaction exposure is hedged in accordance with Group Treasury Policy. Contracted transactions, i.e. accounts receivable and payable, and orders booked, are fully hedged. In addition, 40 to 100 per cent of a rolling six month exposure forecast is hedged. Hedging of transaction exposure is done by using foreign exchange forward contracts. Cash flow hedge accounting is applied and thereby market value is partly deferred in the hedge reserve in equity to offset the gains/losses on hedged future sales and purchases in foreign currencies.

Translation exposure related to actual and forecasted earnings in foreign operations is not hedged.

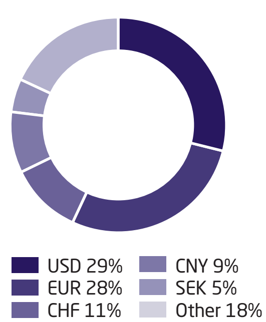
NET ASSETS PER FOREIGN CURRENCY

Translation exposure from net assets is partly hedged with external debt in corresponding currencies.



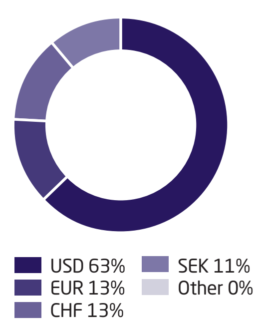
NET SALES PER CURRENCY

The consolidated operating income is mainly generated in foreign subsidiaries. Translation exposure is not hedged.



INTEREST-BEARING LIABILITIES PER CURRENCY

In the currency composition, USD is most significant.



	RISK	RISK MANAGEMENT
INTEREST	The interest rate risk is the risk that changes in interest rates will adversely affect the Group's net interest expense and/or the 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 fixing period for borrowings.	In accordance with the Group Treasury Policy all external debt has short interest rate duration, on average shorter than six months. The average interest fixing period as of the end of 2010 was less than two months. During 2010 no interest rate derivatives were used to manage the interest rate risk.
CREDIT	Credit risk, i.e. the risk that customers may be unable to fulfil their payment obligations, account for the majority of Hexagon's counterparty risk. Credit risk also includes the risk that customers will not pay receivables that Hexagon has invoiced or intends to invoice. Financial credit risk is the exposure to default of counterparties with which Hexagon has invested cash or with which it has entered into forward exchange contracts or other financial instruments.	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 the Hexagon Group 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. Through a combination of geographical and industry diversification of customers the risk for significant credit losses are reduced.
LIQUIDITY	Liquidity risk is the risk of not being able to meet payment obligations in full as they become due or being able to do so at materially disadvantageous terms due to lack of cash resources.	Hexagon's policy is that the total liquidity reserve shall at all times be at least 10 per cent of forecasted annual net sales. At year-end, cash and unutilised credit limits totalled 4 556 MSEK (4 737).
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 extending 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 company's products and services. There is no guarantee that Hexagon will be able to raise the necessary capital. In this regard, the general development on 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 in the Group, combined with active measures to ensure access to credit. There is no guarantee that Hexagon will be able to raise the sufficient funds in order to refinance maturing debt.	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 committed credit facilities, is allowed to mature within the succeeding 12 months, unless replacement facilities have been entered. The financing of the 2 125 MUSD acquisition of Intergraph, consists of three components: a bridge to equity loan of 850 MUSD with maturity on 6 July 2011, a bridge to bond loan of 375 MUSD with maturity on 6 July 2012 and a term loan of 900 MUSD with maturity on 6 July 2015. The proceeds from the rights issue offering and the subsequent bond issue was used and will be used to refinance the equity and bond loans. The term loan of 900 MUSD, together with the term and multicurrency revolving credit facilities of 1 000 MEUR, with maturity on 6 July 2015, forms the foundation of the Group's financing. All the above financing agreements, with maturity 6 July 2015, include standard financial covenants.
INSURABLE RISK	Hexagon' operations, assets and staff are to a certain degree exposed to various risk of damages, losses and injuries which could tentatively threaten the Hexagon Group's business continuity, earnings, financial assets and personnel.	To ensure a well-balanced insurance coverage and financial economies of scale, Hexagon's insurance program includes among other things Group-wide property and liability insurance, travel insurance, errors and omissions insurance and transport insurance combined with local insurance coverage wherever needed. As Hexagon develops and damage-prevention programmes are completed, the insurance programme is periodically amended so that own risk and insured risk are optimally balanced.

LEGAL RISK MANAGEMENT

Legal risks are primarily managed within each subsidiary of Hexagon. For example, country managers are ultimately responsible for complying with legislation in their respective countries. The Group legal function exists to support the subsidiaries and to manage certain legal risks at Group level.

	RISK	RISK MANAGEMENT
LEGISLATION AND REGULATION	Hexagon's main markets are subject to extensive regulation. Hexagon's operations may be affected by regulatory changes, changes to customs duties and other trading obstacles, pricing and currency controls, as well as other central government legislation and restrictions in the countries where Hexagon is active.	Hexagon closely monitors legislation, regulations and applicable ordinances in each market and seeks to adapt the business to identified future changes in the area. To manage country specific risks, Hexagon observes local legislation and monitors political development in the countries where the Group conducts operations.
INTELLECTUAL PROPERTY RIGHTS	Patent infringement and plagiarism 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 can, like disputes in general, be costly and time consuming and may therefore adversely affect Hexagon's business.	The Group seeks to protect its technological innovations to safeguard the returns on the resources that Hexagon assigns to research and development. The Group strives to protect its technical innovations through patents and protects its intellectual property through legal proceedings when warranted. Hexagon believes that the company does not currently intrude on other companies' intellectual property rights.
ENVIRONMENT	Certain companies within Hexagon have operations that have environmental impact. Stricter regulation of environmental matters can result in increased costs or further investments for the companies within the Group which are subject to such regulation.	Hexagon complies with 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.
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 have their local transfer pricing rules to follow and authorities interpret transfer pricing guidelines differently. 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 effect on the Group's tax position. Furthermore, a change of the business or part of the business can have an impact on agreements entered into with tax authorities in some tax jurisdictions. The Group has a low average corporate tax rate. This 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 law, tax treaties, OECD guidelines and agreements entered into with foreign tax authorities and are normally at arm's length. Hexagon does not implement artificial tax planning vehicles and consequently believes it is in accordance with the OECD's new restructuring guidelines.

Consolidated Income Statement

MSEK	Note	2010	2009
Net sales	1	14 096	11 811
Cost of goods sold		-6 938	-6 231
Gross earnings		**7 158**	**5 580**
Sales expenses		-2 409	-2 074
Administration expenses	6	-1 208	-943
Research and development expenses		-1 645	-911
Other operating income	5	397	139
Other operating expenses	5	-847	-189
Share in income of associated companies	9, 14	1	-2
Operating earnings [1]	3, 4, 7, 8, 19	**1 447**	**1 600**
Financial income and expenses			
Financial income	9	13	9
Financial expenses	7, 9	-402	-167
Earnings before tax [2]	1	**1 058**	**1 442**
Tax on earnings for the year	10	-183	-188
Net earnings		**875**	**1 254**
Attributable to:			
Parent company shareholders		858	1 245
Non-controlling interest		17	9
[1] Of which non-recurring items	7	-1 157	-184
[2] Of which non-recurring items		-147	-
Average number of shares, thousands	17	**303 655**	**301 509**
Average number of shares after dilution, thousands	17	**303 677**	**301 768**
Earnings per share, SEK		**2.83**	**4.13**
Earnings per share after dilution, SEK		**2.83**	**4.13**
Net earnings include depreciations and write-downs of		**-1 455**	**-756**

Consolidated Comprehensive Income Statement

MSEK	2010	2009
Net earnings	**875**	**1 254**
Other comprehensive income:		
Translation differences	229	-953
Effect of hedging of net investments in foreign operations	-266	430
Cash flow hedges, net	2	1
Tax attributable to other comprehensive income		
Tax attributable to effect of hedging of net investments in foreign operations	70	-113
Tax attributable to effect of cash flow hedges	0	0
Other comprehensive income, net of tax	**35**	**-635**
Total comprehensive income	**910**	**619**
Attributable to:		
Parent company shareholders	893	609
Non-controlling interest	17	10

Consolidated Balance Sheet

MSEK	Note	2010	2009
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalised development expenses		1 309	1 626
Patents and trademarks		6 833	3 872
Goodwill		22 121	10 196
Other intangible fixed assets		1 972	702
Total intangible fixed assets	12	**32 235**	**16 396**
Tangible fixed assets			
Buildings		1 370	654
Land and other real estate		299	216
Machinery and other technical plants		559	642
Equipment, tools and installations		208	169
Construction in progress and supplier advances		21	13
Total tangible fixed assets	12	**2 457**	**1 694**
Financial fixed assets			
Shares in associated companies	13, 14	28	15
Other long-term securities holdings	13	54	89
Other long-term receivables	13	100	25
Total financial fixed assets	13	**182**	**129**
Deferred tax assets	10	577	590
Total fixed assets		**35 451**	**18 809**
Current assets			
Inventories			
Raw materials and consumables		1 266	1 070
Work in progress		337	211
Finished goods and goods for sale		1 259	1 316
Total inventories		**2 862**	**2 597**
Current receivables			
Customer receivables	15	4 045	2 615
Receivables, associated companies	14	0	15
Current tax receivables	10	245	44
Other receivables – interest bearing		6	53
Other receivables – non-interest bearing	15	317	209
Prepaid expenses and accrued income	16	522	290
Total current receivables		**5 135**	**3 226**
Short-term investments		9	21
Cash and bank balances		1 430	773
Total current assets		**9 436**	**6 617**
TOTAL ASSETS		**44 887**	**25 426**

MSEK	Note	2010	2009
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	17		
Share capital		707	531
Other capital contributions		11 744	5 506
Hedging reserve		2	0
Translation reserve		265	232
Retained earnings		6 702	6 164
Shareholders' equity attributable to Parent Company shareholders		**19 420**	**12 433**
Non-controlling interest		56	51
Total shareholders' equity		**19 476**	**12 484**
Long-term liabilities	19		
Provisions for pensions	4a	307	383
Other provisions	18	420	65
Deferred tax liabilities	10	1 884	409
Liabilities to credit institutions	19	16 204	9 223
Other long-term liabilities – interest-bearing	19	23	28
Other long-term liabilities – non-interest bearing	19	215	14
Total long-term liabilities		**19 053**	**10 122**
Current liabilities			
Liabilities to credit institutions	19	1 384	117
Advance payments from customers		165	146
Accounts payable		1 364	864
Current tax liabilities	10	208	138
Other liabilities – non-interest bearing		126	193
Other provisions	18	270	265
Accrued expenses and deferred income	16	2 841	1 097
Total current liabilities		**6 358**	**2 820**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**44 887**	**25 426**
Collateral pledged	22	360	29
Contingent liabilities	22	175	239

Changes in Consolidated Shareholders' Equity

	Share capital	Other capital contri-butions	Hedging reserve	Trans-lation reserve	Retained earnings	Shareholders' equity attributable to Parent Company shareholders	Non-controlling interest	Total share-holders' equity
Opening shareholders' equity, 1 January 2009	**531**	**5 509**	**-1**	**869**	**5 049**	**11 957**	**57**	**12 014**
Total Comprehensive Income for the period	**–**	**–**	**1**	**-637**	**1 245**	**609**	**10**	**619**
Expense for share-based payments	–	–	–	–	2	**2**	–	**2**
Effect of acquisitions and divestments of subsidiaries	–	-3	–	–	–	**-3**	–	**-3**
Dividend	–	–	–	–	-132	**-132**	-16	**-148**
Closing shareholders' equity, 31 December 2009	**531**	**5 506**	**0**	**232**	**6 164**	**12 433**	**51**	**12 484**
Total Comprehensive Income for the period	**–**	**–**	**2**	**33**	**858**	**893**	**17**	**910**
Effect of acquisitions and divestments of subsidiaries	–	–	–	–	-3	**-3**	–	**-3**
New share issue	176	6 238	–	–	–	**6 414**	–	**6 414**
Dividend	–	–	–	–	-317	**-317**	-12	**-329**
Closing shareholders' equity, 31 December 2010	**707**	**11 744**	**2**	**265**	**6 702**	**19 420**	**56**	**19 476**

Share capital is described in detail in Note 17.
Other contributed capital includes, among others, premium reserves and statutory reserves.
The hedging reserve includes changes in value of the hedging instruments representing cash flow hedges, net after amount transferred to the income statement.
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.
Retained earnings include all historical net earnings excluding non-controlling interests less dividends paid.
Non-controlling interests are the shares of equity that pertain to non-controlling interests in certain subsidiaries.

Consolidated Cash Flow Statement

MSEK	Note	2010	2009
Cash flow from operating activities			
Operating earnings		**1 447**	**1 600**
Adjustments for items in operating earnings not affecting cash flow			
Depreciation and amortisation		854	760
Impairment losses		684	-4
Change in provisions		-91	-77
Capital gains on divestment of fixed assets		4	-1
Earnings from shares in associated companies		-1	2
Unpaid transaction expenses and similar items		125	-
Other items not affecting cash flow		52	2
Interest received		12	15
Interest paid		-526	-236
Tax paid		-211	-248
Cash flow from operating activities before changes in working capital [1]		**2 349**	**1 813**
Cash flow from changes in working capital			
Change in inventories		-253	579
Change in current receivables		-660	531
Change in current liabilities		591	-492
Cash flow from changes in working capital		**-322**	**618**
Cash flow from operating activities		**2 027**	**2 431**
Cash flow from ordinary investing activities			
Investments in intangible fixed assets		-626	-673
Investments in tangible fixed assets		-233	-157
Divestments of tangible fixed assets		27	9
Cash flow from ordinary investing activities		**-832**	**-821**
Operating cash flow		**1 195**	**1 610**
Cash flow from other investing activities			
Investments in subsidiaries	11	-14 824	-222
Investments in financial fixed assets	12	-70	-54
Divestments of financial fixed assets	12	6	8
Cash flow from other investing activities		**-14 888**	**-268**
Cash flow from financing activities			
Borrowings		22 274	1 993
Repayment of debt		-14 046	-3 320
New share issue		6 490	-
Dividend to Parent Company shareholders		-317	-132
Dividend to non-controlling interests in subsidiaries		-12	-16
Cash flow from financing activities		**14 389**	**-1 475**
Cash flow for the year		**696**	**-133**
Cash and cash equivalents, beginning of year [2]		794	919
Effect of translation differences on cash and cash equivalents		-51	8
Cash and cash equivalents, end of year [2]		**1 439**	**794**
[1] Of which non-recurring cash flow		-456	-190

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

Parent Company Income Statement

MSEK	Note	2010	2009
Net sales	2	73	31
Administration expenses	4, 6	-401	-48
Operating earnings		**-328**	**-17**
Financial income and expense			
Result from shares in Group companies	8	939	549
Interest income and similar items	8	205	147
Interest expenses and similar items	8	-2 775	-377
Earnings before tax		**-1 959**	**302**
Tax on earnings for the year	9	31	61
Net earnings		**-1 928**	**363**

Parent Company Comprehensive Income Statement

MSEK	2010	2009
Net earnings	**-1 928**	**363**
Other comprehensive income		
Group contributions issued and received, net	0	26
Tax on Group contributions, net	0	-7
Other comprehensive income net of tax	**0**	**19**
Total comprehensive income for the period	**-1 928**	**382**

Parent Company Balance Sheet

MSEK	Note	2010	2009
ASSETS			
Subscribed but not paid capital		25	-
Fixed assets			
Intangible fixed assets	12	**1**	**0**
Tangible fixed assets	12	**0**	**1**
Financial fixed assets			
Shares in Group companies	13	20 595	12 150
Receivables from Group companies	13	11 709	5 092
Other financial fixed assets	13	1	1
Total financial fixed assets		**32 305**	**17 243**
Deferred tax asset		219	189
Total fixed assets		**32 525**	**17 433**
Current assets			
Current receivables			
Receivables from Group companies		816	898
Other receivables		12	49
Prepaid expenses and accrued income	16	136	18
Total current receivables		**964**	**965**
Cash and bank balances		349	171
Total current assets		**1 313**	**1 136**
TOTAL ASSETS		**33 863**	**18 569**

MSEK	Note	2010	2009
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	17		
Restricted equity			
Share capital		707	531
Statutory reserve		2 814	2 814
Ongoing rights issue		25	-
Total restricted equity		**3 546**	**3 345**
Non-restricted equity			
Premium reserve		8 218	1 980
Retained earnings		-522	1 721
Total non-restricted equity		**7 696**	**3 701**
Total shareholders' equity		**11 242**	**7 046**
Long-term liabilities			
Liabilities to credit institutions		15 851	7 683
Total long-term liabilities		**15 851**	**7 683**
Current liabilities			
Liabilities to credit institutions		1 264	-
Accounts payable		92	3
Liabilities to Group companies		5 270	3 823
Other liabilities		1	1
Accrued expenses and deferred income	16	143	13
Total current liabilities		**6 770**	**3 840**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**33 863**	**18 569**
Collateral pledged	21	None	None
Contingent liabilities	21	500	455

Changes in Parent Company Shareholders' Equity

MSEK	Restricted shareholders' equity			Unrestricted shareholders' equity		
	Share capital	Statutory reserve (restricted)	Rights issue	Premium reserve (unrestricted)	Retained earnings	Total shareholders' equity
Closing balance, 31 December 2008	**531**	**2 814**	–	**1 980**	**1 461**	**6 786**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**382**	**382**
Dividend	–	–	–	–	-132	**-132**
Sale of own shares	–	–	–	–	10	**10**
Closing balance, 31 December 2009	**531**	**2 814**	**-**	**1 980**	**1 721**	**7 046**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-1 928**	**-1 928**
Dividend	–	–	–	–	-317	**-317**
Sale of own shares	–	–	–	–	2	**2**
New share issue	176	–	25	6 320	–	**6 521**
New share issuance costs, net of tax	–	–	–	-82	–	**-82**
Closing balance, 31 December 2010	**707**	**2 814**	**25**	**8 218**	**-522**	**11 242**

Parent Company Cash Flow Statement

MSEK	2010	2009
Cash flow from operating activities		
Operating earnings	**-328**	**-17**
Adjustment for operating earnings items not influencing cash flow		
Depreciation and impairment losses	286	–
Unrealised currency exchange differences	–	-570
Interest received	205	510
Dividend from subsidaries	939	549
Interest paid	-1 223	-243
Cash flow from operating activities before changes in working capital	**-121**	**229**
Cash flow from changes in working capital		
Change in current receivables	-3	-135
Change in current liabilities	1 600	419
Cash flow from changes in working capital	**1 597**	**284**
Cash flow from operating activities	**1 476**	**513**
Cash flow from investing activities		
Investments in financial fixed assets	-8 600	-3
Change in long-term receivables, Group companies	-6 617	337
Group contributions received	–	14
Capital contribution paid	-57	–
Cash flow from other investing activities	**-15 274**	**348**
Cash flow from financing activities		
Borrowings	21 925	1 993
Repayments	-14 046	-3 058
New share issue	6 414	–
Dividend to shareholders	-317	-132
Cash flow from financing activities	**13 976**	**-1 197**
Cash flow for the year	**178**	**-336**
Cash and cash equivalents opening balance [1]	**171**	**507**
Cash and cash equivalents closing balance [1]	**349**	**171**

[1] Cash and cash equivalents include cash and bank balances.

