ANNUAL REPORT 2009

HEXAGON
precision in everything

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Hexagon's measurement technologies meet the challenges of a growing world

Today, half of the world's nearly seven billion people live in urban areas. In the course of the coming two decades an additional two billion people will move to cities, primarily in developing countries. Hexagon's measurement technologies help the world's growing megacities answer these challenges.

- Which infrastructural pressures are caused by increases in road traffic?
- Where should new subways, roads and bridges be constructed?
- Which land can be used for new housing construction?
- How densely can cities be built?
- How can we build most effectively, with minimal resource consumption?

Urbanisation is just one of many global challenges facing us in the coming decades. But measurement technologies play an important role in several other major trends as well:

Conversion to green energy
Renewable energy sources are replacing fossil fuels. Where should wind turbines be placed for maximal output?

Increased food production
How will the world meet the growing need for food? With the help of measurement technologies, land can be mapped and agricultural machines can be controlled for maximum productivity.

Better lives for an aging population
The world's population is aging – a trend that is placing increasing demands on the healthcare industry. With the help of measurement technologies, prosthetics and implants can be used more safely and with greater precision.

Planning for a warmer world
How far inland will waters reach if sea levels rise, and how do we plan to deal with the consequences?

Contents

Hexagon AB is a Swedish public limited liability company with Corporate Registration Number 556190-4771.

All values are expressed in Swedish kronor. Kronor is abbreviated to SEK and millions of kronor to MSEK. Figures in parentheses refer to 2008 and include the polymers business that was de-consolidated from Hexagon as of 1 June 2008, unless otherwise stated.

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

A LEADER IN MEASUREMENT TECHNOLOGIES

Hexagon is a global measurement technologies Group with strong market positions.

MISSION

Hexagon develops and markets leading technologies and services to measure in one, two or three dimensions, to position and update objects and to time processes.

VISION

Hexagon's vision is to be number one or number two, in each core business, in order to generate growth and shareholder value.

CUSTOMERS IN ALL PARTS OF THE WORLD

Hexagon has a wide geographic coverage and a strong local presence. Hexagon's products and services are sold in more than 140 countries. Emerging economies, primarily in Asia, account for a growing percentage of the Group's sales.

EMERGING MARKETS

Demand for measurement technologies is driven by long-term macro trends with significant impact on the world's economy in the foreseeable future. Hexagon estimates that the market for measurement technologies will grow long-term by approximately 8 per cent annually.

CRITICAL SOLUTIONS FOR A WORLD IN NEED

From global mapping to precision measurements with nanometre accuracy, measurement technologies are used in application areas ranging from infrastructure and agriculture, to raw material extraction, manufacturing industries and medical technologies. New applications are being discovered every day.

A HIGH-TECH COMPANY

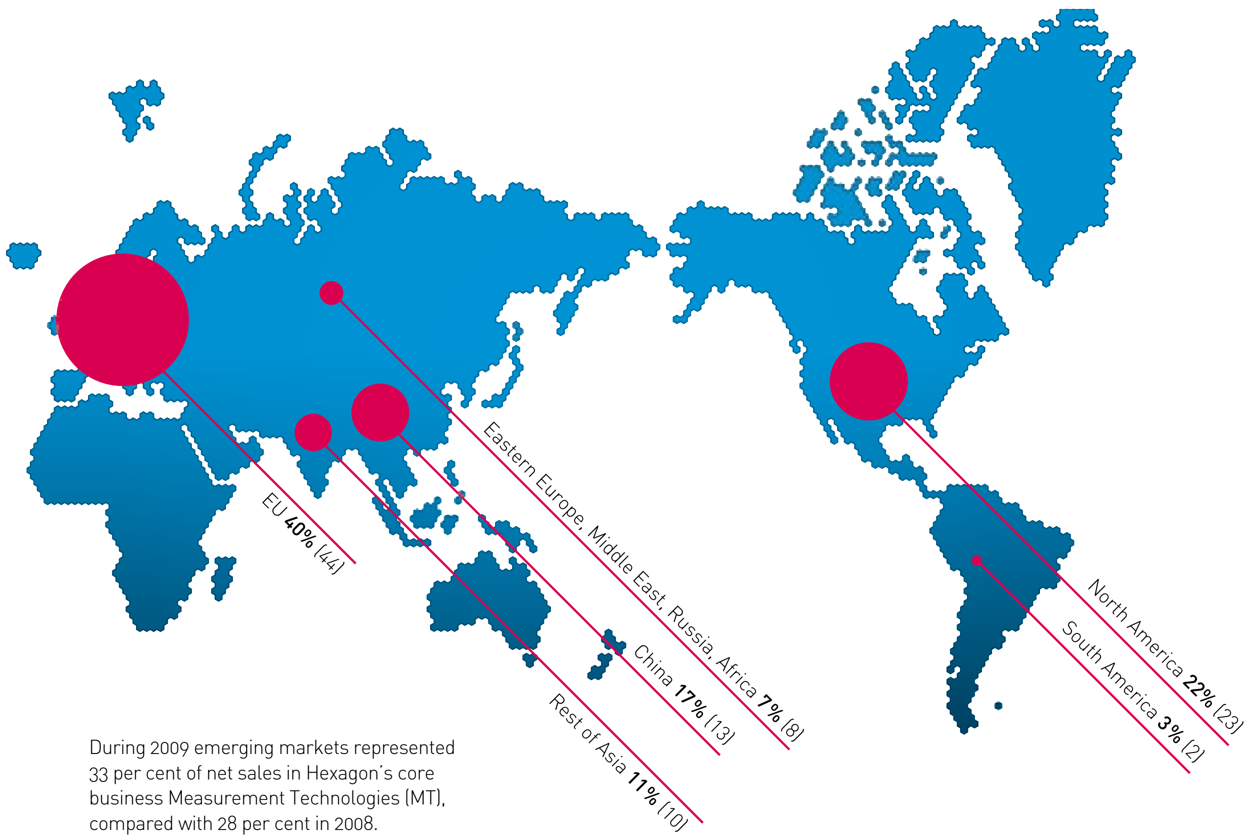
Hexagon has nearly 1 000 employees within its R&D division and invests approximately 10 per cent of net sales in research and development. Each year the company applies for more than 200 patents and has an existing portfolio of more than 1 700 active patents.

20-20-11

The Group's financial plan is to achieve net sales of 20 billion SEK, and a operating margin of 20 per cent, by the end of 2011.

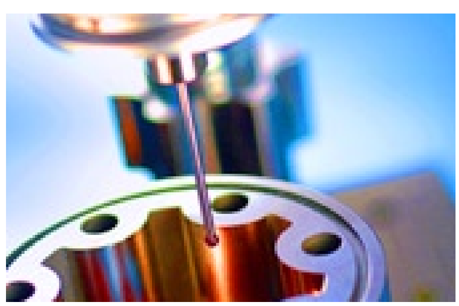
THE HEXAGON SHARE IS QUOTED ON THE NASDAQ OMX STOCKHOLM AND THE SWX SWISS EXCHANGE.

Hexagon in Brief



During 2009 emerging markets represented 33 per cent of net sales in Hexagon's core business Measurement Technologies (MT), compared with 28 per cent in 2008.

THREE APPLICATION AREAS WITH COMMON CORE TECHNOLOGY



GEOSYSTEMS
59% of net sales in MT
Geosystems satisfies the growing need for measurement technologies in infrastructure development, among other areas. Customers include building and construction companies, map companies, surveyors, extraction companies and farmers.

METROLOGY
35% of net sales in MT
Metrology offers measurement technologies and measurement data management for customers in the manufacturing sector. Measurement technologies, when integrated into production processes, minimise quality issues considerably reducing costs.

TECHNOLOGY
6% of net sales in MT
Technology is a sub-supplier of technology, systems and precision components for OEM customers. End customers are located in sectors, such as surveying, marine applications, navigation, port management, aviation, building and construction.

Hexagon 2009

The strong growth in primarily Asia partially compensated for lower sales figures in Hexagon's markets in Western Europe and North America. The Group's market position was further strengthened through the continued launch of new technologies and products.

MSEK	2009	2008	%
Net sales[1]	11 811	13 060	-19[2]
Operating earnings [1] (EBIT 1)	1 784	2 405	-26
Operating margin [1], %	15.1	18.4	-3.3
Earnings before taxes, excluding non-recurring items[1]	1 626	2 104	-23
Non-recurring items	-184	-100	n.a.
Earnings before taxes[1]	1 442	2 004	-28
Earnings after taxes[1]	1 254	1 770	-29
Earnings per share, excluding non-recurring items[1], SEK	5.31	6.95	-24
Earnings per share, SEK	4.71	6.63	-29
Operating cash flow	1 610	750	115
Return on equity, %	10	18	-45
Return on capital employed, %	8	12	-33
Share price, SEK	106	38	179
Average number of employees	7 549	9 062	-17

[1] Excluding Hexpol AB, which was de-consolidated from Hexagon AB on 1 June 2008.
[2] Adjusted to fixed exchange rates and comparable structure (organic growth).

- Hexagon's net sales, excluding Hexpol, amounted to 11 811 MSEK (13 060), the equivalent of a 19 per cent organic reduction. The market for measurement technologies decreased by 25 per cent during 2009.

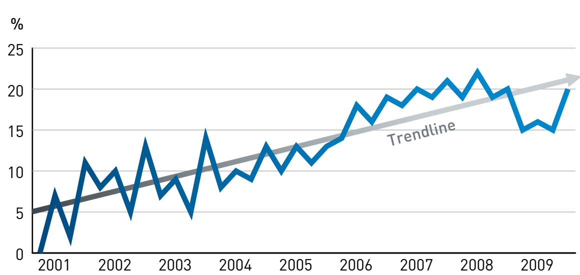
- During the year, Hexagon's exposure to emerging markets increased from 28 to 33 per cent of sales. China is the fastest-growing market, now accounting for 17 per cent of net sales (13).

- Hexagon carried out a restructuring program that led to approximately 900 MSEK in annual cost reductions. Of these savings, 500–600 MSEK are of structural character, thereby contributing to the Group's long-term operating margin targets. Restructuring costs in 2009 had a negative effect of 184 MSEK (100) on the operating earnings.

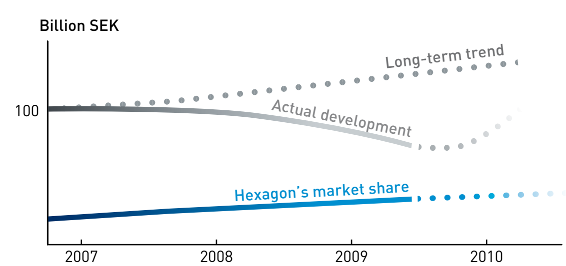
- Operating earnings amounted to 1 600 MSEK (2 448). Excluding Hexpol and non-recurring items, operating earnings amounted to 1 784 MSEK (2 405).

- Capital rationalisations contributed to an improvement in cash flow from operations by 860 MSEK, to 1 610 MSEK.

- The Hexagon Board of Directors proposes a dividend to shareholders of 1.20 SEK (0.50) per share, amounting to 25 per cent of net profits.



OPERATING MARGIN MT (QUARTERLY DATA)
Hexagon improved its operating margin from approximately 5 per cent in 2001 to approximately 20 per cent in 2008. In 2009 the margin decreased to approximately 17 per cent due to reduced volumes caused by the global economic downturn.



MARKET DEVELOPMENT
The estimated market size in 2009 amounted to 83 billion SEK. Hexagon's 2009 market share was 14 per cent, or approximately 12 billion SEK. The average annual market growth is approximately 8 per cent over a business cycle.

A strong position for the coming recovery

2009 was a dramatic year, with a global recession that affected most companies, industries and, indeed, countries negatively. But there were also some clearly positive developments. While the heavily indebted economies of the US and Western Europe struggled to recover, China in particular demonstrated an impressive capacity for growth. China is now Hexagon's biggest single market and an excellent example of how several macro economic trends can shape emerging economies for the foreseeable future.

Strong population growth, urbanisation and the emergence of a middle class with Western consumption patterns are, among other things, resulting in substantially increased demand for infrastructure, food and consumer goods. Measurement technologies is of crucial importance in ensuring the delivery of these requirements.

Our position in emerging economies

Our position in emerging economies is typified by our early identification of Asia as a growth area with strong demand for measurement technologies.

