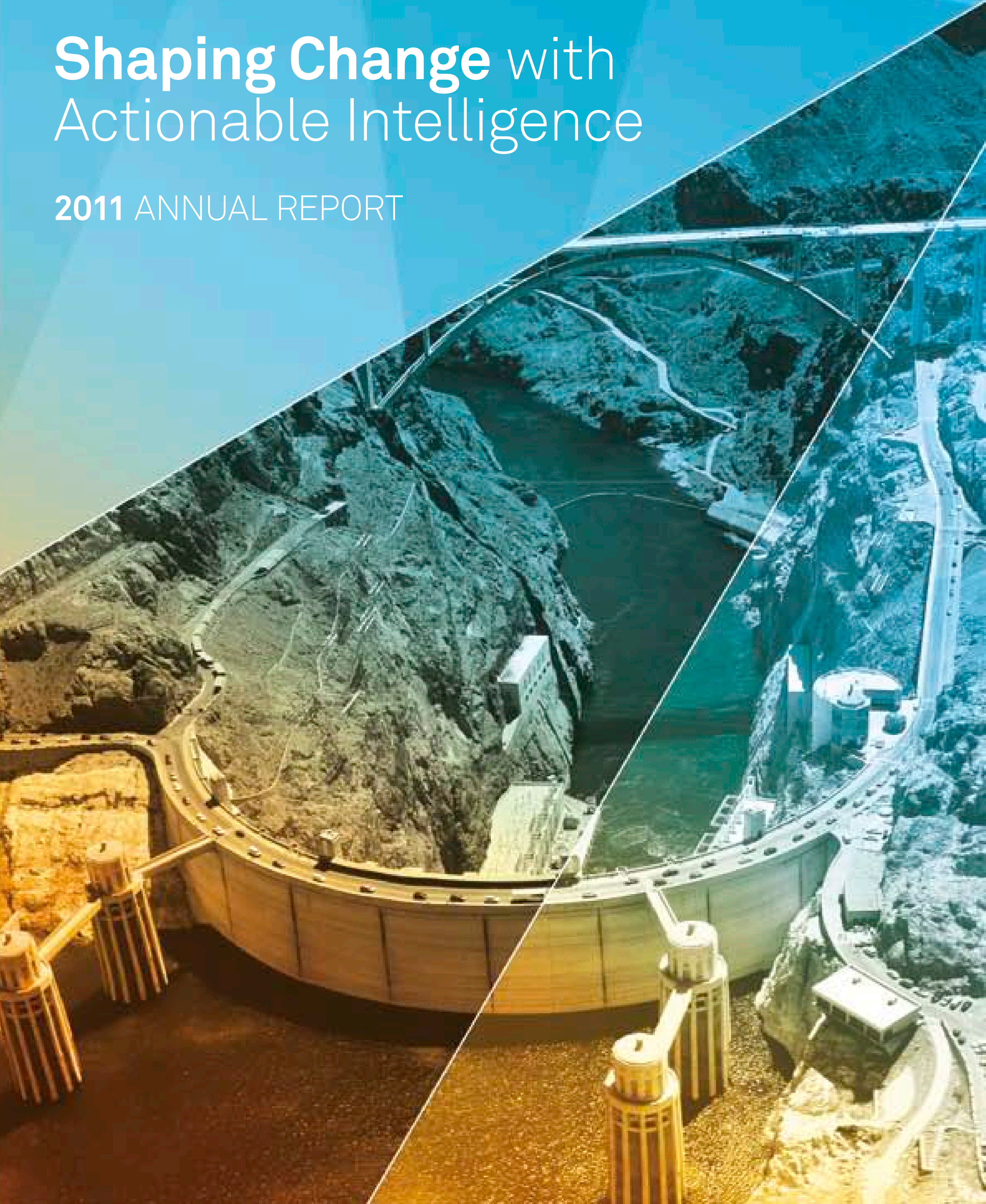
HEXAGON

Shaping Change with Actionable Intelligence

2011 ANNUAL REPORT



MARKET-LEADING **INNOVATIONS**

THOUSANDS OF **DEDICATED** PEOPLE

ONE GLOBAL ORGANISATION SOLVING TODAY'S CHALLENGES AND **SHAPING TOMORROW'S OPPORTUNITIES**

Change – It is everywhere, affecting everything and everyone. Without a doubt, it is significantly impacting the world we live in.

Challenges abound: The demand for housing, transportation, energy, food and health care is unprecedented, but so are our possibilities to meet these needs.

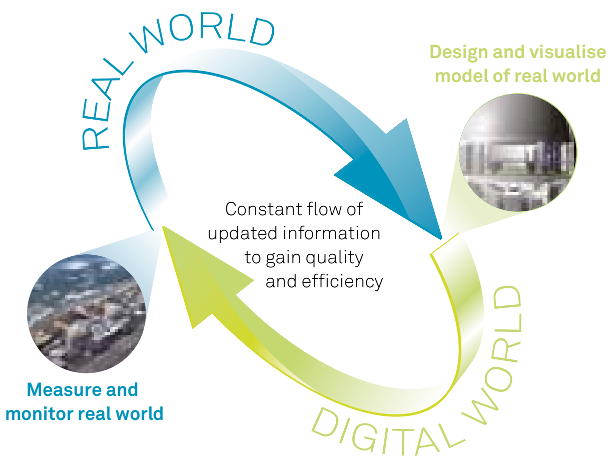
Inevitably, change drives progress. Smart use of the latest technologies can help reduce poverty, improve health, increase efficiency and contribute to a greener environment. With Hexagon's solutions, it is possible to save resources, work productively and achieve objectives in less time.

Hexagon's solutions enable individuals, organisations and entire industries to transform raw data into actionable intelligence – the kind of intelligence necessary to meet the challenges of a growing world.

Hexagon's solutions make sense of vast quantities of disparate and constantly changing data (3D models, images, photos, drawings, maps). They offer users the ability to interface with complex data and the necessary tools to explore and analyse that data in meaningful and intuitive ways. Through an interactive analysis environment for planning and decision making, they offer the means to create, share and act upon a computer-generated world as though it is real.

With Hexagon's solutions, plants and ships can be constructed and operated efficiently, productivity in manufacturing, mining and agriculture vastly increased and cities and infrastructure intelligently planned and built. Hexagon's technologies are also used to monitor changes in the environment, enabling better preparedness and response with regard to natural disasters. These are but a few examples of the applications that Hexagon offers an ever-expanding world.

THE HEXAGON ADVANTAGE



Hexagon's solutions provide a constant flow of information, transforming raw data into actionable intelligence.

Hexagon is a leading global provider of design, measurement and visualisation technologies.

Hexagon has over 13 000 employees in more than 40 countries and net sales of about 2.2 bn EUR.

Hexagon AB is a Swedish public limited liability company with Corporate Registration Number 556190-4771. All values are expressed in Euros unless otherwise stated. The Euro is abbreviated EUR, thousands of Euro to KEUR, millions of Euro to MEUR, billions of Euro to bn EUR and million US dollars to MUSD. Figures in parentheses refer to 2010 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 Hexagon management's current expectations. Although management considers expectations expressed in such future-oriented information as reasonable, no assurance can be given that these expectations will prove correct. Consequently, actual future results can differ considerably from those implied in the forward-looking statements as a result of factors such as changed conditions in the economy, market and competition, changes in legal requirements and other political measures, fluctuations in exchange rates and other factors.

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OUR BEST MOMENTS STILL LIE AHEAD

We leave 2011 behind with a sense of accomplishment having realised our financial targets that we set out in 2007. In spite of the recent success, we at Hexagon believe our best moments still lie ahead. Hexagon is in a unique time and place in its history. The pace of the entire company is quickening; synergy and unity are key to our success. We are moving the organisation into a new era of technological innovation where we will undoubtedly break new ground.

At Hexagon, we are always asking what's possible. Even though 2011 was such a transformative year for our company, I would like to take this opportunity to talk more about our future than our past.

We are no longer rooted primarily in hardware. The acquisition of Intergraph continues to shape new beginnings for our businesses. For instance, Geosystems is actively working to integrate its sensors with Intergraph's Geographic Information Systems (GIS) and dispatch software, opening up new applications and functionalities. We call this development "Dynamic GIS." While its predecessor, static GIS, has the accuracy to satisfy even the most demanding customers, Dynamic GIS brings more frequent and real-time updates to the overall system. Just how important Dynamic GIS data can be is best illustrated through real life examples:

PLANNING FOR CLIMATE CHANGE

Understanding the vulnerabilities of climate change is critical when estimating its impact on society and the environment. As weather patterns evolve and become more extreme, the potential for disaster from landslides, flooding and earthquakes increases. In some cases, up-to-date digital terrain models and monitoring systems can help in their prevention. For example, the ability to accurately simulate flooding, taking all terrain changes into account such as landslides from torrential rains, helps to better manage critical situations.

Another great example relates to the field of agriculture where airborne cameras provide frequent updates of cultivated fields which makes it possible to identify the optimum prescription of fertilizers, pesticides and water. Since all of the data is geo-referenced, the prescription can be customised, providing varying amounts of treatment to different areas which saves resources.

The third example involves city planning and public protection. Fire, police and rescue agencies rely on location-specific data to ensure rapid response and limit public danger. Improved situational awareness helps control and manage the situation. Knowing the exact location of the incident, understanding the current environment and being able to quickly share information with those who need it all play a critical role in the response.

HIGHER PRODUCTIVITY

Additionally, Metrology is working to embed measurement solutions into Intergraph's Computer-Aided Design (CAD) software, bringing added value to the process, power and marine segments of our business. We believe this will enable engineering, procurement and construction firms involved in the energy and process industries and owner/operators to improve productivity. Pushing the technological boundaries of Intergraph's CAD software will also strengthen Metrology's business solutions in the aerospace and automotive sectors.

We realise that Hexagon is not immune to swings in the general economy. However with Intergraph's recurring revenue business model, Hexagon is less sensitive to fluctuations in the business environment. The opportunity to grow our installed base of innovations is greater today than ever before. We are committed to remaining agile, bold and focused on performance in all we do. I am confident in our determination and ingenuity and I look forward to keeping you updated on these exciting developments.

THE LANDSCAPE FOR GROWTH

We have identified our next set of financial targets for the road ahead. The new plan is to grow net sales to 3.5 billion EUR from our current level of 2.2 billion EUR and to improve our EBIT margin from 20 per cent to 25 per cent before the end of 2015. While 60 per cent of our growth has been attributed to acquisitions over the past 10 years, with 40 per cent organic, looking ahead to the next 10 years, we anticipate just the opposite.

We unveiled this new financial plan at our inaugural annual conference, Hexagon 2011, together with a complete rebrand of our company, including a new mission and vision, further underscoring our focus and strategy for the future. We also aligned our Core Values so that Hexagon and all of our businesses share a common definition and understanding of what is important and how we conduct our everyday business.

OUR FOUNDATION IS SET

We enter 2012 with enthusiasm. Our business lines are strong and we have a committed and highly motivated team of employees. Our foundation is set for solid, profitable growth and we are determined in our continued ability to see beyond technology, stay ahead of our customers and solve the problems of tomorrow, today. I believe our core thought, "Shaping Change", summarises our ambition for the future: to help our customers create meaningful information from complex measurement data so that they can take intelligent action. What good is information if you can't take action and what good is action without information?

I would like to take this opportunity to convey my gratitude to everyone at Hexagon and to you – our shareholders – for your ongoing support and commitment to our company.

Stockholm, Sweden, March 2012

Ola Rollén
President and Chief Executive Officer

"We are committed to remaining agile, bold and focused on performance in all we do."

HEXAGON – SHAPING CHANGE TO MEET THE CHALLENGES OF TOMORROW ***TODAY***

Timing is everything ... it is a saying that held true for Hexagon in 2011 and one that will be especially relevant in the years ahead.

We have always known that positive change comes about when we invest in our vision. We could not have picked a better time than 2011 to tell our story and show the strength of our global brands.

Our new identity, mission and vision underscore our renewed focus and the opportunities that lie ahead. Our Core Values signify a shared definition and understanding of what is important and how we operate across all of our businesses.

Our clients and prospective clients are looking at us differently for a reason. What began with a bold commitment to connect our companies and technologies in a way like never before marked the beginnings of a fully integrated technology company dedicated to its ability to meet the challenges of a growing world.

HEXAGON, A WORLD LEADER IN **DESIGN, MEASUREMENT AND VISUALISATION TECHNOLOGIES** COMMITTED TO BECOMING A REAL FORCE FOR **CHANGE**

OUR MISSION

We are dedicated to delivering actionable information through design, measurement and visualisation technologies that enable customers to create and share manageable multidimensional data.

OUR VISION

We aspire to play a leading role in the effort to solve the challenges our world is facing through our design, measurement and visualisation technologies.

OUR VALUES

We are PROFIT DRIVEN

We value performance over procedure, setting measurable goals and working collaboratively to achieve the results we seek.

We are PROFESSIONAL

We are honest professionals who understand the importance of knowing our business, exceeding expectations and avoiding politics along the way.

We are CUSTOMER FOCUSED

We know our customers' success is paramount to our own and is based on our ability to talk openly and set clear targets to meet their needs.

We are INNOVATIVE

We understand the importance of innovation in meeting the ever-changing needs of our customers and that opportunities must be nurtured and developed quickly.

We are ENTREPRENEURIAL

We are not afraid to try new things and leverage our decentralised structure to make speedy decisions, take calculated risks and find new opportunities.

We are ENGAGED

Our spirited energy and engagement is evident in our commitment to our work, passion for what we do and the speed by which we achieve it.

A STEP AHEAD OF THE CHANGING WORLD

Hexagon is a global, research-intensive technology company with an extensive line of hardware, software and services that spans customers and industries worldwide.

CUSTOMER BENEFITS

Hexagon is a world leader in measurement technologies and advanced 3D software. Hexagon's technologies are utilised across a wide array of industries.

Hexagon's offerings empower customers to optimise processes, efficiency, productivity and quality, reduce costs and save resources and make better, faster operational decisions.

Our solutions are responsible for improvements in agriculture, energy, industrial production, infrastructure, public safety, transportation and security and defence.

Our customers' success is largely driven by their ability to explore and analyse a myriad of complex measurement, geospatial and engineering data in constantly changing environments.

TECHNOLOGICAL LEADERSHIP

One of our greatest strengths is our single research and development vision. Our customers continually benefit from the resulting synergies that emerge from our foundational technologies, which leverage the power of our complete, end-to-end workflow.

From creating or capturing three-dimensional data from the ground, air or space, to processing and sharing that data in GIS and CAD environments, a bidirectional link between the digital world and reality enables constant and seamless interaction. The advantage of this constant flow of updated information is the ability to transform raw data into actionable intelligence.

Hexagon's patent portfolio consists of about 2 500 active patents worldwide. It is driven by about 2 280 engineers engaged in R&D, which is more than 17 per cent of Hexagon's employee base.

DEDICATED EMPLOYEES

Hexagon has more than 13 000 employees in over 40 countries. Hexagon's corporate culture is based on performance, innovative thinking, customer focus and employee engagement.

APPLICATION AREAS

GEOSYSTEMS

Measurement and positioning systems mainly used in the development and protection of infrastructure.

METROLOGY

Stationary and portable industrial metrology systems used to improve productivity and efficiency in manufacturing processes.

TECHNOLOGY

Enterprise engineering software solutions used to design, construct and operate plants, ships and offshore facilities.

Geospatially powered software solutions used to collect, analyse and visualise location-based data through intelligent maps and operational pictures.

GLOBAL COVERAGE, LOCAL PRESENCE

Hexagon has a strong local presence across a well-diversified geographical customer base in nearly all industries throughout the world. No individual customer represents more than 1.5 per cent of Hexagon's net sales.

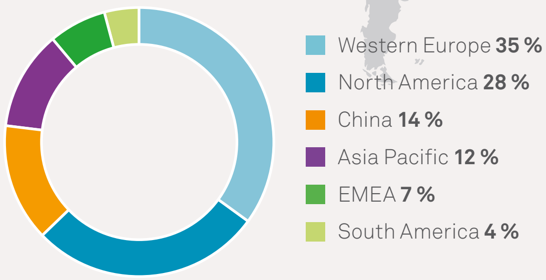
2011 NET SALES

2.2 BN EUR

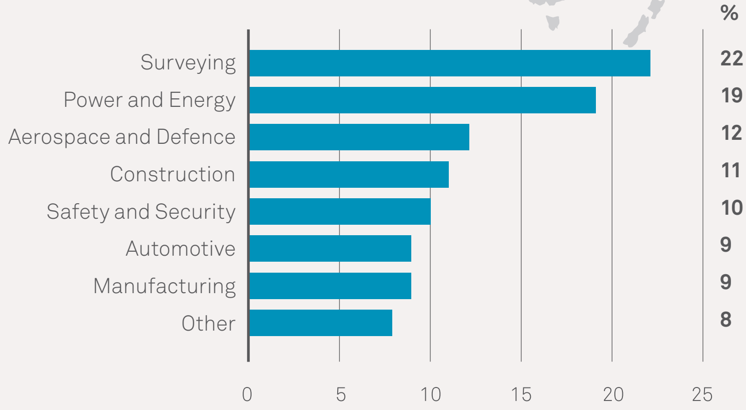
OPERATIONS IN OVER

40 COUNTRIES

NET SALES BY REGION 2011

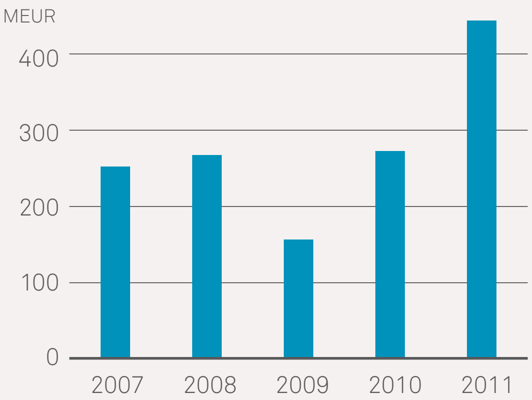


NET SALES BY CUSTOMER GROUP 2011



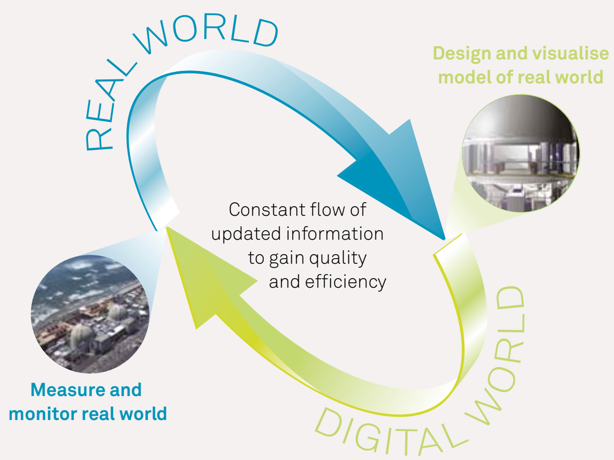
Share of net sales – Hexagon MT excluding Other Operations.

OPERATING EARNINGS



Operating earnings (EBIT 1) have almost doubled since 2007. In 2011 operating earnings amounted to 439.8 MEUR, an increase of 61 per cent compared to 2010.

THE HEXAGON ADVANTAGE



Hexagon's solutions provide a constant flow of information, transforming raw data into actionable intelligence.

THE YEAR IN BRIEF

2011 was a year of strong growth, profitability and cash flow generation for Hexagon. Hexagon's presence in emerging markets, solid foundation in its core business and ability to meet the demand in the engineering and energy market segments in particular all contributed to this success, despite significant currency headwinds and uncertainty in the macroeconomy.

KEY FIGURES [1]	2011	2010	Δ %
Operating net sales	2 177.6	1 487.1	12[2]
Revenue adjustment [3]	-8.5	-5.8	n.a.
Net sales	2 169.1	1 481.3	12[2]
Operating earnings (EBIT1)	439.8	272.9	61
Operating margin, %	20.2	18.4	1.8
Earnings before taxes excl. non-recurring items	380.9	247.5	54
Non-recurring items	-8.5	-136.6	n.a.
Earnings before taxes	372.4	110.9	236
Net earnings	297.4	91.7	224
Earnings per share, EUR	0.84	0.30	180
Operating cash flow	233.1	173.2	35
Return on equity, %	13.1	6.0	7.1
Return on capital employed %	10.5	10.2	0.3
Share price, SEK	103	144	-28
Average number of employees	12 475	8 179	53

[1] All figures are in MEUR unless otherwise stated
[2] Adjusted to fixed exchange rates and a comparable Group structure, i.e. organic growth
[3] Non-recurring reduction of acquired deferred revenue related to the acquisition of Intergraph

Hexagon's History

1992
A number of investors acquire a major shareholding in the listed company Eken Industri & Handel AB.

1993
Eken changes name to Hexagon.

1998
Melker Schörling acquires a controlling stake in Hexagon.

1999
Melker Schörling is elected Chairman of the Board.

2000
Ola Rollén joins as President and CEO and together with the Board identifies measurement technologies as a focus area.

2001
Multiple measurement technology acquisitions, including Brown & Sharpe. Launch of new strategy.

2004
Alignment of business portfolio is taking shape. This is evidenced by a continued focus and reduction in strategic businesses since 2000, now 4 (down from 24).

QUARTER 1

2011 marked the debut of Hexagon as a joint technology company combining design, measurement and visualisation solutions. Hexagon entered 2011 with record sales in the first quarter. The strong growth in the quarter came from all core markets. Hexagon's core business posted an operating margin slightly above 21 per cent in what normally is a seasonally weak quarter.

QUARTER 2

The integration of Intergraph concluded in the second quarter and the division demonstrated its financial and strategic value for the Group. The Group posted organic growth of 13 per cent and an impressive EBIT margin of close to 22 per cent for the core business. At the Capital Markets Day in June, Hexagon laid out its new financial targets for the coming years.

QUARTER 3

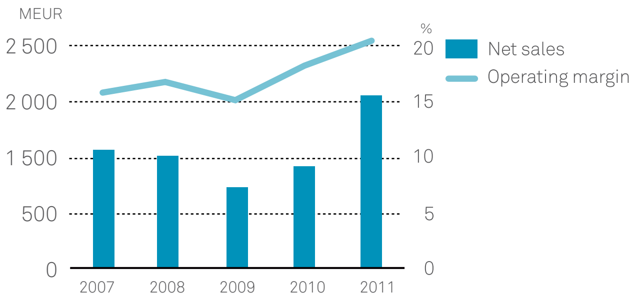
The strength of a geographically and operationally diversified business showed in the second and third quarter. Hexagon posted solid organic growth, primarily driven by emerging markets and the engineering and energy-related segments. In the third quarter, Hexagon also recorded the first of many revenue synergies stemming from joint projects between Intergraph and other Hexagon brands.

QUARTER 4

The strength of the core business was again evidenced in the fourth quarter by the increase in gross margin to 54 per cent and the increase in the operating margin to 22 per cent. Hexagon closed the year exceeding its long-term financial targets established in December 2007, which were to reach 20 000 MSEK in net sales and an operating margin of 20 per cent by the end of 2011.

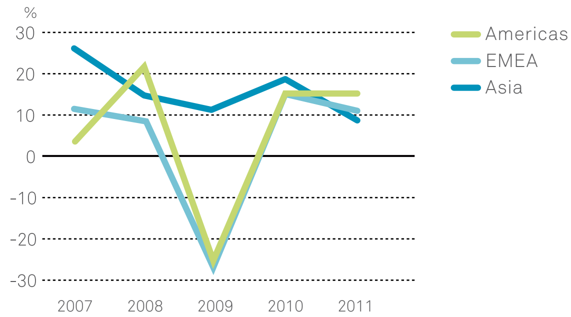
NET SALES AND OPERATING MARGIN

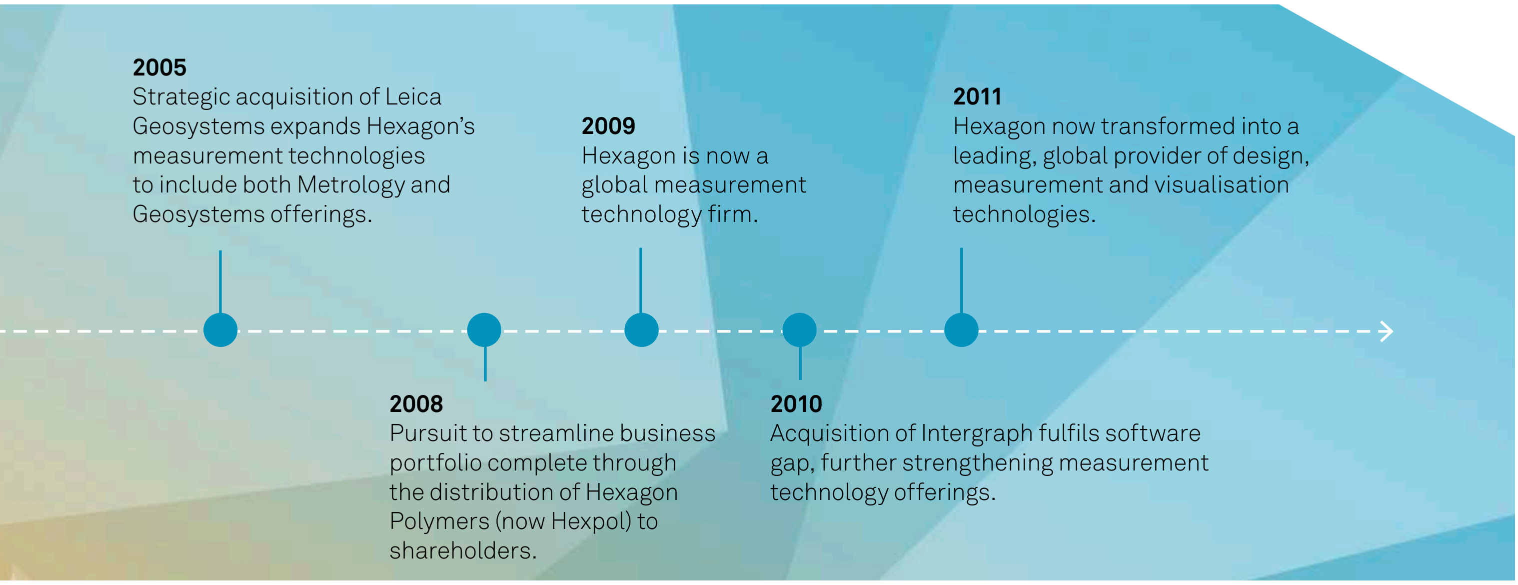
Operating margin improved from 16.6 per cent in 2007 to 20.2 per cent in 2011.



ORGANIC GROWTH BY REGION

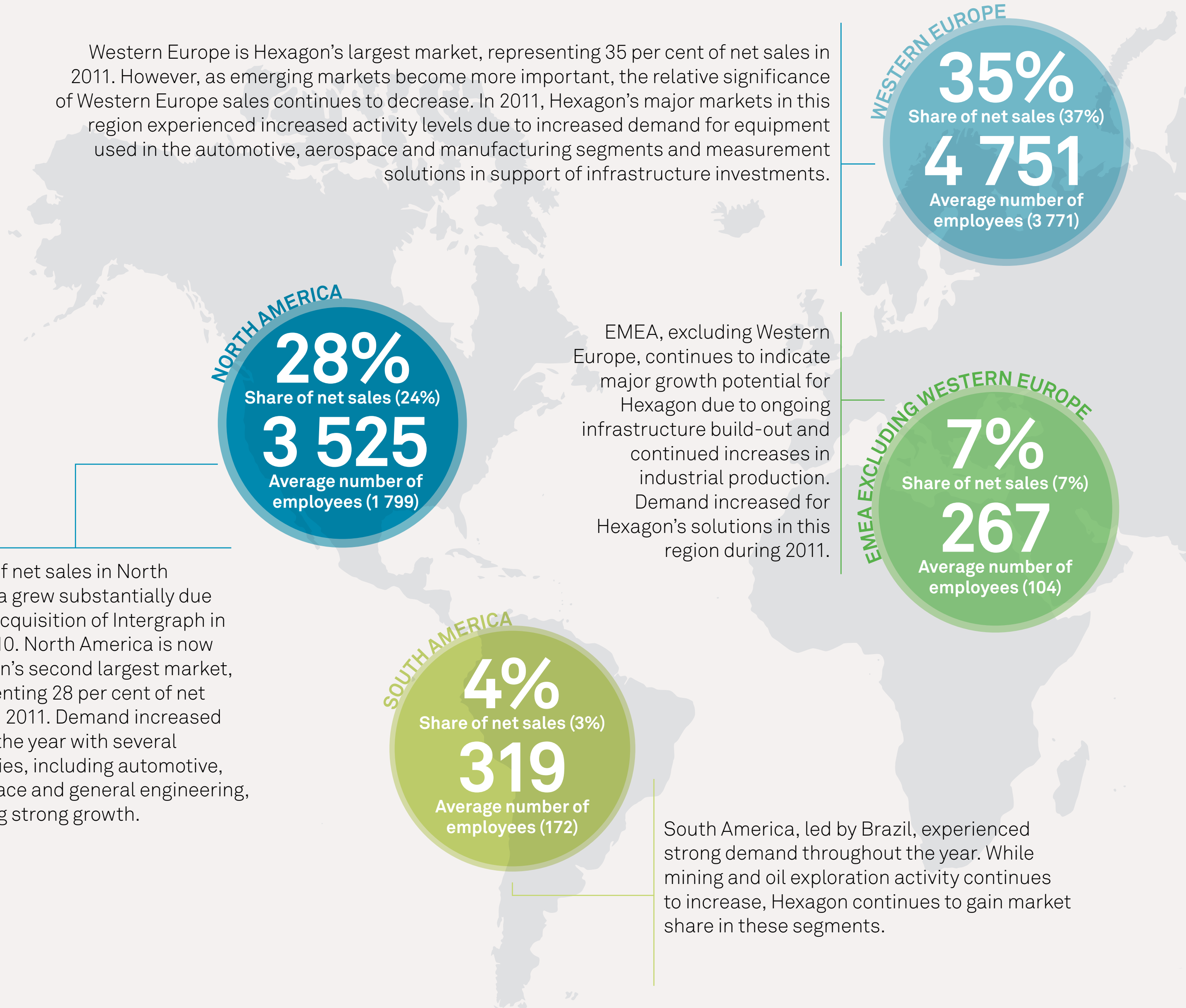
Customer demand has grown in all regions during 2011.





WORLD COVERAGE

Hexagon has achieved vast geographic coverage without sacrificing its strong local presence. This geographic coverage allows for products to be developed and assembled locally, close to the customer. It is through our family of global and local brands that Hexagon's products and services are sold in more than 160 countries around the world.



Western Europe is Hexagon's largest market, representing 35 per cent of net sales in 2011. However, as emerging markets become more important, the relative significance of Western Europe sales continues to decrease. In 2011, Hexagon's major markets in this region experienced increased activity levels due to increased demand for equipment used in the automotive, aerospace and manufacturing segments and measurement solutions in support of infrastructure investments.

Share of net sales in North America grew substantially due to the acquisition of Intergraph in late 2010. North America is now Hexagon's second largest market, representing 28 per cent of net sales in 2011. Demand increased during the year with several industries, including automotive, aerospace and general engineering, showing strong growth.

EMEA, excluding Western Europe, continues to indicate major growth potential for Hexagon due to ongoing infrastructure build-out and continued increases in industrial production. Demand increased for Hexagon's solutions in this region during 2011.

South America, led by Brazil, experienced strong demand throughout the year. While mining and oil exploration activity continues to increase, Hexagon continues to gain market share in these segments.

EMERGING MARKETS

The demand for Hexagon's technologies is driven by our customers' need to save resources, increase productivity, improve quality and increase safety. Hexagon recognised early on that demand for its design, measurement and visualisation technologies was significant in the emerging markets and quickly leveraged this area of opportunity.