Accounting Policies

The consolidated accounts 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 Financial Reporting Interpretations Committee (IFRIC), which have been approved by the EC 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 RFR 2. This means that the Parent Company applies the same accounting policies as the Group, except as outlined below. Differences between the accounting principles applied by Hexagon and the Group are the result of limitations on opportunities to apply IFRS by the Parent Company owing to the Annual Accounts Act and in certain cases current tax rules.

The accounting policies applied by the Group are consistent with those of the previous financial year except as follows.

On 25 March 2011, the Board of Directors and the CEO approved this annual report and consolidated accounts for publication, and they will be presented to the Annual General Meeting on 10 May 2011 for adoption.

APPLICATION OF NEW ACCOUNTING RULES

The Group has introduced the following new and amended standards and interpretations from IASB and IFRIC, respectively, as of 1 January 2010.

IFRS 2	Share-based Payment: Group Cash-settled Share-based Payment Transactions
IFRS 3	Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRIC 12	Service Concession Arrangements
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

The adoption of the standards or interpretations is described below:
Of these, only the revised IFRS 3R Business Combinations and the revised Consolidated IAS27R who have a significant impact on Hexagon's consolidated financial statements.

IFRS 3R facing a number of changes in the accounting for business combinations that affect the amount of goodwill, reported earnings in the period of the acquisition and future reported earnings.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The application of IFRS 3R has affected the consolidated financial statements in 2010 as a result of the acquisition. The effects of changes in the standard has primarily resulted in the expensed transaction costs.

Other new and revised standards and interpretations had no significant impact on the financial statements in 2010.

IMPROVEMENTS TO IFRS

In April 2009 IASB issued its second set of additions to current standards, principally in order to remove inconsistencies and clarify wording. There are separate transition rules for each addition, but usually, these are applied from 1 January 2010. The improvements have not had any impact on the Group.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 9 Financial Instruments (not endorsed by EU)
The standard is effective for annual periods beginning on or after 1 January 2013. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IAS 24 Related Party Disclosures (Amendment)
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for governmentrelated entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard. The Group does not expect any impact on its financial position or performance.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments and the rights allow the holder to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)
The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

IFRS 7 Financial Instruments: Disclosures - Amendment (Expected to be approved by EU Q2 2011)
The supplement was published in October 2010 by the IASB as a supplement to IFRS 7 Financial Instruments: Disclosures. The amendment will lead to further quantitative and qualitative information is available at derecognition of financial instruments from the balance sheet. If a transfer of assets does not result in a complete removal, this must be informed. Similarly, if the company remains involved in the deconsolidated asset, the company has to disclose this information. The adoption will have limited impact on Hexagon's disclosures.

Improvements to IFRSs (issued in May 2010)
In May 2010 the IASB issued its third set of additions to current standards, principally in order to remove inconsistencies and clarify wording. There are separate transition rules for each addition, but usually, these are applied from 1 January 2011. Improvements are expected to have no significant impact on the Group.

CHANGE OF PARENT COMPANY'S ACCOUNTING CURRENCY AND PRESENTATION CURRENCY

Hexagon has evaluated and determined that the functional currency of the Parent Company is EUR from 1 January 2011. Further, the General Meeting of Hexagon resolved on 24 November 2010 to replace SEK with EUR as the accounting and presentation currency for Hexagon from 1 January 2011. Furthermore Hexagon has determined to use EUR as the presentation currency in the consolidated financial statements from 1 January 2011. The reason for the change is the accelerating globalisation of Hexagon's operations, the Group's sales, costs and net assets are primarily denominated in currencies other than SEK. Today, only 5 per cent of sales and 5 per cent of net assets are denominated in SEK. The foreign currencies that have the biggest impact on Hexagon's earnings and net assets today are USD, EUR, CHF and CNY. The acquisition of Intergraph will further increase the importance of these currencies for Hexagon. As a result of the change, the currency risk may therefore, in whole or in part, change from what is described above in the future. A change of accounting currency from SEK to EUR will decrease the currency exposure in both the profit and loss statement as well as in comprehensive income. It will also allow the Hexagon Group to better match debt with net assets which will have a stabilising effect on certain key ratios that are of importance to Hexagon's cost of capital.

BASIS OF REPORTING FOR THE PARENT COMPANY AND THE GROUP

The functional currency of the Parent Company is Swedish kronor as is the presentation currency for the Parent Company and the Group. The financial reports are presented in Swedish kronor. All amounts, unless indicated otherwise, are rounded off to the nearest million.

Assets and liabilities are reported at historical cost with the exception of certain financial instruments, derivatives and any available for sale securities such as long term securities holdings, which are reported at fair value.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements consolidate the Parent Company and the other companies in which the Parent Company has a controlling influence.

Companies or businesses acquired (acquisitions) are accounted for under the purchase method. The method involves a business combination is regarded as a transaction in which the Group indirectly acquires the assets of the business and its liabilities and contingent liabilities. The Group's acquisition cost is determined through a purchase price allocation in connection with the acquisition. The 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 included in the acquisition cost and carried at their fair value at the acquisition date. Revaluation of contingent considerations are recorded in income. Transaction expenses are charged in the income statement when incurred.

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

Goodwill recorded represents the difference between the 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 reported value in the acquisition of the assets acquired and liabilities assumed. Goodwill is recognised under section intangible 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 acquiree's identifiable assets and liabilities. Acquisition of non-controlling interest is reported as transactions between shareholders, i.e. in 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 business group to cease, but the group retains shares in the company, reported remaining shares at fair value. The gain or loss is recorded in income.

ASSOCIATED COMPANIES AND JOINT VENTURES

Hexagon applies the equity method for accounting associated companies and joint ventures. Associated companies are those companies over which Hexagon, directly or indirectly, has a material influence. Joint ventures are defined as companies over which Hexagon, through partnership agreements with one or more parties, exercises a joint controlling influence over the operational and financial control.

Any differences between the acquisition value and equity value at the time of acquisition are termed goodwill, and is included in the acquisition value. In the consolidated balance sheet, holdings in associated companies are recognised at acquisition value adjusted for dividends, share in earnings and losses during the holding period, and accumulated impairment losses. The consolidated income statement includes share in associated companies' earnings after elimination of any inter-company gains. Associated company taxes are included in the Group's tax expenses.

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. Gains that arise from transactions with associated companies and joint ventures are eliminated to an extent corresponding to the Group's ownership interest in the company. Losses are eliminated in the same way as gains, but only to the extent that there is no impairment loss.

Translation of financial reports of foreign operations to Swedish kronor
Assets and liabilities in operations with a functional currency other than Swedish kronor are translated to Swedish kronor 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.

The value of the net assets of foreign subsidiaries, including goodwill and other intangible assets, is hedged, mainly through foreign currency loans. Currency forward contracts are used to a lesser extent. In the consolidated financial statements, the after-tax effects of hedging are offset against those translation differences that were recognised directly in other comprehensive income regarding the foreign operations.

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 CEO is responsible for leading and controlling Hexagon's operations in accordance with the strategy determined by the Board. The CEO is therefore the Group's chief operating decision maker 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, excluding non-recurring items. Financial items and taxes are reported for the Group as a whole.

Hexagon's operations are organised, governed and reported on the basis of the two operating segments Hexagon Measurement Technologies and Other Operations. The operating segment Hexagon Measurement Technologies comprises the application areas Geosystems, Metrology and Technology. The product portfolio consists of systems that are designed to measure in one, two or three dimensions and to position and update objects. The portfolio's different measuring instruments are built upon common core technologies and have to a large extent coordinated development and production. The operating segment Other Operations is mainly focused towards the transportation industry including cars as well as heavy vehicles. Other Operations conducts its business in the Nordic region.

The two segments have separate product offerings, customer groups and geographical exposure and hence differentiated risk composition. No sales between the two operating segments exist. 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 consequently analysed geographically.

REVENUES

Hexagon applies the following principles for revenue recognition:

Sales of goods

Revenues from sales of goods are recognised when all the following conditions are satisfied:

- The company has transferred the essential risks and benefits associated with the ownership of the goods to the buyer;
- The company does not retain any commitment in ongoing management usually associated with ownership, and nor does the company exert any actual control over the goods that have been sold;
- Revenues can be reliably calculated;
- It is likely that the financial benefits for the seller associated with the transaction will arise for the seller;
- The expenditure that has arisen or is expected to arise as a consequence of the transaction can be reliably calculated;
- Installation revenues comprise an insignificant portion of total revenues for equipment sold with a commitment to install the equipment.

Sales of services/contracts and similar assignments

Income from the sale of services is recognised on the basis of the degree of completion at the balance sheet date, when all the following conditions are satisfied:

- Income attributable to the assignment can be reliably calculated;
- It is likely that the financial benefits to the contractor associated with the assignment will arise for the contractor;
- The percentage of completion can be reliably calculated;
- The expenditure that has arisen and the expenditure that remains to complete the assignment can be reliably calculated.

The percentage of completion is determined by comparing the expenditure that has arisen in relation with 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 revenues, 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 revenues, the probable loss is accounted immediately, and fully, as an expense.

RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure for research is expensed as incurred, while expenditure for development is capitalised as follows: Capitalisation of development expenses in the Group are only applied to new products where significant development costs are involved, where the products have a probable earnings potential that the company may benefit from, and the costs are clearly distinguishable from ongoing product development expenditure.

GOVERNMENT GRANTS

Hexagon accounts for government grants that were decided and paid out during the year. Government grants have been reported as a reduction of the Group's expenses in the function where the expenses occurred. In Note 8 it is shown in detail the distribution by function. The government grants relate primarily to education of employees and support to cover employment expenses during a limited period of time in order to avoid redundancies.

LEASING

The Group has entered into both capital and operational leases. The agreements are classified in accordance with their financial implication when they were entered into. Capital leases are not material and primarily relate to vehicles. For operational leases, the lease payments are expensed straight-line over the shorter of the asset's useful life and the lease term. For capital leases the leased asset is carried on the balance sheet with a corresponding liability for future lease payments. The leased asset is depreciated over the same period as for assets of the same kind owned by the Group. The liability for future lease payments is interest bearing.

OTHER OPERATING REVENUES/EXPENSES

Other operating revenues/expenses primarily consist of gains/losses from sales of fixed assets, currency exchange gains and losses related to operating assets and liabilities and revenues for sub-letting of premises.

FINANCIAL ASSETS AND LIABILITIES AND OTHER INSTRUMENTS

Financial instruments recognised in the balance sheet include, on the asset side, cash and banks, accounts receivables, shares, loans receivable and derivatives. Liabilities include trade accounts payable, loans payable and derivatives.

Financial instruments are initially recognised at cost, corresponding to the instrument's fair value plus transaction expenses for all financial instruments with the exception of those in the category financial assets at fair value through profit or loss. Subsequent measurement at fair value or amortised cost depends on how they are classified, as indicated below. Fair value of listed financial assets and liabilities are determined at market prices. Hexagon also applies different valuation methods to determine the fair value of financial assets and liabilities that are managed in an inactive market. These valuation methods are based on the valuation of similar instruments, discounted cash flows or accepted valuation models.

Amortised cost is determined using the effective interest rate calculated on the date of acquisition. Financial assets and liabilities are classified in one of the following categories:

Financial assets and liabilities at fair value through profit or loss

Financial derivative instruments are recognised at fair value, with changes in fair value recognised in profit and loss, apart from cases where the derivative fulfils the requirement for cash flow hedging, in which case the change in value is recognised directly in Other comprehensive income until the hedged transaction has been recognised.

Available for sale

Hexagon considers listed holdings of securities as being available for sale, which means that the change in value up to the selling date is recognised directly in other comprehensive income. Unlisted shares and participations whose value cannot be determined reliably are recognised at acquisition cost. Hexagon had no listed holdings in 2009 and 2010.

Held-to-maturity investments

Assets held to maturity are valued at amortised costs, applying the effective interest rate method. No financial instruments were classified in this category during 2009 and 2010.

Loans receivable and accounts receivable

Accounts receivable are recognised at the amount expected to be received based on an individual valuation. Accounts receivable have a short maturity, due to which they are recognised at their nominal amount without discounting. Impairment losses on accounts receivable are recognised in operating expenses.

Other receivables are receivables that arise when the company provides money without the intent to trade its claim.

Other financial liabilities

Bank loans classified as other financial liabilities are initially recognised at the amount received after deducting transaction expenses. After acquisition, the loans are carried at amortised cost, according to the effective rate method.

Trade accounts payable are classified in the category other financial liabilities. Trade accounts payable have a short expected maturity and are carried without discounting at their nominal amount.

Cash and bank

Cash and bank consist of cash and cash equivalents, immediately accessible balances with banks and similar institutions, and short-term liquid investments with a maturity from acquisition date of less than three months, which are exposed to no more than an insignificant risk of fluctuation in value.

DERIVATIVES AND HEDGE ACCOUNTING

Balances and transactions are hedged, and hedge accounting is applied if the hedging actions taken have the stated objective of constituting a hedge, have a direct correlation to the hedged item and effectively hedge the item. An effective hedge generates financial effects that offset those that arise through the hedged position. When hedging fair value, the change in the fair value of the hedging instrument is recognised in the income statement together with the change in the value of the liability or asset to which the risk hedging applies. When hedging cash flow, the change in value of the hedging instrument is recognised directly in other comprehensive income until the hedged transaction has been recognised.

VALUATION PRINCIPLES

Hexagon applies various valuation methods to determine fair value of financial assets traded on an inactive market. These methods are based on the valuation of similar instruments, discounted cash flows or customary valuation models.

LOAN COSTS

Borrowing costs in the form of interest expense are included in an asset's acquisition value for certain qualifying assets only. Since Hexagon normally does not construct the types of assets that would permit this, no such borrowing costs have been capitalised, instead they have been expensed as incurred.

PENSION AND SIMILAR COMMITMENTS

Expenditure for defined contribution plans are 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. Differences between expected and actual development of this liability are not expensed as long as the deviations remain within the so-called corridor. Pension expense for the year consists of pensions earned, interest expense during the period and – if applicable – accrued actuarial gains and losses. A deduction is made for the yield on plan assets intended to cover the obligation. The net cost is recognised in the income statement. Obligations related to defined benefit plans are recognised net in the balance sheet, 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.

TERMINATION BENEFITS

When employment is terminated, a provision is recognised only when the entity is demonstrably committed either to terminate the employment of an employee or a group of employees before the normal retirement age or provide termination benefits as a result of an offer made to encourage voluntary redundancy. In the latter case, a liability and an expense are recognised if it is probable that the offer will be accepted and the number of employees that will accept the offer can be reliably estimated.

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 announced publicly. 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.

INCOME TAXES

Income taxes comprise:

- Current tax, meaning the tax calculated on taxable earnings for the period, and adjustments regarding prior periods;
- 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, and shares in associated companies' tax.

TRANSACTIONS, ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Transactions in foreign currency 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 profit and loss.

INVENTORIES

Inventories are accounted according to the FIFO (first-in first-out) principle. Raw materials and purchased finished and semi-finished 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 are made for obsolescence and intra-Group gains.