Our overall position in the rapidly growing economies is good, but can be even better. A challenge that Hexagon shares with virtually all Western companies is the imbalance between resource concentration in the industrialised world and sales in emerging economies.

Hexagon still has more employees in the industrialised world, relative to sales share. Our company needs to grow faster in regions such as Asia, Africa and South America that will account for the lion's share of growth in the coming years. In the industrialised world, we must increase the share of services in our product range as developed countries' industrial base continues to shrink.

Structural cost savings

In 2009, we accelerated our restructuring programme to counter the downturn in the economy. The programme was drawn up in conjunction with the some 30 acquisitions we made in 2007 and 2008.

"China is now Hexagon's biggest single market and an excellent example of how several macro economic trends can shape emerging economies for the foreseeable future"

OLA ROLLÉN, PRESIDENT AND CEO

Our efforts to adapt the company have resulted in long-term, structural cost savings of approximately 500–600 MSEK per year compared to the autumn of 2008. These savings will help the company reach its target of an operating margin of 20 per cent in 2011. During the year, we reduced our workforce from approximately 8 500 to approximately 7 500 employees, which of course is regrettable. The goal should be to create an organisation that can cope with short-term fluctuations in demand without having to reduce staff numbers.

R&D: our lifeblood

Despite the downturn, we realised the importance of continuing the momentum in R&D that we maintained since late 2007 – new products sell better than old ones, even in a recession. The measurement technology industry is fiercely research-intensive and every year Hexagon invests around 10 per cent of net sales in R&D. Our R&D operations are not only intended to make our products more technologically advanced; we also put great store in making our products more user-friendly to save time and money for our customers. When a measurement instrument is designed in a more user friendly way it does not however only increase the customers' efficiency, it also presents an opportunity to expand our customer list beyond the trained measurement engineers to also include for example the foreman at a building site. As the world economy recovers, we will continue to increase our sales, service and product development capabilities.

Technology acquisition and distribution

Our financial plan for net sales of 20 billion SEK by the end of 2011 assumes that we will make a further three to five acquisitions. This target may seem high, but we have shown that we can make and implement large acquisitions. Two of our most important acquisitions in the past ten years involved companies that were bigger than Hexagon at the time of the transactions. Acquisition candidates should be able to generate synergies in two main areas: technology and/or distribution. We create growth for both existing and new products by acquiring marketing companies and distributors that can help us penetrate new markets. We already hold a strong market position in this field, in part due to having our own sales organisations. This means we can offer our customers a service level few competitors can match. Our advantage here can, however, be further strengthened.

In review

2009 was my tenth year as Hexagon's CEO. It is thus only natural to look back and consider the past decade. Ten years ago, Hexagon was a small, unfocused conglomerate with poor profitability and an uncertain future. None of its activities was especially successful or financially viable. At the time, the best option was to divest the various businesses and distribute the proceeds. It is therefore with a sense of pride that I am able to report that we succeeded in selling the older, non-viable parts of the business to finance the development of a world-leading, high-tech company from scratch. Hexagon is now synonymous with dimensional measurement technology and our name is becoming increasingly well-known throughout the world.

The next 10 years

For all of us who chose to go on this journey as shareholders, the past decade has been a very profitable one indeed. Since 2000, Hexagon's share price has risen by 1 400 per cent, including new issues, ordinary dividends and distribution of shares in Hexpol AB and VBG AB. During the same period, the Stockholm Stock Exchange (OMXS index) has been close to flat.

The next ten years will be at least as exciting as the past ten. I am convinced that Hexagon will continue to grow rapidly and profitably. With the focus we now have, to achieve an unrivalled position as the world's leading measurement technologies provider, ultimately, the favourable conditions for Hexagon shareholders should continue to make the stock a worthwhile investment.

Stockholm, Sweden, January 2010

Ola Rollén
President and Chief Executive Officer

Favourable long-term value growth

Hexagon's ultimate objective is to generate favourable long-term value growth for its shareholders. The aim is to strengthen the Group's market position as a world-leading measurement technology company and to deliver long-term profitability and sustainable competitiveness. Hexagon's vision is to be number one or number two, in each core business, in order to generate growth and shareholder value.

Hexagon strives to generate favourable long-term value growth for its shareholders. The goal is for earnings per share to increase by 15 per cent annually. The company has a number of well-defined goals and strategies to achieve this.

FINANCIAL TARGETS

Hexagon's current financial target is to achieve net sales of 20 billion SEK and an operating margin of 20 per cent by the end of 2011.

Sales objectives will be achieved through organic growth and acquisitions.

OPERATIONAL TARGETS

Hexagon has determined that it is necessary to be the market leader in order to achieve its financial targets. For Hexagon, market leadership means achieving both a high level of innovation and cost efficiency.

Market leader

In order to be number one or number two within the global measurement technology industry and in its sub segments, each operation places strong emphasis on its market position. Today the company has a market-leading position within the measurement technology industry as a whole, as well as within the three application areas of Geosystems, Metrology and Technology. There are, however, sectors within the three application areas where there is room for improvement in terms of market position.

Long term cost leadership

A competitive cost structure is necessary to defend a market-leading position, or to enhance an operation's position as a challenger. This is in no small part due to the need to more easily manage fluctuations in demand and changes in currency exchange rates. Cost efficiency is also a prerequisite for being the innovator in the industry.

Being the innovator

In the measurement technology industry, a capacity for innovation is central to Hexagon's opportunities to become an attractive business partner for customers in the long term. Investments in research and development are therefore highly prioritised at Hexagon, and each year approximately 10 per cent of net sales is invested in R&D.

The industry's best management

Management know-how and experience are decisive factors that are essential for being able to operate successfully and realise objectives in day-to-day business. Hexagon recruits local personnel and is therefore regarded as a local company within its respective markets.

Speed management

Short and rapid decision-making processes, along with time-efficient implementation, enhance competitiveness and raise organisational capacity. A good manager appreciates a working environment in which there are clear responsibilities, a flat hierarchy and minimal bureaucracy.

ORGANIC GROWTH STRATEGY

Market existing products in current markets

With a focus on core operations, growth is created through product modifications and acquisitions of complementary technologies, both of which create cost benefits and thus enhanced competitiveness through the rationalisation of the overall structure.

Introducing new products in existing markets

Through successful research and development and sound knowledge of customer needs, growth is created in the form of unique product offerings. Hexagon renews its product portfolio every 18 months and in 2009 a large number of new products were launched with-

Mission

Hexagon's mission is to develop and market leading technologies to

- **Measure** objects in one, two or three dimensions
- **Position** objects
- **Update** objects
- **Time** processes

Overall financial targets

- Earnings per share to increase by at least **15 per cent annually**

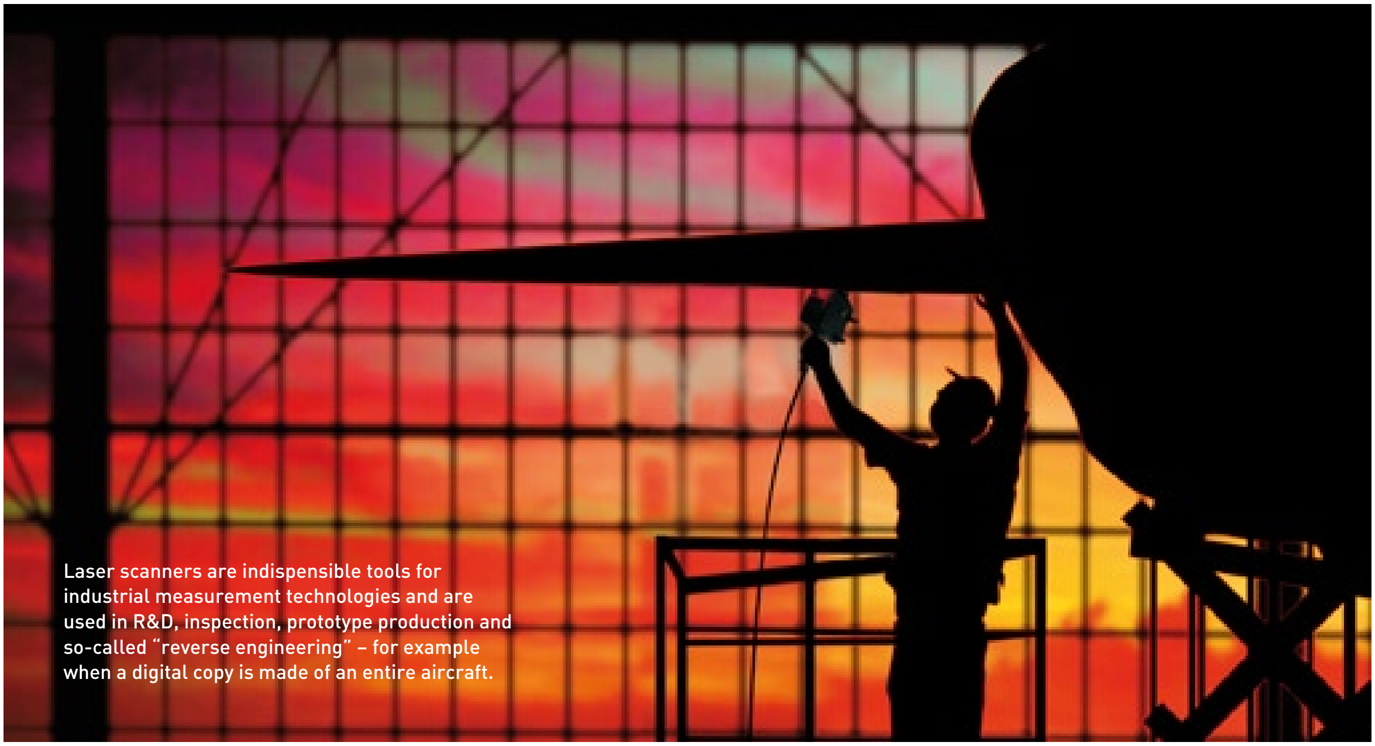
HEXAGON

Operational targets

- To be number **1 or 2** within the measurement technology sector and its core business areas
- To be the industry's most **cost-efficient** company
- To be the **innovator** within the industry
- To have the industry's best **management**
- To have **short and rapid decision-making processes**

Strategies

- To achieve **growth** organically and through acquisitions
- To strengthen and develop the Hexagon **brand** along with the Group's other brands



Laser scanners are indispensible tools for industrial measurement technologies and are used in R&D, inspection, prototype production and so-called "reverse engineering" – for example when a digital copy is made of an entire aircraft.

in the three application areas: Geosystems, Metrology and Technology.

Introducing existing products in new markets

A new application area or a new geographical market creates growth for an existing product through access to a larger customer group. The challenge is to have sufficient knowledge of the new market, ensure that the product meets the market's quality requirements and establish smoothly functioning distribution channels.

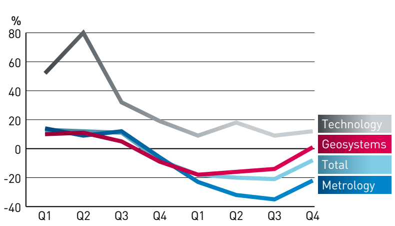
Introducing new products in new markets

The introduction of a new product or service in new markets creates growth through expansion of the total market. The challenge is to have sufficient knowledge of the new market, understand the needs of the customers, quality-assure the new product or service and gain access to smoothly functioning distribution channels, thus ensuring that the new offering reaches the market.

ACQUISITION STRATEGY

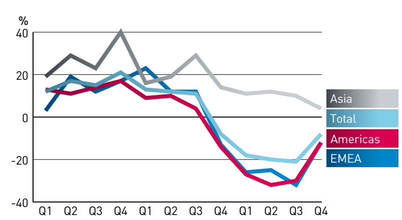
Hexagon monitors a large number of companies to find acquisitions that can strengthen the product portfolio or improve the distribution network. The acquisition targets are regularly evaluated financially, technologically and commercially. Every acquisition candidate's potential place in Hexagon is determined on the basis of synergy simulations and implementation strategies.

The acquisition price varies and is determined based on factors such as the acquisition target's growth potential and operating margin.