Emerging markets as a percentage of sales has increased from 21 per cent in 2006 to 30 per cent in 2011. Hexagon's overall position in these rapidly growing economies remains solid. Above all else, Hexagon aims to grow faster in regions such as Asia, Africa and South America. A significant area of mention is the continued success of the Intergraph integration following the acquisition in late 2010. Intergraph continues to benefit and strengthen its position in the emerging markets by utilising Hexagon's well-established network of distribution channels and customer relationships.

China represented 14 per cent of Hexagon's net sales in 2011. Although several submarkets and industries grew at double-digit rates, the overall growth rate was subdued by the lack of investments in high-speed rail. In the long term, however, Hexagon's robust market position and the increasing demands in the aerospace, automotive and energy sectors, as well as in infrastructure, set a solid foundation for growth in the region.

Several markets and industries in the region grew in 2011, including India, Korea, Australia and Japan. Within India in particular, Hexagon experienced strong demand from the automotive and aerospace industries.

Share of net sales – Hexagon MT excluding Other Operations. Average number of employees – Hexagon Group.
Hexagon has three geographical markets: Americas (North America, Middle America and South America), EMEA and Asia (Asia Pacific and China).

LEADING MARKET PLAYER

Hexagon is a leading market player, with more than 20 per cent market share. However, Hexagon's position in the market varies, depending on niche technology and geography.

DRIVERS AND SIZE

Due to a rapidly growing population and continued migration to urban areas, we face an increasing need for a more effective use of land and resources. This creates increasing demands for transportation, food and housing, using cleaner and more efficient technologies that generate less of a negative impact on our planet.

At the end of 2011, Hexagon estimated the size of its addressable market at more than 10 billion EUR. Additionally, we envision an annual market growth of approximately 8 per cent over a business cycle. These estimates are Hexagon's assessment, based on internal industry knowledge.

DIVERSE COMPETITION

Hexagon's competitive landscape encompasses global companies of varying size and with differing specialisations. Not all market players operate across the entire industry workflow. In fact, many of our competitors specialise within one phase or are limited to hardware or software. Hexagon alone operates in all application areas.

The table below lists the companies that Hexagon considers its most important competitors. Based on internal industry knowledge, these companies are categorised within each of Hexagon's three application areas: Geosystems, Metrology and Technology.

COMPETITIVE LANDSCAPE

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

CUSTOMERS IN ALL AREAS

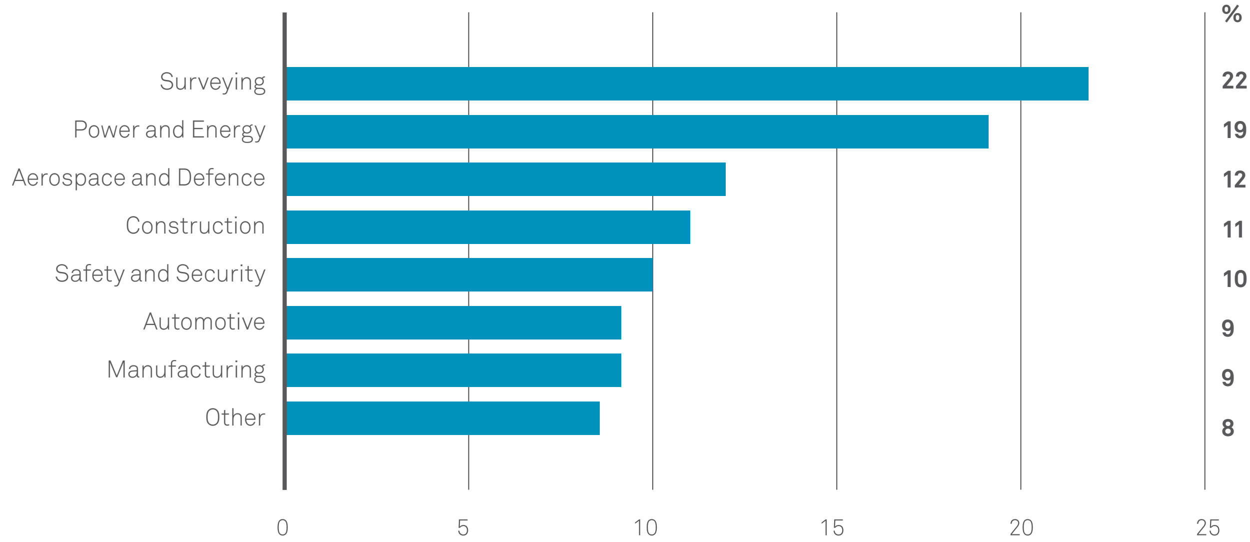
Faced with increased demand for optimal quality, maximum productivity and high efficiency, manufacturing organisations are dependent on Hexagon's ability to help them quickly adjust processes based on changes in requirements or demand.

All of our customers benefit from Hexagon's breadth of expertise, whether they operate across an entire industry workflow or are specialised in one area or phase. They recognise the advantage of sourcing solutions from a single supplier who can meet all their needs. This advantage continues even as demands change, businesses expand and activities grow more complex.

Hexagon's offerings support thousands of customers across a wide spectrum of industries. Surveying is the single largest customer category, accounting for 22 per cent of 2011 net sales.

In sum, all of these sectors depend on the use of design, measurement and visualisation technologies. For Hexagon's customer base, the ability to capture, manage and share actionable information is of major strategic and financial significance.

NET SALES BY CUSTOMER GROUP MT 2011



APPLICATION AREAS

Our offerings span a wide array of industries, market segments and geographies. They fall into three application categories: Geosystems, Metrology and Technology. While all three share a common goal of delivering actionable information, each one specialises in its own mix of hardware, software and services.

GEOSYSTEMS

OFFERINGS

Customer offerings from Geosystems are used to capture and measure the world around us – whether a small object, large structure or complete environment – using laser instruments, GPS and photographic imagery. Position-related information is collected, processed, stored and presented, often in 3D, with high degrees of precision and accuracy.

APPLICATIONS

Customers use offerings from Geosystems to better understand and plan for changes to the earth, to cities and to man-made infrastructure. They design and build vital infrastructure such as roads, bridges, dams and buildings. They monitor and track the movement of what was planned and built – and even natural phenomena such as landslides – to better protect people and resources.

METROLOGY

OFFERINGS

Customer offerings from Metrology are used to optimise and control manufacturing processes that rely on dimensional precision and accuracy, using both stationary systems such as coordinate measuring machines (CMMs) and portable systems including handheld devices, articulated arms and laser trackers.

APPLICATIONS

Customers employ offerings from Metrology to measure, inspect and control manufactured components of all sizes during the manufacturing and assembly process, from aircrafts and cars to small parts in medical devices. Measurement and comparison of objects to their CAD drawings ensure manufactured components conform to their original product design.

TECHNOLOGY

OFFERINGS

Customer offerings from Technology are used to manage engineering design and data critical to physical plant assets with enterprise engineering, construction and data management software and tools. Geospatially powered software solutions and tools are used to capture, integrate, manage and analyse vast volumes of location-based data. Complementary tools include high-precision positioning equipment.

APPLICATIONS

Customers utilise offerings from Technology to design, construct and operate plants, ships and offshore facilities. They create intelligent maps and data-centric, user-defined operational pictures to facilitate situational awareness and improve decision making. They manage and protect critical infrastructure and provide information vital to the safety and well-being of millions of people every day.

GEOSYSTEMS

METROLOGY

TECHNOLOGY

CUSTOMERS
Include those involved in building and construction, civil engineering, water and power supply, mapping, surveying, mining, agriculture, monitoring, security and defence.

GROWTH DRIVERS
Include rising construction and infrastructure activity coupled with higher productivity and lower production costs, increased demand for updated terrestrial information and better preparedness and response to incidents and disasters.

SOFTWARE/SERVICES

DIRECT SALES

RECURRING REVENUES

EMERGING MARKETS

SHARE OF NET SALES

36%

CUSTOMERS
Include those involved in the automotive, aerospace, electronics, machinery, energy and medical technology industries.

GROWTH DRIVERS
Include improved quality and productivity in manufacturing, with emphasis on reducing production costs in the automotive and aerospace industries.

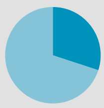
SOFTWARE/SERVICES

DIRECT SALES

RECURRING REVENUES

EMERGING MARKETS

SHARE OF NET SALES



30%

CUSTOMERS
Include those involved in security and defence, utilities and communications, oil and gas, metals and mining, nuclear and power generation and shipbuilding.

GROWTH DRIVERS
Include demand for improved infrastructure and transportation, energy generation and public safety.

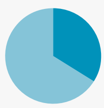
SOFTWARE/SERVICES

DIRECT SALES

RECURRING REVENUES

EMERGING MARKETS

SHARE OF NET SALES

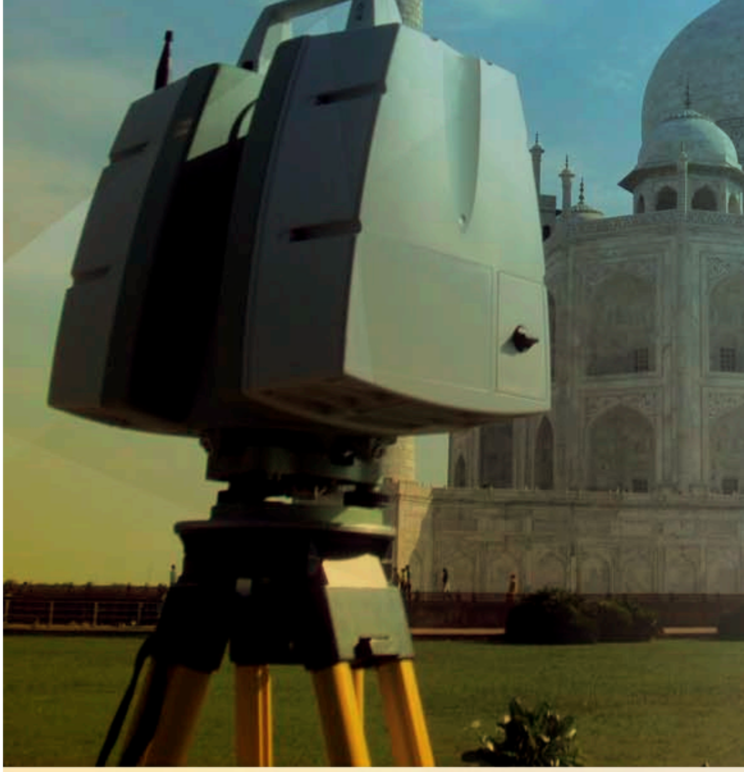


34%

WHAT'S **NEXT?**

It is a simple, yet complex question businesses around the world must address. The need to better understand and adapt to change in today's global economy is very real, as are the opportunities that come with it. As the pace of change quickens, we must remain nimble, adapt proactively and view all challenges as opportunities. Prompt and decisive action, made possible with Hexagon's solutions, is essential for building a better tomorrow. Together, Hexagon's technologies are positively impacting the world and shaping change – every day.

Here's how ...



GEOSYSTEMS page 18

METROLOGY page 22

TECHNOLOGY page 26

GEOSYSTEMS

It starts with an understanding of and plan for change – changes to the earth, to cities and to man-made infrastructure. Digitally preserving history helps to identify what not to repeat, where we have made mistakes and what worked well. Ultimately, monitoring and tracking the movement of planned and built structures such as dams, bridges and buildings, or natural phenomena such as earthquakes, helps to better protect people and resources.

Hexagon Geosystems' solutions are used to survey terrain, buildings and other architectural features in a rapid and detailed manner. A broad range of devices and technologies capture large quantities of measurements, scanning objects in three dimensions and storing the configurations as digital files so that the exact proportions and shapes of the objects can be referenced, analysed, processed, modified, copied and tested.

Geosystems' solutions serve a broad range of industries: agriculture, construction, engineering, mining, power supply, public safety and security and surveying.

In many applications, the measurement data can be presented as 3D drawings or images. That is why cartographic companies and government authorities, defence-related industries and organisations involved in Geographic Information Systems (GIS) services rely on Hexagon's solutions. Position-related information can be collected, stored, analysed and presented in visual formats for use in urban planning, landscape design, updating of maps and prevention, monitoring and management of natural disasters.

SUPPORTING INFRASTRUCTURE

The surveying and construction industry relies heavily on measurement technologies during the planning and execution of infrastructure projects. Whether involved in the preparation, execution or monitoring of vital infrastructure such as buildings, roads, bridges, railroads, tunnels or ports, surveyors must conduct and inspect measurements throughout every phase of construction. By using Hexagon's advanced measurement solutions, measurement data can be collected with fewer personnel in the field, increasing productivity and speed of data acquisition whilst also reducing costs.

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

PREVENTING DISASTERS AND PRESERVING HISTORY

Using measurement technologies to track the movement of man-made objects such as dams, bridges and buildings, and natural phenomena, such as potentially dangerous landslides, aids in environment monitoring and helps public agencies improve disaster management and rapid response.

Using Hexagon's solutions, customers can also create precise 3D models of objects, such as an oil rig – without updated blueprints – or a historical building or site. The gathering of data and thorough documentation of well-known landmarks and historical sites ensures history is preserved for future generations.

MACHINE CONTROL FOR OPTIMISATION

Customers in the construction, mining and agricultural industries use Hexagon's solutions to operate heavy machinery. Hexagon's machine control technologies help steer individual pieces of equipment as well as guide and coordinate entire fleets above and below ground. This increases productivity and efficiency with less impact on the environment.

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 toward increased prioritisation of environmental and working conditions, which Hexagon's R&D division is actively working to meet.

THE CANAL THAT REVOLUTIONISED SEA TRANSPORT

Leica Geosystems surveying instruments are used in expansion of the Panama Canal to meet the needs of modern day ship traffic.

The current Panama Canal design dates from 1904 and allows the passage of ships 267 m (875 ft) long with a beam of 28 m (92 ft). An expansion called for a new set of locks to address today's ships that surpass these measurements.

Giving the canal a third set of locks is one of the greatest civil engineering works undertaken in the history of the canal. With it, the Panama Canal Authority – a governmental agency that has administered the water route since it was handed over by the United States in 2000 – aims to double its passage capacity, currently calculated at 5 per cent of world trade.

The awardee of the project, the Grupo Unidos por el Canal consortium, fully realised that big challenges can only be tackled by working with the best resources and instruments. Works of great difficulty such as this one require highly qualified teams and technicians that can address any challenge, anywhere in the world. The consortium chose Leica Geosystems products and solutions to supply the surveying instrumentation necessary to carry out the project within deadline and budget.

RECLAIMING INVALUABLE SHORELINE

Guidance systems from Scanlaser, a Hexagon brand, enable Hodge Plant to reclaim land and protect the shore line from further erosion.

Based in Scotland, Hodge Plant is a large and successful business that operates throughout the UK, across a range of activities including contracting, machine distribution, haulage and agriculture. Recently, Hodge Plant began work on the Port Glasgow project using their Volvo EC440 long reach machine. Over the course of two years, the machine will be used to reclaim shoreline through the placement of thousands of tons of heavy rock armour onto the seabed.

Due to the critical importance of accurately positioning each individual stone in order to protect the new land from erosion, Hodge Plant selected the MikroDigger XC2 excavator guidance system from Scanlaser. The tailored solution offers Hodge Plant 2D machine control. Additional benefits include its ease of use and underwater viewing without the need for boom cameras or other equipment. Drivers of the system are able to view the project site from within the cab through a full-colour display.

More importantly, the solution is scalable to meet the need for full 3D GPS control in the future. This technology can be attached to the XC2, extending its capabilities while future proofing Hodge Plant's investment.

AGATEC The Level of Excellence
AGL
cable detection
EQUIMAT INTERNATIONAL
GEOMAX
IMoSS
Leica Geosystems
MIKROFYN
PREXISO
QBL
SBG
scanlaser
TOPOCENTER
Z/I IMAGING

PRODUCTS AND APPLICATIONS

Product Examples	Applications
3D Laser Scanners	3D laser scanning solutions provide high quality geo-referencing, surveying, CAD and BIM integrated engineering tools for creating accurate deliverables, such as 3D models, plans, cross sections, etc., and working with large scan data sets with unparalleled ease. A variety of applications benefit from faster capture and access to measurement data including the survey of structures and topography, performing volume calculations, assisting in crime scene investigations and comparing as-built structures to original design.
Airborne Sensors	High-performance and comprehensive portfolio of imaging and LIDAR sensors are used in a wide variety of applications such as land and infrastructure management, corridor mapping, border control, disaster management and emergency response, agriculture and environmental mapping.
Construction Lasers	Construction lasers provide the best reliability, even in extreme environments, providing construction and landscaping workers, as well as architects, the ability to control interior construction and height, grade and align the measurement of outdoor facilities and better control heavy machinery for improved land levelling within agriculture.
Field and Mobile Solutions	Field and mobile solutions allow agencies, utilities, farmers and power-supply industries to accurately map in real time, improving risk assessment and rapid response in a wide variety of applications, including environmental and incident mapping, infrastructure inspection and exploration of natural resources.
GNSS/GPS Systems	GNSS/GPS systems consistently deliver precise positioning performance in the most challenging environments. Increasing the number of sensor inputs and improving reception through the use of satellites ensures maximum performance across a wide variety of applications including GNSS reference station networks, real-time fleet management, machine control of construction and agriculture machinery, as-built surveying and mapping, GIS and real-time monitoring of natural and man-made structures such as bridges and tall buildings.
Laser Distance Meter	These innovative hand-held tools provide fast and easy distance measurements of length, areas and volumes with the press of a button, benefitting a wide variety of applications including map revisions, forestry management, real estate and construction.
Levels	Geosystems offers the most comprehensive range of levels that are built to last in the market. They are primarily used by construction workers, surveyors, architects and landscapers to gather very precise elevations.
Machine Control Systems	Machine control offers a range of manual and automated systems that help guide and steer individual vehicles and entire fleets. Accurate and easy to use, these systems increase productivity, reduce project downtime and increase site safety across a wide range of applications. Strategically positioned sensors on a machine offer accurate, real-time information to the in-cab control panel, which is especially ideal in harsh construction environments, mining and agriculture, digging grades/depths accurately and efficiently and performing work underground or underwater.
Monitoring Systems	Monitoring systems provide solutions for tracking the movement of objects such as a volcanic slope, the structure of a long bridge or the settlement of a dam. The systems allow surveyors and engineers to better analyse and manage each structure, aiding public agencies with disaster management and rapid response.
Software	Software plays a vital role in the measurement solutions from Geosystems. Although industry sectors and applications benefit from its addition, it's most notably used in conjunction with data processing and visualisation in surveying, 3D laser scanning, monitoring, image processing, machine control and mobile mapping solutions.
Theodolites	Theodolites are optical and versatile surveying instruments for measuring horizontal and vertical angles.
Total Stations	Total stations are electronic/optical instruments used in modern surveying to accurately and quickly capture 3D data. They include an electronic theodolite integrated with an electronic distance meter to read slope distances from the instrument to a particular point, providing fast and reliable angle and distance measurement to beginners and professionals.

METROLOGY

In order for manufacturing to support a growing population and changing demographics, we must overcome huge challenges in productivity and efficiency. We need new tools and easier ways to assemble medical devices to support the aging population, greener, more fuel efficient transportation to support a growing middle class and portable production and assembly solutions in the energy sector, just to name a few.

Hexagon Metrology products and services have not only become an integral part of power generation manufacturing processes, but are also essential to meeting the manufacturing capabilities of the automotive, healthcare, aerospace and technology industries. These industries require precision from 0.3 micrometers. In comparison, a human hair has an average diameter of approximately 50 micrometers.

OPTIMISING THE MANUFACTURING PROCESS

Hexagon Metrology provides customers with rapid design capabilities, greater control of the manufacturing process and comparability of components to CAD specification. Tailor-made measuring systems enable customers to capture and analyse large volumes of 3D data throughout every step of the manufacturing and assembly process, increasing efficiency, improving quality and reducing defects. Optimising the process limits the level of rework and scrap, which reduces costs and saves resources.

MEETING THE MANUFACTURING CHALLENGES

Generating heat and electricity from systems that make the most out of fossil fuels and renewable sources of energy is becoming increasingly important. That is one reason why Hexagon Metrology has a quality control solution for just about every one of the 8 000 plus components required for wind power. From solar, nuclear, wind and hydroelectric power generation to the optimum use of coal, crude oil and natural gas, the future of tomorrow's energy sources rely on high-tech measuring systems from Hexagon Metrology. Constantly evolving quality control technologies assist with body, powertrain and component production, helping automakers build cars better, faster and with higher quality. From periodic vehicle inspections to measuring and inspecting every aircraft in the aerospace industry, Hexagon Metrology is serving the transportation needs of tomorrow. Metrology solutions are also used in the manufacturing of high-precision parts and components, such as implants and prosthetics, helping medical device companies bring products from concept to full production more quickly and efficiently, while also satisfying the need to inspect 100 per cent of the finished product.

SOFTWARE AND HIGH QUALITY SERVICES

As the largest software developer in the metrology industry, Hexagon 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. This means users can process and present results quickly and effectively. By taking advantage of Hexagon's collaborative research and development foundation, Hexagon Metrology remains a step ahead of the manufacturing demands of over 100 industries across the globe.

Hexagon Metrology offers comprehensive service programmes including courses to optimise a system's productivity, regular certification and calibration to maximise a system's accuracy and repeatability and temporary outsourcing of personnel at customer sites.

INNOVATION IN HEXAGON METROLOGY

In 2011, alongside the ever-evolving list of inspection products, Hexagon Metrology moved into a new area of measurement technology. Through collaboration with GE Measurement & Control solutions, the division introduced the first computed tomography systems (CT Scanners) into key industry segments.

In 2011, Hexagon Metrology reinforced its position in optical systems through the acquisition of Dongguan Seven Ocean Metrology Vision Co., Ltd in China. Providing cost-effective and highly efficient vision machines in the Chinese market is an important step for the Company's expansion in the optical vision industry.

UNMATCHED INSPECTION OF LARGE-VOLUME WIND ENERGY COMPONENTS

Where work pieces are large and heavy, mobility is everything for a measurement system. When accuracy and easy handling are the other functional requirements, there is no way around a portable CMM.

Lakber provides perfection. Lakber delivers completely machined parts to Sakana, a foundry specialising in large components for wind energy installations and ships' engines. Proximity is the idea on the manufacturing campus in Lakuntza, Northern Spain, as Sakana and Lakber share premises. Almost no transport is necessary during the process that leads to the machined part.

Next to the milling machines is Lakber's inspection area. The Lakber technicians use a portable CMM from Leica Geosystems for part inspection. Directly on the shop floor, a Leica Absolute Tracker AT901 and a Leica T-Probe deliver highly accurate 3D measurement results. Time and cost-consuming transport to a metrology lab is not necessary.

Alejandro Martinez, General Manager, explains why Lakber decided to purchase a laser tracker system: "The volume of the components we produce requires a laser tracker – there is just no alternative that works so elegantly. We talked to other machining companies who already had experience with trackers, and they recommended it. The Leica T-Probe was the decisive factor after all."

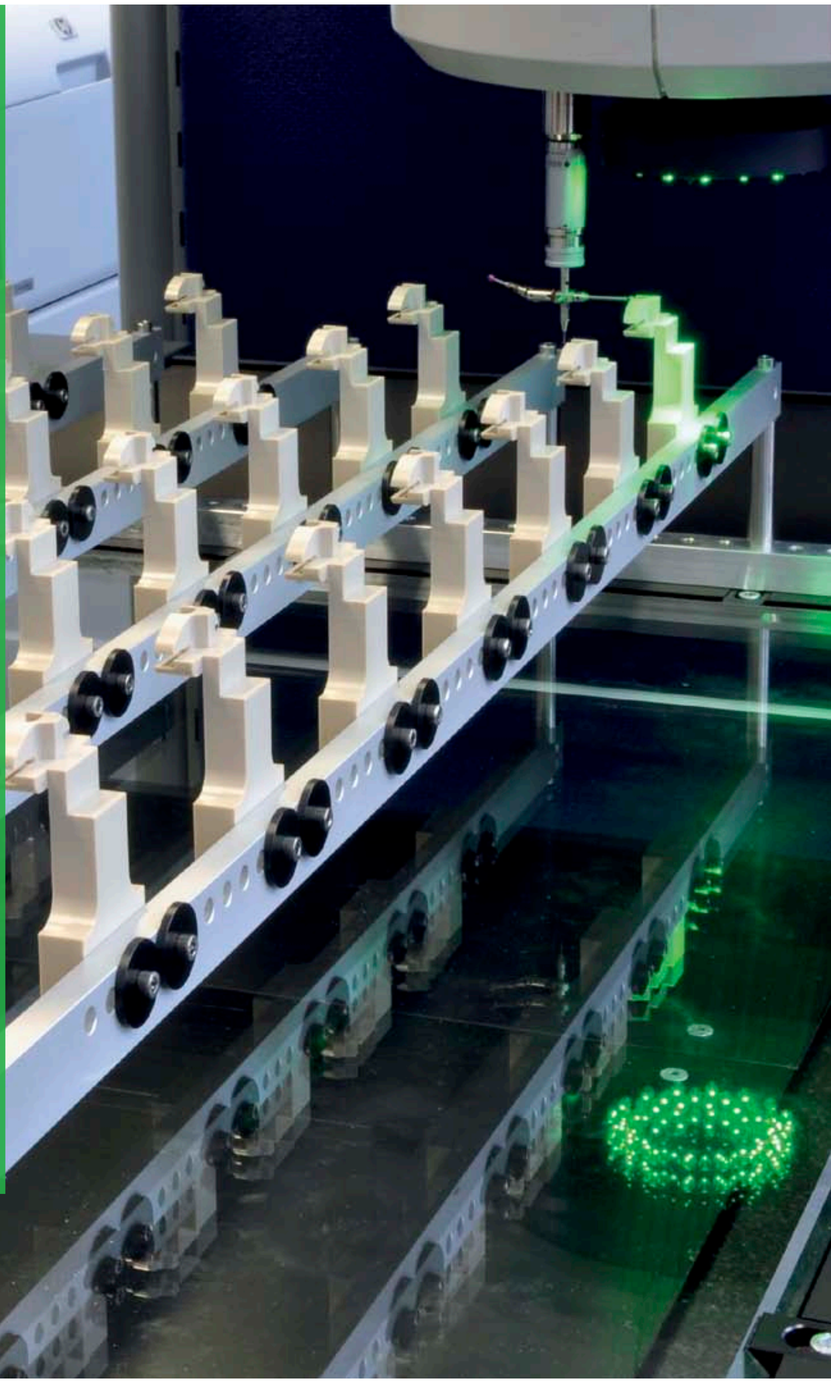
INSPECT AND DOCUMENT WITH PRECISION

In a field of absolute precision, top-class measuring equipment is essential to the success of Hitega, a precision engineering service provider from Gangkofen in Lower Bavaria.

Hitega has made a name for itself in the single and small batch part production of high-precision machined components, prototype construction, assembly and fabrication engineering mainly for the biomedical engineering, semiconductor and appliance industries.

With customers requiring 100 per cent inspections and watertight, comprehensive documentation in every stage of the manufacturing and engineering process, Hitega has invested heavily in the fields of assembly and metrology, particularly in its equipment and employee training. When tolerances are in the range of hundredths of a millimeter and, in most cases, checked against a CAD model, flexible and multi-sensor measuring systems that offer quality assurance are of utmost importance.

Tools from Hexagon Metrology provide Hitega with optical, tactile and multi-sensor measuring systems that inspect and document, while keeping records absolutely watertight.



brown & sharpe CEJ C.E. JOHANSSON cimcore Cognitens DEA 棱环牌

Leica Geosystems Leitz m&h Precision at the workpiece optiv pc-dmis QUINDOS

ROMER SEREIN 思瑞 Part of Hexagon Group 七海测量 SEVEN OCEAN Part of Hexagon Group Sheffield STANDARD TESA TECHNOLOGY

PRODUCTS AND APPLICATIONS

Product Examples	Applications
Coordinate Measuring Machines	Stationary coordinate measuring machines (CMMs) are used on the production floor in nearly every industry requiring accurate, repeatable and automated measurements of an object's dimensions. The main applications are 3D measurements of large components and assemblies in the aerospace, automotive, defence, shipbuilding and power generation industries.
Gauges and Hand Tools	Calipers, thread gauges, bore and height measuring devices are used in the metrology laboratory or on the production floor, often in combination with mechanical instruments or stationary machines. They provide portability, extended service life and a large variety of measuring ranges.
Industrial Theodolites	Industrial theodolites and laser stations are used to measure large volumes or to inspect and assemble very large components. The non-contact auto collimation function of industrial theodolites provides a dependable degree of precision, for example, in the aerospace industry.
Laser Scanners	Laser scanners are primarily used for the quality control of geometries and surfaces, but also for reverse engineering, fit and finish and assembly applications. A 3D scanner is attached to a measuring arm, working as part of a Laser Tracker System or stationary CMM. They can generate 3D data in realtime from the scanner-created point cloud, recognising deviations from the CAD data immediately. The point cloud is then used to create CAD models to aid in the reproduction, redesign or inspection of the part.
Laser Tracker Systems	Laser tracker systems are the leading portable CMM systems for accuracy, reliability and durability. The addition of hand-guided scanners, wireless probes and robot applications provide an increasing number of possible applications, for example, within the aerospace industry. Rapid and highly accurate measurements are fed directly into production processes, leading to cost savings and quality improvements.
Machine Tool Probing	Machine tool probing solutions measure work pieces on milling machines, machining centres, 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 modelling systems, used especially in the industrial design studios and research centres of automotive manufacturers.
Multisensor and Optical Systems	These systems provide a single measuring system for the contact and optical measurement of all inspection features on a workpiece. Optical measuring systems are particularly useful for the measurement of materials sensitive to the touch.
Portable Measuring Arms	Portable measuring arms measure directly within 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 are available for all portable and stationary measuring systems, including probing for machine tools. For CMMs, these systems offer touch probes, manual and motorised probe heads, analogue scanning probes, change racks, extensions and styli. For portable systems, these systems offer 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, offering CMM modules beyond its core offerings that interface to vision machines, portable measuring arms and laser trackers, as well as other devices not offered by Hexagon Metrology. 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 a wide range of 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.

TECHNOLOGY

Whether protecting lives and property or enabling the creation and maintenance of process, power and marine projects, geospatial and enterprise engineering technologies are solving the problems of tomorrow today. Geospatial technologies ensure the accuracy and currency of maps, data and information. Innovations in engineering are minimising the impacts of change, mitigating risks and ensuring access and reuse of data throughout the engineering life cycle.

DESIGN AND ENGINEERING SOFTWARE

Intergraph Process, Power & Marine (PP&M) is the leading global provider of enterprise engineering, construction and data management software for the design, construction and operation of process and power plants, ships and offshore facilities. The software is used for engineering and schematics design, 3D modelling and visualisation, stress analysis, procurement, fabrication, construction and information management.

Enterprise-level information management capabilities enable engineering companies and facility owners to capture and integrate engineering knowledge. This reduces risk while improving efficiency and cost effectiveness throughout all stages of the engineering life cycle – from very early project phases, through operations and maintenance and up to decommissioning.

PP&M serves a wide spectrum of industries, including, but not limited to, the chemical, consumer goods, marine, metals and mining, nuclear and power generation, oil and gas, offshore, pharmaceutical and shipbuilding industries. All of these industries share the need to manage complex engineering information to speed project completion and ensure operational efficiency.

Since offering its first solution for plant design in 1978, Intergraph has focused on developing best-in-class design and information management solutions that enable clients to integrate applications, execute projects and run facilities with the competitive advantage needed in today's and tomorrow's markets.

GEOSPATIALLY POWERED SOLUTIONS

Intergraph Security, Government & Infrastructure (SG&I) provides incident management and geospatial software solutions to help customers manage, enhance and protect life, infrastructure and property.

Incident analysis and geospatial information create a firm foundation for interoperability and smart decision making, which are critical elements to every industry Intergraph SG&I serves. Users within the government and transportation, utilities and communications, public safety and security and defence and intelligence industries are able to conduct in-depth analysis and better manage incidents and workflows through data-centric, user-defined operational pictures.