GOODWILL AND OTHER INTANGIBLE FIXED ASSETS

Goodwill comprises the difference between the acquisition cost and fair value of the Group's share of acquired companies' identifiable net assets on the date of acquisition. Goodwill is recognised at acquisition value less accumulated impairment losses. Other acquisition-related intangible assets primarily comprise various types of intellectual rights such as brands, patents and customer relations.

Both acquisition-related and other intangible assets are reported at acquisition value less accumulated amortisation and impairment losses, if any. Acquisition-related intangible assets with an indefinite life are not amortised, but are tested for impairment on an annual basis.

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/losses on the divestment of a tangible fixed asset are recognised in the income statement as other operating income/cost 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:

Capitalised development expenditure	2-6 years
Patents and trademarks [1]	5 years
Other intangible assets	2-10 years
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

[1] The value of trademarks obtained via acquired operations is determined by means of the acquisition analysis. If the trademark can be used without any time limitations, it is not subject to amortisation according to plan. The acquisition of Intergraph in 2010 added trademarks with a value of 2 695 MSEK that is not subject to amortisation. The right to use the name Leica derives from a contractual useful life under an agreement that expires in 93 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.

IMPAIRMENT

Goodwill and other intangible assets with an indefinite life are subject to annual impairment testing. Other tangible and intangible assets are impairment tested if indications of an impairment requirement arise, meaning if the recognised value of an asset exceeds its recoverable value. If an impairment need is identified, the item is impaired to an amount corresponding to the recoverable value.

The recoverable value is the higher of the asset's net realisable value and the value in use, meaning the discounted present value of future cash flows. Previous impairments are reversed by relevant amounts matching the degree to which the impairment is no longer warranted, although goodwill impairments are never reversed.

Assumptions used to determine whether or not there is an impairment requirement are as follows:

ASSUMPTIONS USED FOR DETERMINING DISCOUNT RATE PER CURRENCY

	2010	**2009**
Risk-free interest rate, %	2.0-3.5	2.0-3.5
Tax rate , %	7-35	7-35
Beta value	1.3-1.8	1-1.5
Applied discount rate before tax, %	8.8-10.0	8.4-9.6
Forecast period	5 years	5 years
Growth after forecast period , %	2	2

If independent cash flows cannot be isolated for individual assets, the assets are grouped at the lowest level where independent cash flows can be identified (cash generating units). Hexagon has identified four groups where impairment of goodwill is tested.

CASH-GENERATING UNITS

The definition of cash-generating units complies with the Group's organisation, whereby assessments of whether there are any impairment requirements are made at the sub-segment level within each particular operating segment. Intangible assets that are common to a specific cash generating unit are allocated to this cash generating unit. The total value of intangible fixed assets that are not subject to amortisation was 25 308 MSEK (13 382) at 31 December 2010. The entire amount is attributable to business area Hexagon Measurement Technologies. The recoverable value is generally set at the value in use.

ACCOUNTING POLICIES IN THE PARENT COMPANY

The Parent Company applies the same accounting policies as the Group with the following exceptions:

- The Parent Company does not apply IAS 39.
- In the Parent Company all leases are treated as operational leases.
- The Parent Company normally recognises Group contributions issued and received, and the corresponding tax effect, directly in shareholders' equity (other comprehensive income). However, in those cases where Group contributions received can be considered as dividends, the Group contribution is recognised as financial income, and the tax effect is included in income tax for the year in the income statement.
- In the Parent Company, the shares in subsidiaries are recognised at acquisition value less any impairment.
- Acquisition of shares in subsidiaries includes transaction costs and contingent consideration.

The Parent Company applies hedge accounting for assets in foreign currencies that are effectively hedged by borrowings in foreign currencies. Accordingly, changes in exchange rates are not reported for loans raised to finance acquisitions of foreign subsidiaries.

Fixed assets acquired in foreign currency are recognised at the historical exchange rate. Other assets and liabilities in foreign currency are recognised at the exchange rate prevailing on the balance sheet date.

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 approval on 10 May 2011.

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.

Income recognition

Parts of Hexagon's sales derive from major, complex customer contracts. In order to establish the amounts that are to be recognised as income and whether any loss provision should be posted, 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.

Intangible assets

Intangible assets within the Hexagon Group concern essentially pertain to patents, trademarks and goodwill. 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. 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. The assumptions made by the Board of Directors are presented above. 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 at 31 December amounted to 22 121 MSEK (10 196) . Other intangible assets not subject to amortisation amount to 6 151 MSEK as of this date. Impairment tests performed did not give rise to a cause to impair this amount.

Valuations of tax assets

The Board of Directors and company management continuously assess the carrying amount of both current and deferred tax assets. 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 may be uncertain due to ongoing tax processes, for example. Accordingly, the value of deferred tax assets 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 liabilities, Hexagon has to form an opinion of the tax rate that will apply at the time of the reversal of taxable temporary differences. Hexagon recognised deferred tax assets in an amount of 577 MSEK (590), net, at the end of 2010. At the same date, the Group had tax-loss carry-forwards with a value of 679 MSEK (304) 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 the Hexagon Group, there are defined-benefit pension schemes based on significant assumptions concerning future benefits pertaining to either the current or prior workforce. 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 and the anticipated return on the plan assets. Other significant assumptions include 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.

Notes

Amounts in MSEK (SEK millions), unless stated otherwise.

NOTE 1 Operating segments

Hexagon's operations are organised, governed and reported in two operating segments, Hexagon Measurement Technologies and Other Operations. The operating segment Measurement Technologies comprises the application areas Geosystems, Metrology and Technology. A detailed description of the operations is presented on pages 14-27 of this Annual Report.

2010	Hexagon Measurement Technologies	Other Operations	Total segments	Group expenses and eliminations	Group
Net sales	**13 646**	**504**	**14 150**	**-54**	**14 096**
Operating expenses	-10 961	-515	**-11 476**	-16	**-11 492**
Operating earnings (EBIT1)	**2 685**	**-11**	**2 674**	**-70**	**2 604**
Non-recurring items	-855	-184	**-1 039**	-118	**-1 157**
Operating earnings (EBIT)	**1 830**	**-195**	**1 635**	**-188**	**1 447**
Net interest income/expenses				-389	**-389**
Earnings before taxes				**-577**	**1 058**
Operating assets	40 574	444	**41 018**	435	**41 453**
Operating liabilities	-4 179	-112	**-4 291**	-228	**-4 519**
Net operating assets	**36 395**	**332**	**36 727**	**207**	**36 934**
Of which share in associated companies earnings	1	–	**1**	–	**1**
Shares in associated companies	1	27	**28**	–	**28**
Cash flow from operating activities	3 049	22	**3 071**	-1 044	**2 027**
Cash flow from ordinary investment activities	-813	-18	**-831**	-1	**-832**
Operating cash flow	**2 236**	**4**	**2 240**	**-1 045**	**1 195**
Average number of employees	7 872	296	**8 168**	11	**8 179**
Number of employees at year-end	11 659	321	**11 980**	12	**11 992**
Depreciation/amortisation and impairment losses	-819	-35	**-854**	-601	**-1 455**

2009	Hexagon Measurement Technologies	Other Operations	Total segments	Group expenses and eliminations	Group
Net sales	**11 458**	**353**	**11 811**	**-**	**11 811**
Operating expenses	-9 553	-427	**-9 980**	-47	**-10 027**
Operating earnings (EBIT1)	**1 905**	**-74**	**1 831**	**-47**	**1 784**
Non-recurring items	-175	-9	**-184**	–	**-184**
Operating earnings (EBIT)	**1 730**	**-83**	**1 647**	**-47**	**1 600**
Net interest income/expenses				-158	**-158**
Earnings before taxes				**-205**	**1 442**
Operating assets	23 341	446	**23 787**	93	**23 880**
Operating liabilities	-2 488	-101	**-2 589**	18	**-2 571**
Net operating assets	**20 853**	**345**	**21 198**	**111**	**21 309**
Of which share in associated companies earnings	-2	–	**-2**	–	**-2**
Shares in associated companies	0	15	**15**	–	**15**
Cash flow from operating activities	3 116	-15	**3 101**	-670	**2 431**
Cash flow from ordinary investment activities	-814	-7	**-821**	–	**-821**
Operating cash flow	**2 302**	**-22**	**2 280**	**-670**	**1 610**
Average number of employees	7 239	299	**7 538**	11	**7 549**
Number of employees at year-end	7 152	312	**7 464**	12	**7 476**
Depreciation/amortisation and impairment losses	-715	-40	**-755**	-1	**-756**

Geographical markets	Net sales per recipient country		Net Operating assets [1] Assets		Liabilities		Net		Cash flow from ordinary investment activities	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
EMEA	6 597	5 729	19 066	17 227	-2 273	-1 500	16 793	15 727	-536	-547
Americas	3 612	2 883	21 031	1 760	-1 844	-1 136	19 187	624	-254	-243
Asia	3 941	3 199	2 466	5 667	-1 512	-709	954	4 958	-42	-31
Elimination of intra-group items	-54	–	-1 110	-774	1 110	774	–	–	–	–
Group	**14 096**	**11 811**	**41 453**	**23 880**	**-4 519**	**-2 571**	**36 934**	**21 309**	**-832**	**-821**

[1] Net operating assets corresponds with operating earnings in as much as items such as cash and cash equivalents, tax, interest and interest-bearing liabilities and provisions are not included.
No single customer represented more than 1.5 per cent of net sales in 2010 or 2009.

NOTE 2 Intra-group purchases and sales

Other Group companies account for 100 per cent (100) of the Parent Company's sales and 60 per cent (10) of the Parent Company's purchases.

NOTE 3 Average number of employees

	2010			2009		
	Men	Women	Total	Men	Women	Total
Parent Company	7	4	11	8	3	11
Subsidiaries	6 278	1 890	8 168	5 841	1 697	7 538
Total, Group	**6 285**	**1 894**	**8 179**	**5 849**	**1 700**	**7 549**
Average number of employees by country						
Sweden	423	80	503	429	88	517
Norway	42	6	48	38	4	42
Denmark	68	27	95	65	27	92
Finland	14	3	17	4	0	4
Nordic region	**547**	**116**	**663**	**536**	**119**	**655**
UK	170	41	211	156	39	195
Germany	514	98	612	442	74	516
Netherlands	27	4	31	19	2	21
Belgium	40	8	48	35	5	40
France	251	85	336	259	95	354
Switzerland	1 147	223	1 370	1 194	229	1 423
Italy	264	64	328	275	70	345
Portugal	12	3	15	9	3	12
Spain	110	29	139	122	27	149
Russia	5	2	7	3	1	4
Czech Republic	11	3	14	5	1	6
Turkey	12	4	16	10	4	14
Austria	14	4	18	10	4	14
Poland	41	10	51	30	4	34
Hungary	8	3	11	8	3	11
Rest of Europe	**2 626**	**581**	**3 207**	**2 577**	**561**	**3 138**
Total, Europe	**3 173**	**697**	**3 870**	**3 113**	**680**	**3 793**
USA	1 095	315	1 410	922	220	1 142
Canada	268	92	360	239	82	321
Mexico	25	4	29	23	3	26
North America	**1 388**	**411**	**1 799**	**1 184**	**305**	**1 489**

Average number of employees by country, cont.	2010 Men	2010 Women	2010 Total	2009 Men	2009 Women	2009 Total
Argentina	3	2	5	2	1	3
Brazil	86	26	112	70	27	97
Chile	33	5	38	26	4	30
Peru	14	1	15	12	1	13
Venezuela	1	1	2	–	–	–
South America	**137**	**35**	**172**	**110**	**33**	**143**
South Africa	3	2	5	3	2	5
South Africa	**3**	**2**	**5**	**3**	**2**	**5**
New Zeeland	4	1	5	–	–	–
Australia	126	18	144	103	13	116
Australia	**130**	**19**	**149**	**103**	**13**	**116**
China	959	546	1 505	939	515	1 454
United Arab Emirates	4	1	5	5	1	6
Hong Kong	27	11	38	22	9	31
India	209	34	243	145	14	159
Israel	42	10	52	34	8	42
Japan	78	12	90	77	12	89
Korea	39	6	45	30	5	35
Malaysia	7	2	9	3	2	5
Taiwan	3	3	6	–	–	–
Thailand	6	5	11	5	5	10
Singapore	79	100	179	75	96	171
Vietnam	1	–	1	1	–	1
Asia	**1 454**	**730**	**2 184**	**1 336**	**667**	**2 003**
Total, Group	**6 285**	**1 894**	**8 179**	**5 849**	**1 700**	**7 549**

NOTE 4A Employee benefits

Salaries and Remuneration	Board, CEO and other Senior Executives 2010	Board, CEO and other Senior Executives 2009	Other employees 2010	Other employees 2009
Parent Company	25	19	8	7
(of which performance-related pay and bonus)	(9)	(-)	(-)	(-)
Subsidiaries in Sweden	8	19	189	135
Total	**33**	**38**	**197**	**142**
Australia	2	1	120	71
Austria	–	1	9	6
Belgium	–	4	24	17
Brazil	4	2	28	11
Canada	4	6	233	207
Chile	–	1	–	4
China	14	10	157	113
Czech Republic	1	1	4	2
Denmark	4	1	47	10
Finland	1	–	8	–
France	11	4	140	100
Germany	18	23	321	248
Hong Kong	–	–	16	13
Hungary	–	0	2	2
Iceland	–	–	1	–
India	5	4	25	14
Ireland	–	–	–	2
Israel	2	2	32	23
Italy	13	6	139	152
Japan	7	10	58	46
Korea	–	–	16	8
Malaysia	1	0	1	1
Mexico	2	1	31	7

Salaries and Remuneration, cont.	Board, CEO and other Senior Executives 2010	Board, CEO and other Senior Executives 2009	Other employees 2010	Other employees 2009
Netherlands	2	1	17	11
Norway	2	1	30	9
New Zeeland	–	–	–	12
Poland	3	1	11	6
Portugal	–	–	5	4
Russia	–	0	1	2
Singapore	3	4	48	39
South Africa	1	–	2	3
Spain	5	6	48	50
Switzerland	69	51	922	814
Taiwan	1	–	1	–
Thailand	1	1	1	1
Turkey	2	1	2	2
UK	4	3	109	88
United Arab Emirates	2	1	3	2
USA	9	21	934	774
Venezuela	–	–	1	–
Total, Group	**226**	**206**	**3 744**	**3 016**
(of which performance-related pay and bonus)	(44)	(15)	(345)	(156)

Social security expenses	All employees 2010	All employees 2009
Parent Company	9	10
(of which pension expenses)	(4)	(5)
Subsidiaries	727	663
(of which pension expenses)	(172)	(136)
Total, Group	**736**	**673**
(of which pension expenses)	(176)	(141)

Pension expenses for Boards of Directors and Chief Executive Officers in the Group amounted to 13 MSEK (12). Pension commitments to Boards of Directors and Chief Executive Officers in the Group were 42 MSEK (17).

At year-end, two Board members were women and five were men. The Chief Executive Officer and other senior executives were all men.

Of all the Group's Board members, Chief Executive Officers and other senior executives, 82 were women and 782 were men.

Sickness absence in the Parent Company totalled 0 per cent (0) of the employees combined ordinary working time. No part of sickness absence pertained to a connected period of 60 days or more.

Pension obligations 31 December 2010	Plan assets	Pension obligations	Net
Sweden	–	-34	-34
Italy	–	-54	-54
Switzerland	3 359	-3 512	-153
Germany	31	-98	-67
UK	186	-186	0
USA	41	-51	-10
Other minor plans	13	-35	-22
Total (fair/present value)	**3 630**	**-3 970**	**-340**
Actuarial gains/losses			90
Unrecognised expenses for prior years service			-10
Unrecognised assets according to IAS 19 [1]			-35
Pension provisions, net			**-295**
Of which:			
Reported as asset (other non-current receivables)			12
Reported as liability			-307

Pension obligations 31 December 2009	Plan assets	Pension obligations	Net
Sweden	–	-35	-35
Italy	–	-61	-61
Switzerland	3 169	-3 077	92
Germany	34	-99	-65
UK	198	-204	-6
USA	38	-50	-12
Other minor plans	11	-43	-32
Total (fair/present value)	**3 450**	**-3 569**	**-119**
Actuarial gains/losses			-218
Unrecognised expenses for prior years service			-16
Unrecognised assets according to IAS 19 [1]			-15
Pension provisions, net			**-368**
Of which:			
Reported as asset (other non-current receivables)			15
Reported as liability			-383

Five year overview	2010	2009	2008	2007	2006
Fair value of plan assets	3 630	3 450	3 416	3 018	2 907
Pension obligations	-3 970	-3 569	-3 809	-3 080	-3 253
Net	**-340**	**-119**	**-393**	**-62**	**-346**
Actuarial gains/losses etc.	45	-249	-43	-356	-128
Book value	**-295**	**-368**	**-436**	**-418**	**-474**

Defined-benefit pension schemes	2010	2009
Actuarial assumptions (weighted average)		
Discount interest rate, %	2.7	3.7
Expected return on plan assets, %	4.6	5.0
Inflation, %	1.5	1.5
Employee turnover, %	15.4	14.1
Estimated remaining years in service	12.9	12.9
Future salary increase, %	1.6	1.6
OVERVIEW		
Provisions		
Pension obligations	3 970	3 569
Fair value of plan assets	-3 630	-3 450
Pension obligations less plan assets	**340**	**119**
Unrecognised past service cost	10	16
Unrecognised assets according to IAS 19	35	15
Actuarial gains (-)/losses (+)	-90	218
Pension provision	**295**	**368**
Expenses		
Current service cost	120	144
Interest expense	129	133
Expected return on plan assets	-167	-164
Amortisation of unrecognised actuarial gains (-)/losses (+)	-1	1
Expenses for prior-year service	-8	-8
Immediate recognition in accordance with IAS 19 [1]	11	15
Change in terms and conditions	–	-7
Employees' own contribution	-65	-62
Pension expenses – defined-benefit plans	**19**	**52**
Pension expenses – defined-contribution plans	157	89
Total pension expenses	**176**	**141**
SPECIFICATIONS		
Pension obligations		
Opening balance, 1 January 2010	**3 569**	**3 809**
Change in terms and conditions	–	-7
Current service cost	120	144
Interest expense	129	133
Benefits paid	-259	-273
Acquired/divested subsidiaries	–	51
Settlement of pension obligations	11	-1
Actuarial gains (+)/losses (-)	316	-91
Currency translation differences	84	-196
Closing balance, 31 December 2010	**3 970**	**3 569**
Plan assets		
Opening balance, 1 January 2010	**3 450**	**3 416**
Expected return on plan assets	167	164
Contributions	147	141
Benefits paid	-239	-254
Acquired/divested subsidiaries	–	52
Settlement of pension obligations	1	–
Actuarial gains (+)/losses (-)	9	114
Currency translation differences	95	-183
Closing balance, 31 December 2010	**3 630**	**3 450**
Return on plan assets		
Expected return on plan assets	167	164
Actuarial gains (+)/losses (-)	9	114
Actual return on plan assets	**176**	**278**

[1] 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.