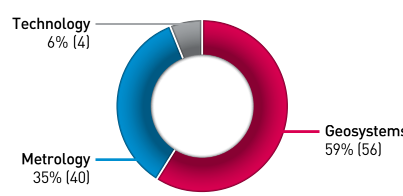
ORGANIC GROWTH BY APPLICATION AREA

Technology has achieved yoy growth throughout 2009. Geosystems experienced a shift in demand sooner than Metrology.



ORGANIC GROWTH BY REGION (MT)

A decrease in demand during 2009 in EMEA and the Americas was only partially balanced by the organic growth in Asia.



NET SALES BY APPLICATION AREA (MT)

Metrology's share of sales decreased in 2009 due to weak demand from the manufacturing industry.

Brand Strategy

The Hexagon brand is the Group brand, supplemented with subsidiaries' brands targeting specific customer segments, markets or geographical areas. Hexagon's brand portfolio comprises a large number of world-class brands that represent strong traditions and are well known within their individual sectors. The brands represent high quality and reliability.

As part of the Hexagon brand strategy, it is vital to allow the individual brands and subsidiaries to evolve. They each have their own history, own culture and a professional relationship with their customers. Hexagon aims to preserve these strengths.

At the same time, the individual brands and companies are part of the larger Hexagon Group from which they can benefit in terms of an extensive network of professionalism, knowledge, people and global culture.

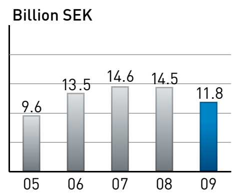
Hexagon works continuously to strengthen the Hexagon brand globally and to utilise the synergies between the individual brands. The Hexagon brand strategy supports the Hexagon growth strategy and helps create long-term sustainability and profitability for the Hexagon Group.

Financial Targets

FINANCIAL PLAN

NET SALES

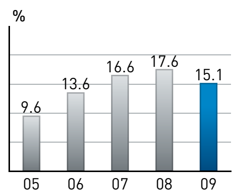
Net sales of 20 billion SEK by the end of 2011.



Hexagon's sales objective of 20 billion SEK in 2011 is to be achieved through a mix of organic growth and acquisitions. Sales in 2009 amounted to 11 811 MSEK.

OPERATING MARGIN

Operating margin of 20 per cent by the end of 2011.

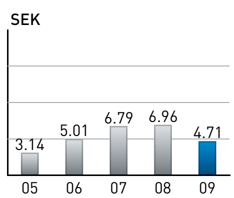


Hexagon's objective of an operating margin of 20 per cent is to be achieved through an increase in the operating margin in the core businesses to 23 per cent and the acquisition of operations with an average operating margin of 15 per cent. In 2009 the operating margin in MT amounted to 16.6 per cent. Including Other operations, the operating margin amounted to 15.1 per cent.

FINANCIAL TARGETS

EARNINGS PER SHARE

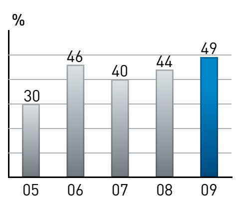
Annual increase of earnings per share of at least 15 per cent.



Strong growth in earnings per share is the best way to produce favourable long-term return. In 2009 earnings per share, excluding non-recurring items, decreased by 24 per cent.

EQUITY RATIO

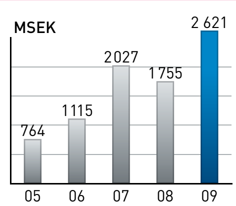
An equity ratio of 25 to 35 per cent.



The equity ratio should be at least 25 per cent. Hexagon shall strive to minimize the weighted average cost of capital (WACC) for the company's financing. A strong equity ratio provides opportunities for using loans to finance parts of future expansion. At the end of 2009 the equity ratio amounted to 49.1 per cent.

CASH FLOW

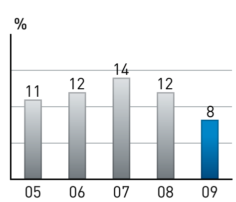
Positive cash flow over a business cycle.



Cash flow should be positive over a business cycle. A positive cash flow creates freedom of action for long-term expansion and allows for a greater degree of loan financing, all else being equal. In 2009 cash flow from operating activities increased to 2 621 MSEK excluding cash flow from restructuring.

RETURN ON CAPITAL

Return on capital employed of at least 15 per cent.



The long-term return on capital employed over a business cycle should amount to more than 15 per cent annually. The required return has been set based on an assumption of a long-term, risk-free interest rate of approximately 5 per cent and a risk premium of approximately 10 per cent. In 2009, return on capital employed amounted to 8 per cent.

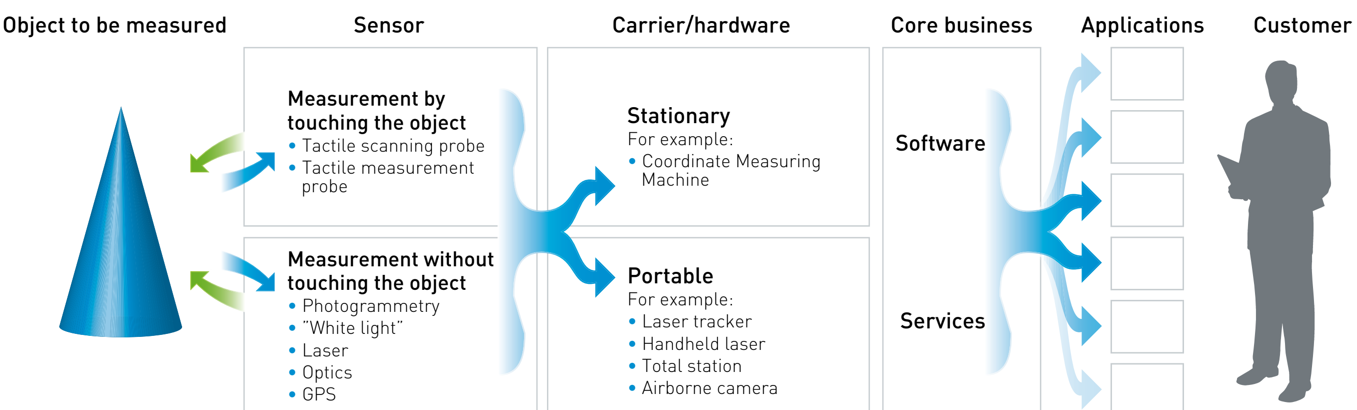
What is measurement technology?

Today dimensional measurement technology is a prerequisite for modern social planning, effective construction and manufacturing with minimal environmental impact. Measurement technology is utilised everywhere in society and in industrial applications to save time and resources, and to increase knowledge and understanding. Demands are increasing for the capability to measure and position objects, infrastructures and environments.

Hexagon's core business Measurement Technology, which represents 97 per cent of Group sales, delivers solutions within the three application areas Geosystems, Metrology and Technology. These applications are described in more detail in the section Products and Services on pages 22–25.

Common for the three application areas is that they offer systems for the measurement of objects in one, two or three dimensions and that the systems are of high quality and reliable, resulting in increased productivity and efficiency for customers. The measurement process is not identical in the three application areas, but is based on common core technologies and uses the same basic principles, similar mathematical procedures and algorithms. Hexagon has a comprehensive customer offering, delivering solutions encompassing the entire measurement process, including sensors, hardware and software. Hexagon's core offering is to deliver services and software via various applications in order to solve different types of customer needs.

THE MEASUREMENT PROCESS



The process starts with the collection of the object's measurement data. Regardless of whether it is a mountain or a circuit board that is to be measured, it can be done using different type of technologies and sensors.

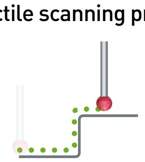
The sensor in the measurement process collects data by physically touching the object with a measurement probe, so called tactile measurement or by technologies such as laser, GPS, optics and photogrammetry.

The carrier to the sensor is some sort of hardware, either stationary or portable. In the example with the mountain, the carrier is an airborne camera that is attached in the airplane. In the example about the circuit board, the carrier is a Coordinate Measuring Machine.

Hexagon's core offering is services and software that enhances the customer's capabilities, competitiveness, productivity and profitability. Service and support include contract-based measurement of parts, training of measurement system operators, outsourcing of the measurement function and software upgrades.

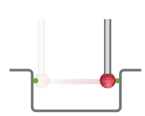
MEASUREMENT TECHNOLOGIES/SENSORS – A SELECTION

Tactile scanning probe



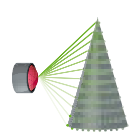
A tactile scanning probe captures and produces enormous amounts of data ("point clouds") from surfaces, enabling the measurement of an entire object's form.

Tactile measurement probe



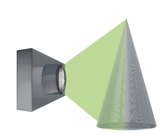
Tactile measurement probes measure discrete points on a surface and are used in, for example, Coordinate Measuring Machines (CMMs) to test the quality of manufacturing.

Laser



The laser instrument emits from single to thousands of light pulses per second. It measures the amount of time it takes for each light pulse to return, thereby taking a distance measurement for each light pulse and can out of that information recreate the object.

Photogrammetry



Photogrammetry involves measurement through photographic imagery of the size, form and position of a photographed object. The most extensive example is aerial photogrammetry, which uses aerial imagery primarily for the purpose of producing maps of various kinds.

Landmark: 1 World Trade Center

IN NEW YORK, work is underway in constructing the landmark 1 World Trade Center on the site where the former twin towers and other World Trade Center buildings stood prior to the 2001 attacks.

The skyscraper will consist of 102 stories standing more than 541 metres in height. It is to be completed in 2013, at which time lower Manhattan and New York City will have regained a world-famous landmark. The tower will contain offices, shops, restaurants and a lookout point, among other features. Several other buildings and a memorial site will also be located in the surrounding area.

The construction of 1 World Trade Center is a massive project that requires minute control of every detail. Advanced measurement technologies are used to ensure precision with centimetre accuracy. During construction, Hexagon's instruments will allow to control the vertical integrity of the structure to within a few centimetres of the intended design. Furthermore, equipment from Hexagon is used in the factories where the load-bearing construction elements are manufactured, as well as on-site during the joining of these elements.

Hexagon has also recently been involved in the construction of the world's tallest building, Dubai's Burj Khalifa, a structure more than 800 metres in height.

Detailed documentation of traffic accident scenes

CALIFORNIA'S POLICE now use modern technologies that are considered to be as transformational for the police and justice system as the advent of DNA analyses.

The California Highway Patrol (CHP) faces the daily challenge of arriving to the scene of traffic accidents. In addition to assisting the people involved in the accident, the police are also required to document the scene before vehicles are removed and before traffic is allowed to flow again.

In order for police personnel to determine how an accident occurred, the documentation must take place quickly, correctly and without missing important facts. Once collected, the material may be used in both criminal and civil law proceedings in which millions of dollars are at stake.

CHP utilises Hexagon's laser scanners. Millions of measurement points are rapidly captured, making it possible to record and recreate the scene of the accident. With the help of laser scanners, the work can be carried out more precisely and comprehensively than with more traditional technologies. Investigators can also virtually recreate the scene in 3D later on when new theories need to be tested, or to reach a better understanding of the events that occurred.

Formula 1-precision for Red Bull

AT THE HIGHEST LEVEL of motor sports, there is no room for errors. Extreme quality demands apply to a Formula 1 car's entire development process. The utmost precision is decisive as any divergence from specifications can cost the team a victory, valuable points or, even worse, a world championship title.

That is why Red Bull's Formula 1 team carefully measures every individual production detail as well as each finished vehicle.

All of the production processes' threshold values are controlled with the help of precise measurement instruments. What is measured in hundreds of seconds within the world of Formula 1 equates to micromillimetres in industrial design. Many details are critical, such as the car's front and rear wings, the width of the vehicle and the placement of pedals. Everything must be perfect, down to the smallest detail.

The Red Bull Racing Team has chosen Hexagon as its partner and uses measurement instruments from Metrology when constructing its vehicles.

Metrology for efficient wind turbines

WITHIN THE GROWING wind power sector, measurement technology is critical to success. Modern wind turbines consist of up to 8 000 individual components, each of which must have exactly the right dimensions since any divergence from the construction design results in lower electricity output from the facility. Natural stresses on the turbines require great stability. The rotor blades' outer tips can spin at speeds of up to 300 kilometres per hour.

Additional demands result from the fact that wind turbines are becoming larger. The higher the captured wind power, the greater the energy yields. A single 80-metre tall wind turbine produces as much energy as 39 wind turbines at 30 metres in height. This pressure on manufacturers to produce larger and larger wind turbines means that they are also forced to work with larger and heavier components.