This facilitates situational awareness, supporting agencies in disaster planning, emergency management call handling and dispatch, building intelligent transportation systems and developing more intelligent power grids. Proven results in these areas reaffirm Intergraph's vertical strategy, which clearly differentiates it from other geospatial technology providers.

POSITIONING ACCURACY

Recognised for its technical innovation, quality and customer support, NovAtel's integrated global positioning solutions can be used on land, sea and in the air.

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. They offer navigation and positioning capabilities for search and rescue operations that may rely on unmanned aerial vehicles or be conducted in unknown terrain. For the agriculture industry, high-accuracy positioning products drive improvements in productivity and efficiency while reducing input costs.

CHRISTCHURCH MAINTAINS ORDER AFTER EARTHQUAKE

Intergraph SG&I's solution enables Christchurch to continue dispatching even after a major quake.

New Zealand utilises Intergraph SG&I's computer-aided dispatch solution to create a unified police and fire communications and resource deployment network comprised of three communications centres.

On 22 February 2011, a devastating earthquake measuring a magnitude of 6.3 struck the South Island of New Zealand, just five kilometres deep and almost directly under the city of Christchurch, New Zealand's second most populous city. Nearly 200 people were killed and thousands more were injured.

During the earthquake, the two centres not impacted by the event assumed some call-taking and dispatch duties for the overwhelmed Christchurch facility by accessing its event list and viewing its deployment maps onscreen. Public safety officials credit the communication system's ability to share information and functionality across the nation in real time as the event unfolded – along with the fact that none of the components failed – as crucial factors in keeping the death toll relatively low.

LEADING SHIPBUILDER DOING MORE THAN EVER BEFORE

Samsung Heavy Industries increases safety, quality and productivity on an accelerated schedule with Intergraph's SmartMarine 3D design solution

Samsung Heavy Industries (SHI) of South Korea, which holds the No.1 global market share in the high-tech and high-value shipbuilding sectors, has increased its safety, quality and productivity by standardising on Intergraph SmartMarine 3D solutions for all marine products, both offshore and shipbuilding.

SHI has built the world's largest number of drill ships and successfully delivered the world's largest marine platforms and semi-submersible drilling facilities. The company builds more than 70 vessels every year at a relentless pace.

SHI cited a number of benefits from using SmartMarine 3D. The company attributes 70 MUSD in annual cost savings since implementing the rules-based solution and a design error reduction rate of more than 50 per cent. SmartMarine 3D allows designs to be shared with others, including the owner, improving communication and productivity.

INTERGRAPH®

NovAtel

PRODUCTS AND APPLICATIONS

Product Examples	Applications
3D Modelling & Visualisation	3D Modelling and Visualisation software provides an integrated design environment for plant engineering that defines and manages the 3D plant model. The rules-based 3D environment enables faster, silo-free plant design and engineering, better collaboration and reduced time to market.
Analysis	Plant analysis software delivers accurate, reliable results. Plant designers and engineers located around the world can collaborate in real time, sharing information on projects with complete accuracy and synchronisation of effort.
Business Intelligence for Public Safety	Business Intelligence software improves access to and analysis of data collected in public safety applications used by emergency operations staff, investigators, IT and records departments for enhanced operational effectiveness in incident prevention, preparedness and response.
Computer-Aided Dispatch	Computer-Aided Dispatch provides call centre and communications centre operators with easy-to-use tools to field emergency and non-emergency calls, create and update incidents and manage critical resources.
Engineering & Schematics	Engineering & Schematics software drives plant optimisation. The rules-driven environment prevents engineering errors, which helps to avoid shutdowns and production losses.
ERDAS APOLLO	ERDAS APOLLO's geospatial data management, analysis and delivery enables an organisation to describe, catalog, search, discover, process and securely disseminate massive volumes of data across a large number of industries.
ERDAS IMAGINE	Provides remote sensing and image processing tools for analysis and manipulation of airborne and satellite imagery, including feature extraction, image classification and map production.
G/Technology	G/Technology meets the geospatial resource management needs of utilities and communications companies. Its open standards database, enterprise-wide data sharing and seamless workflows are ideal for design engineers, network planners, technicians, mapping clerks and field crews.
GeoMedia	GeoMedia provides geospatial processing capabilities, such as map production, infrastructure management, land management, data analysis and data sharing across a wide array of industries.
GNSS Receivers and Inertial Systems	GNSS receivers and inertial systems are used in high-precision aerial, ground and marine survey and mapping. They provide position, velocity and timing solutions needed across multiple applications including navigation tracking, unmanned vehicles and precision agriculture.
Information Management	Information management software maximises efficiency for industrial and manufacturing plant maintenance and provides plant operation solutions. From concept and design through plant maintenance, operations and decommissioning, the software integrates valuable data.
InService	InService unifies distribution, control, outage and field response to maximise smart grid operations efficiency. It consolidates smart grid command, control and response to reduce loss of service and the potential for human error.
Owner Operators	Leading integration technologies focus on interoperability with maintenance and other operations' systems. These solutions offer preconfigured work processes covering the complete plant life cycle and a common Web portal designed specifically for plants, ships and offshore facilities.
Post-Processing Software	GNSS post-processing software offers many advantages over real-time operation. Data can be collected in the field and processed post-mission, providing a precise position and velocity solution with simplified real-time system operation.
Procurement, Fabrication And Construction	Procurement, Fabrication and Construction software provides an accurate plant control system. Plant designers and owners save valuable production time during plant construction. The solution spans the complete project management life cycle.
Records Management	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, law enforcement organisations, investigators and management agencies etc.

TARGETS THAT **GUIDE** US

The world is changing rapidly and so are we at Hexagon. Our 2011 financial results underscore the progress we have made during one of the most transformative years for our business. The new long-term financial targets adopted in 2011 mean continued focus on growth and profitability as well as keeping a sound financial position. Just as the world's economies have never been more related and interdependent, so are the brands and technologies that comprise our market-leading portfolio. We remain committed to achieving an unrivalled position as the world's leading provider of design, measurement and visualisation technologies.

GROWTH STRATEGY

At Hexagon, recognising gaps within our product portfolio is paramount to our success. As such, we continually seek to fulfil technology gaps both through continuous investments in R&D and strategic acquisitions.

Acquisitions remain an important strategy for Hexagon's long-term growth. While remaining innovative and meeting the needs of customers are part of Hexagon's Core Values, the most important is profitability. With strong, profitable growth, we are better able to respond to customer needs. As such, Hexagon regularly compares the cost and benefits of in-house development to the acquisition of companies with needed technologies. And with every decision, we evaluate such factors as purchase price, resources and time to market.

INNOVATION

Innovation is fundamental to Hexagon's long-term growth and profitability. Throughout the Company, we emphasise the importance of research and development to better understand the changing needs of our customers and continually identify new opportunities in technology.

Our unique product portfolio is a driving force behind Hexagon's competitive advantage. Our solutions save resources and increase the competitiveness of our customers, strengthening our ability to create and maintain growth. More importantly, our product portfolio is renewed every 18 months, with investments in research and development more than 10 per cent of net sales each year.

ACQUISITIONS

Acquisitions play a major role in Hexagon's long-term growth strategy. Not only do acquired businesses offer new technologies and opportunities to enhance our product portfolio, but also often provide Hexagon with a stronger presence in markets with high growth.

To ensure our corporate success, Hexagon continuously monitors a large number of acquisition candidates. These companies are regularly evaluated financially, technologically and commercially. Every potential candidate is evaluated on the basis of synergy simulations and implementation strategies. Hexagon has reflected an aggressive acquisition strategy over the last decade. Since 2000, we've implemented more than 70 acquisitions and performed approximately 50 divestments of non-core activities.

One of Hexagon's most notable acquisitions was that of Intergraph Corp., a US-based software company acquired in late 2010. With Intergraph as part of the Hexagon family, we're no longer rooted mainly in hardware and now cover all aspects of the design, measurement and visualisation technology market. This software-driven expansion has enabled Hexagon to seamlessly connect a customer's entire workflow through a bidirectional link between the real world and the corresponding maps or drawings in the digital world. From creating or capturing three dimensional data from ground, air or space, to processing and sharing that data in GIS and CAD environments, Hexagon customers will continue to benefit from this acquisition in the years ahead.

Acquisitions in 2011 included Denali Solutions, Seven Ocean, Augusta Systems and Sisgraph.

12%
ORGANIC GROWTH IN NET SALES

10%
OF NET SALES IS INVESTED IN R&D

70
COMPANIES ACQUIRED SINCE 2000

THE POWER OF THE BRAND

STRENGTH IN ONE HEXAGON

Hexagon is the parent brand to a diverse portfolio of design, measurement and visualisation technology companies that represent high quality and reliability. Built over time and chosen to target specific customer segments, markets and geographical areas, the brand portfolio includes a large number of world-class brands committed to excellence and achieving leading competitiveness in their individual sectors.

We believe that there is strength in one Hexagon, where the whole is greater than the sum of the parts, allowing the brands and divisions to leverage the value and equity of each other to their advantage. As part of Hexagon, each brand is empowered to thrive individually, while benefitting from an extensive network of professionalism, knowledge, a global culture and an integrated research and development platform. We continuously work to strengthen the Hexagon parent brand while maximising our global brand architecture to create long-term sustainability and profitability for Hexagon.

A BRAND NEW HEXAGON

In an effort to support Hexagon's brand strategy and in order to lend greater influence and value to the Hexagon brands, a complete rebrand of the Parent Company was completed in 2011.

The timing of this rebrand was deliberate. In the fall of 2010, Hexagon finalised the acquisition of Intergraph Corp., its largest acquisition to date, adding 4 000 new employees and thousands of new customers and partners to the Hexagon family. With the acquisition of Intergraph, a global leader in enterprise engineering and geospatial software solutions, Hexagon is now positioned to meet the challenges of a growing world through a comprehensive and integrated portfolio of products and services.

The rebrand also coincided with improving company results, both in terms of new business and product development. After nearly 10 years of concentrated efforts to build up its core business, Hexagon has refined its focus and strategy for the future.

The rebranding marked the beginnings of a fully integrated technology company. It is a reflection of everything Hexagon and the Hexagon family of brands stands for. It is one of many steps in solidifying Hexagon's place in the market and safeguarding Hexagon's relevance for both today and tomorrow. It is the continuation of Hexagon's transformation – not the end.

As we strengthen the Hexagon parent brand in the years ahead, we will continue to develop and foster the family of brands that have made us who we are today, ensuring that they are powerful, relevant and, most importantly, timeless.

EXCELLENCE THROUGH INNOVATION

Hexagon's Research and Development (R&D) division is constantly gauging the market's pulse, searching for new opportunities to transform customer needs into products and services well before they become an industry standard or necessity. This enables our customers to leverage the pace of change to their advantage, turning challenges into opportunities and opportunities into business results.

INNOVATING FOR THE FUTURE

Hexagon is, at its core, an innovative company, one that has positioned itself as a leader in its key markets. The majority of Hexagon's R&D workforce is focused on the development of the existing product portfolio.

As the industry's most innovative supplier, we recognise the need to maintain a deep and complete understanding of the needs of our customers. In addition to improvements of existing products, this understanding extends to recognising new application areas for established technologies.

Above all else, the objective of Hexagon's R&D group is to transform customer needs into products and services, well before they become an industry standard or necessity. Our track record in inventing and applying cutting-edge technology has enabled us to successfully accomplish this goal.

HEXAGON R&D DIVISION ATTRIBUTES:

1 **EFFICIENCY – To detect both market and technological opportunities early on**
The proper balance between these two elements results in a timely availability of new products with suitable development and production costs as well as appropriate product price. Through clearly defined objectives, Hexagon is better able to control and realise cost targets.

2 **RESPONSIVENESS – To quickly and precisely meet customer requirements**
Hexagon's R&D approach integrates customers, partners and experts – both internal and external – at an early stage. New product specifications reflect a clear picture of requirements from the very beginning. The sooner a project reaches completion, the better it fits the defined market expectations. Hence, it is imperative for Hexagon to reduce time to market, in order to increase responsiveness.

3 **LEARNING – To avoid rigidity and inflexibility**
We value careful monitoring within our R&D process, as it provides data and facts to continuously improve our innovations. We ensure that the development of simultaneous R&D projects achieve synergies across the organisation through a comprehensive framework of process rules, which is also key to employee development.

A WORLDWIDE R&D NETWORK

The Hexagon R&D division offers a worldwide network of knowledge exchange and technical collaboration. About 2 280 engineers are engaged in R&D, which is more than 17 per cent of Hexagon's total employee base. The global network involves close cooperation between employees based in Australia, Brazil, Canada, China, Denmark, France, Germany, India, Israel, Italy, Japan, Singapore, Sweden, Switzerland, the UK and the USA.

Hexagon seeks to utilise R&D to, among other things, diversify the product portfolio to tap into the emerging markets in the coming years.

INVESTMENTS IN R&D

Hexagon places a high priority on investments in research and development. In 2011, expenses in the core business of MT were 223.0 MEUR (139.3) of which 99.3 MEUR (63.7) were capitalised. 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 R&D investments is in line with or above that of other leading market players in the industry.

INNOVATION PROCESSES

Hexagon seeks to create a continuous flow of new products and technologies through its R&D process. Clearly defined rules, phases and milestones help identify product innovations for large-scale production and enable simultaneous and parallel development. Clearly defined roles foster knowledge sharing among teams and divisions, creating company-wide synergies across the organisation.

PATENTS CRUCIAL TO PROTECT INNOVATION

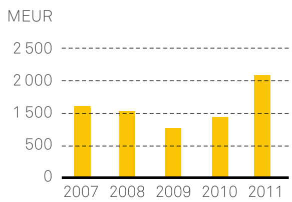
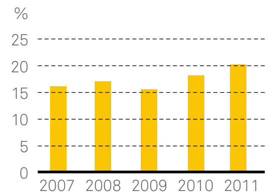
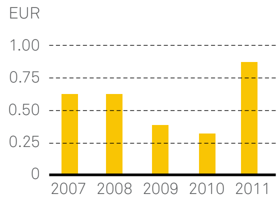
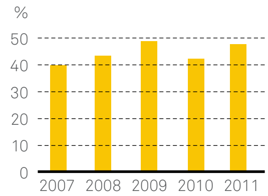
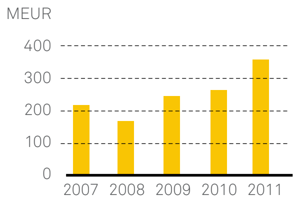
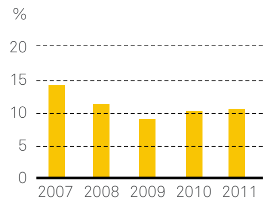
Each year, Hexagon submits a large number of patent applications to protect its technical innovations and carefully monitors competitive activity. Hexagon carefully respects the patents of its peers and is fully prepared to legally defend its own patents in the case of infringement. Hexagon's patent portfolio consists of about 2 500 active patents worldwide.

PATENT PORTFOLIO

Technologies / ***Product Groups***	Airborne Systems	Articulated Arms	Camera-Based Systems	CMM Bridge Systems	Earthmoving, Road Construction	GNSS Receivers	Handheld Tools	Laser Trackers	Monitoring	Plant, Marine & Offshore	Precision Farming	Public & Governmental	Terrestrial Scanners	Total Stations	Transport & Infrastructure
2D, 3D Modelling & Visualisation	●	●	●	●				●	●	●	●	●	●		●
Calibration and Compensation	●	●	●	●			●	●					●	●	
Components	●	●	●	●	●	●	●	●	●		●		●	●	
GNSS Technology	●				●	●			●		●	●		●	●
Image Processing	●	●	●	●			●	●		●	●	●	●	●	●
IT, Control, Electronics	●	●	●	●		●		●	●				●	●	
Machine Automation, Control					●						●				●
Optics	●		●	●			●	●					●	●	
Portable Metrology		●	●				●	●						●	
Probe Technology		●	●	●				●							
Sensors, Angle, Tilt	●	●	●	●	●		●	●	●		●		●	●	
Sensors EDM	●	●	●	●	●		●	●	●	●	●		●	●	
Signal and Data Processing	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Spatial Software Technologies	●				●				●	●	●	●	●	●	●
Stationary Metrology			●	●											
Terrestrial Surveying			●		●	●	●		●	●	●	●	●	●	●

RAISING THE BAR

By the end of 2011 Hexagon had exceeded its financial targets established in December of 2007. The new plan is to grow net sales to 3.5 billion EUR from our current level of 2.2 billion EUR, improving our EBIT margin from 20 per cent to 25 per cent before the end of 2015.

FINANCIAL TARGETS		OUTCOME 2011	
Net Sales	Hexagon's target is to reach net sales of 3.5 bn EUR by the end of 2015, through a combination of organic growth and acquisitions.	In 2011, operating net sales amounted to 2 177.6 MEUR (1 487.1), corresponding to an organic growth of 12 per cent. Americas was the fastest growing region with 15 per cent organic growth and Metrology was the fastest growing division with organic growth of 26 per cent.	
Operating Margin	Hexagon's target is to reach an operating margin of 25 per cent by the end of 2015.	In 2011, the operating margin amounted to 20.2 per cent. This is an increase by 1.8 percentage points compared to 2010. For Hexagon's core business, Measurement Technologies, the operating margin increased by 1.7 percentage points to 21.3 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 the best way to measure shareholder value.	In 2011, earnings per share, excluding non-recurring items related to the acquisition of Intergraph, increased by 23 per cent and amounted to 0.85 EUR. This outcome is above target. Including non-recurring items, earnings per share amounted to 0.84 EUR, an increase of 180 per cent.	
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 for its financing. A strong equity ratio provides opportunities for financing expansion activities via loans.	At the end of 2011, the equity ratio amounted to 47.3 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.	In 2011, cash flow from operating activities amounted to 369.0 MEUR. This corresponds to cash flow of 1.05 EUR per share. Operating cash flow after non-recurring items amounted to 217.1 MEUR.	
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 2011, capital employed increased by 5 per cent to 4 429.0 MEUR. Return on average capital employed, excluding non-recurring items, was 10.5 per cent.	

Hexagon has determined that it is necessary to be the market leader in order to achieve its financial targets. Market leadership requires the ability to innovate and increase cost efficiency.

OPERATIONAL TARGETS		EXAMPLES 2011
Cost Efficiency	A competitive cost structure is necessary to defend a leading market position or to enhance an organisation's position as a challenger. This is necessary in order to more easily manage fluctuations in demand and currency exchange rates. Cost efficiency is also a prerequisite to becoming the lead innovator in the industry.	Relative to its peers, Hexagon has a strong operating margin which is proof of a cost efficient organisation. An example of Hexagon's focus on cost-efficiency in 2011 can be seen through the fact that Hexagon overachieved on the cost synergies stated in relation to the acquisition of Intergraph. An initial savings target of 30 MUSD in annual run-rate was during the year raised to 40 MUSD.
Innovation	Hexagon's capacity for innovation is paramount to becoming a long-term business partner for customers. Investments in R&D are therefore highly prioritised.	About 2 280 employees are engaged in R&D at Hexagon and a large number of new products were introduced to the market during 2011. Expenses for 2011 were 223.0 MEUR, corresponding to about 10 per cent of net sales.
The Industry's Best Management	Management know-how and experience are essential to the successful operation of Hexagon. Having the right skills at the right place at the right time is also crucial, which is why Hexagon recruits local personnel that know and understand their respective geographical markets.	From a business point of view, Hexagon ensures the required competences to grow the business are in place. From an employee point of view, Hexagon encourages and offers opportunities for further development.
Speed Management	Short and fast decision-making processes, along with time-efficient implementation, enhance competitiveness and raise organisational capacity. Hexagon strives for a work environment with clear responsibilities, a flat hierarchy and minimal bureaucracy.	Hexagon's organisation is decentralised, creating a sound basis for committed and motivated employees, enabling Hexagon to make fast operational decisions as needed.

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

SUSTAINABILITY

As an innovator, Hexagon has a responsibility to consider sustainability aspects in every product development and design process. The decentralised nature of the Company influences the governance of sustainability objectives.

DECENTRALISATION WITH SHARED VALUES

Hexagon's global reach spans more than 40 countries worldwide. Any research, development and assembly of high-technology products in these locations is conducted in conditions that ensure very limited environmental impact. Almost all of Hexagon's facilities are ISO 14001 certified and we uphold our suppliers to the same standards through a monitoring programme. Hexagon strives to maintain a working environment in which there are clear responsibilities, a flat hierarchy and minimal bureaucracy in order to enable fast decision-making processes, enhance competitiveness and raise organisational capacity. The majority of Hexagon's contributions to society, the environment and social development are carried out locally by the individual companies within Hexagon.

All employees are required to comply with Hexagon's global Code of Business Conduct and Ethics and any specific standards established at the local level. The Code reflects our responsibility as a market leader to uphold the highest standards of ethics and integrity.

To ensure Hexagon's commitment to the continuous improvement of its management of these issues, all employees, locations and businesses worldwide must uphold Hexagon's Corporate Responsibility Guidelines. Employees are encouraged and expected to report incidents of non-compliance to relevant internal officers with the assurance that this action will not result in any retaliation or negative consequences when acting in good faith. No incidents of non-compliance were reported during 2011.

MINIMISING USE OF RESOURCES AND EXTENDING PRODUCT LIFE CYCLES

Hexagon strives to align its Corporate Responsibility standards with its overall business goals. Efforts and strategies are prioritised based on a balanced assessment of financial, technological and sustainable factors as described below.

1. RESEARCH AND DEVELOPMENT

As an innovator, Hexagon has a responsibility to consider sustainability aspects in every product development and design process. Continuous discussions and tests as to whether product improvements are financially, technologically and ecologically justifiable are an integral part of research and development. For Hexagon, sustainable product development involves minimising resources through reductions in product size and weight, as well as minimising the use of metals and plastics and the consumption of hazardous materials. As such, alternatives like lead-free glass, power systems with low environmental impact and recyclable materials such as aluminium and brass are used in the design and production of all products whenever possible. In the development of new technologies, Hexagon aims to increase compatibility with other measuring systems or components in order to broaden their functionality, developing ergonomic products that are easier to use. Hexagon's innovation processes foster knowledge sharing between teams and across divisions, creating technology synergies throughout the organisation.

2. SOURCING

Hexagon sources components and subsystems from a large number of suppliers around the world. The largest supplier accounts for approximately 1.8 per cent of Hexagon's total net sales. Supplier selection is based on the overall competitiveness of the offering. This is determined by 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 Hexagon's Code of Business Conduct and Ethics and continuously supervises and audits their business practices to ensure compliance. In the case of noncompliance, Hexagon takes prompt and appropriate action, which may involve a change in supplier or other suitable measures to ensure that such action will not be repeated.

Hexagon's Corporate Responsibility Guidelines are used to guide supplier selection and engagement, helping to promote appropriate corporate responsibility management practices. Hexagon expects its suppliers to strive for continuous improvement and adherence to its Corporate Responsibility Guidelines.

Due to the global nature of Hexagon's supply chain, there is always a risk that suppliers may not meet the acceptable standards. This is especially true in developing countries where regulation and enforcement procedures may be weak. All of these factors are taken into account by Hexagon purchasing officers when assessing new suppliers or monitoring existing ones. Sourcing of components and subsystems are coordinated in a systematic manner throughout Hexagon as a means to minimise costs, ensure quality and eliminate bottlenecks.

3. ASSEMBLY AND MANUFACTURING

Hexagon establishes assembly facilities in locations where it is justified from a customer base perspective. Hexagon's facilities are located in Brazil, China, France, Germany, Israel, India, Italy, Japan, Switzerland and the USA. Highly skilled professionals assemble components and integrate proprietary software to create complete design, measurement and visualisation solutions. Each process involves calibration and careful testing in Hexagon's facilities before shipment to the customer. Critical subsystems are produced in-house in order to protect intellectual property and fill the gaps where suppliers are not able to meet the required quality at a fair cost. Examples of subsystems produced in Hexagon's facilities are precision rotary axis systems and housing and surface technologies used in the assembly of theodolites, laser scanners and laser trackers.

Operations of Hexagon's worldwide facilities are carefully coordinated. Several factors are taken into consideration including the skill, cost and scale advantages of each location, as well as their ability to guarantee the quality and precision of the end product.

4. SALES AND MARKETING

Hexagon conducts its sales and marketing efforts on a decentralised basis. In advertising, marketing and communications practices, Hexagon adheres to the ethical standards applicable in its 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 and are expected to only make statements and commitments that can be honoured and fulfilled.

5. DISTRIBUTION

Because Hexagon's design, measurement and visualisation technologies often involve significant investments for our customers, it is vital to handle distribution on a local level, establishing close relationships with the customer for continued service and future upgrades.

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, which includes more than 65 local precision and service centres throughout the world. Hexagon Technology's components and solutions are sold via a global direct sales force.

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 the world's carbon dioxide emissions come from transportation, agriculture, manufacturing and electricity and heat production. Hexagon's design, measurement and visualisation technologies are used to reduce emissions in all these areas.

A growing part of Hexagon's customer advantage is in services and support, including the regular calibration and certification of its products, to guarantee the highest levels of accuracy and repeatability.

7. EXTENSION OF LIFE CYCLE

In order to extend a system's life cycle, Hexagon upgrades and/or rebuilds existing systems using more advanced hardware and software.

HIGHLY VALUED EMPLOYEES

Hexagon employs over 13 000 people globally, in areas such as research and development, marketing, sales, production, installation, customer training, service and administration. Our corporate culture is based on competence, innovative thinking, loyalty and trust.

RECRUITMENT AND DEVELOPMENT

Hexagon attracts skilled individuals from diverse backgrounds and origins. Due to the global nature of our organisation, it is necessary to employ local expertise in specific geographic regions. 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.

NUMBER OF EMPLOYEES

The average number of total employees worldwide during 2011 was 12 475. The average number of employees in China was 1 894, the USA 3 003, Switzerland 1 520 and Sweden 508 during the same period.

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 fall of 2011, an employee engagement survey was performed across Hexagon with the goal of gathering better insight into employees' commitment, job satisfaction and productivity. The results were satisfactory and in line with the most recent survey conducted in 2008 as well as with global industry standards.

KNOWLEDGE MANAGEMENT AND EXCHANGE

Hexagon fosters an environment of creativity, talent and superior performance in the workplace. Communication and collaboration are actively encouraged across divisions and geographic boundaries. Hexagon's teams work globally, sharing their knowledge and professional skills. There is a dynamic exchange of information on large-scale projects that starts with management level team members and extends to individual employees working together.

Hexagon benefits not only from the professional knowledge of its employees but also from their cultural backgrounds and local expertise, which helps to ensure that customers gain the most value from Hexagon's worldwide network.

Career-oriented competence development is geared toward the needs of the organisations and the individuals. Managers are provided training to ensure that they live up to the Hexagon'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 requires that all Hexagon employees uphold the highest level of ethical standards and aims to ensure a work environment where all employees are treated equally and fairly across the Hexagon community.

All employees have an equal opportunity to contribute fully to Hexagon'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. Hexagon strives to minimise illnesses and accidents among its employees by implementing all of the applicable health and safety rules and practices established among the Hexagon community.

SOCIAL COMMITMENT

All of Hexagon's businesses seek to engage in social activities for the purpose of creating camaraderie among the Hexagon community. Hexagon values employee engagement and interaction. Hexagon's social commitment often involves working with voluntary organisations and authorities.

For example, ERDAS, now part of Intergraph, provided access to datasets that illustrated the devastation in Japan after the earthquake and the subsequent tsunami in March 2011. This was supplied as a free Web service that enabled users to access various data and was updated continually as events unfolded.

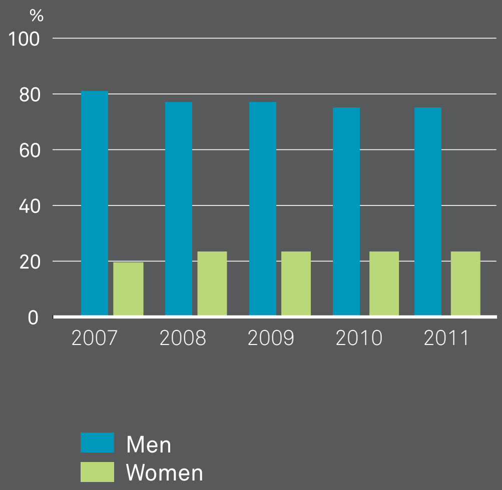
Hexagon also maintains ongoing contacts with schools and universities. Hexagon offers students research and practical experience opportunities for their academic theses and participates in education through lectures at universities. A number of businesses also accept study visits and offer opportunities for work experience and research projects.

EMPLOYEES PER REGION

EMEA is the region in which Hexagon had the highest average number of employees. EMEA had 5 018 employees, Americas 3 844 and Asia 3 613 during 2011.

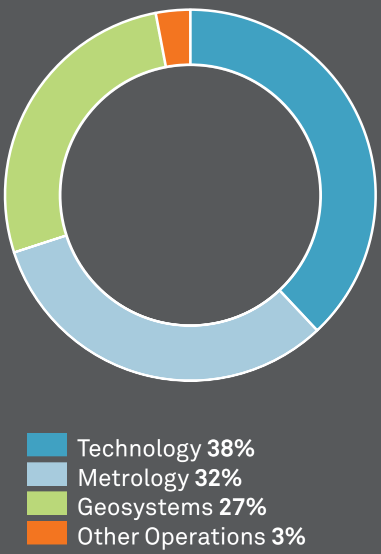
SHARE OF MEN AND WOMEN

During 2011 the average share of female employees was 25 per cent (25) of the total number of Hexagon employees.



EMPLOYEES PER APPLICATION AREA

Technology is the application area with the most employees at the end of the year.



SHARE CAPITAL AND OWNERSHIP STRUCTURE

Hexagon's series B share has been listed on the NASDAQ OMX Stockholm since 1988. It is traded on NASDAQ OMX Stockholm's Large Cap list.

SHARE PRICE DEVELOPMENT AND TRADING

The value of the Hexagon share decreased by 29 per cent in 2011 to 102.90 SEK at year-end. The highest and lowest prices during the year were 167.20 SEK on 31 May and 80.80 SEK on 4 October, respectively. Hexagon's total market capitalisation as of 31 December 2011 was 34 651 MSEK. During the year, 370 million (271) Hexagon shares were traded on the NASDAQ OMX Stockholm. The turnover rate, i.e., the degree of liquidity, was 105 per cent (102).

OWNERSHIP STRUCTURE

On 31 December 2011, Hexagon had 24 465 shareholders (21 260). The proportion of shares held by shareholders based outside of Sweden was 30 per cent (30) of the total number of shares. Shareholders in the UK accounted for the largest foreign holding, representing 12 per cent (12) of total shares. The 10 largest owners held 47.5 per cent (54) of the share capital and 62.5 per cent (67) of the votes.

SHARE CAPITAL

Through the rights issue conducted around year-end 2010, the number of shares increased by 88 122 407, of which 3 937 500 shares of series A and 84 184 907 shares of series B. Total number of shares after the rights issue amounted to 353 642 177, of which 15 750 000 shares were of series A and 337 892 177 shares were of series B. Each share has a quota value of 0.22 EUR.

TREASURY SHARES

Hexagon's Annual General Meeting in 2011 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 10 per cent of outstanding Hexagon shares. The total number of treasury shares held by Hexagon as of 31 December 2011 was 1 152 547 series B shares corresponding to 0.3 per cent of the total number of shares in Hexagon.

DIVIDEND POLICY

The dividend policy of Hexagon provides that, over the long term, dividends should comprise between 25 and 35 per cent of earnings per share after tax, assuming that Hexagon satisfies its equity ratio objective. Dividends are resolved upon by the Annual General Meeting and payment is administered by Euroclear Sweden.

Hexagon's Board of Directors proposed a dividend of 0.17 EUR (0.15) per share for 2011. The proposed dividend amounts to 20 per cent of the year's earnings per share after tax. The reason for the dividend being lower than what the policy implies is that in 2011 Hexagon prioritised reducing net debt.