Defined-benefit pension schemes, cont.	2010	2009
Provision for pensions		
Opening balance	**368**	**436**
Pension expense, defined-benefit schemes	81	113
Funds contributed	-147	-141
Benefits paid	-20	-19
Expenses for prior-year service	-8	-8
Acquired/divested subsidiaries	0	-1
Currency translation differences	21	-12
Closing balance	**295**	**368**
Actuarial gains/losses		
Opening balance, actuarial gains (-)/losses (+)	**218**	**18**
Amortisation during the year	1	-1
Pension obligations, actuarial gains (-)/losses (+)	-316	91
Plan assets, actuarial gains (-)/losses (+)	9	114
Other gains and losses	-1	8
Acquired/divested companies	-	-6
Currency translation differences	-1	-6
Closing balance, actuarial gains (-)/losses (+)	**-90**	**218**
Unrecognised expenses for prior-year service		
Opening balance	**16**	**25**
Recognised this year	-8	-8
Currency translation differences	2	-1
Closing balance	**10**	**16**

Defined-benefit pension schemes, cont.	2010	2009
Unrecognised assets according to IAS 19		
Opening balance	**15**	**-**
Unrecognised during the year	11	15
Currency translation differences	9	0
Closing balance	**35**	**15**
Acquired subsidiaries		
Increase in pension obligations (+)	–	51
Increase in plan assets (-)	–	-52
Total, net	**-**	**-1**
Divested subsidiaries		
Decrease in pension obligations (-)	–	-
Change in actuarial gains (-)/losses (+)	–	-
Total, net	–	**-**
Fair value of plan assets		
Equities and similar financial instruments	859	931
Interest-bearing securities, etc.	1 418	2 027
Real estate	1 353	492
Total	**3 630**	**3 450**

NOTE 4B Remuneration to senior executives

Pursuant to resolutions by the Annual General Meeting, the Chairman of the Board and Board members were paid remuneration totalling 2 875 000 SEK (2 075 000). The Chairman of the Board received 650 000 SEK and other Board members 350 000 SEK each. The 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 Chairman of the Remuneration Committee received 75 000 SEK and each member received 50 000 SEK. The Chairman of the Audit Committee received 150 000 SEK and each member received 100 000 SEK. No Board member received any remuneration in addition to director fees.

Remuneration to the President and Chief Executive Officer, as well as other senior executives, comprises basic salary, variable remuneration, other benefits and pension. Other senior executives are William Gruber, Vice President Hexagon AB, Li Hongquan, Vice President Hexagon AB and President of operations in China, Håkan Halén, Chief Financial Officer, Frederick London, General Counsel, Bo Pettersson, Chief Technical Officer, Jürgen Dold, President Hexagon Geosystems, Norbert Hanke, President Hexagon Metrology. Variable remuneration is based on the Group's profitability. During 2009, the CEO and other senior executives resigned from variable remuneration due to the fact that, the Group started a cost reduction programme.

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 Chief Executive Officer's pensionable age is 65. Pension premiums are payable at 20 per cent of pensionable salaries. The pensionable age of other senior executives is 65, except for one person where the pensionable age is 60. Pension premiums for the senior executives are 2-23 per cent of pensionable salary. Pensionable salary means basic salary.

SEVERANCE PAY

Notice period for Chief Executive Officer is six months. Only if the Chief Executive Officer's employment is terminated by the company will severance pay, corresponding to 18 months' basic salary, be paid. No salary during the period of notice will be paid in addition to the severance pay. Notice periods for other senior executives are depending on age and corresponding to 12 to 18 months. During the notice period, only basic salary is payable.

ADVISORY AND RESOLUTION MODEL

Remuneration and other benefits to the Group's senior executives is regulated by Remuneration Committée, which is appointed by the Board of Directors, comprising the Chairman of the Board and one additional member.

REMUNERATION AND OTHER BENEFITS 2010

SEK 000s	Basic salary/ Director fees	Variable remuneration	Other benefits [1]	Pension expenses	Total
Melker Schörling, Chairman of the Board	725	–	–	–	**725**
Mario Fontana	450	–	–	–	**450**
Ulrika Francke	350	–	–	–	**350**
Ulf Henriksson	350	–	–	–	**350**
Gun Nilsson	500	–	–	–	**500**
Ulrik Svensson	500	–	–	–	**500**
Ola Rollén, President and Chief Executive Officer	10 500	6 982	–	2 100	**19 582**
Other senior executives (seven people)	30 080	11 823	660	3 083	**45 646**
Total	**43 455**	**18 805**	**660**	**5 183**	**68 103**

[1] Other benefits comprise of company cars and benefits from free rent.

REMUNERATION AND OTHER BENEFITS 2009

SEK 000s	Basic salary/ Director fees	Variable remuneration	Other benefits [1]	Pension expenses	Total
Melker Schörling, Chairman of the Board	725	–	–	–	**725**
Mario Fontana	450	–	–	–	**450**
Ulf Henriksson	350	–	–	–	**350**
Gun Nilsson	550	–	–	–	**550**
Ola Rollén, President and Chief Executive Officer	10 135	–	–	2 027	**12 162**
Other senior executives (five people)	17 666	–	1 756	2 013	**21 435**
Total	**29 876**	–	**1 756**	**4 040**	**35 672**

[1] Other benefits comprise of company cars and benefits from free rent.

FINANCIAL INSTRUMENTS

Stock option plans, Leica Geosystems

At the date of acquisition on 14 October 2005, Leica Geosystems had a number of stock option plans targeted at Leica's senior executives. These options conferred these employees with the right to subscribe for one new Leica share at a price predetermined at allotment. These stock options are associated with certain terms and conditions, such as a specified length of service, before the employee is permitted to redeem his/her options for shares. The options were allotted free of charge. During the acquisition process, a third party submitted a competing bid for Leica Geosystems. As a consequence of this competing bid, Hexagon raised its initial bid, submitting an additional bid premium comprising five Hexagon class B shares in addition to the 440 CHF that had been offered per share. Hexagon's initial bid and the revised bid were targeted at existing shareholders, and those individuals holding Leica Geosystems' employee stock options. The value of the additional bid premium, i.e. the market value of the five class B Hexagon shares, has been accounted as a portion of the acquisition value of the acquired shares and options of Leica Geosystems. In connection with the new issue of Hexagon shares effected in 2006 (compulsory redemption), the cash portion was adjusted to 462 CHF by a Swiss court. Following a bonus issue and the share split implemented in 2007, the bid premium corresponds to 15 Hexagon class B shares shares. As a consequens of the distribution of the shares in HexPol AB in June 2008, the cash portion was adjusted to 473.80 CHF per option.

Because the value of the additional bid premium stated above is not considered to correspond to remuneration for services, it has been regarded as a portion of the acquisition value of Leica Geosystems. Thus the expenses for the employee stock options in the Hexagon Group comprise the expense originally calculated regarding the services to which the benefits were considered to correspond at the date of allotment. These employee stock options are charged against the income statement until the earliest possible exercise date pursuant to the original calculation. For 2010, this expense was - MSEK (2).

This plan was terminated in 2010. The Chief Executive Officer and other senior executives (five people) did not participate in this stock option plan.

WARRANTS	Exercise period, until	Number of options/warrants	Number of subscription-qualifying shares in Hexagon to be received free of charge	To receive in cash less exercise price per Hexagon share	Share price on exercise
Warrant plan in Leica Geosystems					
Opening balance 2010	2010-04-07	100	1 500	182.50	
	2011-04-08	400	6 000	127.06	
	2012-04-08	2 840	42 600	62.10	
Total opening balance 2010		**3 340**	**50 100**	**73.49**	
Changes in 2010					
Warrants exercised for cash		-1 927			108.55
Warrants exercised for cash and Hexagon shares		-1 338			110.41
Forfeited warrants		-75			
Total closing balance 2010		**-**			

Stock option plan, Hexagon AB

In order to offer the opportunity for senior executives and key employees to participate in the increase in value of the company's share, increase their interest in the company's development and to stimulate a continued company loyalty over the forthcoming years, an Extraordinary General Meeting resolved in December 2007 to introduce a warrant programme.

The warrants were transferred to the employees in the beginning of April 2008. The price was fixed to 20 SEK per option. Each warrant conferred the right to subscribe for one Hexagon share for 177 SEK per share. The exercise period was decided to be 2011-07-02, inclusive, until 2012-01-02, inclusive. The transfer of the warrants was made at market value since the exercise price of 177 SEK per share was calculated using the Black-Scholes' method with the stipulated price per option and the exercise period as the base.

As a consequence of the distribution of the shares in HexPol AB in June 2008, the number of subscription-qualifying shares was adjusted to be 1.04 per warrant and the exercise price to 170.20 SEK per share. During 2010, Hexagon conducted a rights issue of new shares which increased the capital by 6 414 MSEK, net of issuance costs. As a consequence of the rights issue, the number of shares qualified for subscription was adjusted to be 1.20 per option and exercise price to 147.90 SEK.

	Exercise period, until	Number of options	Number of subscription-qualifying shares in Hexagon	To be paid in cash per subscribed Hexagon share
Warrant plan in Hexagon AB				
Opening balance 2010	2012-01-02	1 391 000	1 669 200	147.90
Closing balance 2010	**2012-01-02**	**1 391 000**	**1 669 200**	**147.90**

WARRANTS, 31 DECEMBER 2010	Warrants in Hexagon AB Number	Warrants in Hexagon AB Acquisition price, SEK
President and Chief Executive Officer	–	–
Other senior executives (seven people)	265 000	5 300 000
Other employees	1 126 000	22 520 000
Total	**1 391 000**	**27 820 000**

Upon full exercise of outstanding warrant programs, dilution would be 0.8 per cent of the share capital and 0.8 per cent of the voting rights.

NOTE 5 Other operating income and operating expenses

	Group		Parent Company	
	2010	2009	2010	2009
Other operating income				
Capital gains on divestment of fixed assets	8	1	–	–
Exchange rate gains	327	88	–	–
Government grants	2	4	–	–
Other	60	46	–	–
Total	**397**	**139**	**–**	**–**
Other operating expenses				
Capital loss on divestment of fixed assets	5	–	–	–
Exchange rate losses	376	114	–	–
Acquisition costs	94	–	–	–
Impairment losses other operations	254	–	–	–
Government grants	–	-4	–	–
Other	118	79	–	–
Total	**847**	**189**	**–**	**–**

NOTE 6 Remuneration of the Group's auditors

	Group		Parent Company	
	2010	2009	2010	2009
Ernst & Young				
Audit	23	19	1	1
Audit related	4	2	2	–
Tax	1	–	–	–
Other services	–	–	–	–
Total	**28**	**21**	**3**	**1**

NOTE 7 Non-recurring items

Business area		**2010**	**2009**
Group	Restructuring costs	-17	–
	Acquisition costs	-85	–
	Impairment losses	-15	–
	Other	-148	–
Hexagon Measurement Technologies	Restructuring costs	-156	-175
	Impairment losses	-645	–
	Other	-54	–
Other Operations	Restructuring costs	–	-9
	Impairment losses	-117	–
	Other	-67	–
Total		**-1 304**	**-184**

Function	**2010**	**2009**
Cost of goods sold	-114	-51
Sales expenses	–	-50
Administration expenses	-173	-34
Research and development expenses	-530	-10
Other operating expense	-340	-39
Operating earnings	**-1 157**	**-184**
Financial expenses	-147	–
Total	**-1 304**	**-184**

As a consequence of the completion of the acquisition of Intergraph, Hexagon has revisited the divestment strategy for certain entities within the operating segment Other Operations. Impairment losses related to such entities of approximately 69 MSEK have been recorded in 2010 and are mainly related to machinery. The recoverable amount of the cash-generating units is based on an estimated fair value less costs to sell.

In 2010, Hexagon has recorded non-recurring and non-cash impairment losses related to overlapping technologies in both Hexagon and Intergraph. As a consequence of ceased use of this technology Hexagon has recorded an impairment loss of 508 MSEK related to capitalised development expenses in the operating segment Measurement Technologies. The recoverable amount of the assets is based on an estimated value in use, i.e. 0 MSEK.

NOTE 8 Government grants

During 2010 several of the subsidiaries within the Group have received government grants. In the table below shows how the grants are allocated to functions.

Function	**2010**	**2009**
Cost of goods sold	2	97
Sales expenses	1	34
Administration expenses	–	6
Research and development expenses	3	4
Other operating income	2	4
Other operating expense	–	4
Total	**8**	**149**

NOTE 9 Financial items

	Parent Company	
	2010	2009
Earnings from shares in Group companies		
Dividend from subsidiaries	939	549
Total	**939**	**549**

	Group		Parent Company	
	2010	2009	2010	2009
Earnings from shares in associated companies				
Share in associated company earnings	1	-2	–	–
Total	**1**	**-2**	**–**	**–**
Interest income				
Interest income, bank accounts	11	9	2	4
Interest income, inter-company receivables	–	–	203	143
Other financial income	2	–	–	–
Total	**13**	**9**	**205**	**147**

Earnings from shares in associated companies, cont.	Group 2010	Group 2009	Parent Company 2010	Parent Company 2009
Interest expense				
Interest expense, inter-company liabilities	–	–	-11	-26
Interest expense on financial liabilities valued at accrued acquisition value	-221	- 148	-206	-131
Exchange rate differences	–	–	-2 388 [1]	-211
Other financial expenses	-181	-19	-170	-9
Total	**-402**	**-167**	**-2 775**	**-377**

[1] Termination of currency hedge of net investments in subsidiaries.

NOTE 10 Income taxes

	Group 2010	Group 2009
Tax on earnings for the year		
Income tax	-273	-198
Deferred tax on earnings for the year	90	10
Share of tax in associated companies	0	0
Total tax on earnings for the year	**-183**	**-188**

DEFERRED TAX	Group 2010	Group 2009
Deferred tax assets (liabilities) comprise:		
Fixed assets	-2 463	-763
Inventories	105	120
Customer receivables	8	5
Provisions	65	35
Hedge of net assets in foreign subsidiaries	560	489
Other	68	-54
Unutilised loss carry-forwards and similar deductions	1 029	653
Less items not satisfying criteria for being recognised as assets	-679	-304
Total	**-1 307**	**181**
According to the balance sheet:		
Deferred tax assets	577	590
Deferred tax liabilities	-1 884	-409
Total, net	**-1 307**	**181**

Unutilised loss carry-forwards and similar deductions not satisfying criteria for being recognised as assets have not been recognised at any value. 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. However, certain potential taxes on dividends and divestments remain within the Group. The principal internal interface pertaining to potential income tax consequences from share divestments is the American company Brown & Sharpe International Capital Corporation's ownership of the Swiss company Tesa SA. With respect to dividends, the principal internal interface is between the Group's Chinese companies and owning company in the US.