By 2020, wind power will account for up to 18 per cent of Europe's energy needs, according to the European Wind Energy Association. Hexagon contributes to the positive development of the sector by delivering measurement solutions to all of the largest manufacturers of wind turbines.

Climate studies in the Alps

EVERY OTHER YEAR, a special measurement team climbs Western Europe's highest mountain, Mont Blanc in the French Alps. Their objective is to collect data that can be used in the scientific analyses of meteorologists, geologists, climate researchers and glaciologists, among others.

When the height of a mountain peak changes, this can be a sign of changes in ice layers. The transformation of surrounding glaciers can then be used to draw more general conclusions about climate change.

Since 2001, the team consisting of surveyors from the French department of Haute Savoie and specialists from Hexagon carried out height measurements on Europe's highest mountain located in the east of France and home to ski resorts including Chamonix and Albertville. Models of the mountain range have been developed with the help of these measurements, thus enabling long-term comparative studies. Various types of Hexagon GPS equipment have been used during the measurement missions since 2001.

A tough game for virtual pilots

A NEW, ADVANCED COMPUTER GAME is taking place high above the earth's surface. The game, known as Sky Challenge, allows amateurs to compete by computer with trained pilots on actual flight missions.

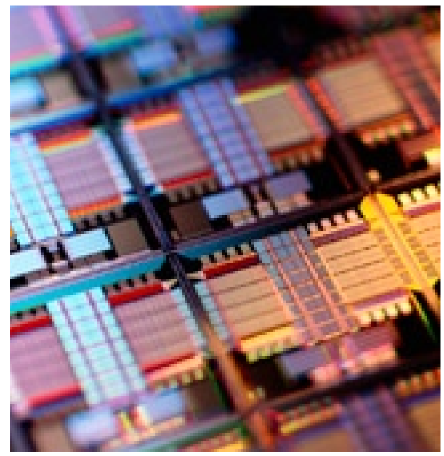
Sky Challenge, which is developed by New Zealand-based Air Sports Ltd, and consists of a virtual obstacle course in which airplanes must pass through complicated checkpoints. For the real pilots, the obstacle course is projected onto a monitor in the cockpit against a background image of their actual surroundings. In this way, they experience a need for challenging manoeuvres in order to avoid crashing into obstacles.

For those playing by computer, both the sky and the obstacles are virtual, and the challenge is to manoeuvre their plane digitally. Any crashes with obstacles will lengthen the course. The overall effect is that professional pilots and players can compete with each other.

The game makes use of advanced positioning equipment in which satellite and inertial navigation technologies are combined to ensure uninterrupted precision in measurements down to a single centimetre. The technology comes from Hexagon and is known as Synchronous Position, Attitude and Navigation (SPAN).

Three segments with varying demands

The market for measurement technologies can be divided into the macro, micro and nano segments. Boundaries between the three segments are based on the precision required by the customer: the smaller the object to be measured, the greater the precision required. Hexagon's operating segment Measurement Technologies consists of the three application areas; Geosystems, Metrology and Technology. Geosystems and Technology are located within the macro segment, whereas Metrology is located within the micro and nano segments.



Macro segment

In the macro segment, large objects such as mountains, cities, roads, bridges, tunnels, dams, and buildings, are measured. These measurements require precision ranging from 10 metres to 100 micrometres. Customers in this market segment consist of surveyors, cartography companies, authorities, construction and mining companies, aerospace and defence industries.

Hexagon estimates the size of the macro segment to be about 45 billion SEK, with annual growth of about 10 per cent over a business cycle. Hexagon's market share is approximately 17 per cent.

Micro segment

In the micro segment, industrial components, from large aircraft to micro components in electronic and medical applications, are measured. These measurements require precision ranging from 100 to 0.3 micrometres. Customers in this segment are primarily the automotive, aerospace, engineering, medical and energy industries.

Hexagon estimates the size of the micro segment to be about 28 billion SEK, with annual growth of about 6 per cent over a business cycle. Hexagon's market share is approximately 14 per cent.

Nano segment

In the nano segment, objects such as microchips for the electronic industry, medical application and materials with new properties are measured. These applications require precision from 0.3 micrometres. In comparison, a human hair has an average diameter of approximately 50 micrometres.

Hexagon estimates the size of the nano segment to be about 10 billion SEK with strong growth potential. Hexagon's market share within this segment is currently quite small.

MEASUREMENT TECHNOLOGY'S MARKET SEGMENTS

COMPETITORS

Hexagon's geographic markets differ in many respects and are part of a fragmented sector. This means that Hexagon's competitors include companies of varying size and with differing specialisations. Some companies provide only hardware, others only software, while still others are active only in the macro or micro segment. Multinational companies compete with national companies that are sometimes market leaders within specific regions. These smaller companies can consist of anywhere from a couple of hundred to a couple of thousand employees. By providing solutions encompassing the entire measurement process within the macro and micro segments, and by supplying systems with a combination of hardware and software with the latest technology, Hexagon has a comprehensive customer offering.

COMPANY	DOMICILED	MACRO	MICRO	NANO	PUBLIC CO
Hexagon	**Sweden**	●	●	●	●
ESRI	USA	●			
Faro Technologies	USA	●	●		●
Intergraph	USA	●			
Topcon	Japan	●		●	●
Trimble	USA	●			●
Carl Zeiss	Germany		●	●	
Mitutoyo	Japan		●		
QVI	USA		●	●	
Renishaw	UK		●		●
KLA Tencor	USA			●	●
Nikon	Japan		●	●	●
Veeco	USA			●	●
Zygo	USA			●	●

Measurement technologies for a growing world

The long-term use of measurement technologies is rising due to structural changes in the global economy. Population growth and urbanisation lead to an enormous need for infrastructure. Rising prosperity in developing countries creates demand for consumer products and thus production capacity. As a consequence, measurement technologies are in demand in all affected sectors.

MEGATRENDS

- Urbanisation
- Population growth
- Growing middle class
- Aging population

EFFECTS

- Resource shortages
- Climat change

NEED FOR

- Housing, social services, infrastructure
- Food
- Products, services, travel
- Implants and prosthetics
- New and traditional energy sources
- Planning for climat change

HEXAGON'S APPLICATIONS

- Geosystems
- Machine Control & Geospatial
- Metrology
- Metrology
- Metrology, Machine Control & Geomatics
- Geosystems

A MARKET WORTH 83 BILLION SEK

In 2007 Hexagon estimated the size of the measurement technologies market at approximately 100 billion SEK, with annual growth of 8 per cent over a business cycle. This estimate is based on internal industry knowledge and available public statistics. Hexagon's market share amounted to approximately 11 per cent in 2007. Market growth was less than 8 per cent during the first half of 2008, subsequently falling during the second half of 2008 and throughout most of 2009. Today, Hexagon estimates the size of the measurement technologies market at about 83 billion SEK. The market has thus diminished by some 25 per cent during 2009, while Hexagon's sales in MT have decreased by 17 per cent. Hexagon's market share thus increased during 2009 and amounted to 14 per cent by the end of the year.

MEGATRENDS DRIVE DEMAND

Underlying demand is nonetheless rising as a trend due to structural changes in the global economy, a fact that reinforces Hexagon's assessment of an annual market growth of 8 per cent over a business cycle.

DRIVING INDUSTRIAL FORCES

In addition to these megatrends, Hexagon is affected by driving forces within the manufacturing and construction industries.

The need to increase productivity and efficiency is always at the heart of the manufacturing industry. A rising number of companies have seen that by integrating advanced measurement technologies into their production processes, quality issues can be avoided and costs can be dramatically reduced. For Hexagon Metrology, with its strong positions in the automotive, aerospace and other manufacturing industries, this is bound to have a positive effect.

The construction industry is also driven by constant improvements in productivity. Efficiency can be considerably improved through control and coordination of construction machinery and vehicles. For Geosystems, which provides solutions for machine control, airborne sensors and laser scanners, this is a positive trend.

FORCES DRIVING DEMAND FOR MEASUREMENT TECHNOLOGIES

Population growth

The world's population is estimated to increase from today's 6.8 billion people to more than 9 billion in 2050. Nearly all of this growth will take place in developing countries whose population is expected to increase from 5.6 billion today to 7.9 billion by 2050.

This increase in world population entails increased demand for land, housing, infrastructure, energy, minerals, water and food products.

The industrialisation and modernisation of developing countries will require massive investments in all sectors of society. As a consequence, domestic and foreign companies within the agriculture, oil, gas, mineral excavation, energy and construction industries with a focus on these rapidly growing markets will be driven by a decades-long structural demand.

All of these companies are in some way dependent on measurement technologies. In order to modernise agriculture and increase food production, for example, measurement technology solutions from Geosystems will be required to address needs for land surveying and machine control.

Urbanisation

The bulk of the population increase will occur in cities. In 2008 there were more people living in cities than in rural areas for the first time in human history. The proportion of world population living in cities is expected to increase from 50 per cent today to 60 per cent in 2030. An increase of some two billion people is expected to occur in the urban areas of developing countries alone.

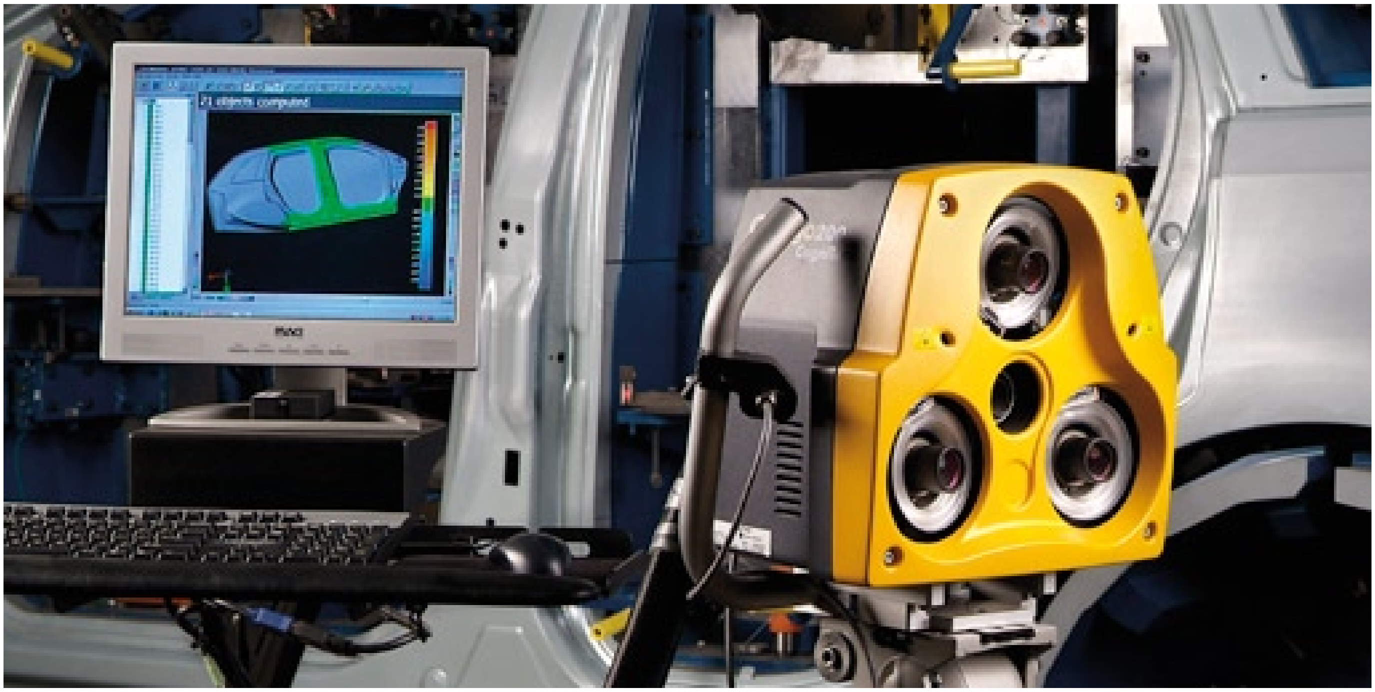
Providing the inhabitants of these cities with adequate housing, water, electricity, sewage systems and transportation will be a challenge on every level, from financing and civil engineering to social planning an environmental sustainability.