INCENTIVE PROGRAMME

A warrants programme has been implemented for group management, division management, senior managers and key employees through a resolution by an extraordinary general meeting on 15 December 2011. Under the programme, 13 665 000 subscription warrants entitling to subscription for the corresponding number of new shares of series B in Hexagon AB have been issued to Hexagon Förvaltning AB, a wholly owned subsidiary, and offered for sale to participants of the programme. The price per warrant was decided to be SEK 10.

121 group managers, division managers, senior managers and key employees in the Group have purchased 7 588 512 warrants. After a market valuation of the subscription warrants considering the issue rate of SEK 10 per subscription warrant, the strike price for subscription of shares upon exercise of the transferred warrants was determined to SEK 124 and they were thus transferred to the participants at market value. The warrants may be exercised during 1 January 2012 – 31 December 2015.

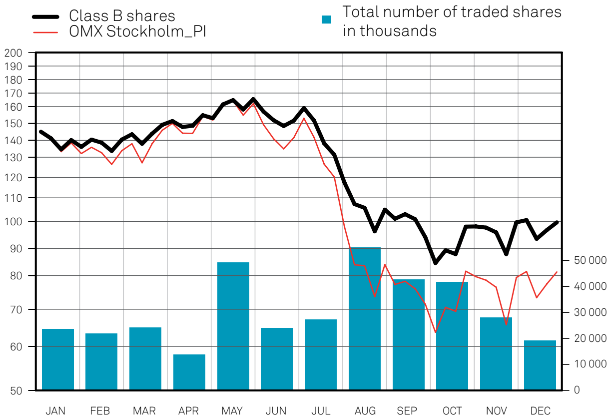
Remaining subscription warrants, that have not been transferred, will be reserved for future appointments and recruitments of persons within the above eligible categories in the Group. The programme is expected to lead to an increased interest in the Company's development and the share price.

SHAREHOLDER VALUE

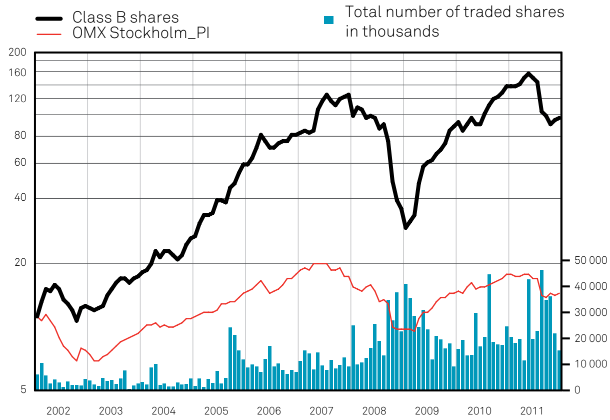
Hexagon works continuously to develop and improve the quality and availability of financial information about Hexagon to support the market in determining the value of the Company as fairly as possible.

ISIN code: SE0000103699 | **NASDAQ OMX Stockholm:** HEXA B | **Reuters Ticker:** HEXAb.ST | **Bloomberg Ticker:** HEXAB SS

SHARE PERFORMANCE 2011



SHARE PERFORMANCE 2002-2011



Class of shares [1]	Number of shares	Number of votes	Share of capital, %	Share 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 December 2011

Year	Transactions	Nominal Value, SEK/EUR	A shares, change	B shares, change	A shares, total	B shares, total	Share capital, SEK/EUR
2000		10	-	-	840 000	13 953 182	147 931 820
2002	Rights issue	10	210 000	3 488 295	1 050 000	17 441 477	184 914 770
2004	New issue, 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	252 534 653	531 039 540
2010	Options exercised	2	-	20 070	11 812 500	252 554 723	531 039 540
2010	Rights issue	2	3 937 500	83 845 572	15 750 000	336 400 295	706 605 684
2011	Rights issue	2	-	339 335	15 750 000	336 739 630	707 284 354
2011	Change of functional currency to EUR	0.22	-	-	15 750 000	336 739 630	78 471 187

[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] Issues 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.

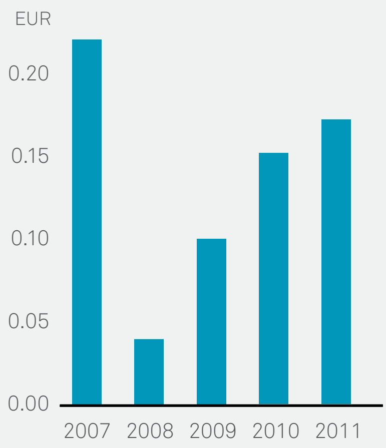
LARGEST SHAREHOLDERS

Owner/manager/deposit bank	A shares	B shares	Share capital, %	Voting rights, %
Melker Schörling AB	15 750 000	78 711 582	26.71	47.79
Ramsbury Invest AB	-	22 196 387	6.28	4.49
JPM Chase NA	-	15 328 243	4.33	3.10
Swedbank Robur Funds	-	14 874 293	4.21	3.01
Columbia Wanger Asset Management	-	11 390 499	3.22	2.30
AMF Pension Funds	-	11 334 980	3.21	2.29
SSB CL Omnibus	-	9 746 976	2.76	1.97
Alecta Pension Insurance	-	8 475 000	2.40	1.71
Nordea Investment Funds	-	7 793 993	2.20	1.58
AFA Insurance	-	6 272 580	1.77	1.27
First AP Fund	-	5 786 276	1.64	1.17
Didner & Gerge Equity fund	-	5 363 338	1.52	1.09
Mellon Omnibus	-	4 695 441	1.33	0.95
BNP Paribas Securities	-	4 090 584	1.16	0.83
Folksam	-	3 600 103	1.02	0.73
Third AP Fund	-	3 270 523	0.92	0.66
Second AP Fund	-	3 097 075	0.88	0.63
Skandinaviska Enskilda Banken	-	2 842 467	0.80	0.58
INV Bank & Trust	-	2 416 544	0.68	0.49
Handelsbanken Funds	-	2 383 210	0.67	0.48
Subtotal, 20 largest shareholders	**15 750 000**	**223 670 094**	**67.70**	**77.12**
Others	-	113 069 536	31.97	22.88
Total number of outstanding shares	**15 750 000**	**336 739 630**	**99.67**	**100.00**
Hexagon AB Treasury shares	-	1 152 547	0.33	0.00
Total issued number of shares	**15 750 000**	**337 892 177**	**100.00**	**100.00**

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

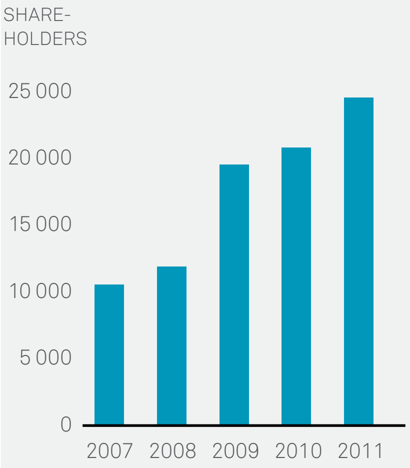
CASH DIVIDEND PER SHARE

The Board of Directors proposes a dividend of 0.17 EUR, corresponding to 20 per cent of earnings per share after tax and excluding effects from non-recurring items.



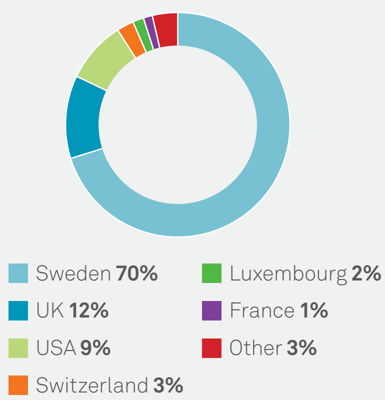
NUMBER OF SHAREHOLDERS

The number of Hexagon shareholders has steadily increased. As of 31 December 2011, Hexagon had 24 465 shareholders.



GEOGRAPHIC DISTRIBUTION OF SHAREHOLDINGS

Distribution is based on where the shareholding is registered. At year-end, Swedish ownership was 70 per cent, followed by 12 per cent in the UK and 9 per cent in the USA.



OWNERSHIP STRUCTURE

Holding per shareholder	Number of shareholders	Number of outstanding shares A	Number of outstanding shares B
1 - 500	13 808	-	2 404 379
501 - 1 000	3 792	-	3 009 491
1 001 - 2 000	2 882	-	4 428 348
2 001 - 5 000	2 123	-	6 972 750
5 001 - 10 000	864	-	6 249 663
10 001 - 20 000	416	-	6 015 204
20 001 - 50 000	264	-	8 254 197
50 001 - 100 000	95	-	6 565 736
100 001 - 500 000	133	-	28 584 733
500 001 - 1 000 000	32	-	24 438 012
1 000 001 - 5 000 000	47	-	93 597 048
5 000 001 - 10 000 000	5	-	31 136 404
10 000 001 -	4	15 750 000	116 236 212
Total	**24 465**	**15 750 000**	**336 739 630**
Hexagon AB Treasury shares	-	-	1 152 547
Total	**24 465**	**15 750 000**	**337 892 177**

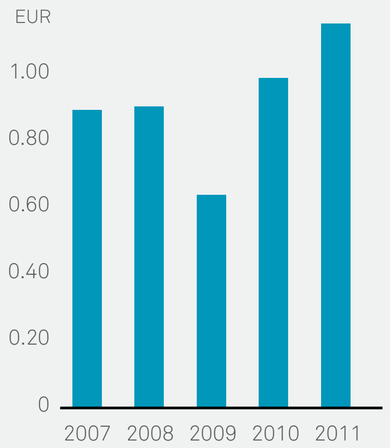
Source: Euroclear Sweden AB as of 31 December 2011

Key data per share	2011	2010	2009	2008	2007
Shareholder's equity, EUR	7.15	6.15	4.02	3.62	3.49
Net earnings, EUR	0.84	0.30	0.39	0.64	0.64
Cash flow, EUR [1]	1.13	0.97	0.63	0.89	0.88
Cash dividend, EUR	0.17 [2]	0.15	0.10	0.04	0.22
Pay-out ratio, %	20.2	50.0	25.6	6.3	33.8
Share price, EUR	11.60	16.10	9.10	3.00	12.50
P/E ratio [3]	14	54	23	5	19

[1] Cash flow from operations before change in working capital and excluding non-recurring items
[2] According to the Board of Directors' proposal
[3] Based on the share price at 31 December and calendar year earnings

CASH FLOW PER SHARE

Cash flow from operations before change in working capital and excluding non-recurring items increased to 397.2 MEUR, corresponding to 1.13 EUR per share.



ANALYSTS MONITORING HEXAGON AB

ABG Sundal Collier	Erik Pettersson	erik.pettersson@abgsc.se
Bank of America	Ben Maslen	ben.maslen@baml.com
CAI Cheuvreux	Andreas Dahl	adahl@cheuvreux.com
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Danske Bank	Björn Enarson	Bjena@danskebank.se
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Handelsbanken	Jon Hyltner	johy01@handelsbanken.se
Nordea	Andreas Koski	andreas.koski@nordea.com
Swedbank	Håkan Wranne	hakan.wranne@swedbank.se
Öhman Fondkommission	David Jacobsson	david.jacobsson@ohman.se

GOVERNANCE

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, the Swedish Code of Corporate Governance and the regulations and recommendations issued by relevant organisations.

Hexagon applies the Swedish Code of Corporate Governance (the "Code") which is based on the principle "comply or explain". The Code can be found in its entirety at www.bolagsstyrning.se.

Hexagon does not report any deviations from the Code during the financial year 2011 except one: participants in the warrants programme, resolved on by the General Meeting in December 2011, are entitled to subscribe for shares for a longer period than three years after implementation.

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 December 2011, Hexagon's share capital was 78 471 187 EUR, represented by 353 642 177 shares, of which 15 750 000 are of series A with 10 votes each and 337 892 177 are of series B with one vote each. Hexagon AB treasury shares amounted to 1 152 547 shares of series B. The Annual General Meeting 2011 authorised the Board of Directors to resolve on purchases and divestments of own shares equal to no more than ten per cent of the total number of issued shares in the Company. Melker Schörling AB, the single largest shareholder in Hexagon, held at year-end 2011 a total of 15 750 000 class A shares and 78 711 582 class B shares, representing 26.7 per cent of the votes and 47.8 per cent of the capital. No other shareholder has any direct or indirect shareholding representing more than 10 per cent of the total votes.

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

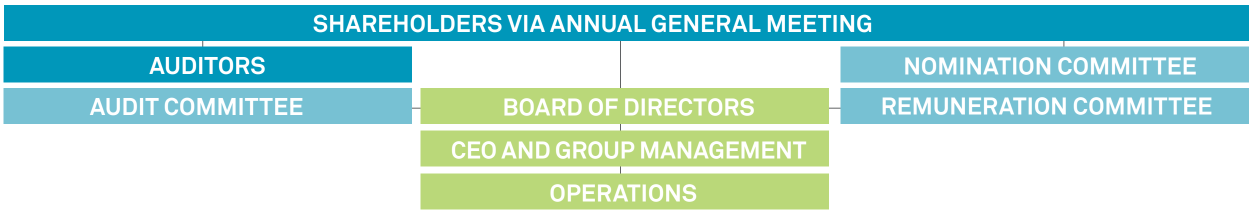
As far as the Company knows there is no shareholder agreement that could prevent the transfer of shares. Nor are there agreements between the Company, directors or employees, other than as described in Note 30, which stipulate the right to compensation if such a person is dismissed with cause or if such a person's employment is terminated as a result of a public offer for shares of the Company.

ANNUAL GENERAL MEETING (AGM)

The 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 (including the 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

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 and the Company's auditors. In addition, the Nomination Committee presents proposals regarding remuneration to the Board of Directors (including for committee work) and the auditors.



The Nomination Committee shall consist of representatives for major shareholders of the Company elected by the 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 next Annual General Meeting, the Committee is 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 less 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 2011 elected seven members, including the President and CEO. Hexagon's CFO and General Counsel participate in the Board meetings. Other Hexagon employees participate in the Board meetings to make presentations on particular matters if requested.

The Nomination Committee's assessment of the members' independence in relation to the Company, its management and major shareholders is presented on page 49. 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.

The Board of Directors is responsible for determining Hexagon's overall objectives, developing and monitoring the overall strategy, deciding on major acquisitions, divestments and investments and ongoing monitoring of operations. The Board is also responsible for ongoing evaluation of management, as well as systems for monitoring the 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 Hexagon's financial position and important events affecting the Company's operations are presented.

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, the Company's internal control systems, 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 by 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 Hexagon's internal controls and the annual financial statements. Moreover, the auditors report to and regularly meet with the Audit Committee. In addition, the auditors participate in the 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. It is the duty of the Board of Directors to ascertain that the internal control and formalised routines of the Company ensure that the principles for internal control and financial reporting are adhered to, and that the financial reports comply with the law and other requirements regarding listed companies. 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.

A Group Management team comprised of the CEO, heads of application areas, heads of geographical regions and specific Group staff functions totals seven 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. Regular management meetings constitute Hexagon's forum for implementing overall controls down to a particular business operation, and in turn, down to individual company level.

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 characterised by decentralisation. Targets, guidelines and strategies are set centrally in collaboration with the business units. Managers assume overall responsibility for their respective business, and pursue the clearly stated objectives.

ACTIVITIES DURING THE YEAR

ANNUAL GENERAL MEETING (AGM)

The AGM was held on 10 May 2011 in Stockholm, Sweden, and was attended by a total of 100 shareholders, who jointly represented 64 per cent of the total number of shares and 74 per cent of the total number of votes in the Company. Melker Schörling was elected Chairman of the AGM.

The following main resolutions were passed:

- Re-election of Directors Melker Schörling, Ola Rollén, Mario Fontana, Ulrika Francke, Ulf Henriksson, Gun Nilsson and Ulrik Svensson
- Re-election of Melker Schörling as Chairman of the Board
- Dividend of 1.40 SEK per share for the financial year 2010 as per the Board's proposal
- Guidelines for remuneration to Hexagon's senior executives
- Amendments regarding the limits of the share capital in order to align them with the change of accounting currency
- Authorisation of the Board to resolve on acquisition and transfer of the Company's shares
- Repurchase of incentive programme 2007/2012 and thereto related repurchase of subscription warrants
- Approval of transfer of shares in Nordic Brass Gusum AB according to Chapter 16 of the Swedish Companies Act

EXTRAORDINARY GENERAL MEETING (EGM)

An EGM was held on 15 December 2011 in Stockholm, Sweden, and was attended by a total of 24 shareholders, who jointly represented 61 per cent of the total number of shares and 72 per cent of the total number of votes in the Company. Melker Schörling was elected Chairman of the EGM.

The following resolution was passed:

- Implementation of a warrants programme for Hexagon management, division management, other senior managers and key employees in Hexagon by a directed issue of 13 665 000 subscription warrants to a wholly owned subsidiary and further transfer of these warrants to participants in the programme

KEY DATA FOR BOARD MEMBERS [1]

Board Member	Elected	Independent	Committee membership: Audit	Committee membership: Remuneration	Meeting attendance: Board of Directors	Meeting attendance: Audit Committee	Meeting attendance: Remuneration Committee
Melker Schörling	1999	No [2]		●	8/8		1/1
Mario Fontana	2006	Yes	●		8/8	6/6	
Ulrika Francke	2010	Yes			8/8		
Ulf Henriksson	2007	Yes			7/8		
Gun Nilsson	2008	Yes	●	●	8/8	6/6	1/1
Ola Rollén	2000	No [3]			8/8		
Ulrik Svensson	2010	No [2]	●		8/8	6/6	

[1] A complete presentation of the Board Members is included on pages 54-55
[2] Melker Schörling and Ulrik Svensson are not deemed to be independent of the Company's major shareholders
[3] Ola Rollén is not deemed to be independent of the Company as a result of his position as Hexagon's President and CEO

Board and Committee meetings	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
Board of Directors		●			●●	●		●		●		●●
Audit Committee		●			●			●		●●		●
Remuneration Committee												●

NOMINATION COMMITTEE

In respect of the 2012 Annual General Meeting, the Nomination Committee comprised:

- Mikael Ekdahl, Melker Schörling AB (Chairman)
- Anders Algotsson, AFA Försäkring
- Jan Andersson, Swedbank Robur Fonder
- Henrik Didner, Didner & Gerge Aktiefond

During 2011, the Nomination Committee held two minuted meetings at which the Chairman gave an account of the process of evaluation of the Board of Director's work. The Committee discussed and decided on proposals to submit to the 2012 AGM concerning the election of Chairman of the AGM, the election of Chairman and other Board Members, directors' fees, remuneration for committee work and fees to the auditors. Shareholders wishing to submit proposals have been able to do so by contacting the Nomination Committee via mail or email. Addresses have been available on Hexagon's website.

BOARD OF DIRECTORS' ACTIVITIES

In 2011, the Board held eight 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. At the final Board meeting of the year, the Board approved the operational strategy and the financial plan for 2012.

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 co-ordinated by the Chairman of the Board. The Board is also evaluated within the framework of the Nomination Committee's activities.

AUDIT COMMITTEE

During 2011 the Audit Committee comprised:

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

In 2011, the Committee held six minuted meetings where the financial reporting and risks of Hexagon were monitored and discussed. The Committee dealt with relevant accounting issues, audit work and reviews, new financing and testing of impairment requirements for goodwill.

REMUNERATION COMMITTEE

During 2011, the Remuneration Committee comprised:

- Melker Schörling (Chairman)
- Gun Nilsson

In 2011, the Committee held one minuted meeting where remuneration and other employment terms and conditions for the CEO and Group Management were discussed. The Remuneration Committee also monitored and evaluated the ongoing programmes for variable remuneration to senior executives as well as the application of the guidelines for remuneration to senior 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. Hexagon's auditors attended the first Board meeting of the year, at which they reported observations from their examination of Hexagon's internal controls and the annual financial statements. The auditors met with the Audit Committee on five occasions during 2011.

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

REMUNERATION

PRINCIPLES

The following principles for remuneration to senior executives in Hexagon were adopted by the Annual General Meeting 2011. The guidelines for the remuneration of senior executives essentially entail that such remuneration should comprise a basic salary, variable remuneration, pension and other benefits, and that all in all this remuneration shall be competitive and in accordance with market practice. The variable remuneration is tied to the financial performance of the Group, shall be maximised in relation to the basic salary, tied to such performance that the relevant individual may influence and be 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 notice period shall normally be six months on the part of the employee. If the Company terminates the employment the period of notice and severance pay should not exceed a total of 24 months. Pension benefits shall be either defined benefit or fee-based, or a combination of both, with an individual pension age, however, not lower than 60 years.

It is proposed to the Annual General Meeting 2012 to resolve on the same guidelines as above concerning the remuneration of senior executives, however with the amendment that the variable remuneration will not exceed 60 per cent of the base salary.

REMUNERATION OF GROUP MANAGEMENT

Remuneration of the President and CEO and other senior executives is presented in Note 30 on page 110.

WARRANTS PROGRAMME

A warrants programme has been implemented for group management, division management, senior managers and key employees through a resolution by the Extraordinary General Meeting on 15 December 2011. Under the programme, 13 665 000 subscription warrants entitling to subscription for the corresponding number of new shares of series B in Hexagon AB have been issued to Hexagon Förvaltning AB, a wholly owned subsidiary, and offered for sale to participants of the programme. 121 group managers, division managers, senior managers and key employees in Hexagon have purchased 7 588 512 warrants. Remaining subscription warrants have been reserved for future appointments and recruitments of persons within the above eligible categories in Hexagon. After a market evaluation of the subscription warrants including the issue rate per subscription warrant, it was determined that the strike price for subscription of shares upon exercise of the warrants should correspond to 124 SEK. The warrants were acquired by the participants of the programme at a market value of SEK 10 each. The warrants may be exercised for subscription of shares during the period 1 January 2012 – 31 December 2015.

REMUNERATION OF BOARD OF DIRECTORS

Remuneration to the Board of Directors is resolved by the Annual General Meeting upon proposal from the Nomination Committee. During 2011, the Chairman of the Board and other Board Members received remuneration totalling 367 524 EUR. Remuneration of the Board of Directors is presented in Note 30 on page 110.

REMUNERATION OF EXTERNAL AUDITORS

Remuneration for services in addition to auditing services primarily refers to work related to acquisitions and tax. Remuneration of the external auditors is presented in Note 31 on page 112.

INTERNAL CONTROL PERTAINING TO FINANCIAL REPORTING

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

1. CONTROL ENVIRONMENT

Hexagon's organisation is designed to facilitate rapid decision making. Accordingly, operational decisions are taken at the business area or subsidiary level, while decisions concerning strategies, acquisitions and company-wide financial matters are taken by the Company's Board and 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 is comprised of an overall control environment in which the organisation, decision-making routes, authorities and responsibilities have been documented and communicated in control documents, such as Hexagon's finance policy and reporting instructions and in accordance with the authorisation arrangements established by the CEO.

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

2. RISK ASSESSMENT

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

3. CONTROL ACTIVITIES

The risks identified with respect to the financial reporting process are managed via the Company's control activities, 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.

4. INFORMATION AND COMMUNICATION

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

5. MONITORING ACTIVITIES

The efficiency of the process for risk assessment and the implementation of control activities are 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 and regular reports on Hexagon's financial position and performance. At each Board meeting, the Company's financial position is addressed and, on a monthly basis, management analyses the Company's financial reporting at a detailed level. The Audit Committee follows up the financial reporting at its meetings and receives reports from the auditors describing their observations.

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the 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 2011 on pages 46-51 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, 27 March 2012

Ernst & Young AB

Hamish Mabon
Authorised Public Accountant

COMMENTS FROM THE CHAIRMAN OF THE BOARD

Melker Schörling

The role of the Board of Directors is to act for Hexagon's long-term development and in the best interests of the Company's shareholders. We establish an overall strategy for Hexagon, but also take into consideration, at the earliest possible time, other circumstances that may affect the Company's performance and development. Upon preparation by Hexagon's management, we establish a direction for the Company and take decisions on how Hexagon's resources are to be used for investments, acquisitions and dividends.

This year, I would like to share with you a few reflections on what happened in 2011 and how our company navigated.

2011 marked the start of Hexagon as a joint technology company combining design, measurement and visualisation solutions. Sales reached a record high in the first quarter. Meanwhile, the macro environment developed less favourably. The fragility of the Euro-zone became increasingly obvious to the financial markets in the second quarter and the fear of another recession escalated. Stock markets reacted strongly in late summer and Hexagon's share price was no exception, falling from an intra-year high of SEK 167 in May to an intra-year low of SEK 80 in October. As I write these comments the share has risen to around SEK 130, which more or less is where it was a year ago.

Under the demanding macro-economic conditions of last year, Hexagon proceeded forcefully with the integration of Intergraph, made further acquisitions while simultaneously delivering a double digit organic growth in sales and a very reassuring increase in operating earnings. This proves the ability of our products and services to create change rather than be a victim of it, the growing demand for Hexagon's offerings and, of course, to the dedication of our employees. With our global footprint, the broadest technology portfolio in the industry and an outstanding customer base, Hexagon's vulnerability to the business cycle has lessened considerably. I am confident that Hexagon has embarked on a new leg of a successful journey.

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 dedicated employees – their outstanding work has produced another remarkable year in Hexagon's history.

Stockholm, Sweden, March 2012

Melker Schörling
Chairman of the Board

BOARD OF DIRECTORS

MELKER SCHÖRLING
Born in 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 78 711 582 shares of series B through Melker Schörling AB.

Independent of the Company and its management.

MARIO FONTANA
Born in 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]:
40 000 shares of series B.

Independent of the Company, its management and major shareholders.

ULRIKA FRANCKE
Born in 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 in 1963

Member of the Board since 2007

Education: Master of Engineering and Economics

Work experience:
CEO of Invensys Plc, Group COO of Invensys Plc, Operating Vice President of Hydraulics Division at Eaton Corporation and Senior Positions at Honeywell/Allied Signal Inc., Volvo Aero and FFV.

Other assignments: Senior Adviser to TPG.

Previous assignments in the past five years: –

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

Independent of the Company, its management and major shareholders.

[1] As of 31 December 2011

GUN NILSSON
Born in 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]: 9 666 shares of series B .

Independent of the Company, its management and major shareholders.

OLA ROLLÉN
Born in 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]: 2 000 001 shares of series B and 300 000 warrants for shares of series B.

Independent of major shareholders.

ULRIK SVENSSON
Born in 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, Hexpol AB and Flughafen Zürich AG.

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

Shareholding [1]: 6 000 shares of series B via capital insurance.

Independent of the Company and its management.

GROUP MANAGEMENT

OLA ROLLÉN
Born in 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 WindSystems A/S.

Shareholding [1]: 2 000 001 shares of series B and 300 000 warrants for shares of series B.

JÜRGEN DOLD
Born in 1962

President of Hexagon Geosystems

Employed since 1995

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 150 000 warrants for shares of series B.

HÅKAN HALÉN
Born in 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 and 300 000 warrants for shares of series B.

NORBERT HANKE
Born in 1962

President of 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 300 000 warrants for shares of series B.

[1] As of 31 December 2011

LI HONGQUAN
Born in 1966

Vice President and President of Hexagon China

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]: 148 000 shares of series B and 300 000 warrants for shares of series B.

JOHNNY ANDERSSON
Born in 1965

General Counsel

Retained since 2011

Education: M.S. (Law)

Work experience: Partner Mannheimer Swartling Advokatbyrå.

Other assignments: Member of the Swedish Bar Association and the International Bar Association.

Previous assignments in the past five years: –

Shareholding [1]: Shareholding via capital insurance and 300 000 warrants for shares of series B.

BO PETTERSSON
Born in 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 100 000 warrants for shares of series B.

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BOARD OF DIRECTORS' REPORT

Hexagon is a global design, measurement and visualisation technologies group with business activities in approximately 40 countries across the world.

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

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.

The Hexagon product portfolio consists of systems that design and measure in one, two or three dimensions and position and update objects. The portfolio's different design, measurement 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 offerings.

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 in more than 200 operating companies. The President and CEO is responsible for daily management and decision making, together with the other members of Hexagon Group Management, consisting of the Vice Presidents, CFO, CTO, General Counsel and application area and regional directors.

Hexagon's functions consist of Finance (group accounting, treasury and taxes), Business and Technology development, Legal and Strategy & Communications.

EMPLOYEES

The average number of employees in Hexagon in 2011 was 12 475 (8 179). The share of employees located outside Sweden increased to 96 per cent (94). The average number of employees in the Parent Company was 10 (11). The number of employees at the end of the year was 13 060 (11 992).

SIGNIFICANT EVENTS DURING THE YEAR

New Financial Plan launched at Capital Markets Day

Hexagon's new financial plan stretches to 2015 and includes a sales target of 3.5 bn EUR and an EBIT margin target of 25 per cent. The sales target in the base case scenario is built upon the assumption that the Measurement Technologies market grows at approximately 8 per cent per year over the period up until 2015. The sales target in the base case will be reached primarily by organic growth, but it also includes an element of acquisitions.

Hexagon 2011 Customer Conference

Hexagon held its inaugural international conference 6-9 June in Orlando, Florida, USA, bringing together ground-breaking Hexagon technologies and more than 2 500 attendees for four days of informative sessions and networking.

Change of Accounting Currency

As of 1 January 2011, Hexagon has changed the accounting and presentation currency from Swedish kronor (SEK) to Euro (EUR). The change decreases the currency exposure in both the income statement and balance sheet as well as in other comprehensive income. It also allows Hexagon to better match debt to net assets which has a stabilising effect on certain key ratios that are of importance to Hexagon's cost of capital.

Integration of Intergraph

Intergraph was successfully integrated during the year. The communicated cost synergies were achieved and the joint projects related to revenue synergies are ahead of schedule.

ACQUISITIONS

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.

Hexagon continually monitors a large number of companies to identify acquisitions that can strengthen its product and technology portfolio and/or improve its distribution network. Each acquisition target is financially, technologically and commercially evaluated on a regular basis. A candidate’s potential place in Hexagon is primarily determined on the basis of synergy opportunities and implementation strategies.

In 2011 Hexagon acquired four companies:

- Denali Solutions – records management software for public safety and security (Intergraph technology add-on). Consolidated as of 4 April 2011.
- Seven Ocean – vision technology company in China (Metrology technology add-on). Consolidated as of 31 July 2011.
- Augusta Systems – software to enable detailed, real-time information from cameras, sensor systems and networks (Intergraph technology add-on). Consolidated as of 4 August 2011.
- Sisgraph – software and services provider in Latin America (Intergraph distributor). Consolidated as of 19 August 2011.

SALES AND EARNINGS

Operating net sales grew by 46 per cent during the year, to 2 177.6 MEUR. Operating earnings increased by 61 per cent to 439.8 MEUR.

MARKET DEMAND

Demand for Hexagon’s products and services increased during 2011. Hexagon’s net sales adjusted to fixed exchange rates and a comparable Group structure (organic growth) increased by 12 per cent during the year.

Net sales in EMEA grew organically by 11 per cent in 2011 and amounted to 955.6 MEUR (693.9), which is equal to 44 per cent (47) of Group sales. The major markets in Western Europe experienced increased activity levels in 2011 primarily driven by improved demand for measurement solutions used in connection to industrial segments such as automotive and aerospace as well as for equipment used in infrastructural investments. Demand was also driven by customer investments in CAD software used in power and process industries. Demand in Southern Europe was weak in 2011. Eastern Europe, Russia and the Middle East continued to grow during the year.

Net sales in Americas grew organically by 15 per cent in 2011 and amounted to 666.4 MEUR (380.2), which is equal to 31 per cent (25) of Group sales. Several of Hexagon's markets were growing in NAFTA, including automotive, aerospace and general engineering, as well as infrastructure projects related to the Hexagon Geosystems division. Canada showed strong growth for the Hexagon Technology division due to high demand in the natural resources sector.

South America (led by Brazil) showed strong demand for Hexagon's products. Hexagon sees many opportunities related to the exploration and production of Brazil's massive offshore oil reserves and has many interesting leads related to the 2014 World Cup and the 2016 Olympics.

