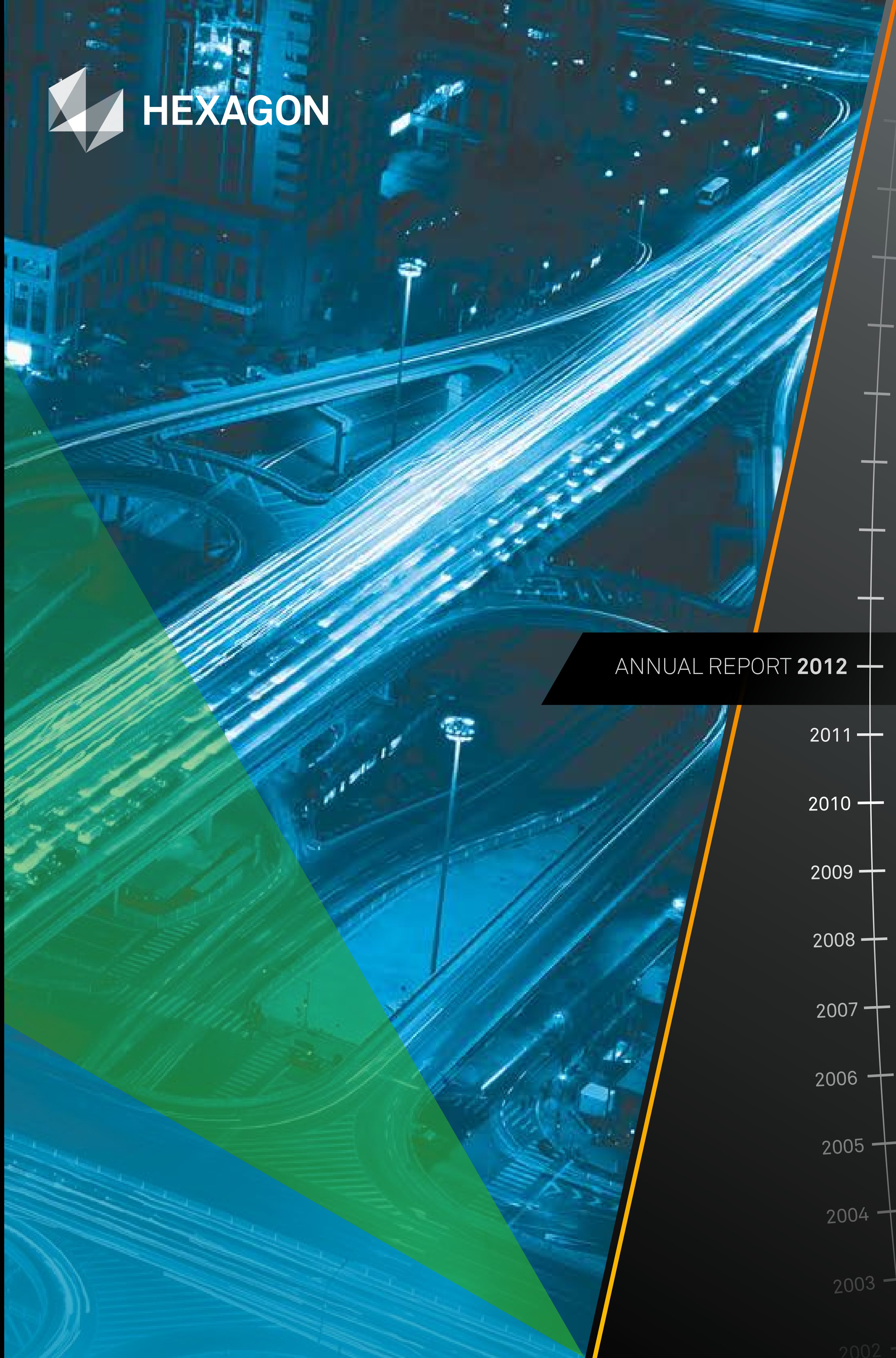
HEXAGON



ANNUAL REPORT **2012**

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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 2011 unless otherwise stated.

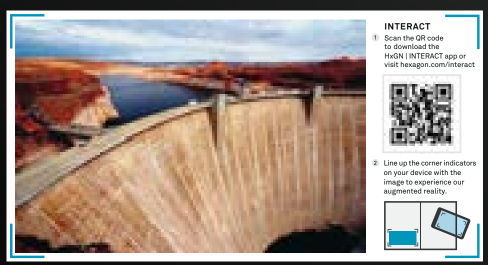
Data on markets and competition represent Hexagon's own assessments unless otherwise stated. Assessments are based on most recent available facts from published sources.

THE HEXAGON ADVANTAGE

Hexagon's solutions fuse the Real World ("as-is/as-built") with the Digital World ("as-planned/as-designed").

Access to vast quantities of disparate and constantly changing information and data is a powerful decision-making tool if presented in an intuitive and meaningful manner. Hexagon's design, measurement and visualisation technologies do just that. They provide the means to create, manage, understand and act upon a constant flow of information. Hexagon's solutions provide an interactive environment that drives smarter decisions and enables decisive action.

Fusing the real and digital worlds with a continuous flow of new information provides customers with accurate digital depictions (3D models, scans, photos, maps) of reality. Thereby turning data into actionable intelligence – the kind of intelligence necessary to keep up with the pace of change and meet the challenges of a growing world.



WELCOME TO AUGMENTED REALITY

Augmented reality (AR) is a way of viewing the real-world environment augmented through computer-generated visuals and sounds. Hexagon invites you to our world of AR. Turn to page 28 and follow the instructions.

WHAT DRIVES US

Global megatrends are pushing our customers to truly innovate and respond to sustainable growth and development challenges. Hexagon is an important partner in helping them reach their potential.

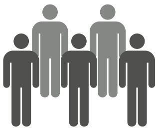
We strive to deliver solutions that not only meet their current needs, but also enable them to become leaders in their respective markets and/or segments.

Working together with our global customer base, Hexagon has the power to address global challenges.

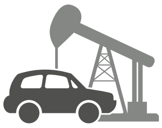
HEXAGON

SHAPING CHANGE

Our planet is changing at an exponential rate. The population is growing, ageing and on the move – putting pressure on the world's infrastructure, resources and ability to manage these changes. Hexagon's unique technology portfolio directly addresses these challenges.



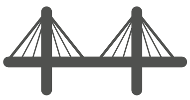
There will be close to **9 bn people** on earth by **2050**



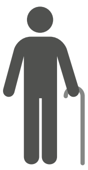
Population growth is pushing the limits of our **global food supplies** and **energy resources**

Almost **180,000 people** are added to the urban population every day

Manufacturing capacity must keep up with the rising demand of the world's **growing middle class**



Practically everywhere **infrastructure** shows signs of strain



Over **2 bn** people will be **older than 60 years** of age by 2050

HEXAGON HAS **CUTTING EDGE** TECHNOLOGIES ...

Our design, measurement and visualisation technologies help meet the demands of a growing world.

... THAT CONNECT **GLOBAL SOLUTIONS** TO GLOBAL CHALLENGES

With our technologies,

- Entire populations are kept safe and secure
- Cities and infrastructure are intelligently planned, built and maintained
- Productivity in manufacturing, construction, mining and agriculture is vastly increased
- Plants and offshore facilities are constructed and operated safely and efficiently

LETTER FROM THE

"Our goal is to grow from **2.4** to **3.5 bn EUR** in sales by 2015"

Dear shareholders,

It has been an amazing year for Hexagon. It's probably unfair to say that the main event of 2012 was the performance of the Hexagon share when we have achieved so much operational progress across our 13,000+ person organisation. However, despite the gloomy backdrop stemming from a two-speed global economy, Hexagon's share price rose by almost 60 per cent!

So, how did we perform so well without the tailwind of strong global demand? I believe it was for two reasons: our business is becoming less cyclical as more of our revenue is recurring; and we are driving growth for our company through the development of technological solutions to vastly important global challenges.

SMART SOLUTIONS

The world needs what we internally refer to as "smart" solutions to solve the problems we will face over the next 20 to 30 years. By "smart," we mean technologies that are more intelligent, with the ability to have an immediate and positive impact on tomorrow. Our multi-industry focus will continue to strengthen our ability to develop new solutions for the foreseeable future, because advancements that we make in one segment often have beneficial application in another. This approach leads to more innovative use of our technologies, that in the end, provide "smarter", more intelligent solutions.

COMBINED TECHNOLOGIES

The 2012 launch of the Hexagon Hydrology Overall Solution – the H^2O Solution, for short – is a great example. It started as a safety system with sensors to predict landslides and flooding from monitored changes in water level and humidity along river banks. Today, it is a comprehensive water infrastructure management solution designed to improve the construction, operability and security of water systems such as dams, reservoirs and levees. From early warning systems and emergency dispatch to power generation optimisation and the irrigation of agricultural land, the H^2O Solution demonstrates the value of our combined technologies.

REDUCING RE-WORK

Another solution that we have made strides on throughout the year involves virtual assembly. Today, most industries are advanced in designing new products using computer-aided design (CAD). But only a few have integrated those designs into the world of manufacturing to determine if what's actually being produced is exactly according to plan. And while more sophisticated engineering industries have long since connected metrology systems with design systems for systematic follow up, the majority of large construction projects still rely on engineers to make parts come together, using force or rework at the construction site when they do not fit.

In 2012, we kicked off several research and development (R&D) projects with key customers for eliminating non-fitting components and costly re-work. There are huge savings to be unlocked if these processes are able to be improved. Take, for example, the oil and gas industry,

which spends more than 1 trillion USD in design, construction and commissioning of plant assets annually. Through the systematic use of our technology, significant savings from reductions in materials and energy waste can be more easily achieved.

OUR 2015 TARGETS

In terms of our business performance, Hexagon ended 2012 with sales amounting to approximately 2.4 bn EUR. This means we need to grow by another 1.1 bn EUR, or 14 per cent per annum, to achieve our 2015 target of 3.5 bn EUR. We plan to reach this by combining organic growth from our current core business, organic growth stemming from new markets and products, and inorganic growth from acquisitions of technology and distribution companies. Our other target, to lift the EBIT margin from 2012's 21 per cent to 25 per cent, will primarily be accomplished through the development of a richer product mix entailing an increase of 4 to 5 percentage points in gross margin. At the same time, we are now spending 11 per cent of sales on R&D, compared to 9 per cent only a few years ago, which is why our overhead costs will increase slightly over the coming years.

2013 - ANOTHER EXCITING YEAR

Looking ahead into 2013, we believe we have another very exciting year ahead of us. Without a doubt, the European crisis and the budget cuts implemented in the United States will have a negative impact on Hexagon's growth. However, with the number of product launches scheduled for 2013, we believe we will accomplish our growth ambition of reaching 3.5 bn EUR in sales by 2015.

Thank you!

I would like to conclude by thanking our employees for their outstanding contributions to our company, and also our partners for investing in our mutual future. Finally, I would like to thank our shareholders for their support and continued belief in us in 2012. I look forward to another exciting year in Hexagon's history!

Stockholm, Sweden, March 2013

OLA ROLLÉN
President and Chief Executive Officer

HEXAGON IN BRIEF

Hexagon is a global leader in design, measurement and visualisation technologies. Our customers operate in some of the world's most vital industries, from aerospace, automotive, construction and manufacturing to energy, public safety and defence.

SOLUTIONS FOR **SMARTER** DECISIONS AND **DECISIVE** ACTION

Through our mix of hardware, software and services, Hexagon's customers can turn data into a powerful decision-making tool that drives smarter decisions and enables decisive action.

SALES GROWTH FROM **2.4 BN EUR TO 3.5 BN EUR BY 2015**

Hexagon's growth strategy emphasises sizeable investments in research and development, expansion in emerging markets and exploiting synergy opportunities across our product portfolio. Acquisitions are also an important part of our growth strategy.

OPERATING MARGIN INCREASE FROM **21 TO 25 PER CENT**

Hexagon's aim for a higher operating margin is driven by increasing share of software sales, higher margins in new, synergistic revenues and improved operational efficiency.

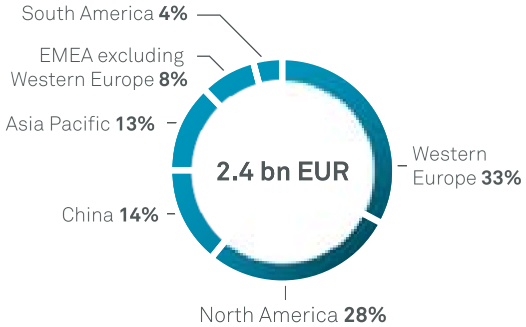
LONG-TERM GROWTH AND PROFITABILITY FROM **INNOVATION**

Creativity and innovation are key ingredients to our development. Hexagon invested 11 per cent of turnover in R&D in 2012 and around 22 per cent of our employees are engaged in R&D. Going forward, cooperation between our divisions will result in synergistic solutions that will account for an increasing share of sales.

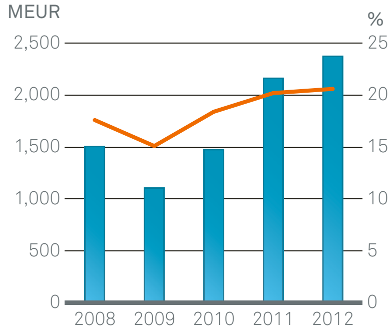
CONTINUED GROWTH IN **EMERGING MARKETS**

Our percentage of sales in these rapidly growing economies is steadily increasing. Sales outside North America and Western Europe now represent almost 40 per cent. Looking ahead, we aim to grow faster in regions such as Asia, Africa and South America.

NET SALES BY REGION



NET SALES AND OPERATING MARGIN



34 per cent of net sales[1]

GEOSYSTEMS

Hexagon Geosystems' technologies capture, reference, analyse, process and store valuable geographical information, allowing, in many instances, the data to be presented as 3D images. Geosystems' solutions are used by customers involved in industries such as surveying, public sector, construction, civil engineering, mining, energy, agriculture and defence.

31 per cent of net sales[1]

METROLOGY

Customers use Hexagon Metrology's systems for manufacturing evaluation, process qualification and final parts' inspection. Through the use of Metrology systems, customers in industries such as automotive, aerospace and energy can boost productivity and enhance efficiency by measuring every step in the manufacturing process to reduce or eliminate defects.

35 per cent of net sales[1]

TECHNOLOGY

Hexagon Technology provides superior enterprise engineering software as well as geospatially powered solutions. It operates in industries such as oil and gas, nuclear and power generation, public safety and utilities and communications. It also offers the industry's most comprehensive line of Global Navigation Satellite System (GNSS) products.

[1] Hexagon MT

ANOTHER **STRONG** YEAR

+10%

Net sales

Uncertainties surrounding the world economy and Europe in particular presented challenges in 2012. Hexagon's organic **growth**, however, **remained strong** which underscores the resilience of the Group's recurring revenue model and the importance of **continued investments** in the product portfolio and in the emerging markets.

KEY DATA [1]	2012	2011	Δ %
Operating net sales	2,380.0	2,177.6	5 [2]
Revenue adjustment	-	-8.5 [3]	n.a.
Net sales	2,380.0	2,169.1	5 [2]
Operating earnings (EBIT1)	489.5	439.8	11
Operating margin, %	20.6	20.2	0.4 pp
Earnings before tax excl. non-recurring items	441.3	380.9	16
Non-recurring items	-	-8.5	n.a.
Earnings before tax	441.3	372.4	19
Net earnings	357.4	297.4	20
Earnings per share, EUR	1.01	0.84	20
Operating cash flow	325.5	233.1	40
Return on equity, %	13.3	13.1	0.2 pp
Return on capital employed, %	11.0	10.5	0.5 pp
Share price, SEK	163.10	102.90	59
Average number of employees	13,203	12,475	6

[1] All figures are in MEUR unless otherwise stated
[2] Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth
[3] Non-recurring reduction of acquired deferred revenue related to the acquisition of Intergraph in 2010

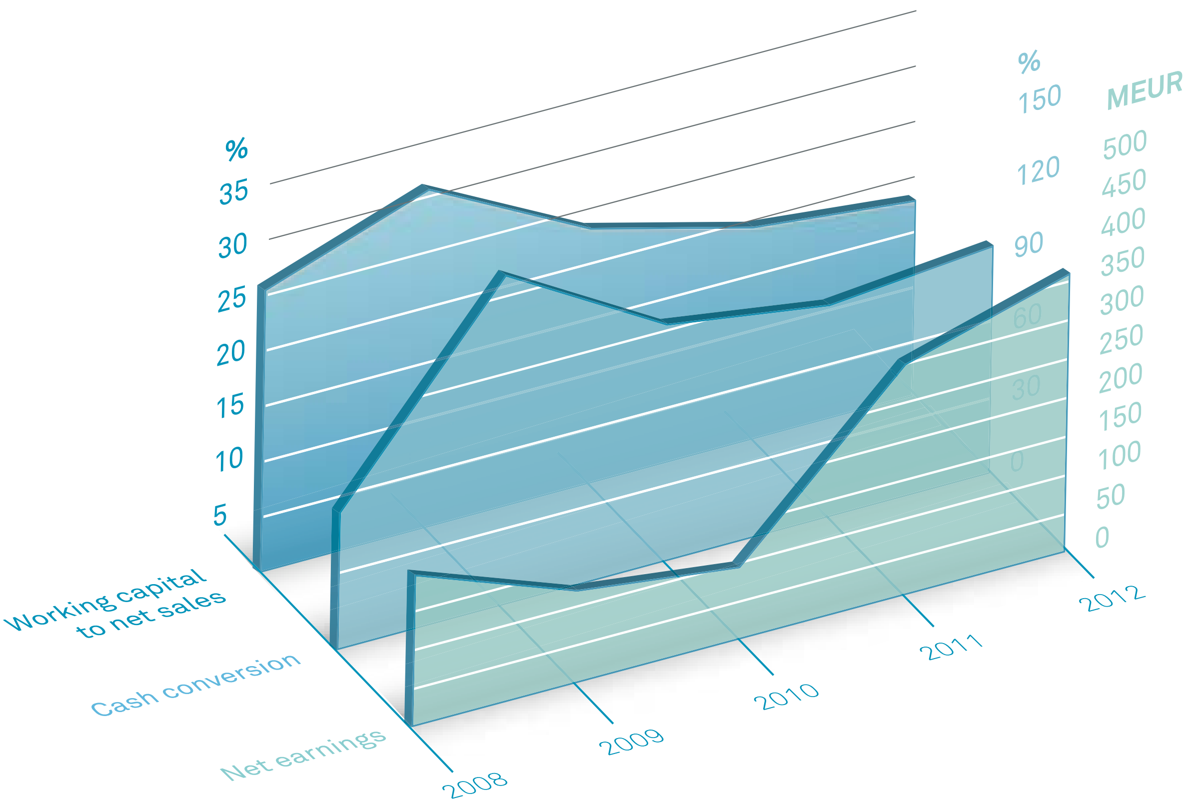
- Net sales increased by 10 per cent to 2,380.0 MEUR (2,169.1). Using fixed exchange rates and a comparable group structure, net sales increased by 5 per cent.
- Customer demand in Europe was sluggish throughout the year. This was largely offset by strong demand in Americas and Asia where South America, China and East Asia were the fastest growing sub-regions. The emerging markets now account for more than one-third of net sales.
- In terms of customer segments, Hexagon saw the strongest demand in the power and energy and aerospace markets throughout the year.
- Record gross margin of 54.8 per cent (52.7) and an EBIT margin of 20.6 per cent (20.2), due to the ongoing mix shift where software and services become an increasing part of the Group's revenue.
- Net earnings increased by 20 per cent to 357.4 MEUR (297.4), or 1.01 EUR (0.84) per share.
- Operating cash flow increased by 50 per cent and amounted to 325.5 MEUR (217.1). The solid cash conversion contributed to a reduction of net debt.
- The Hexagon Board of Directors proposes a dividend for the financial year 2012 of 0.28 EUR (0.17) per share.

55%
Gross margin

21%
Operating margin

The positive results and strong cash flow have contributed to a **sound financial position** for Hexagon.

FINANCIAL POSITION KEY DATA	2012	2011	Δ %
Equity ratio, %	51	47	4 pp
Net debt, MEUR	1,611.9	1,786.8	-9
Net debt / EBITDA, (times)	2.6	3.3	-21
Investments, MEUR	171.8	135.9	26
Interest coverage ratio, (times)	9.3	7.0	33
Net debt/equity ratio, (times)	0.54	0.66	-18



FINANCIAL TARGETS AND STRATEGIES

Hexagon's overriding target is to increase earnings per share by at least 15 per cent annually. Hexagon considers strong growth in earnings per share to be the best measure of shareholder value.

SALES AND MARGIN GROWTH DRIVE EPS

Hexagon drives earnings per share (EPS) growth mainly by increasing sales and enhancing operating margins. Sales have grown through a combination of organic growth and acquisitions while margin enhancement generally is the result of a shift of the business towards higher-value, more profitable technologies and solutions such as software.

Sales growth and margin enhancement will continue to be the key drivers of EPS growth going forward. They are complemented by measures to further increase capital efficiency and reduce financing costs.

FINANCIAL PLAN

Hexagon describes how the company manages its business and serves its shareholders on a continuing basis. The company summarises its financial goals and its strategy for reaching them in financial plans which span three to four years after which period new goals are set or revised and a new plan is launched.

Having successfully reached its previous financial plan "20-20-11", Hexagon adopted a new financial plan in June 2011 with continued focus on growth and profitability. The plan is to grow net sales to 3.5 bn EUR from the 2011 level of 2.2 bn EUR and to improve the EBIT margin from 20 per cent to 25 per cent before the end of 2015.

KEY DRIVERS – SALES TARGET

Hexagon expects to reach its growth objective through a combination of organic growth of its current core business, acquisitions and revenue synergies.

Organic growth

The target for annual organic growth of 8 per cent is the weighted average of estimated future growth rates for the application areas Geosystems, Metrology and Technology (Intergraph PP&M, Intergraph SG&I and NovAtel).

Application area	Historic average growth	2012 Growth	Long-term growth
Geosystems	8%	1%	8%
Metrology	6%	9%	Above 6%
Technology	n.d.	7%	n.d.
- PP&M	15%	n.d.	Above 10%
- SG&I	5%	n.d.	5%
- NovAtel	Above 10%	n.d.	Above 10%
Total	**8%**	**6%**	**8%**

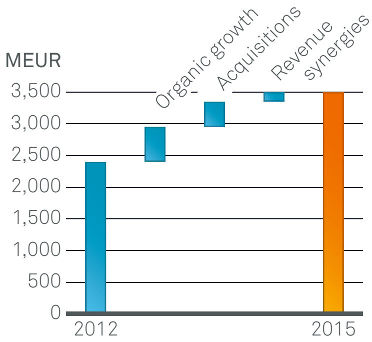
n.d. = not disclosed

Hexagon's organic growth strategy emphasises sizeable investments in research and development and expansion in emerging markets. Hexagon spent 11 per cent of total revenues on R&D in the financial year 2012.

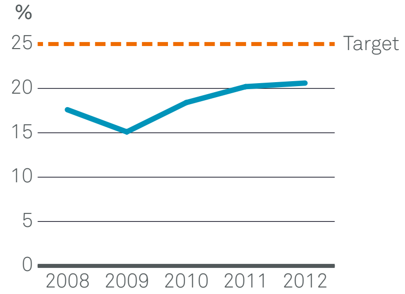
Mergers and acquisitions

Acquisitions play a vital role in Hexagon's strategy enabling the company to strengthen its product portfolio, gain know-how and help achieve a stronger presence in high growth markets. Hexagon continues to monitor a large number of acquisition targets, focusing on emerging markets distribution and technology gaps and evaluates them financially, technologically and commercially on a regular basis. Every potential candidate's place in Hexagon is determined on the basis of synergy simulations and implementation strategies.

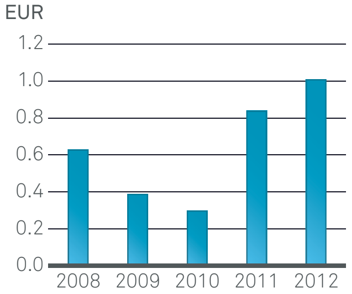
FINANCIAL PLAN 2015 - NET SALES



OPERATING MARGIN



EARNINGS PER SHARE



ACQUISITIONS IN 2012

Date	Company	Country	Strategy
Jan	MicroSurvey Software	CAN	Software
Jan	Lasertopo BVBA	BEL	Distribution
Apr	Visava Oy	FIN	Distribution
May	my Virtual Reality Software AS	NOR	Software
May	Blom ASA [1]	NOR	Dynamic GIS
Aug	North West Geomatics Ltd [2]	CAN	Dynamic GIS
Sep	Sematec	FRA	Services
Oct	Geosystems Kazakhstan	KAZ	Distribution
Dec	GTA Geoinformatik GmbH	DEU	Software
Dec	New River Kinematics	USA	Software

[1] 25 per cent of shares in the company
[2] 10 per cent of shares in the company

Hexagon believes that acquisitions will make up 200-600 MEUR of the 2015 sales target. It is assumed that the business area Other Operations, will be divested before the end of 2015. Other Operations generated 62.4 MEUR in sales in 2012.

New initiatives – revenue synergies

Combining technologies in an innovative and revolutionary way is the essence of Hexagon's business. The company expects that further revenue synergies from integrating Intergraph's technologies will generate 100-200 MEUR in sales by the end of 2015.

KEY DRIVERS – MARGIN TARGET

The long-term annual organic growth of Hexagon's application areas vary from approximately 5 to above 10 per cent. Areas with above average growth rates also show above average EBIT margins. In effect, higher margin solutions are replacing older generation technologies. This means that the shift of Hexagon's business mix towards segments with higher-growth and more profitable technologies will lead to a higher average margin.

Generally, acquired companies do not have as high EBIT margin as Hexagon, which, all else being equal, will dampen margin enhancement. On the other hand, margins from synergy projects will be significantly higher than the Group average, offsetting any dilutive effects from acquisitions.

EQUITY RATIO

Hexagon targets to have an equity ratio of at least 25 per cent. A high equity ratio is a requirement for financing acquisitions by borrowings. Hexagon has made some 80 acquisitions since 2000, including large acquisitions such as Brown & Sharpe (2001), Leica Geosystems (2005), NovAtel (2007) and Intergraph (2010).

REDUCING FINANCING COSTS

Bank loans account for 43 per cent of Hexagon's long-term financing, while debt capital markets make up the remainder. Hexagon's net financial cost amounted to -48.2 MEUR in 2012 (-58.9). The average interest rate at year end 2012 was 2.2 per cent (3.3). The reason for the reduction in financing cost was a combination of lower net debt and lower interest rates.

POSITIVE CASH FLOW OVER A BUSINESS CYCLE

A strong cash generation is necessary to pay for investments, servicing debt and paying dividends to shareholders. Hexagon's cash conversion, i.e. the ratio at which profits are translated into cash, has been 81 per cent as an average since 2007. The cash conversion ratio in 2012 was 87 per cent.

REDUCING CAPITAL EMPLOYED

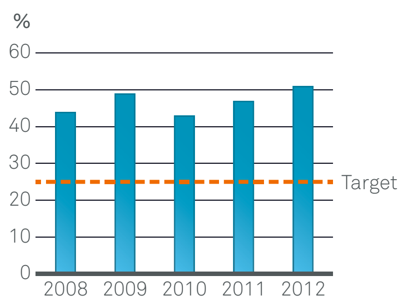
Hexagon strives to keep working capital as low as possible. In recent years the ratio of working capital to sales has averaged less than 20 per cent. Working capital as a percentage of sales is expected to trend downwards as software increases its share of Hexagon's sales.