Geosystems solutions are critical for increasing agricultural production and successfully planning and executing the investments in housing and infrastructure in the wake of urbanisation.

A growing middle class

The BRIC countries (Brazil, Russia, India and China) already have significant combined strength comparable to that of the large western economies and one that will gradually grow to surpass the current OECD countries.

Rapid economic developments in the cities of emerging economies serve to create a middle class with the consumption habits of the western world. This results in surging demand for housing, food, consumer goods, travel and leisure activities. This rising demand entails a growing need for measurement technologies both from Metrology as well as from Geosystems.



The dimensional accuracy of the car door is being measured with portable instruments from Hexagon and then compared to the customers CAD (Computer Aided Design) model.

Aging population

Aging populations are part of a global phenomenon. The number of people over age 60 is expected to increase from nearly 750 million today to 2 billion by 2050.

The growing elderly population poses challenges for all of society. In the health care industry, for example, the number of organ transplants and knee or hip operations will continue to grow. These processes, which require high-precision manufacturing of implants and prosthetics, will also require high quality measurement technologies. Metrology will benefit from this development.

Climate change

The energy sector is predicted to undergo significant structural changes. Global demand for energy is likely to double by 2030, and the majority of this growth is expected to occur in BRIC countries. If energy production continues as it has in the past, i.e. in the form of fossil fuels, this will cause a corresponding increase in carbon dioxide emissions. A major portion of energy production will therefore have to occur with the help of renewable energy sources such as wind power. Hexagon is an important supplier of measurement technologies to companies in the "green energy" sector.

Rising sea and river levels run the risk of damaging buildings and infrastructure. The Low Elevation Coastal Zone, the continuous land mass that lies less that 10 metres above sea level, makes up only 2 per cent of the earth's surface while accommodating 10 per cent of the world's population.

The effects of rising water levels thus pose risks to a large number of people. These developments increase the need for measurement technologies from Geosystems which can help in planning for the consequences of climate change in order to avoid potential threats to people, buildings and infrastructure.

List of references to this section:

World Population Prospects: The 2008 Revision (United Nations Department of Economic and Social Affairs/Population Division).
State of the World: The FIDIC Infrastructure Report 2009 (The International Federation of Consulting Engineers).

Customers in every sector

Hexagon's customers have a growing need for measurement technologies in nearly every market sector around the world. Measurement technologies are used in industries as diverse as building and construction, urban planning, agriculture, mining, petroleum and gas. Measurement technologies are also a prerequisite for improving efficiency, quality and productivity in the automotive, aerospace and manufacturing industries.

Hexagon's measurement technology solutions are oriented toward customers with applications in the following areas:

- Geosystems primarily supplies solutions for customers within infrastructure development, recording net sales of 6 811 MSEK (6 946) in 2009.
- Metrology is mainly oriented toward the manufacturing industry, recording net sales of 3 976 MSEK (4 882) in 2009.
- Technology is a sub-supplier of technologies, systems and components to Hexagon and other OEM manufacturers in the measurement technology sector. Technology recorded net sales of 671 MSEK (528) during the year.

GEOSYSTEMS

During the planning and execution of infrastructural projects, surveyors and construction industries utilise measurement technology in every phase: project planning, execution and inspection. Infrastructure-related sales of measurement technology account for more than 55 per cent of Hexagon's total sales. Geosystems occupies a relatively early stage in the business cycle.

Surveying

Together, land surveying and building surveying account for Hexagon's largest single customer category, representing 35 per cent of net sales in 2009.

Land surveyors map land surfaces, for example when defining the legal boundaries of land ownership. The results are used to create or update cadastres, which are public registers containing the boundaries of land property ownership.

Building and engineering surveying involves measurements taken before, during and after all types of construction. In many countries, building and engineering surveying belong to a recognised profession requiring official certification.

Heavy construction

Hexagon's measurement systems are used by construction companies for the preparation, execution and monitoring of buildings, roads, bridges, railroads, tunnels, airplanes and ports, among other projects.

Raw materials

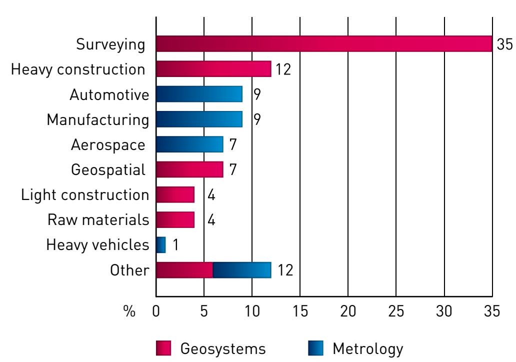
The increased global demand for energy and minerals has made the mining industry an increasingly important customer sector. Mining companies require solutions for guiding and coordinating fleets of heavy machinery, both above and below ground, and for steering individual pieces of equipment. By using Hexagon's systems for steering and control of agricultural and construction equipment, customers can increase productivity and efficiency with greater environmental responsibility. It is not unusual for Hexagon's machine control system to improve efficiency, for example in a road construction project, by more than 30 per cent.

Geographic information systems (GIS)

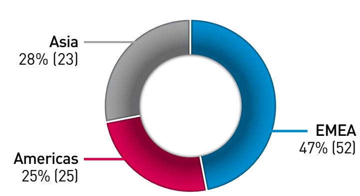
Geospatial information is information about the earth's surface. Hexagon's measurement systems are used in applications such as urban and landscape planning, updating of maps and preventing, mapping and managing natural disasters.

The largest customer groups for geospatial information are cartographic companies and government authorities, defence-related industries, system administrators and companies selling GIS services. However, these solutions are increasingly used by new customers such as urban planners, real estate agents, environmental consulting firms, civil engineering or oil and gas companies.

NET SALES PER CUSTOMER GROUP (MT)



NET SALES BY REGION (MT)



For details regarding which countries are included in Hexagon's definition of the various regions, see page 94.

Light construction
Hexagon's offering includes optical and digital levels for the measurement of flat surfaces at construction sites. Hexagon's total stations and construction lasers are used to measure angles, distance and grade. The primary customers in this sector are construction companies building private housing and commercial properties. The category also includes private customers using handheld products for home use.

METROLOGY
The manufacturing, automotive and airline industries account for approximately one quarter of Hexagon's net sales. These customer groups are generally more dependent on capacity investments, making them more active later in the business cycle than the customers of Geosystems.

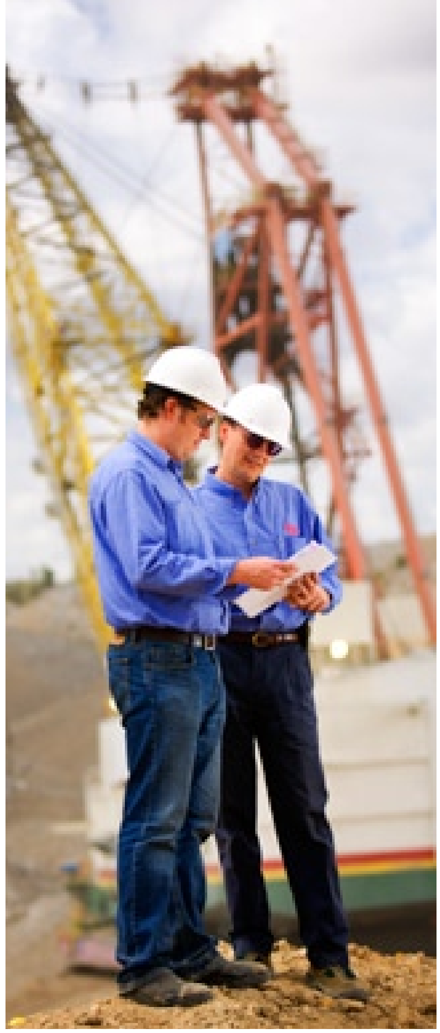
Automotive industry
Hexagon has a broad customer base within the automotive industry. Nearly all of the world's automotive manufacturers use Hexagon's measurement systems to some extent. Demand is driven by the need to increase quality, productivity and cost efficiency in the manufacturing process.

Hexagon's measurement systems are well integrated into the R&D processes of car and truck manufacturers. Because customer investments are often driven by new model launches and the relocation of production facilities, demand is not solely driven by the number of units produced.

While the western world's automotive industry experienced a significant decline in sales during 2009, investments in new technology were made in existing and future production facilities in Asia, South America and Eastern Europe – a market trend which benefits Hexagon due to Hexagon's strong position in these markets.

Aerospace industry
Applications for Hexagon's measurement systems in the airline industry are similar to those of the automotive industry. In short, they are integrated into the R&D process. As opposed to the automotive industry, where regular random vehicle inspections take place, the aerospace industry measures and inspects every individual aircraft.

Other manufacturing industries
Hexagon has a large number of customers within the manufacturing, electronics, industrial machine and energy industries. As in the automotive and aerospace industries, measurement systems are used to increase efficiency, quality and productivity in manufacturing processes.



OTHER
This category includes a number of smaller applications such as the use of measurement systems by police authorities to document crime scenes or the manufacturing of high-precision parts and components for products such as implants and prosthetics within the medical device industry.

GEOGRAPHIC RISK DISTRIBUTION
Hexagon has a well-diversified customer base in terms of geographical distribution. This means that weak growth in one region or customer segment can often be compensated by strong growth in another.

In 2009, emerging markets accounted for 33 per cent of Hexagon's net sales, compared to 28 per cent in 2008. Emerging markets include China, South America, India, other Asian countries, Russia, Africa and the Middle East. China alone accounted for 17 per cent of Hexagon's 2009 net sales.

Strong demand in Asia
In Asia, Hexagon's sales grew continuously throughout 2009. Several sectors and industries experienced double-digit growth figures. Asia now represents nearly 30 per cent of Hexagon's total net sales, with India, Korea, Japan and China all showing strong overall growth in 2009. This favourable sales growth is due to Hexagon's strong position in the region as well as high demand from infrastructural construction industries, primarily in China.

China's economic stimulus package has produced additional positive effects on the growth of Geosystems. Chinese automotive manufacturers have increased sales as well as investments in capacity expansions, thereby increasing the demand for measurement technologies from Metrology. Organic growth in Asia in 2009 has resulted in a 9 per cent increase of both order intake and net sales.

Reduced demand in EMEA
The end of 2009 saw a reduction in the inventory liquidations that had characterised the year and led to decreasing sales to construction companies in Western Europe. Eastern Europe also experienced a decrease in sales, while Russia, the Middle East and Africa continued to grow, although at a significantly slower pace than previously. Sales for Geosystems eventually recovered, once again showing positive growth figures near the end of the year. Metrology normally registers its strongest results later in the business cycle and is therefore more vulnerable to fluctuations in demand.

The aerospace industry and the alternative energy sector continued their growth throughout the year. However, the total business volume produced by the European economic stimulus program during 2009 remained negligible.

Organic growth of order intake within the EMEA declined by -25 per cent, while organic growth in net sales amounted to -27 per cent.

Weak demand in the Americas
The situation in the Americas was similar to that of EMEA, where customers reduced inventory levels during the year's first three fiscal quarters, thus leading to a decline in demand for Hexagon's products. Demand from the manufacturing industry was weak during the year.

The American economic stimulus package has failed to have a significant economic impact on Hexagon's operations in the North American Free Trade Agreement (NAFTA).

South America, led by Brazil, demonstrated strong growth during the year, mainly attributable to high activity within the South American mining and automotive industries. South America now accounts for 3 per cent of Hexagons net sales, compared to 2 per cent in 2008. In 2009, organic growth in the Americas amounted to -19 per cent in order intake, and -23 per cent in net sales.

Solutions for every customer need

With Hexagon's solutions, customers can collect and utilise measurement data of significant strategic and economic importance. This information can be used to create precise models or sketches, to map discrepancies from the measurement object's original form or to modify and correct the object's production process. Hexagon provides measurement systems within the application areas of Geosystems, Metrology and Technology.

The Hexagon Group consists of two business areas: Hexagon Measurement Technologies and Other Operations.

Hexagon Measurement Technologies includes the application areas Geosystems, Metrology and Technology as well as aftermarket services and support.

Hexagon's systems are designed for measurement in one, two or three dimensions, as well as positioning and updating of objects. The systems consist of core technologies common to each instrument, under a generally coordinated development and production system.