Net sales in Asia grew organically by 9 per cent in 2011 and amounted to 555.6 MEUR (413.0), which equals 25 per cent (28) of Group sales. Excluding sales to customers active within the build-out of the high-speed rail network, Asia reported organic growth in net sales of approximately 17 per cent.

Demand was strong from the automotive and aerospace industries in China. Hexagon also received significant orders from the Chinese energy industry and from the Korean ship building industry. The delay in the build-out of the high-speed rail network in China had a significant, negative impact on the region, as well as Hexagon's growth rate in 2011. Organic growth in China in 2011, excluding high-speed rail, was above 20 per cent, meaning that several submarkets and industries grew at double-digit rates.

NET SALES

Operating net sales for the year increased to 2 177.6 MEUR (1 487.1). Net sales amounted to 2 169.1 MEUR (1 481.3). The difference is attributed to non-recurring items from revaluation of acquired deferred revenue of -8.5 MEUR (-5.8). Using fixed exchange rates and a comparable Group structure, net sales increased by 12 per cent.

Hexagon Measurement Technologies' (MT) operating net sales amounted to 2 112.3 MEUR (1 434.2). Using fixed exchange rates and a comparable structure for MT, operating net sales increased by 11 per cent.

Net sales from Other Operations amounted to 65.3 MEUR (52.9). Using fixed exchange rates and a comparable Group structure, net sales increased by 17 per cent.

SALES BRIDGE 2011

MEUR	Net sales
2010	**1 481.3**
Structure, %	33
Currency, %	1
Organic growth, %	12
Total, %	**46**
2011	**2 169.1**

GROSS EARNINGS

Gross earnings amounted to 1 143.5 MEUR (752.7). The gross margin was 52.7 per cent (50.8).

FIVE YEAR SUMMARY

MEUR	2011	2010	2009	2008	2007
Net sales	2 169.1	1 481.3	1 112.0	1 511.0	1 577.3
Operating earnings (EBIT1)	439.8	272.9	168.0	265.3	261.8
Operating margin, %	20.2	18.4	15.1	17.6	16.6
Earnings before taxes excluding non-recurring items	380.9	247.5	153.2	232.0	238.6
Non-recurring items	-8.5	-136.6	-17.4	-10.4	-16.3
Earnings before taxes	372.4	110.9	135.8	221.6	222.3
Net earnings	297.4	91.7	118.1	193.5	195.8
Earnings per share, EUR	0.84	0.30	0.39	0.64	0.64

OPERATING EARNINGS

Operating earnings (EBITDA) increased by 50 per cent to 542.4 MEUR (362.4), corresponding to an operating margin (EBITDA margin) of 25 per cent (24).

Operating earnings excluding non-recurring items (EBIT1) increased by 61 per cent to 439.8 MEUR (272.9), corresponding to an operating margin (EBIT1 margin) of 20.2 per cent (18.4).

Hexagon Measurement Technologies' operating earnings (EBIT1) increased to 450.1 MEUR (281.4), corresponding to an operating margin of 21.3 per cent (19.6).

Operating earnings (EBIT1) from Other Operations increased to 2.1 MEUR (-1.2), corresponding to an operating margin of 3.2 per cent (-2.3).

BUSINESS AREAS

	Net Sales		Operating Earnings (EBIT 1)	
MEUR	2011	2010	2011	2010
Measurement Technologies	2 112.3	1 434.2	450.1	281.4
Other Operations	65.3	52.9	2.1	-1.2
Group costs and adjustments	-8.5	-5.8	-12.4	-7.3
Total	**2 169.1**	**1 481.3**	**439.8**	**272.9**

FINANCIAL REVENUE AND EXPENSES

The financial net amounted to -58.9 MEUR (-40.8) in 2011. The increase is mainly explained by higher interest rates and higher net debt due to the acquisition of Intergraph.

NON-RECURRING ITEMS

Costs Related to the Acquisition of Intergraph

Non-recurring items amount to -8.5 MEUR in 2011 and concludes the revenue adjustment related to the acquired deferred revenue from the Intergraph acquisition.

The non-recurring items in 2010 of -136.6 MEUR are primarily related to the acquisition of Intergraph and consist of cash integration, transaction and refinancing costs of -55.8 MEUR, of which -42.0 MEUR were charged in the fourth quarter 2010. The remaining part, approximately -13.8 MEUR relating to loans, was capitalised and is amortised over the maturity of the loans, which is five years. Also in 2010, Hexagon recorded non-cash, non-recurring costs of -68.0 MEUR. 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). Hexagon also recorded an impairment charge of -26.6 MEUR in relation to the business area Other Operations.

EARNINGS BEFORE TAXES

Earnings before taxes, excluding non-recurring items, amounted to 380.9 MEUR (247.5). Including non-recurring items, earnings before taxes were 372.4 MEUR (110.9).

EFFECTIVE TAX RATE

Hexagon's tax expense for the year totalled -75.0 MEUR (-19.2), corresponding to an effective tax rate of 20 per cent (17). The increase in the effective tax rate is primarily due to increased operations in the USA following the acquisition of Intergraph in 2010.

NON-CONTROLLING INTEREST OF NET EARNINGS

The non-controlling interest of net earnings was 2.2 MEUR (1.8).

NET EARNINGS

Net earnings, excluding non-recurring items, amounted to 302.7 MEUR (210.0), or 0.85 EUR per share (0.69). Net earnings, including non-recurring items, amounted to 297.4 MEUR (91.7), or 0.84 EUR per share (0.30).

CASH FLOW

Cash flow from operations before changes in working capital and non-recurring items amounted to 397.2 MEUR (294.1), corresponding to 1.13 EUR per share (0.97). Including changes in working capital, cash flow from operations was 369.0 MEUR (260.4), corresponding to 1.05 EUR per share (0.86). Cash flow was negatively affected by non-recurring items, amounting to -16.0 MEUR (-47.8). Cash flow from other investments activities was -99.2 MEUR (-1 598.2). Cash flow after other investments amounted to 117.9 MEUR (-1 472.8). The change in borrowings was -97.8 MEUR (861.8). Cash dividends to the Parent Company shareholders amounted to -55.5 MEUR (-33.2), corresponding to 0.15 EUR per share (0.10).

PROFITABILITY

Capital employed, defined as total assets less non-interest bearing liabilities, increased to 4 429.0 MEUR (4 208.8). Return on average capital employed, excluding non-recurring items, for the last 12 months was 10.5 per cent (10.2). Return on average shareholders' equity for the last 12 months was 13.1 per cent (6.0). The capital turnover rate was 0.7 times (1.1).

FINANCING AND FINANCIAL POSITION

Shareholders' equity, including non-controlling interest, increased to 2 525.8 MEUR (2 172.3). The equity ratio increased to 47 per cent (43). Hexagon's primary sources of financing are a 900 MUSD and a 1 000 MEUR Term and Revolving Credit Facilities Agreement that expires in July 2015. Hexagon also has a Bridge Term Loan of 375 MUSD that matures in July 2012 and which is intended to be refinanced with a bond issue. In the fourth quarter of 2009, Hexagon issued a 2 000 MSEK five year bond which is also part of Hexagon's financing.

On 31 December 2011, cash and unutilised credit limits totalled 360.1 MEUR (508.0). Hexagon's net debt was 1 786.8 MEUR. The net indebtedness was 0.66 times (0.82). Interest coverage ratio was 7.0 times (3.6).

INVESTMENTS

Ordinary investments consist mainly of investments in production facilities, production equipment and intangible assets, primarily capitalised development expenses. Of the ordinary investments of 140.0 MEUR (90.0) during 2011, approximately 71 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 USA, and results in products and services that are sold worldwide. The remaining part of the ordinary investments, approximately 29 per cent comprised mostly investments in buildings, business equipment and machines.

All ordinary investments during the year have been financed by cash flow from operations. Investments corresponded to 6 per cent (6) 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 amortisation during the year, including - MEUR (-62.9) for impairment losses, amounted to -102.6 MEUR (-152.5).

INVESTMENTS

MEUR	2011	2010
Investments in intangible fixed assets	101.1	65.6
Investments in tangible fixed assets	38.9	24.4
Divestments of tangible fixed assets	-4.1	-2.8
Total ordinary investments	**135.9**	**87.2**
Investments in subsidiaries	83.0	1 591.4
Investments of financial fixed assets	17.5	7.4
Divestments of financial fixed assets	-1.3	-0.6
Total other investments	**99.2**	**1 598.2**
Total investments	**235.1**	**1 685.4**

INTANGIBLE FIXED ASSETS

As of 31 December 2011, Hexagon's carrying value of intangible fixed assets was 3 872.3 MEUR (3 595.4). Amortisation of intangible fixed assets for the 2011 financial year was -69.1 MEUR (-59.6).

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 2011 and no impairment requirement arose. Consolidated goodwill at 31 December 2011 amounted to 2 643.7 MEUR (2 467.3), corresponding to 49 per cent (49) of total assets. The table below shows the business areas to which the goodwill is attributable.

GOODWILL

MEUR	2011	2010
Measurement Technologies	2 642.4	2 466.0
Other Operations	1.3	1.3
Total	**2 643.7**	**2 467.3**

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 2011 amounted to 223.6 MEUR (139.7), corresponding to 10 per cent (10) 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 costs is in line with other leading suppliers in the industry.

R&D COST

MEUR	2011	2010
Capitalised	99.3	63.7
Expensed (excluding amortisation)	124.3	76.0
Total	**223.6**	**139.7**

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, efficiency and reduced waste and thus to a decrease in the consumption of materials and raw materials. Hexagon's products and services are used in thousands of applications that all have one thing in common: making various processes more efficient, cheaper and more environmentally friendly. 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. Hexagon develops and assembles high-technology products under laboratory-like conditions, thus limiting the environmental impact of our and our customers operations. Almost all our facilities are ISO 14001 certified and we have a programme for monitoring our subcontractors in place.

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 the 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 obligated to have ISO quality accreditation wherever this is warranted.

SHARE CAPITAL AND OWNERSHIP

Hexagon's share capital was 78 471 187 EUR, represented by 353 642 177 issued shares. Total issued shares at 31 January 2011 was 15 750 000 class A shares, each carrying 10 votes, and 337 892 177 class B shares, each carrying one vote. At 31 December 2011, Melker Schörling AB, the single largest shareholder in Hexagon, held a total of 15 750 000 class A shares and 78 711 582 class B shares, representing 47.8 per cent of the votes and 26.7 per cent of the capital.

Share Repurchases

The Annual General Meeting on 10 May 2011 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 10 per cent of all outstanding shares in the Company. No shares were repurchased in 2011. By year-end 2011 Hexagon held 1 152 547 treasury shares.

Significant Agreements

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

As far as the Company knows there is no shareholder agreement that could prevent the transfer of shares. Nor are there agreements between the Company, directors or employees, other than as described in Note 30, which stipulate the right to compensation if such a person is dismissed with cause or if such a person's employment is terminated as a result of a public offer for shares of the Company.

MANAGEMENT OF HEXAGON'S CAPITAL

Hexagon's reported shareholders' equity, including non-controlling interest, was 2 525.8 MEUR (2 172.3) at year-end. Hexagon's overall long-term objective is to increase earnings per share by at least 15 per cent annually and to achieve a return on capital employed of at least 15 per cent. Another Group objective is to achieve an equity ratio of 25-35 per cent because Hexagon is seeking to minimise the weighted average cost of capital for the Company's financing.

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 renegotiated and the borrowing cost can increase temporarily. In addition, the lender has a right to terminate the loan agreements upon a breach of the covenants. Hexagon has not breached any covenants in 2011 or prior years.

The Company's strategy, as well as its financial position and other financial objectives, are taken into account in connection with the annual decision concerning dividend payments.

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 46-51. The corporate governance report contains the Board of Directors' report on internal control.

DIVIDEND

The dividend policy of Hexagon 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 0.17 EUR per share, corresponding to 20 per cent of earnings per share after tax, excluding non-recurring items, and to 17 per cent of cash flow from current operations per share. The dividend is expected to total approximately 59.9 MEUR (57.3). The reason for the dividend being slightly lower than what the dividend policy implies is that Hexagon in 2011 prioritised reducing the net debt. The proposed record date for dividend payments is 14 May 2012. Future dividends will be adjusted in line with, for example, Hexagon's earnings and equity ratio, financial position and development potential.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The Annual General Meeting 2011 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, pension and other benefits and all in all be competitive and in accordance with market practice. The variable remuneration is tied to the financial performance of the Group, shall be maximised in relation to the basic salary, tied to such performance that the relevant individual can influence and be 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 employee notice period shall normally be six months. 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. It is proposed to the Annual General Meeting 2012 to resolve on the same guidelines as above concerning the remuneration of senior executives, however with the amendment that the variable remuneration will not exceed 60 per cent of the base salary.

INCENTIVE PROGRAMMES

See Note 30 on page 110.

PARENT COMPANY

The Parent Company's earnings after financial items were 295.1 MEUR (-213.1). The solvency ratio of the Parent Company was 37 per cent (33). The equity was 1 473.3 MEUR (1 253.9). Liquid funds including unutilised credit limits were 206.4 MEUR (352.2).

Hexagon's activities are financed via equity and external borrowings in the Parent Company. Substantial currency effects arise due to the multicurrency Group internal and external lending and borrowing.

SUBSEQUENT EVENTS

On 19 January 2012 Hexagon entered into an agreement to acquire all outstanding shares of MicroSurvey Software Inc., a leading Canada-based developer of surveying and mapping software for the land surveying, construction and forensic markets (Geosystems technology add-on).

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 the 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 performed to evaluate potential risks. From 2000 to 2011, 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.
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 design, 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 2011 and Hexagon is continuously focusing on increasing its local presence in regions where growth is expected to remain strong.

	RISK	RISK MANAGEMENT
Competition and price pressure	Parts of Hexagon's operations are carried out in sectors which are subject to price pressure and rapid technological change. Hexagon's ability to compete in the market 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 2 280 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.
Customers	Hexagon's business activities are conducted in a large number of markets with multiple customer categories. In 2011, surveying was the single largest customer category and accounted for 22 per cent of net sales. 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 (19 per cent), aerospace and defence (12 per cent) and construction (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 approximately 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.
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 1.8 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 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 Treasury Policy, which is updated and approved annually by the Board of Directors, stipulates the rules and limitations for the management of financial risks throughout the Group. Hexagon's 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 and the Board of Directors on a regular basis.

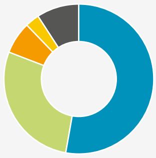
	RISK	RISK MANAGEMENT
Currency	Hexagon's operations are mainly conducted internationally. During 2011, total operating earnings, excluding non-recurring items, from operations in currencies other than EUR amounted to an equivalent of 324.1 MEUR. The currencies that have the biggest impact on Hexagon's earnings and net assets are USD, CHF and CNY. Currency risk is the risk that 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 EUR. Furthermore, the comparability of Hexagon's result between periods is affected by changes in 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 2011.	As of 1 January 2011 Hexagon has changed the presentation currency in the Group from Swedish kronor (SEK) to Euro (EUR). The change decreases the currency exposure in both the income statement and balance sheet as well as in other comprehensive income. It also allows Hexagon to better match debt to net assets which have a stabilising effect on the 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 the fair value is deferred in the hedge reserve in equity through other comprehensive income to offset the gains/losses on hedged future sales and purchases in other currencies than the functional currency. Translation exposure related to actual and forecasted earnings in non-EUR currencies is not hedged.

	Movement[1]	Net of income and cost	Profit impact
CHF	Strengthened	Negative	Negative
USD	Weakened	Positive	Negative
CNY	Weakened	Positive	Negative
EBIT1, MEUR			**-21**

[1] Compared to EUR

CURRENCY EXPOSURE

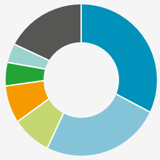
NET ASSETS



USD	53%
CHF	28%
CAD	7%
CNY	3%
Other	9%

Translation exposure from net assets is partly hedged with external debt in corresponding currencies. EUR is excluded since it is the Group's presentation currency.

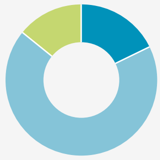
NET SALES



USD	33%
EUR	24%
CHF	8%
CNY	8%
GBP	4%
SEK	5%
Other	18%

The consolidated operating income is mainly generated in other currencies than EUR. Translation exposure is not hedged.

INTEREST-BEARING LIABILITIES



USD	18%
EUR	68%
CHF	14%

In the currency composition, EUR 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 2011 was less than two months. During 2011 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.	Through a combination of geographical and industry diversification of customers the risk for significant credit losses is reduced. To reduce Hexagon's financial credit risk, surplus cash is only invested with a limited number of approved banks and derivative transactions are only conducted with counterparties where an ISDA (International Swaps and Derivatives Association) netting agreement has been established. As Hexagon is a net borrower, excess liquidity is primarily used to repay external debt and therefore the average surplus cash invested with banks is kept as low as possible.
Liquidity	Liquidity risk is the risk of not being able to meet payment obligations in full as they become due or only being able to do so at materially disadvantageous terms due to lack of cash resources.	The Group Treasury Policy states that the total liquidity reserve shall at all times be at least 10 per cent of forecasted annual net sales. At year-end, cash and unutilised credit limits totalled 360.1 MEUR (508.0).

	RISK	RISK MANAGEMENT
Refinancing	Refinancing risk refers to the risk that Hexagon does not have sufficient financing available when needed to refinance maturing debt, because existing lenders decline 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 into. To finance the 2 125 MUSD acquisition of Intergraph and to refinance Hexagon's maturing 1 000 MEUR multicurrency revolving credit facility, Hexagon entered, in July 2010, into two financing arrangements, a bridge loan of 1 225 MUSD and a five year term loan and multicurrency revolving credit facility of 900 MUSD and 1 000 MEUR. 850 MUSD of the bridge loan was repaid with the proceeds from the rights issue offering in December 2010 and the remaining part of the bridge loan, 375 MUSD, matures in July 2012. 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 and include standard financial covenants. In addition to the above financing, Hexagon in year 2009, issued a 2 000 MSEK five year bond without any financial covenants.
Insurable risk	Hexagon's operations, assets and staff are to a certain degree exposed to various risk of damages, losses and injuries which could tentatively threaten the Group's business continuity, earnings, financial assets and personnel.	To ensure a well-balanced insurance coverage and financial economies of scale, Hexagon's insurance programme includes among other things Group-wide property and liability insurance, travel insurance, errors and omissions insurance and transport insurance 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 Hexagon 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 medium 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

MEUR	Note	2011	2010
Net sales	3, 5	2 169.1	1 481.3
Cost of goods sold	6, 12	-1 025.6	-728.6
Gross earnings		**1 143.5**	**752.7**
Sales expenses	6, 12	-366.5	-253.7
Administration expenses	6, 12	-163.1	-127.1
Research and development expenses	6, 12	-180.2	-173.0
Other operating income	7	49.6	41.5
Other operating expenses	7, 12	-52.0	-88.8
Share of income of associated companies	9	0.0	0.1
Operating earnings [1]	3, 13, 25, 28, 29, 30, 31	**431.3**	**151.7**
Financial income and expenses			
Financial income	10	3.4	1.4
Financial expenses [2]	10	-62.3	-42.2
Earnings before tax	3	**372.4**	**110.9**
Tax on earnings for the year	11	-75.0	-19.2
Net earnings		**297.4**	**91.7**
Attributable to:			
Parent company shareholders		295.2	89.9
Non-controlling interest		2.2	1.8
[1] Of which non-recurring items	12	-8.5	-121.2
[2] Of which non-recurring items	12	-	-15.4
Average number of shares, thousands	21	**352 484**	**303 655**
Average number of shares after dilution, thousands	21	**352 546**	**303 677**
Earnings per share, EUR		**0.84**	**0.30**
Earnings per share after dilution, EUR		**0.84**	**0.30**
Net earnings include depreciations and write-downs of		**-102.6**	**-152.5**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

MEUR	2011	2010
Net earnings	**297.4**	**91.7**
Other comprehensive income:		
Translation differences	77.1	208.0
Effect of hedging of net investments in foreign operations	38.9	-27.9
Cash flow hedges, net	-0.8	0.2
Tax attributable to other comprehensive income		
Tax attributable to effect of hedging of net investments in foreign operations	-10.2	7.3
Tax attributable to effect of cash flow hedges	0.2	0.0
Other comprehensive income, net of tax	**105.2**	**187.6**
Total comprehensive income	**402.6**	**279.3**
Attributable to:		
Parent company shareholders	399.9	276.8
Non-controlling interest	2.7	2.5

CONSOLIDATED BALANCE SHEET

MEUR	Note	2011-12-31	2010-12-31	2010-01-01
ASSETS				
Fixed assets				
Intangible fixed assets	8, 14	3 872.3	3 595.4	1 599.3
Tangible fixed assets	15	229.3	274.1	165.2
Shares in associated companies	16, 17	0.2	3.1	1.5
Other long-term securities holdings	16	8.6	6.0	8.7
Other long-term receivables	16, 18	19.8	11.2	2.4
Deferred tax assets	11	88.5	64.4	57.6
Total fixed assets		**4 218.7**	**3 954.2**	**1 834.7**
Current assets				
Inventories	19	358.9	319.2	253.3
Customer receivables	18	509.8	451.2	255.1
Receivables, associated companies	18	-	-	1.4
Current tax receivables	11	40.3	27.3	4.3
Other receivables – interest bearing		3.4	0.7	5.2
Other receivables – non-interest bearing	18	39.9	35.4	20.4
Prepaid expenses and accrued income	20	56.3	58.2	28.3
Short-term investments	24	3.6	0.9	2.0
Cash and bank balances	24	112.8	159.5	75.4
Total current assets		**1 125.0**	**1 052.4**	**645.4**
TOTAL ASSETS		**5 343.7**	**5 006.6**	**2 480.1**

MEUR	Note	2011-12-31	2010-12-31	2010-01-01
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	21	78.5	78.4	51.8
Other capital contributions		1 286.1	1 283.4	520.1
Hedging reserve		-0.4	0.2	0.0
Translation reserve		195.7	90.4	0.3
Retained earnings		958.8	713.7	640.5
Shareholders' equity attributable to Parent Company shareholders		**2 518.7**	**2 166.1**	**1 212.7**
Non-controlling interest		7.1	6.2	5.0
Total shareholders' equity		**2 525.8**	**2 172.3**	**1 217.7**
Long-term liabilities				
Provisions for pensions	22	38.6	34.2	37.4
Other provisions	23	81.3	46.8	6.3
Deferred tax liabilities	11	245.7	210.1	39.9
Liabilities to credit institutions	24	1 404.2	1 807.4	899.6
Other long-term liabilities – interest-bearing	24	3.3	2.6	2.7
Other long-term liabilities – non-interest bearing	24	29.9	24.0	1.4
Total long-term liabilities		**1 803.0**	**2 125.1**	**987.3**
Current liabilities				
Liabilities to credit institutions	24	456.9	154.4	11.4
Advance payments from customers		19.7	18.4	14.2
Accounts payable		144.8	152.1	84.3
Current tax liabilities	11	25.0	23.2	13.5
Other liabilities – non-interest bearing		34.3	14.1	18.8
Other provisions	23	8.2	30.1	25.9
Accrued expenses and deferred income	20	326.0	316.9	107.0
Total current liabilities		**1 014.9**	**709.2**	**275.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**5 343.7**	**5 006.6**	**2 480.1**
Collateral pledged	26	38.0	40.2	2.8
Contingent liabilities	26	6.9	19.5	23.3

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share capital	Other capital contributions	Hedging reserve	Translation reserve	Retained earnings	Shareholders' equity attributable to Parent Company shareholders	Non-controlling interest	Total shareholders' equity
Opening shareholders' equity, 1 January 2010	**51.8**	**520.1**	**0.0**	**0.3**	**640.5**	**1 212.7**	**5.0**	**1 217.7**
Total comprehensive income for the period	**-**	**-**	**0.2**	**186.7**	**89.9**	**276.8**	**2.5**	**279.3**
Effect of acquisitions and divestments of subsidiaries	-	-	-	-	-0.3	**-0.3**	-	**-0.3**
New share issue	19.5	690.6	-	-	-	**710.1**	-	**710.1**
Dividend	-	-	-	-	-33.2	**-33.2**	-1.3	**-34.5**
Translation effect from change of functional currency from SEK to EUR	7.1	72.7	-	-96.6	16.8	**-**	-	**-**
Closing shareholders' equity, 31 December 2010	**78.4**	**1 283.4**	**0.2**	**90.4**	**713.7**	**2 166.1**	**6.2**	**2 172.3**
Total comprehensive income for the period	**-**	**-**	**-0.6**	**105.3**	**295.2**	**399.9**	**2.7**	**402.6**
Sale of stock options	-	-	-	-	8.2	**8.2**	-	**8.2**
Repurchase of stock options	-	-	-	-	-2.8	**-2.8**	-	**-2.8**
New share issue	0.1	2.7	-	-	-	**2.8**	-	**2.8**
Dividend	-	-	-	-	-55.5	**-55.5**	-1.8	**-57.3**
Closing shareholders' equity, 31 December 2011	**78.5**	**1 286.1**	**-0.4**	**195.7**	**958.8**	**2 518.7**	**7.1**	**2 525.8**

Share capital is described in detail in Note 21.
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.
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 after tax 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

MEUR	Note	2011	2010
Cash flow from operating activities			
Operating earnings		**431.3**	**151.7**
Adjustments for items in operating earnings not affecting cash flow			
Depreciation and amortisation		102.6	89.5
Impairment losses		-	71.7
Change in provisions		-14.2	-9.5
Capital gains on divestment of fixed assets		0.2	0.4
Earnings from shares in associated companies		0.0	-0.1
Unpaid transaction expenses and similar items		-	13.1
Other items not affecting cash flow		-	5.4
Interest received		3.0	1.3
Interest paid		-58.6	-55.1
Tax paid		-71.1	-22.1
Cash flow from operating activities before changes in working capital		**393.2**	**246.3**
Cash flow from changes in working capital			
Change in inventories		-33.7	-26.5
Change in current receivables		-55.6	-69.2
Change in current liabilities		49.1	62.0
Cash flow from changes in working capital		**-40.2**	**-33.7**
Cash flow from operating activities[1]		**353.0**	**212.6**
Cash flow from ordinary investing activities			
Investments in intangible fixed assets		-101.1	-65.6
Investments in tangible fixed assets		-38.9	-24.4
Divestments of tangible fixed assets		4.1	2.8
Cash flow from ordinary investing activities		**-135.9**	**-87.2**
Operating cash flow		**217.1**	**125.4**
Cash flow from other investing activities			
Investments in subsidiaries	27	-83.0	-1 591.4
Investments in financial fixed assets	16	-17.5	-7.4
Divestments of financial fixed assets	16	1.3	0.6
Cash flow from other investing activities		**-99.2**	**-1 598.2**
Cash flow from financing activities			
Borrowings		-	2 333.0
Repayment of debt		-97.8	-1 471.2
Repurchase of stock options		-2.8	-
New share issue net of expenses		-5.7	718.5
Dividend to Parent Company shareholders		-55.5	-33.2
Dividend to non-controlling interests in subsidiaries		-1.8	-1.3
Cash flow from financing activities		**-163.6**	**1 545.8**
Cash flow for the year		**-45.7**	**73.0**
Cash and cash equivalents, beginning of year [2]		160.4	77.4
Effect of translation differences on cash and cash equivalents		1.7	10.0
Cash flow for the year		-45.7	73.0
Cash and cash equivalents, end of year [2]		**116.4**	**160.4**

[1] Of which non-recurring cash flow		-16.0	-47.8

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

PARENT COMPANY INCOME STATEMENT

MEUR	Note	2011	2010
Net sales	4.5	8.6	7.6
Administration expenses	6, 30, 31	-13.1	-43.9
Operating earnings		**-4.5**	**-36.3**
Financial income and expense			
Result from shares in Group companies	9	149.0	98.8
Interest income and similar items	10	225.0	21.5
Interest expenses and similar items	10	-74.4	-297.1
Earnings before tax		**295.1**	**-213.1**
Tax on earnings for the year		-20.3	3.2
Net earnings		**274.8**	**-209.9**

PARENT COMPANY COMPREHENSIVE INCOME STATEMENT

MEUR	2011	2010
Net earnings	274.8	-209.9
Other comprehensive income net of tax	-	-
Total comprehensive income for the period	**274.8**	**-209.9**

PARENT COMPANY BALANCE SHEET

MEUR	Note	31 Dec 2011	31 Dec 2010	1 Jan 2010
ASSETS				
Subscribed but not paid capital		-	2.8	-
Fixed assets				
Intangible fixed assets	14	0.7	0.1	0.0
Tangible fixed assets	15	0.0	0.0	0.1
Financial fixed assets				
Shares in Group companies	16	2 289.7	2 297.2	1 185.1
Receivables from Group companies	16	1 477.4	1 306.0	496.7
Other financial fixed assets	16	0.1	0.1	0.1
Total fixed assets		**3 767.2**	**3 603.3**	**1 681.9**
Deferred tax asset		4.6	24.4	18.4
Total fixed assets		**3 772.5**	**3 627.8**	**1 700.4**
Current assets				
Current receivables				
Receivables from Group companies		203.8	91.0	87.6
Other receivables		0.5	1.3	4.8
Prepaid expenses and accrued income	20	3.2	15.2	1.8
Total current receivables		**207.5**	**107.5**	**94.2**
Cash and bank balances		0.2	38.9	16.7
Total current assets		**207.7**	**146.4**	**110.9**
TOTAL ASSETS		**3 980.2**	**3 777.0**	**1 811.3**

MEUR	Note	31 Dec 2011	31 Dec 2010	1 Jan 2010
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Restricted equity				
Share capital	21	78.5	78.4	51.8
Statutory reserve		314.3	314.3	274.5
Ongoing rights issue		-	2.8	-
Total restricted equity		**392.8**	**395.5**	**326.3**
Non-restricted equity				
Premium reserve		805.7	916.6	193.1
Retained earnings		274.8	-58.2	167.9
Total non-restricted equity		**1 080.5**	**858.4**	**361.0**
Total shareholders' equity		**1 473.3**	**1 253.9**	**687.3**
Long-term liabilities				
Liabilities to credit institutions		1 371.0	1 768.0	749.4
Total long-term liabilities		**1 371.0**	**1 768.0**	**749.4**
Current liabilities				
Liabilities to credit institutions		445.9	141.0	-
Accounts payable		1.2	10.2	0.3
Liabilities to Group companies		686.3	587.8	372.9
Other liabilities		0.3	0.1	0.1
Accrued expenses and deferred income	20	2.2	16.0	1.3
Total current liabilities		**1 135.9**	**755.1**	**374.6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3 980.2**	**3 777.0**	**1 811.3**
Collateral pledged	26	None	None	None
Contingent liabilities	26	71.1	55.8	44.4

CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

	Restricted shareholders' equity			Unrestricted shareholders' equity		
MEUR	**Share capital (unrestricted)**	**Statutory reserve (restricted)**	**Rights issue**	**Premium reserve (unrestricted)**	**Retained earnings**	**Total shareholders' equity**
Opening balance, 2010-01-01	**51.8**	**274.5**	**-**	**193.1**	**167.9**	**687.3**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-209.9**	**-209.9**
Dividend	-	-	-	-	-33.2	**-33.2**
Sale of own shares	-	-	-	-	0.2	**0.2**
New share issue	19.5	-	2.8	699.7	-	**722.0**
New share issuance costs, net of tax	-	-	-	-9.1	-	**-9.1**
Translation effect from change of functional currency from SEK to EUR	7.1	39.8	-	32.9	16.8	**96.6**
Closing balance, 2010-12-31	**78.4**	**314.3**	**2.8**	**916.6**	**-58.2**	**1 253.9**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**274.8**	**274.8**
Transfer in accordance with Allocation of Earnings	-	-	-	-113.7	113.7	**-**
Dividend	-	-	-	-	-55.5	**-55.5**
New share issue	0.1	-	-2.8	2.8	-	**0.1**
Closing balance, 2011-12-31	**78.5**	**314.3**	**-**	**805.7**	**274.8**	**1 473.3**

PARENT COMPANY CASH FLOW STATEMENT

MEUR	2011	2010
Cash flow from operating activities		
Operating earnings	**-4.5**	**-36.3**
Adjustment for operating earnings items not influencing cash flow		
Depreciation and impairment losses	0.1	31.9
Interest received	184.7	21.5
Dividend from subsidaries	149.0	98.8
Interest paid	-68.6	-127.7
Cash flow from operating activities before changes in working capital	**260.7**	**-11.8**
Cash flow from changes in working capital		
Change in current receivables	-100.6	-0.3
Change in current liabilities	94.4	178.5
Cash flow from changes in working capital	**-6.2**	**178.2**
Cash flow from operating activities	**254.5**	**166.4**
Cash flow from investing activities		
Investments in intangible fixed assets	-0.8	-
Investments in financial fixed assets	-	-959.2
Change in long-term receivables, Group companies	-133.4	-734.3
Capital contribution paid	-	-6.4
Cash flow from other investing activities	**-134.2**	**-1 699.9**
Cash flow from financing activities		
Borrowings	-	2 445.5
Repayments	-97.8	-1 566.7
New share issue, net of expenses	-5.7	710.1
Dividend to shareholders	-55.5	-33.2
Cash flow from financing activities	**-159.0**	**1 555.7**
Cash flow for the year	**-38.7**	**22.2**
Cash and cash equivalents opening balance [1]	**38.9**	**16.7**
Cash and cash equivalents closing balance [1]	**0.2**	**38.9**

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

NOTES

Amounts in MEUR, unless otherwise stated.