Hexagon's target is that return on capital employed should exceed 15 per cent annually over a business cycle, including goodwill from acquisitions. Return on average capital employed, excluding non-recurring items, was 11.0 per cent (10.5) in 2012.

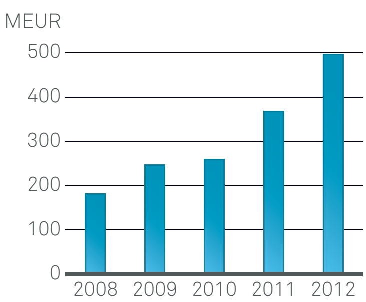
RETURNS TO SHAREHOLDERS

Hexagon's dividend policy is to distribute between 25 and 35 per cent of net earnings after tax. The proposed dividend of 0.28 EUR (0.17) per share in respect of the financial year 2012 represents 28 per cent of earnings.

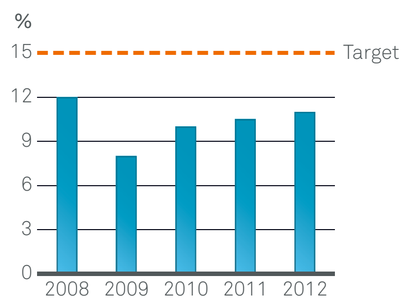
EQUITY RATIO



CASH FLOW FROM OPERATIONS



RETURN ON CAPITAL EMPLOYED



MARKET DRIVERS & OVERVIEW

Powerful macro trends will increasingly affect the world's ability to meet global production, consumption and protection demands. Hexagon serves customers and industries that are at the forefront of addressing these challenges.

MARKET DRIVERS

POPULATION GROWTH AND SCARCE RESOURCES

The world's population, currently estimated at close to 7 bn, will rise to nearly 9 bn by 2050. The growth will lead to higher demand for basic necessities such as food, water and shelter. Since resources are scarce and prices of raw materials are rising, increased productivity is necessary to provide for the growing needs.

RISING INCOME AND EMERGING MIDDLE CLASS

The industrialisation of developing countries means rising income and the emergence of a middle class that demands non-durable and durable consumer goods. The capacity to manufacture anything from cars, household appliances, electronics and all types of consumable goods will have to expand. Plants and factories will be located close to consumers in primarily Asia and Latin America.

URBANISATION AND INFRASTRUCTURE

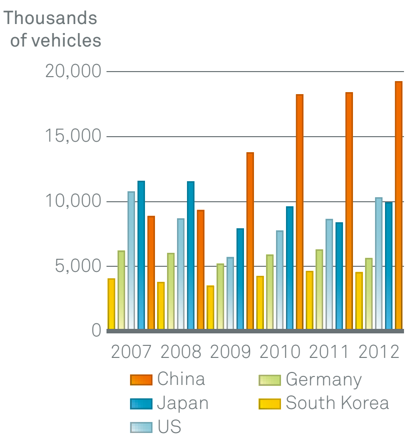
Most of the population growth will take place in cities in the developing world. This trend in urbanisation requires cities to develop and organise housing, transport systems and water and power supply on an unprecedented scale.

AGEING POPULATION

It is estimated that more than 20 per cent of global population will be older than 60 years of age by 2050. While the effect will impact all parts of society, health care and demand for medical equipment for the elderly will be impacted most significantly.

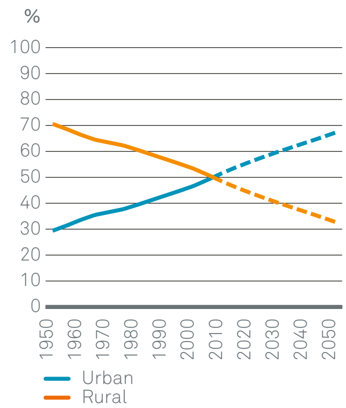
MOTOR VEHICLE PRODUCTION

The automotive industry in China has been the largest in the world measured by automobile unit production since 2009.



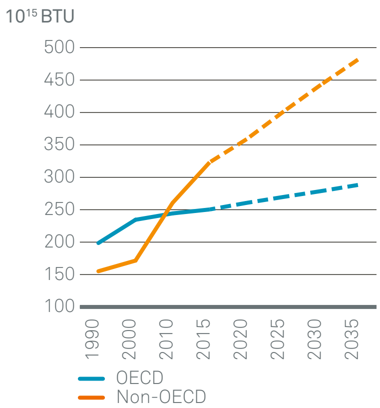
URBANISATION

The global proportion of urban population rose from 29 per cent (732 m) in 1950 to 49 per cent (3.2 bn) in 2005. The United Nations projects that the proportion is likely to rise to 60 per cent (4.9 bn) by 2030.



ENERGY CONSUMPTION

The developing countries' share of global energy consumption will increase in line with the growth of their populations and economies.



Sources: Organisation Internationale des Constructeurs d'Automobiles (OICA). United Nations, Department of Economic and Social Affairs. US Energy Information Administration (EIA)

11 bn EUR

Market size*

+8%

Annual market growth rate

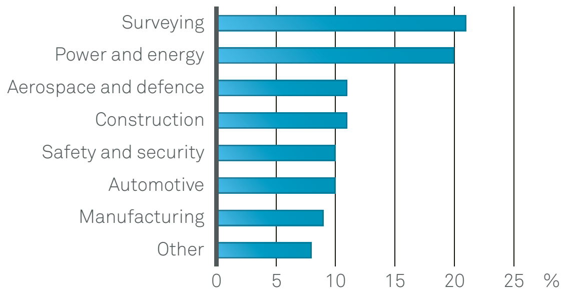
*Hexagon's estimate

CUSTOMERS

All sectors in society require measurement, design and visualisation technologies to cope with change driven by megatrends, from infrastructure, power and energy, aerospace and automotive to public safety and security and defence.

Hexagon supplies thousands of customers across a large variety of industries. No individual customer represents more than 1.5 per cent of the Group's net sales. Surveying is the single largest customer category and accounted for 21 per cent of net sales in 2012. It is followed by power and energy (20 per cent), aerospace and defence (11 per cent) and construction (11 per cent).

NET SALES BY CUSTOMER GROUP IN 2012



MARKET SIZE

Hexagon estimates the size of its addressable market at 11 bn EUR, with annual growth of approximately 8 per cent over a business cycle.

Hexagon's divisions operate on a number of customer segments, each with its unique characteristics in terms of size, maturity, concentration, competition, etc. Hexagon has hundreds of products and software solutions in its portfolio. Hardware like Leica Geosystems' total stations have since long been indispensable in the construction and surveying industries, which is why it is possible to estimate the market size in terms of sales. For segments that are rapidly evolving or even completely new, there exists no meaningful definition of the market and even less data about the market size. This is more true for Hexagon after the acquisition of Intergraph. By crossing the technologies of the combined group, Hexagon is in a position to develop entirely new solutions.

COMPETITIVE LANDSCAPE

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.

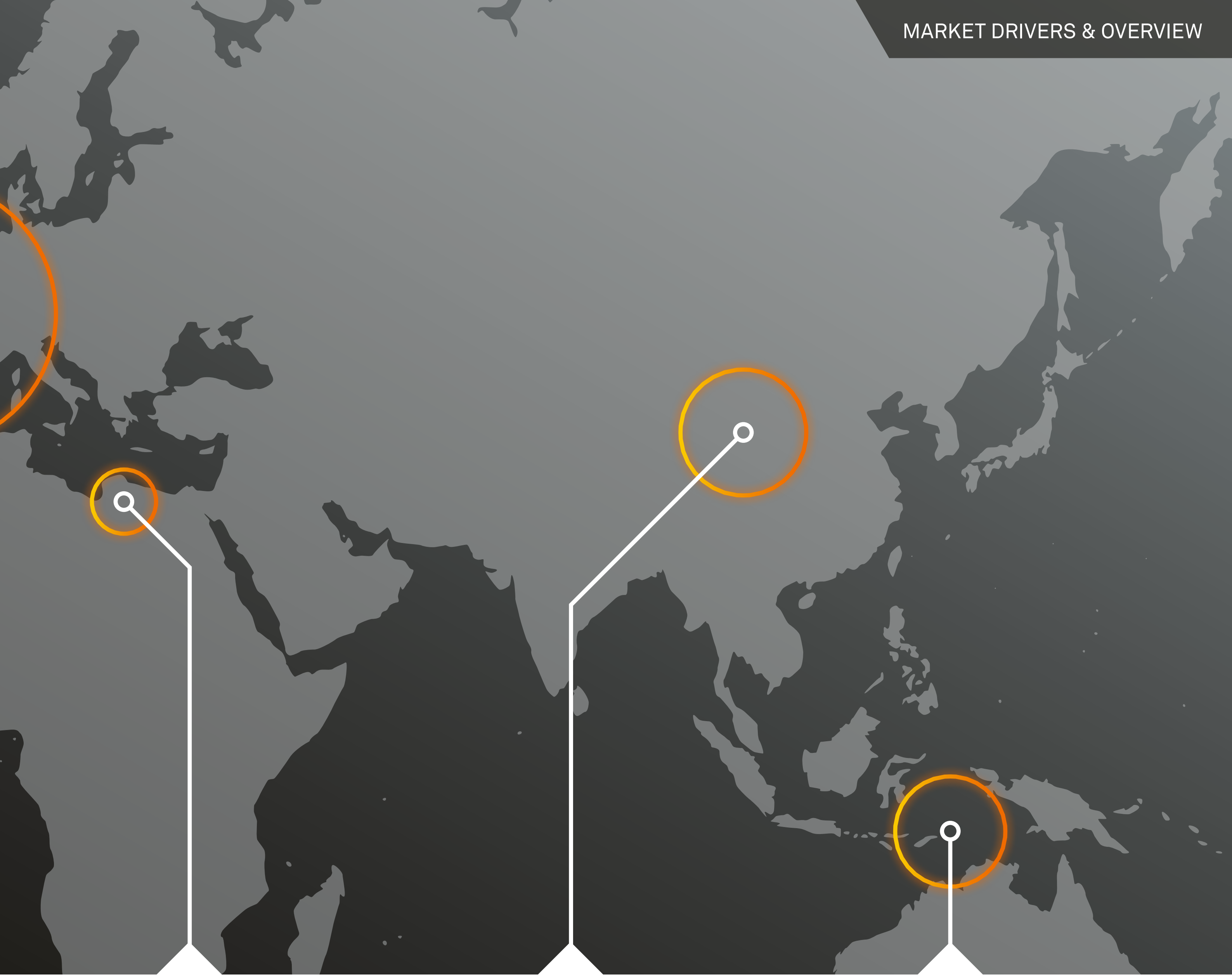
The table to the right summarises what Hexagon considers its most important competitors within each of Hexagon's three application areas: Geosystems, Metrology and Technology.

Company	Public	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	⊙		

WORLD COVERAGE

	NORTH AMERICA	SOUTH AMERICA	WESTERN EUROPE
SHARE OF NET SALES*	**29 %** (28)	**4 %** (3)	**31 %** (34)
NUMBER OF EMPLOYEES*	**3,602** (3,525)	**338** (319)	**4,549** (4,462)
2012 TRENDS	Apart from defence and security related products, all of Hexagon's market segments grew in North America including automotive, aerospace and general engineering, as well as infrastructure projects related to the Hexagon Geosystems application area. Canada showed strong growth due to high demand in the natural resources sector throughout the year.	Led by Brazil, all end markets in South America experienced strong demand in 2012. Hexagon anticipates many opportunities related to the exploration and production of Brazil's massive offshore oil reserves as well as opportunities involving the 2014 FIFA World Cup and the 2016 Olympics. Sisgraph, acquired in 2011, has been well integrated into the Group and plays a key part in the expansion in Brazil.	Major markets in Western Europe experienced increased activity levels in the first half of the year primarily driven by improved demand in automotive, aerospace and manufacturing industries. Although the slowdown in the economy became evident half way through the year, demand for certain products such as enterprise engineering and software used in power and process industries remained at record levels.

*Hexagon MT



EMEA EXCLUDING WESTERN EUROPE	CHINA	ASIA PACIFIC
8 % (8)	**15 %** (14)	**13 %** (13)
465 (423)	**2,054** (1,894)	**1,898** (1,564)

Demand for Hexagon's products and solutions in EMEA, excluding Western Europe, continued to grow particularly in Russia, Turkey and South Africa. Hexagon sees significant growth potential in the region and recently Hexagon made two major investments in the region by acquiring Geosystems distribution partner in Kazakhstan and Navgeocom in Russia in early 2013.

China had a slow start in 2012 due to lack of investments in the high-speed rail build-out and a slowdown in the construction sector. In the second half of the year, comparison numbers from the high-speed rail segment became easier to meet and sales growth in the construction sector recovered. There was strong demand throughout the year from industries such as automotive, aerospace and power and energy.

Several markets and industries in the Asia Pacific region, such as Indonesia, Korea and Japan, reported double digit growth in the year. Australia, however, had a slow second half due to declining demand in the mining industry. India reported weak growth due to a tough macro environment and also faced tough comparison numbers due to a large mining order recognised in 2011.

APPLICATION **AREAS**

GEOSYSTEMS

Hexagon Geosystems' solutions help to capture, visualise and understand reality. Based on this knowledge, customers are able to better plan for change and execute their plans faster, creating new realities. Geosystems' customers are involved in industries such as mapping, surveying, construction, civil engineering, mining, agriculture and defence.

Demand for Geosystems' solutions is expected to increase in the decades ahead, driven ultimately by the need to provide food, water and shelter to a growing population.

At the same time, transport infrastructure needs to be built or improved in emerging as well as in developed economies. Important drivers also include demand for higher productivity and lower production costs in agriculture and mining as well as the need for updated terrestrial information and better incident and disaster preparedness and response.

METROLOGY

Customers use Hexagon Metrology's systems for manufacturing evaluation, process qualification and final parts' inspection. Through the use of these systems, Metrology's customers in industries, such as automotive, aerospace and energy, can boost productivity and enhance efficiency by measuring every step in the manufacturing process to reduce or eliminate defects.

Hexagon Metrology's products and solutions are crucial in keeping up with manufacturing demands. Largely driven by a growing middle class in developing nations, demand for transportation, consumer goods, medical devices and other essentials means manufacturers all over the world must find ways to increase productivity without sacrificing quality.

TECHNOLOGY

Hexagon Technology provides market leading enterprise engineering software and geospatially powered solutions. It operates in industries such as oil and gas, nuclear and power generation, public safety and utilities and communications. It also offers the industry's most comprehensive line of Global Navigation Satellite System (GNSS) products.

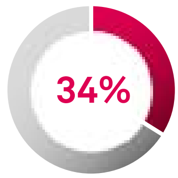
Owner/operators are increasingly looking for ways to improve the design, construction and operations of plants and vessels. Reduction of waste and shortened lead times represent significant savings potential. Authorities at local and national levels are under increasing pressure to protect their citizens from natural disasters, terrorism and other threats, as well as provide reliable infrastructure and services.

Real-time awareness of position has become a critical requirement for many established and emerging industries including autonomous vehicle navigation, structural monitoring and border surveillance.

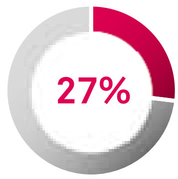
Offerings from Geosystems are used to capture and measure the world around us – whether a small object, large structure or complete environment – using laser instruments, GPS and photographic imagery. Position-related information is collected, processed, stored and visualised, often in 3D, with high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

Geosystems' offerings enable customers to better understand and plan for changes to cities, to man-made infrastructure and the world around us. 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 – as well as natural phenomena such as landslides – to better protect people and resources.

SHARE OF NET SALES



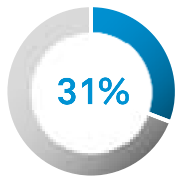
SHARE OF EMPLOYEES



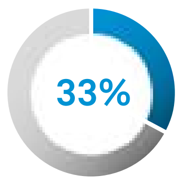
Offerings from Metrology are used to enhance the quality of products and increase efficiency in manufacturing plants around the world. They include stationary systems such as coordinate measuring machines (CMMs) and portable systems such as handheld devices, articulated arms and laser trackers.

Metrology's offerings enable customers 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 Computer Aided Design (CAD) drawings ensure manufactured components conform to their original product design.

SHARE OF NET SALES



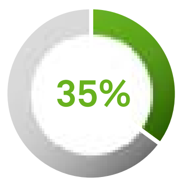
SHARE OF EMPLOYEES



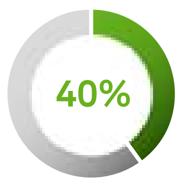
Offerings from Technology are used to build safer and more efficient plants, ships and offshore facilities. They are also used to provide operational support and protection of critical infrastructure and communities. GNSS offerings include products that provide highly precise real-time and post-mission position for a range of applications.

Technology's offerings enable customers to build and operate many of the world's largest and most elaborate industrial facilities and offshore vessels. They create intelligent maps and data-centric, user-defined operational pictures to facilitate situational awareness and smarter decision making. They manage and protect critical infrastructure and provide information vital to the safety and well-being of millions of people every day.

SHARE OF NET SALES



SHARE OF EMPLOYEES



Percentages are based on net sales and employees for Hexagon MT.

GEOSYSTEMS

A unique approach to managing resources and infrastructure

From best-in-class surveying instruments to the broadest solution portfolio in the measurement world, Hexagon Geosystems is helping customers to understand, plan and implement changes that ultimately provide for a better future.

Technologies from Geosystems produce reliable geo-data that is critical to managing the world's resources and infrastructure. Geosystems' core competencies, which also extend beyond traditional surveying equipment, lie in the use of total stations and global positioning system (GPS) technologies to assess, monitor and construct infrastructure.

Geosystems' solutions serve a broad range of industries such as agriculture, construction, engineering, mining, mapping, utilities, public safety and security and surveying.

SUPPORTING SUSTAINABLE GROWTH

Reliable geo-data helps Geosystems' customers in their jobs and in making better, more informed decisions – especially when it comes to a sustainable future. Raw data, however, in and of itself is not very useful, so the focus of Geosystems' solutions is on data interpretation. By combining measurement technologies with design and visualisation tools, customers can see change as it is happening, better predict what lies ahead and continuously improve productivity and outcomes.

Geosystems' goal is to capture the real world accurately and process that data efficiently so that it can be fed into digital CAD drawings, GIS databases or other reference models. The ability to display, analyse, alter and redesign the real world in a digital environment helps drive the decision-making process, whilst a constant flow of updated information ensures data accuracy and reliability.

Time-to-market and speed of work in customers' workflows are important issues. That's why Geosystems constantly work to make instruments smaller, lighter and more affordable, whilst simultaneously providing more information in shorter processing times to aid in faster and smarter decision making.

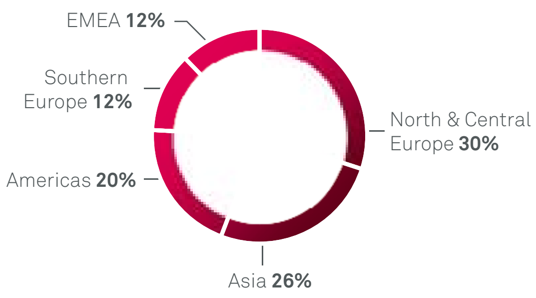
The unfortunate increase in natural and man-made catastrophes is also placing demand on the need for solutions that manage infrastructure and resources. The broad portfolio of solutions offered by Geosystems not only helps customers understand and adapt to changes and challenges in our environment, but also helps to better protect our planet, its resources and mankind.

TRENDS

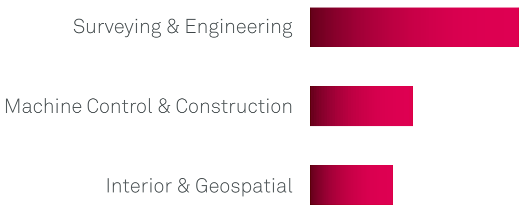
Moving forward, we foresee the convergence of mobile mapping, aerial imagery, LiDAR point clouds and oblique imagery into truly smart 3D city models as the main trend that will become more present in the geospatial industry. 3D plant and city modelling are small but growing application areas where scanning and point cloud technologies are being applied and, in many cases, are the drivers pushing the industry forward. Today, about one in every two scanners worldwide is a Leica Geosystems scanner. Hence, we are uniquely positioned to affect growth in this segment and continue to actively invest in this field.

Furthermore, technologies such as Software as a Service (SaaS) and cloud computing are now starting to enter the geospatial space, which means new challenges for the industry as it is no longer sufficient to simply capture and supply data. The entire process from beginning to end must be managed and automated: from data collection, in other words, capturing reality through presentation and planning and finishing with the implementation of the plans, thus creating new realities.

SALES BY REGION



SALES BY INDUSTRY



MAJOR APPLICATIONS

Geosystems' solutions are used in key sectors of business and society. Major applications include:

▶ URBAN PLANNING

With Geosystems' solutions, field researchers can measure, record, map and update data effectively and accurately to improve the quality of cartographic production, helping project planners perform in-depth analysis for better decisions.

▶ CONSTRUCTION

Surveyors and construction companies rely heavily on Geosystems' measurement technologies to plan, build and monitor constructions, roads, bridges, railroads, tunnels and ports.

▶ LAND SURVEYING

Surveyors also use Geosystems' 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, or public registers containing the boundaries of land property ownership.

▶ DISASTER PREVENTION

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

▶ MACHINE CONTROL

Customers in the construction, mining and agricultural industries use Geosystems' solutions to operate heavy machinery. Geosystems' 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.

▶ PUBLIC SAFETY AND SECURITY

Police departments and other authorities responsible for forensics, public safety and homeland security use Geosystems' 3D laser scanning for crime scene and accident investigations as well as preplanning.

"Reliable geodata supports sustainability"

INTERVIEW WITH JÜRGEN DOLD, PRESIDENT, HEXAGON GEOSYSTEMS

The construction industry seems to be a focus area for Hexagon Geosystems right now. What are some of the more important considerations currently surrounding this sector?

Jürgen Dold: Well, the most critical consideration when constructing any building is measurement accuracy. There is no room for error when you're dealing with a structure that will hold hundreds or thousands of people. This is especially true for skyscrapers such as the 1 World Trade Center building and the Burj Khalifa, where standard deviations of concrete core walls are generally around 7 millimetres. If the measurements are even slightly skewed, the structural integrity of the entire building is compromised. Another important thing we take into account is monitoring. Buildings and dams settle, and bridges flex and vibrate. The ability to monitor these structures continuously and remotely, even after they have been built, is paramount to ensuring their soundness.

So, Leica Geosystems' measurement and monitoring solutions help make structures secure. What is the next step in managing infrastructure?

Jürgen Dold: It's all about geodata – the intelligence that is collected from structures such as these, or any point or item on the surface of our planet. Easy access to accurate and up-to-date geodata is increasingly important for decision makers to make informed choices. We need reliable geodata to support sustainable growth, i.e. to create and manage infrastructure, housing, recreational space and resources, while safeguarding property and lives, and protecting our environment all at the same time. Processing and interpreting this data quickly and easily is becoming more vital, and this is an area in which Leica Geosystems has been the industry leader for years.

MEASURING THE IMMEASURABLE

Using an innovative structural monitoring system and positioning technology patented by Leica Geosystems, DCM Erectors, Inc. is working hard to rebuild the iconic 1 World Trade Center building in New York City, familiarly known as the Freedom Tower.

When it comes to rebuilding a vital piece of the New York City skyline, precision and accuracy are key. To ensure the structural integrity of this architectural landmark comprising 46,000 tons of structural steel, DCM Erectors relies on Leica Geosystems' proprietary structural monitoring system and positioning technology called the Core Wall Survey System.

The system was initially developed to aid in the creation of the Burj Khalifa skyscraper in Dubai, which, at 2,717 feet, is the tallest structure ever constructed. The building of 1 World Trade Center marks the first time the system is being used in the United States. The Core Wall Survey System is a unique integrated monitoring system that continuously tracks the vertical positioning of a structure's beams and walls as it is being built to within millimetres of the intended design. The system produces reliable coordinates of the building's construction, as skyscrapers are notorious for tilting and deviating from the design centre line due to environmental and construction influences.

The integrated system replaces older methodologies for positioning very tall structures along the design centre line. It also provides quicker and more accurate service for the construction process with less overall risk, which is critical as the structure's glass and metal curtain walls are fabricated offsite and installed to tight tolerances. Additionally, Leica Geosystems' solution allows as-built data to be reincorporated into the CAD system for further BIM-related applications.

Once completed in 2014, the 1 World Trade Center building will soar a symbolic 1,776 feet (541 m) into the air to become the tallest building in the United States.

METROLOGY

Optimising manufacturing to provide for a growing population

Hexagon Metrology offers a comprehensive range of products and services for all industrial metrology applications in sectors such as automotive, aerospace, energy and medical.

As the population swells, the demand for improved quality in manufacturing processes increases to ensure that the need for more cars, aircrafts, consumer goods and medical equipment is met. Metrology provides manufacturing industries worldwide with solutions and services that both improve quality and reduce waste.

Hexagon Metrology provides customers with rapid design capabilities, greater control of the manufacturing process and comparability of components to CAD specification. High-end measuring systems enable customers to capture and analyse large volumes of 3D data throughout every step of the manufacturing and assembly process, increasing efficiency and improving quality. This optimises the process and limits the level of rework and scrap, thereby reducing costs and saving resources.

THE INDUSTRIES METROLOGY SERVES ARE VITAL

Automotive

In the automotive industry, Metrology's constantly evolving quality control technologies assist with body, powertrain and component production, helping automakers build cars better, faster and with higher quality. In fact, Metrology provides all of the world's major original equipment manufacturers (OEMs) with products and solutions to help ensure quality and efficiency.

Aerospace

Metrology also plays an integral role in the aerospace sector, providing tools for assembly and periodic inspections when it comes to measuring and examining every aircraft in the aerospace industry. With Metrology's portable measurement devices and software, aircraft manufacturers are able to accurately measure, analyse and inspect each and every part, including complex, large-scale components such as the aircrafts' wings, mitigating the need for continuous and costly rework.

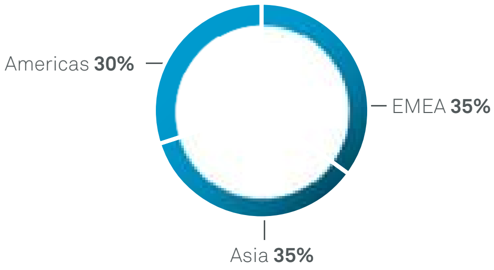
Power and Energy

Generating heat and electricity from systems that make the most out of fossil fuels and renewable sources of energy is becoming increasingly important. Solar, nuclear, wind and hydroelectric power generation plants rely on high-tech measuring systems from Hexagon Metrology. By empowering customers to fully control their manufacturing processes, Hexagon Metrology is helping to maximise efficiencies in manufacturing plants around the world.

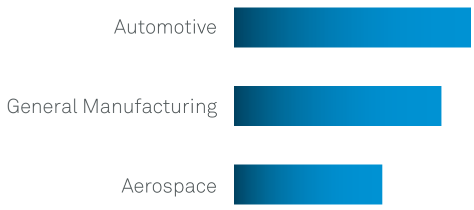
Medical

In the medical sector, 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.

SALES BY REGION



SALES BY INDUSTRY



UNIQUELY POSITIONED

Metrology's competitive advantage lies in its five areas of strength:

▶ SERVICES
Local experts in more than 70 Precision Centers provide training, consultations, part programming, contract inspections and system rebuilds.

▶ SENSORS
Built utilising laser, tactile, optical or white light technologies, Metrology's sensors facilitate critical decision making and provide a completely integrated measurement system.