IN-HOUSE PRODUCTION

Production is coordinated in order to utilise both skills and scale advantages. Each of Hexagon's measurement systems is produced in world-class facilities in order to assure that they are able to meet the highest demands in terms of precision and quality. Hexagon has R&D units and production facilities in approximately 20 countries.

Hexagon purchases components from carefully chosen and highly regarded subsuppliers throughout the world. Several of these are subsidiaries of the Hexagon Group. Purchasing is centrally coordinated to minimise costs, ensure quality and eliminate bottlenecks in the supply of components. At the Hexagon production facilities, components are assembled into complete measurement systems and proprietary software integrated into the systems.

BROAD DISTRIBUTION

Geosystem's products are sold mainly through a worldwide network of distributors. Hexagon Metrology's products are primarily sold through an in-house sales organisation, with some 50 local demonstration and service centres throughout the world. It is here that Hexagon's staff demonstrate the products and customers are offered the chance to personally carry out their own test measurements. Because measurement systems often involve significant investment costs for customers, it is of vital importance for both Hexagon and the customer to establish close relationships for continued service and future upgrades.

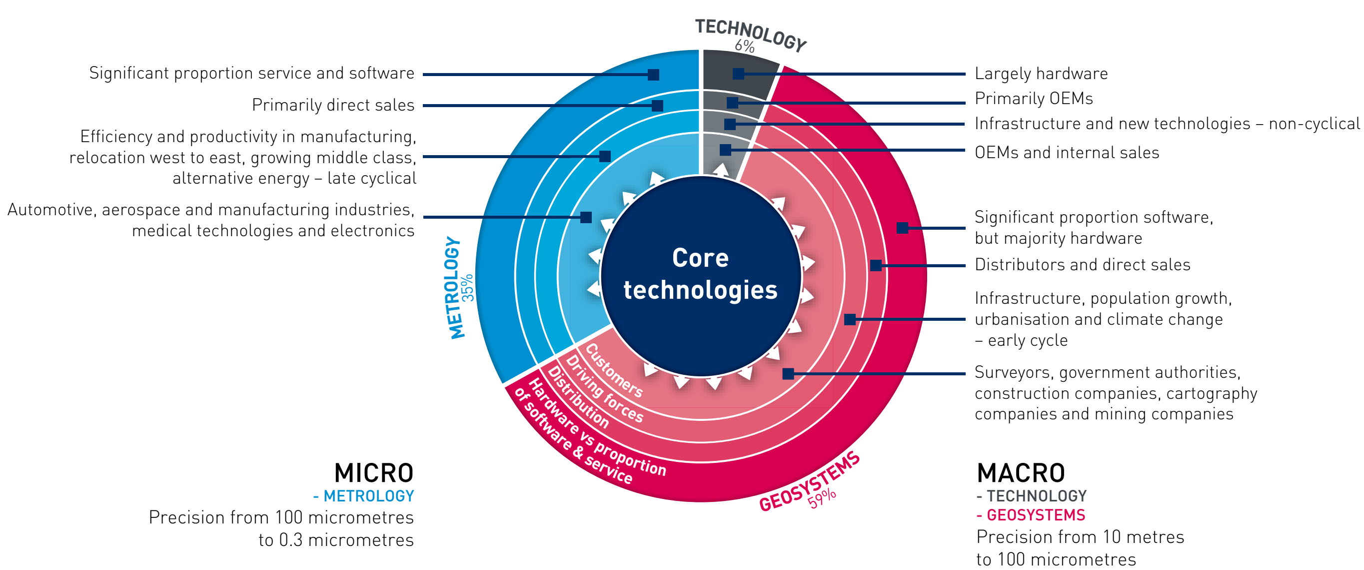
HIGH SERVICE STANDARDS

Support and service are an integrated strategic component to Hexagon's customer offerings.

High-quality technical support is crucial to achieving maximal productivity in measurement instruments and systems. As a complement to its product portfolio, Hexagon offers a complete range of after-sales services.

Services can vary from regular routine maintenance such as calibration, supply of reserve parts, upgrades and equipment repairs, to added-value offerings such as contract measuring of customer components, temporary outsourced personnel, custom programming of equipment or adaptation and integrated automatisation with Hexagon's software.

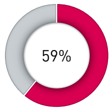
There is currently a growing demand for long-term contracts for Hexagon's software, in which customers subscribe to regular software updates.



CORE TECHNOLOGIES

EDM, Tilt, Angle, Laser, GNSS, GPS, Models and algorithms, Communication, 3D visualisation and digitisation, Feature Extraction

Geosystems



Hexagon's Geosystems solutions are sold within the measurement technologies market's macro segment, where specifications range in accuracy from 10 metres to 100 micrometres (millionths of a metre). A wide array of technologies and systems are used for multidimensional measurement and positioning.

Geosystems is divided into three application areas: Geomatics[1], Construction and Geographic Information Systems (GIS).

GEOMATICS

Hexagon's customers in the Geomatics product area capture, reference, measure, analyse, process, store, present and use geographical information. Measurements can involve anything from simple distances to hundreds of thousands of points used to position complex objects or to transform measurement data into 3D drawings and images. The measurement systems are used in all types of infrastructural projects: buildings, roads, bridges, railways, tunnels, airports and seaports, as well as relocation and modification of production facilities, etc.

Within Geomatics both terrestrial- and satellite-based systems are used to depict measurement objects. Hexagon's primary products in Geomatics are theodolites and fully electronic total stations which are optical instruments used to position and determine a target by aiming through the telescope at the target, measuring the angles and distance and then using trigonometry for calculating the position.

By combining terrestrial- and satellite-based systems surveyors can conduct measurements with less personnel in the field, thus increasing productivity, speed of data acquisition, and reducing costs.

Within monitoring, Hexagon's products track movements of objects such as dams, bridges and buildings, but also of natural structures such as potentially dangerous landslides. Highly precise total stations, GPS equipment and specially designed software are important products within this area. Many customers take advantage in accessing their data via Internet thanks to Hexagon's special software solutions.

Hexagon's laser scanners are also used to create precise 3D models of objects, such as an oil rig without updated blueprints or a historical building of which a digital copy is needed.

CONSTRUCTION

Large infrastructural projects demand high productivity and low costs for manpower, time and materials. There is also a clear trend towards increased prioritisation of environmental and working conditions. Hexagon's solutions meet these needs.

Machine control involves the steering of heavy machinery by one or several measurement instruments and software. The largest customer segments include construction companies, along with mining and agricultural industries. Road grading, excavation, trenching and asphalting equipment are among the machines that can be controlled with the help of two- and three-dimensional solutions. Machine control is a fast-growing segment with significant market potential. In the case of construction, machine control can be used to achieve efficiency improvements of up to 30 to 50 per cent.

On the software side, integration for fleet monitoring, remote diagnostics, data exchange and machine performance metrics (telemetry) will be the cornerstone of successful Hexagon machine control solutions in the near future. Wireless data transfer will be the key growth enabler for these value-added services.

Optical or digital levels for measuring plane surfaces and easy-to-use total stations and GPS instruments for measuring angles and distances are examples of other major product groups for construction customers.

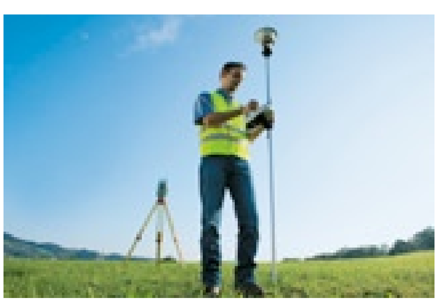
GEOGRAPHIC INFORMATION SYSTEMS

GIS is a computer-based system for collecting, storing, analysing and presenting position-related information. Urban planning, landscape design, updating of maps and prevention, monitoring and management of natural disasters are examples of GIS applications.

Hexagon's product and service offering for GIS consists of both hardware and software. The most prominent hardware products are airborne cameras and LIDAR scanners. LIDAR (Light Detection and Ranging) is a technology used to collect topographical data with airplane-mounted lasers. From a height of several kilometres, these lasers are capable of registering data at speeds of up to 200 000 points per second, with centimetre precision.

GIS software includes various applications for collecting, storing, distributing and presenting geospatial data in a simple and user-friendly manner.

WHAT DO GEOSYSTEMS PRODUCTS DO?



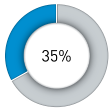
Capturing and positioning of data
Correctly renders a position in relation to a known reference point.

Measuring
Precise measurement of the distance between two points.

Analysis and presentation
Analyses positional data and presents the information in a user-friendly format.

[1] Geomatics is the study of depicting the Earth's surface.

Metrology



In the measurement technologies market's micro segment, Hexagon offers customers in the automotive, aerospace, electronics, general metal fabrication, energy and medical technologies industries a complete range of products and one of the industry's strongest service organisations.

Metrology is used to improve efficiency, quality and productivity in manufacturing processes. Hexagon's products measure an object and compare it with the customer's CAD (Computer Aided Design) drawings in order to confirm whether the object was produced correctly.

The systems measure objects as large as aircraft and as small as medical components with a precision ranging from 100 to 0.3 micrometres. Smaller objects are normally measured with stationary measurement systems whereas larger objects are usually measured with portable equipment.

Automatisaton and robotisation are clear trends within the Metrology segment. By integrating measurement systems into the manufacturing process, the repetition and risk of errors and stoppages can be reduced. Simultaneously, customers can also increase productivity, efficiency and reduce costs in the production phase.

Hexagon's products are closely connected with Hexagon's software, which is well integrated with customers' CAD systems.

STATIONARY MEASUREMENT SYSTEMS

Hexagon's product offering in the area of stationary measurement systems includes vertical and horizontal coordinate measuring machines (CMMs), sensors, software and aftermarket services.

Stationary measurement systems are generally automated, which means that they can be programmed and run repetitive inspections of components in large volumes. These systems are often part of manufacturing cell integration directly on the workshop floor.

High-precision measuring machines measure objects such as engine blocks and gearwheels. Machines with a lower level of precision are used to measure sheet-metal parts, such as car doors or aircraft wings, or machined casted parts (housing for gearboxes or turbine blades).

The measurement systems are also used for measurements of small components requiring high precision such as lenses and gears or complex high-precision parts such as implants or prosthetics in the medical technologies industry.

PORTABLE MEASUREMENT SYSTEMS

Portable measurement systems are used to measure objects that cannot be moved to a measuring machine, that are produced in small volumes or that are specially manufactured in a way that entails rapidly changing specifications. The largest customer categories in portable measurement systems comprise manufacturing companies in the automotive, aerospace, energy, medical technology, general metal fabrication and design industries.

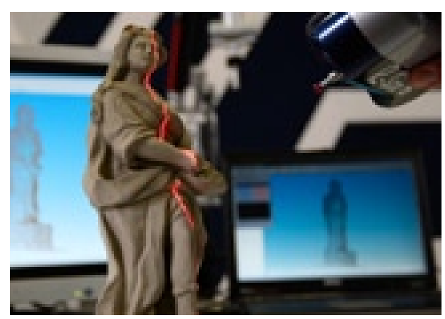
A further important field of application is the maintenance and inspection of structures such as wind-power plants and aircraft.

Hexagon's product offering in the area of portable measurement systems includes handheld measurement devices, articulated arms, laser trackers, software and aftermarket services.

WHAT DO METROLOGY PRODUCTS DO?

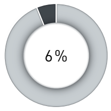
Inspection
Nearly all types of manufactured components are inspected and controlled by Hexagon products.

Control
Hexagon's products are used to control and assure manufacturing processes in a range of different industries.



Reverse-Engineering
Creates a 3D model of a physical object.

Technology



In addition to its Geosystems and Metrology product offerings, Hexagon functions as a sub-supplier of technologies, systems and precision components to customers outside the Hexagon Group. The strategy of offering Hexagon's technologies to other OEMs (Original Equipment Manufacturers) guarantees continued cost-efficient development of Hexagon's technologies.

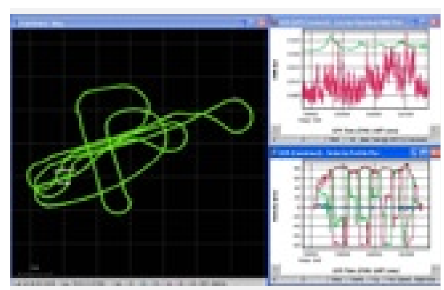
Technology is a world-leading supplier of receivers, casings, antennae and so-called middleware, which is integrated into high-precision positioning applications. In addition to serving other customers, Technology is an important supplier to Geosystems, which uses GPS and GNSS (Global Navigation Satellite Systems) technology in a number of its products.