NOTE 1 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 R eporting Interpretations Committee (IFRIC), which have been approved by the European Commission for application within the EU.

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

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

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

On 26 March 2012, 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 9 May 2012 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 2011.

IAS 24	Related Party Disclosures (revised). (Approved by EU 19 July 2010)
IAS 32	Financial instruments: Presentation (revised) – Classification of Rights issues. (Approved by EU 23 December 2009)
IFRIC 14	Prepayments of a Minimum Funding requirement – revised. (Approved by EU 19 July 2010)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments. (Approved by EU 23 July 2010)

New and revised standards and interpretations had no significant impact on the financial statements in 2011.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standards, amended standards and interpretations that not have entered into force have not been applied in advance in the financial reports of Hexagon. The following standards enter into force on 1 January 2012 or later.

IFRS 9 Financial Instruments - This standard replaces the paragraphs of IAS 39 Recognition and Measurement that relate to classification and measurement. The standard is mandatory starting with the financial year of 2013, but earlier adoption is permitted, provided that the EU has approved the standard. This has not yet occurred. A proposal has been published that amend IAS 39 to require application date from 2013 to 2015. The standard will be amended with paragraphs about impairment and hedge accounting. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements – the standard replaces IAS 27 och SIC-12 about consolidation and provides a single model to identify whether controls exist or not. An entity or investment should be included within the consolidated financial statements by identifying the concept of control as a determining factor. The standard is effective for annual periods beginning on or after 1 January 2013. The standard is not expected to have any significant impact on the financial statement of Hexagon.

IFRS 11 Joint arrangements - the standard replaces IAS 31 Interests in Joint Ventures. Joint arrangements shall according to the standard be divided into two categories, joint venture eller joint operation. Different acccounting principles shall be applied for these categories. The standard is effective for annual periods beginning on or after 1 January 2013. The standard is not expected to have any significant impact on the financial statement of Hexagon.

IFRS 12 Disclosure of Interests in Other entities- provides new disclosure requirements for all types of investments in other entities regardless of the investment is included in the consolidated financial statements or not. The standard is effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair value measurement – the standard provides a single definition of fair value and a single framework for measuring fair value . New disclosure requirements is also amended. The standard is effective for annual periods beginning on or after 1 January 2013.

Amendment to IAS 1 – Presentation of financial statements – means new disclosure requirements of components contained in Other comprehensive income related to items that may be reclassified to profit and loss and items that never will be reclassified to profit and loss. The standard enters into force on 1 July 2012.

Amendment to IAS 19 – Employee benefits – the change means that all changes in the defined benefit liabilities shall be recognised as they occur, i e the option to apply the so called corridor approach that Hexagon currently applies will be removed. The change will have an impact on the amount of the defined benefit liabilities and other comprehensive income. The change also means that the return on plan assets shall be calculated with the same discount rate as used for the calculation of the defined benefit liability instead of expected return. The difference between actual return and discount rate applied on plan assets will be recognised in other comprehensive income as actuarial gain or loss. If the standard had been applied for the current year the profit before tax would have been reduced by approximately 7 MEUR. In the balance sheet the provisions for pensions would have been approximately 40 MEUR higher, which means a decrease of equity and an increase of deferred tax assets. The standard enters into force on 1 January 2013.

Other changes in standards and interpretations that enter into force from 1 January, 2012 are not expected to have any impact on the financial statements of Hexagon.

CHANGE OF PARENT COMPANY'S ACCOUNTING CURRENCY AND PRESENTATION CURRENCY

The Extraordinary General Meeting of Hexagon on 24 November 2010 resolved to replace SEK with EUR as the accounting currency for the Parent Company 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 currencies that have the biggest impact on Hexagon's earnings and net assets today are USD, CHF and CNY. The acquisition of Intergraph has further increased the importance of these currencies for Hexagon. The change of accounting currency from SEK to EUR has decreased the currency exposure in both the income statement and balance sheet as well as in other 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 EUR as is the presentation currency for the Parent Company and the Group. The financial reports are presented in EUR. All amounts, unless indicated otherwise, are rounded off to the nearest million. All numbers are rounded to the nearest million with one decimal, unless otherwise stated.

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.

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

Preparing the financial statements in compliance with IFRS requires that Management make judgements and estimates as well as make assumptions that affect the application of accounting principles and the amounts recognised as assets, liabilities, income and expenses. The actual outcome may diverge from these estimates and judgements.

Estimates and assumptions are reviewed regulary. Changes of estimates are recognised in the period when the change is made if the change only affects current period, or in that period when the change is made and coming periods if the change affects both current period and coming periods.

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

CLASSIFICATION

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

CONSOLIDATED FINANCIAL STATEMENTS

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

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

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 operations to EUR
Assets and liabilities in operations with a functional currency other than EUR are translated at the closing day exchange rate and income statements are translated at average exchange rates for the period. The resulting translation differences are recognised directly in other comprehensive income. The amount is recognised separately as a translation reserve in equity.

The value of the net assets of subsidiaries whose functional currency is not EUR, including goodwill and other intangible assets, is partly hedged, mainly through 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 international 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 if;

- 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 Hexagon 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 13 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 2011 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 2011 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.

BORROWING 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 OTHER CURRENCIES THAN EUR

Transactions in non-EUR currencies are recognised in the functional currency at the exchange rate on the transaction day. Monetary assets and liabilities are translated to the functional currency on the closing day at the exchange rate then in effect. Exchange rate differences that arise through these translations are recognised in 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 depreciations 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 right to use the name Leica derives from a contractual useful life under an agreement that expires in 92 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.

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).

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 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.
- 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.

Fixed assets acquired in other currencies than EUR are recognised at the historical exchange rate. Other assets and liabilities 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 9 May 2012.

NOTE 2 Critical Accounting Estimates and Assumptions

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

PARTS OF HEXAGON'S SALES DERIVE FROM MAJOR AND 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 Hexagon 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 2 644 MEUR (2 467). Other intangible assets not subject to amortisation amount to 717 MEUR as of this date. Impairment tests performed did not give rise to any impairment.

VALUATIONS OF TAX ASSETS AND LIABILITIES

The Board of Directors and Company Management continuously assess the carrying amount of both current and deferred tax assets and liabilities. For deferred tax assets, Hexagon has to assess the probability of whether it will be possible to utilise the deductible temporary differences that give rise to deferred tax assets to offset future taxable profits. In addition, in certain situations, the value of the deferred tax assets and liabilities may be uncertain due to ongoing tax processes, for example. Accordingly, the value of deferred tax assets and liabilities may deviate from these estimates due to a change in future earning capacity, changed tax regulations or the outcome of examinations by authorities or tax courts of issued or not yet issued tax returns. When assessing the value of deferred tax assets and liabilities, Hexagon has to form an opinion of the tax rate that will apply at the time of the reversal of the temporary differences. Hexagon recognised deferred tax liabilities, net in an amount of 157.2 MEUR (145.7), net, at the end of 2011. At the same date, the Group had tax-loss carry-forwards with a value of 90.2 MEUR (75.8) that were not recognised as assets. These assets could not be capitalised based on assessments of the opportunity to utilise the tax deficits. In comparison with the final outcome, the estimates made concerning both deferred tax assets and liabilities could have either a positive or a negative impact on earnings.

PENSION OBLIGATIONS

Within Hexagon, there are defined-benefit pension schemes based on significant assumptions concerning future benefits pertaining to either the current or prior workforce. 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.

NOTE 3 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 18-29 of this Annual Report.

2011	Hexagon Measurement Technologies	Other Operations	Total segments	Group expenses and eliminations	Group
Net sales	2 112.3	65.3	2 177.6	-8.5	2 169.1
Operating expenses	-1 662.2	-63.2	-1 725.4	-3.9	-1 729.3
Operating earnings (EBIT1) [1]	**450.1**	**2.1**	**452.2**	**-12.4**	**439.8**
Non-recurring items	-	-	-	-8.5	-8.5
Operating earnings (EBIT)	**450.1**	**2.1**	**452.2**	**-20.9**	**431.3**
Net interest income/expenses				-58.9	-58.9
Earnings before taxes				**-79.8**	**372.4**
Operating assets	5 037.0	40.0	5 077.0	-2.5	5 074.5
Operating liabilities	-725.2	-14.0	-739.2	96.2	-643.0
Net operating assets	**4 311.8**	**26.0**	**4 337.8**	**93.7**	**4 431.5**
[1] Of which share in associated companies earnings	0.0	0.0	0.0	-	0.0
Shares in associated companies	0.2	-	0.2	-	0.2
Cash flow from operating activities	489.5	5.4	494.9	-141.9	353.0
Cash flow from ordinary investment activities	-134.4	-0.8	-135.2	-0.7	-135.9
Operating cash flow	**355.1**	**4.6**	**359.7**	**-142.6**	**217.1**
Average number of employees	12 131	334	12 465	10	12 475
Number of employees at year-end	12 674	374	13 048	12	13 060
Depreciation/amortisation and impairment losses	-98.6	-4.0	-102.6	0.0	-102.6

2010	Hexagon Measurement Technologies	Other Operations	Total segments	Group expenses and eliminations	Group
Net sales	1 434.2	52.9	1 487.1	-5.8	1 481.3
Operating expenses	-1 152.8	-54.1	-1 206.9	-1.5	-1 208.4
Operating earnings (EBIT1) [1]	**281.4**	**-1.2**	**280.2**	**-7.3**	**272.9**
Non-recurring items	-89.5	-19.3	-108.8	-12.4	-121.2
Operating earnings (EBIT)	**191.9**	**-20.5**	**171.4**	**-19.7**	**151.7**
Net interest income/expenses				-40.8	-40.8
Earnings before taxes				**-60.5**	**110.9**
Operating assets	4 525.6	49.5	4 575.1	48.5	4 623.6
Operating liabilities	-466.1	-12.5	-478.6	-25.4	-504.0
Net operating assets	**4 059.5**	**37.0**	**4 096.5**	**23.1**	**4 119.6**
[1] Of which share in associated companies earnings	0.1	0.0	0.1	-	0.1
Shares in associated companies	0.1	3.0	3.1	-	3.1
Cash flow from operating activities	319.8	2.3	322.1	-109.5	212.6
Cash flow from ordinary investment activities	-85.2	-1.9	-87.1	-0.1	-87.2
Operating cash flow	**234.6**	**0.4**	**235.0**	**-109.6**	**125.4**
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	-139.0	-11.9	-150.9	-1.6	-152.5

NOTE 3 Operating Segments, cont.

	Net sales per recipient country		Net Operating assets[1]						Tangible and intangible fixed assets	
			Assets		Liabilities		Net			
Geographical markets	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
EMEA[2]	955.6	693.9	2 189.8	2 126.6	-176.7	-253.5	2 013.1	1 873.1	1 485.8	1 554.3
Americas	666.4	380.2	2 846.8	2 345.7	-530.8	-205.7	2 316.0	2 140.0	2 552.9	2 248.7
Asia	555.6	413.0	308.1	275.1	-205.7	-168.6	102.4	106.5	62.9	66.2
Elimination of intra-group items / Adjustments	-8.5	-5.8	-270.2	-123.8	270.2	123.8	-	-	-	-
Group	**2 169.1**	**1 481.3**	**5 074.5**	**4 623.6**	**-643.0**	**-504.0**	**4 431.5**	**4 119.6**	**4 101.6**	**3 869.2**

[1] Net operating assets correspond 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 2011 or 2010.
[2] Sweden is included in EMEA with net sales of 121.9 MEUR (97.4) and tangible and intangible fixed assets of 63.6 MEUR (74.8).

NOTE 4 Intra-Group Purchases and Sales

Other Group companies account for 100 per cent (100) of the Parent Company's sales and 82 per cent (60) of the Parent Company's purchases.

NOTE 5 Net Sales

	Group		Parent Company	
	2011	2010	2011	2010
Surveying	459.4	341.1	-	-
Power and energy	382.9	254.8	-	-
Aerospace and defence	252.1	183.1	-	-
Safety and security	229.8	161.2	-	-
Construction	223.9	148.9	-	-
Automotive	253.3	164.5	-	-
Manufacturing	178.3	95.4	-	-
Other	189.4	132.3	8.6	7.6
Total	**2 169.1**	**1 481.3**	**8.6**	**7.6**

NOTE 6 Operating Expenses

	Group		Parent Company	
	2011	2010	2011	2010
Cost of goods sold				
Cost of goods	570.5	466.1	-	-
Personnel cost	244.2	149.5	-	-
Depreciation and amortisation	14.3	15.5	-	-
Other	196.6	97.5	-	-
Total	**1 025.6**	**728.6**	**-**	**-**
Research and development cost				
Personnel cost	116.6	101.9	-	-
Depreciation and amortisation	59.9	51.0	-	-
Other	3.7	20.1	-	-
Total	**180.2**	**173.0**	**-**	**-**
Sales expenses				
Personnel cost	257.4	169.9	-	-
Depreciation and amortisation	11.1	5.2	-	-
Other	98.0	78.6	-	-
Total	**366.5**	**253.7**	**-**	**-**
General and administrative cost				
Personnel cost	113.8	75.1	3.2	2.8
Depreciation and amortisation	17.3	17.8	0.1	0.0
Other	32.0	34.2	9.8	41.1
Total	**163.1**	**127.1**	**13.1**	**43.9**

NOTE 7 Other Operating Income and Operating Expenses

	Group		Parent Company	
	2011	2010	2011	2010
Other operating income				
Capital gains on divestment of fixed assets	0.8	0.8	-	-
Exchange rate gains	37.7	34.3	-	-
Government grants	0.1	0.2	-	-
Other	11.0	6.2	-	-
Total	**49.6**	**41.5**	**-**	**-**
Other operating expenses				
Capital loss on divestment of fixed assets	-1.0	-0.5	-	-
Exchange rate losses	-37.5	-39.4	-	-
Acquisition costs	-0.3	-9.9	-	-
Impairment losses Other operations	-	-26.6	-	-
Other	-13.2	-12.4	-	-
Total	**-52.0**	**-88.8**	**-**	**-**

NOTE 8 Impairments

Goodwill and other intangible assets with an indefinite life are subject to annual impairment testing. All tangible and intangible assets are impairment tested if indications of 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 is use, meaning the discounted value of future cash flows. The recoverable value is generally set at the value in use. The value in use is based on forecasted cash flows covering a five year period. Cash flows beyond this period are extrapolated using an annual growth assumption.

The most important assumptions used when calculating the value in use are the following:

Important assumptions	2011	2010
Risk-free interest rate, %	2.0-3.5	2.0-3.5
Tax rate, %	7-30	7-35
Beta value	1.3-1.8	1.3-1.8
Applied discount rate before tax, %	8.8-10.0	8.8-10.0
Forecast period	5 years	5 years
Growth after forecast period, %	2	2

Previous impairments are reversed by relevant amounts matching the degree to which the impairment is no longer warranted, although goodwill impairments are never reversed.

The value in use are determined for so called cash generating units. Cash generating units are defined as the smallest groups of assets for which independent cash flows can be identified. Hexagons 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. The Group's goodwill, which entirely relates to acquisitions of businesses, is allocated to the five cash generating units Hexagon has defined.

NOTE 8 Impairments, cont.

Goodwill per cash generating unit	2011	2010
Hexagon Geosystems	738.2	735.2
Hexagon Metrology	167.3	164.3
NovAtel	242.1	239.9
Intergraph	1 494.9	1 326.7
Other operations	1.2	1.2
Total	**2 643.7**	**2 467.3**

The total value of intangible assets that are not subject to amortisation was at the end of the year 3 361.0 (3 153.4). The entire amount is attributable to business area Measurement Technologies.

The calculations haven't resulted in any impairment needs. The sensitivity in all calculations demonstrates that the goodwill value still is defendable even if the discount rate is increased by one percentage point or if the growth rate after the forecast period is decreased by one percentage point.

In connection with the acquisition of Intergraph in 2010, capitalised development expenses regarding overlapping software were identified entailing an impairment charge of 53.2 MEUR in 2010.

NOTE 9 Earnings From Shares in Group Companies and Associates

	Group		Parent Company	
	2011	2010	2011	2010
Earnings from shares in Group companies				
Dividend from subidiaries	-	-	205.1	98.8
Impairment loss of shares in Group companies	-	-	-56.1	-
Total	**-**	**-**	**149.0**	**98.8**
Earnings from shares in associated companies				
Share in associated company earnings	0.0	0.1	-	-
Total	**0.0**	**0.1**	**-**	**-**

NOTE 10 Financial Income and Expenses

	Group		Parent Company	
	2011	2010	2011	2010
Financial income				
Interest income, bank account	3.2	1.2	1.2	0.2
Interest income, intercompany receivables	-	-	159.5	21.3
Other financial income	0.2	0.2	64.3	-
Total	**3.4**	**1.4**	**225.0**	**21.5**
Financial expenses				
Interest expenses, intercompany liabilities	-	-	-4.6	-1.2
Financial expenses related to financial liabilities measured at amortised cost	-54.9	-23.2	-51.5	-21.6
Currency translation differences	-	-	-	-256.5
Other financial expenses	-7.4	-19.0	-18.3	-17.8
Total	**-62.3**	**-42.2**	**-74.4**	**-297.1**

NOTE 11 Income Taxes, Group

Tax on earnings for the year	2011	2010
Current tax	-59.9	-28.6
Deferred tax	-15.1	9.4
Share of tax in associated companies	0.0	0.0
Total tax on earnings for the year	**-75.0**	**-19.2**

DEFERRED TAX	2011-12-31	2010-12-31
Deferred tax assets (liabilities) comprise:		
Fixed assets	-272.2	-274.7
Inventories	10.1	11.7
Customer receivables	2.0	0.9
Provisions	12.6	7.3
Hedge of net assets in international subsidiaries	-10.0	62.5
Other	62.4	7.6
Unutilised loss carry-forwards and similar deductions	128.1	114.8
Less items not satisfying criteria for being recognised as assets	-90.2	-75.8
Total	**-157.2**	**-145.7**
According to the balance sheet:		
Deferred tax assets	88.5	64.4
Deferred tax liabilities	-245.7	-210.1
Total, net	**-157.2**	**-145.7**

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

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Reconciliation of the year's change in current and deferred tax assets/liabilities	2011	2010
DEFERRED TAXES		
Opening balance, net	**-145.7**	**17.7**
Change via income statement		
Deferred tax on earnings	-39.7	46.2
Change in reserve for deductions not satisfying criteria for being recognised as assets	27.2	-34.6
Change in tax rates and items pertaining to prior years	-2.6	-2.2
Total	**-15.1**	**9.4**
Change via acquisitions and divestments	-	-165.6
Changes recognised in other comprehensive income, etc.	-10.0	7.3
Translation difference	13.6	-14.5
Closing balance, net	**-157.2**	**-145.7**
CURRENT TAXES		
Opening balance, net	**4.1**	**-9.2**
Change via income statement		
Current tax on earnings	-60.2	-37.7
Items pertaining to prior years	0.3	9.1
Total	**-59.9**	**-28.6**
Change via acquisitions and divestments	-1.6	20.4
Payments, net	71.1	22.1
Translation difference	1.6	-0.6
Closing balance, net	**15.3**	**4.1**

The Group's unutilised loss carry-forwards and similar deductions mature as follows:	2011-12-31
Year	
2012	0.2
2013	0.0
2014	1.5
2015	2.3
2016 and later	43.7
Indefinitely	409.2
Total	**456.9**

The difference between nominal Swedish tax rate and effective tax rate arises as follows:	2011	2010
Earnings before tax	**372.4**	**110.9**
Tax pursuant to Swedish nominal tax rate	**-97.9**	**-29.1**
Difference in tax rates in international businesses	25.1	16.7
Revaluation of loss carry-forwards, etc.	27.2	-34.6
Non-deductible expenses	-59.3	-10.0
Non-taxable revenue	31.8	30.4
Change in tax rates, etc.	-1.9	7.4
Tax, income statement	**-75.0**	**-19.2**

NOTE 12 Non-Recurring Items

Business area		2011	2010
Hexagon Measurement Technologies	Restructuring costs	-	-16.3
	Impairment losses	-	-67.5
	Other	-8.5	-5.7
Other Operations	Impairment losses	-	-12.3
	Other	-	-7.0
Group expenses	Restructuring costs	-	-1.8
	Acquisition costs	-	-8.9
	Impairment losses	-	-1.6
	Other	-	-15.5
Total		**-8.5**	**-136.6**

Function	2011	2010
Net sales	-8.5	-5.8
Cost of goods sold	-	-6.1
Administration expenses	-	-18.1
Research and development expenses	-	-55.6
Other operating expense	-	-35.6
Operating earnings	**-8.5**	**-121.2**
Financial expenses	-	-15.4
Earnings before tax	**-8.5**	**-136.6**

Non-recurring items are related to the acquisition of Intergraph that took place during 2010. During 2011 these items are related to acquired deferred revenue. The deferred revenue was included in the fair value of identifiable assets acquired and liabilites assumed during 2010, wherein the fair value of aquired deferred revenue was lower than the liability that would have been the effect of an accrual accounting. This has had a negative impact on the Group's net sales during 2011. During 2010, among other, non-recurring and non-cash impairment losses related to overlapping technologies in both Hexagon and Intergraph were recorded. Within the operating segment Other Operations impairment losses related to mainly machinery were recorded as a consequence of the revisited divestment strategy in connection with the acquisition of Intergraph.

NOTE 13 Government Grants

During 2011 some of the subsidiaries within the Group have received government grants. The table below shows how the grants are allocated to functions.

Function	2011	2010
Cost of goods sold	-	0.2
Sales expenses	-	0.1
Research and development expenses	0.2	0.3
Other operating income	0.1	0.2
Total	**0.3**	**0.8**

NOTE 14 Intangible Fixed Assets

GROUP Intangible fixed assets 2011	Capitalised development expenses	Patents and trademarks	Goodwill	Other intangible fixed assets	Total
Acquisition value, opening balance	376.4	782.9	2 488.5	297.6	**3 945.4**
Translation differences	11.2	25.2	70.1	5.8	**112.3**
Investments	99.3	1.3	-	0.5	**101.1**
Investments via acquisitions of subsidiaries	6.1	7.9	107.8	16.7	**138.5**
Reclassification	-27.4	18.4	-	10.8	**1.8**
Acquisition value, closing balance	**465.6**	**835.7**	**2 666.4**	**331.4**	**4 299.1**
Amortisation, opening balance	-168.5	-20.7	-21.2	-58.6	**-269.0**
Translation differences	-3.6	-1.2	-1.5	0.4	**-5.9**
Amortisation for the year	-39.2	-7.4	-	-22.5	**-69.1**
Reclassification	20.4	-9.5	-	-10.5	**0.4**
Amortisation, closing balance	**-190.9**	**-38.8**	**-22.7**	**-91.2**	**-343.6**
Impairments, opening balance	-61.9	-	-	-19.1	**-81.0**
Translation differences	-2.0	0.0	0.0	-0.2	**-2.2**
Impairments, closing balance	**-63.9**	**0.0**	**0.0**	**-19.3**	**-83.2**
Carrying value	**210.8**	**796.9**	**2 643.7**	**220.9**	**3 872.3**

NOTE 14 Intangible Fixed Assets, cont.

GROUP Intangible fixed assets 2010	Capitalised development expenses	Patents and trademarks	Goodwill	Other intangible fixed assets	Total
Acquisition value, opening balance	260.4	391.6	1 013.1	128.2	**1 793.3**
Translation differences	41.9	82.2	194.9	21.7	**340.7**
Investments	63.7	-	-	1.9	**65.6**
Investments via acquisitions of subsidiaries	0.2	309.0	1 280.6	146.5	**1 736.3**
Sales/disposals	-1.7	-	-	-0.7	**-2.4**
Reclassification	11.9	0.1	-0.1	-	**11.9**
Acquisition value, closing balance	**376.4**	**782.9**	**2 488.5**	**297.6**	**3 945.4**
Amortisation, opening balance	-97.2	-13.9	-18.5	-42.9	**-172.5**
Translation differences	-17.3	-2.8	-2.7	-4.2	**-27.0**
Amortisation for the year	-43.4	-3.9	-	-12.3	**-59.6**
Sales/disposals	0.7	-	-	0.7	**1.4**
Reclassification	-11.3	-0.1	-	0.1	**-11.3**
Amortisation, closing balance	**-168.5**	**-20.7**	**-21.2**	**-58.6**	**-269.0**
Impairments, opening balance	-4.7	-	-	-16.8	**-21.5**
Translation differences	-4.0	-	-	-2.3	**-6.3**
Impairment for the year	-53.2	-	-	-	**-53.2**
Impairments, closing balance	**-61.9**	**-**	**-**	**-19.1**	**-81.0**
Carrying value	**146.0**	**762.2**	**2 467.3**	**219.9**	**3 595.4**

Capitalised expenditure on research and development pertains mainly to software for sales. Patents and trademarks mainly comprise the right to use the Leica name and other owned names and brands. At 31 December 2011, the total carrying value of patents and trademarks not being subjected to amortisation amounted to 717.3 MEUR (686.1). Other intangible fixed assets primarily consist of customer bases identified upon acquisition.

Amortisation of intangible assets allocated by function:	Group 2011	Group 2010
Cost of goods sold	-0.7	-0.1
Sales expenses	-6.4	-2.3
Administration expenses	-3.8	-4.1
Research and development expenses	-56.2	-48.5
Other operating expenses	-2.0	-4.6
Total	**-69.1**	**-59.6**

PARENT COMPANY 2011	Patents and trademarks
Acquisition value, opening balance	**0.1**
Investments	0.7
Acquisition value, closing balance	**0.8**
Depreciation, opening balance	**0.0**
Depreciation for the year	-0.1
Depreciation, closing balance	**-0.1**
Carrying value	**0.7**

PARENT COMPANY 2010	Patents and trademarks
Acquisition value, opening balance	**0.2**
Investments	0.1
Sales/disposals	-0.2
Acquisition value, closing balance	**0.1**
Depreciation, opening balance	**-0.2**
Depreciation for the year	0.0
Sales/disposals	0.2
Depreciation, closing balance	**0.0**
Carrying value	**0.1**

NOTE 15 Tangible Fixed Assets

GROUP Tangible fixed assets 2011	Buildings	Land and other real estate	Machinery and other technical plants	Equipment, tools and installation	Construction in progress and advances to suppliers	Total
Acquisition value, opening balance	212.0	34.9	234.2	63.4	3.3	**547.8**
Translation differences	0.6	2.3	5.5	2.1	0.1	**10.6**
Investments	3.8	0.1	22.4	13.2	-0.6	**38.9**
Investments via acquisitions of subsidiaries	-49.5	-	-	-	-	**-49.5**
Sales/disposals	-5.3	-0.9	-3.4	-6.2	-0.3	**-16.1**
Reclassification	6.1	-0.2	-6.0	31.9	2.4	**34.2**
Acquisition value, closing balance	**167.7**	**36.2**	**252.7**	**104.4**	**4.9**	**565.9**
Depreciation, opening balance	-56.3	-1.6	-164.2	-40.2	-1.0	**-263.3**
Translation differences	-1.3	0.0	-3.9	-1.3	0.0	**-6.5**
Depreciation for the year	-5.4	-0.4	-17.3	-10.0	-0.4	**-33.5**
Sales/disposals	1.5	-	2.7	5.7	0.3	**10.2**
Reclassification	0.7	0.1	-1.2	-32.8	-1.5	**-34.7**
Depreciation, closing balance	**-60.8**	**-1.9**	**-183.9**	**-78.6**	**-2.6**	**-327.8**
Impairments, opening balance	-2.7	-	-7.7	-	-	**-10.4**
Translation differences	-0.1	-	0.1	-	-	**0.0**
Sales/disposals	1.6	-	-	-	-	**1.6**
Impairments, closing balance	**-1.2**	**-**	**-7.6**	**-**	**-**	**-8.8**
Carrying value	**105.7**	**34.3**	**61.2**	**25.8**	**2.3**	**229.3**

GROUP Tangible fixed assets 2010	Buildings	Land and other real estate	Machinery and other technical plants	Equipment, tools and installation	Construction in progress and advances to suppliers	Total
Acquisition value, opening balance	111.1	22.0	214.2	49.2	1.3	**397.8**
Translation differences	16.2	3.5	27.6	5.0	0.0	**52.3**
Investments	2.6	0.2	13.1	7.3	1.2	**24.4**
Investments via acquisitions of subsidiaries	83.9	9.0	1.1	6.1	0.1	**100.2**
Sales/disposals	-1.8	-0.4	-23.5	-4.1	-0.1	**-29.9**
Reclassification	-	0.6	1.7	-0.1	0.8	**3.0**
Acquisition value, closing balance	**212.0**	**34.9**	**234.2**	**63.4**	**3.3**	**547.8**
Depreciation, opening balance	-47.3	-1.0	-151.6	-32.7	-	**-232.6**
Translation differences	-5.4	-0.2	-18.4	-2.9	-0.1	**-27.0**
Depreciation for the year	-5.2	-0.4	-17.3	-6.9	-0.1	**-29.9**
Sales/disposals	1.6	-	23.1	3.0	-	**27.7**
Reclassification	-	-	-	-0.7	-0.8	**-1.5**
Depreciation, closing balance	**-56.3**	**-1.6**	**-164.2**	**-40.2**	**-1.0**	**-263.3**
Impairments, opening balance	-	-	-	-	-	**-**
Translation differences	-0.2	-	-0.5	-	-	**-0.7**
Impairment for the year	-2.5	-	-7.2	-	-	**-9.7**
Impairments, closing balance	**-2.7**	**-**	**-7.7**	**-**	**-**	**-10.4**
Carrying value	**153.0**	**33.3**	**62.3**	**23.2**	**2.3**	**274.1**

NOTE 15 Tangible Fixed Assets, cont.