Reconciliation of the year's change in current and deferred tax assets/liabilities	Group 2010	Group 2009
DEFERRED TAXES		
Opening balance, net	**181**	**256**
Change via income statement:		
Deferred tax on earnings	442	-14
Change in reserve for deductions not satisfying criteria for being recognised as assets	-330	66
Change in tax rates and items pertaining to prior years	-22	-42
Total	**90**	**10**

Reconciliation of the year's change in current and deferred tax assets/liabilities, cont.	Group 2010	Group 2009
Change via acquisitions and divestments	-1 543	-2
Changes recognised in other comprehensive income, etc.	70	-113
Translation difference	-105	30
Closing balance, net	**-1 307**	**181**
CURRENT TAXES		
Opening balance, net	**-94**	**-152**
Change via income statement:		
Current tax on earnings	-366	-194
Items pertaining to prior years	93	-4
Total	**-273**	**-198**
Change via acquisitions and divestments	190	3
Payments, net	211	248
Translation difference	3	5
Closing balance, net	**37**	**-94**

The Group's unutilised loss carry-forwards and similar deductions mature as follows:	Group 2010
Year	
2011	0
2012	21
2013	15
2014	25
2015 and later	552
Indefinitely	4 599
Total	**5 212**

The difference between nominal Swedish tax rate and effective tax rate arises as follows:	Group 2010	Group 2009
Earnings before tax	**1 058**	**1 442**
Tax pursuant to Swedish nominal tax rate	**-278**	**-379**
Difference in tax rates in foreign businesses	159	201
Revaluation of loss carry-forwards, etc.	-330	66
Non-deductible expenses	-95	-75
Non-taxable revenue	290	37
Change in tax rates, etc.	71	-38
Tax, income statement	**-183**	**-188**

NOTE 11 Acquisitions and divestments of subsidiaries

NET ASSETS IN ACQUIRED SUBSIDIARIES

Fair values of assets and liabilities in subsidiaries taken over and total cash flow from acquisitions is divided as follows:

	2010	2009
Goodwill	11 929	21
Other intangible fixed assets	4 245	20
Tangible fixed assets	933	7
Financial fixed assets	178	2
Current receivables, inventories, etc.	1 695	35
Cash and cash equivalents	741	-
Provisions	-2 107	133
Long-term liabilities	-518	3
Current liabilities, etc.	-1 532	1
Net assets	**15 564**	**222**
Acquisition price	15 804	67
Acquisition cost [1]	-	4
Less cash and cash equivalents in acquired Group companies	-741	-
Less unpaid acquisition price	-331	-
Plus payment of unpaid acquisition costs [1]	-	1
Plus payment of unpaid portion of acquisition price from prior years	86	132
Plus payment for Leica Geosystems	6	18
Cash flow from acquired Group companies, net	**14 824**	**222**

[1] Acquisition costs are according to IFRS3 included in other investing activities for acquisitions made as of 2009-12-31. For acquisitions made after 2009-12-31, acquisition costs are included in the operating part of the income statement and cash flow analysis.

Most of the acquisition analyses pertaining to the year's acquisitions have not been finalised. The acquisition analyses may require calibration during 2011. The acquired companies apply IFRS as of the acquisition date, although the accounting norms previously applied are usually based on local legislation and/or tax legislation. Accordingly, historical figures are not comparable with the financial results reported after the acquisition. For this reason, Hexagon does not issue any estimates of what the Hexagon Group's earnings and financial position would have been if the acquisitions had occurred at the beginning of the year or any similar information. There were no divestments during 2009 or 2010.

ACQUISITION OF INTERGRAPH

On 28 October 2010, Hexagon acquired 100 per cent of the shares of Intergraph, a private company headquartered in Huntsville, Alabama, USA, employing approximately 4 000 people in 34 countries. Intergraph is a leading global provider of enterprise engineering software and geospatially powered solutions that enable customers to visualise complex data. Businesses and governments rely on Intergraph's industry-specific software solutions to organise vast amounts of data into understandable visual representations and actionable intelligence.

Background and reasons for the transaction

Hexagon's leadership in measurement solutions using aerial and ground-based point cloud sensor technologies, with Intergraph's leadership in enterprise engineering and geospatially powered software is expected to enable the enlarged Group to develop and provide integrated solutions to clients. Following the acquisitions of Brown & Sharpe in 2001, Leica Geosystems in 2005 and NovAtel in 2007, Intergraph was considered the natural next step for Hexagon due to Intergraph's global software capabilities. With the integration of Intergraph, Hexagon will cover all aspects of the measurement technology market from capturing three dimensional data from ground, air and space, processing data to creating, managing and delivering information via enterprise engineering software and Geographic Information Systems (GIS).

The goodwill of 11 935 MSEK comprises the value of expected synergies arising from the acquisition and the assembled workforce, which is not separately recognised. Synergies have primarily been identified to arise by i) combining Hexagon and Intergraph technologies, ii) cross selling of existing products, iii) rationalisation of overlapping resources at Hexagon and Intergraph, iv) enlarged market for Intergraph's PP&M division via Hexagon measuring products, v) the use of Hexagon sensors in combination with response GIS within Intergraph's SG&I division and vi) allowing Intergraph to sell its products through Hexagon's emerging markets organisation.

Goodwill is allocated entirely to the Measurement Technologies operating segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

Of the 4 244 MSEK of acquired intangible assets, 2 695 MSEK was assigned to trademarks that are not subject to amortisation. The remaining 1 549 MSEK was assigned to capitalised development expenses, patents and other assets with useful lives of 8-12 years. The intangible assets have been valued using a discounted cash flow method.

Acquired deferred revenue liabilities related to post contract sales (service, maintenance and upgrades) have been analysed to determine what portion of the liability represents an actual future obligation and what amount does not. The resulting fair value adjustment in the purchase price allocation was 105 MSEK.

From the date of acquisition, Intergraph has contributed 1 015 MSEK of net sales including the above mentioned deferred revenue adjustment of -54 MSEK. If the acquisition had taken place at the beginning of the year, net sales would have been 6 003 MSEK.

Transaction costs and other costs related to the transaction of -366 MSEK (of which paid in 2010: -316 MSEK), have been expensed and are included in administration expenses.

The analysis of the acquired net assets is preliminary and the fair values might be subject to changes in 2011.

	Fair value recognised on acquisition
Assets	
Trademarks	2 695
Patents and other intangibles	1 549
Total intangible assets	**4 244**
Tangible fixed assets	914
Financial fixed assets	35
Deferred tax assets	144
Inventories	172
Customer receivables and other assets	1 523
Cash and bank balances	741
Total assets	**7 773**
Liabilities	
Deferred tax provision	1 687
Other provisions	59
Other long-term liabilities	519
Current liabilities and provisions	1 664
Total liabilities	**3 929**
Total identifiable net assets at fair value	**3 844**
Goodwill arising from the acquisition	11 935
Total consideration	**15 779**

Analysis of cash flows on acquisition:	
Transaction costs of the acquisition, etc. [1]	-316
Net cash acquired with the subsidiary	741
Cash consideration	-15 452
Net cash flow on acquisition	**-15 027**

[1] Included in cash flows from non-recurring operating activities.

NOTE 12 Intangible and tangible fixed assets

GROUP Intangible fixed assets 2010	Capitalised development expenses	Patents and trademarks	Goodwill	Other intangible fixed assets	Total
Acquisition value, opening balance	2 669	4 015	10 386	1 314	**18 384**
Translation differences	-1	125	-3	-22	**99**
Investments	608	–	–	18	**626**
Investments via acquisitions of subsidiaries	2	2 878	11 929	1 365	**16 174**
Sales/disposals	-16	–	–	-7	**-23**
Reclassification	113	1	-1	–	**113**
Acquisition value, closing balance	**3 375**	**7 019**	**22 311**	**2 668**	**35 373**
Amortisation, opening balance	-995	-143	-190	-440	**-1 768**
Translation differences	1	-5	–	24	**20**
Amortisation for the year	-415	-37	–	-117	**-569**
Sales/disposals	6	–	–	7	**13**
Reclassification	-108	-1	–	1	**-108**
Amortisation, closing balance	**-1 511**	**-186**	**-190**	**-525**	**-2 412**
Impairments, opening balance	-48	–	–	-172	**-220**
Translation differences	1	–	–	1	**2**
Impairment for the year	-508	–	–	–	**-508**
Impairments, closing balance	**-555**	**-**	**-**	**-171**	**-726**
Carrying value	**1 309**	**6 833**	**22 121**	**1 972**	**32 235**

2009	Capitalised development expenses	Patents and trademarks	Goodwill	Other intangible fixed assets	Total
Acquisition value, opening balance	2 131	4 251	10 712	1 309	**18 403**
Translation differences	-130	-239	-340	-15	**-724**
Investments	672	–	–	1	**673**
Investments via acquisitions of subsidiaries	3	0	18	19	**40**
Sales/disposals	-9	–	–	–	**-9**
Reclassification	2	3	-4	0	**1**
Acquisition value, closing balance	**2 669**	**4 015**	**10 386**	**1 314**	**18 384**
Amortisation, opening balance	-700	-113	-190	-344	**-1 347**
Translation differences	22	7	–	12	**41**
Amortisation for the year	-328	-35	–	-109	**-472**
Sales/disposals	9	–	–	0	**9**
Reclassification	2	-2	–	1	**1**
Amortisation, closing balance	**-995**	**-143**	**-190**	**-440**	**-1 768**
Impairments, opening balance	-155	–	–	-69	**-224**
Translation differences	7	–	–	-5	**2**
Impairment reversal	4	–	–	–	**4**
Reclassification	96	–	–	-98	**-2**
Impairments, closing balance	**-48**	**-**	**-**	**-172**	**-220**
Carrying value	**1 626**	**3 872**	**10 196**	**702**	**16 396**

Capitalised expenditure on research and development pertains mainly to software for sale.
With the exception of goodwill, the right to use the name "Leica" is the largest value in terms of intangible fixed assets. This right is not subject to amortisation.
At 31 December 2010, trademarks accounted for 6 151 MSEK (3 186) of the total carrying value of patents and trademarks.
Other intangible fixed assets primarily consist of customer bases identified upon acquisitions.

GROUP Tangible fixed assets 2010	Buildings	Land and other real estate	Machinery and other technical plants	Equipment, tools and installation	Construction in progress and suppliers' advances	Total
Acquisition value, opening balance	1 140	226	2 196	504	13	**4 079**
Translation differences	-29	-1	-22	-23	-2	**-77**
Investments	25	2	125	70	11	**233**
Investments via acquisitions of subsidiaries	781	84	10	57	1	**933**
Sales/disposals	-17	-4	-225	-39	-1	**-286**
Reclassification	–	6	16	-1	8	**29**
Acquisition value, closing balance	**1 900**	**313**	**2 100**	**568**	**30**	**4 911**
Depreciation, opening balance	-486	-10	-1 554	-335	–	**-2 385**
Translation differences	14	–	28	18	0	**60**
Depreciation for the year	-49	-4	-165	-66	-1	**-285**
Sales/disposals	15	–	219	29	0	**263**
Reclassification	0	–	–	-6	-8	**-14**
Depreciation, closing balance	**-506**	**-14**	**-1 472**	**-360**	**-9**	**-2 361**
Impairments, opening balance	–	–	–	–	–	**-**
Impairment for the year	-24	–	-69	–	–	**-93**
Impairments, closing balance	**-24**	**-**	**-69**	**-**	**-**	**-93**
Carrying value	**1 370**	**299**	**559**	**208**	**21**	**2 457**

2009	Buildings	Land and other real estate	Machinery and other technical plants	Equipment, tools and installation	Construction in progress and suppliers' advances	Total
Acquisition value, opening balance	1 115	236	2 018	470	20	**3 859**
Translation differences	-57	-9	-87	-16	-1	**-170**
Investments	2	–	97	54	4	**157**
Investments via acquisitions of subsidiaries	5	–	1	1	–	**7**
Sales/disposals	-1	–	-13	-12	–	**-26**
Reclassification	76	-1	180	7	-10	**252**
Acquisition value, closing balance	**1 140**	**226**	**2 196**	**504**	**13**	**4 079**
Depreciation, opening balance	-381	-7	-1 294	-274	–	**-1 956**
Translation differences	18	0	66	9	–	**93**
Depreciation for the year	-46	-3	-171	-67	–	**-287**
Sales/disposals	–	–	12	8	–	**20**
Reclassification	-77	–	-167	-11	–	**-255**
Depreciation, closing balance	**-486**	**-10**	**-1 554**	**-335**	**-**	**-2 385**
Carrying value	**654**	**216**	**642**	**169**	**13**	**1 694**

The taxable value of properties in Sweden was 12 MSEK (13) for buildings and 9 MSEK (9) for land.

PARENT COMPANY 2010	Patents and trademarks	Equipment	Total
Acquisition value, opening balance	2	2	**4**
Investments	1	0	**1**
Sales/disposals	-2	-2	**-4**
Acquisition value, closing balance	**1**	**0**	**1**
Depreciation, opening balance	-2	-1	**-3**
Depreciation for the year	0	0	**0**
Sales/disposals	2	1	**3**
Depreciation, closing balance	**0**	**0**	**0**
Carrying value	**1**	**0**	**1**

2009	Patents and trademarks	Equipment	Total
Acquisition value, opening balance	2	2	**4**
Investments	–	0	**0**
Acquisition value, closing balance	**2**	**2**	**4**
Depreciation, opening balance	-2	-1	**-3**
Depreciation for the year	–	0	**0**
Depreciation, closing balance	**-2**	**-1**	**-3**
Carrying value	**0**	**1**	**1**

Amortisation of intangible assets allocated by function:	Group 2010	Group 2009
Cost of goods sold	-1	-3
Sales expenses	-22	-12
Administration expenses	-39	-38
Research and development expenses	-463	-417
Other operating expenses	-44	-2
Total	**-569**	**-472**

Depreciation of tangible assets allocated by function:	Group 2010	Group 2009
Cost of goods sold	-147	-148
Sales expenses	-27	-30
Administration expenses	-59	-48
Research and development expenses	-24	-24
Other operating expenses	-28	-38
Total	**-285**	**-288**

NOTE 13 Financial fixed assets

	Shares in associated companies		Other long-term securities holdings		Other long-term receivables	
GROUP	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Opening balance	15	20	89	39	25	50
Translation differences	0	-1	4	1	-2	-1
Investments	–	–	–	50	70	6
Investments via acquisitions of subsidiaries	–	–	1	–	35	–
Sales via divestment of subsidiaries	–	–	–	–	–	-1
Capital contribution	51	–	13	–	–	–
Earnings participations, etc.	1	-2	–	–	–	–
Impairment	-39	–	-47	–	–	–
Sales/disposals	–	-2	-6	-1	–	–
Reclassification	–	–	–	–	-28	-29
Closing balance	**28**	**15**	**54**	**89**	**100**	**25**

	Shares in Group companies		Receivables from Group companies		Other financial fixed assets	
PARENT COMPANY	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Opening balance	12 150	12 137	5 092	5 429	1	1
Capital contribution	57	–	–	–	–	–
Impairment	-215	–	–	–	–	–
Purchases	8 603	13	–	–	–	–
Increase/decrease in receivables	–	–	6 617	-337	–	–
Closing balance	**20 595**	**12 150**	**11 709**	**5 092**	**1**	**1**

OTHER LONG-TERM SECURITIES HOLDINGS	Group 2010	Group 2009
Brilliant Telecommunications Inc.	0	33
ICICI Bank	2	–
Navgeocom	50	49
Semtek SARL	2	–
Trimek	–	7
Others	0	0
Total	**54**	**89**

Hexagon believes that the acquisition cost for the other long-term securities holdings represents a close approximation of fair value.

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 2010	Carrying amount 2009
Leica Geosystems AG	–	Switzerland	35 546	100	10 405	10 403
SwePart AB	556046-3407	Stockholm, Sweden	8 662 500	100	58	218
Hexagon Förvaltning AB	556016-3049	Stockholm, Sweden	200 000	100	207	206
Johnson Industries AB	556099-2967	Örebro, Sweden	100 000	100	133	133
Röomned AB	556394-3678	Stockholm, Sweden	1 439 200	100	100	100
Hexagon Metrology AB	556365-9951	Stockholm, Sweden	1 000	100	78	78
Tecla AB	556068-1602	Stockholm, Sweden	160 000	100	14	14
Kramsten Food and Drink Suppliers AB	556083-1124	Stockholm, Sweden	100 000	100	14	12
NovAtel Inc.	–	Canada	46 265 823	100	986	986
Hexagon Metrology SrO [1]	–	Czech Republic	1	10	0	0
Hexagon Software Solutions Inc.	–	USA	100	100	8 600	–
Hexagon Technology Center GmbH	–	Switzerland	20	100	0	–
Other companies, mainly dormant	–	–	–	100	0	0
Total					**20 595**	**12 150**

[1] Remaining 90 per cent of the shares are owned by Hexagon Metrology AB.

NOTE 14 Shares in associated companies

	Type of ownership	Number of shares	Portion of, % Share capital	Portion of, % Voting rights	Portion of shareholders' equity, MSEK	Carrying amount Group 2010	Carrying amount Group 2009	Share in associated companies' earnings Before tax 2010	Tax 2010	Before tax 2009	Tax 2009
Nordic Brass Gusum AB	Joint Venture	10 500	50.0	50.0	52	27	15	0	0	0	0
Point Inc.	Joint Venture	–	–	–	–	–	–	–	–	-1	0
Bridge In SARL	Joint Venture	2 000	20.0	20.0	0	1	–	1	0	–	–
Beamrider Ltd	Joint Venture	50 000	50.0	50.0	–	0	0	–	0	0	0
H&S Server and Laser	Joint Venture	–	50.0	50.0	–	0	0	0	0	-1	0
Total					**52**	**28**	**15**	**1**	**0**	**-2**	**0**

Nordic Brass Gusum AB, corporate identity no. 556499-3979, has its registered office in Valdemarsvik, Sweden.
Point Inc. was sold during 2009.
Bridge In SARL has its registered office in France.
Beamrider Ltd has its registered office in Worcestershire, United Kingdom.
H&S Server and Laser has its registered office in Las Vegas, USA.