▶ SOFTWARE
Metrology boasts the most popular metrology software in the world, with tens of thousands of licenses in use. This software makes it easy for companies to create and share manageable multidimensional data.

▶ SOLUTIONS
Through synergies between software, hardware and services, Metrology provides customers with customised solutions to combat metrology issues.

▶ SECTORS
Metrology specialises in multiple industries including automotive, aerospace, energy and medical to meet the needs of a growing world.

TRENDS

On today's fast-paced shop floors, the demand for information and automation systems is high, as quality, reliability and repeatability are paramount when it comes to process improvement. As such, spending on automation technologies has sharply increased as manufacturers continue to look for ways to automate human tasks that involve hard physical or monotonous labour in order to increase productivity, improve quality and reduce costs. Many of these tasks are migrating to the actual point of production, the shop floor, which brings about challenges in incorporating precision measurement instruments into less-than-ideal conditions.

Moreover, Metrology 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 efficiently.

As the world continues to grow and change, and the demand for manufactured commodities intensifies, the role Hexagon Metrology plays in the creation of these goods will certainly expand and evolve, as well.

"Measurement accuracy in extreme conditions"

INTERVIEW WITH NORBERT HANKE, PRESIDENT, HEXAGON METROLOGY

How is accuracy affected by harsh environment conditions in production, such as vibration, dirt or vast temperature ranges on the shop floor?

Norbert Hanke: Actually, it's a common misconception that accurate measurement results on the factory shop floor are impossible to achieve because of harsh environmental conditions in production. By using the correct specialised, shop floor hardened coordinate measuring machines (CMMs), measurement accuracy can be ensured, even in the production environment. In fact, automated inspection is possible right at the point of production, making it ideal for lean manufacturing and cellular layouts.

What innovations have you developed with respect to quality at the point of production?

Norbert Hanke: Hexagon Metrology machines and software are developed with inspiration from more than 15 years of shop floor machine production experience, as well as the thousands of units in the field worldwide. Our portable measuring arms and laser trackers are ideal for shop floor environments. The ROMER Absolute Arm ensures the ultimate in portability – making it ideal for inspection, measurement or reverse engineering wherever needed. Leica Absolute Tracker AT401, which is IP54 certified, can be installed in the most unforgiving environments. Additionally, the Leitz SIRIO robot was designed specifically for fast inspection. The new 4.5.4 SF, our rugged CMM, not only excels in tough shop floor conditions, but its compact footprint also lets you easily move it wherever precise dimensional inspection is required.

SHAPING CHANGE

BEYOND OUR WORLD

The Rover, part of NASA's Mars Exploration Programme, was designed to determine the planet's habitability, assessing whether Mars ever had an environment able to support small life forms. When Jet Propulsion Laboratory needed a metrology partner to help build NASA's Mars Curiosity Rover, the organisation turned to Hexagon Metrology.

The project to construct the Rover was a galactic-scale prototyping operation with tens of thousands of parts. In most cases, the team made three of any single component: one for a variety of destructive and non-destructive testing, one sent on the Mars mission and one to create an identical Rover that stayed behind in a simulated Mars environment lab.

With so many parts being manufactured by more than 200 contract manufacturers, as well as independent measurement labs involved in the project, Hexagon Metrology was a natural choice.

Because the entire spacecraft is essentially a prototype, design criteria were not nailed down until after manufacturing had already begun.

Due to the open architecture of Metrology's PC-DMIS software, every component at every stage of production could be inspected using the same software, which streamlined operations, made communication simple and allowed the rapid sharing of data between locations.

At Jet Propulsion Laboratory's facility, metrology hardware consisted of Hexagon Metrology's co-ordinate measuring machines (CMMs) of various sizes and models, portable measuring arms with tactile probes and laser trackers.

Hexagon Metrology's equipment instilled a high degree of confidence in meeting specifications that had zero tolerance for error. After all, it is impossible to replace faulty equipment on Mars.

The Mars Curiosity Rover landed without incident on Mars' surface in August 2012, due in no small part to Hexagon Metrology's expertise. The mission's success represents a major step in Mars surface science and space exploration as a whole.

TECHNOLOGY

Software for managing engineering information and protecting lives and resources

Solutions from Hexagon Technology are used to design, build, operate, maintain, secure and monitor industrial facilities as well as critical infrastructure. They are also used to prepare for and respond to incidents and emergencies ranging from local to multinational scale.

INTERGRAPH PROCESS, POWER & MARINE

Share of Technology application area sales

Intergraph PP&M's 3D computer-aided design (CAD) software support workflows throughout the facility lifecycle in a wide spectrum of industries, including oil and gas, offshore and shipbuilding, nuclear and power generation, and metals and mining. All share the need to manage complex engineering information for improved safety, quality, productivity and interoperability.

Intergraph PP&M's solutions enable companies to simulate changes in a plant, ship or offshore facility to avoid negative impact on project schedule or costs. When it comes to both engineering, procurement and construction (EPC) organisations and owner/operators, automation is key. By lowering the costs associated with design, construction and overhead, automating work processes leads to a marked improvement in efficiency.

Reducing a company's capital expenditure and quickening an owner's time to market are primary concerns. As design and construction roles are often divided between contractors, global collaboration and worksharing have become important to ensure the associated risks are also shared. Intergraph PP&M specialises in solutions that make this collaboration possible.

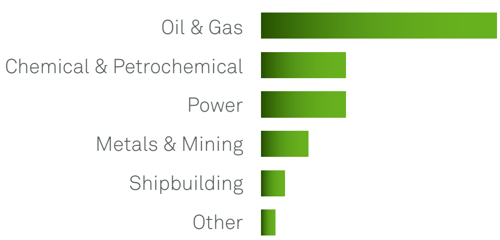
Additionally, it is becoming increasingly important that engineering information on construction sites and in existing facilities be treated as one complete asset, allowing it to be leveraged across multiple disciplines through the life cycle of the enterprise. By using software and digital mock-up technologies from Intergraph PP&M for construction planning, this is now possible.

INTERGRAPH SECURITY, GOVERNMENT & INFRASTRUCTURE

Geospatial software from SG&I is designed to provide powerful decision-making capabilities specific to customer workflows in areas such as defence, transportation, utility services and urban planning. In the area of public safety and security, Intergraph SG&I software allows organisations to quickly receive calls at a dispatch centre or detect threats through sensors and video to assess the severity of incidents and respond quickly and efficiently. Intergraph SG&I's integrated solutions transform vast volumes of data into actionable intelligence and promote multi-agency collaboration.

Demand for infrastructure is expected to significantly increase in the decades ahead, driven by growth in emerging economies, aging infrastructure in mature markets, urbanisation and growing traffic congestion. Intergraph SG&I helps governments and corporations make smarter decisions for managing land and resources, maintaining critical infrastructure, aiding and improving agriculture, energy production and more.

PP&M SALES BY INDUSTRY



SG&I SALES BY INDUSTRY

NOVATEL

NovAtel is a leading original equipment manufacturer (OEM) of Global Navigation Satellite System (GNSS) components, including receivers, antennas, enclosures and firmware.

NovAtel's GNSS technologies provide precise positioning, velocity and attitude determination for a range of industries including surveying, machine guidance, precision agriculture, port automation, mining, marine and defence.

In addition, NovAtel's technologies offer superior navigation and positioning capabilities in traditionally hostile navigation environments such as when GNSS is intentionally denied or when it is degraded because of the operating environment. For the agriculture industry, high-accuracy positioning products drive improvements in productivity and efficiency while reducing input costs. NovAtel is also an important supplier to Hexagon Geosystems.

"The future of engineering today"

INTERVIEW WITH GERHARD SALLINGER, PRESIDENT, INTERGRAPH PP&M

What comes to mind when customers think of Intergraph PP&M?

Gerhard Sallinger: Well, for one, innovation by design. In 1985, our first integrated 2D/3D plant design solution, PDS, entered the market and soon became the market-leading system and held that position for more than 20 years. In fact, it's still used on many projects today. But, in 2000, we kicked off our largest development initiative by far – the development of a next-generation 3D plant design system – Smart 3D. We recognised that, despite the high productivity of PDS and its leading market position, the time would come when further improvements on its functionality would become a technical challenge. So, we decided to develop new breakthrough technologies as the answer to future challenges in the highly competitive industries we serve.

How did you embark on this development, and how has it prevailed?

Gerhard Sallinger: We decided to think forward, gathering a team of our best research and development people and customers to design a new solution that was object-based and driven by relations, rules and automation. It took us more than four years to launch the first version of the new software in 2004. Today, there are more than 2,500 man-years of development and hundreds of millions in USD invested in the Smart 3D product line. The effort has definitely paid off, and the software is simply miles ahead of any competitive product.

"We are uniquely positioned"

INTERVIEW WITH JOHN GRAHAM, PRESIDENT, INTERGRAPH SG&I

With the constant development and acceleration of our urbanised economy, sustainable development has become one of the major issues of today. How is Intergraph SG&I working to address this need?

John Graham: Cities are growing faster than ever and that puts tremendous pressure on service providers. They have to plan and deliver services smarter and better than before. The idea of creating a smart city has been an important part of Hexagon's geospatial vision to merge maps with information and real-time updates to improve city services. A smart city means making those essential services smarter. Software from Intergraph SG&I is helping to solve those problems in areas such as emergency response, security, sustainability, transportation, urbanisation and utilities.

What are some of the ways you've already demonstrated your expertise in meeting the needs of countries such as China that are experiencing rapid urban growth?

John Graham: Our solutions have been used for thousands of projects that have benefitted millions of people in major cities. We've aided public safety in New York. We've improved transportation in London. We've helped with electricity delivery in São Paulo. Combined with Hexagon's decades of experience and local presence in emerging markets such as China, we're uniquely positioned to deliver better services to these markets. In line with Hexagon's China development strategy, we are currently focused on complying with the characteristics and features of Chinese urban growth to develop localised, customised and specialised solutions there.

TRUVIEW FOR OWNER/OPERATORS
A POWERFUL TOOL

Looking ahead, photorealistic plant information browsers such as the Leica TruView Integrator for SmartPlant Enterprise will play an important role in the industry.

The Leica TruView Integrator for SmartPlant Enterprise is one example of how Hexagon is improving some of the world's most vital industries through technology. The solution combines the power of Intergraph Process, Power & Marine's trusted plant asset management software with Leica Geosystems' TruView software, allowing for easy management of rich and complex engineering information.

Created in close collaboration with leading owner/operators, this intuitive solution supports day-to-day plant operations and activities such as maintenance and inspection.

The Leica TruView Integrator for SmartPlant Enterprise introduces photorealistic representations of plant assets to operations and maintenance workers, enabling plant floor activities to be planned in advance and carried out safely, quickly and cost efficiently.

The solution also enables users to easily measure within the images, pan and zoom, create mark-ups and even link points within the images to other information. When united with intelligent plant information in SmartPlant Enterprise for Owner Operators and SmartPlant Foundation, a user can locate a tagged asset within the plant in seconds. Workers can then seamlessly view the data from the tag register, the piping and instrumentation diagram (P&ID), vendor maintenance instructions and much more.

Leica TruView software allows users to view panoramic laser scans and true-to-life images. With the solution, plant workers can access the correct plant data and documentation much quicker and easier, whether on the plant floor, in remote locations without internet connectivity or in the back office.

AlzChem AG and Woodside Energy Limited will be among the first to deploy this Hexagon synergy solution to enable their plant workers to carry out their work safer, quicker and better, whilst also radically reducing health and safety risks.


SPO-Inspection Assistant Document Viewer
TruView

MANAGING THE

WORLD'S WATER SUPPLY

INTERACT

1. Scan the QR code to download the HxGN | INTERACT app or visit hexagon.com/interact

2. Line up the corner indicators on your device with the image to experience our augmented reality.

It is imperative that we discover better ways to control, manage, secure and utilise our water resources. This requires innovative designs, engineering and construction methods, as well as real-time monitoring, to ensure the security of the infrastructure that manages the water resources.

The Hexagon Hydrology Overall Solution – the H^2O Solution, for short – is a comprehensive water infrastructure management solution. Its integrated components are designed to monitor the surroundings, as well as the construction, operability and security of water management systems such as dams, reservoirs and levees, while also ensuring the safety of neighbouring communities in the event of emergency.

It comprises sensors and monitoring technologies such as total stations, global navigation satellite systems (GNSS) and scanners from Leica Geosystems, as well as dispatch, engineering and asset management solutions from Intergraph. Together, they work to reduce the risk of infrastructure failure by keeping it protected and sound, as well as safeguard it against disaster through the use of real-time monitoring, early warning systems and emergency operations plans.

While there are a number of new dams currently under construction in the developed world, in emerging countries, such as China and Brazil, roughly 85 percent of all dams, reservoirs and levees were built between 30 and 50 years ago. Small to mid-sized dams and levees seem to be at most risk of failing due to their often remote locations. Real-time monitoring and overall better management of these by technologies, such as the H^2O Solution, can reduce the risk of failures, as well as provide early warning and quicker emergency response.

The Changjiang Institute for Survey, Planning, Design and Research (CISPDR), designer of China's Three Gorges Dam on the Yangtze River and a strategic cooperation partner of Hexagon China, will jointly implement the H^2O Solution as part of the Lushui Water Hub Project. The impact of this project cannot be overstated, and we look forward to working with CISPDR and their colleagues worldwide in the near future, helping to solve the global problems facing the world today.

R&D

MARKET-DRIVEN **RESEARCH AND** DEVELOPMENT

Hexagon's research and development efforts target satisfying specific customer needs. Hexagon often partners with customers to maximise the applicability of its newly developed technologies.

INNOVATIVENESS IS A KEY ELEMENT

Hexagon's market is highly competitive and dynamic. R&D is a key element in Hexagon's growth strategy and a prerequisite for industry leadership. It is vital to maintaining Hexagon's expertise in the fundamental technologies that underpin the development of new products and solutions. It means consistently conceiving, creating and bringing to the market innovative and profitable products and services, thereby sustaining Hexagons' industry leadership.

COLLABORATIVE R&D

Hexagon's overriding R&D strategy aims at both breakthrough innovation and incremental change.

The majority of Hexagon's R&D workforce is focused on product development in each of the application areas. Every project must be based on a business plan to make sure that it is commercially viable. Divisions submit their R&D budgets and business plans for semi-annual reviews conducted by divisional and corporate management.

Corporate R&D accounts for a relatively small part of total R&D. Its role is to focus on technologies that would benefit the whole Group as such and its planning horizon is longer than that of the divisions'. Rather than business plans, corporate R&D projects are firstly subject to feasibility studies that are carried out in collaboration with research departments of leading universities around the world.

THE R&D NETWORK

Hexagon's researchers benefit from a worldwide network of knowledge exchange and technical collaboration between employees based in Australia, Brazil, Canada, China, Denmark, France, Germany, India, Israel, Italy, Japan, Singapore, Sweden, Switzerland, the UK and the USA. About 3,000 engineers are engaged in R&D, which is more than 22 per cent of Hexagon's total number of employees.

PARTNERING WITH CUSTOMERS

Hexagon's R&D efforts target satisfying specific customer needs. Such needs may be identified by the customer themselves or by Hexagon's employees. The nature of market conditions and customer relationships at each division will decide to what extent initiatives are externally or internally originated.

In some instances customers share the burden of the R&D spend and partner with Hexagon to maximise the applicability of the technology when developed. They may, for example, commit to buying the finished product or solution for a certain period of time after it has been launched. Such projects reduce the risk for Hexagon.

Hexagon allows so called Beta-customers to test new products or solutions so as to incorporate their feedback and advice in the development. This procedure also reduces risk in R&D. Intergraph, for example, has approximately 100 such customers.

R&D is certainly risky in the sense that a satisfactory return cannot be guaranteed. The negative outcome of any single project would, however, not be so large as to be of financial significance to Hexagon.

BUYING TECHNOLOGY

Hexagon may choose to buy licenses or even whole companies to fill gaps in its technology portfolio. Such technology acquisitions are mostly driven by Hexagon's objective to be a market leader.

INTERNAL SYNERGIES

The acquisition of Intergraph in 2010 highlights the importance of synergies for competitive advantage, revenue growth and enhanced margins. Solutions that build on the joint expertise of Hexagon's application areas will play an increasingly important role financially and in the market.

11% of net sales

22% of employees

2,700 active patents

PATENTS

Each year Hexagon submits a large number of patent applications to protect its technical innovations. Hexagon also carefully monitors competitive activity. Hexagon duly 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 around 2,700 active patents worldwide.

EFFICIENCY

Through clearly defined objectives, Hexagon is better able to control and realise cost targets. 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.

To avoid rigidity and inflexibility, Hexagon closely monitors its R&D process, as it provides data and facts to continuously improve its innovations.

Hexagon ensures that the development of simultaneous projects achieve synergies across the Group through a comprehensive framework of process methods, which is also key to employee development.

INCREASE IN R&D BUDGET

In 2012, R&D expenses were 254.7 MEUR (223.0), corresponding to 10.7 per cent (10.2) of total net sales, which is in line with or above that of other leading market players in the industry. 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. In 2012, 48 per cent of R&D spend was capitalised.

R&D PROCESS

Hexagon seeks to create a continuous flow of new products and technologies through its process which can be divided into four stages:

IDEATION	PROJECT SELECTION	PRODUCT DEVELOPMENT	COMMERCIALISATION
To quickly and precisely meet customer requirements, Hexagon's 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 proper balance between market and technological opportunities results in a timely availability of new products with suitable development and production costs as well as appropriate product price.	As in the ideation stage, it is important to engage actively with customers to prove the validity of concepts during product development.	Work with selected users to roll out products carefully during commercialisation.

DOING BUSINESS RESPONSIBLY

Responsibility is about doing business in a way that wins the trust of customers, employees, suppliers, shareholders and the society at large.

As the owner of world-class brands in highly demanding sectors, Hexagon knows the value of reputation. That is why responsible business is essential to strong financial performance and to a successful future.

ALIGNING CORPORATE SOCIAL RESPONSIBILITY (CSR) WITH BUSINESS GOALS

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

THE BOARD OF DIRECTORS IS RESPONSIBLE FOR CSR

The Board of Directors ("the Board") has the overall responsibility for corporate social responsibility (CSR) at Hexagon. The Board has laid down Corporate Social Responsibility Guidelines ("the Guidelines") that serve as a framework for Hexagon's approach to CSR.

SOCIAL RESPONSIBILITY GUIDELINES

The Guidelines set out the ambitions of Hexagon in a number of areas including environmental protection, working conditions and partnerships with suppliers. The main purpose of the Guidelines is to make a commitment to continuous improvement of their management. They complement Hexagon's Code of Business Conduct and Ethics ("the Code"), which sets out the minimum standards of ethical behaviour expected of employees.

THE CODE DEFINES PRINCIPLES

As a market leader, Hexagon has a responsibility to uphold the highest standards of ethics and integrity. All employees are required to comply with the Code and any specific standards established at the local level. The Code is a basic foundation for how the company operates. It defines the principles Hexagon applies in the areas of conduct with customers, suppliers, competitors and government authorities.

COMPLIANCE PROGRAMMES

In addition, Hexagon has established specific compliance programmes pursuant to the Code in respect of anti-corruption, export control, anti-trust and competition law and government procurement.

IMPLEMENTATION OF THE CODE AND PROGRAMMES

The Group Management of Hexagon, under the direction of the President and CEO, is responsible for promoting the implementation of the Code across the Group. The manager of each business unit is responsible for setting up the communication channels, processes and instructions needed to ensure compliance with the Code. Finally, it is the responsibility of each Hexagon employee to understand and comply with the provisions of the Code.

Employees are encouraged and expected to report any incident 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 2012.

ENVIRONMENTAL RESPONSIBILITY

R&D, manufacturing and assembly in ten countries

Hexagon has operations in more than 40 countries worldwide. It has research laboratories, manufacturing and assembly plants in 10 of them: Brazil, China, France, Germany, Israel, India, Italy, Japan, Switzerland and the USA.

Minimising impact at the R&D stage

For Hexagon, sustainable product development means minimising resources via 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 such as lead-free glass, power systems with low environmental impact and recyclable materials such as aluminum and brass are used in the design and production of all products whenever possible.

In the development of new technologies, Hexagon aims at increasing compatibility with other measuring systems or components in order to broaden their functionality and increase their applicability. Hexagon also attaches importance to developing ergonomic products that are easier to use.

Responsible manufacturing

In its manufacturing operations, Hexagon strives to be a role model in the management of environmental issues. This means that Hexagon:

- implements programmes designed to ensure that environmental standards are in compliance with laws, regulations and directives
- has successfully obtained ISO 14001 certification of its major production facilities
- limits the use of natural resources by minimising consumption of materials and maximising recycling
- utilises safe and environmentally friendly installations
- promotes energy efficiency in buildings, production plants and performance of services.

SOCIAL RESPONSIBILITY

The Code defines the duty of all Hexagon employees to uphold high standards for ethical conduct. The Code also aims to ensure a safe work environment and that all employees are treated equally and fairly.

Hexagon's ambitions as an employer extend beyond the compliance of minimum ethical standards. As an industry leader in innovation and quality, Hexagon needs to attract and retain the most competent employees and motivate them to excel.

Fair employment

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

The company fully respects its employees' right to union and other representation. Employees' personal political or religious beliefs are respected and will not be influenced or criticised. Employees and the company will not engage in any political or religious activity in the workplace.

Hexagon does not tolerate forced or involuntary labour of any form. The company strictly forbids child labour.

Diversity

Hexagon is committed to a diverse workplace. The company seeks to actively recruit, continually develop and retain talented people from diverse backgrounds and origins. All employees are treated with equal respect and have an equal opportunity to contribute to the company's success based on their individual skills and interests.

Discrimination and harassment

An employee of Hexagon is not to discriminate against or harass any colleague or business associate. Hexagon has a zero-tolerance policy against harassment and discriminatory practices based on age, ancestry, colour, marital status, medical condition, mental or physical disability, national origin, race, religion, political affiliation, sex, sexual orientation or gender identity, or any other factor as established by law. Employment-related decisions unduly based on any of these factors are improper.

Workplace safety

Employee safety in the workplace is a top priority and Hexagon strives to minimise the risk of accidents and illnesses among its workers. Hexagon is responsible for maintaining a safe work environment by implementing all of the applicable health and safety rules and practices across the entire Group.

Partnership with suppliers

Hexagon requires that its suppliers support the Group's ethical standards as defined in the Code and maintains close contact with them to ensure quality and that sound business practices are followed. Audits are performed on a regular basis and in cases where non-compliance is discovered, Hexagon will engage with the supplier and promptly take appropriate action which may consist of taking suitable measures to ensure that the issue will not be repeated or replace the supplier altogether.

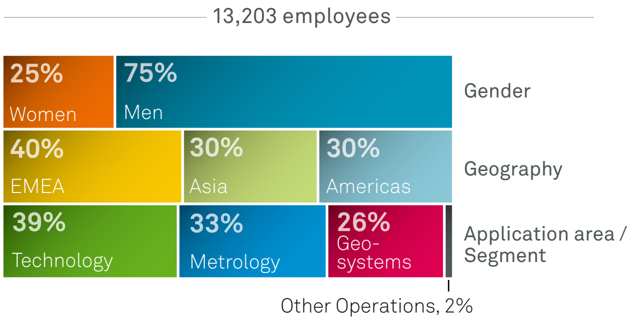
The Guidelines are used both as a tool for selecting suppliers and as a basis for active engagement with them to promote good corporate responsibility management practices. Hexagon expects its suppliers to demonstrate continuous improvement.

EMPLOYEES ARE KEY TO SUCCESS

Hexagon recognises the need to attract, retain and develop the brightest people in the industry.

Hexagon employs over 13,000 people across the globe, in areas such as research and development, marketing, sales, production, installation, customer training, service and administration.

Many of today's most exciting innovations tend to occur at the intersection of market insight and technological know-how. The motivation, competence and well-being of employees are crucial to the ability to recognise opportunities that combine these elements and to drive a project from conception to execution.



RECRUITMENT

Hexagon recognises the need to attract, retain and develop the brightest people in the industry. For recruitment across the entire Group, apart from using all the usual recruitment methods, Hexagon considers employee referrals, social media, technical posting boards for engineers and career fairs at universities.

INTERNAL DEVELOPMENT

Hexagon is designing a 'talent management' programme aimed at retaining and preparing employees for technical roles as well as management and leadership positions. The programme will be implemented in all divisions in the course of 2013.

EMPLOYEE SATISFACTION

Hexagon conducts employee engagement surveys across the entire Group with the goal of gathering better insight into employees' commitment, job satisfaction and productivity. 80 per cent of the Group's employees responded to the survey in 2012 and the results were satisfactory and in line with the industry average. Key focus areas were talent management and career opportunities.

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.

EMPLOYEES BY REGION AND SEGMENT

In 2012, the average number of employees in EMEA was 5,312. In Asia and Americas, employees numbered 3,951 and 3,940, respectively.

With an average of 5,162, Technology was the largest application area in terms of employees in 2012. Metrology had 4,289 and Geosystems 3,454, respectively. Other Operations had 298 employees.

MAKING A DIFFERENCE

Hexagon understands the importance of enabling employees to follow their own interests as part of their professional goal achievement. This is an important part of their development, satisfaction and retention. Hexagon not only encourages employees to work in areas that interest them but also supports training and personal development, which helps fuel creativity and innovation across the organisation.

> "At Hexagon, we do things that make a difference in the world"
>
> Quote from employee survey

COLLABORATION WITH UNIVERSITIES IN INDIA AND CHINA

Hexagon believes in the energy, knowledge and power of the youth, and with an objective of securing talents for the future, considers collaborating and hiring from some of the best universities as a key process in building its future.

At Hexagon India, strong relationships with some of the best institutes/universities in Southern India have been built over the years. The visibility in some of the premier institutes, like the Indian Institute of Technology, Chennai and the four National Institutes of Technology (NIT) has been so high that placements in Hexagon are always sought after.

Collaboration with universities plays a major role in increasing Hexagon's visibility amongst other reputable colleges and universities and further educates the target audience about the company and its Mission, Vision and Values. It gives Hexagon the opportunity to network with students across a number of functions and specialisations.

Additionally, at the strategic level, it involves the development of the Hexagon brand in itself. These young talents bring fresh thoughts and ideas and add new perspectives to the business goals of Hexagon. This campus hiring programme also enables Hexagon to enhance the diversity in terms of gender and demographics across teams and functions.

On an annual basis, Hexagon invites engineering graduates and post graduates with specialisation in computer science, electronics, civil and mechanical engineering to join the company as a Software Analyst. On induction, students undergo a comprehensive training programme which includes technical and soft skills training. Over the last two years about 200 students were recruited through this programme in India.

A similar programme is run in China, where Hexagon has been collaborating with universities since 2007 including China Jiliang University, Northwestern Polytechnical University and Chengdu Aeronautic and Technical College. About 80 students became Hexagon's employees after this cooperation.

THE SHARE

+59 % in 2012

The Hexagon B share has been listed on NASDAQ OMX Stockholm since 1988.

ISIN	**SE0000103699**	Sector	**Industrial Goods & Services**
Nasdaq OMX Stockholm	**HEXA B**	Segment	**Large Cap**
Reuters	**HEXAb.ST**		
Bloomberg	**HEXAB SS**		

SHARE PRICE DEVELOPMENT AND TRADING

The Hexagon share showed an upward trend throughout 2012 and outperformed the NASDAQ OMX Stockholm PI Index which increased by 12 per cent. During the year, the share price increased by 59 per cent to 163.10 SEK at 31 December. The share price reached the 52-week high of 174.60 SEK on 11 December and the 52-week low on 2 January at 105.20 SEK. Hexagon's total market capitalisation as of 31 December 2012 was 55,100 MSEK. During the year, 220 million (370) Hexagon shares were traded on the NASDAQ OMX Stockholm. The turnover rate, i.e. the degree of liquidity, was 62 per cent (105).