Depreciation of tangible assets allocated by function:	Group 2011	Group 2010
Cost of goods sold	-13.6	-15.4
Sales expenses	-4.7	-2.9
Administration expenses	-6.4	-6.2
Research and development expenses	-3.7	-2.5
Other operating expenses	-5.1	-2.9
Total	**-33.5**	**-29.9**

PARENT COMPANY 2011	Equipment
Acquisition value, opening balance	0.0
Acquisition value, closing balance	**0.0**
Depreciation, opening balance	0.0
Depreciation for the year	0.0
Depreciation, closing balance	**0.0**
Carrying value	**0.0**

PARENT COMPANY 2010	Equipment
Acquisition value, opening balance	0.2
Investments	0.0
Sales/disposals	-0.2
Acquisition value, closing balance	**0.0**
Depreciation, opening balance	-0.1
Depreciation for the year	0.0
Sales/disposals	0.1
Depreciation, closing balance	**0.0**
Carrying value	**0.0**

NOTE 16 Financial Fixed Assets

	Shares in associated companies		Other long-term securities holdings		Other long-term receivables	
GROUP	2011-12-31	2010-12-31	2011-12-31	2010-12-31	2011-12-31	2010-12-31
Opening balance	**3.1**	**1.5**	**6.0**	**8.7**	**11.2**	**2.4**
Translation differences	0.0	0.3	0.2	1.3	-0.2	0.6
Investments	5.7	-	2.4	-	9.4	7.4
Investments via acquisitions of subsidiaries	-	-	-	0.1	-	3.8
Capital contribution	-	5.3	-	1.4	-	-
Earnings participations, etc.	-	0.1	-	-	-	-
Impairment	-	-4.1	-	-4.9	-	-
Sales	-8.6	-	-	-0.6	-0.6	-
Reclassification	-	-	-	-	-	-3.0
Closing balance	**0.2**	**3.1**	**8.6**	**6.0**	**19.8**	**11.2**

	Shares in Group companies		Receivables from Group companies		Other financial fixed assets	
PARENT COMPANY	2011-12-31	2010-12-31	2011-12-31	2010-12-31	2011-12-31	2010-12-31
Opening balance	**2 297.2**	**1 185.1**	**1 306.0**	**496.7**	**0.1**	**0.1**
Capital contribution	-	6.4	-	-	-	-
Impairment	-7.5	-24.0	-	-	-	-
Purchases	-	1 129.7	-	-	-	-
Increase/decrease in receivables	-	-	171.4	809.3	-	-
Closing balance	**2 289.7**	**2 297.2**	**1 477.4**	**1 306.0**	**0.1**	**0.1**

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

NOT 16 Financial Fixed Assets, cont.

Other long-term securities holdings	Group 2011	Group 2010
Brilliant Telecommunications Inc.	0.0	0.0
ICICI Bank	0.2	0.2
Navgeocom	8.2	5.6
Semtek SARL	0.2	0.2
Others	0.0	0.0
Total	**8.6**	**6.0**

Subsidiaries of Hexagon AB	Corp ID. No.	Reg. Office/ Country	No. of shares	Portion of share capital and voting rights, %	Carrying amount 2011	Carrying amount 2010
Leica Geosystems AG	-	Switzerland	35 546	100	1 160.5	1 160.5
SwePart AB	556046-3407	Stockholm, Sweden	8 662 500	100	6.5	6.5
Hexagon Förvaltning AB	556016-3049	Stockholm, Sweden	200 000	100	23.1	23.1
Johnson Industries AB	556099-2967	Örebro, Sweden	100 000	100	7.3	14.8
Röomned AB	556394-3678	Stockholm, Sweden	1 439 200	100	11.2	11.2
Hexagon Metrology AB	556365-9951	Stockholm, Sweden	1 000	100	8.7	8.7
Tecla AB	556068-1602	Stockholm, Sweden	160 000	100	1.6	1.6
Kramsten Food and Drink Suppliers AB	556083-1124	Stockholm, Sweden	100 000	100	1.6	1.6
NovAtel Inc.	-	Canada	46 265 823	100	110.0	110.0
Hexagon Software Solutions Inc [1]	-	USA	100	100	-	959.2
Intergraph Holding Company [1]	-	USA	1	100	959.2	-
Hexagon Technology Center GmbH	-	Switzerland	20	100	0.0	0.0
Other companies, mainly dormant	-	-	-	100	0.0	0.0
Total					**2 289.7**	**2 297.2**

[1] Companies merged in 2011

NOTE 17 Shares in Associated Companies / Joint Ventures

	Type of ownership	Number of shares	Portion of, % Share capital	Portion of, % Voting rights	Portion of shareholders' equity, MEUR	Carrying amount Group 2011	Carrying amount Group 2010	Share in associated companies' earnings Before tax 2011	Tax 2011	Before tax 2010	Tax 2010
Nordic Brass Gusum AB	Joint venture	-	-	-	-	-	3.0	0.0	0.0	0.0	0.0
Bridge In SARL	Joint venture	2 000	20	20	0.0	0.2	0.1	-	-	0.1	0.0
Beamrider Ltd	Joint venture	50 000	50	50	0.0	0.0	0.0	-	-	0.0	0.0
H&S Server and Laser	Joint Venture	-	50	50	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total					**0.0**	**0.2**	**3.1**	**0.0**	**0.0**	**0.1**	**0.0**

Nordic Brass Gusum AB, corporate identity no. 556639-2279, was sold during 2011.
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 18 Receivables

GROUP	Not due	Due less than 30 days	Due between 30–60 days	Due between 61–90 days	Due between 91–120 days	Older than 120 days	Total
Aging analysis of receivables, 31 December 2011, net of impairment losses							
Other non-current receivables	19.8	-	-	-	-	-	**19.8**
Account receivables	372.4	59.6	20.5	11.7	6.7	38.9	**509.8**
Other current receivables	34.7	0.6	2.0	1.4	0.4	0.8	**39.9**
Total	**426.9**	**60.2**	**22.5**	**13.1**	**7.1**	**39.7**	**569.5**
Aging analysis of receivables, 31 December 2010, net of impairment losses							
Other non-current receivables	11.2	-	-	-	-	-	**11.2**
Account receivables	337.5	50.5	21.4	13.2	6.2	22.4	**451.2**
Other current receivables	30.6	1.5	1.5	0.1	0.6	1.1	**35.4**
Total	**379.3**	**52.0**	**22.9**	**13.3**	**6.8**	**23.5**	**497.8**

	Group	
Reserve for doubtful receivables	**2011**	**2010**
Opening balance	**22.6**	**15.6**
Reserve for anticipated losses	8.3	3.6
Adjustment for definitive losses	-2.5	-1.7
Recovery of provisions	-4.3	-2.1
Acquired/divested companies	0.5	6.2
Translation differences	-1.6	1.0
Closing balance	**23.0**	**22.6**

NOTE 19 Inventories

	Group	
	2011	**2010**
Raw materials and supplies	154.4	141.2
Work in progress	37.4	37.6
Finished goods and goods for sale	167.1	140.4
Total	**358.9**	**319.2**
Value adjustment reserve includes provisons for obsolescence etc of	-53.4	-52.9

NOTE 20 Prepaid Expenses and Accrued Income / Accrued Expenses and Deferred Income

	Group		Parent Company	
	2011	**2010**	**2011**	**2010**
Prepaid expenses and accrued income				
Accrued invoicing	27.0	25.5	-	-
Accrued interest income	0.5	0.0	-	0.0
Prepaid products and services	4.2	1.2	2.3	-
Prepaid acquisition costs	2.1	1.0	-	-
Prepaid rent	2.5	2.5	0.1	0.1
Prepaid insurance	3.6	3.1	0.3	-
Other items	16.4	24.9	0.5	15.1
Total	**56.3**	**58.2**	**3.2**	**15.2**

NOTE 20 Prepaid Expenses and Accrued Income / Accrued Expenses and Deferred Income, cont.

	Group		Parent Company	
	2011	**2010**	**2011**	**2010**
Accrued expenses and deferred income				
Accrued personnel-related expenses	112.6	115.1	0.4	0.6
Accrued sales commission	16.3	15.8	-	-
Accrued installation and training expenses	5.9	4.5	-	-
Accrued R&D expenses	3.3	1.3	-	-
Accrued fees	4.0	5.8	0.0	1.6
Accrued royalties	2.1	2.3	-	-
Accrued interest expenses	1.3	1.1	1.1	1.1
Accrued issuance cost	-	3.7	-	3.7
Received goods and services, not invoiced	-	0.1	-	-
Accrued sales commission	7.5	3.3	-	-
Other prepaid revenues	142.5	124.0	-	-
Other items	30.5	39.9	0.7	9.0
Total	**326.0**	**316.9**	**2.2**	**16.0**

NOTE 21 Share Capital and Number of Shares

		Number of shares							
		Outstanding			Repur-chased	Total issued			
PARENT COMPANY	**Quota value per share, EUR**	**Class A**	**Class B**	**Total**	**Class B**	**Class A**	**Class B**	**Total**	**Share capital, MEUR**
Opening balance 2010	**0.22**	**11 812 500**	**252 534 653**	**264 347 153**	**-1 172 617**	**11 812 500**	**253 707 270**	**265 519 770**	**51.8**
Sale of own shares - exercise of warrants	0.22	-	20 070	20 070	20 070	-	-	-	-
Rights issue	0.22	3 937 500	83 845 572	87 783 072	-	3 937 500	83 845 572	87 783 072	19.5
Translation effect from change of reporting currency from SEK to EUR		-	-	-	-	-	-	-	7.1
Closing balance 2010	**0.22**	**15 750 000**	**336 400 295**	**352 150 295**	**-1 152 547**	**15 750 000**	**337 552 842**	**353 302 842**	**78.4**
Rights issue	0.22	-	339 335	339 335	-	-	339 335	339 335	0.1
Closing balance 2011	**0.22**	**15 750 000**	**336 739 630**	**352 489 630**	**-1 152 547**	**15 750 000**	**337 892 177**	**353 642 177**	**78.5**

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 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 -9.1 MEUR after tax. 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	**2011**	**2010**
Average number of shares before dilution	352 484	303 655
Estimated average number of potential shares pertaining to warrants plans	62	22
Average number of shares after dilution	**352 546**	**303 677**

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 0.15 EUR (0.10) per share. Due to the fact that the new share issue in 2010 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 22 Pension Provisions and Similar Obligations

DEFINED-BENEFIT PENSION SCHEMES - Overview

Provisions	2011-12-31	2010-12-31
Pension obligations	490.8	442.8
Fair value of plan assets	-413.9	-404.9
Pension obligations less plan assets	**76.9**	**37.9**
Unrecognised past service cost	0.1	1.1
Unrecognised assets	1.2	3.9
Actuarial gains (-)/losses (+)	-40.8	-10.0
Pension provision	**37.4**	**32.9**

Expenses	2011	2010
Current service cost	18.9	12.6
Interest expense	12.9	13.5
Expected return on plan assets	-17.7	-17.5
Amortisation of unrecognised actuarial gains (-)/losses (+)	0.0	-0.1
Expenses for prior-year service	-1.0	-0.8
Immediate recognition	-2.8	1.2
Change in terms and conditions	1.0	-
Employees' own contribution	-8.3	-6.8
Pension expenses – defined-benefit plans	**3.0**	**2.1**
Pension expenses – defined-contribution plans	18.3	16.3
Total pension expenses	**21.3**	**18.4**

Pension obligations 31 December 2011	Plan assets	Pension obligations	Net
Sweden	-	-4.0	-4.0
Italy	-	-6.0	-6.0
Switzerland [1]	371.6	-418.9	-47.3
Germany	11.9	-26.8	-14.9
UK	22.6	-20.8	1.8
USA	4.6	-6.6	-2.0
Other minor plans	3.2	-7.7	-4.5
Total (fair/present value)	**413.9**	**-490.8**	**-76.9**
Unrecognised actuarial gains/losses			40.8
Unrecognised expenses for prior years service			-0.1
Unrecognised assets			-1.2
Pension provisions, net			**-37.4**
Of which:			
Reported as asset (other non-current receivables)			1.2
Reported as liability			-38.6

Pension obligations 31 December 2010	Plan assets	Pension obligations	Net
Sweden	-	-3.8	-3.8
Italy	-	-6.0	-6.0
Switzerland [1]	374.6	-391.8	-17.2
Germany	3.5	-10.9	-7.4
UK	20.7	-20.7	0.0
USA	4.6	-5.7	-1.1
Other minor plans	1.5	-3.9	-2.4
Total (fair/present value)	**404.9**	**-442.8**	**-37.9**
Unrecognised actuarial gains/losses			10.0
Unrecognised expenses for prior years service			-1.1
Unrecognised assets			-3.9
Pension provisions, net			**-32.9**
Of which:			
Reported as asset (other non-current receivables)			1.3
Reported as liability			-34.2

[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.

Five year summary	2011	2010	2009	2008	2007
Fair value of plan assets	413.9	404.9	336.5	312.0	318.6
Pension obligations	-490.8	-442.8	-348.1	-347.9	-325.1
Net	**-76.9**	**-37.9**	**-11.6**	**-35.9**	**-6.5**
Actuarial gains/losses etc.	39.5	5.0	-24.3	-3.9	-37.6
Book value	**-37.4**	**-32.9**	**-35.9**	**-39.8**	**-44.1**

Defined-benefit pension schemes	2011	2010
Actuarial assumptions (weighted average)		
Discount interest rate, %	2.7	2.7
Expected return on plan assets, %	4.5	4.6
Inflation, %	1.1	1.5
Employee turnover, %	6.0	6.9
Estimated remaining years in service	12.6	12.9
Future salary increase, %	1.4	1.6

NOTE 22 Pension Provisions and Similar Obligations, cont.

DEFINED-BENEFIT PENSION SCHEMES - Specifications

Pension obligations	2011	2010
Opening balance	**442.8**	**348.1**
Change in terms and conditions	1.0	-
Current service cost	18.9	12.6
Interest expense	12.9	13.5
Benefits paid	-25.8	-27.1
Acquired/divested subsidiaries	10.3	-
Settlement of pension obligations	-0.1	1.2
Unrecognised actuarial gains (+)/losses (-)	17.8	33.1
Currency translation differences	12.9	61.4
Closing balance	**490.7**	**442.8**

Plan assets	2011	2010
Opening balance	**404.9**	**336.5**
Expected return on plan assets	17.7	17.5
Contributions	18.4	15.4
Benefits paid	-25.5	-25.0
Acquired/divested subsidiaries	2.5	-
Settlement of pension obligations	-	0.1
Actuarial gains (+)/losses (–)	-14.9	0.9
Currency translation differences	10.8	59.5
Closing balance	**413.9**	**404.9**

Return on plan assets	2011	2010
Expected return on plan assets	17.7	17.5
Actuarial gains (+)/losses (–)	-14.9	0.9
Actual return on plan assets	**2.8**	**18.4**

Provision for pensions	2011	2010
Opening balance	**32.9**	**35.9**
Pension expense, defined-benefit schemes	14.1	8.6
Funds contributed	-18.4	-15.4
Benefits paid	-0.3	-2.1
Expenses for prior-year service	-1.0	-0.8
Redemption of pension obligations	-0.1	-
Acquired/divested subsidiaries	-	0.0
Reclassification	7.8	-
Currency translation differences	2.4	6.7
Closing balance	**37.4**	**32.9**

Actuarial gains (-)/losses (+)	2011	2010
Opening balance	**-10.0**	**21.3**
Redemption of pension obligations	0.4	-
Amortisation during the year	0.0	0.1
Pension obligations, actuarial gains (-)/ losses (+)	-17.8	-33.1
Plan assets, actuarial gains (-)/losses (+)	-14.9	0.9
Other gains and losses	4.0	-0.1
Reclassification	-1.8	-
Currency translation differences	-0.7	0.9
Closing balance	**-40.8**	**-10.0**

Unrecognised expenses for prior-year service	2011	2010
Opening balance	**1.1**	**1.6**
Change during the year	-1.0	-0.8
Currency translation differences	0.0	0.3
Closing balance	**0.1**	**1.1**

Unrecognised assets	2011	2010
Opening balance	3.9	**1.5**
Unrecognised during the year	-2.8	1.2
Currency translation differences	0.1	1.2
Closing balance	**1.2**	**3.9**

Fair value of plan assets	2011-12-31	2010-12-31
Equities and similar financial instruments	80.8	95.8
Interest-bearing securities, etc.	215.2	158.2
Real estate	117.9	150.9
Total	**413.9**	**404.9**

For 2012, the contributions to defined benefit plans are estimated at 19.5 MEUR, including employee contributions.

Hexagon will apply the amendments to IAS 19 Employee benefits when they become effective on 2013-01-01. The amendments to IAS 19 affecting the accounting for defined benefit plans include the net of the present value of the pension obligations and the value of plan assets to be reported in the balance sheet. Actuarial differences must be reported in other comprehensive. When determining the value of plans assets, the expected return in per cent of plan assets shall equal the interest rate used in the calculation of the present value of the pension obligations. If the amendments to IAS 19 had been applied 2011, earnings before tax would have been reduced by approx. -7 MEUR and the pension liability would have been approx. 40 MEUR higher.

NOTE 23 Other Provisions

GROUP	Restructuring provisions	Warranty provisions	Other provisions	Estimated supplementary payments for acquired companies	Total
Opening balance 2010-01-01	**7.9**	**8.8**	**4.7**	**10.8**	**32.2**
Provision for the year	13.6	7.2	0.3	-	**21.1**
Present value adjustment	-	-	-	0.5	**0.5**
Increase through acquisition of businesses	0.2	0.1	52.9	0.1	**53.3**
Payment of supplementary acquisition considerations	-	-	-	-9.2	**-9.2**
Utilisation	-11.7	-6.9	-7.1	-	**-25.7**
Reclassification	-	0.2	-0.3	0.2	**0.1**
Translation difference	0.9	1.1	2.8	-0.2	**4.6**
Closing balance 2010-12-31	**10.9**	**10.5**	**53.3**	**2.2**	**76.9**
Provision for the year	2.3	6.7	1.9	-	**10.9**
Present value adjustment	-	-	-	0.1	**0.1**
Increase through acquisition of businesses	-	0.2	0.6	23.8	**24.6**
Payments of additional acquisition considerations	-	-	-	-3.4	**-3.4**
Utilisation	-9.9	-5.0	-6.2	-	**-21.1**
Reversal of unutilised amounts	-1.4	-0.3	-	-0.1	**-1.8**
Reclassification	0.3	-	1.4	-	**1.7**
Translation difference	-0.2	0.3	0.9	0.6	**1.6**
Closing balance 2011-12-31	**2.0**	**12.4**	**51.9**	**23.2**[1]	**89.5**[2]

[1] Estimated amounts fall due within three years.
[2] Of which, current portion: 8.2 (30.1)

NOTE 24 Financial Instruments

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

CURRENCY RISK

Currency risk is the risk that exchange rate fluctuations will have an adverse effect on 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 mainly conducted internationally and sales, costs and net assets are therefore denominated in a number of currencies. As of 1 January 2011 Hexagon has changed the presentation currency in the Group from Swedish kronor (SEK) to Euro (EUR). The change decreases the currency exposure in both the income statement and balance sheet as well as in other comprehensive income. It also allows the Hexagon Group to better match debt to net assets.

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

Transaction Exposure

Sales 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 currency forwards and swaps.

As of 31 December 2011, outstanding currency derivatives, used for hedging transaction exposure, had a net market value of -1.9 MEUR (2.1). Cash flow hedge accounting is applied and thereby the fair value is deferred in the hedge reserve in equity via other comprehensive income to offset the gains/losses on hedged future sales and purchases in other currencies than the functional currency. The unrealised result deferred in hedged reserves will at unchanged exchange rates affect the income statement mainly during 2012.

NOTE 24 Financial Instruments, cont.

CURRENCY DERIVATIVES USED FOR HEDGING OPERATING CASH FLOWS 2011-12-31[1]	2012		2013 and later		Total		
	Sold	Bought	Sold	Bought	Sold	Bought	Net
BRL	-	1.9	-	3.1	**-**	**5.0**	**5.0**
CAD	-	18.4	-	-	**-**	**18.4**	**18.4**
CHF	-7.5	44.7	-	-	**-7.5**	**44.7**	**37.2**
CZK	-0.7	-	-	-	**-0.7**	**-**	**-0.7**
DKK	-0.6	0.0	-	-	**-0.6**	**0.0**	**-0.6**
EUR	-12.1	9.6	-2.6	-	**-14.7**	**9.6**	**-5.1**
GBP	-6.6	0.4	-	-	**-6.6**	**0.4**	**-6.2**
HUF	-0.2	-	-	-	**-0.2**	**-**	**-0.2**
INR	-2.5	-	-	-	**-2.5**	**-**	**-2.5**
JPY	-3.7	-	-	-	**-3.7**	**-**	**-3.7**
KRW	-0.7	0.1	-	-	**-0.7**	**0.1**	**-0.6**
NOK	-1.7	-	-	-	**-1.7**	**-**	**-1.7**
PLN	-1.1	-	-	-	**-1.1**	**-**	**-1.1**
SEK	-5.3	-	-	-	**-5.3**	**-**	**-5.3**
SGD	-0.6	7.6	-	-	**-0.6**	**7.6**	**7.0**
USD	-41.0	0.1	-	-	**-41.0**	**0.1**	**-40.9**
Total	**-84.3**	**82.8**	**-2.6**	**3.1**	**-86.9**	**85.9**	**-1.0**

CURRENCY DERIVATIVES USED FOR HEDGING OPERATING CASH FLOWS 2010-12-31[1]	2011		2012 and later		Total		
	Sold	Bought	Sold	Bought	Sold	Bought	Net
CAD	-	15.3	-	-	**-**	**15.3**	**15.3**
CHF	-9.4	48.4	-	-	**-9.4**	**48.4**	**39.0**
DKK	-0.8	-	-	-	**-0.8**	**-**	**-0.8**
EUR	-14.4	10.9	-	-	**-14.4**	**10.9**	**-3.5**
GBP	-3.7	1.3	-	-	**-3.7**	**1.3**	**-2.4**
HUF	-0.3	-	-	-	**-0.3**	**-**	**-0.3**
INR	-1.7	-	-	-	**-1.7**	**-**	**-1.7**
JPY	-3.5	-	-	-	**-3.5**	**-**	**-3.5**
KRW	-1.1	-	-	-	**-1.1**	**-**	**-1.1**
NOK	-1.8	-	-	-	**-1.8**	**-**	**-1.8**
PLN	-1.1	-	-	-	**-1.1**	**-**	**-1.1**
SEK	-6.0	-	-	-	**-6.0**	**-**	**-6.0**
SGD	0.0	8.9	-	-	**0.0**	**8.9**	**8.9**
USD	-41.0	2.1	-	-	**-41.0**	**2.1**	**-38.9**
Total	**-84.8**	**86.9**	**-**	**-**	**-84.8**	**86.9**	**2.1**

[1] Translated from local currency to EUR with balance sheet closing rate.

Translation Exposure – Balance Sheet

Translation exposure arise when the net assets are translated into EUR upon consolidation. Translation exposure is partly hedged with external debt in corresponding currencies, mainly USD and CHF, in accordance with the Group Treasury Policy. Translation differences from net assets in other currencies than EUR reported in equity during 2011 were 77.1 MEUR (208.0) and revaluation of loans in other currencies than EUR amounted to 38.9 MEUR (-27.9).

NET EXPOSURE PER CURRENCY	2011	Hedging rate
USD	2 169.4	15%
CHF	1 135.9	23%
CAD	306.0	-
CNY	121.0	-
SEK	99.1	-
BRL	89.4	-
INR	35.6	4%
Other	139.9	3%
Total	**4 096.3**	**14%**

Translation Exposure – Income Statement

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

NET SALES PER CURRENCY	2011	2010
USD	710.3	428.2
EUR	518.1	411.6
CNY	178.8	132.6
CHF	175.0	164.4
SEK	115.6	76.7
GBP	78.1	55.7
Other	393.2	212.1
Total	**2 169.1**	**1 481.3**

INTEREST RATE RISK

The interest rate risk is the risk that changes in interest rates will adversely affect the Group's net interest expense and/or cash flow. 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 2011 and 2010 no interest rate derivatives were used in order to manage the interest rate risk.

FINANCIAL INCOME AND EXPENSES 2011	2011	2010
Interest income	3.2	1.4
Interest expense	-54.9	-23.2
Other financial income and expense	-7.2	-19.0
Net	**-58.9**	**-40.8**

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 18.

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

LIQUIDITY RISK

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

On 31 December 2011, cash and unutilised credit limits totalled 360.1 MEUR (508.2).

Dates for re-fixing the interest and capital due dates pertaining to interest-bearing liabilities with related financial instruments, 31 December 2011

	Maturing amounts							
	2012		2013-2014		2015 and later		Total	
	Capital	Interest	Capital	Interest	Capital	Interest	Capital	Interest
Liabilities to credit institutions								
Revolving Credit	-	578.2	-	-	578.2	-	**578.2**	**578.2**
Term loan	138.0	716.8	393.5	-	185.3	-	**716.8**	**716.8**
Bridge loan	289.8	289.8	-	-	-	-	**289.8**	**289.8**
Bond loan	-	217.9	217.9	-	-	-	**217.9**	**217.9**
Other lenders	25.2	25.8	1.6	32.0	31.6	0.6	**58.4**	**58.4**
Total liabilities to credit institutions	**453.0**	**1 828.5**	**613.0**	**32.0**	**795.1**	**0.6**	**1 861.1**	**1 861.1**
Other interest-bearing liabilities	-	-	0.7	-	2.6	3.3	**3.3**	**3.3**
Total interest-bearing liabilities	**453.0**	**1 828.5**	**613.7**	**32.0**	**797.7**	**3.9**	**1 864.4**	**1 864.4**

The interest rate columns state the corresponding capital that is subject to interest re-fixing. There were no interest rate derivatives pertaining to borrowing at 31 December 2011. The agreements governing the Revolving Credit Facility and the Term loans include certain financial covenants to be fulfilled to avoid additional financing costs. The most important covenant is the Net debt/EBITDA.

NOTE 24 Financial Instruments, cont.

Currency composition pertaining to interest-bearing liabilities	2011	2010
EUR	68%	13%
USD	18%	63%
CHF	14%	13%
SEK	0%	11%
Other	0%	0%
Total	**100%**	**100%**

REFINANCING RISK

Refinancing risk refers to the risk that Hexagon does not have sufficient financing available when needed to refinance maturing debt, due to existing lenders do not extend or 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.

To finance the 2 125 MUSD acquisition of Intergraph and to refinance Hexagon's maturing 1 000 MEUR multicurrency revolving credit facility, Hexagon entered, in July 2010, into two financing arrangements, a bridge loan of 1 225 MUSD and a five year term loan and multicurrency revolving credit facility of 900 MUSD and 1 000 MEUR. 850 MUSD of the bridge loan was repaid with the proceeds from the rights issue offering in December 2010 and the remaining part of the bridge loan, 375 MUSD, matures in July 2012. 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, form the foundation of the Group's financing and include standard financial covenants. In addition to the above financing, Hexagon issued a 2 000 MSEK five-year bond without any financial covenants in 2009.

Group's capital structure	2011	2010
Interest-bearing liabilities and provisions	1 903.2	2 036.5
Short-term interest bearing assets	-116.4	-160.4
Net Debt	**1 786.8**	**1 876.1**
Total shareholders' equity	**2 525.8**	**2 172.3**

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 2011 and the effects are expressed on an annualised basis. Earnings in non-EUR subsidiaries are converted into EUR based on average exchange rates for the period when the earnings arise.

During the year there have been very significant changes to the exchange rates of currencies that have the biggest impact on Hexagon's earnings and net assets, namely USD, CHF and CNY. The EUR has strengthened against USD and CNY. Since Hexagon has a majority of the operating earnings denominated in USD and CNY, this had a negative impact on operating earnings. The strengthening of the CHF also had a negative impact since a considerable part of the costs and a part of the external debt are denominated in CHF. An isolated strengthening in the exchange rate for EUR by 1 per cent for all assets and liabilities denominated in non-EUR currencies would have had an immaterial effect on net income but a negative effect on equity of 35.1 MEUR net, and vice versa, after the impact of hedging.

During 2011, total operating earnings, excluding non-recurring items, from operations in other currencies than EUR amounted to an equivalent of 3 24.1 MEUR. An isolated change in the exchange rate for EUR by 1 per cent against all other currencies would have a net effect on operating earnings of approximately 3.2 MEUR.

Based on the average interest fixing period of less than two months in the Group's total loan portfolio as of year-end 2011, a simultaneous 1 percentage point change in interest rates in all of Hexagon's funding currencies would entail a pre-tax impact of about 15.7 MEUR in the coming 12 months earnings.

FINANCIAL INSTRUMENTS – FAIR VALUE

Carrying amount and fair value on 31 December

	2011		2010	
Assets	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Available-for-sale financial assets				
Other long-term securities holdings	8.6	8.6	6.0	6.0
Loan receivables and account receivables				
Long-term receivables	19.8	19.8	9.8	9.8
Accounts receivable	509.8	509.8	451.2	451.2
Other current receivables	39.9	39.9	35.4	35.4
Accrued income	27.0	27.0	25.5	25.5
Accrued interest	0.5	0.5	0.1	0.1
Short-term investments	3.6	3.6	1.0	1.0
Cash and bank balances	112.8	112.8	159.5	159.5
Financial instruments at fair value through other comprehensive income				
Derivatives	2.0	2.0	2.1	2.1
Total	**724.0**	**724.0**	**690.6**	**690.6**

	2011		2010	
Liabilities	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities valued at accrued acquisition value				
Long-term liabilities to credit institutions	1 404.2	1 409.6	1 807.4	1 816.0
Other long-term interest bearing liabilities	3.3	3.3	2.6	2.6
Long-term interest-free liabilities	29.9	29.9	24.0	24.0
Current liabilities to credit institutions	456.9	456.9	154.4	154.4
Accounts payable	144.8	144.8	152.1	152.1
Other current interest-free liabilities	54.1	54.1	32.5	32.5
Accrued expenses	174.7	174.7	201.8	201.8
Accrued interest	1.3	1.3	1.1	1.1
Total	**2 269.2**	**2 274.6**	**2 375.9**	**2 384.5**

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, presenting acquisition cost, net of any impairment.

NOTE 24 Financial Instruments, cont.

Financial assets at fair value through profit and loss	2011 Level 1	2011 Level 2	2011 Level 3	2010 Level 1	2010 Level 2	2010 Level 3
- Currency forward contracts - hedged	-	2.0	-	-	2.1	-
- Equity shares	-	-	8.6	-	-	6.0
Total	**-**	**2.0**	**8.6**	**-**	**2.1**	**6.0**

No liabilities are valued at fair value in Hexagon's balance sheet.

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 2011, there were no transfers between levels.

NOTE 25 Rented Assets

Leasing/rental agreements of an operational nature, 2011	Group: Machinery, equipment, etc.	Group: Premises	Parent Company: Machinery, equipment, etc.	Parent Company: Premises
Expenses due for payment in				
2012	10.0	25.4	0.0	0.3
2013-2016	14.9	39.8	0.0	0.7
2017 or later	1.3	9.5	-	-
Total	**26.2**	**74.7**	**0.0**	**1.0**

Leasing/rental agreements of an operational nature, 2010	Group: Machinery, equipment, etc.	Group: Premises	Parent Company: Machinery, equipment, etc.	Parent Company: Premises
Expenses due for payment in				
2011	10.3	20.6	-	0.4
2012–2015	13.9	43.1	-	-
2016 or later	0.3	10.3	-	-
Total	**24.5**	**74.0**	**-**	**0.4**

The amounts are non-discounted minimum undertakings pursuant to contract. Costs for leasing/rents for the financial year were 29.1 MEUR (24.4).

Leasing/rental agreements of a financial nature, 2011	Group: Machinery, equipment, etc.	Group: Premises	Parent Company: Machinery, equipment, etc.	Parent Company: Premises
Expenses due for payment in				
2012	0.3	0.1	-	-
2013-2016	0.7	0.1	-	-
2017 or later	0.0	0.1	-	-
Total	**1.0**	**0.3**	**-**	**-**

Leasing/rental agreements of a financial nature, 2010	Group: Machinery, equipment, etc.	Group: Premises	Parent Company: Machinery, equipment, etc.	Parent Company: Premises
Expenses due for payment in				
2011	0.5	0.1	-	-
2012–2015	0.6	0.2	-	-
2016 or later	0.0	0.0	-	-
Total	**1.1**	**0.3**	**-**	**-**

The amounts are non-discounted minimum undertakings pursuant to contract. There are no individual leasing agreements of material importance. Nor are there any individual sale/lease-back agreements of material importance.