However, the majority of Technology's sales are to customers outside the Hexagon Group, including market segments such as land survey, marine, navigation, security and defence, port management, aviation, construction and mining. Its products provide positioning information to customer systems in a range of different environments, from open landscapes to crowded urban environments and dense vegetation. As an OEM manufacturer, Technology is able to sell to a variety of markets and is not generally niched toward specific segments.

WHAT DO TECHNOLOGY'S PRODUCTS DO?

Receiving
Receives signals from GNSS satellites.

Processing
Processes and amplifies signals from GNSS satellites.



Transformation
Transforms data for use in commercial applications such as the aerospace, geomatics, mining, agriculture and defence industries or marine applications.

Other operations

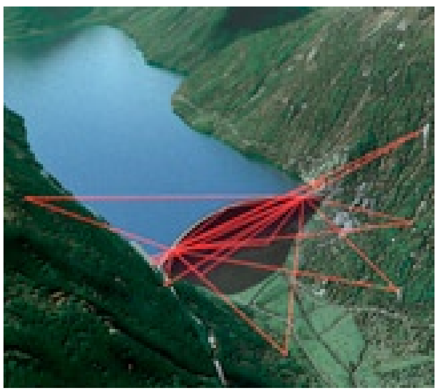
Hexagon's other operations outside of Measurement Technologies consist of two companies which are focused on providing high quality components, primarily to the automotive industry. These operations accounted for 3 per cent of Hexagon Group net sales in 2009.

EBP
EBP manufactures bodywork parts for several of Europe's leading automotive manufacturers. The company is specialised in the qualified production supply of low volumes for both series production and the aftermarket.

SwePart Transmission
SwePart Transmission is a manufacturer of custom gearbox housings, precision-ground gearwheels and other transmission parts for industrial and automotive applications.

Massive construction with perfect precision

When it comes to building a new high-speed railway through the St. Gotthard mountain in the Swiss Alps, the slightest mistake in measurement can have devastating consequences. This stretch of railway, which will open in 2017, must be positioned perfectly in order to allow trains to pass through the tunnel at 250 kilometres per hour. Careful preparations and measurements make it possible to ensure quality and maintain the time schedule.



"It is essential for us to be able to trust in our measuring equipment. There are many sources for potential error"

Ivo Schätti,
Grünenfelder & Partner AG and VI-GBT

"THE HOLE MUST BE IN exactly the right place," summarises Ivo Schätti of the engineering consulting firm Grünenfelder & Partner AG, the company at the head of the consulting consortium of surveying specialists, VI-GBT.

Under direction of the state-owned Swiss railway authority, VI-GBT is tasked with carrying out the technical measurements of the construction of a new 57 kilometre railway tunnel located at St. Gottard. The consortium is thus responsible for ensuring the proper placement, height and direction of the tunnel throughout all stages of the construction process. In doing this they use highly precise Hexagon total stations and digital levels.

"It is essential for us to be able to trust in our measuring equipment. The smallest error in measurement can cause serious complications, obviously with the structure itself, but most of all in terms of the time schedule. There are many sources for potential error," explains Mr. Schätti.

Due to its location at the heart of the European continent, Switzerland is a central traffic hub for the transportation industry. The mountain pass of St. Gotthard in particular is a bottleneck for North-South traffic through Europe, and the existing railway tunnel, constructed at the end of the 19th century, fails to meet the demands of today's traffic. The goal of the AlpTransit Gotthard tunnel project is to connect Switzerland to Europe's network of high-speed railways, while relieving traffic pressures on the country's domestic railway system.

By the time construction is complete in 2017, trains will be able to travel through the twin tunnels of St. Gotthard at speeds of up to 250 kilometres per hour. One critical factor for achieving these speeds is that the tunnel is drilled deep below the earth's surface at no more than 550 metres above sea level and with a maximum gradient of 0.8 per cent. High-speed trains will thus be able to effectively transport passengers, freight and cars through the Alps.

The sheer length of the tunnel, combined with the fact that construction is proceeding from five directions simultaneously, only adds to the complexity of the project. Tunnel openings are located at Erstfeld, Bodio in Tessin, Amsteg and Faido.

DAMS WITHOUT DAMAGE

While the tunnel boring machines are continuously eating their way through the base of the St. Gotthard, advanced measurements are taking place simultaneously above ground to prevent substantial damages from occurring. This because parts of the tunnel pass directly under three water storage reservoirs. The construction of a tunnel affects the normal flows and pressures of ground water, and changes in this system could cause the mountain literally to cave in.

For this reason, eventual movements in the parts of the mountain near the dam walls are continuously monitored with Hexagon total stations, GPS equipment and monitoring software. All equipment must be flown in, and prisms have to be affixed to vertical mountain walls. The severe Swiss winters, with their deep snowpack and avalanches, only add to the work's complexity.

New St. Gotthard Base Tunnel

Length: 57 kilometres
Estimated completion: 2017

Cost of construction (2008):
7.76 billion EUR

Surveying:
VI-GBT Consortium c/o Grünenfelder und Partner AG and ARGE LOS349 c/o BSF Swissphoto AG.

Hexagon instruments used for surveying the tunnel:
- Total station Leica TCA2003
- Digital level Leica DNA03
- Nadirlot Leica NL

Hexagon instruments used for monitoring:
- Total station Leica TCA2003
- Leica GeoMoS software
- Leica GPS System 500

Efficiency for the aerospace industry

The cost of production for aircraft engines can be reduced dramatically with the help of advanced measurement technology. Germany based MTU Aero Engines has succeeded in increasing efficiency in the manufacturing of so-called 'blisks', or turbine rotors. After a comprehensive evaluation, the company has chosen Hexagon as its supplier of measurement systems for production applications.

" With the Hexagon solution, MTU Aero Engines will be able to considerably reduce investment and manufacturing costs"

Wolfgang Meister, Quality Projects Representative at MTU Aero Engines

IN THE AIRCRAFT ENGINE INDUSTRY, the term blisk is used as an abbreviation for Blade Integrated Disks, referring to the rotor blades of the engine. Blisk technology allows turbine rotors to be made from a single piece of metal, rather than from several components welded together.

Munich-based aircraft engine manufacturer MTU Aero Engines has carried out a project in the form of a competition aimed at increasing efficiency in the production of blisks. Its target was to reduce measurement time by 30 per cent.

The project or competition, known as Efficiency Improvements in Metrology, took place over twelve months and originally included ten competing suppliers. After one stage of evaluation only three companies remained, one of which was Hexagon. Ultimately, Hexagon exceeded the client's objectives by a wide margin. Instead of 30 per cent time savings, Hexagon managed to reduce the total measurement time by 65 per cent for test components and 75 per cent for rotor blades.

The winning system from Hexagon consists of a coordinate measuring machine with a rotatable measurement table and associated software programme. The rotatable measurement table allows a single sensor, which can be used during the entire process, to reach all critical measurement points.

"Hexagon's systems dramatically reduced measurement times. MTU Aero Engines will be able to considerably reduce both its investment and production costs. We're now changing our systems for measuring blisk components," says Wolfgang Meister, representative of the quality assurance project at MTU Aero Engines.

In total, the deal includes seven measurement systems for blisks and one system for measuring independent blades. The complete package, in a contract worth over 3.1 million EUR over a five-year period, will be delivered by 2013.

Representing Hexagon in the evaluation project was a team from German subsidiary Messtechnik Wetzlar (MTWZ). Detailed demonstrations of the systems' functionality, usability and measurement capacity were presented repeatedly during the course of the evaluation. Continuous improvements were made to the overall concept, measurement dynamics, precision, processes and process stability.

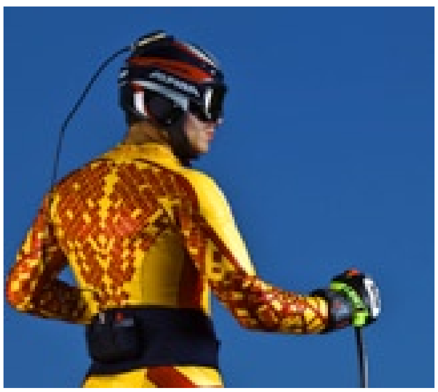
MTU Aero Engines

MTU Aero Engines is one of the world's largest aircraft engine manufacturers, with a presence in every major market. Within civil aviation, MTU collaborates with the largest global aircraft engine manufacturers: General Electric, Pratt & Whitney and Rolls Royce. Within the defence industry, MTU is a dominant systems partner on the German market and maintains a significant presence in Europe.

CASE STUDY: CANADIAN NATIONAL SKI TEAM

Olympic training with satellite signals

Canada's best skiers are becoming even better with the help of positioning technology. Researchers at the University of Calgary have developed a system for measuring and evaluating skiers' results. Included in the system is a small sensor, which is affixed to the skier, as well as a satellite receiver from Hexagon, which is placed on the ski slope.



"The new system gives drastically better results and increases efficiency in training"

James Perkes,
Coach of the Canadian National Ski Team

"THE NEW SYSTEM gives drastically better results and increases efficiency in training," says James Perkes, coach of the Canadian National Ski Team. "Now we can identify minute differences in our skiers' training results where the traditional position and timing methods used for training did not provide us with this ability."

Development of the so-called STEALTH System (short for Sensor for the Training of Elite Athletes) began in 2006 together with the organisations responsible for the Canadian skiteam as a top-secret project at the Schulich School of Engineering at the University of Calgary. Its main objective was to develop a super-precise, superlight sensor, for performance measurement and analysis. The goal was to prepare the national ski team for the Olympic Games in their home country in 2010.

"The global navigation satellite system GNSS has the potential to provide the required information to athletes and coaches. However, equipment size, weight, power autonomy, signal tracking, accuracy, and availability performance posed major obstacles – until we 'invented' STEALTH," explains Professor Gérard Lachapelle, who headed the research team.

Competitive athletes win or lose races by fractions of seconds. The use of technology to measure and enhance sport performance, particularly in sports like downhill skiing that involve speed, distance and timing, is becoming increasingly important. Precise knowledge of rate of descent, lateral accelerations, and gate crossing times is also important for training skiers in order to critically analyze strengths and weaknesses in order to improve their performance.

One of the system requirements was the ability to record differences in the skiers' chosen course routes within the separate competitions of slalom, super-G and giant slalom. It also needed to be moisture-resistant as well as function in temperatures as low as minus 20 degrees Celsius. Also, the system was required to cause minimal disturbance to the skiers at speeds of up to 120 kilometres per hour.

In order for the technology to become accepted, it was critical that the system would be easy to use, primarily on the course, but also when presenting data for evaluation. Measurement precision was required to be better than 20 centimetres in position and one millisecond in timing. Measurement data from the GNSS unit needed to be updated 20 times per second (20Hz). The sensor affixed to the skier could not weigh more than 500 grams, and it needed to survive at least four hours of continuous use on the course. The first tests of the new STEALTH training tool were carried out in the winter of 2006/2007. It was based on Hexagon's satellite signal receiver, which was placed out on the ski slope, an elastic belt with a built-in STEALTH unit and helmet-mounted GNSS antenna for data collection. A specially developed software programme made it possible for coaches to analyse data from every round of training for each individual skier.

Today the Canadian National Ski Team fully relies on Stealth data to improve the training of its elite athletes.

Satellite Systems

Measurement technology relies largely on positioning and therefore requires beneath terrestrial data extensive satellite systems. Today, the American Global Positioning System (GPS) and the newer Russian system GLONASS form the Global Navigation Satellite System (GNSS). The satellite systems Galileo and Compass/Beidou are also being built in Europe and China, respectively. Hexagon plays an active role in these developments, in part by including built-in compatibility with several of its Geosystems products.