SHAREHOLDER STRUCTURE

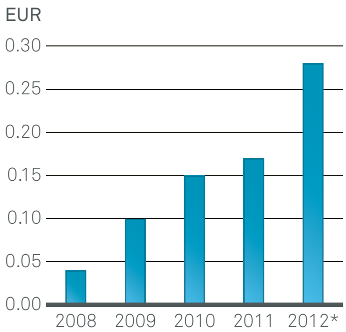
At year-end 2012, Hexagon had 19,688 registered shareholders (24,465). Shareholders in the UK accounted for the largest foreign holding, representing 15 per cent (12) of total shares followed by the USA, representing 13 per cent (9). The 10 largest owners held 57.0 per cent (47.5) of the share capital and 69.5 per cent (62.5) of the votes.

SHARE CAPITAL

Hexagon's share capital amounts to 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. Each share has a quota value of 0.22 EUR. The total number of treasury shares held by Hexagon as of 31 December 2012 was 967,340 series B shares corresponding to 0.3 per cent of the total number of shares in Hexagon.

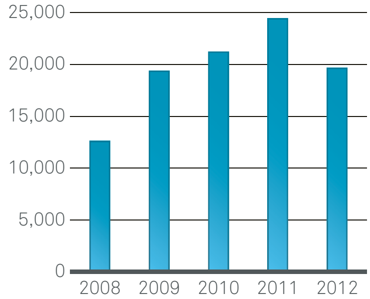
Hexagon's Annual General Meeting in 2012 authorised the Board of Directors to resolve on the acquisition and transfer of series B shares for the purpose of giving the Board the opportunity to adjust the company's capital structure, to enable the financing of acquisitions and exercising options. The authorisation covers repurchase and transfers of a maximum of 10 per cent of outstanding Hexagon shares.

CASH DIVIDEND PER SHARE

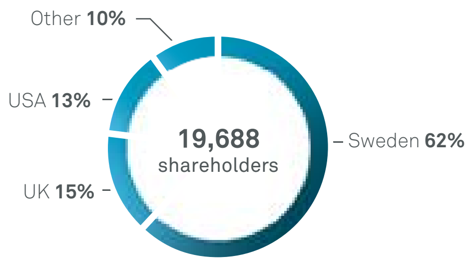


* According to the Board of Directors' proposal

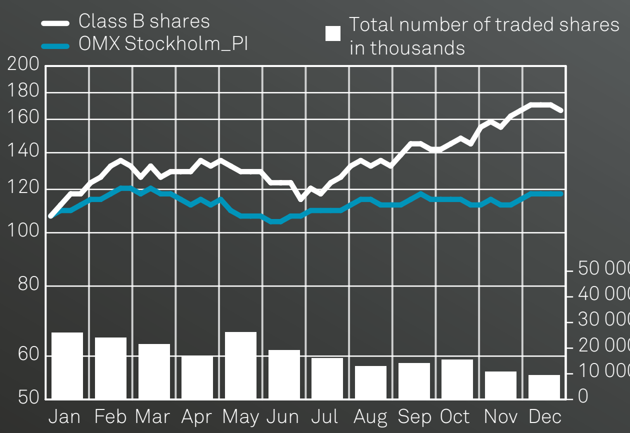
NUMBER OF SHAREHOLDERS

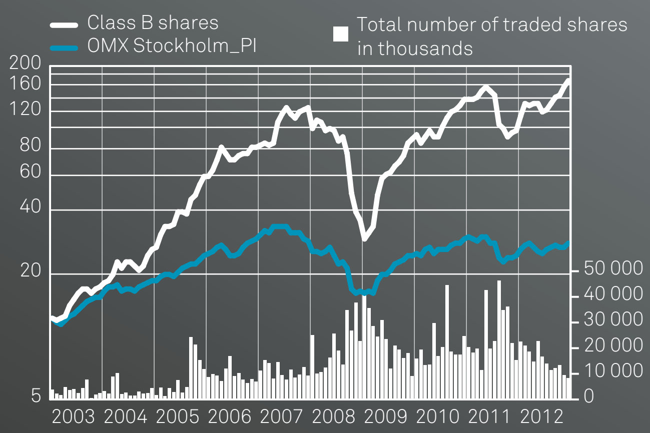


GEOGRAPHIC DISTRIBUTION OF SHAREHOLDINGS



Distribution is based on where the shareholding is registered.





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	31.86
B shares	336,924,837	336,924,837	95.27	68.14
Hexagon AB treasury B shares	967,340	-	0.27	-
Total	**353,642,177**	**494,424,837**	**100.00**	**100.00**

[1] As of 31 December 2012

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	47.78
JPM Chase NA	-	22,391,797	6.33	4.53
Ramsbury Invest AB	-	22,196,387	6.28	4.49
SSB CL Omnibus	-	14,568,646	4.12	2.95
Swedbank Robur Funds	-	11,977,020	3.39	2.42
Columbia Wanger Asset Management	-	10,918,636	3.09	2.21
AMF - Insurance and Funds	-	8,490,020	2.40	1.72
Nordea Investment Funds	-	6,207,773	1.76	1.26
Mellon Omnibus	-	5,245,020	1.48	1.06
SSB and Trust Omnibus, OM14	-	5,090,402	1.44	1.03
Alecta	-	4,860,000	1.37	0.98
Didner & Gerge Funds	-	3,930,000	1.11	0.79
Fourth AP Fund	-	3,575,465	1.01	0.72
Handelsbanken Funds	-	3,173,573	0.90	0.64
Saudi Arabian Monetary Agency	-	3,169,036	0.90	0.64
BP2S Paris/No Convention	-	3,102,002	0.88	0.63
SEB	-	2,759,036	0.78	0.56
Folksam	-	2,706,283	0.77	0.55
SEB Investment Management	-	2,563,183	0.72	0.52
AFA Insurance	-	2,297,813	0.65	0.46
Subtotal, 20 largest shareholders	**15,750,000**	**217,933,674**	**66.08**	**75.93**
Summary, others	-	118,991,163	33.65	24.07
Total number of outstanding shares	**15,750,000**	**336,924,837**	**99.73**	**100.00**
Hexagon AB treasury shares	-	967,340	0.27	0.00
Total issued number of shares	**15,750,000**	**337,892,177**	**100.00**	**100.00**

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 [2]	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 of options, 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	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	-	169,785	11,812,500	253,707,270	531,039,540
2008 Repurchase of shares	2	-	-1,311,442	11,812,500	252,395,828	531,039,540
2009 Sale of repurchased shares, options exercised	2	-	138,825	11,812,500	252,534,653	531,039,540
2010 Sale of repurchased shares, 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	707,284,354
2011 Rights issue	2	-	339,335	15,750,000	336,739,630	707,284,354
2011 Change of functional currency to EUR	0.22	-	-	15,750,000	336,739,630	78,471,187
2012 Sale of repurchased shares, options exercised	0.22	-	185,207	15,750,000	336,924,837	78,471,187
Total				**15,750,000**	**336,924,837**	**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) Issue in kind in connection with annual block exercise in Leica Geosystems' option programme whereby shares in Leica Geosystems received by the programme participants based on the exercise of options were contributed in exchange for B shares in Hexagon.

OWNERSHIP STRUCTURE

Holding per shareholder	Number of shareholders	Number of A shares	Number of B shares
1 - 500	11,640	-	1,910,068
501 - 1,000	2,800	-	2,195,476
1,001 - 2,000	2,084	-	3,186,198
2,001 - 5,000	1,563	-	5,074,425
5,001 - 10,000	654	-	4,725,861
10,001 - 20,000	338	-	4,883,554
20,001 - 50,000	222	-	6,826,190
50,001 - 100,000	78	-	5,411,341
100,001 - 500,000	116	-	25,954,294
500,001 - 1,000,000	22	-	16,105,746
1,000,001 - 5,000,000	38	-	79,793,327
5,000,001 - 10,000,000	5	-	31,012,925
10,000,001 -	5	15,750,000	149,845,432
Total number of outstanding shares	**19,687**	**15,750,000**	**336,924,837**
Hexagon AB treasury shares	1	-	967,340
Total issued number of shares	**19,688**	**15,750,000**	**337,892,177**

Hexagon's Capital Markets Day in 2012 was held in conjunction with the annual international conference in Las Vegas, NV, USA, which attracted more than 3,000 attendees over four days in June.

WARRANTS PROGRAMME

In December 2011, a warrants programme was implemented for Group and divisional management, senior managers and key employees. Under the programme, 13,665,000 subscription warrants entitling to subscription for the corresponding number of new shares of series B in Hexagon AB were issued to Hexagon Förvaltning AB, a wholly owned subsidiary, and offered for sale to participants of the programme.

130 Group managers, division managers, senior managers and key employees in the Group purchased 7,953,512 warrants:

- 7,588,512 warrants were sold at the issue rate of SEK 10 per warrant in 2011
- 365,000 warrants were sold at the issue rate of SEK 20 per warrant in 2012

The strike price for subscription of shares upon exercise of the transferred warrants was determined to SEK 124. The options were valued by an independent institute in accordance with the Black-Scholes model and were transferred to the participants at market value.

The warrants may be exercised during 1 January 2012 – 31 December 2015. In 2012, 185,207 warrants were exercised.

Remaining subscription warrants, that have not been transferred, have been 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.

DIVIDEND

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

The Board of Directors proposes a dividend of 0.28 EUR (0.17) per share for 2012. The proposed dividend amounts to 28 per cent of the year's earnings per share after tax and is thus in line with the dividend policy.

Key data per share	2012	2011	2010	2009	2008
Shareholders' equity, EUR	7.84	7.15	6.15	4.02	3.62
Net earnings, EUR	1.01	0.84	0.30	0.39	0.64
Cash flow, EUR [1]	1.40	1.13	0.97	0.63	0.89
Cash dividend, EUR	0.28 [2]	0.17	0.15	0.10	0.04
Pay-out ratio, %	27.7	20.2	50.0	25.6	6.3
Share price, EUR	19.0	11.6	16.1	9.1	3.0
P/E ratio [3]	19	14	54	23	5

[1] 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.

ANALYSTS FOLLOWING HEXAGON AB

Institution	Name
ABG Sundal Collier	Erik Golrang
Bank of America	Ben Maslen
Barclays	Gerardus Vos
CAI Cheuvreux	Joakim Höglund
Carnegie	Mikael Laséen
Danske Bank	Carl Gustafsson
Danske Bank	Björn Enarson
Deutsche Bank	Johan Wettergren
DnB Nor	Lars Brorson
Enskilda Securities	Daniel Schmidt
Goldman Sachs	S.K. Prasad Borra
Handelsbanken	Jon Hyltner
Nordea	Andreas Koski
Pareto Öhman	David Jacobsson
Penser	Max Frydén
Swedbank	Håkan Wranne

CORPORATE GOVERNANCE **REPORT**

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

Hexagon applies the Code, which is based on the principle "comply or explain". Hexagon does not report any deviations from the Code for the financial year 2012.

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 document separate from the Annual Report.

OWNERSHIP STRUCTURE AND SHARE INFORMATION

At 31 December 2012, 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 967,340 shares of series B. The Annual General Meeting 2012 authorised the Board of Directors ("the Board") to resolve on purchases and divestments of own shares equal to no more than 10 per cent of the total number of issued shares in the company.

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 at year-end 2012, representing 47.8 per cent of the votes and 26.7 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 Board is aware, 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 voluntarily leaves the company, 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 are entitled to participate. The Articles of Association of the company contain no restrictions regarding the number of votes that may be cast by a shareholder at general meetings. At the Annual General Meeting, the Board presents the Annual Report (including the consolidated accounts) and the 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 President and CEO, remuneration to the Board and auditors, the principles for remuneration and employment terms for the President and CEO and other senior executives, election of members and Chairman of the Board of 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 contain no special provisions regarding the election and discharge of Board members or regarding changes of the Articles of Association. The Annual General Meeting 2012 elected seven members, including the President and Chief Executive Officer. The Executive Vice President, the Chief Financial Officer, Hexagon's General Counsel and the Chief Technical Officer participate in the Board meetings. Other Hexagon employees participate in the Board meetings to make presentations on particular matters if requested.

The Nomination Committee's assessment of the members' independence in relation to the company, its management and major shareholders is presented on page 43. According to the requirements set out in the Code, the majority of the Board members elected by the General Meeting must be independent in relation to the company and its management, and at least two of such Board members shall also be independent in relation to the company's major shareholders.

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 President and 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 President and CEO and executives that report directly to the President and 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 President and 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.

PRESIDENT AND CEO AND GROUP MANAGEMENT

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

The Group Management, comprising the President and CEO, presidents of application areas, heads of geographical regions and specific Group staff functions, totals ten 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 9 May 2012 in Stockholm, Sweden, and was attended by a total of 132 shareholders, who jointly represented 64 per cent of the total number of shares and 75 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
- Re-election of the accounting firm Ernst & Young AB, with authorised public accountant Hamish Mabon as auditor in charge, for a one year period of mandate
- Dividend of EUR 0.17 per share for the financial year 2011 as per the Board's proposal
- Guidelines for remuneration to Hexagon's senior executives
- Authorisation of the Board to resolve on acquisition and transfer of the company's shares

NOMINATION COMMITTEE

In respect of the 2013 Annual General Meeting, the Nomination Committee comprised:

- Mikael Ekdahl, Melker Schörling AB (Chairman)
- Jan Andersson, Swedbank Robur Fonder
- Anders Oscarsson, AMF Fonder
- Tomas Ehlin, Nordea Fonder

During 2012, the Nomination Committee held two meetings at which the Chairman gave an account of the process of evaluation of the Board of Directors' work. The Committee discussed and decided on proposals to submit to the 2013 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 made available on Hexagon's website.

BOARD OF DIRECTORS' ACTIVITIES

In 2012, the Board held ten 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

KEY DATA FOR BOARD MEMBERS[1]

			Committee membership		Meeting attendance		
Board Member	**Elected**	**Independent**	**Audit**	**Remuneration**	**Board of Directors**	**Audit Committee**	**Remuneration Committee**
Melker Schörling	1999	No [2]		●	10/10		1/1
Mario Fontana	2006	Yes	●		10/10	6/6	
Ulrika Francke	2010	Yes			10/10		
Ulf Henriksson	2007	Yes			10/10		
Gun Nilsson	2008	Yes	●	●	10/10	6/6	1/1
Ola Rollén	2000	No [3]			10/10		
Ulrik Svensson	2010	No [2]	●		10/10	6/6	

[1] A complete presentation of the Board Members is included on pages 48-49

[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		●										

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 2013.

EVALUATION OF THE BOARD'S WORK

The Board continuously evaluates its work and the format of its activities. This evaluation considers factors such as how the Board's work can be improved, whether the character of meetings stimulates open discussion and whether each Board Member participates actively and contributes to discussions. The evaluation is coordinated by the Chairman of the Board. The Board is also evaluated within the framework of the Nomination Committee's activities.

AUDIT COMMITTEE

During 2012 the Audit Committee comprised:

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

In 2012, 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 2012, the Remuneration Committee comprised:

- Melker Schörling (Chairman)
- Gun Nilsson

In 2012, the Committee held one minuted meeting where remuneration and other employment terms and conditions for the President and 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 2012 Annual General Meeting re-elected the accounting firm Ernst & Young AB, with the authorised public accountant Hamish Mabon (born in 1965) as auditor in charge, as auditor for a one year period of mandate. 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 the 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 six occasions during 2012. 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 2012.

The guidelines for remuneration to senior executives principally entail that the remuneration shall consist of a basic salary, a variable remuneration, other benefits and pension and that all in all this remuneration shall be competitive and in accordance with market practice. The variable remuneration shall be maximised to 60 per cent of the basic remuneration, related to the earnings trend on which the individual may have an impact and based on the outcome in relation to individual targets.

The Board annually considers 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. 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. The pension benefits shall be either benefit or fee-based, or a combination of both, with an individual pension age not lower than 60 years.

It is proposed to the Annual General Meeting 2013 to resolve on substantially the same guidelines as above concerning the remuneration of senior executives.

REMUNERATION OF GROUP MANAGEMENT

Remuneration of the President and CEO and other senior executives is presented in Note 30 on page 98.

WARRANTS PROGRAMME

Details of the warrants programme are presented on page 39 (The Share section) and in Note 30 on page 98.

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 2012, the Chairman of the Board and other Board Members received remuneration totalling 407.2 KEUR. Remuneration of the Board of Directors is presented in Note 30 on page 98.

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 100.

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 President and CEO.

Hexagon's functions for financial control are integrated by means of a group-wide reporting system. Hexagon's financial control unit engages in close and well-functioning cooperation with the subsidiaries' controllers in terms of the financial statements and the reporting process. The Board's monitoring of the company's assessment of its internal control includes contacts with the company's auditor. Hexagon has no internal audit function, since the functions described above, 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 REPORT

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 2012 on pages 40-45 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, 28 March 2013

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 a simple one: to act for Hexagon's long-term development and in the best interests of our shareholders, and to establish an overall strategy for Hexagon. However, the part the Board of Directors plays is often not so simple, as we must also take into account circumstances that could affect the performance and development of Hexagon. In 2012, there were a number of circumstances impacting the markets Hexagon serves, but Hexagon proved to have a very successful year nonetheless.

The ongoing recovery in North America and northern parts of Western Europe brought about growth in the first quarter, although as a whole, we saw Hexagon become less dependent on these regions in 2012, with almost 40 per cent of sales occurring outside Western Europe and North America. Demand in Southern Europe remained weak, whilst Eastern Europe, Russia, Africa and the Middle East continued to grow. Additionally, Hexagon enjoyed strong demand in the automotive, aerospace, power and energy markets in 2012. Looking ahead, while uncertainties surrounding the world economy and particularly Europe will continue to present challenges in the near term, we remain confident in our ability to identify and capitalise on the growth opportunities that exist.

Despite the slow economic progress of 2012, it was a year of exceptionally strong performance for Hexagon. Quarter after quarter, we reached record sales and profitability levels. We reported a 5 per cent organic sales growth, along with an operating margin of 21 per cent – an impressive achievement in such a weak economy. The 2012 net earnings increase of 20 per cent, coupled with a record cash flow, has reduced our net debt to the target level we set in 2010. Also, owing to our heightened focus on software, our business continues to become less cyclical as our revenues increasingly comprise recurring contracts. In 2012, we invested 255 MEUR in R&D, which represents 11 per cent of sales; hence 2013 will include a number of new product releases. With this continued commitment to R&D coupled with Hexagon's worldwide presence and strong technology portfolio, I am confident that we are well positioned to grow significantly when the global economy recovers.

On behalf of Hexagon's Board of Directors, I would like to thank all of our shareholders for your dedication to Hexagon and your continued trust throughout this past year. I am also very appreciative of Hexagon's management, as well as our employees around the world, who have worked tirelessly to ensure yet another outstanding year for our company.

Stockholm, Sweden, March 2013

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

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

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

Shareholding: 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 and 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: 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 Stockholm's Stadsteater AB and Board Member of Swedbank AB.

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

Shareholding: 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 and founder and owner of Clean Energy Integrator LLC, C Services LLC and CI Investment LLC.

Previous assignments in the past five years: -

Shareholding: 18,783 shares of series B.

Independent of the company, its management and major shareholders.

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 and CFO Duni AB.

Other assignments: CFO Sanitec Group

Previous assignments in the past five years: Chairman of Svenska Golftourerna AB. Board Member of Duni AB, Husqvarna AB, LFV and Svenska Golfförbundet Affärsutveckling AB.

Shareholding: 9,666 shares of series B.

Independent of the company, its management and major shareholders.

OLA ROLLÉN
Born in 1965

President and Chief Executive Officer 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 Wind Systems A/S.

Shareholding: 2,000,001 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, AarhusKarlshamn 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: 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 Chief Executive Officer since 2000

Employed since 2000

B.Sc. (Econ.)

Mr. Rollén has been President of Sandvik Materials Technology, Executive Vice President Avesta-Sheffield and President of Kanthal.

He is Member of the Hexagon Board. Mr. Rollén was Member of the Board of Vestas Wind Systems A/S between 2009 and 2011.

He holds 2,000,001 shares of series B and 300,000 warrants for shares of series B in Hexagon AB.

JOHNNY ANDERSSON
Born in 1965

General Counsel

Retained since 2011

M.S. (Law)

Mr. Andersson is a Partner of Mannheimer Swartling Advokatbyrå. He is member of the Swedish Bar Association and member of the International Bar Association.

He holds shares in Hexagon AB via a capital insurance and 300,000 warrants for shares of series B in Hexagon AB.

ROBERT BELKIC
Born in 1970

Chief Financial Officer

Employed since 2009

B.Sc. (Business Administration and Economics)

Mr. Belkic has been Group Treasurer at Hexagon AB, Group Treasurer at EF Education First Ltd and Assistant Group Treasurer at Autoliv Inc.

He holds 300,000 warrants for shares of series B in Hexagon AB.

JÜRGEN DOLD
Born in 1962

President, Hexagon Geosystems

Employed since 1995

M.Sc.,
PhD (Engineering)

Mr. Dold has been academic counsel at the Technical University of Braunschweig, Germany and has held various management positions within Leica Geosystems AG.

He holds 8,615 shares of series B and 150,000 warrants for shares of series B in Hexagon AB.

JOHN GRAHAM
Born in 1960

President, Intergraph Security, Government & Infrastructure (SG&I)

Employed since 2008

B.A. (Business Administration), M.B.A.

Mr. Graham has been Executive Vice President of Siemens UGS Software and has held various senior executive positions at Cap Gemini, Siebel Systems and Electronic Data Systems.

He holds 150,000 warrants for shares of series B in Hexagon AB.

Mr. Graham was appointed to Hexagon Group Management in February 2013.

HÅKAN HALÉN
Born in 1954

Executive
Vice President

Employed since 2001

B.Sc. (Econ.)

Mr. Halén has held various positions within Skandia Group and Trygg-Hansa Group.

He holds shares in Hexagon AB via capital insurance and 300,000 warrants for shares of series B in Hexagon AB.

NORBERT HANKE
Born in 1962

President, Hexagon
Metrology

Employed since 2001

B.Sc. (Econ.)

Mr. Hanke has held various positions within Kloeckner Group and has been CFO of Brown & Sharpe.

He holds 94,529 shares of series B and 300,000 warrants for shares of series B in Hexagon AB.

LI HONGQUAN
Born in 1966

Vice President and
President, Hexagon
China

Employed since 2001

M.Sc. (Engineering)

Mr. Hongquan has been President of Qingdao Brown & Sharpe, Qianshao Technology Co. and has held various positions in other engineering companies.

He holds 148,000 shares of series B and 300,000 warrants for shares of series B in Hexagon AB.

BO PETTERSSON
Born in 1952

Chief Technical Officer

Employed since 2001

M.Sc. (Engineering)

Mr. Pettersson has held Research & Development positions within ABB Group and Erisoft Group.

He holds 257,087 shares of series B and 100,000 warrants for shares of series B in Hexagon AB.

GERHARD SALLINGER
Born in 1952

President, Intergraph
Process, Power &
Marine (PP&M)

Employed since 1985

B.Sc.
(Chemical engineering)

Mr. Sallinger has held various positions in the process industry and has been owner of an engineering firm.

He holds 300,000 warrants for shares of series B in Hexagon AB.

Mr. Sallinger was appointed to Hexagon Group Management in February 2013.

BOARD OF DIRECTORS' REPORT

The Board of Directors and the President and Chief Executive Officer of Hexagon AB hereby submit their annual report for the year of operation 1 January 2012 to 31 December 2012. Hexagon AB is a public limited liability company with its registered office in Stockholm, Sweden and its corporate registration number is 556190-4771.

OPERATIONS

Hexagon's operations are organised, governed and reported as follows:

HEXAGON
Global technology group engaged in the provision of integrated design, measurement and visualisation technologies. 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.

MEASUREMENT TECHNOLOGIES
Include three application areas offering different design, measurement and visualisation solutions that are built upon common core technologies.

GEOSYSTEMS
Captures, processes, stores and presents position-related information.

METROLOGY
Provides manufacturing evaluation, process qualification and final parts inspection.

TECHNOLOGY
Provides enterprise engineering software as well as geospatially powered solutions.

OTHER OPERATIONS
Focuses on the transportation industry in the car and heavy vehicle segments. The bulk of its business is in the Nordic region.

OPERATING STRUCTURE

Hexagon's business activities are conducted through more than 220 operating companies in over 40 countries worldwide. The President and CEO is responsible for daily management and decision making, together with the other members of Hexagon Group Management, including the Executive Vice President, Chief Financial Officer, Chief Technical Officer, General Counsel and application area and regional directors.

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

SALES AND EARNINGS

Net sales grew by 10 per cent during the year to 2,380.0 MEUR (2,169.1). Operating earnings increased by 11 per cent to 489.5 (439.8) MEUR.

MARKET DEMAND

Despite the uncertain macroeconomic climate, Hexagon's diversified business model continued to drive growth in 2012. Hexagon's net sales, adjusted to fixed exchange rates and a comparable group structure (organic growth), increased by 5 per cent during the year.

Geographically, net sales in **EMEA** recorded an organic growth of 1 per cent in 2012 and amounted to 978.7 MEUR (955.6), representing 41 per cent (44) of Group sales. For the first half of the year major markets in Western Europe experienced increased activity levels primarily driven by improved demand for measurement solutions used in automotive, aerospace and manufacturing sectors. However, as of September, infrastructure related activities experienced a slowdown, and deterioration of customer demand in Europe became evident. On the contrary, demand remained at record levels in the segment for

FIVE YEAR SUMMARY

MEUR	2012	2011	2010	2009	2008
Net sales	2,380.0	2,169.1	1,481.3	1,112.0	1,511.0
Operating earnings (EBIT1)	489.5	439.8	272.9	168.0	265.3
Operating margin, %	20.6	20.2	18.4	15.1	17.6
Earnings before taxes excluding non-recurring items	441.3	380.9	247.5	153.2	232.0
Non-recurring items	-	-8.5	-136.6	-17.4	-10.4
Earnings before taxes	441.3	372.4	110.9	135.8	221.6
Net earnings	357.4	297.4	91.7	118.1	193.5
Earnings per share, EUR	1.01	0.84	0.30	0.39	0.64

enterprise engineering, construction and data management software used in power and process industries throughout the year. Regionally, whilst demand in Southern Europe remained weak, Eastern Europe, Africa and the Middle East continued to grow.

Net sales in **Americas** grew by 8 per cent organically in 2012 and amounted to 756.4 MEUR (666.4), representing 32 per cent (31) of Group sales. Apart from defence related products, all of Hexagon's market segments experienced growth in NAFTA throughout the year including automotive, aerospace, engineering as well as infrastructure related projects. Canada showed particularly strong growth in the year due to high demand in the natural resources sector. All of Hexagon's end markets reported solid growth in South America with significant organic growth up until the end of the year when a weaker macro environment in Brazil impacted the growth.

Net sales in **Asia** grew organically by 9 per cent in 2012 and amounted to 644.9 MEUR (555.6), representing 27 per cent (25) of Group sales. The year started slow with growth in the region being negatively affected by the lack of activity in the Chinese high-speed rail sector. However, since the second half of the year, comparison numbers from the high-speed rail segment became easier to meet and all of Hexagon's application areas resumed to growth in China. This was mainly driven by strong demand in the automotive, aerospace, power and energy markets. In addition to China, several other markets and industries in the region, such as India, Korea and Japan, reported double digit growth.