Since these holdings are insignificant in relation to the Group as a whole, no further disclosures are provided.

NOTE 15 Receivables

	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 2010, net of impairment losses							
Other non-current receivables	100	–	–	–	–	–	**100**
Account receivables	3 025	453	192	118	56	201	**4 045**
Other current receivables	275	13	13	1	5	10	**317**
Total	**3 400**	**466**	**205**	**119**	**61**	**211**	**4 462**
Aging analysis of receivables, 31 December 2009, net of impairment losses							
Other non-current receivables	25	–	–	–	–	–	**25**
Account receivables	1 896	270	128	74	50	197	**2 615**
Receivables associated companies	15	–	–	–	–	–	**15**
Other current receivables	199	2	2	0	1	5	**209**
Total	**2 135**	**272**	**130**	**74**	**51**	**202**	**2 864**

Receivables, cont.

Reserve for doubtful receivables	2010	2009
Opening balance	**160**	**165**
Reserve for anticipated losses	34	35
Adjustment for definitive losses	-16	-17
Recovery of provisions	-20	-9
Acquired/divested companies	59	–
Translation differences	-14	-14
Closing balance	**203**	**160**

Trade and other receivables

Trade receivable exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. Hexagon's business activities are conducted in a large number of geographical markets, with numerous customer categories. The underlying local economic and sovereign risks vary throughout the world. Where appropriate, the Group endeavours to minimise risks by the use of trade finance instruments such as letters of credit, insurance and advance payments from customers.

Each operating unit establishes an allowance for impairment that represents its estimate of incurred losses in respect of specific trade and other receivables where it is deemed that a receivable may not be recoverable. When the debt is deemed irrecoverable, the allowance account is written off against the underlying receivable.

A credit assessment is done for all new customers. The assessment is based on several different sources, for example, credit information companies, prior company trading history and internet.

NOTE 16 Prepaid expenses and accrued income/accrued expenses and deferred income

	Group		Parent Company	
	2010	**2009**	**2010**	**2009**
Prepaid expenses and accrued income				
Accrued invoicing	229	209	–	–
Prepaid rent	22	15	1	1
Prepaid insurance	28	8	–	–
Accrued interest income	0	0	0	–
Prepaid products and services	11	31	–	–
Prepaid acquisition costs	9	16	–	0
Other items	223	11	135	17
Total	**522**	**290**	**136**	**18**
Accrued expenses and deferred income				
Accrued personnel-related expenses	1 031	437	5	3
Received goods and services, not invoiced	1	21	–	–
Prepaid service revenues	30	35	–	–
Other prepaid revenues	1 111	299	–	–
Accrued fees	52	20	14	–
Accrued R&D expenses	12	14	–	–
Accrued royalties	21	8	–	–
Accrued interest expenses	10	7	10	7
Accrued issuance cost	33	–	33	–
Accrued sales commission	142	60	–	–
Accrued installation and training expenses	40	33	–	–
Other items	358	163	81	3
Total	**2 841**	**1 097**	**143**	**13**

NOTE 17 Share capital and number of shares

		Number of shares									
		Outstanding			Repurchased			Total issued			
PARENT COMPANY	**Par value per share, SEK**	**Class A**	**Class B**	**Total**	**Class A**	**Class B**	**Total**	**Class A**	**Class B**	**Total**	**Share capital, MSEK**
Opening balance 2009	**2**	**11 812 500**	**252 395 828**	**264 208 328**	**–**	**-1 311 442**	**-1 311 442**	**11 812 500**	**253 707 270**	**265 519 770**	**531**
Sale of own shares - exercise of warrants	2	–	138 825	138 825	–	138 825	138 825	–	–	–	–
Closing balance 2009	**2**	**11 812 500**	**252 534 653**	**264 347 153**	**–**	**-1 172 617**	**-1 172 617**	**11 812 500**	**253 707 270**	**265 519 770**	**531**
Sale of own shares - exercise of warrants	2	–	20 070	20 070	–	20 070	20 070	–	–	–	–
New share issue	2	3 937 500	83 845 572	87 783 072	–	–	–	3 937 500	83 845 572	87 783 072	176
Closing balance 2010	**2**	**15 750 000**	**336 400 295**	**352 150 295**	**–**	**-1 152 547**	**-1 152 547**	**15 750 000**	**337 552 842**	**353 302 842**	**707**

During 2010, the Parent Company conducted a rights issue with preferential rights for the company's shareholders. Shareholders could subscribe for one new share for every three existing shares. The issue price was fixed at 74 SEK per each share. Of the total issue resolution of 3 937 500 series A shares and 84 184 907 series B shares, 339 335 series B shares were not paid and registered on 31 December 2010. Those shares were paid and registered during January 2011. The expenses for the rights issue amounted to -82 MSEK before tax with a tax effect of - MSEK. During 2010, 20 070 of the company's series B treasury shares were used for termination of the remaining stock option programme in Leica Geosystems.

AVERAGE NUMBER OF SHARES BEFORE AND AFTER DILUTION, THOUSANDS	2010	2009
Average number of shares before dilution	303 655	301 509
Estimated average number of potential shares pertaining to warrants plans	22	259
Average number of shares after dilution	**303 677**	**301 768**

Each series A share entitles the holder to 10 votes and each series B share to 1 vote. All shares entail the same right to share of profits in Hexagon.

Dividend amounted to 1.05 (0.44) per share. Due to the fact that the new share issue was made with a discount, historical values for number of shares have been recalculated to reflect the bonus issue element in the new share issue. The adjustment factor used is 1.140851.

NOTE 18 Other provisions

GROUP	Restructuring provisions	Warranty provision	Other provisions	Estimated supplementary payments for acquired companies	Total
Closing balance 2008	**95**	**95**	**57**	**266**	**513**
Provision	184	74	2	6	**266**
Present value adjustment	–	–	–	3	**3**
Increase through acquisition of businesses	–	3	3	–	**6**
Payment of supplementary acquisition considerations	–	–	–	-147	**-147**
Utilisation	-196	-83	-12	–	**-291**
Reclassification	3	5	–	–	**8**
Translation difference	-5	-4	-2	-17	**-28**
Closing balance 2009	**81**	**90**	**48**	**111**	**330**
Provision	130	69	3	0	**202**
Present value adjustment	–	–	–	5	**5**
Increase through acquisition of businesses	2	1	505	1	**509**
Payments of additional acquisition considerations	–	–	–	-88	**-88**
Utilisation	-112	-66	-68	–	**-246**
Reclassification	–	2	-3	2	**1**
Translation difference	-3	-2	-7	-11	**-23**
Closing balance 2010	**98**	**94**	**478**	**20** [1]	**690** [2]

[1] Estimated amounts fall due within two years.
[2] Of which, current portion: 270 (265).

NOTE 19 Financial risk management and financial instruments

Hexagon is a net borrower and has extensive operations outside Sweden 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 Group Management on a regular basis.

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that currency exchange rate fluctuations will have an adverse effect on cash flow, income statement and balance sheet. Furthermore, the comparability of Hexagon's earnings between periods will be affected by changes in currency exchange rates.

Hexagon's operations are located mainly outside Sweden and sales, costs and net assets are therefore primarily denominated in other currencies than SEK.

Currency exposure originates both from transactions in foreign currencies in the individual operating entities, i.e. transaction exposure, and from translation of earnings and net assets into SEK upon consolidation of the Group, i.e. translation exposure.

Transaction Exposure

Sale and purchase of goods and services in currencies other than the 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.

Transaction exposure is hedged in accordance with the Group Treasury Policy. Contracted transactions, i.e. accounts receivable and payable, and orders booked, are fully hedged. In addition, 40 to 100 per cent of a rolling six month exposure forecast is hedged. Hedging of transaction exposure is made by entering into foreign exchange forwards and swaps.

As of 31 December 2010, outstanding foreign exchange derivatives, used for hedging transaction exposure, had a net market value of 19 MSEK (9). Cash flow hedge accounting is applied and hereby the market value is partly deferred in the hedge reserve in equity to offset the gains/losses on hedged future sales and purchases in foreign currencies. The unrealised result deferred in equity will at unchanged exchange rates affect the income statement during 2011.

OUTSTANDING FOREIGN EXCHANGE FORWARDS USED FOR HEDGING OPERATING CASH FLOWS, MSEK

	Maturity structure						
	2011		2012 and later		Total		
Currency	Sold	Bought	Sold	Bought	Sold	Bought	Net
CAD	–	137	–	–	–	137	137
CHF	-84	433	–	–	-84	433	349
DKK	-7	–	–	–	-7	–	-7
EUR	-129	97	–	–	-129	97	-32
GBP	-33	12	–	–	-33	12	-21
HUF	-3	–	–	–	-3	–	-3
INR	-15	–	–	–	-15	–	-15
JPY	-31	–	–	–	-31	–	-31
KRW	-10	–	–	–	-10	–	-10
NOK	-16	–	–	–	-16	–	-16
PLN	-10	–	–	–	-10	–	-10
SEK	-54	–	–	–	-54	–	-54
SGD	–	80	–	–	–	80	80
USD	-368	19	–	–	-368	19	-349
Total	**-760**	**778**	**-**	**-**	**-760**	**778**	**19**

Translation Exposure – Balance Sheet

The majority of the subsidiaries are operating outside Sweden with other functional currencies than SEK. Translation exposure arise when the net assets from foreign entities are translated into SEK upon consolidation.

Translation exposure from net assets in foreign operations are partly hedged with external debt in corresponding currencies, mainly USD, EUR and CHF, in accordance with the Group Treasury Policy.

Translation differences from net assets in foreign operations reported in Equity during 2010 were positive, 229 MSEK (-953), which was partly offset by losses from revaluing loans in non-SEK currencies by -266 MSEK (430).

NET ASSETS PER FOREIGN CURRENCY, MSEK	2010	Hedging, %	2009	Hedging, %
USD	17 433	61	3 754	68
CHF	9 608	23	9 597	48
CAD	2 593	–	2 653	–
EUR	2 469	91	1 640	–
CNY	958	–	717	–
AUD	280	–	152	–
INR	240	–	238	–
Other	851	–	1 314	–
Total	**34 432**	**44**	**20 065**	**36**

Translation Exposure – Income Statement

The consolidated operating income is mainly generated in foreign subsidiaries. Changes in foreign exchange rates therefore have a significant impact on the Group's earnings when the income statements of foreign subsidiaries are translated into SEK.

Translation exposure related to actual and forecasted earnings in foreign operations are not hedged.

NET SALES PER CURRENCY, MSEK	2010	2009
USD	4 071	3 302
EUR	3 919	3 339
CHF	1 568	1 362
CNY	1 264	1 098
SEK	732	632
GBP	530	463
Other	2 012	1 615
Total	**14 096**	**11 811**

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. Interest rate exposure arise primarily from the external interest bearing debt.

In accordance with the Group Treasury Policy all external debt has short interest rate duration, on average shorter than six months.

During 2010 and 2009 no interest rate derivatives were used in order to manage the interest rate risk.

FINANCIAL INCOME AND EXPENSE 2010	2010	2009
Interest income	13	9
Interest expense	-224	-148
Other financial income and expense	-178	-19
Net	**-389**	**-158**

CREDIT RISK

Credit risk is the risk that counterparts may be unable to fulfil their payment obligations. Financial credit risk arise 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 of 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 associated with receivables are addressed in Note 15.

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 ageing analysis of the receivables can be found in Note 15.

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 policy is that total liquidity reserves shall at all times be at least 10 per cent of the Group's forecasted annual net sales.

On 31 December 2010, cash and unutilised credit limits totalled 4 556 MSEK (4 737).

INTEREST RATE RISK

Dates for re-fixing the interest and capital due dates pertaining to interest-bearing liabilities with related financial instruments, 31 December 2010	Maturing amounts 2011		2012-2013		2014 and later		Total	
	Capital	Interest	Capital	Interest	Capital	Interest	Capital	Interest
Liabilities to credit institutions								
Revolving Credit Facility	–	4 269	–	–	4 269	–	4 269	4 269
Term loan	1 242	8 280	2 484	–	4 554	–	8 280	8 280
Bridge loan	–	2 516	2 516	–	–	–	2 516	2 516
Bond loan	–	2 000	–	–	2 000	–	2 000	2 000
Other	142	240	105	283	276	–	523	523
Total liabilities to credit institutions	**1 384**	**17 305**	**5 105**	**283**	**11 099**	**-**	**17 588**	**17 588**
Other interest-bearing liabilities	–	23	6	–	17	–	23	23
Total interest-bearing liabilities	**1 384**	**17 328**	**5 111**	**283**	**11 116**	**-**	**17 611**	**17 611**

The interest columns state the corresponding capital that is subject to interest rate re-fixing. There were no interest rate derivatives pertaining to borrowing at 31 December 2010.

The agreements governing the Revolving Credit Facility and the Term loans include certain financial covenants to be fulfilled in order to avoid additional financing costs. The most important covenant is the Net debt / EBITDA.

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 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.

In July 2010 Hexagon entered into a 1 225 MUSD Bridge Term Credit Facilities Agreement and five year 900 MUSD and 1 000 MEUR Term and Revolving Credit Facilities Agreement in order to finance the acquisition of Intergraph and to refinance the company's previous 1 000 MEUR revolving credit facility. The 850 MUSD bridge to equity loan was repaid in December 2010 with the rights issue proceeds, the 375 MUSD bridge to bond loan matures in July 2011 with an optional extension of one year.

The term loan of 900 MUSD together with the term and multicurrency revolving credit facilities of 1 000 MEUR, with maturity 6 of July 2015 include standard financial covenants and forms the foundation of the Group's long term financing.

Currency composition pertaining to interest-bearing liabilities, 31 December	2010	2009
USD	63%	28%
EUR	13%	1%
CHF	13%	49%
SEK	11%	21%
Other	0%	1%
Total	**100%**	**100%**

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 2010 and the effects are expressed on an annualised basis. Earnings in foreign subsidiaries are converted into SEK based on average exchange rates for the period the earnings arise.

During the year there have been very significant changes to the exchange rates of the foreign currencies that have the biggest impact on Hexagon's earnings and net assets, namely USD, CHF, EUR and CNY. The SEK has strengthened substantially against all these currencies. Since Hexagon has a majority of the operating earnings denominated in USD, EUR and CNY, this had a negative impact on operating earnings. But the weakening of the CHF had an adverse effect, since a significant part of the cost and a part of the external debt is denominated in CHF. An isolated change in the exchange rate for SEK by 1 per cent for all assets and liabilities denominated in all foreign currencies would have had an immaterial effect on net income but an effect on equity of 194 MSEK net after the impact of hedging.

During 2010, total operating earnings, excluding non-recurring items, from operations in foreign currencies amounted to an equivalent of 2 604 MSEK. An isolated change in the exchange rate for SEK by 1 per cent against all other foreign currencies would have an effect on operating earnings of approximately 24 MSEK.

Based on the average interest fixing period of less than 2 months in the Group's total loan portfolio as of year-end 2010, a simultaneous 1 percentage point change in interest rates in all of Hexagon's funding currencies would entail a pre-tax impact of about 149 MSEK in the coming 12 months earnings.

Group's capital structure	2010
Interest-bearing liabilities and provisions	18 258
Interest-bearing assets	-1 439
Net debt	16 819
Total shareholders' equity	19 476

FINANCIAL INSTRUMENTS

Carrying amount and fair value

	2010		2009	
Assets	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Available-for-sale financial assets				
Other long-term securities holdings	54	54	89	89
Loan receivables and account receivables				
Long-term receivables	88	88	10	10
Accounts receivable	4 045	4 045	2 615	2 615
Other current receivables	317	317	209	209
Accrued income	229	229	209	209
Accrued interest	1	1	0	0
Short-term investments	9	9	21	21
Cash and bank balances	1 430	1 430	773	773
Financial instruments at fair value through other comprehensive income				
Derivatives	19	19	9	9
Total	**6 192**	**6 192**	**3 935**	**3 935**

	2010		2009	
Liabilities	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities valued at accrued acquisition value				
Long-term liabilities to credit institutions	16 204	16 281	9 223	9 223
Other long-term interest bearing liabilities	23	23	28	28
Long-term interest-free liabilities	215	215	14	14
Current liabilities to credit institutions	1 384	1 384	117	117
Accounts payable	1 364	1 364	864	864
Other current interest-free liabilities	291	291	339	339
Accrued expenses	1 809	1 809	756	756
Accrued interest	10	10	7	7
Total	**21 300**	**21 377**	**11 348**	**11 348**

Fair value of derivatives has been determined by means of current market quotes. Hexagon believes that the fair value of other long-term securities holdings is the same as the carrying value in all material respects, representing acquisition cost, net of any impairment.