NOTE 26 Assets Pledged and Contingent Liabilities

Pledged assets to credit institutions for loans, bank overdrafts and guarantees	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Real estate mortgages	35.1	34.1	-	-
Chattel mortgages	2.3	2.2	-	-
Other	0.6	3.9	-	-
Total	**38.0**	**40.2**	**-**	**-**

Contingent liabilities	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Guarantees in favour of Group companies	-	-	70.1	54.3
Letters of credit	5.0	17.9	-	-
Other contingent liabilities	1.9	1.6	1.0	1.5
Total	**6.9**	**19.5**	**71.1**	**55.8**

NOTE 27 Net Assets in Acquired and Divested Businesses

Net assets in acquired businesses

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

	2011	2010
Goodwill	107.8	1 280.6
Other intangible fixed assets	30.7	455.8
Tangible fixed assets	-49.5	100.2
Financial fixed assets	0.4	19.1
Current receivables, inventories, etc.	7.4	182.0
Cash and cash equivalents	3.6	79.5
Provisions	-2.0	-226.2
Long-term liabilities	-3.0	-55.6
Current liabilities, etc.	-8.8	-164.5
Net assets	**86.6**	**1 670.9**
Acquisition price	110.5	1 696.6
Less cash and cash equivalents in acquired Group companies	-3.6	-79.5
Less unpaid acquisition price	-27.3	-35.5
Plus payment of unpaid portion of acquisition price from prior years	3.4	9.2
Plus payment for Leica Geosystems	-	0.6
Cash flow from acquired Group companies, net	**83.0**	**1 591.4**

No divestments of subsidiaries occured during 2011 and 2010.

Hexagon has acquired the following companies or businesses during 2011: Sisgraph Ltda, Brazil, Denali, USA, Seven Ocean, China and Augusta Systems, USA, of which only the acquisition of Sisgraph was significant. Total acquisition cost for these companies was 110.5 MEUR.

In addition the purchase price allocation in respect of the acquisition of Intergraph 2010 was finalised.

ACQUISITION OF SISGRAPH

Sisgraph is a software and services provider which provides consulting, implementation and training services for all Intergraph products in Latin America. Excluding inter-company sales, Sisgraph's turnover in 2010 amounted to approximately 11 MEUR. The company has shown solid growth and strong profitability over the last years.

The provisional fair value of the identifiable assets and liabilities of Sisgraph as at the date of acquisition was:

MEUR	
Intangible fixed assets	22.5
Other fixed assets	0.2
Total fixed assets	**22.7**
Total current assets	**8.2**
Total assets	**30.9**
Long-term liabilities	2.6
Current liabilities	31.8
Total liabilities	**34.4**
Identifiable net assets at fair value	-3.5
Goodwill	70.8
Purchase consideration transferred	**67.3**

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 solutions to organise vast amounts of data into understandable visual representations and actionable intelligence.

Background and motives

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 finalisation of the Purchase Price Allocation (PPA) in 2011 resulted in changes compared with the annual report 2010 (see table below). The most significant change regarding the PPA was a revaluation of land and buildings of -49.8 MEUR. Other minor adjustments have also been made, none of which had any significant effect on the results 2011.

The goodwill of 1 312.1 MEUR 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 455.6 MEUR of acquired intangible assets, 289.3 MEUR were assigned to trademarks that are not subject to amortisation. The remaining 166.3 MEUR were 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. The resulting fair value adjustment in the purchase price allocation was 11.3 MEUR.

From the date of acquisition to the year-end 2010, Intergraph contributed 110.3 MEUR of net sales including the above mentioned deferred revenue adjustment of -5.8 MEUR. If the acquisition had taken place at the beginning of 2010, Intergraph's contribution to net sales would have been 629.2 MEUR. Transaction costs and other costs related to the transaction of -39.3 MEUR were expensed in 2010 and were included in administration expenses.

FAIR VALUE RECOGNITION

MEUR	Fair value recognised on acquisition 2010-12-31	Adjustments 2011	Final PPA
Assets			
Trademarks	289.3	-	289.3
Patents and other intangibles	166.3	-	166.3
Total intangible assets	**455.6**	**-**	**455.6**
Tangible fixed assets	98.1	-49.8	48.3
Financial fixed assets	3.8	-	3.8
Deferred tax assets	15.5	0.3	15.8
Inventories	18.5	-	18.5
Customer receivables and other assets	163.5	-	163.5
Cash and bank balances	79.5	-	79.5
Total assets	**834.5**	**-49.5**	**785.0**
Liabilities			
Deferred tax provision	181.1	-17.4	163.7
Other provisions	6.3	1.4	7.7
Other long-term liabilities	55.7	-	55.7
Current liabilities and provisions	178.7	-2.6	176.1
Total liabilities	**421.8**	**-18.6**	**403.2**
Total identifiable net assets at fair value	**412.7**	**-30.9**	**381.8**
Goodwill arising from the acquisition	1 281.2	30.9	1 312.1
Total consideration	**1 693.9**	**-**	**1 693.9**

NOTE 28 Average Number of Employees

	2011			2010		
	Men	Women	Total	Men	Women	Total
Parent Company	6	4	10	7	4	11
Subsidiaries	9 363	3 102	12 465	6 278	1 890	8 168
Total, Group	**9 369**	**3 106**	**12 475**	**6 285**	**1 894**	**8 179**
Average number of employees by country						
Sweden	430	78	508	423	80	503
Norway	63	11	74	42	6	48
Denmark	91	36	127	68	27	95
Finland	21	5	26	14	3	17
Nordic region	**605**	**130**	**735**	**547**	**116**	**663**
UK	293	69	362	170	41	211
Germany	750	181	931	514	98	612
Netherlands	62	22	84	27	4	31
Belgium	69	16	85	40	8	48
France	305	91	396	251	85	336
Switzerland	1 273	247	1 520	1 147	223	1 370
Italy	304	83	387	264	64	328
Portugal	25	5	30	12	3	15
Spain	142	43	185	110	29	139
Russia	25	10	35	5	2	7
Czech Republic	47	18	65	11	3	14
Turkey	14	4	18	12	4	16
Austria	29	7	36	14	4	18
Poland	95	38	133	41	10	51
Hungary	7	3	10	8	3	11
Slovakia	1	-	1	-	-	-
Rest of Europe	**3 441**	**837**	**4 278**	**2 626**	**581**	**3 207**
Total, Europe	**4 046**	**967**	**5 013**	**3 173**	**697**	**3 870**
USA	2 166	837	3 003	1 095	315	1 410
Canada	358	120	478	268	92	360
Mexico	37	7	44	25	4	29
North America	**2 561**	**964**	**3 525**	**1 388**	**411**	**1 799**
Argentina	5	2	7	3	2	5
Brazil	213	33	246	86	26	112
Chile	26	2	28	33	5	38
Peru	17	1	18	14	1	15
Venezuela	5	15	20	1	1	2
South America	**266**	**53**	**319**	**137**	**35**	**172**
South Africa	4	1	5	3	2	5
South Africa	**4**	**1**	**5**	**3**	**2**	**5**
Australia	192	50	242	126	18	144
New Zealand	19	4	23	4	1	5
Australia and New Zealand	**211**	**54**	**265**	**130**	**19**	**149**

NOTE 28 Average Number of Employees, cont.

	2011			2010		
	Men	Women	Total	Men	Women	Total
China	1 200	694	1 894	959	546	1 505
United Arab Emirates	6	1	7	4	1	5
Hong Kong	41	16	57	27	11	38
India	616	148	764	209	34	243
Israel	115	33	148	42	10	52
Japan	106	21	127	78	12	90
Korea	73	25	98	39	6	45
Malaysia	13	2	15	7	2	9
Taiwan	5	4	9	3	3	6
Thailand	8	5	13	6	5	11
Singapore	96	118	214	79	100	179
Vietnam	2	-	2	1	-	1
Asia	**2 281**	**1 067**	**3 348**	**1 454**	**730**	**2 184**
Total, Group	**9 369**	**3 106**	**12 475**	**6 285**	**1 894**	**8 179**

NOTE 29 Employee Benefits

	Board, CEO and other Senior Executives		Other employees	
Salaries and Remuneration	**2011**	**2010**	**2011**	**2010**
Parent Company	3.0	2.6	1.0	0.8
(of which performance-related pay and bonus)	(0.5)	(0.9)	(0.0)	(0.0)
Subsidiaries in Sweden	0.8	0.8	23.5	19.8
Total	**3.8**	**3.4**	**24.5**	**20.6**
Argentina	-	-	0.1	-
Australia	0.5	0.2	22.6	12.6
Austria	-	-	2.3	0.9
Belgium	-	-	3.7	2.5
Brazil	0.4	0.4	5.6	2.9
Canada	0.4	0.4	35.1	24.4
Chile	0.1	-	1.2	-
China	1.9	1.5	21.4	16.5
Czech Republic	0.2	0.1	2.3	0.4
Denmark	0.5	0.4	7.8	4.9
Finland	0.1	0.1	1.6	0.8
France	0.8	1.2	18.8	14.7
Germany	1.9	1.9	56.3	33.6
Hong Kong	-	-	2.2	1.7
Hungary	-	-	0.2	0.2
Iceland	-	-	-	0.1
India	0.5	0.5	8.3	2.6
Israel	0.2	0.2	8.3	3.4
Italy	0.9	1.4	18.3	14.6
Japan	0.5	0.7	9.4	6.1
Korea	-	-	4.2	1.7
Malaysia	0.1	0.1	0.3	0.1
Mexico	-	0.2	1.4	3.2
Netherlands	0.2	0.2	5.2	1.8
Norway	0.3	0.2	6.0	3.1
New Zealand	-	-	1.4	-
Peru	-	-	0.3	-
Poland	0.3	0.3	3.1	1.2
Portugal	-	-	1.0	0.5
Russia	-	-	1.4	0.1
Singapore	0.4	0.3	7.2	5.0
South Africa	0.1	0.1	0.3	0.2
Spain	0.4	0.5	6.5	5.0
Switzerland	11.0	7.2	115.3	96.6
Taiwan	0.1	0.1	0.2	0.1
Thailand	0.1	0.1	0.1	0.1
Turkey	0.2	0.2	0.3	0.2
UK	0.4	0.4	19.0	11.4
United Arab Emirates	0.2	0.2	0.5	0.3
USA	0.6	0.9	185.5	97.9
Venezuela	-	-	0.4	0.1
Total, Group	**27.1**	**23.4**	**609.6**	**392.1**
(of which performance-related pay and bonus)	(6.1)	(4.6)	(42.0)	(36.2)

	Other employees	
Social security expenses	**2011**	**2010**
Parent Company	0.8	0.9
(of which pension expenses)	0.3	0.4
Subsidiaries	98.6	76.2
(of which pension expenses)	21.0	18.0
Total, Group	**99.4**	**77.1**
(of which pension expenses)	21.3	18.4

Pension expenses for Boards of Directors and Chief Executive Officers in the Group amounted to 2.5 MEUR (1.4) . Pension commitments to Boards of Directors and Chief Executive Officers in the Group were 6.5 MEUR (4.7).

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, 68 were women and 770 were men.

NOTE 30 Remuneration to Senior Executives

Pursuant to resolutions by the Annual General Meeting, the Chairman of the Board and Board members were paid remuneration of totalling 367.6 KEUR (301.4). The Chairman of the Board received 83 KEUR and other Board members 44.3 KEUR 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 9.4 KEUR and each member received 6.7 KEUR. The Chairman of the Audit Committee received 19.4 and each member received 13.8 KEUR. 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 and pension and other benefits

Other senior executives are Håkan Halén, Chief Financial Officer, Li Hongquan, Vice President Hexagon AB and President of operations in China, Johnny Andersson, General Counsel, Bo Pettersson, Chief Technical Officer, Jürgen Dold, President Hexagon Geosystems and Norbert Hanke, President Hexagon Metrology.

Variable remuneration is based on the Group's profitability.

Pensions and other benefits received by the President and other senior executives are paid as part of their total remuneration.

REMUNERATION AND OTHER BENEFITS 2011

KEUR	Basic salary/ Director fees	Variable remuneration	Other benefits [1]	Pension expenses	Total
Melker Schörling, Chairman of the Board	92.4	-	-	-	**92.4**
Gun Nilsson	64.8	-	-	-	**64.8**
Mario Fontana	58.1	-	-	-	**58.1**
Ulf Henriksson	44.3	-	-	-	**44.3**
Ulrika Francke	44.3	-	-	-	**44.3**
Ulrik Svensson	63.7	-	-	-	**63.7**
Ola Rollén, President and Chief Executive Officer	1 660.5	410.9	-	332.1	**2 403.5**
Other senior executives (six people) [2]	3 173.7	911.6	54.7	238.6	**4 378.6**
Total	**5 201.8**	**1 322.5**	**54.7**	**570.7**	**7 149.7**

[1] Other benefits comprise company cars and benefits from free rent (excluding annuities).
[2] Six persons and costs in respect of that part of the year during which two senior executives no longer held their positions.

REMUNERATION AND OTHER BENEFITS 2010

KEUR	Basic salary/ Director fees	Variable remuneration	Other benefits [1]	Pension expenses	Total
Melker Schörling, Chairman of the Board	76.0	-	-	-	**76.0**
Gun Nilsson	52.4	-	-	-	**52.4**
Mario Fontana	47.2	-	-	-	**47.2**
Ulf Henriksson	36.7	-	-	-	**36.7**
Ulrika Francke	36.7	-	-	-	**36.7**
Ulrik Svensson	52.4	-	-	-	**52.4**
Ola Rollén, President and Chief Executive Officer	1 100.5	731.8	-	220.1	**2 052.4**
Other senior executives (seven people)	3 152.6	1 239.1	69.2	323.1	**4 784.0**
Total	**4 554.5**	**1 970.9**	**69.2**	**543.2**	**7 137.8**

[1] Other benefits comprise company cars and benefits from free rent (excluding annuities).

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 not higher than 25 per cent of pensionable salary. Pensionable salary means basic salary.

SEVERANCE PAY

The notice period for the CEO is six months. Upon termination by the Company or in case of change of principal ownership the CEO is entitled to severance pay equal to eighteen months of salary. The period of notice for senior executives is a maximum of eighteen months. During the notice period, regular salaries are the only severance pay.

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.

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 were associated with certain terms and conditions, such as a specified length of service, before the employee was permitted to redeem his/her options for shares. The options were allotted free of charge. This plan was terminated in 2010.

Stock option plan 2007/2012, 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 2 July 2011, inclusive, until 2 January 2012, 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 1.2 per option and exercise price to 147.90 SEK.

In May 2011 the option holders were offered to tender their options at market value. The reason for this offer was that it was deemed that the programme would not be able to fulfil its purpose as an incentive programme as originally planned. The Company also investigated the possibility, in light of the acquisition of Intergraph, of introducing a new incentive programme. The existing option plan was considered a significant lock-in in the sense that participants who had invested in the programme and had locked in capital during the programme thus might be less willing to invest in a new incentive programme. Of the outstanding 1 391 000 warrants 1 286 500 were repurchased. For the remaining 104 500 stock options holders neither accepted the repurchase offer nor subscribed for shares in Hexagon. Those options expired 2 January 2012. A new incentive was introduced in December 2011.

Stock option plan 2007/2012, Hexagon AB	Exercise period, until	Number of options	Shares qualified for subscription	To be paid in cash per subscribed Hexagon share, SEK
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**
Repurchase		-1 286 500	-1 543 800	
Closing balance 2011		**104 500**	**125 400**	**147.90**

Options in Hexagon AB, 2011-12-31	Number	Acquisition price, SEK
President and Chief Executive Officer	-	-
Other senior executives (seven people)	-	-
Other employees	104 500	2 090 000
Total	**104 500**	**2 090 000**

Warrants programme 2011/2015

The Extraordinary General Meeting on 15 December 2011 resolved to implement a warrants programme for the employees through a directed issue of 13 665 000 subscription warrants.

Each subscription warrant entitles the holder to subscribe for one share of series B in Hexagon AB during the period from 1 January 2012 up to and including 31 December 2015. The price of the option is SEK 10. The subscription warrants programme is intended for allotment to senior managers and key employees within the Group, whereby they will be offered the opportunity to take part in a value increase of the Company's share. This is expected to to increase the interest in the Company's development- as well as in the Company's share price development - and to stimulate a continued loyalty over the forthcoming years.

In December 2011, 7 588 512 options were purchased by the employees at a price of SEK 10 each. The options entitle to subscription of one new B-share in Hexagon at a price of SEK 124. The price was calculated using the Black-Scholes model.

NOTE 30 Remuneration to Senior Executives, cont.

Warrants programme 2011/2015 Hexagon AB	Exercise period, until	Number of options	Shares qualified for subscription	To be paid in cash per subscribed Hexagon share, SEK
Sale	2015-12-31	7 588 512	7 588 512	124.00
Closing balance	**2015-12-31**	**7 588 512**	**7 588 512**	**124.00**

Warrants 2011/2015, Hexagon AB, 2011-12-31	Number	Acquisition price, SEK
President and Chief Executive Officer	300 000	3 000 000
Other senior executives (six people)	1 450 000	14 500 000
Other employees	5 838 512	58 385 120
Total	**7 588 512**	**75 885 120**

NOTE 31 Remuneration of the Group's Auditors

	Group		Parent Company	
Ernst & Young	**2011**	**2010**	**2011**	**2010**
Audit	3.6	2.4	0.2	0.1
Audit related	0.3	0.4	0.0	0.2
Tax	0.9	0.1	0.0	-
Total	**4.8**	**2.9**	**0.2**	**0.3**

NOTE 32 Related-Party Disclosures

Remuneration of senior executives, meaning both the Board of Directors and management, is presented in Note 30. The Group's holdings in associated companies and receivables from and liabilities to associated companies are immaterial. There were no significant transactions between Hexagon and its associated companies. Similarly, there were no significant transactions between Hexagon and Melker Schörling AB.

Proposed Allocation of Earnings

The following earnings in the Parent Company are at the disposal of the Annual General Meeting (KEUR):	
Premium reserve	805 737
Net earnings	274 812
Total	**1 080 549**

The Board of Directors proposes that these funds are allocated as follows:	
Cash dividend to shareholders of 0.17 EUR per share	59 923[1]
Balance remaining in the premium reserve	805 737
Balance remaining in retained earnings	214 889
Total	**1 080 549**

[1] The amount is based on the number of shares issued and outstanding on 31 December 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 Board of Directors' Report for the Group and the Company give a fair review of the development of the operations, financial position and earnings of the Group and the Company and describes substantial risks and uncertainties that the Group companies face.

Stockholm, Sweden, 26 March 2012

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 27 March 2012

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Hexagon AB for the year 2011. The annual accounts and consolidated accounts of the company are included in this document on pages 58–113.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act and, of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Hexagon AB for the year 2011.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, Sweden 27 March 2012

Ernst & Young AB

Hamish Mabon
Authorised Public Accountant

Quarterly Income Statements

MEUR	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2011 Year	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2010 Year
Net sales	**516.9**	**539.4**	**521.2**	**591.6**	**2 169.1**	**292.4**	**350.8**	**337.0**	**501.1**	**1 481.3**
Gross earnings	**273.4**	**287.0**	**272.7**	**310.4**	**1 143.5**	**152.3**	**175.4**	**171.5**	**253.5**	**752.7**
Sales and administrative costs etc	-173.0	-176.9	-173.8	-188.5	-712.2	-104.2	-112.2	-113.5	-271.2	-601.1
Share in associated company earnings	0.0	0.1	0.0	-0.1	0.0	0.0	0.1	0.0	0.0	0.1
Operating earnings[1]	**100.4**	**110.2**	**98.9**	**121.8**	**431.3**	**48.1**	**63.3**	**58.0**	**-17.7**	**151.7**
Interest income/expenses net [2]	-14.6	-14.8	-14.6	-14.9	-58.9	-3.6	-3.7	-4.5	-29.0	-40.8
Earnings before tex	**85.8**	**95.4**	**84.3**	**106.9**	**372.4**	**44.5**	**59.6**	**53.5**	**-46.7**	**110.9**
Tax	-17.2	-19.1	-16.9	-21.8	-75.0	-6.2	-8.4	-7.0	2.4	-19.2
Net earnings[3]	**68.6**	**76.3**	**67.4**	**85.1**	**297.4**	**38.3**	**51.2**	**46.5**	**-44.3**	**91.7**
[1] of which non-recurring items	-4.4	-4.1	-	-	-8.5	-	-	-	-121.2	-121.2
[2] of which non-recurring items	-	-	-	-	-	-	-	-	-15.4	-15.4
[3] of which non-controlling interests	0.5	0.5	0.5	0.7	2.2	0.3	0.3	0.5	0.7	1.8
Earnings include depreciation and impairments of	-25.3	-24.6	-26.0	-26.7	-102.6	-20.5	-22.5	-23.3	-86.2	-152.5
Earnings per share, EUR	0.19	0.22	0.19	0.24	0.84	0.13	0.17	0.15	-0.15	0.30
Earnings per share after dilution, EUR	0.19	0.22	0.19	0.24	0.84	0.13	0.17	0.15	-0.15	0.30
Earnings per share excluding non-recurring items, EUR	0.20	0.22	0.19	0.24	0.85	0.13	0.17	0.15	0.24	0.69
Operating earnings (EBIT 1)	104.8	114.3	98.9	121.8	439.8	48.1	63.3	58.0	103.5	272.9
Operating earnings per share (EBIT 1), EUR	0.30	0.32	0.28	0.35	1.25	0.16	0.21	0.19	0.33	0.90
Average number of shares (thousands)	352 467	352 490	352 490	352 490	352 484	301 580	301 591	301 603	309 845	303 655
Average number of shares after dilution (thousands)	352 706	352 499	352 490	352 490	352 546	301 669	301 591	301 603	309 845	303 677

10-year Summary

	MSEK									MEUR			
Income statement	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**	**2011**
Net sales	6 997	7 103	8 256	9 637	13 469	14 587	14 479	11 811	14 096	1 511.0	1 112.0	1 481.3	2 169.1
Operating earnings (EBITDA)	719	711	929	1 272	2 429	3 054	3 267	2537	3458	340.1	238.9	362.4	542.4
Operating earnings (EBITA)	511	480	686	923	1 827	2 421	2 548	1784	2604	265.3	168.0	272.9	439.8
Operating earnings (EBIT1)	421	406	686	923	1 827	2 421	2 548	1784	2604	265.3	168.0	272.9	439.8
Operating earnings	400	406	634	844	1 743	2 270	2 448	1600	1447	254.9	150.6	151.7	431.3
Earnings before tax	319	323	541	705	1 618	2 056	2 129	1442	1058	221.6	135.8	110.9	372.4
- of which non-recurring items	15	-	-52	-79	13	-151	-100	-184	-1304	-10.4	-17.4	-136.6	-8.5
Net earnings	187	221	420	618	1 280	1 811	1 859	1254	875	193.5	118.1	91.7	297.4
- of which non-controlling interest	-	-	7	5	7	11	12	9	17	1.2	0.8	1.8	2.2

The numbers for 2002 and 2003 have not been restated according to IFRS

	MSEK									MEUR			
Balance sheet	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**	**2011**
Current assets	3 118	3 060	3 600	5 251	5 861	7 944	8 070	6 617	9 436	737.0	645.4	1 052.4	1 125.0
Fixed assets	3 100	2 866	3 798	13 391	12 687	16 996	19 431	18 809	35 451	1 774.5	1 834.7	3 954.2	4 218.7
Non-interest bearing liabilities and provisions	1 713	1 626	1 950	3 533	3 322	4 310	3 833	3 126	7 153	350.0	305.0	797.8	914.7
Interest-bearing liabilities and provisions	2 275	1 981	2 952	9 590	6 617	10 584	11 654	9 816	18 258	1 064.3	957.4	2 036.5	1 903.2
Non-controlling interest	36	47	-	-	-	-	-	-	-	-	-	-	-
Shareholders' equity	2 194	2 272	2 496	5 519	8 609	10 046	12 014	12 484	19 476	1 097.2	1 217.7	2 172.3	2 525.8
Total assets	6 218	5 926	7 398	18 642	18 548	24 940	27 501	25 426	44 887	2 511.5	2 480.1	5 006.6	5 343.7

10-year Summary

	MSEK									MEUR			
Key data	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**	**2011**
Operating margin, %	6	6	8	10	14	17	18	15	18	18	15	18	20
Return on capital employed, %	10	10	13	11	12	14	12	8	10	12	8	10	11
Return on capital employed excluding goodwill amortisation, %	12	11	13	11	12	14	12	8	10	12	8	10	11
Return on equity, %	9	10	18	18	17	20	18	10	6	18	10	6	13
Return on equity excluding goodwill amortisation, %	14	13	18	18	17	20	18	10	6	18	10	6	13
Investments	267	226	299	442	834	825	1 005	821	832	104.6	77.3	87.2	135.9
Equity ratio, %	36	39	34	30	46	40	44	49	43	44	49	43	47
Share of risk-bearing capital %	37	41	35	32	49	43	45	51	48	45	51	48	52
Interest coverage ratio (times)	3.4	4.2	5.0	5.1	7.4	8.9	7.0	9.5	3.6	7.0	9.5	3.6	7.0
Net debt/equity ratio (times)	0.97	0.78	1.11	1.66	0.70	0.88	0.89	0.66	0.82	0.89	0.66	0.82	0.66
Cash flow before changes in working capital and excluding non-recurring items	388	534	723	956	1 737	2 472	2 587	2 003	2 805	269.3	189.1	294.1	397.2
Cash flow excluding non-recurring items	307	440	642	764	1 115	2 027	1 755	2 621	2 483	182.7	247.4	260.4	369.0
Earnings per share, SEK/EUR	0.96	1.07	2.00	2.75	4.39	5.95	6.10	4.13	2.83	0.64	0.39	0.30	0.84
Earnings per share after dilution, SEK/EUR	0.96	1.07	1.99	2.71	4.35	5.93	6.09	4.13	2.83	0.63	0.39	0.30	0.84
Earnings per share excluding goodwill amortisation SEK/EUR	1.42	1.43	2.00	2.75	4.39	5.95	6.10	4.13	2.83	0.64	0.39	0.30	0.84
Cash flow per share before changes in working capital excluding non-recurring items, SEK/EUR	1.99	2.58	3.49	4.29	5.99	8.17	8.55	6.64	9.24	0.89	0.63	0.97	1.13
Cash flow per share after changes in working capital excluding non-recurring items, SEK/EUR	1.58	2.13	3.10	3.43	3.85	6.70	5.80	8.70	8.18	0.60	0.82	0.86	1.05
Equity per share, SEK/EUR	11	11	12	21	28	33	40	41	55	3.62	4.02	6.15	7.15
Closing share price, SEK	12	18	28	64	85	118	33	93	144	33	93	144	103
Cash dividend per share, SEK/EUR	0.41	0.41	0.54	0.80	1.46	2.06	0.44	1.05	1.40	0.04	0.10	0.15	0.17[1]
Average number of shares (thousands)	194 759	206 923	206 934	222 608	289 798	302 643	302 687	301 509	303 655	302 687	301 509	303 655	352 484
Average number of shares after dilution (thousands)	194 759	206 923	207 930	225 842	292 426	303 505	303 202	301 768	303 677	303 202	301 768	303 677	352 546
Number of shares, closing balance (thousands)	206 923	206 923	207 046	260 738	302 526	302 725	301 422	301 580	352 150	301 422	301 580	352 150	352 490
Average number of employees	5 428	5 401	5 935	6 111	7 862	8 406	9 062	7 549	8 179	9 062	7 549	8 179	12 475

[1] As proposed by the Board of Directors.

The share-related key financial ratios have been calculated considering all historical share issues and splits. The figures for 2002 and 2003 have not been restated to comply with IFRS.

FINANCIAL DEFINITIONS

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 operations before change in working capital and excluding non-recurring items.

Cash flow per share
Cash flow from operations before change in working capital and excluding non-recurring items 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 non-controlling interests, divided by average number of shares.

Earnings per share excluding goodwill
Net earnings, excluding non-controlling interests and goodwill amortisation, divided by average number of shares.

Equity ratio
Shareholders' equity including non-controlling 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.

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 adjusted for differences between fair value and book value of deferred revenue in acquired businesses.

Pay-out ratio
Dividend per share in per cent of net earnings per share.

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 non-controlling interests as a percentage of twelve months to end of period average shareholders' equity excluding non-controlling interests.

Return on equity excluding goodwill amortisation
Twelve months to end of period net earnings excluding non-controlling interests and goodwill amortisation as a percentage of twelve months to end of period average shareholders' equity excluding non-controlling 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 non-controlling interests divided by the number of shares at year-end.

Share of risk-bearing capital
The total of shareholders' equity including non-controlling 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 repayment schedule where the borrower is not entitled to re-borrow any amount which it has repaid.

CURRENCY CODES

EUR – Euro
CHF – Swiss Franc
CNY – Chinese Yuan
GBP – British Pound
SEK – Swedish Krona
CAD – Canadian Dollar

BUSINESS DEFINITIONS

Americas
North America, South America and Central America.

Asia
Asia (excluding Middle East), Australia and New Zealand.

CAD
Computer Aided Design – digital-based design used when creating technical drawings.

CMM
Coordinate Measuring Machine.

The Company
The Parent Company (Hexagon AB).

EMEA
Europe, Middle East and Africa.

Emerging markets
Eastern Europe, Middle East, South America, Africa and Asia excluding Australia, New Zealand, Japan and Korea.

EPC
Engineering, procurement and construction companies.

Geomatics
The study of depicting the Earth's surface.

GIS
Geographic Information Systems.

GNSS
Global Navigation Satellite System.

GPS
Global Positioning System.

The Group
The Parent Company (Hexagon AB) and subsidiaries.

HDS
High Definition Surveying.

ISDA
International Swaps and Derivatives Association.

Laser tracker
A portable measurement system that uses a laser.

LIDAR
Light Detection and Ranging – technology to collect topographic data using laser.

MT
Hexagon's core operations Measurement Technologies.

NAFTA
North American Free Trade Agreement.

NIBRS
National Incident-based Reporting System.

OECD
Organisation of Economic Cooperation and Development.

OEMs
Original Equipment Manufacturers.

O/O
Owner / Operator.

Other Operations
Hexagon's operations excluding MT.

PP&M
Intergraph's division Process, Power & Marine.

R&D
Research and development.

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.

UCR
Uniform Crime Reporting.

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING 2012

The Annual General Meeting will be held on Wednesday 9 May 2012 at 17:00 CET at Oscarsteatern, Kungsgatan 63, Stockholm, Sweden.

Shareholders who wish to attend the Annual General Meeting must:

(i) be recorded in the share register maintained by Euroclear Sweden AB on Thursday 3 May 2012, and

(ii) notify the Company of their intention to attend the Annual General Meeting by filling out a form at Hexagon's website, www.hexagon.com

or by post to: Hexagon AB,
"Annual General Meeting"
P.O. Box 3692
SE-103 59 Stockholm
Sweden

or by e-mail to: bolagsstamma@hexagon.com

on Friday 4 May 2012 at the latest.

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 well before 3 May 2012.

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 Board of Directors proposes that a dividend of 0.17 EUR per share be declared for the financial year 2011.

As record day for right to receive dividend, the Board of Directors proposes Monday 14 May 2012. If the Annual General Meeting resolves in accordance with the proposal, the dividend is expected to be paid through Euroclear Sweden AB starting on Tuesday 22 May 2012. Payment is made in EUR, provided that EUR can be received on the shareholder's yield account; if not, payment will be distributed in SEK, whereby currency exchange is made in accordance with Euroclear Sweden AB's applicable procedures.

FINANCIAL INFORMATION 2012

Hexagon will issue information concerning the financial year 2012 on the following dates:

Annual General Meeting 2012	9 May 2012
Interim Report Q1	9 May 2012
Interim Report Q2	9 August 2012
Interim Report Q3	26 October 2012
Year-End Report 2012	February 2013

CAPITAL MARKETS DAY 2012

Hexagon's Capital Markets Day is held 5 June in conjunction with Hexagon's international user conference, Hexagon 2012, 4-7 June at the MGM Grand Hotel in Las Vegas, Nevada, 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 onwards are available at www.hexagon.com.

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