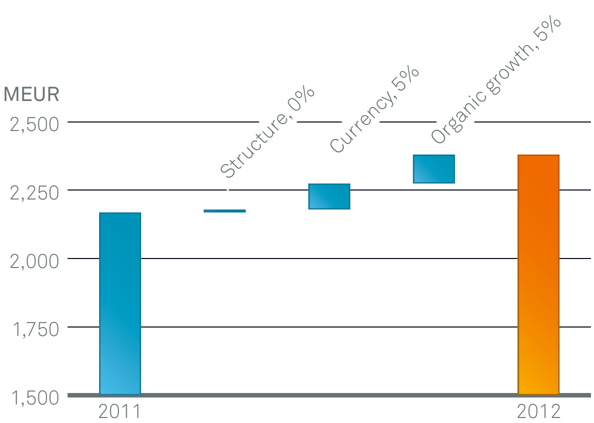
NET SALES

Net sales amounted to 2,380.0 MEUR (2,169.1). Using fixed exchange rates and a comparable group structure, net sales increased by 5 per cent.

Hexagon Measurement Technologies' (MT) operating net sales amounted to 2,317.6 MEUR (2,112.3). Using fixed exchange rates and a comparable structure for MT, operating net sales increased by 6 per cent.

Net sales from Other Operations amounted to 62.4 MEUR (65.3). Using fixed exchange rates and a comparable group structure, net sales decreased by 6 per cent.

SALES BRIDGE 2012



OPERATING EARNINGS

Operating earnings (EBITDA) increased by 13 per cent to 610.3 MEUR (542.4), corresponding to an operating margin (EBITDA margin) of 26 per cent (25).

Operating earnings excluding non-recurring items (EBIT1) increased by 11 per cent to 489.5 MEUR (439.8), corresponding to an operating margin (EBIT1 margin) of 20.6 per cent (20.2).

Hexagon Measurement Technologies' (MT) operating earnings (EBIT1) increased to 504.2 MEUR (450.1), corresponding to an operating margin of 21.8 per cent (21.3).

Operating earnings (EBIT1) from Other Operations decreased to 1.3 MEUR (2.1), corresponding to an operating margin of 2.1 per cent (3.2).

BUSINESS AREAS	Net Sales		Operating Earnings EBIT1	
MEUR	**2012**	**2011**	**2012**	**2011**
Measurement Technologies	2,317.6	2,112.3	504.2	450.1
Other Operations	62.4	65.3	1.3	2.1
Group costs and adjustments	-	-8.5	-16.0	-12.4
Total	**2,380.0**	**2,169.1**	**489.5**	**439.8**

GROSS EARNINGS

Gross earnings amounted to 1,303.7 MEUR (1,143.5). The gross margin was 54.8 per cent (52.7).

FINANCIAL REVENUE AND EXPENSES

The financial net amounted to -48.2 MEUR (-58.9) in 2012. The decrease is mainly explained by lower interest rates and a lower net debt.

NON-RECURRING ITEMS

There were no non-recurring items in 2012. Non-recurring items amounted to -8.5 MEUR in 2011 and concluded the revenue adjustment related to the acquired deferred revenue from the Intergraph acquisition.

EARNINGS BEFORE TAX

Earnings before tax, excluding non-recurring items, amounted to 441.3 MEUR (380.9). Including non-recurring items, earnings before tax were 441.3 MEUR (372.4).

EFFECTIVE TAX RATE

Hexagon's tax expense for the year totalled -83.9 MEUR (-75.0), corresponding to an effective tax rate of 19 per cent (20).

NON-CONTROLLING INTEREST OF NET EARNINGS

The non-controlling interest of net earnings was 2.9 MEUR (2.2).

NET EARNINGS

Net earnings, excluding non-recurring items, amounted to 357.4 MEUR (302.7), or 1.01 EUR per share (0.85). Net earnings, including non-recurring items, amounted to 357.4 MEUR (297.4), or 1.01 EUR per share (0.84).

CASH FLOW

Cash flow from operations before changes in working capital and non-recurring items amounted to 494.4 MEUR (397.2), corresponding to 1.40 EUR per share (1.13). Including changes in working capital, cash flow from operations was 497.3 MEUR (369.0), corresponding to 1.41 EUR per share (1.05). Cash flow from other investments activities was -81.0 MEUR (-99.2). Cash flow after other investments amounted to 244.5 MEUR (117.9). The change in borrowings was -177.4 MEUR (-97.8). Cash dividends to the Parent Company shareholders amounted to -59.9 MEUR (-55.5), corresponding to 0.17 EUR per share (0.15).

PROFITABILITY

Capital employed, defined as total assets less non-interest bearing liabilities, increased to 4,515.2 MEUR (4,429.0). Return on average capital employed, excluding non-recurring items, for the last 12 months was 11.0 per cent (10.5). Return on average shareholders' equity for the last 12 months was 13.3 per cent (13.1). The capital turnover rate was 0.5 times (0.5).

FINANCING AND FINANCIAL POSITION

Shareholders' equity, including non-controlling interest, increased to 2,772.6 MEUR (2,525.8). The equity ratio increased to 51 per cent (47). Hexagon's primary source of financing is a 900 MUSD and a 1,000 MEUR term and revolving credit facilities agreement that expires in July 2015. In 2009, Hexagon issued a 2,000 MSEK five year bond and to further diversify its debt structure, Hexagon, in the first quarter of 2012, established a Swedish commercial paper programme. The programme enables Hexagon to issue commercial paper up to a total amount of SEK 8 bn. Commercial paper can be issued with tenor of up to 12 months under the programme.

On 31 December 2012, cash and unutilised credit limits totalled 450.8 MEUR (360.1). Hexagon's net debt was 1,611.9 MEUR (1,786.8). The net indebtedness was 0.54 times (0.66). Interest coverage ratio was 9.3 times (7.0).

INVESTMENTS

Ordinary investments consist mainly of investments in production facilities, production equipment and intangible assets, primarily capitalised development expenses. Of the ordinary investments of 172.3 MEUR (140.0) during 2012, approximately 71 per cent (71) 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 7 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 amounted to -120.8 MEUR (-102.6).

INVESTMENTS

MEUR	2012	2011
Investments in intangible fixed assets	125.5	101.1
Investments in tangible fixed assets	46.8	38.9
Divestments of tangible fixed assets	-0.5	-4.1
Total ordinary investments	**171.8**	**135.9**
Investments in subsidiaries	67.3	83.0
Investments of financial fixed assets	18.4	17.5
Divestments of financial fixed assets	-4.7	-1.3
Total other investments	**81.0**	**99.2**
Total investments	**252.8**	**235.1**

INTANGIBLE FIXED ASSETS

As of 31 December 2012, Hexagon's carrying value of intangible fixed assets was 3,931.6 MEUR (3,872.3). Amortisation of intangible fixed assets for the 2012 financial year was -84.6 MEUR (-69.1).

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 2012 and no impairment requirement arose. Consolidated goodwill at 31 December 2012 amounted to 2,642.0 MEUR (2,643.7), corresponding to 49 per cent (49) of total assets. The table below shows the business areas to which the goodwill is attributable.

GOODWILL

MEUR	2012	2011
Measurement Technologies	2,640.7	2,642.4
Other Operations	1.3	1.3
Total	**2,642.0**	**2,643.7**

ACQUISITIONS

Hexagon aims to generate profitable growth through a combination of organic growth and acquisitions. Acquisitions are key to Hexagon's long-term growth strategy.

During 2012, Hexagon acquired the following companies:

- MicroSurvey Software Inc. (Canada) in January
- Lasertopo BVBA (Belgium) in January
- Visava Oy (Finland) in April
- my Virtual Reality Software AS (Norway) in May
- 25 per cent holding in Blom ASA (Norway) in May
- 10 per cent holding in North West Geomatics Ltd (Canada) in August
- Sematec (France) in September
- Distribution partner, Geosystems Kazakhstan (Kazakhstan) in October
- GTA Geoinformatik GmbH (Germany) in December
- New River Kinematics (USA) in December

OTHER GROUP INFORMATION

Research and development (R&D)

Hexagon places a high priority on investment in research and development. Being the most innovative supplier in the industry, it is important not only to improve and adapt existing products, but also to identify new applications and thereby increase the total market for Hexagon's products and services. Total expenditure for research and development during 2012 amounted to 254.7 MEUR (223.6), corresponding to 11 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	2012	2011
Capitalised	122.9	99.3
Expensed (excluding amortisation)	131.8	124.3
Total	**254.7**	**223.6**

Environmental impact

Hexagon's research and development team develops 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 decreased 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. Major plants have been ISO 14001 certified and a programme for monitoring the suppliers has been established.

Hexagon aims for development of sustainable products and uses 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 December 2012 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 2012, 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 9 May 2012 authorised Hexagon's Board of Directors to acquire or sell 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 and the excercise of options. The authorisation to repurchase totals a maximum of 10 per cent of all outstanding shares in the company. 185,207 treasury shares were sold in 2012 for the exercise of warrants. By year-end 2012 Hexagon held 967,340 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 Board knows there is no shareholder agreement that could prevent the transfer of shares. Nor are there agreements between the company, directors or employees, other than as described in Note 30 on page 98, which stipulate the right to compensation if such a person voluntarily leaves the company, 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 2,772.6 MEUR (2,525.8) 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.

Hexagon has undertaken to comply with certain requirements regarding key financial ratios (covenants) towards lenders. The key financial ratios are reported to lenders in conjunction with the quarterly reports. If the requirements are not complied with, the terms and conditions are renegotiated and there is a risk of a temporary increase in borrowing costs. In addition, lenders have a right to terminate loan agreements. Hexagon has not breached any covenants in 2012 or in 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 Annual Accounts Act, Hexagon has prepared a corporate governance report separate from the annual report. It can be found in this document on pages 40-45. The corporate governance report contains the Board of Directors' report on internal control.

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 0.28 EUR per share, corresponding to 28 per cent of earnings per share after tax and to 20 per cent of cash flow from operating activities per share. The dividend is expected to total approximately 98.7 MEUR (59.9). The proposed dividend is in line with the dividend policy. The proposed record date for dividend payments is 16 May 2013.

Remuneration of senior executives

The Annual General Meeting 2012 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 shall be maximised to 60 per cent of the basic salary, related to the earnings trend which the relevant individual may influence and based on the outcome in relation to individual targets.

The Board annually considers whether a share or share 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. 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. The pension rights shall be either benefit or fee-based, or a combination of both, with an individual pension age not lower than 60 years.

It is proposed to the Annual General Meeting 2013 to resolve on substantially the same guidelines as above concerning the remuneration of senior executives.

Incentive programmes

See Note 30 on page 98.

Parent Company

The Parent Company's earnings before tax were 126.2 MEUR (295.1). The equity was 1,579.7 MEUR (1,473.3). The solvency ratio of the Parent Company was 39 per cent (37). Liquid funds including unutilised credit limits were 291.4 MEUR (206.4).

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 22 January 2013, Hexagon entered into an agreement to acquire all outstanding shares of Navgeocom, the largest distributor for Geosystems in the Russian Federation.

On 28 January 2013, Hexagon acquired Listech, a software company in Australia. Consolidated as of 1 February 2013.

Hexagon has strengthened the Group Management team by making the following additions, effective as of February 2013:

- Gerhard Sallinger, President of Intergraph Process, Power & Marine (PP&M)
- John Graham, President of Intergraph Security, Government & Infrastructure (SG&I)

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.

ACQUISITIONS AND INTEGRATIONS

Risk: 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 a decreasing growth rate 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.

Risk management: 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 2012, Hexagon made some 80 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

Risk: 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.

Risk management: Hexagon's business is widely spread geographically, with a broad customer base within numerous market segments. Potentially negative effects of a downturn in the developed world may for example be partially off-set by growth in emerging markets and vice versa.

COMPETITION AND PRICE PRESSURE

Risk: 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.

Risk management: Hexagon invests annually approximately 11 per cent of net sales in research and development. A total of about 3,000 engineers are engaged in research and development at Hexagon. The objective for Hexagon's R&D division is to transform customer needs into products and services and to detect market and technological opportunities early on.

CUSTOMERS

Risk: Hexagon's business activities are conducted in a large number of markets with multiple customer categories. In 2012, surveying was the single largest customer category and accounted for 21 per cent of net sales. For Hexagon, this customer category may involve certain risks as a downturn or weak development in the surveying sector can have a negative impact on Hexagon's business. Surveying is followed by customer categories power and energy (20 per cent), aerospace and defence (11 per cent) and construction (11 per cent).

Risk management: Hexagon has a 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

Risk: 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.

Risk management: 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

Risk: The resignation of key employees or Hexagon's failure to attract skilled personnel may have an adverse impact on the Group's operations.

Risk management: 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 internal bank coordinates the management of financial risks and 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. All relevant exposures are monitored continuously and are reported to Group Management and the Board of Directors on a regular basis.

CURRENCY

Risk: Hexagon's operations are mainly conducted internationally. During 2012, total operating earnings, excluding non-recurring items, from operations in currencies other than EUR amounted to an equivalent of 416.1 MEUR. Of these currencies, USD, CHF and CNY have the biggest impact on Hexagon's earnings and net assets. Currency risk is the risk that currency exchange rate fluctuations will have an adverse effect on income statement, balance sheet or cash flow.

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

Translation exposure arises when the income statement and balance sheets are translated into EUR. The balance sheet translation exposure might substantially affect other comprehensive income negatively. Furthermore, the comparability of Hexagon's result between periods is affected by changes in currency exchange rates. The income statement translation exposure is described in the table below for the currencies having the largest impact on Hexagon's earnings and net assets including the effect on Hexagon's operating earnings in 2012.

	Movement[1]	**Net of income and cost**	**Profit impact**
CHF	Strengthened	Negative	Negative
USD	Strengthened	Positive	Positive
CNY	Strengthened	Positive	Positive
EBIT1, MEUR			15.5

[1] Compared to EUR

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

As far as possible, transaction exposure is concentrated to the countries where the manufacturing entities are located. This is achieved by invoicing the sales entities in their respective functional currency from the manufacturing entities. Transaction exposure was hedged until December 2012 at which point in time the Group Treasury Policy was changed. The Policy now states that transaction exposure should not be hedged. The rationale for the change is that the vast majority of transactions concern a short period of time from order to payment. Moreover, a transaction hedge of a flow only postpones the effect of a change in currency rates.

The translation exposure is partially hedged by denominating borrowings in the same currency as of the corresponding net assets. The reason for hedging net assets is to reduce the volatility in other comprehensive income. However, when hedging assets in other currencies than EUR, the volatility in net debt increases. The two kinds of volatilities are carefully monitored.

INTEREST

Risk: The interest rate risk is the risk that changes in market interest rates will adversely affect the Group's net interest expense and/or cash flow. Interest rate exposure arises primarily from outstanding loans. The impact on the Group's net interest expense depends, among other things, on the average interest fixing period for borrowings.

Risk management: 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 2012 was less than three months. During 2012 no interest rate derivatives were used to manage the interest rate risk.

CREDIT

Risk: Credit risk, i.e., the risk that customers may be unable to fulfill their payment obligations, account for the majority of Hexagon's counterparty risk.

Financial credit risk is the exposure to default of counterparties with which Hexagon has invested cash or with which it has entered into forward exchange contracts or other financial instruments.

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

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

LIQUIDITY

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

Risk management: The Group Treasury Policy states that the total liquidity reserve shall at all times be at least 10 per cent of forecasted annual net sales. At year-end, cash and unutilised credit limits totalled 450.8 MEUR (360.1).

REFINANCING

Risk: 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.

Risk management: 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.

Hexagon's primary source of financing is a 900 MUSD and a 1,000 MEUR Term and Revolving Credit Facilities Agreement that expires in July 2015. In 2009 Hexagon issued a 2,000 MSEK five year bond and to further diversify the debt structure, Hexagon, in the first quarter of 2012, established a Swedish Commercial Paper Programme. The programme enables Hexagon to issue commercial paper up to a total amount of 8,000 MSEK. Commercial paper can be issued with tenor of up to 12 months under the programme.

INSURABLE RISK

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.

Risk management: To ensure a well-balanced insurance coverage and financial economies of scale, Hexagon's insurance programme includes among other things group-wide property and liability insurance, travel insurance, errors and omissions insurance and transport insurance combined with local insurance coverage wherever needed. 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. The group legal function exists to support the subsidiaries and to manage certain legal risks at group level.

LEGISLATION AND REGULATION

Risk: 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 government legislation and restrictions in the countries where Hexagon is active.

Risk management: 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. To this effect, Hexagon has adopted a world-wide compliance programme across the Group to ensure that its subsidiaries at all times comply with all applicable legislation, rules and ordinances.

INTELLECTUAL PROPERTY RIGHTS

Risk: 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.

Risk management: Hexagon 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.

ENVIRONMENT

Risk: 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.

Risk management: Hexagon complies with all applicable laws and obligations, and obtains relevant approvals where needed. Hexagon continuously monitors anticipated and implemented changes in legislation in the countries in which it operates.

TAX

Risk: 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 tax rate may increase if large acquisitions are made in high tax jurisdictions or if the corporate tax rates change in countries where Hexagon carries out substantial business.

Risk management: Transactions between Group companies are carried out in accordance with Hexagon's interpretation of prevailing tax law, tax treaties, OECD's 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 its tax transactions are carried out in accordance with the OECD's guidelines.

FINANCIAL REPORTS AND NOTES

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CONSOLIDATED INCOME STATEMENT

MEUR	Note	2012	2011
Net sales	3, 5, 12	2,380.0	2,169.1
Cost of goods sold	6	-1,076.3	-1,025.6
Gross earnings		**1,303.7**	**1,143.5**
Sales expenses	6	-410.4	-366.5
Administration expenses	6	-201.3	-163.1
Research and development expenses	6	-209.6	-180.2
Other operating income	7	42.2	49.6
Other operating expenses	7	-34.6	-52.0
Share of income of associated companies	9, 17	-0.5	0.0
Operating earnings [1]	3, 12, 13, 25, 28, 29, 30, 31	**489.5**	**431.3**
Financial income and expenses			
Financial income	10	5.0	3.4
Financial expenses	10	-53.2	-62.3
Earnings before tax	3	**441.3**	**372.4**
Tax on earnings for the year	11	-83.9	-75.0
Net earnings		**357.4**	**297.4**
Attributable to:			
Parent Company shareholders		354.5	295.2
Non-controlling interest		2.9	2.2
[1] Of which non-recurring items	12	-	-8.5
Average number of shares, thousands	21	**352,499**	**352,484**
Average number of shares after dilution, thousands	21	**353,494**	**352,546**
Earnings per share, EUR		**1.01**	**0.84**
Earnings per share after dilution, EUR		**1.00**	**0.84**
Depreciations and write-downs included in net earnings		**-120.8**	**-102.6**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

MEUR	2012	2011
Net earnings	**357.4**	**297.4**
Other comprehensive income:		
Translation differences	-45.6	77.1
Effect of hedging of net investments in foreign operations	1.9	38.9
Adjustment to fair value	-4.8	-
Change in hedging reserve (cash flow hedges) before tax	1.5	-0.8
Tax attributable to other comprehensive income		
Tax attributable to effect of translation differences	-3.7	-
Tax attributable to effect of hedging of net investments in foreign operations	-0.5	-10.2
Tax attributable to effect of cash flow hedges	-0.4	0.2
Other comprehensive income, net of tax	**-51.6**	**105.2**
Total comprehensive income	**305.8**	**402.6**
Attributable to:		
Parent Company shareholders	303.0	399.9
Non-controlling interest	2.8	2.7

CONSOLIDATED BALANCE SHEET

MEUR	Note	2012	2011
ASSETS			
Fixed assets			
Intangible fixed assets	8, 14	3,931.6	3,872.3
Tangible fixed assets	15	239.0	229.3
Shares in associated companies	16, 17	17.1	0.2
Other long-term securities holdings	16	0.1	8.6
Other long-term receivables	16, 18	22.6	19.8
Deferred tax assets	11	89.0	88.5
Total fixed assets		**4,299.4**	**4,218.7**
Current assets			
Inventories	19	376.8	358.9
Customer receivables	18	514.5	509.8
Current tax receivables	11	16.1	40.3
Other receivables – interest bearing		2.8	3.4
Other receivables – non-interest bearing	18	34.5	39.9
Prepaid expenses and accrued income	20	60.5	56.3
Short-term investments	24	9.8	3.6
Cash and bank balances	24	120.9	112.8
Total current assets		**1,135.9**	**1,125.0**
TOTAL ASSETS		**5,435.3**	**5,343.7**

MEUR	Note	2012	2011
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	21	78.5	78.5
Other capital contributions		1,288.8	1,286.1
Revaluation reserve		-4.8	-
Hedging reserve		0.7	-0.4
Translation reserve		147.9	195.7
Retained earnings		1,254.2	958.8
Shareholders' equity attributable to Parent Company shareholders		**2,765.3**	**2,518.7**
Non-controlling interest		7.3	7.1
Total shareholders' equity		**2,772.6**	**2,525.8**
Long-term liabilities			
Provisions for pensions	22	37.2	38.6
Other provisions	23	15.3	81.3
Deferred tax liabilities	11	286.2	245.7
Long-term liabilities – interest bearing	24	1503.8	1407.5
Other long-term liabilities – non-interest bearing	24	12.5	29.9
Total long-term liabilities		**1,855.0**	**1,803.0**
Current liabilities			
Current liabilities – interest bearing	24	187.6	456.9
Advance payments from customers		24.9	19.7
Accounts payable		156.3	144.8
Current tax liabilities	11	26.2	25.0
Other liabilities – non-interest bearing		33.6	34.3
Other provisions	23	34.1	8.2
Accrued expenses and deferred income	20	345.0	326.0
Total current liabilities		**807.7**	**1,014.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**5,435.3**	**5,343.7**
Collateral pledged	26	**37.4**	**38.0**
Contingent liabilities	26	**5.8**	**6.9**

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

MEUR	Share capital	Other capital contribu-tions	Revaluation reserve	Hedging reserve	Translation reserve	Retained earnings	Shareholders equity attribut-able to Parent Company shareholders	Non-controlling interest	Total share-holders' equity
Opening shareholders' equity, 2011-01-01	**78.4**	**1,283.4**	**-**	**0.2**	**90.4**	**713.7**	**2,166.1**	**6.2**	**2,172.3**
Total comprehensive income	**-**	**-**	**-**	**-0.6**	**105.3**	**295.2**	**399.9**	**2.7**	**402.6**
Repurchase of stock options	-	-	-	-	-	-2.8	-2.8	-	-2.8
Issue of stock options	-	-	-	-	-	8.2	8.2	-	8.2
New share issue	0.1	2.7	-	-	-	-	2.8	-	2.8
Dividend	-	-	-	-	-	-55.5	-55.5	-1.8	-57.3
Closing shareholders' equity, 2011-12-31	**78.5**	**1,286.1**	**-**	**-0.4**	**195.7**	**958.8**	**2,518.7**	**7.1**	**2,525.8**
Total comprehensive income	**-**	**-**	**-4.8**	**1.1**	**-47.8**	**354.5**	**303.0**	**2.8**	**305.8**
Sale of repurchased shares	-	2.7	-	-	-	-	2.7	-	2.7
Issue of stock options	-	-	-	-	-	0.8	0.8	-	0.8
Dividend	-	-	-	-	-	-59.9	-59.9	-2.6	-62.5
Closing shareholders' equity, 2012-12-31	**78.5**	**1,288.8**	**-4.8**	**0.7**	**147.9**	**1,254.2**	**2,765.3**	**7.3**	**2,772.6**

Share capital is described in detail in Note 21.

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

The revaluation reserve relates to fair value adjustments related to financial assets available for sale.

The hedging reserve relates to currency hedging after tax of the future cash flows of hedged items not yet recognised in the balance sheet.

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 in foreign subsidiaries 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	2012	2011
Cash flow from operating activities			
Operating earnings		**489.5**	**431.3**
Adjustments for items in operating earnings not affecting cash flow:			
Depreciation and amortisation		120.8	102.6
Change in provisions		-14.5	-14.2
Capital gains on divestments of fixed assets		0.6	0.2
Earnings from shares in associated companies		0.5	0.0
Interest received		5.1	3.0
Interest paid		-50.4	-58.6
Tax paid		-57.2	-71.1
Cash flow from operating activities before changes in working capital		**494.4**	**393.2**
Cash flow from changes in working capital			
Change in inventories		-16.6	-33.7
Change in current receivables		-8.9	-55.6
Change in current liabilities		28.4	49.1
Cash flow from changes in working capital		**2.9**	**-40.2**
Cash flow from operating activities [1]		**497.3**	**353.0**
Cash flow from ordinary investing activities			
Investments in intangible fixed assets	14	-125.5	-101.1
Investments in tangible fixed assets	15	-46.8	-38.9
Divestments of tangible fixed assets	15	0.5	4.1
Cash flow from ordinary investing activities		**-171.8**	**-135.9**
Operating cash flow		**325.5**	**217.1**
Cash flow from other investing activities			
Investments in subsidiaries	27	-67.3	-83.0
Investments in financial fixed assets	16	-18.4	-17.5
Divestments of financial fixed assets	16	4.7	1.3
Cash flow from other investing activities		**-81.0**	**-99.2**
Cash flow from financing activities			
Borrowings		741.6	-
Repayment of debt		-919.0	-97.8
Repurchase of stock options		-	-2.8
Issue of stock options		9.0	-
Sale of repurchased shares		2.7	-
New issue net of expenses		-	-5.7
Dividend to Parent Company shareholders		-59.9	-55.5
Dividend to non-controlling interests in subsidiaries		-2.6	-1.8
Cash flow from financing activities		**-228.2**	**-163.6**
Cash flow for the year		**16.3**	**-45.7**
Cash and cash equivalents, beginning of year [2]		**116.4**	**160.4**
Effect of translation differences on cash and cash equivalents		-2.0	1.7
Cash flow for the year		16.3	-45.7
Cash and cash equivalents, end of year [2]		**130.7**	**116.4**
[1] Of which non-recurring cash flow		-	-16.0

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

PARENT COMPANY INCOME STATEMENT

MEUR	Note	2012	2011
Net sales	4, 5	10.5	8.6
Administration expenses	6, 29, 30, 31	-17.7	-13.1
Operating earnings		**-7.2**	**-4.5**
Financial income and expense			
Earnings from shares in Group companies	9	204.0	149.0
Interest income	10	119.9	225.0
Interest expenses	10	-190.5	-74.4
Earnings before tax		**126.2**	**295.1**
Tax on earnings for the year		37.4	-20.3
Net earnings		**163.6**	**274.8**

PARENT COMPANY COMPREHENSIVE INCOME STATEMENT

MEUR	2012	2011
Net earnings	163.6	274.8
Other comprehensive income	-	-
Total comprehensive income	**163.6**	**274.8**

PARENT COMPANY BALANCE SHEET

MEUR	Note	2012	2011
ASSETS			
Fixed assets			
Intangible fixed assets	14	0.9	0.7
Tangible fixed assets	15	0.0	0.0
Total intangible and tangible assets		**0.9**	**0.7**
Financial fixed assets			
Shares in Group companies	16	2,289.7	2,289.7
Receivables from Group companies	16	1,557.7	1,477.4
Shares in Associated companies	16	9.3	-
Receivables from Associated companies	16	2.5	-
Other financial fixed assets	16	0.1	0.1
Total financial fixed assets		**3,859.3**	**3,767.2**
Deferred tax asset		42.1	4.6
Total fixed assets		**3,902.3**	**3,772.5**
Current assets			
Current receivables			
Receivables from Group companies		152.9	203.8
Tax assets		0.1	-
Other receivables		0.8	0.5
Prepaid expenses and accrued income	20	1.5	3.2
Total current receivables		**155.3**	**207.5**
Cash and bank balances		4.5	0.2
Total current assets		**159.8**	**207.7**
TOTAL ASSETS		4,062.1	3,980.2

MEUR	Note	2012	2011
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	21	78.5	78.5
Statutory reserve		314.3	314.3
Total restricted equity		**392.8**	**392.8**
Non-restricted equity			
Premium reserve		805.7	805.7
Retained earnings		381.2	274.8
Total non-restricted equity		**1,186.9**	**1,080.5**
Total shareholders' equity		**1,579.7**	**1,473.3**
Provisions			
Other provisions		3.4	-
Total provisions		**3.4**	**-**
Long-term liabilities			
Liabilities to credit institutions		1,468.4	1,371.0
Total long-term liabilities		**1,468.4**	**1,371.0**
Current liabilities			
Liabilities to credit institutions		170.8	445.9
Accounts payable		1.1	1.2
Liabilities to Group companies		835.2	686.3
Other liabilities		0.1	0.3
Accrued expenses and deferred income	20	3.4	2.2
Total current liabilities		**1,010.6**	**1,135.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		4,062.1	3,980.2
Collateral pledged	26	None	None
Contingent liabilities	26	**42.8**	**71.1**

CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

	Restricted shareholders' equity			Unrestricted shareholders' equity		
MEUR	Share capital	Statutory reserve	Rights issue	Premium reserve	Retained earnings	Total shareholders' equity
Opening balance 2011-01-01	**78.4**	**314.3**	**2.8**	**916.6**	**-58.2**	**1,253.9**
Total comprehensive income	**-**	**-**	**-**	**-**	**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**
Total comprehensive income	**-**	**-**	**-**	**-**	**163.6**	**163.6**
Dividend	-	-	-	-	-59.9	-59.9
Sale of repurchased shares	-	-	-	-	2.7	2.7
Closing balance 2012-12-31	**78.5**	**314.3**	**-**	**805.7**	**381.2**	**1,579.7**

PARENT COMPANY CASH FLOW STATEMENT

MEUR	Note	2012	2011
Cash flow from operating activities			
Operating earnings		**-7.2**	**-4.5**
Adjustment for operating earnings items not affecting cash flow:			
Depreciation and impairment losses		6.4	0.1
Unrealised exchange rate changes		19.9	-
Other		3.2	-
Interest received		123.1	184.7
Dividends received		204.0	149.0
Interest paid		-189.9	-68.6
Tax paid		-0.2	-
Cash flow from operating activities before changes in working capital		**159.3**	**260.7**
Cash flow from changes in working capital			
Change in current receivables		42.9	-100.6
Change in current liabilities		154.0	94.4
Cash flow from changes in working capital		**196.9**	**-6.2**
Cash flow from operating activities		**356.2**	**254.5**
Cash flow from investing activities			
Investments in intangible fixed assets	14	-0.4	-0.8
Investments in financial fixed assets	16	-11.8	-
Change in long-term receivables, Group companies		-100.8	-133.4
Cash flow from other investing activities		**-113.0**	**-134.2**
Cash flow from financing activities			
Borrowings		741.6	-
Repayments		-922.1	-97.8
New share issue, net of expenses		-	-5.7
Sale of repurchased shares		2.7	-
Dividend to shareholders		-59.9	-55.5
Cash flow from financing activities		**-237.7**	**-159.0**
Cash flow for the year		**5.5**	**-38.7**
Cash and bank balances, beginning of year		**0.2**	**38.9**
Effect of translation differences on cash and bank		-1.2	-
Cash flow for the year		5.5	-38.7
Cash and bank balances, end of year		**4.5**	**0.2**

NOTES

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 Reporting 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 the Parent Company and the Group are outlined under Accounting Policies in the Parent Company below.