Assets and liabilities measured at fair value, 31 December

Assets	2010 Level 1	2010 Level 2	2010 Level 3	2009 Level 1	2009 Level 2	2009 Level 3
Financial assets at fair value through profit or loss						
- Foreign exchange forward contracts - hedged	19	-	-	9	-	-
Available-for-sale financial assets						
- Equity shares	-	-	54	-	-	89
Total	**19**	**-**	**54**	**9**	**-**	**89**

Liabilities	2010 Level 1	2010 Level 2	2010 Level 3	2009 Level 1	2009 Level 2	2009 Level 3
Financial liabilities at fair value through profit or loss						
- Foreign exchange forward contracts - hedged	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

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 liabilites.
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.

During the reporting period ending 31 December 2010, there were no transfers between Level 1 and Level 2 fair value measurements.

NOTE 20 Rented assets

Leasing/rental agreements of an operational nature	Group: Machinery, equipment, etc.	Group: Premises	Parent Company: Machinery, equipment, etc.	Parent Company: Premises
Expenses due for payment in				
2011	92	185	-	4
2012-2015	124	387	-	-
2016 or later	3	92	-	-
Total	**219**	**664**	**-**	**4**

The amounts are un-discounted minimum undertakings pursuant to contract. Costs for leasing/rents for the financial year were 233 MSEK (226).

Leasing/rental agreements of a financial nature	Group: Machinery, equipment, etc.	Group: Premises	Parent Company: Machinery, equipment, etc.	Parent Company: Premises
Expenses due for payment in				
2011	5	1	-	-
2012-2015	5	2	-	-
2016 or later	0	-	-	-
Total	10	3	-	-

The amounts are un-discounted minimum undertakings pursuant to contract.

There are no individual leasing agreements of material importance. Nor are there any individual sale/leaseback agreements of material importance.

NOTE 21 Assets pledged and contingent liabilities

Pledged assets to credit institutions for loans, bank overdrafts and guarantees	Group 2010	Group 2009	Parent Company 2010	Parent Company 2009
Real estate mortgages	305	-	-	-
Chattel mortgages	20	6	-	-
Other	35	23	-	-
Total	**360**	**29**	**-**	**-**

Contingent liabilities	Group 2010	Group 2009	Parent Company 2010	Parent Company 2009
Guarantees in favour of Group companies	-	-	487	375
Letters of credit	161	158	-	-
Other contingent liabilities	14	81	13	80
Total	**175**	**239**	**500**	**455**

NOTE 22 Related-party disclosures

Remuneration of senior executives, meaning both the Board of Directors and management, is presented in Note 4b. 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 and Melker Schörling AB.

NOTE 23 Subsequent events

The rights issue conducted in the fourth quarter 2010 was completed in January 2011 when payment regarding the subsidiary preferential rights was received. These rights represented 0.4 per cent of the total issued shares in the rights issue.

The earthquake and tsunami in Japan in March 2011 have to date had limited effect on Hexagon's operations.

Proposed Allocation of Earnings

The following earnings in the Parent Company are at the disposal of the Annual General Meeting (KSEK):

– Premium reserve	8 218 438
– Retained earnings	1 405 264
– Net earnings	-1 928 125
Total	**7 695 577**

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

– Cash dividend to shareholders of 1.40 SEK per share	493 485 [1]
– Balance remaining in the premium reserve	7 202 092
Total	**7 695 577**

[1] The amount is based on the number of shares issued and outstanding on 31 January 2011, namely 352 489 630.

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 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, 25 March 2011

Melker Schörling
Chairman

Mario Fontana
Member of the Board

Ulrika Francke
Member of the Board

Ulf Henriksson
Member of the Board

Gun Nilsson
Member of the Board

Ulrik Svensson
Member of the Board

Ola Rollén
Member of the Board
President and Chief Executive Officer

Our Audit Report was submitted on 25 March 2011

ERNST & YOUNG AB

Hamish Mabon
Authorised Public Accountant

Audit Report

To the annual meeting of the shareholders of Hexagon AB
Corporate identity number 556190-4771

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the managing director of Hexagon AB for the year 2010. The company's Annual Report is included in this document on pages 50-92. The Board of Directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the managing director and significant estimates made by the Board of Directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board Member or the managing director. We also examined whether any Board Member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the managing director be discharged from liability for the financial year.

Stockholm, Sweden, 25 March 2011

ERNST & YOUNG AB

Hamish Mabon
Authorised Public Accountant

Change of reporting currency into EUR

The General Meeting of Hexagon resolved on 24 November 2010 to replace SEK with EUR as the reporting currency for Hexagon as of 1 January 2011.

Condensed consolidated income statement	**2010**					**2009**				
MSEK	**Q 1**	**Q 2**	**Q 3**	**Q 4**	**Year**	**Q 1**	**Q 2**	**Q 3**	**Q 4**	**Year**
Net sales	**2 908**	**3 390**	**3 160**	**4 638**	**14 096**	**3 038**	**3 068**	**2 629**	**3 076**	**11 811**
Gross earnings	**1 514**	**1 695**	**1 608**	**2 341**	**7 158**	**1 429**	**1 427**	**1 249**	**1 475**	**5 580**
Sales and administration costs, etc.	-1 036	-1 083	-1 064	-2 529	-5 712	-1 197	-973	-890	-918	-3 978
Share in associated company earnings	0	1	0	0	1	-2	0	0	0	-2
Operating earnings [1]	**478**	**613**	**544**	**-188**	**1 447**	**230**	**454**	**359**	**557**	**1 600**
Interest income/expenses, net [2]	-35	-37	-42	-275	-389	-55	-43	-30	-30	-158
Earnings before tax	**443**	**576**	**502**	**-463**	**1 058**	**175**	**411**	**329**	**527**	**1 442**
Tax	-62	-81	-65	25	-183	-24	-57	-43	-64	-188
Net earnings [3]	**381**	**495**	**437**	**-438**	**875**	**151**	**354**	**286**	**463**	**1 254**
[1] of which non-recurring items	-	-	-	-1 157	-1 157	-175	-	-	-9	-184
[2] of which non-recurring items	-	-	-	-147	-147	-	-	-	-	-
[3] of which non-controlling interests	3	3	5	6	17	2	2	2	3	9
Earnings include depreciation and impairments of	-204	-217	-219	-815	-1 455	-194	-185	-169	-208	-756
Earnings per share, SEK	1.25	1.63	1.43	-1.43	2.83	0.49	1.17	0.94	1.53	4.13
Earnings per share after dilution, SEK	1.25	1.63	1.43	-1.43	2.83	0.49	1.17	0.94	1.53	4.13
Operating earnings (EBIT1)	478	613	544	969	2 604	405	454	359	566	1 784
Operating earnings (EBIT1) per share, SEK	1.58	2.03	1.80	3.13	8.58	1.34	1.51	1.19	1.88	5.92
Earnings per share excluding non-recurring items, SEK	1.25	1.63	1.43	2.21	6.54	1.00	1.17	0.94	1.55	4.65

Condensed consolidated income statement	**2010**					**2009**				
MEUR	**Q 1**	**Q 2**	**Q 3**	**Q 4**	**Year**	**Q 1**	**Q 2**	**Q 3**	**Q 4**	**Year**
Net sales	**292.4**	**350.8**	**337.0**	**501.1**	**1 481.3**	**277.6**	**284.3**	**253.6**	**296.5**	**1 112.0**
Gross earnings	**152.3**	**175.4**	**171.5**	**253.5**	**752.7**	**130.6**	**132.2**	**120.4**	**142.2**	**525.4**
Sales and administration costs, etc.	-104.2	-112.2	-113.5	-271.2	-601.1	-109.4	-90.3	-85.9	-89.0	-374.6
Share in associated company earnings	0.0	0.1	0.0	0.0	0.1	-0.2	0.0	0.0	0.0	-0.2
Operating earnings [1]	**48.1**	**63.3**	**58.0**	**-17.7**	**151.7**	**21.0**	**41.9**	**34.5**	**53.2**	**150.6**
Interest income/expenses, net [2]	-3.6	-3.7	-4.5	-29.0	-40.8	-5.0	-4.0	-3.0	-2.8	-14.8
Earnings before tax	**44.5**	**59.6**	**53.5**	**-46.7**	**110.9**	**16.0**	**37.9**	**31.5**	**50.4**	**135.8**
Tax	-6.2	-8.4	-7.0	2.4	-19.2	-2.2	-5.2	-4.2	-6.1	-17.7
Net earnings [3]	**38.3**	**51.2**	**46.5**	**-44.3**	**91.7**	**13.8**	**32.7**	**27.3**	**44.3**	**118.1**
[1] of which non-recurring items	-	-	-	-121.2	-121.2	-16.0	-0.2	-0.1	-1.1	-17.4
[2] of which non-recurring items	-	-	-	-15.4	-15.4	-	-	-	-	-
[3] of which non-controlling interests	0.3	0.3	0.5	0.7	1.8	0.2	0.2	0.2	0.2	0.8
Earnings include depreciation and impairments of	-20.5	-22.5	-23.3	-86.2	-152.5	-17.7	-17.2	-16.3	-20.0	-71.2
Earnings per share, EUR	0.13	0.17	0.15	-0.15	0.30	0.05	0.11	0.09	0.15	0.39
Earnings per share after dilution, EUR	0.13	0.17	0.15	-0.15	0.30	0.05	0.11	0.09	0.15	0.39
Operating earnings (EBIT1)	48.1	63.3	58.0	103.5	272.9	37.0	42.1	34.6	54.3	168.0
Operating earnings (EBIT1) per share, EUR	0.16	0.21	0.19	0.33	0.90	0.12	0.14	0.11	0.18	0.56
Earnings per share excluding non-recurring items, EUR	0.13	0.17	0.15	0.24	0.69	0.09	0.11	0.09	0.15	0.44
Average number of shares, thousands	301 580	301 591	301 603	309 845	303 655	301 422	301 453	301 580	301 580	301 509
Average number of shares after dilution, thousands	301 669	301 591	301 603	309 845	303 677	302 117	301 583	301 696	301 676	301 768

TRANSLATION OF INCOME STATEMENTS, CASH FLOWS, ETC.

The values have been translated accumulated from the beginning of the year (YTD) using the YTD average FX rates stated on page 95. To obtain translated values for a specific quarter and this quarter is not the first for the year, the translated accumulated (YTD) values have been used until the current quarter end and the translated accumulated (YTD) values have been deducted until the end of previous quarter.

The two only exceptions from this general rule concern the divestment of Hexpol in 2008, where the EUR numbers have been fixed at the Q1-Q2 average rate, and the consolidation of Intergraph in 2010, where the two month average rate November-December has been used.

TRANSLATION OF BALANCE SHEETS, ETC.

Translation was done using the closing rates stated on page 95.

TRANSLATION OF RETURN ON EQUITY, RETURN ON CAPITAL EMPLOYED, ETC.

Such ratios often include values where income statement values are divided by balance sheet values. Since income statement values and balance sheet values are not translated by using the same FX rates, return values might change due to the translation.

2008				
Q 1	**Q 2**	**Q 3**	**Q 4**	**Year**
4 027	**3 904**	**3 070**	**3 478**	**14 479**
1 699	**1 760**	**1 514**	**1 625**	**6 598**
-1 057	-1 027	-971	-1 096	-4 151
1	1	0	-1	1
643	**734**	**543**	**528**	**2 448**
-81	-77	-76	-85	-319
562	**657**	**467**	**443**	**2 129**
-84	-91	-49	-46	-270
478	**566**	**418**	**397**	**1 859**
-	-	-	100	-100
-	-	-	-	-
2	3	3	4	12
-178	-169	-156	-216	-719
1.57	1.86	1.37	1.30	6.10
1.57	1.86	1.37	1.30	6.09
643	734	543	628	2 548
2.12	2.42	1.79	2.08	8.42
1.57	1.86	1.37	1.59	6.39

2008				
Q 1	**Q 2**	**Q 3**	**Q 4**	**Year**
428.3	**417.4**	**323.8**	**341.5**	**1 511.0**
180.7	**188.1**	**159.6**	**160.1**	**688.5**
-112.4	-109.8	-102.4	-109.1	-433.7
0.1	0.1	0.0	-0.1	0.1
68.4	**78.4**	**57.2**	**50.9**	**254.9**
-8.6	-8.2	-8.0	-8.5	-33.3
59.8	**70.2**	**49.2**	**42.4**	**221.6**
-9.0	-9.7	-5.1	-4.3	-28.1
50.8	**60.5**	**44.1**	**38.1**	**193.5**
-	-	-	-10.4	-10.4
-	-	-	-	-
0.2	0.3	0.4	0.3	1.2
-18.9	-18.1	-16.4	-21.5	-74.9
0.17	0.20	0.14	0.13	0.64
0.17	0.20	0.14	0.12	0.63
68.4	78.4	57.2	61.3	265.3
0.23	0.26	0.19	0.20	0.88
0.17	0.20	0.14	0.15	0.67
302 725	302 795	302 919	302 308	302 687
303 163	303 230	303 398	303 018	303 202

Condensed consolidated balance sheet	MEUR			MSEK		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Intangible fixed assets	3 595.4	1 599.3	1 537.2	32 235	16 396	16 832
Tangible fixed assets	274.1	165.2	173.8	2 457	1 694	1 903
Financial fixed assets	20.3	12.6	9.9	182	129	109
Deferred tax assets	64.4	57.6	53.6	577	590	587
Total fixed assets	**3 954.2**	**1 834.7**	**1 774.5**	**35 451**	**18 809**	**19 431**
Inventories	**319.2**	**253.3**	**300.8**	**2 862**	**2 597**	**3 294**
Accounts receivable	451.2	255.1	287.7	4 045	2 615	3 151
Other receivables	63.4	31.3	41.0	568	321	449
Prepaid expenses and accued income	58.2	28.3	23.5	522	290	257
Total current receivables	**572.8**	**314.7**	**352.2**	**5 135**	**3 226**	**3 857**
Cash and cash equivalents	160.4	77.4	84.0	1 439	794	919
Total current assets	**1 052.4**	**645.4**	**737.0**	**9 436**	**6 617**	**8 070**
Total assets	**5 006.6**	**2 480.1**	**2 511.5**	**44 887**	**25 426**	**27 501**
Attributable to Parent Company shareholders	2 166.1	1 212.7	1 092.0	19 420	12 433	11 957
Attributable to non-controlling interest	6.2	5.0	5.2	56	51	57
Total shareholders' equity	**2 172.3**	**1 217.7**	**1 097.2**	**19 476**	**12 484**	**12 014**
Interest bearing liabilities	1 810.0	902.3	959.7	16 227	9 251	10 509
Other liabilities	24.0	1.4	2.4	215	14	26
Pension provisions	34.2	37.4	41.3	307	383	452
Deferred tax provisions	210.1	39.9	30.2	1 884	409	331
Other provisions	46.8	6.3	15.9	420	65	174
Total long-term liabilities	**2 125.1**	**987.3**	**1 049.5**	**19 053**	**10 122**	**11 492**
Interest bearing liabilities	154.4	11.4	45.6	1 384	117	500
Accounts payable	152.1	84.3	108.2	1 364	864	1 185
Other liabilities	55.7	46.5	49.8	499	477	545
Other provisions	30.1	25.9	31.0	270	265	339
Accrued expenses and deferred income	316.9	107.0	130.2	2 841	1 097	1 426
Total short-term liabilities	**709.2**	**275.1**	**364.8**	**6 358**	**2 820**	**3 995**
Total equity and liabilities	**5 006.6**	**2 480.1**	**2 511.5**	**44 887**	**25 426**	**27 501**

Exchange rates

EUR / SEK	Average year-to-date	Closing	EUR / SEK	Average year-to-date	Closing	EUR / SEK	Average year-to-date	Closing
Q1 2005	9.0747	9.14	Q1 2007	9.1868	9.33	Q1 2009	10.9443	10.94
Q2 2005	9.1404	9.44	Q2 2007	9.2211	9.24	Q2 2009	10.8659	10.81
Q3 2005	9.2199	9.34	Q3 2007	9.2366	9.21	Q3 2009	10.7117	10.24
Q4 2005	9.2849	9.42	Q4 2007	9.2481	9.47	Q4 2009	10.6213	10.25
Q1 2006	9.3539	9.4	Q1 2008	9.4014	9.39	Q1 2010	9.9440	9.71
Q2 2006	9.3285	9.22	Q2 2008	9.3779	9.45	Q2 2010	9.7919	9.5
Q3 2006	9.2944	9.27	Q3 2008	9.4109	9.76	Q3 2010	9.6494	9.16
Q4 2006	9.2549	9.05	Q4 2008	9.6055	10.95	Q4 2010	9.5413	8.97

Ten-year summary

Hexagon has expanded through organic growth and acquisitions and has more than doubled in size during the past ten years. During this period Hexagon has made some 70 acquisitions and approximately 50 divestitures. Today, measurement and visualisation technologies account for 97 per cent of Hexagon's net sales.