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

On 27 March 2013, 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 13 May 2013 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 2012.

IFRS 7 Financial instruments (amendment) – extended disclosure requirements regarding financial assets that are derecognised from the balance sheet, but not in their entirety or in their entirety, but the group has continuing involvment in the asset.

New and revised standards and interpretations had no significant impact on the financial statements in 2012.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standards, amended standards and interpretations that have not entered into force, have not been applied in advance in the financial reports of Hexagon. The following standards enter into force on 1 January 2013 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 2015, but earlier adoption is permitted, provided that the EU has approved the standard. This has not yet occurred. 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 and SIC-12 about consolidation and provides a single model to identify whether control exists 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 will be applied as of 1 January 2014. The standard is not expected to have any significant impact on the financial statements 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 or joint operation. Different acccounting principles shall be applied for these categories. The standard will be applied as of 1 January 2014. The standard is not expected to have any significant impact on the financial statements of Hexagon.

IFRS 12 Disclosure of Interests in Other entities – provides new disclosure requirements for all types of investments entities, in which the group has control over, regardless of the investment is included in the consolidated financial statements or not. The standard will be applied as of 1 January 2014.

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 are 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 for annual reporting periods beginning on 1 July 2012 or later.

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 after tax would have been reduced by approximately 6.3 MEUR and other comprehensive income should have been improved by 19.2 MEUR. In the balance sheet the provisions for pensions would have been approximately 30 MEUR higher and deferred tax assets would have been 5.9 MEUR higher. The standard enters into force on 1 January 2013.

Amendment to IAS 32 and IFRS 7 Financial Instruments – consists of extended disclosure requirements for offsetting financial assets and liabilities. The amendment in IAS 32 introduces clarifications on the application of the offsetting rules. The purpose of the amendment is to clarify the impact of offsetting in entities´ balance sheets. The amendment in IFRS 7 enters into force on 1 January 2013 and the amendment in IAS 32 enters into force 1 January 2014.

Other changes in standards and interpretations that enter into force from 1 January, 2013 are not expected to have any impact on the financial statements of Hexagon.

BASIS OF REPORTING FOR THE PARENT COMPANY AND THE GROUP

The functional currency of the Parent Company is EUR as is the presentation currency for the Parent Company and the Group. The financial reports are presented in EUR. All amounts, unless indicated otherwise, are rounded off to the nearest million. 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 which are reported at fair value.

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

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

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

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

NOTE 1 Accounting Policies, cont.

CLASSIFICATION

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

CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Goodwill recorded represents the difference between the acquisition cost of Group companies' shares, the value of non-controlling interest in the acquired business and the fair value of previously owned shares and on the other hand, the purchase price allocation of the assets acquired and liabilities assumed. Goodwill is recognised in accordance with the section Goodwill and other intangible assets below. 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 the 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 difference between the acquisition value and equity value at the time of acquisition is 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 profits or 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.

For accounting of shares in associated companies the most recent available financial reports from the associated company are used. For some of the associated companies the financial reports from the previous quarter are used which is available at the time of publishing the interim reports of Hexagon.

TRANSLATION OF FINANCIAL REPORTS TO EUR

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

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

TRANSACTIONS, ASSETS AND LIABILITIES 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 the income statement.

ELIMINATED TRANSACTIONS

Intra-Group receivables and liabilities, revenue or expenses, and gains or losses that arise from transactions between Group companies are eliminated in their entirety in the preparation of the consolidated accounts. 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.

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 which offer design, measurement and visualisation solutions that are built upon common core technologies. 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 additionally analysed geographically.

NOTE 1 Accounting Policies, cont.

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 accrue to 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 accrue to 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.

LEASING

The Group has entered into capital as well as 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 letting of premises and other assets.

FINANCIAL ASSETS AND LIABILITIES AND OTHER INSTRUMENTS

Financial instruments recognised in the balance sheet include, on the asset side, cash and bank, 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 in income statement.

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.

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 2012 and 2011.

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.

NOTE 1 Accounting Policies, cont.

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 carried at amortised cost. 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 to some extent 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.

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.

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 expected return 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 publicly announced. No provision is posted for future operating losses.

Onerous contracts

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

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.

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.

NOTE 1 Accounting Policies, cont.

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 91 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.

EARNINGS PER SHARE

The calculation of earnings per share is based on net earnings attributable to the Parent Company shareholders and on the weighted number of shares outstanding during the year.
The calculation of earnings per share after dilution takes into account the quarterly calculated dilutive effect from any potential common shares stemming from options issued to employees. Dilution occurs only when the strike price is lower than the share price.

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.

Non-monetary 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 13 May 2013.

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 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. 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 2,642 MEUR (2,644). Other intangible assets not subject to amortisation amount to 721 MEUR (717) as of this date. Impairment tests performed did not give rise to any impairment.

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 197.2 MEUR (157.2) at the end of 2012. At the same date, the Group had tax-loss carry-forwards with a value of 92.8 MEUR (90.2) 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 the current and 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 14-29 of this Annual Report.

2012	Hexagon Measurement Technologies	Other Operations	Total segments	Group expenses and eliminations	Group
Net sales	2,317.6	62.4	2,380.0	0.0	2,380.0
Operating expenses	-1,813.4	-61.1	-1,874.5	-16.0	-1,890.5
Operating earnings (EBIT1) [1]	**504.2**	**1.3**	**505.5**	**-16.0**	**489.5**
Non-recurring items	-	-	-	-	-
Operating earnings (EBIT)	**504.2**	**1.3**	**505.5**	**-16.0**	**489.5**
Net interest income/expenses				-48.2	-48.2
Earnings before taxes				**-64.2**	**441.3**
Operating assets	5,115.2	43.6	5,158.8	5.6	5,164.4
Operating liabilities	-602.9	-16.8	-619.7	-1.3	-621.0
Net operating assets	**4,512.3**	**26.8**	**4,539.1**	**4.3**	**4,543.4**
[1] Of which share in associated companies earnings	0.0	-	0.0	-0.5	-0.5
Shares in associated companies	5.7	-	5.7	11.4	17.1
Cash flow from operating activities	608.2	8.4	616.6	-119.3	497.3
Cash flow from ordinary investment activities	-168.9	-1.6	-170.5	-1.3	-171.8
Operating cash flow	**439.3**	**6.8**	**446.1**	**-120.6**	**325.5**
Average number of employees	12,889	298	13,187	16	13,203
Number of employees at year-end	13,431	306	13,737	17	13,754
Depreciation/amortisation and impairment losses	-117.9	-2.7	-120.6	-0.2	-120.8

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	12,173	287	12,460	15	12,475
Number of employees at year-end	12,724	320	13,044	16	13,060
Depreciation/amortisation and impairment losses	-98.6	-4.0	-102.6	0.0	-102.6

NOTE 3 Operating Segments, cont.

Geographical markets	Net sales per recipient country [3] 2012	2011	Operating assets [1] Assets 2012	2011	Liabilities 2012	2011	Net 2012	2011	Tangible and intangible fixed assets 2012	2011
EMEA[2]	978.7	955.6	2,207.2	2,189.8	-261.7	-176.7	1,945.5	2,013.1	1,565.5	1,485.8
Americas	756.4	666.4	2,856.1	2,846.8	-311.3	-530.8	2,544.8	2,316.0	2,542.4	2,552.9
Asia	644.9	555.6	313.0	308.1	-259.9	-205.7	53.1	102.4	62.8	62.9
Elimination of intra-group items / Adjustments	-	-8.5	-211.9	-270.2	211.9	270.2	-	-	-	-
Group	**2,380.0**	**2,169.1**	**5,164.4**	**5,074.5**	**-621.0**	**-643.0**	**4,543.4**	**4,431.5**	**4,170.7**	**4,101.6**

[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.
[2] Sweden is included in EMEA with net sales of 120.4 MEUR (121.9) and tangible and intangible fixed assets of 57.1 MEUR (63.6).
[3] Relates to the country where the customer has its residence.

NOTE 4 Intra-Group Purchases and Sales

Other Group companies account for 100 per cent (100) of the Parent Company's sales and 76 per cent (82) of the Parent Company's purchases.

NOTE 5 Net Sales

Market segment	Group 2012	Group 2011	Parent Company 2012	Parent Company 2011
Surveying	479.2	459.4	-	-
Power and energy	452.6	382.9	-	-
Aerospace and defence	252.8	252.1	-	-
Safety and security	240.8	229.8	-	-
Construction	255.4	223.9	-	-
Automotive	288.4	253.3	-	-
Manufacturing	218.7	178.3	-	-
Other	192.1	189.4	10.5	8.6
Total	2,380.0	2,169.1	10.5	8.6

NOTE 6 Operating Expenses

	Group 2012	Group 2011	Parent Company 2012	Parent Company 2011
Cost of goods sold				
Cost of goods	578.5	570.5	-	-
Personnel cost	278.3	244.2	-	-
Depreciation and amortisation	14.5	14.3	-	-
Other	205.0	196.6	-	-
Total	1,076.3	1,025.6	-	-
Research and development expenses				
Personnel cost	134.2	116.6	-	-
Depreciation and amortisation	62.5	59.9	-	-
Other	12.9	3.7	-	-
Total	209.6	180.2	-	-

NOTE 6 Operating Expenses, cont

	Group 2012	Group 2011	Parent Company 2012	Parent Company 2011
Sales expenses				
Personnel cost	288.3	257.4	-	-
Depreciation and amortisation	24.4	11.1	-	-
Other	97.7	98.0	-	-
Total	410.4	366.5	-	-
General and administration expenses				
Personnel cost	139.9	113.8	4.8	3.2
Depreciation and amortisation	19.4	17.3	0.2	0.1
Other	42.0	32.0	12.7	9.8
Total	201.3	163.1	17.7	13.1

NOTE 7 Other Operating Income and Operating Expenses

	Group 2012	Group 2011
Other operating income		
Capital gains on divestment of fixed assets	0.2	0.8
Exchange rate gains	18.3	37.7
Government grants	0.3	0.1
Reversal of provisions	10.1	-
Rental income	9.1	-
Other	4.2	11.0
Total	42.2	49.6
Other operating expenses		
Capital loss on divestment of fixed assets	-0.7	-1.0
Exchange rate losses	-17.8	-37.5
Rental related expenses	-5.6	-
Other	-10.5	-13.5
Total	-34.6	-52.0

NOTE 8 Impairments

Cash-generating units

Goodwill and other intangible assets with indefinite lives acquired through business combinations have been allocated to the five cash-generating units (CGU) below, which complies with the Group's organisation:

- Hexagon Geosystems
- Hexagon Metrology
- NovAtel
- Intergraph
- Other Operations

Goodwill and other intangible assets have been allocated to CGUs as follows:

	Hexagon Geosystems		Hexagon Metrology		NovAtel		Intergraph		Other Operations		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Goodwill	725.5	738.1	191.3	167.3	243.4	242.1	1,480.5	1,494.9	1.3	1.3	2,642.0	2,643.7
Other intangible assets with indefinite useful lives [1]	393.9	389.8	13.1	7.2	3.8	4.2	309.9	316.1	-	-	720.7	717.3
Intangible assets subject to amortisation [2]	223.2	203.0	90.5	57.7	38.7	34.0	215.5	215.7	1.0	0.9	568.9	511.3
Total	**1,342.6**	**1,330.9**	**294.9**	**232.2**	**285.9**	**280.3**	**2,005.9**	**2,026.7**	**2.3**	**2.2**	**3,931.6**	**3,872.3**

[1] Comprises the right to use the Leica name and owned names and brands.
[2] Comprises capitalised development costs, patents, technologies and other intangible assets.

Hexagon performed its annual impairment test as per 31 December 2012. Hexagon tests if the carrying values of the CGUs exceed their recoverable values. The recoverable value is the higher of the CGU's net realisable value and the value in use, meaning the discounted value of future cash flows.

Hexagon Geosystems
The recoverable amount of the Hexagon Geosystems CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The pre-tax discount rate applied to the cash flow projections is 8.0 % (8.8). The growth rate used to extrapolate the cash flows beyond the five-year period is 2 % (2). This growth rate is assessed on a conservative basis and is set equal to the expected future inflation. As a result of the impairment test performed, management did not identify an impairment for this CGU.

Hexagon Metrology
The recoverable amount of the Hexagon Metrology CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The pre-tax discount rate applied to the cash flow projections is 9.0 % (9.9). The growth rate used to extrapolate the cash flows beyond the five-year period is approximately 2 % (2). This growth rate is assessed on a conservative basis and is set equal to the expected future inflation. As a result of the impairment test performed, management did not identify an impairment for this CGU.

NovAtel
The recoverable amount of the NovAtel CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The pre-tax discount rate applied to the cash flow projections is 9.0 % (10.0). The growth rate used to extrapolate the cash flows beyond the five-year period is approximately 2 % (2). This growth rate is assessed on a conservative basis and is set equal to the expected future inflation. As a result of the impairment test performed, management did not identify an impairment for this CGU.

Intergraph
The recoverable amount of the Intergraph CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The pre-tax discount rate applied to the cash flow projections is 9.0 % (9.9). The growth rate used to extrapolate the cash flows beyond the five-year period is approximately 2 % (2). This growth rate is assessed on a conservative basis and is set equal to the expected future inflation. As a result of the impairment test performed, management did not identify an impairment for this CGU.

Other Operations
The recoverable amount of the Other Operations CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The pre-tax discount rate applied to the cash flow projections is 9.0 % (9.8). The growth rate used to extrapolate the cash flows beyond the five-year period is approximately 2 % (2). This growth rate is assessed on a conservative basis and is set equal to the expected future inflation. As a result of the impairment test performed, management did not identify an impairment for this CGU.

Key assumptions used in value in use calculations
The calculation of value in use for all CGUs is most sensitive to the following assumptions
- Forecasts, including operating margins and sales growth
- Discount rates
- Growth rates used to extrapolate cash flow beyond the forecast period

Forecasts
The forecasted cash flows, that are approved by senior management, are based on an analysis of historic performance as well as a best estimate regarding the future. Hexagon has since 2001 shown systematically rising operating margins and has almost always shown good organic growth.

NOTE 8 Impairments, cont.

Discount rates
Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money as well as individual risks. The discount rate calculation is based on the specific circumstances of each CGU and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment. The cost of debt is based on the cost of debt on the financial market. Specific risks are incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Growth rates used to extrapolate cash flow beyond the forecast period
Rates are based on published industry research. The long term rate used to extrapolate the budget is assessed as conservative as this is set equal to the expected long term inflation rate.

Sensitivity to changes in assumptions
With regard to the assessment of value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed the recoverable value. 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.

NOTE 9 Earnings From Shares in Group Companies and Associates

	Group		Parent Company	
	2012	2011	2012	2011
Earnings from shares in Group companies				
Dividend from subidiaries	-	-	396.5	205.1
Impairment loss – shares in Group companies	-	-	-192.5	-56.1
Total	**-**	**-**	**204.0**	**149.0**
Share of income of associated companies	**-0.5**	**0.0**	**-**	**-**

NOTE 10 Financial Income and Expenses

	Group		Parent Company	
	2012	2011	2012	2011
Financial income				
Interest income, bank accounts	4.4	3.2	1.5	1.2
Interest income, inter-company receivables	-	-	87.6	159.5
Other financial income	0.6	0.2	30.8	64.3
Total	**5.0**	**3.4**	**119.9**	**225.0**
Financial expenses				
Interest expenses, inter-company liabilities	-	-	-3.7	-4.6
Financial expenses	-42.9	-54.9	-38.3	-51.5
Other financial expenses	-10.3	-7.4	-148.5	-18.3
Total	**-53.2**	**-62.3**	**-190.5**	**-74.4**

NOTE 11 Income Taxes, Group

Tax on earnings for the year	2012	2011
Current tax	-42.4	-59.9
Deferred tax	-41.5	-15.1
Share of tax of associated companies	0.0	0.0
Total tax on earnings for the year	**-83.9**	**-75.0**

DEFERRED TAX

Deferred tax assets/liabilities comprise:	2012-12-31	2011-12-31
Fixed assets	-264.3	-272.2
Inventories	8.9	10.1
Customer receivables	1.2	2.0
Provisions	8.6	12.6
Hedge of net assets in other currencies than EUR	-	-10.0
Other	23.4	62.4
Unutilised loss carry-forwards and similar deductions	117.8	128.1
Less items not satisfying criteria for being recognised as assets	-92.8	-90.2
Total	**-197.2**	**-157.2**
According to the balance sheet:		
Deferred tax assets	89.0	88.5
Deferred tax liabilities	-286.2	-245.7
Total, net	**-197.2**	**-157.2**

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.

NOTE 11 Income Taxes, Group, cont.

Reconciliation of the year's change in current and deferred tax assets/liabilities	2012	2011
DEFERRED TAXES		
Opening balance, net	**-157.2**	**-145.7**
Change via income statement		
Deferred tax on earnings	-51.9	-39.7
Change in reserve for deductions not satisfying criteria for being recognised as assets	14.1	27.2
Change in tax rates and items pertaining to prior years	-3.7	-2.6
Total	**-41.5**	**-15.1**
Change via acquisitions of subsidiaries	-0.2	-
Changes recognised in other comprehensive income	-4.6	-10.0
Reclassification	7.5	-
Translation difference	-1.2	13.6
Closing balance, net	**-197.2**	**-157.2**
CURRENT TAXES		
Opening balance, net	**15.3**	**4.1**
Change via income statement		
Current tax on earnings	-47.1	-60.2
Items pertaining to prior years	4.7	0.3
Total	**-42.4**	**-59.9**
Change via acquisitions and divestments	-	-1.6
Payments, net	39.5	71.1
Reclassification	-22.9	-
Translation difference	0.4	1.6
Closing balance, net	**-10.1**	**15.3**

The Group's unutilised loss carry-forwards and similar deductions mature as follows:	2012-12-31
2013	0.1
2014	1.4
2015	0.5
2016	3.1
2017 and later	34.1
Indefinitely	450.2
Total	**489.4**

The difference between nominal Swedish tax rate and effective tax rate arises as follows:	2012	2011
Earnings before tax	**441.3**	**372.4**
Tax pursuant to Swedish nominal tax rate	**-116.1**	**-97.9**
Difference between Swedish and foreign tax rate	5.7	25.1
Revaluation of loss carry-forwards, etc.	14.1	27.2
Non-deductible expenses	-24.5	-59.3
Non-taxable revenue	36.7	31.8
Change in tax rates and items pertaining to prior years	0.2	-1.9
Tax, income statement	**-83.9**	**-75.0**

Change in tax rates has 2012 impacted the tax expense in the income statement by -3.7 MEUR and other comprehensive income by -10.2 MEUR.

NOTE 12 Non-Recurring Items

Business area	2012	2011
Hexagon Measurement Technologies		
Acquired deferred revenue	-	-8.5
Total	**-**	**-8.5**

Function	2012	2011
Net sales	-	-8.5
Operating earnings	**-**	**-8.5**

No items were posted as non-recurring items in 2012. In 2011 non-recurring items related to acquired deferred revenue from the acquistion of Intergraph that took place during 2010. 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 had a negative impact on the Group's net sales during 2011.

NOTE 13 Government Grants

During 2012 some of the subsidiaries within the Group have received government grants. The government grants relate primarily to education of employees. The table below shows how the grants are allocated to functions.

Function	2012	2011
Research and development expenses	0.1	0.2
Other operating income	0.3	0.1
Total	**0.4**	**0.3**

NOTE 14 Intangible Fixed Assets

GROUP Intangible fixed assets 2012	Capitalised development expenses	Patents	Trademark	Goodwill	Other intangible fixed assets	Total
Acquisition value, opening balance	465.6	118.4	717.3	2,666.4	331.4	4,299.1
Investments	123.0	2.2	-	-	0.3	125.5
Investments via acquisitions of subsidiaries	2.8	-	7.8	33.6	16.9	61.1
Sales/Disposals	-20.3	-1.8	-	-	-0.8	-22.9
Reclassification	33.0	-0.1	0.0	-23.2	-30.9	-21.2
Translation differences	-1.9	0.6	-4.4	-34.8	-3.9	-44.4
Acquisition value, closing balance	**602.2**	**119.3**	**720.7**	**2,642.0**	**313.0**	**4,397.2**
Amortisation, opening balance	-190.9	-38.8	-	-22.7	-91.2	-343.6
Amortisation for the year	-53.8	-8.2	-	-	-22.6	-84.6
Sales/Disposals	20.3	1.8	-	-	-	22.1
Reclassification	-25.5	-	-	23.2	25.2	22.9
Translation differences	0.3	-0.2	-	-0.5	0.8	0.4
Amortisation, closing balance	**-249.6**	**-45.4**	**-**	**0.0**	**-87.8**	**-382.8**
Impairments, opening balance	-63.9	-	-	-	-19.3	-83.2
Sales/Disposals	0.0	-	-	-	1.0	1.0
Translation differences	-0.5	-	-	-	-0.1	-0.6
Impairments, closing balance	**-64.4**	**-**	**-**	**-**	**-18.4**	**-82.8**
Carrying value	**288.2**	**73.9**	**720.7**	**2,642.0**	**206.8**	**3,931.6**
2011						
Acquisition value, opening balance	376.4	97.3	685.6	2,488.5	297.6	3,945.4
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	14.8	3.6	-	10.8	1.8
Translation differences	11.2	5.0	20.2	70.1	5.8	112.3
Acquisition value, closing balance	**465.6**	**118.4**	**717.3**	**2,666.4**	**331.4**	**4,299.1**
Amortisation, opening balance	-168.5	-20.7	-	-21.2	-58.6	-269.0
Amortisation for the year	-39.2	-7.4	-	-	-22.5	-69.1
Reclassification	20.4	-9.5	-	-	-10.5	0.4
Translation differences	-3.6	-1.2	-	-1.5	0.4	-5.9
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	-	-	-	-0.2	-2.2
Impairments, closing balance	**-63.9**	**-**	**-**	**-**	**-19.3**	**-83.2**
Carrying value	**210.8**	**79.6**	**717.3**	**2,643.7**	**220.9**	**3,872.3**

Capitalised expenditure on research and development pertains mainly to software for sales. Trademarks mainly comprise the right to use the Leica name and owned names and brands. These are assessed to be used without any time limitations and are not subject to amortisation. Other intangible fixed assets primarily consist of customer bases identified upon acquisition.

Amortisation of intangible assets allocated by function	Group 2012	Group 2011
Cost of goods sold	-0.5	-0.7
Sales expenses	-19.2	-6.4
Administration expenses	-4.5	-3.8
Research and development expenses	-58.2	-56.2
Other operating expenses	-2.2	-2.0
Total	**-84.6**	**-69.1**

Other intangible fixed assets	Parent Company 2012	Parent Company 2011
Acquisition value, opening balance	**0.8**	**0.1**
Investments	0.4	0.7
Acquisition value, closing balance	**1.2**	**0.8**
Amortisation, opening balance	**-0.1**	**0.0**
Amortisation for the year	-0.2	-0.1
Amortisation, closing balance	**-0.3**	**-0.1**
Carrying value	**0.9**	**0.7**

NOTE 15 Tangible Fixed Assets

GROUP Tangible fixed assets 2012	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	167.7	36.2	252.7	104.4	4.9	565.9
Investments	7.7	3.0	17.5	14.9	3.7	46.8
Investments via acquisitions of subsidiaries	-	-	0.3	0.1	-	0.4
Sales/disposals	-20.0	-0.2	-17.3	-11.9	-0.2	-49.6
Reclassification	0.2	-0.1	-0.5	2.8	-2.1	0.3
Translation differences	0.2	-0.1	2.2	0.5	-	2.8
Acquisition value, closing balance	**155.8**	**38.8**	**254.9**	**110.8**	**6.3**	**566.6**
Depreciation, opening balance	-60.8	-1.9	-183.9	-78.6	-2.6	-327.8
Depreciation for the year	-6.6	-0.4	-16.8	-12.1	-0.3	-36.2
Sales/disposals	20.0	0.2	17.2	10.9	0.1	48.4
Reclassification	-0.1	-	1.8	-2.7	-	-1.0
Translation differences	-0.4	-	-1.7	-0.1	-	-2.2
Depreciation, closing balance	**-47.9**	**-2.1**	**-183.4**	**-82.6**	**-2.8**	**-318.8**
Impairments, opening balance	-1.2	-	-7.6	-	-	-8.8
Translation differences	-	-	0.0	-	-	0.0
Impairments, closing balance	**-1.2**	**-**	**-7.6**	**-**	**-**	**-8.8**
Carrying value	**106.7**	**36.7**	**63.9**	**28.2**	**3.5**	**239.0**
2011						
Acquisition value, opening balance	212.0	34.9	234.2	63.4	3.3	547.8
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
Translation differences	0.6	2.3	5.5	2.1	0.1	10.6
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
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
Translation differences	-1.3	0.0	-3.9	-1.3	0.0	-6.5
Depreciation, closing balance	**-60.8**	**-1.9**	**-183.9**	**-78.6**	**-2.6**	**-327.8**
Impairments, opening balance	-2.7	-	-7.7	-	-	-10.4
Sales/disposals	1.6	-	-	-	-	1.6
Translation differences	-0.1	-	0.1	-	-	0.0
Impairments, closing balance	**-1.2**	**-**	**-7.6**	**-**	**-**	**-8.8**
Carrying value	**105.7**	**34.3**	**61.2**	**25.8**	**2.3**	**229.3**

Depreciation of tangible assets allocated by function	Group 2012	Group 2011
Cost of goods sold	-14.0	-13.6
Sales expenses	-5.2	-4.7
Administration expenses	-7.5	-6.4
Research and development expenses	-4.3	-3.7
Other operating expenses	-5.2	-5.1
Total	**-36.2**	**-33.5**

Equipment	Parent Company 2012	Parent Company 2011
Acquisition value, opening balance	0.0	0.0
Acquisition value, closing balance	**0.0**	**0.0**
Depreciation, opening balance	**0.0**	**0.0**
Depreciation for the year	0.0	0.0
Depreciation, closing balance	**0.0**	**0.0**
Carrying value	**0.0**	**0.0**

NOTE 16 Financial Fixed Assets

GROUP	Shares in associated companies 2012	Shares in associated companies 2011	Other long-term securities holdings 2012	Other long-term securities holdings 2011	Other long-term receivables 2012	Other long-term receivables 2011
Opening balance	0.2	3.1	8.6	6.0	19.8	11.2
Investments	12.0	5.7	2.0	2.4	4.4	9.4
Investments via acquisitions of subsidiaries	-	-	-0.2	-	-	-
Earnings participations, etc.	-0.5	-	-	-	-	-
Fair value adjustment	-	-	-4.8	-	-	-
Sales	-	-8.6	-	-	-4.7	-0.6
Reclassification	5.7	-	-5.7	-	2.4	-
Translation differences	-0.3	0.0	0.2	0.2	0.7	-0.2
Closing balance	**17.1**	**0.2**	**0.1**	**8.6**	**22.6**	**19.8**

PARENT COMPANY	Shares in Group companies 2012	Shares in Group companies 2011	Receivables from Group companies 2012	Receivables from Group companies 2011	Shares in associated companies 2012	Shares in associated companies 2011	Receivables from associated companies 2012	Receivables from associated companies 2011	Other financial fixed assets 2012	Other financial fixed assets 2011
Opening balance	2,289.7	2,297.2	1,477.4	1,306.0	-	-	-	-	0.1	0.1
Purchases	0.0	-	-	-	9.3	-	2.5	-	-	-
Shareholders' contribution	192.5	48.6	-	-	-	-	-	-	-	-
Impairment	-192.5	-56.1	-	-	-	-	-	-	-	-
Increase/decrease in receivables	-	-	80.3	171.4	-	-	-	-	-	-
Closing balance	**2,289.7**	**2,289.7**	**1,557.7**	**1,477.4**	**9.3**	**-**	**2.5**	**-**	**0.1**	**0.1**

Other long-term securities holdings	Group 2012	Group 2011
Navgeocom [1]	-	8.2
Sematec SARL [2]	-	0.2
Other	0.1	0.2
Total	**0.1**	**8.6**

[1] Recognised as associated company as of 2012.
[2] Recognised as wholly owned subsidiary as of 2012.

Subsidiaries of Hexagon AB	Corp Id. No.	Reg. Office/Country	No. of shares	Share of share capital and voting rights, %	Carrying amount 2012	Carrying amount 2011
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	7.3
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
Hexagon Technology AB [1]	556083-1124	Stockholm, Sweden	100,000	100	1.6	1.6
Hexagon Global Services AB	556788-2401	Stockholm, Sweden	1,000	100	0.0	0.0
Hexagon Intergraph AB [2]	556370-6828	Stockholm, Sweden	1,000	100	0.0	0.0
NovAtel Inc.	-	Canada	46,265,823	100	110.0	110.0
Intergraph Holding Company	-	USA	1	100	959.2	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**	**2,289.7**

[1] Has changed name during 2012 from Kramsten Food and Drink Suppliers AB.
[2] Has changed name during 2012 from Hexagon Fastighets AB.

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 2012	Carrying amount Group 2011	Share in associated companies' earnings Before tax 2012	Tax 2012	Before tax 2011	Tax 2011
Nordic Brass Gusum AB	Joint venture	-	-	-	-	-	-	-	-	0.0	0.0
Bridge In SARL	Associated Company	2,000	20	20	0.0	0.2	0.2	-	-	0.0	0.0
Beamrider Ltd	Joint venture	50,000	50	50	0.0	0.0	0.0	-	-	-	-
H&S Survey and Laser	Associated Company	-	50	50	0.0	0.0	0.0	0.0	0.0	-	-
Navgeocom	Associated Company	472	47.2	47.2	1.3	5.5	-	0.0	0.0	-	-
Blom ASA	Associated Company	8,424,431	25	25	1.8	8.8	-	-0.5	0.0	-	-
North West Geomatics Ltd	Associated Company	72	10	10	2.0	2.6	-	0.0	0.0	-	-
Altheeb Intergraph Saudi Company	Associated Company	-	20	20	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total					**5.1**	**17.1**	**0.2**	**-0.5**	**0.0**	**0.0**	**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 Survey and Laser has its registered office in Las Vegas, USA.
Navgeocom has its registered office in Russia. The holding was recognised as Other long-term securities holdings 2011.
Blom ASA has its registered office in Norway.
North West Geomatics has its registered office in Canada.
Altheeb Intergraph Saudi Company has its registered office in Saudi Arabia.
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 2012, net of impairment losses							
Other non-current receivables	22.6	-	-	-	-	-	22.6
Account receivables	390.0	51.8	17.8	13.7	7.2	34.0	514.5
Other current receivables	30.2	1.4	1.5	0.5	0.2	0.7	34.5
Total	**442.8**	**53.2**	**19.3**	**14.2**	**7.4**	**34.7**	**571.6**
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**

Reserve for doubtful receivables	Group 2012-12-31	Group 2011-12-31
Opening balance	23.0	22.6
Reserve for anticipated losses	10.3	8.3
Adjustment for actual losses	-6.0	-2.5
Reversal of unutilised amounts	-7.0	-4.3
Acquired/divested companies	-	0.5
Translation differences	-0.3	-1.6
Closing balance	**20.0**	**23.0**

NOTE 19 Inventories

	Group 2012-12-31	Group 2011-12-31
Raw materials and supplies	152.4	154.4
Work in progress	33.9	37.4
Finished goods and goods for sale	190.5	167.1
Total	**376.8**	**358.9**
Provisons for obsolescence etc included in value adjustment reserve	-43.2	-53.4

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

	Group		Parent Company	
Prepaid expenses and accrued income	**2012-12-31**	**2011-12-31**	**2012-12-31**	**2011-12-31**
Accrued invoicing	34.1	27.0	-	-
Accrued interest income	0.4	0.5	0.3	-
Prepaid products and services	1.1	4.2	-	2.3
Prepaid acquisition costs	1.1	2.1	-	-
Prepaid rent	2.3	2.5	0.1	0.1
Prepaid insurance	3.5	3.6	0.1	0.3
Other items	18.0	16.4	1.0	0.5
Total	**60.5**	**56.3**	**1.5**	**3.2**

	Group		Parent Company	
Accrued expenses and deferred income	**2012-12-31**	**2011-12-31**	**2012-12-31**	**2011-12-31**
Accrued personnel-related expenses	118.8	112.6	0.5	0.4
Accrued sales commission	15.3	16.3	-	-
Accrued installation and training expenses	5.9	5.9	-	-
Accrued R&D expenses	1.5	3.3	-	-
Accrued fees	4.1	4.0	0.1	0.0
Accrued royalties	2.6	2.1	-	-
Accrued interest expenses	1.6	1.3	0.7	1.1
Accrued service revenues	7.1	7.5	-	-
Other prepaid revenues	156.8	142.5	-	-
Other items	31.3	30.5	2.1	0.7
Total	**345.0**	**326.0**	**3.4**	**2.2**

NOTE 21 Share Capital and Number of Shares

	Number of shares								
	Total issued			Repur-chased	Outstanding				
Parent Company	Class A	Class B	Total	Class B	Class A	Class B	Total	Quota value per share, EUR	Share capital, MEUR
Opening balance 2011	**15,750,000**	**337,552,842**	**353,302,842**	**-1,152,547**	**15,750,000**	**336,400,295**	**352,150,295**	**0.22**	**78.4**
Rights issue	-	339,335	339,335	-	-	339,335	339,335	0.22	0.1
Closing balance 2011	**15,750,000**	**337,892,177**	**353,642,177**	**-1,152,547**	**15,750,000**	**336,739,630**	**352,489,630**	**0.22**	**78.5**
Sale of own shares - exercise of warrants	-	-	-	185,207	-	185,207	185,207	0.22	-
Closing balance 2012	**15,750,000**	**337,892,177**	**353,642,177**	**-967,340**	**15,750,000**	**336,924,837**	**352,674,837**	**0.22**	**78.5**

Of the total number of issued shares in the rights issue in 2010, 339,335 were not paid and registered on 31 December 2010. Those shares were paid and registered during January 2011.

During 2012, 185,207 of the Company's series B treasury shares were used for the exercise of stock options.

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 per share paid in 2012 amounted to 0.17 EUR (0.15) per share.

Average number of shares before and after dilution, thousands	**2012**	**2011**
Average number of shares before dilution	352,499	352,484
Estimated average number of potential shares pertaining to warrants plans	995	62
Average number of shares after dilution	**353,494**	**352,546**

NOTE 22 Pension Provisions and Similar Obligations

DEFINED-BENEFIT PENSION SCHEMES - Overview

Provisions	2012-12-31	2011-12-31
Pension obligations	498.4	490.8
Fair value of plan assets	-438.3	-413.9
Pension obligations less plan assets	**60.1**	**76.9**
Unrecognised past service cost	0.0	0.1
Unrecognised assets	1.1	1.2
Actuarial gains (-)/losses (+)	-27.8	-40.8
Pension provision, net	**33.4**	**37.4**

Expenses	2012	2011
Current service cost	20.3	18.9
Interest expense	13.3	12.9
Expected return on plan assets	-17.9	-17.7
Amortisation of unrecognised actuarial gains (-)/losses (+)	0.8	0.0
Expenses for prior-year service	-0.1	-1.0
Immediate recognition	0.0	-2.8
Change in terms and conditions	0.0	1.0
Employees' own contribution	-8.5	-8.3
Pension expenses – defined-benefit plans	**7.9**	**3.0**
Pension expenses – defined-contribution plans	20.6	18.3
Total pension expenses	**28.5**	**21.3**

Pension obligations 31 December 2012	Plan assets	Pension obligations	Net
Sweden	-	-3.9	-3.9
Italy	-	-5.9	-5.9
Switzerland[1]	400.2	-430.6	-30.4
Germany	3.4	-15.9	-12.5
UK	24.2	-23.0	1.2
USA	5.0	-7.7	-2.7
Other minor plans	5.5	-11.4	-5.9
Total (fair/present value)	**438.3**	**-498.4**	**-60.1**
Unrecognised actuarial gains/losses			27.8
Unrecognised expenses for prior years service			0.0
Unrecognised assets			-1.1
Pension provisions, net			**-33.4**

Of which:

Reported as asset (other long-term receivables)	3.8
Reported as liability	-37.2

Pension obligations 31 December 2011	Plan assets	Pension obligations	Net
Sweden	-	-4,0	-4,0
Italy	-	-6,0	-6,0
Switzerland[1]	380,2	-431,1	-50,9
Germany	3,3	-14,6	-11,3
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 long-term receivables)	1,2
Reported as liability	-38,6

[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, if applicable, been reduced accordingly.

Five year summary	2012	2011	2010	2009	2008
Fair value of plan assets	438,3	413,9	404,9	336,5	312,0
Pension obligations	-498,4	-490,8	-442,8	-348,1	-347,9
Net	**-60,1**	**-76,9**	**-37,9**	**-11,6**	**-35,9**
Actuarial gains and losses, etc.	26,7	39,5	5,0	-24,3	-3,9
Book-value	**-33,4**	**-37,4**	**-32,9**	**-35,9**	**-39,8**

Defined-benefit pension schemes	2012	2011
Actuarial assumptions (weighted average)		
Discount interest rate, %	2.4	2.7
Expected return on plan assets, %	4.2	4.5
Inflation, %	1.0	1.1
Employee turnover, %	7.5	6.0
Estimated remaining years in service	12.3	12.6
Future salary increase, %	0.9	1.4

Pension obligations	2012	2011
Opening balance	490.7	442.8
Change in terms and conditions	0.0	1.0
Current service cost	20.3	18.9
Interest expense	13.3	12.9
Benefits paid	-25.4	-25.8
Acquired/divested subsidiaries	2.2	10.3
Settlement of pension obligations	0.0	-0.1
Unrecognised actuarial gains (+)/losses (-)	-6.4	17.8
Currency translation differences	3.7	12.9
Closing balance	**498.4**	**490.7**

NOTE 22 Pension Provisions and Similar Obligations, cont.

Plan assets	2012	2011
Opening balance	413.9	404.9
Expected return on plan assets	17.9	17.7
Contributions	19.4	18.4
Benefits paid	-25.9	-25.5
Acquired/divested subsidiaries	2.1	2.5
Settlement of pension obligations	0.0	-
Actuarial gains (+)/losses (–)	7.3	-14.9
Currency translation differences	3.6	10.8
Closing balance	**438.3**	**413.9**

Return on plan assets	2012	2011
Expected return on plan assets	17.9	17.7
Actuarial gains (+)/losses (–)	7.3	-14.9
Actual return on plan assets	**25.2**	**2.8**

Provision for pensions, net	2012	2011
Opening balance	37.4	32.9
Pension expense, defined-benefit schemes	15.7	14.1
Funds contributed	-19.4	-18.4
Benefits paid	0.5	-0.3
Expenses for prior-year service	-0.1	-1.0
Redemption of pension obligations	0.0	-0.1
Acquired/divested subsidiaries	0.1	-
Reclassification	0.0	7.8
Currency translation differences	-0.8	2.4
Closing balance	**33.4**	**37.4**

Actuarial gains (-)/losses (+)	2012	2011
Opening balance	-40.8	-10.0
Redemption of pension obligations	-	0.4
Amortisation during the year	0.8	0.0
Pension obligations, actuarial gains (-)/	0	0.0
losses (+)	6.7	-17.8
Plan assets, actuarial gains (-)/losses (+)	7.2	-14.9
Other gains and losses	-	4.0
Acquired/divested subsidiaries	0.3	-
Reclassification	-2.2	-1.8
Currency translation differences	0.2	-0.7
Closing balance	**-27.8**	**-40.8**

Unrecognised expenses for prior-year service	2012	2011
Opening balance	0.1	1.1
Change during the year	-0.1	-1.0
Currency translation differences	0.0	0.0
Closing balance	**0.0**	**0.1**

Unrecognised assets	2012	2011
Opening balance	1.2	3.9
Unrecognised during the year	0.0	-2.8
Currency translation differences	-0.1	0.1
Closing balance	**1.1**	**1.2**

Fair value of plan assets	2012-12-31	2011-12-31
Equities and similar financial instruments	136.7	116.7
Interest-bearing securities, etc.	176.1	179.3
Real estate	125.5	117.9
Total	**438.3**	**413.9**

For 2013, the contributions to defined benefit plans are estimated at 19.7 MEUR, including employee contributions.

Change of accounting principle

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 fair value of plan assets to be reported in the balance sheet. Actuarial differences must be reported in other comprehensive income. 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. The amendments to IAS 19 require a restatement of the 2012 financials for comparison purposes in the reporting of financials in 2013.
The following changes will be made to the 2012 financials:

Assets and liabilities	
Deferred tax assets(-)/liabilities(+), net	-5.9
Pension assets(-)/liabilities(+), net	29.5
Total assets and liabilities	**23.6**
Equity	
Retained earnings	**-36.5**
Income statement	
Operating earnings	-4.6
Financial expenses	-2.5
Earnings before tax	**-7.1**
Deferred tax expense	0.8
Net earnings	**-6.3**
Other comprehensive income	
Actuarial gains and losses	20.8
Deferred tax on actuarial gains and losses	-1.3
Foreign exchange translation differences	-0.3
Total other comprehensive income	**19.2**
Total equity	**-23.6**

NOTE 23 Other Provisions

Group	Restructuring provisions	Warranty provisions	Other provisions	Estimated supplementary payments for acquired companies	Total
Opening balance 2011-01-01	**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
Payment of supplementary 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]
Provision for the year	5.8	6.3	0.4	0.4	12.9
Present value adjustment	-	-	-	0.1	0.1
Increase through acquisition of businesses	-	-	-	16.2	16.2
Payments of additional acquisition considerations	-	-	-	-40.1	-40.1
Utilisation	-5.6	-6.5	0.1	-1.7	-13.7
Reversal of unutilised amounts	-1.3	-0.7	0.0	-9.9	-11.9
Reclassification	-	-	-38.1	38.1	0.0
Translation difference	-	-	-	-3.6	-3.6
Closing balance 2012-12-31	**0.9**	**11.5**	**14.3**	**22.7** [1]	**49.4** [2]

[1] Estimated amounts fall due within three years.
[2] Of which, current portion: 34.1 (8.2)

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 income statement, balance sheet and cash flow. Furthermore, the comparability of Hexagon's earnings between periods will be affected by changes in currency exchange rates. Hexagon's operations are mainly conducted internationally and sales, costs and net assets are therefore denominated in a number of currencies. As of 1 January 2011 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 purchases 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 from the manufacturing entities in their respective functional currency.

Transaction exposure has been hedged in accordance with the Group Treasury Policy. Contracted transactions, i.e. accounts receivables and payables, and orders booked, were fully hedged. In addition, 40 to 100 per cent of a rolling six month exposure forecast was hedged. Hedging of transaction exposure was made by entering into currency forwards and swaps.

As of 31 December 2012, outstanding currency derivatives, used for hedging transaction exposure, had a net market value of 0.7 MEUR (-1.9). Cash flow hedge accounting was applied and thereby the fair value was 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 gains/losses deferred in hedged reserves will at unchanged exchange rates affect the income statement mainly during 2013.

Transaction exposure was hedged until December 2012 at which point in time the Group Treasury Policy was changed. The Policy now states that transaction exposure should not be hedged.

Currency derivatives used for hedging operating cash flows 2012-12-31 [1]

	2013		2014 and later		Total		
	Sold	Bought	Sold	Bought	Sold	Bought	Net
AUD	-	1.3	-	-	-	1.3	1.3
BRL	-	1.4	-	1.4	-	2.8	2.8
CAD	-	16.7	-	-	-	16.7	16.7
CHF	-11.2	40.7	-	-	-11.2	40.7	29.5
CZK	-	-	-	-	-	-	-
DKK	-0.5	-	-	-	-0.5	-	-0.5
EUR	-8.9	6.1	-1.3	-	-10.2	6.1	-4.1
GBP	-5.4	0.6	-	-	-5.4	0.6	-4.8
HUF	-0.3	-	-	-	-0.3	-	-0.3
INR	-1.2	-	-	-	-1.2	-	-1.2
JPY	-3.1	0.0	-	-	-3.1	0.0	-3.1
KRW	-0.6	-	-	-	-0.6	-	-0.6
NOK	-1.4	-	-	-	-1.4	-	-1.4
PLN	-1.0	0.1	-	-	-1.0	0.1	-0.9
SEK	-4.7	-	-	-	-4.7	-	-4.7
SGD	-	8.4	-	-	-	8.4	8.4
USD	-36.5	0.2	-	-	-36.5	0.2	-36.3
Total	**-74.8**	**75.5**	**-1.3**	**1.4**	**-76.1**	**76.9**	**0.8**

Currency derivatives used for hedging operating cash flows 2011-12-31 [1]

	2012		2013 and later		Total		
	Sold	Bought	Sold	Bought	Sold	Bought	Net
AUD	-	-	-	-	-	-	-
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**

[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, in accordance with the Group Treasury Policy. Translation differences from net assets in other currencies than EUR reported in equity during 2012 were -45.6 MEUR (77.1) and revaluation of loans in other currencies than EUR amounted to 1.9 MEUR (38.9).

Net exposure per currency	2012	Hedging rate
USD	2,124.4	11%
CHF	1,204.3	0%
CAD	302.5	1%
CNY	135.0	-
SEK	123.0	-
BRL	109.3	-
INR	37.0	4%
Other	162.1	5%
Total	**4,197.6**	**6%**

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	2012	2011
USD	803.3	710.3
EUR	535.3	518.1
CNY	223.0	178.8
CHF	152.7	175.0
SEK	114.5	115.6
GBP	85.6	78.1
Other	465.6	393.2
Total	**2,380.0**	**2,169.1**

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 2012 and 2011 no interest rate derivatives were used in order to manage the interest rate risk.

Financial income and expenses	2012	2011
Interest income	4.4	3.2
Interest expense	-42.9	-54.9
Other financial income and expense	-9.7	-7.2
Net	**-48.2**	**-58.9**

NOTE 24 Financial Instruments, cont.

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 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 2012, cash and unutilised credit limits totalled 450.8 MEUR (360.1).

MANAGEMENT OF HEXAGON'S CAPITAL

The management of Hexagon's capital is further described in the Board of Directors' report .

GROUP'S MATURITY STRUCTURE OF INTEREST-BEARING FINANCIAL LIABILITIES – UNDISCOUNTED CASH FLOWS

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

	Maturing amounts							
	2013		2014-2015		2016 and later		Total	
	Capital	Interest	Capital	Interest	Capital	Interest	Capital	Interest
Liabilities to credit institutions								
Revolving credit	-	1.0	59.5	1.5	-	-	59.5	2.5
Term loan	142.0	8.5	448.6	6.7	-	-	590.6	15.2
Bond loan	-	5.9	217.9	5.4	-	-	217.9	11.3
Commercial paper[1]	-	5.9	742.2	5.7	-	-	742.2	11.6
Other lenders	44.0	2.6	1.4	2.1	30.6	17.3	76.0	22.0
Total liabilities to credit institutions	**186.0**	**23.9**	**1,469.6**	**21.4**	**30.6**	**17.3**	**1,686.2**	**62.6**
Other interest-bearing liabilities	1.6	0.2	0.9	0.3	2.7	0.4	5.2	0.9
Total interest-bearing liabilities	**187.6**	**24.1**	**1,470.5**	**21.7**	**33.3**	**17.7**	**1,691.4**	**63.5**

[1] The Commercial Paper Program is supported by long term back-up facilites and therefore classified as long term.

There were no interest rate derivatives pertaining to borrowing at 31 December 2012. The agreements governing the Revolving Credit Facility and the Term loan include certain financial covenants to be fulfilled to avoid additional financing costs. The most important covenant is the Net debt/EBITDA.

Currency composition pertaining to interest-bearing liabilities at 31 December

	2012	2011
EUR	86%	68%
USD	13%	18%
CHF	0%	14%
SEK	-	0%
Other currencies	1%	0%
Total	**100%**	**100%**

REFINANCING RISK

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

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

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, was repaid in March 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.

To diversify the debt structure Hexagon, in the first quarter of 2012, established a Swedish Commercial Paper Program. The program enables Hexagon to issue commercial paper up to a total amount of 8,000 MSEK. Commercial paper can be issued up to 12 months under the program. On 31 December 2012, Hexagon had issued commercial paper of a total amount of 6,503 MSEK. An additional back-up facility of 2,500 MSEK has been established to support the commercial paper programme.

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	2012	2011
Interest-bearing liabilities and provisions	1,742.6	1,903.2
Short-term interest bearing assets	-130.7	-116.4
Net debt	**1,611.9**	**1,786.8**
Total shareholders' equity	2,772.6	2,525.8

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 2012 and the effects are expressed on an annualised basis. Earnings in non-EUR subsidiaries are converted into EUR based on average exchange rates for the period when the earnings arise.

During the year there have been significant changes to the exchange rates of currencies that have the biggest impact on Hexagon's earnings and net assets, namely USD, CHF and CNY. The EUR has weakened against USD, CHF and CNY. Since Hexagon has a majority of the operating earnings denominated in USD and CNY, this had a positive impact on operating earnings. The strengthening of the CHF had a negative impact since a considerable part of the costs are denominated in CHF. An isolated strengthening in the exchange rate for EUR by 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 39.6 MEUR (35.1) net, and vice versa, after the impact of hedging.

During 2012, total operating earnings, excluding non-recurring items, from operations in other currencies than EUR amounted to an equivalent of 416.1 MEUR (324.1). An isolated weakening of the exchange rate for EUR by 1 per cent against all other currencies would have a net effect on operating earnings of approximately 4.2 MEUR (3.2).

Based on the average interest fixing period of less than three months in the Group's total loan portfolio as of year-end 2012, a simultaneous 1 percentage point change in interest rates in all of Hexagon's funding currencies would entail a pre-tax impact of about 12.9 MEUR (15.7) in the coming 12 months earnings.

FINANCIAL INSTRUMENTS – Fair value

Carrying amount and fair value on 31 December	2012		2011	
Assets	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale financial assets				
Other long-term securities holdings	0.1	0.1	8.6	8.6
Loan receivables and account receivables				
Long-term receivables	22.6	22.6	19.8	19.8
Accounts receivable	514.5	514.5	509.8	509.8
Other current receivables	34.5	34.5	39.9	39.9
Accrued income	34.1	34.1	27.0	27.0
Accrued interest	0.4	0.4	0.5	0.5
Short-term investments	9.8	9.8	3.6	3.6
Cash and bank balances	120.9	120.9	112.8	112.8
Financial instruments at fair value through other comprehensive income				
Derivatives	0.4	0.4	2.0	2.0
Total	**737.3**	**737.3**	**724.0**	**724.0**

	2012		2011	
Liabilities	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities valued at accrued acquisition value				
Long-term liabilities to credit institutions	1,500.3	1,504.7	1,404.2	1,409.6
Other long-term interest bearing liabilities	3.5	3.5	3.3	3.3
Long-term interest-free liabilities	12.5	12.5	29.9	29.9
Current liabilities to credit institutions	187.6	187.6	456.9	456.9
Accounts payable	156.3	156.3	144.8	144.8
Other current interest-free liabilities	58.5	58.5	54.1	54.1
Accrued expenses	179.5	179.5	174.7	174.7
Accrued interest	1.6	1.6	1.3	1.3
Total	**2,099.8**	**2,104.2**	**2,269.2**	**2,274.6**

Fair value of derivatives has been calculated considering current market quotes (level 2).

Financial assets at	2012			2011		
fair value	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Currency forward contracts	-	0.4	-	-	2.0	-
Equity shares	-	-	0.1	-	-	8.6
Total	**-**	**0.4**	**0.1**	**-**	**2.0**	**8.6**

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

NOTE 24 Financial Instruments, cont.