INCOME STATEMENT, MSEK	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Net sales	14 096	11 811	14 479	14 587	13 469	9 637	8 256	7 103	6 997	6 204
EBITDA operating earnings	3 458	2 537	3 267	3 054	2 429	1 272	929	711	719	531
EBITA operating earnings	2 604	1 784	2 548	2 421	1 827	923	686	480	511	350
EBIT1 operating earnings	2 604	1 784	2 548	2 421	1 827	923	686	406	421	287
Operating earnings	1 447	1 600	2 448	2 270	1 743	844	634	406	400	310
Earnings before tax	1 058	1 442	2 129	2 056	1 618	705	541	323	319	227
- of which non-recurring items	-1 304	-184	-100	-151	13	-79	-52	–	15	23
Net earnings	875	1 254	1 859	1 811	1 280	618	420	221	187	144
- of which minority share	17	9	12	11	7	5	7	–	–	-

BALANCE SHEET, MSEK	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Current assets	9 436	6 617	8 070	7 944	5 861	5 251	3 600	3 060	3 118	3 391
Fixed assets	35 451	18 809	19 431	16 996	12 687	13 391	3 798	2 866	3 100	3 096
Non-interest bearing liabilities and provisions	7 153	3 126	3 833	4 310	3 322	3 533	1 950	1 626	1 713	1 877
Interest-bearing liabilities and provisions	18 258	9 816	11 654	10 584	6 617	9 590	2 952	1 981	2 275	2 825
Minority interests	–	–	–	–	–	–	–	47	36	30
Shareholders' equity	19 476	12 484	12 014	10 046	8 609	5 519	2 496	2 272	2 194	1 755
Total assets	44 887	25 426	27 501	24 940	18 548	18 642	7 398	5 926	6 218	6 487

Figures for 2001-2003 have not been restated to comply with IFRS.

KEY FIGURES	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Annual net sales growth, %	19	-18	-1	8	40	17	16	2	13	22
Operating margin, %	18	15	18	17	14	10	8	6	6	5
Return on capital employed, %	9	8	12	14	12	11	13	10	10	9
Return on capital employed excluding goodwill amortisation, %	9	8	12	14	12	11	13	11	12	10
Return on equity, %	6	10	18	20	17	18	18	10	9	8
Return on equity excluding goodwill amortisation, %	6	10	18	20	17	18	18	13	14	12
Investments, MSEK	832	821	1 005	825	834	442	299	226	267	202
Equity ratio, %	43	49	44	40	46	30	34	39	36	28
Share of risk-bearing capital, %	48	51	45	43	49	32	35	41	37	28
Interest coverage ratio, multiple	3.60	9.50	7.00	8.85	7.40	5.10	5.00	4.20	3.40	2.90
Net debt /equity ratio, multiple	0.82	0.66	0.89	0.88	0.70	1.66	1.11	0.78	0.97	1.35
Cash flow before changes in working capital, MSEK	2 805	2 003	2 587	2 472	1 737	956	723	534	388	358
Cash flow, MSEK	2 483	2 621	1 755	2 027	1 115	764	642	440	307	310
Earnings per share, SEK	2.83	4.13	6.10	5.95	4.39	2.75	2.00	1.07	0.96	0.80
Earnings per share after dilution, SEK	2.83	4.13	6.09	5.93	4.35	2.71	1.99	1.07	0.96	0.80
Earnings per share excluding goodwill amortisation, SEK	2.83	4.13	6.10	5.95	4.39	2.75	2.00	1.43	1.42	1.16
Cash flow per share before changes in working capital, SEK	9.24	6.64	8.55	8.17	5.99	4.29	3.49	2.58	1.99	2.00
Cash flow per share after change in working capital, SEK	8.18	8.70	5.80	6.70	3.85	3.43	3.10	2.13	1.58	1.73
Shareholders' equity per share, SEK	55	41	40	33	28	21	12	11	11	10
Closing share price, SEK	144	93	33	118	85	64	28	18	12	11
Cash dividend per share, SEK	1.40 [1]	1.05	0.44	2.06	1.46	0.80	0.54	0.41	0.41	0.41
Average number of shares, in thousands	303 655	301 509	302 687	302 643	289 798	222 608	206 934	206 923	194 759	179 028
Average number of shares after dilution, in thousands	303 677	301 768	303 202	303 505	292 426	225 842	207 930	206 923	194 759	179 028
Number of shares-closing balance, in thousands	352 150	301 580	301 422	302 725	302 526	260 738	207 046	206 923	206 923	179 028
Average number of employees	8 179	7 549	9 062	8 406	7 862	6 111	5 935	5 401	5 428	5 061

The share-related key financial ratios have been calculated considering all historical share issues and splits. The figures for 2001-2003 have not been restated to comply with IFRS.

[1] As proposed by the Board.

The Hexagon story

1975
Eken Industri & Handel AB is founded.

1976
Initial public offering for Eken Industri & Handel AB.

1992
A number of investors acquired a major shareholding in Eken Industri & Handel AB.

1993
Eken Industri & Handel AB changed its registered name to Hexagon in connection with a change of investing strategy.

1998
Mr Melker Schörling acquires a controlling stake in Hexagon.

Transformation into a global measurement and visualisation technologies Group

1999
Mr Melker Schörling is elected the Chairman of the Board of Hexagon.

2000
4.6 billion SEK in net sales, 4 per cent operating margin, 24 different businesses mainly small subcontractors supplying components to the Swedish engineering sector. Hexagon's President and CEO Ola Rollén is hired and new strategies set. Decision is made to concentrate the Group's activities. Measurement technologies deemed to have substantial potential. The business area Norfoods is divested.

2001
Acquisition of US-based measurement technologies company Brown & Sharpe Inc., additional acquisitions in the Metrology sector both in distribution and in technology, with software company Wilcox being the largest. Gustaf Fagerberg AB, Tecla, Johnson Metal Bearing Components and the business area Hexagon Wireless are divested.

2002
Hexagon's transformation begins to take effect and earnings per share after tax increased by 19 per cent. At the same time, acquisitions have been made in measurement technologies. Hexagon's main acquisition in 2002 was C E Johansson, a metrology company.

2003
Hexagon has at this time four separate business areas: Metrology, Engineering, Automation and Polymers. Metrology has the best development and within that business a number of important acquisitions are made in China such as Qingdao Brown & Sharpe Quinshao Technology Co Ltd and Qingdao Brown & Sharpe Trading Co Ltd. Boliden and Hexagon form a joint venture comprising their respective brass operations, Nordic Brass AB and Boliden Gusum AB.

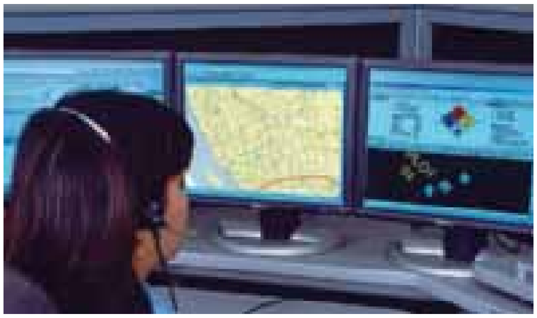
2004
A record year with earnings per share after tax increasing by 62 per cent. Net sales and operating margin have doubled compared to 2000 and the number of strategic businesses has decreased from 24 to 4. Metodsvets i Kungälv AB and Tjust Mekaniska Verkstads AB are divested. The shares in the listed company VBG AB are spun off to Hexagon's shareholders.

2005
Technologies and applications increasingly drive various market segments closer together. Hexagon acquires the Swiss Leica Geosystems that manufactures advanced products to customers in the surveying and construction segments among others. Hexagon Automation is divested.

2006
Synergies between Leica Geosystems and Metrology realised more rapidly than expected and earnings per share increase by 60 per cent. Major acquisitions in Geosystems include the Swedish company Scanlaser AB, Norway-based Scanlaser AS and Danish Mikrofyn A/S that strengthen Hexagon's market position in the fast-growing machine control segment.

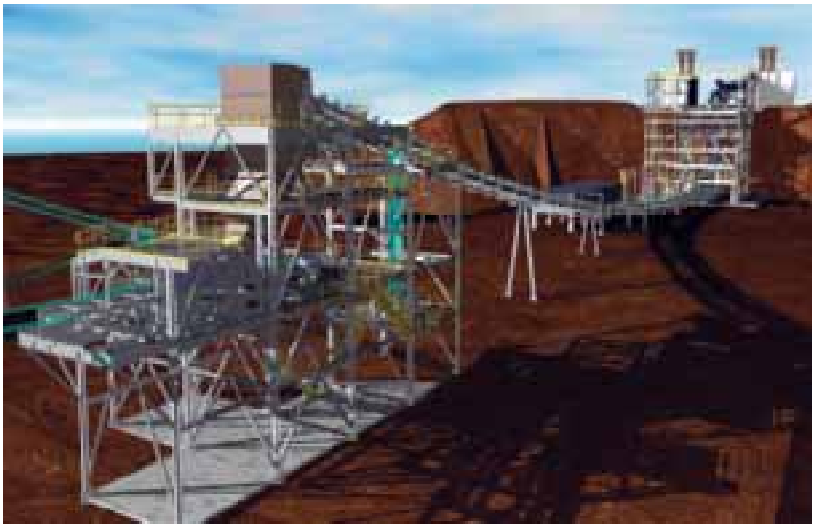
2007
Hexagon acquires NovAtel Inc. A total of 18 acquisitions were completed, with net sales of approximately 1.4 billion SEK, to complement Hexagon's measurement technologies activities. Johnson Metall AB, Eurosteel AB and Tidamek AB are divested.

2008
Hexagon Polymers is distributed to the shareholders of Hexagon and is listed separately as Hexpol AB on NASDAQ OMX Stockholm. Streamlining of Hexagon as a measurement technologies company is completed. A series of complementary acquisitions are made.



2009
11.8 billion SEK in net sales, 15 per cent operating margin, one core business and a leading global measurement technologies Group. The French software company Technodigit is acquired. The Spatial Systems division of the American company Loyola Enterprises Inc. is acquired. The German optical measuring machine company Mahr Multisensor GmbH and German multisensor manufacturer Mycrona GmbH are acquired.

2010
On 6 July 2010, Hexagon entered into an agreement to acquire the US-based software provider Intergraph Corporation. The acquisition fulfils all prerequisites that Hexagon has set for software driven expansion. The acquisition was completed on 28 October. Hexagon has become a global, leading measurement and visualisation technologies Group.



Definitions

FINANCIAL DEFINITIONS

Annual net sales growth
Percentage change in net sales on previous year.

Bridge loan
A short-term loan that is used to secure financing until more permanent financing can be obtained by way of, for example a bond issue.

Capital employed
Total assets less non-interest bearing liabilities.

Capital turnover rate
Net sales for the year divided by average capital employed.

Cash flow
Cash flow from operating activities after change in working capital.

Cash flow per share
Cash flow from operating activities after change in working capital divided by average number of shares.

Dividend pay-out ratio
Dividend per share divided by earnings per share.

Dividend yield
Dividend per share as a percentage of share price.

Earnings per share
Net earnings, excluding minority interests, divided by average number of shares.

Earnings per share excluding goodwill
Net earnings, excluding minority interests and goodwill amortisation, divided by average number of shares.

Equity ratio
Shareholders' equity including minority interests as a percentage of total assets.

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.

Non-recurring items
Income and expenses that are not expected to appear on a regular basis.

Operating cash flow
Cash flow from operations, after change in working capital and ordinary investing activities.

Operating earnings (EBIT1)
Operating earnings excluding non-recurring items.

Operating earnings (EBITA)
Operating earnings excluding non-recurring items and amortisation of goodwill.

Operating earnings (EBITDA)
Operating earnings excluding non-recurring items and amortisation and depreciation of fixed assets.

Operating margin
Operating earnings (EBIT1) as a percentage of net sales for the year.

Operating net sales
Net sales reduced by the difference between fair value and book-value of deferred revenue regarding acquired businesses.

P/E ratio
Share price divided by earnings per share.

Return on capital employed
Twelve months to end of period earnings after financial items, excluding non-recurring items, plus financial expenses as a percentage of twelve months to end of period average capital employed.

Return on capital employed excluding goodwill amortisation
Twelve months to end of period earnings after financial items, excluding non-recurring items, plus financial expenses and goodwill amortisation as a percentage of twelve months to end of period average capital employed.

Return on equity
Twelve months to end of period net earnings excluding minority interests as a percentage of twelve months to end of period average shareholders' equity excluding minority interests.

Return on equity excluding goodwill amortisation
Twelve months to end of period net earnings excluding minority interests and goodwill amortisation as a percentage of twelve months to end of period average shareholders' equity excluding minority interests.

Revolving credit facility
A loan facility where the borrower may increase and reduce the size of outstanding debt up to the available commitment during the term of the loan.

Shareholders' equity per share
Shareholders' equity excluding minority interests divided by the number of shares at year-end.

Share of risk-bearing capital
The total of shareholders' equity including minority interests and tax provisions as a percentage of total assets.

Share price
Last settled transaction on the 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 amortisation schedule where the borrower is not entitled to re-borrow any amount which it has already repaid.

WACC
Weighted average cost of capital.

BUSINESS DEFINITIONS

Americas
North America, South America and Central America.

Asia Pacific
Asia, Australia and New Zeeland.

AVL
Automatic vehicle location.

CAD
Computer Aided Design – digital-based design used when creating technical drawings.

CAD
Computer-aided dispatch.

CFIUS
Committee on Foreign Investment in the United States.

CMM
Coordinate Measuring Machine.

DTM
Digital Terrain Model – detailed models of the land surface.

EMEA
Europe, Middle East and Africa.

Emerging markets
Eastern Europe, Middle East, South America, Africa and Asia excluding Australia, New Zeeland, Japan and Korea.

EPC
Engineering, procurement and construction companies.

FOCI
US requirements relating to the mitigation of foreign ownership, control or influence.

Geomatics
The study of depicting the Earth's surface.

GIS
Geographic Information Systems.

GLONASS
Global'naya Navigatsionnaya Sputnikovaya Sistema.

GNSS
Global Navigation Satellite System.

GPS
Global Positioning System.

HDS
High Definition Surveying.

IGS
Intergraph Government Solutions Corporation.

Laser trackers
A portable measurement system that uses a laser beam to measure.

LIDAR
Light Detection and Ranging – technology to collect topographic data using lasers.

NIBRS
National Incident-based Reporting System.

O/O
Owner Operator.

OEMs
Original Equipment Manufacturers.

PP&M
Intergraph's division Process, Power & Marine.

RAIM
Receiver Autonomous Integrity Monitoring.

REACH
Registration, Evaluation, Authorization and Restriction of Chemical Substances Directive.

RoHS
European Union's Restriction of Hazardous Substances.

R&D
Research and development.

SCM
Sensor Control Modules.

SG&I
Intergraph's division Security, Government & Infrastructure.

Theodolites
An angle measuring instruments used in geodetic measurements.

Total station
An electronic theodolite with integrated distance meter.

TPS
Terrestrial Positioning System.

UAS
Unmanned Aircraft System.

USR
Uniform Crime Reporting.

WEEE
Waste Electrical and Electronic Equipment Directive.

Shareholder Information

ANNUAL GENERAL MEETING 2010

The Annual General Meeting will be held on Tuesday 10 May 2011 at 17:00 CET at Oscarsteatern, Kungsgatan 63, Stockholm, Sweden.

Shareholders who wish to participate at the Annual General Meeting must be registered in the share register maintained by Euroclear Sweden AB (formerly VPC AB) no later than 4 May 2011. Notification of attendance should be made no later than 12:00 CET on 5 May 2011.

Notification of attendance can be done by filling out a form at Hexagon's website or alternatively:

- By post to Hexagon AB head office
- By e-mail to bolagsstamma@hexagon.se
- By telephone to +46 8 601 26 20
- By fax to +46 8 601 26 21

To be eligible to participate in the Annual General Meeting, shareholders with nominee-registered holdings should temporarily register their shares in their own names through the agency of their nominees so that they are recorded in the share register in good time before 4 May 2011.

Applications should state the shareholder's name, personal/corporate identity number, address and telephone number. Shareholders wishing to be represented by proxy should send a power-of-attorney to Hexagon before the Annual General Meeting.

DIVIDEND

The Hexagon Board of Directors proposes a dividend for the financial year 2010 of 1.40 SEK per share.

The Board proposes 13 May 2011 as the record date for the payment of dividends. First day of trade excluding right to dividend is 11 May 2011. Dividends should be in the possession of shareholders by 18 May 2011, assuming that the Annual General Meeting approves the Board's motion.

FINANCIAL INFORMATION 2011

Hexagon will issue financial information concerning financial year 2011 on the following dates:

Annual General Meeting 2011	10 May 2011
Interim Report Q1	10 May 2011
Interim Report Q2	4 August 2011
Interim Report Q3	27 October 2011
Year-End Report 2011	February 2012

Via Hexagon's subscription service you can subscribe to press releases and other financial information. Information is also available at www.hexagon.se and can be ordered via e-mail ir@hexagon.se or telephone +46 8 601 26 27.

CAPITAL MARKETS DAY 2011

Hexagon's Capital Markets Day 2011 is held in connection to Hexagon's international conference, Hexagon 2011, 6-9 June at the Orlando World Center Marriott Resort in Orlando, Florida, USA.

DISTRIBUTION POLICY

The Hexagon Annual Report is sent to all shareholders who have not informed the company that they do not wish to receive the Annual Report. Hexagon's Annual Reports from 1997 and forward are available at www.hexagon.se.

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NORDIC ENVIRONMENTAL LABEL
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341 376

Area captured by a Leica ADS80 airborne digital sensor,

that can be used for multiple purposes. For example to support topo-cadastre, infrastructure, urban planning, 3D city modelling, environmental mapping as well as disaster management and emergency response.

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precision in everything

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