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 2012, there were no transfers between levels.

NOTE 25 Rented Assets

Leasing/rental agreements of an operational nature, 2012-12-31	Group		Parent Company	
	Machinery, equipment, etc.	Premises	Machinery, equipment, etc.	Premises
Expenses due for payment in				
2013	8.2	18.0	0.0	0.3
2014-2017	11.6	44.2	0.0	0.3
2018 or later	1.6	18.8	-	-
Total	**21.4**	**81.0**	**0.0**	**0.6**

Leasing/rental agreements of an operational nature, 2011-12-31	Group		Parent Company	
	Machinery, equipment, etc.	Premises	Machinery, equipment, etc.	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**

The amounts are non-discounted minimum undertakings pursuant to contract. Costs for leasing/rents for the financial year were 28.0 MEUR (29.1).

Leasing/rental agreements of a financial nature, 2012-12-31	Group		Parent Company	
	Machinery, equipment, etc.	Premises	Machinery, equipment, etc.	Premises
Expenses due for payment in				
2013	1.9	1.3	-	-
2014-2017	2.2	2.5	-	-
2018 or later	0.0	1.7	-	-
Total	**4.1**	**5.5**	**-**	**-**

Leasing/rental agreements of a financial nature, 2011-12-31	Group		Parent Company	
	Machinery, equipment, etc.	Premises	Machinery, equipment, etc.	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**	**-**	**-**

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/leaseback agreements of material importance.

NOTE 26 Assets Pledged and Contingent Liabilities

Pledged assets to credit institutions for loans, bank overdrafts and guarantees, 31 December	Group		Parent Company	
	2012	2011	2012	2011
Real estate mortgages	34.5	35.1	-	-
Chattel mortgages	2.4	2.3	-	-
Other	0.5	0.6	-	-
Total	**37.4**	**38.0**	**-**	**-**

Contingent liabilities, 31 December	Group		Parent Company	
	2012	2011	2012	2011
Guarantees in favour of Group companies	-	-	41.7	70.1
Letters of credit	3.9	5.0	-	-
Other contingent liabilities	1.9	1.9	1.1	1.0
Total	**5.8**	**6.9**	**42.8**	**71.1**

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:

	2012	2011
Goodwill	33.6	107.8
Other intangible fixed assets	27.5	30.7
Tangible fixed assets	0.4	-49.5
Financial fixed assets	0.0	0.4
Current receivables, inventories, etc.	7.7	7.4
Cash and cash equivalents	1.2	3.6
Provisions	5.9	-2.0
Long-term liabilities	-	-3.0
Current liabilities, etc.	-7.8	-8.8
Net assets	**68.5**	**86.6**
Acquisition price	65.2	110.5
Less cash and cash equivalents in acquired Group companies	-1.2	-3.6
Less unpaid acquisition price	-19.1	-27.3
Plus payment of unpaid portion of acquisition price from prior years	22.4	3.4
Cash flow from acquired Group companies, net	**67.3**	**83.0**

No divestments of subsidiaries occured during 2012 and 2011.

During 2012, Hexagon acquired the following companies or businesses: my Virtual Reality Software AS in Norway, Visava Oy in Finland, Lasertopo BVBA in Belgium, MicroSurvey Software Inc. in Canada, GTA Geoinformatik Gmbh in Germany, Sematec in France, New River Kinematics in USA and Geosystems Kazakhstan. The purchase price allocations for some of the acquisitions made in the second half of 2012 are preliminary.

Hexagon has also paid to sellers of Intergraph, with no net cash flow effect, part of the tax benefit that arose according to the merger agreement from 2010. The payment to sellers has been reported net of the tax payment to the company in the cash flow statement.

In addition to the above mentioned acquisitions of companies or businesses in 2012, a 25 per cent holding in Blom ASA, Norway and a 10 percent holding in North West Geomatics Ltd, Canada, have been acquired. These holdings are included in financial fixed assets in the balance sheet. After the balance sheet date, Hexagon has acquired the Australian company Listech and signed an agreement to acquire the remaining 52.8 per cent of the shares in the Russian company Navgeocom.

Acquisition of New River Kinematics

The only acquisition significant in value 2012 was the acquisition of New River Kinematics (NRK). NRK is a USA based engineering company that specialises in 3D analysis software for portable metrology applications. The company had a turnover of approximately 13.3 MUSD in 2012. The goodwill value comprises assembled workforce and future synergies regarding the possibilities to combine, by using the company's products, inputs from almost any metrology device into one single graphical platform. The purchase price allocation is provisional since the company was acquired late in 2012.

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

MEUR	
Intangible assets	19.4
Current assets	4.1
Total assets	**23.5**
Current liabilities	3.2
Total liabilites	**3.2**
Identified net assets at fair value	**20.3**
Goodwill	24.3
Purchase consideration transferred	**44.6**

Acquisition of Sisgraph 2011

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 final purchase price allocation (PPA) regarding Sisgraph, acquired in 2011, is marginally different from the preliminary PPA reported in the Annual Report 2011.

MEUR	Final PPA
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**

NOTE 28 Average Number of Employees

	2012			2011		
	Men	Women	Total	Men	Women	Total
Parent Company	6	4	10	6	4	10
Subsidiaries	9,923	3,270	13,193	9,363	3,102	12,465
Total, Group	**9,929**	**3,274**	**13,203**	**9,369**	**3,106**	**12,475**
Average number of employees by country						
Sweden	442	83	525	430	78	508
Norway	72	11	83	63	11	74
Denmark	100	41	141	91	36	127
Finland	26	7	33	21	5	26
Nordic region	**640**	**142**	**782**	**605**	**130**	**735**
UK	301	70	371	293	69	362
Germany	778	172	950	750	181	931
Netherlands	67	17	84	62	22	84
Belgium	60	12	72	69	16	85
France	314	99	413	305	91	396
Switzerland	1,294	252	1,546	1,273	247	1,520
Italy	288	85	373	304	83	387
Kazakhstan	10	5	15	-	-	-
Portugal	26	5	31	25	5	30
Spain	140	45	185	142	43	185
Russia	26	11	37	25	10	35
Czech Republic	43	20	63	47	18	65
Turkey	18	5	23	14	4	18
Austria	33	7	40	29	7	36
Poland	106	36	142	95	38	133
Hungary	6	2	8	7	3	10
Slovakia	-	-	-	1	-	1
Rest of Europe	**3,510**	**843**	**4,353**	**3,441**	**837**	**4,278**
Total, Europe	**4,150**	**985**	**5,135**	**4,046**	**967**	**5,013**

NOTE 28 Average Number of Employees, cont.

	2012			2011		
	Men	Women	Total	Men	Women	Total
USA	2,166	879	3,045	2,166	837	3,003
Canada	388	126	514	358	120	478
Mexico	37	7	44	37	7	44
North America	**2,591**	**1,012**	**3,603**	**2,561**	**964**	**3,525**
Argentina	5	2	7	5	2	7
Brazil	238	41	279	213	33	246
Chile	16	3	19	26	2	28
Peru	15	1	16	17	1	18
Venezuela	6	11	17	5	15	20
South America	**280**	**58**	**338**	**266**	**53**	**319**
South Africa	4	-	4	4	1	5
Africa	**4**	**-**	**4**	**4**	**1**	**5**
Australia	210	48	258	192	50	242
New Zealand	20	5	25	19	4	23
Australia and New Zealand	**230**	**53**	**283**	**211**	**54**	**265**
China	1,353	701	2,054	1,200	694	1,894
United Arab Emirates	9	2	11	6	1	7
Hong Kong	39	16	55	41	16	57
India	815	230	1,045	616	148	764
Indonesia	1	-	1	-	-	-
Israel	123	39	162	115	33	148
Japan	103	20	123	106	21	127
Korea	80	25	105	73	25	98
Malaysia	19	5	24	13	2	15
Philippines	1	-	1	-	-	-
Taiwan	7	4	11	5	4	9
Thailand	10	5	15	8	5	13
Singapore	112	119	231	96	118	214
Vietnam	2	-	2	2	-	2
Asia	**2,674**	**1,166**	**3,840**	**2,281**	**1,067**	**3,348**
Total, Group	**9,929**	**3,274**	**13,203**	**9,369**	**3,106**	**12,475**

NOTE 29 Employee Benefits

Salaries and remuneration	Board, President and CEO and other Senior Executives 2012	2011	Other employees 2012	2011
Parent Company	4.3	3.0	1.4	1.0
(of which performance related pay and bonus)	(1.4)	(0.5)	(0.0)	(0.0)
Subsidiaries in Sweden	0.8	0.8	23.9	23.5
Total	**5.1**	**3.8**	**25.3**	**24.5**
Argentina	-	-	0.2	0.1
Australia	0.5	0.5	26.3	22.6
Austria	0.7	-	1.9	2.3
Belgium	-	-	5.5	3.7
Brazil	0.2	0.4	5.7	5.6
Canada	1.1	0.4	43.5	35.1
Chile	0.3	0.1	0.7	1.2
China	2.1	1.9	29.6	21.4
Czech Republic	0.1	0.2	2.5	2.3
Denmark	1.3	0.5	8.5	7.8
Finland	0.2	0.1	2.0	1.6
France	1.0	0.8	19.1	18.8
Germany	2.2	1.9	60.1	56.3
Hong Kong	-	-	2.5	2.2
Hungary	-	-	0.2	0.2
India	0.4	0.5	10.0	8.3
Indonesia	-	-	0.0	-
Ireland	-	-	0.0	-
Israel	0.2	0.2	10.1	8.3
Italy	0.8	0.9	20.6	18.3
Japan	0.8	0.5	9.8	9.4
Kazakhstan	0.0	-	0.2	-
Korea	-	-	5.4	4.2
Malaysia	0.0	0.1	0.6	0.3
Mexico	0.2	-	1.8	1.4
Netherlands	0.0	0.2	6.1	5.2
Norway	0.7	0.3	7.0	6.0
New Zealand	-	-	1.8	1.4
Peru	-	-	0.5	0.3
Philippines	0.0	-	0.0	-
Poland	0.2	0.3	3.5	3.1
Portugal	-	-	1.2	1.0
Russia	-	-	1.7	1.4
Singapore	0.4	0.4	9.0	7.2
South Africa	-	0.1	0.3	0.3
Spain	0.5	0.4	7.3	6.5
Switzerland	12.1	11.0	121.5	115.3
Taiwan	0.1	0.1	0.3	0.2
Thailand	0.2	0.1	0.3	0.1
Turkey	0.2	0.2	0.5	0.3
UK	1.1	0.4	22.4	19.0
United Arab Emirates	0.3	0.2	0.5	0.5
USA	0.6	0.6	219.7	185.5
Venezuela	-	-	0.9	0.4
Vietnam	-	-	0.0	-
Total, Group	**33.6**	**27.1**	**696.6**	**609.6**
(of which performance related pay and bonus)	(7.9)	(6.1)	(48.7)	(42.0)

Social security expenses	All employees 2012	2011
Parent Company	1.9	0.8
(of which pension expenses)	0.9	0.3
Subsidiaries	108.6	98.6
(of which pension expenses)	27.6	21.0
Total, Group	**110.5**	**99.4**
(of which pension expenses)	28.5	21.3

Pension expenses for Boards of Directors and Chief Executive Officers in the Group amounted to 3.7 MEUR (2.5). Pension commitments to Boards of Directors and Chief Executive Officers in the Group were 4.8 MEUR (6.5).

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, 69 were women and 763 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 407.2 KEUR (367.6). The Chairman of the Board received 97.6 KEUR and other Board members 48.8 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 9.8 KEUR and each member received 6.9 KEUR. The Chairman of the Audit Committee received 20.1 and each member received 14.4 KEUR. No Board member received any remuneration in addition to director fees, or remuneration for committee work. Remuneration to the President and Chief Executive Officer, as well as other senior executives, comprises basic salary, variable remuneration, pension and other benefits. The President and Chief Executive Officer total remuneration is reported in note 29 in Parent Company. Ola Rollén has received remuneration as Chief Executive Officer of the Parent Company and as President of the Group according to two separate employment contracts with two different Group Companies.

Other senior executives are Håkan Halén, Executive Vice President Hexagon AB, Robert Belkic, Chief Financial Officer, Li Hongquan, President Hexagon China, Johnny Andersson, General Counsel, Bo Pettersson, Chief Technical Officer, Jürgen Dold, President Hexagon Geosystems and Norbert Hanke, President Hexagon Metrology. After closing date the number of senior executives has increased by two people, John Graham, President Intergraph SG&I and Gerhard Sallinger, President Intergraph PP&M.

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 2012

KEUR	Basic salary/ Director fees	Variable remuneration	Other benefits [1]	Pension expenses	Total
Melker Schörling, Chairman of the Board	107.4	-	-	-	107.4
Gun Nilsson	70.1	-	-	-	70.1
Mario Fontana	63.2	-	-	-	63.2
Ulf Henriksson	48.8	-	-	-	48.8
Ulrika Francke	48.8	-	-	-	48.8
Ulrik Svensson	68.9	-	-	-	68.9
Ola Rollén, President and Chief Executive Officer	1,862.0	1,109.7	-	372.4	3,344.1
Other senior executives (seven people) [2]	3,378.8	1,070.1	43.6	366.1	4,858.6
Total	**5,648.0**	**2,179.8**	**43.6**	**738.5**	**8,609.9**

[1] Other benefits comprise company cars and insurance (excluding pension insurance).
[2] Including costs for part of the year for the Chief Financial Officer who acceded the position 1 September 2012.

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 pension insurance).
[2] Excluding costs for part of the year for two senior executives that left their positions during the year.

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 salary is the only severance pay.

Advisory and resolution model

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

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 2011	**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**
Forfeited warrants		-104,500	-125,400	
Closing balance 2012		**-**	**-**	

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 a maximum 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 subscription warrants are sold at market price determined by using the Black-Scholes method. 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 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.

Stock option plan 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 2011	**2015-12-31**	**7,588,512**	**7,588,512**	**124.00**
Sale	2015-12-31	365,000	365,000	124.00
Exercise of warrants for shares	2015-12-31	-185,207	-185,207	124.00
Closing balance 2011	**2015-12-31**	**7,768,305**	**7,768,305**	**124.00**

Warrants 2011/2015 Hexagon AB, 2012-12-31	Number of warrants	Acquisition price, SEK
President and Chief Executive Officer	300,000	3,000,000
Other senior executives (seven people)	1,750,000	19,000,000
Other employees	5,718,305	57,183,050
Total	**7,768,305**	**79,183,050**

NOTE 31 Remuneration of the Group's Auditors

	Group		Parent Company	
	2012	**2011**	**2012**	**2011**
Audit, Ernst & Young	3.7	3.6	0.2	0.2
Audit, Others	0.4	-	-	-
Audit related	0.2	0.3	0.0	0.0
Tax	0.6	0.9	0.0	0.0
Total	**4.9**	**4.8**	**0.2**	**0.2**

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
Retained earnings	217,567
Net earnings	163,615
Total	**1,186,919**

The Board of Directors proposes that these funds are allocated as follows:	
Cash dividend to shareholders of 0.28 EUR per share	98,749 [1]
Balance remaining in the premium reserve	805,737
Balance remaining in retained earnings	282,433
Total	**1,186,919**

[1] The amount is based on the number of shares issued and outstanding on 31 December 2012, namely 352,674,837

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, 27 March 2013

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 28 March 2013

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 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 52-101.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these 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 the Annual Accounts Act, 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 opinions.

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 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2012 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 also audited 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 2012.

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 the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess 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 opinions.

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, 28 March 2013

Ernst & Young AB

Hamish Mabon
Authorised Public Accountant

QUARTERLY INCOME STATEMENTS

	2012					2011				
MEUR	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Net sales	**565.8**	**607.1**	**578.1**	**629.0**	**2,380.0**	**516.9**	**539.4**	**521.2**	**591.6**	**2,169.1**
Gross earnings	**305.9**	**334.1**	**319.5**	**344.2**	**1,303.7**	**273.4**	**287.0**	**272.7**	**310.4**	**1,143.5**
Sales and administration expenses, etc.	-194.9	-206.6	-203.8	-208.4	-813.7	-173.0	-176.9	-173.8	-188.5	-712.2
Share of income of associated companies	0.0	0.0	0.0	-0.5	-0.5	0.0	0.1	0.0	-0.1	0.0
Operating earnings [1]	**111.0**	**127.5**	**115.7**	**135.3**	**489.5**	**100.4**	**110.2**	**98.9**	**121.8**	**431.3**
Interest income/expenses net	-13.5	-12.8	-11.4	-10.5	-48.2	-14.6	-14.8	-14.6	-14.9	-58.9
Earnings before tex	**97.5**	**114.7**	**104.3**	**124.8**	**441.3**	**85.8**	**95.4**	**84.3**	**106.9**	**372.4**
Tax	-18.5	-21.9	-19.8	-23.7	-83.9	-17.2	-19.1	-16.9	-21.8	-75.0
Net earnings [2]	**79.0**	**92.8**	**84.5**	**101.1**	**357.4**	**68.6**	**76.3**	**67.4**	**85.1**	**297.4**
[1] of which non-recurring items	-	-	-	-	-	-4.4	-4.1	-	-	-8.5
[2] of which non-controlling interests	0.6	0.8	0.7	0.8	2.9	0.5	0.5	0.5	0.7	2.2
Earnings include depreciation and impairments of	**-28.8**	**-30.3**	**-31.6**	**-30.1**	**-120.8**	**-25.3**	**-24.6**	**-26.0**	**-26.7**	**-102.6**
Earnings per share, EUR	**0.22**	**0.26**	**0.24**	**0.28**	**1.01**	**0.19**	**0.22**	**0.19**	**0.24**	**0.84**
Earnings per share after dilution, EUR	**0.22**	**0.26**	**0.24**	**0.28**	**1.00**	**0.19**	**0.22**	**0.19**	**0.24**	**0.84**
Earnings per share excluding non-recurring items, EUR	**0.22**	**0.26**	**0.24**	**0.28**	**1.01**	**0.20**	**0.22**	**0.19**	**0.24**	**0.85**
Average number of shares (thousands)	**352,490**	**352,490**	**352,490**	**352,524**	**352,499**	**352,467**	**352,490**	**352,490**	**352,490**	**352,484**
Average number of shares after dilution (thousands)	**352,749**	**352,490**	**353,422**	**354,384**	**353,494**	**352,706**	**352,499**	**352,490**	**352,490**	**352,546**

10-YEAR SUMMARY

	MSEK								MEUR				
Income statement	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**	**2011**	**2012**
Net sales	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	2,380.0
Operating earnings (EBITDA)	711	929	1,272	2,429	3,054	3,267	2,537	3,458	340.1	238.9	362.4	542.4	610.3
Operating earnings (EBITA)	480	686	923	1,827	2,421	2,548	1,784	2,604	265.3	168.0	272.9	439.8	489.5
Operating earnings (EBIT1)	406	686	923	1,827	2,421	2,548	1,784	2,604	265.3	168.0	272.9	439.8	489.5
Operating earnings	406	634	844	1,743	2,270	2,448	1,600	1,447	254.9	150.6	151.7	431.3	489.5
Earnings before tax	323	541	705	1,618	2,056	2,129	1,442	1,058	221.6	135.8	110.9	372.4	441.3
– of which non-recurring items	-	-52	-79	13	-151	-100	-184	-1,304	-10.4	-17.4	-136.6	-8.5	-
Net earnings	221	420	618	1,280	1,811	1,859	1,254	875	193.5	118.1	91.7	297.4	357.4
– of which non-controlling interest	-	7	5	7	11	12	9	17	1.2	0.8	1.8	2.2	2.9
Balance sheet													
Current assets	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	1,135.9
Fixed assets	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	4,299.4
Non-interest bearing liabilities and provisions	1,626	1,950	3,533	3,322	4,310	3,833	3,126	7,153	350.0	305.0	797.8	914.7	920.1
Interest bearing liabilities and provisions	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	1,742.6
Non-controlling interest	47	-	-	-	-	-	-	-	-	-	-	-	-
Shareholders' equity (2003: Parent Company shareholders)	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	2,772.6
Total assets	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	5,435.3

	MSEK								MEUR				
Key data	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**	**2011**	**2012**
Operating margin, %	6	8	10	14	17	18	15	18	18	15	18	20	21
Return on capital employed, %	10	13	11	12	14	12	8	10	12	8	10	11	11
Return on capital employed excluding goodwill amortisation, %	11	13	11	12	14	12	8	10	12	8	10	11	11
Return on equity, %	10	18	18	17	20	18	10	6	18	10	6	13	13
Return on equity excluding goodwill amortisation, %	13	18	18	17	20	18	10	6	18	10	6	13	13
Investments	226	299	442	834	825	1,005	821	832	104.6	77.3	87.2	135.9	171.8
Equity ratio, %	39	34	30	46	40	44	49	43	44	49	43	47	51
Share of risk-bearing capital, %	41	35	32	49	43	45	51	48	45	51	48	52	56
Interest coverage ratio (times)	4.2	5.0	5.1	7.4	8.9	7.0	9.5	3.6	7.0	9.5	3.6	7.0	9.3
Net debt/equity ratio (times)	0.78	1.11	1.66	0.70	0.88	0.89	0.66	0.82	0.89	0.66	0.82	0.66	0.54
Cash flow before changes in working capital and excluding non-recurring items	534	723	956	1,737	2,472	2,587	2,003	2,805	269.3	189.1	294.1	397.2	494.4
Cash flow after changes in working capital and excluding non-recurring items	440	642	764	1,115	2,027	1,755	2,621	2,483	182.7	247.4	260.4	369.0	497.3
Earnings per share, SEK/EUR	1.07	2.00	2.75	4.39	5.95	6.10	4.13	2.83	0.64	0.39	0.30	0.84	1.01
Earnings per share after dilution, SEK/EUR	1.07	1.99	2.71	4.35	5.93	6.09	4.13	2.83	0.63	0.39	0.30	0.84	1.00
Earnings per share excluding goodwill amortisation, SEK/EUR	1.43	2.00	2.75	4.39	5.95	6.10	4.13	2.83	0.64	0.39	0.30	0.84	1.01
Cash flow per share before changes in working capital and excluding non-recurring items, SEK/EUR	2.58	3.49	4.29	5.99	8.17	8.55	6.64	9.24	0.89	0.63	0.97	1.13	1.40
Cash flow per share after changes in working capital and excluding non-recurring items, SEK/EUR	2.13	3.10	3.43	3.85	6.70	5.80	8.70	8.18	0.60	0.82	0.86	1.05	1.41
Equity per share, SEK/EUR	11	12	21	28	33	40	41	55	3.62	4.02	6.15	7.15	7.84
Closing share price, SEK	18	28	64	85	118	33	93	144	33	93	144	103	163
Cash dividend per share, SEK/EUR	0.41	0.54	0.80	1.46	2.06	0.44	1.05	1.40	0.04	0.10	0.15	0.17	0.28 [1]
Average number of shares (thousands)	206,923	206,934	222,608	289,798	302,643	302,687	301,509	303,655	302,687	301,509	303,655	352,484	352,499
Average number of shares after dilution (thousands)	206,923	207,930	225,842	292,426	303,505	303,202	301,768	303,677	303,202	301,768	303,677	352,546	353,494
Number of shares, closing balance (thousands)	206,923	207,046	260,738	302,526	302,725	301,422	301,580	352,150	301,422	301,580	352,150	352,490	352,675
Average number of employees	5,401	5,935	6,111	7,862	8,406	9,062	7,549	8,179	9,062	7,549	8,179	12,475	13,203

[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 numbers for 2003 have not been restated to comply with IFRS.

FINANCIAL DEFINITIONS

Capital employed
Total assets less non-interest bearing liabilities.

Capital turnover rate
Net sales for the year divided by average capital employed for the year.

Cash conversion
Operating cash flow excluding interest, tax payments and non-recurring items divided by operating earnings (EBIT1).

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

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

Commercial paper
An unsecured promissory note with a fixed maturity of 1 to 365 days.

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 divestments 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 limit during the term of the loan.

Shareholders' equity per share
Shareholders' equity excluding non-controlling interests divided by the number of shares at year-end.

Share of risk-bearing capital
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 stock exchange on the last business day for the year.

Term loan
A fixed amount loan with a maturity date of more than one year and with a specified repayment schedule where the borrower is not entitled to re-borrow any amount which it has repaid.

BUSINESS DEFINITIONS

Americas
North America, South America and Central America.

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

BIM
Building Information Modelling. A process involving the generation and management of digital representations of physical and functional characteristics of a facility.

BTU
British Thermal Unit. A traditional unit of energy equal to about 1,055 joules.

CAD
Computer Aided Design. Software for creating technical drawings.

CMM
Coordinate Measuring Machine.

CSR
Corporate Social Responsibility.

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.

GIS
Geographic Information Systems.

GNSS
Global Navigation Satellite System.

GPS
Global Positioning System.

ISDA
International Swaps and Derivatives Association

Laser tracker
A portable measurement system that uses a laser.

LiDAR
Light Detection and Ranging. A technology to collect topographic data using laser.

MT
Hexagon's core operations Measurement Technologies.

NAFTA
North American Free Trade Agreement.

OECD
Organisation of Economic Cooperation and Development.

OEM
Original Equipment Manufacturer.

Other Operations
Hexagon's segment that focuses on the transportation industry, mainly in the Nordic region.

P&ID
A piping and instrumentation diagram/drawing is a diagram in the process industry which shows the piping of the process flow together with the installed equipment and instrumentation.

PC-DMIS
Hexagon's CAD-enabled metrology software.

PDS
Plant Design System. A 3D CAD application for plant design from Intergraph PP&M.

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

R&D
Research and development.

SaaS
Software as a Service. SaaS is sometimes referred to as "on-demand software", a software delivery model in which software and associated data are centrally hosted on the cloud.

SG&I
Intergraph's division Security, Government & Infrastructure.

Theodolites
Angle measuring instruments used in geodetic measurements.

Total station
An electronic theodolite with an integrated distance meter.

CURRENCY CODES

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

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING 2013

The Annual General Meeting will be held on Monday 13 May 2013 at 17:00 CET at Operaterrassen, Karl XII:s Torg, 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 Monday 6 May 2013. To be eligible to participate, shareholders with nominee-registered holdings should temporarily have their shares registered in their own names through the agency of their nominees so that they are recorded in the share register well before 6 May 2013.

(ii) notify the Company of their intention to attend the Annual General Meeting by filling out a form on 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
by Tuesday 7 May 2013 at the latest.

Notifications 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 0.28 EUR per share be declared for the financial year 2012.

As record day for right to receive dividend, the Board of Directors proposes Thursday 16 May 2013. If the Annual General Meeting resolves in accordance with the proposal, the dividend is expected to be paid through Euroclear Sweden AB starting on Thursday 23 May 2013.

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 2013

Hexagon will issue information concerning the financial year 2013 on the following dates:

▶ Annual General Meeting 2013	13 May 2013
▶ Q1 Interim Report	13 May 2013
▶ Q2 Interim Report	8 August 2013
▶ Q3 Interim Report	23 October 2013
▶ Year-End Report 2013	February 2014

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.

ADDRESS

Hexagon AB
P. O. Box 3692
SE-103 59 Stockholm, Sweden

VISITING ADDRESS

Lilla Bantorget 15, Stockholm

TELEPHONE:	+46 8 601 26 20
FAX:	+46 8 601 26 21
E-MAIL:	info@hexagon.com
WEBSITE:	www.hexagon.com

HEXAGON

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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P. O. Box 3692
SE-103 59 Stockholm, Sweden

VISITING ADDRESS
Lilla Bantorget 15, Stockholm

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