The industry's most innovative supplier

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

Hexagon's process of innovation

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

Hexagon has defined this objective according to three main attributes:

- **Efficiency** – To detect market and technological opportunities in advance. The balance between the two elements results in new products being available when the need for them arises. There is also a constant focus on costs of development and production, as well as on product price. Clearly defined objectives help control and realise cost targets.
- **Responsiveness** – To quickly and precisely meet customer requirements. Hexagon's research and development integrates customers, partners and internal and external experts at an early stage, so that new product specifications reflect a clear picture of the required product from the very beginning. The sooner a project reaches completion, the better it fits the defined market expectations – thus Hexagon continuously works to reduce time to market to increase responsiveness.
- **Learning** – To avoid rigidity and inflexibility. Monitoring innovation provides data and facts to continuously improve the innovation process. Employee development is a key component of this process. A comprehensive framework of process rules allows Hexagon to develop a range of R&D projects simultaneously and to gain synergies across the Group.

Over 10 per cent of the Group's employees work within R&D

A total of about 950 engineers are engaged in research and development at Hexagon. Whereas most of them work on product development, about 10 per cent of research and development spending is allocated to technology development. The results are adapted and transformed into innovative products in the individual research and development departments of the Hexagon companies, brands and units.

A worldwide network

Hexagon's R&D department forms a worldwide network of knowledge exchange and close cooperation with employees based in Sweden, Denmark, Switzerland, Germany, France, Italy, Israel, the US, Canada, Singapore, India, China, Japan and Australia. The research and development units create tomorrow's products, while the task of technology development is to conceive those for the day after tomorrow.

Investments in research and development

Hexagon places a high priority on investments in research and development. In 2009, expenses in the core business of measurement technologies was 1 255 MSEK (1 264), corresponding to about 11 per cent (9) of net sales. Development expenses are capitalised only if they pertain to new products, the cost is significant and the product is believed to have major earnings potential. The current level of research and development investments is in line with, or above, those of other leading market players in the industry.

Award-winning innovations

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

During 2009 Hexagon received recognition for its innovations and its positive technological contribution to the mining industry. Hexagon's Jigsaw software solution was awarded a prize in the category of "Surface Mining – Ancillary & Analysis" at the annual Mining Magazine awards. Another product to be honoured for its innovativeness in 2009 was the Leica DISTO™ D8 distance meter. The prize was awarded in Paris at Batimat, a major construction industry trade show.

PATENT PORTFOLIO

		PRODUCT GROUPS								
	MARKET SEGMENT	MICRO	MICRO	MICRO	MACRO	MACRO	MACRO	MACRO	MICRO	MICRO
NO. OF PATENTS	TECHNOLOGIES	CMMs	Articulated arms	Laser trackers	Total stations	DISTO™	High def. scanners	Construction	Handtools	Probe systems
328	Linear distance measurement			●	●	●	●	●	●	●
310	Sensors	●	●	●	●	●	●	●	●	●
221	Optics			●	●	●	●	●		●
210	GPS and GNSS				●	●	●	●		
170	Mechanical structures	●	●	●	●					●
137	Signal and image processing	●		●	●	●	●	●		
92	Calibration and compensation	●	●	●	●	●	●	●	●	●
92	Components	●	●							
55	Laser							●		
38	Machine guidance				●			●		
38	Control and electronics	●		●	●		●			
10	Software	●	●	●	●	●	●	●		
1 701										

The patent portfolio consists of more than 1 700 active patents worldwide and every year Hexagon submits a large number of patent applications. Hexagon carefully monitors its competitors to ensure that its patents are respected, views patent infringement seriously and has a policy of legally defending its rights.

PRODUCT LAUNCHES

2008 and 2009 were intensive years for Hexagon's R&D division. By the end of 2010 the Group will have renewed nearly 70 per cent of its 2007 product portfolio. In 2009 Hexagon launched more than 80 products or product families in all of the three application areas within Measurement Technology. Among the year's launches were laser scanners, total stations for the high-end customer segment, GNSS systems, the DISTO™ D8 distance meter and software for the mining industry.

Geosystems

Across the globe, farmers are constantly striving to achieve more efficient food production methods in order to meet the needs of the growing world population. With the help of measurement technologies fuel and seed costs can be dramatically reduced and, as a consequence, the demand for navigation systems for agricultural machinery has risen to create a global industry.

Hexagon is seizing these market opportunities in part through Leica Geosystems mojoRTK console. This console operates through the GNSS network to remotely control tractors with extreme precision, by the help of viewer-friendly graphics.

Further progress was made in 2009 with the development of the dual-purpose Leica mojoMINI, which can be used either for agricultural applications or as a road navigation unit at street level. The Leica mojoMINI is based on the GNSS satellite system, but is also equipped for road navigation throughout the world. Its agricultural applications include those such as seeding, spraying and harvesting.

Metrology

Measurements of the forms of certain soft materials cannot be carried out by mechanical tactile measuring. Instead, other types of measurement systems are needed. With this in mind, Hexagon created a newly specialised business unit within Metrology in 2009 known as Vision Metrology. Within this area is the brand Visio, which provides optical measurement systems along with developing cameras, laser equipment and scanning sensors for "white light".

Hexagon predicts a growing demand for these types of equipment, which are able to perform 3D measurements within industrial measurement technologies. Customers in this segment require flexible equipment with various types of sensors in order to carry out simultaneous measurements of a range of properties and characteristics. This is a rapidly growing area within industrial measurement technologies and includes among its target groups companies in a range of industries, from medical customers to electronics and micromachining companies.

The expansion of Vision Metrology enables Hexagon to address all market segments for multisensors, from less complex systems to advanced, fully automated solutions, thus paving a path for the development of nanotechnologies in measurement applications.

New products such as the TESA-VISIO 200 GL optical measuring system answer customer needs for optical measurement of smaller details without lowering quality standards.

Technology

With the new SPAN-MPPC satellite receiver Hexagon introduces new opportunities in the market for so-called UAVs (Unmanned Airborne Vehicles).

SPAN, or "Synchronous Position, Attitude and Navigation", combines GNSS satellite navigation with inertial navigation, thus enabling the system to specify the position, direction and speed of moving objects without the need for reference points. These two navigation technologies differ in a way that makes them complementary. Application areas for SPAN are wide ranging and include examples such as navigation by sea or air.

The new SPAN-MPPC is light and compact, thus offering possibilities for use in unmanned aircraft, where equipment weight can be a limiting factor at the same time that the requirements for precision in position and speed measurements remain extremely high.

By using Hexagon's navigation systems farmers can significantly improve their efficiency.

Sustainable development

Hexagon is committed to creating value by delivering long-term profitability and sustainable competitiveness. This can only be achieved by doing business responsibly.

For Hexagon, responsibility is about doing business that wins the trust of customers, employees, suppliers, shareholders, lenders and local communities. As the owner of world-class brands in highly demanding sectors, Hexagon knows the value of reputation and the cost when reputation is lost. That is why responsible business is essential to strong financial performance and a successful future. Hexagon strives to make the right decisions for the long-term, not just what is easy to achieve today. All efforts and strategies are prioritised based on a balanced assessment of financial, technological and sustainability aspects.

A FRAMEWORK FOR APPLICATION

To support the application of its value platform, Hexagon has a legislative platform consisting of:

- Code of Business Ethics
- Corporate Responsibility Guidelines

The latest version of the framework was approved by the Hexagon Board of Directors in May 2009. It is normally updated on an annual basis, and all policies can be found in their entirety on the Hexagon website.

CODE OF BUSINESS ETHICS

This code consists of a collection of ethical rules concerning the Group, its employees and suppliers, and functions as a foundation for the Group's activities. Among other areas, it regulates the commitments and obligations expected of the Group and its employees, as well as the Group's attitude toward customers, competitors, suppliers and owners.

The Code of Business Ethics applies to all employees, and it is the responsibility of every manager to ensure that his or her employees are aware of it. All Hexagon employees are encouraged and expected to report any incidents of non-compliance to the relevant internal officers, with the assurance that there will be no retaliation or other negative consequences for persons acting in good faith.

CORPORATE RESPONSIBILITY GUIDELINES

Hexagon's Corporate Responsibility Guidelines identify the Group's positions regarding issues of environmental sustainability. With these guidelines Hexagon assumes a commitment towards constant improvement of its ways of doing business responsibly. The guidelines define which demands Hexagon places on itself as a market leader, employer and world citizen. They also complement the Code of Business Ethics, which is to be regarded as the minimal standard of ethical conduct.

Hexagon's pledges to uphold and ensure the integrity of its business at all times. This implies, above all, that all employees, managers and Board Members respect the laws, rules and regulations in countries where Hexagon operates.

Hexagon's ambitions nonetheless extend beyond mere compliance to legal obligations. As an industry leader in innovation and quality, Hexagon must set an example in areas such as business ethics, working environment standards and environmental responsibility in the manufacturing process.

APPLICATION AND ASSURANCE

Hexagon's Corporate Responsibility Guidelines apply to all locations and companies in the Group. Responsibility for the application and assurance of the Code of Business Ethics lies with the respective business units, but is centrally evaluated by Hexagon. HR-related aspects are evaluated quarterly together with subsidiary managers and regional managers.

Below is a summary of the main features of Hexagon's Code of Business Ethics and Corporate Responsibility guidelines.

CORE VALUES

Hexagon is a values-oriented Group with a decentralised organisation. Operations are developed on the basis of a common platform consisting of six fundamental values:

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

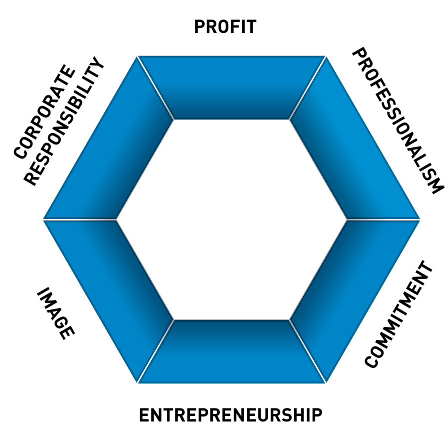
Professionalism – Hexagon's employees act professionally and are knowledgeable about their operations.

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

High energy and commitment – Hexagon's strategy relies on a decentralised hierarchy with short decision-making processes. Employees are driven and take personal responsibility for their actions.

Image is good, prestige is not – A true and trustworthy image is everything. Hexagon employees are motivated not by status but by the opportunity to drive business opportunities forward.

Corporate responsibility – Hexagon is focused on long-term profitability. Respect for colleagues, customers and the environment are important parts of the effort to build long-term credibility as a successful company. Responsible business practices are therefore an integral part of Hexagon's values platform as well as its business operations.



SUPPLIERS

When choosing suppliers, the competitiveness of the supplier's offer is the most decisive factor. However, particular preference is given to suppliers that are leaders in environmental performance and who live up to the goals and values articulated in Hexagon's Corporate Responsibility Guidelines.

Hexagon makes purchases from suppliers around the world who in turn make purchases from other suppliers. These extensive purchasing chains complicate the process of supplier oversight. In countries with relatively weak controls and regulations, the demands placed on Hexagon's purchasing managers are greater than in countries with well-functioning regulatory systems.

Hexagon maintains close and ongoing contacts with its core suppliers to ensure quality and sound business practices. Within its sphere of influence, Hexagon strives to ensure that major suppliers follow the principles set out in the Hexagon Code of Business Ethics. Hexagon representatives perform audits on a regular basis. In cases where non-compliance is discovered, Hexagon will engage with suppliers and require that appropriate measures are taken to ensure this will not happen again.

ENVIRONMENT

Hexagon strives to contribute to an environmentally sustainable society by providing solutions that reduce resource consumption and environmental impact, primarily within production processes.

- Measurement systems integrated in the production process help decrease scrapping, whereby consumption of components and raw material is reduced.
- Consumption of hazardous materials in the customer's production is reduced.
- Productivity and energy efficiency is improved.
- The ergonomic features of the measurement systems lead to improvements in the work environment.
- By upgrading and servicing instruments, the lifecycle of measurement systems is extended.
- Hexagon's machine control system is an example of a technology that helps customers achieve their sustainability goals. Hexagon's machine control system can increase the customer's productivity by more than 30 per cent, give substantial material savings and in some cases nearly halve fuel consumption.

Hexagon's in-house production

In its own production methods Hexagon aims to

- Ensure that environmental policies are drafted in such a way as to comply with environmental laws, ordinances and directives.
- Certify all major production facilities according ISO 14001.
- Limit the use of natural resources by minimising material consumption and maximising re-use and recycling.
- Use secure and environmentally friendly installations.
- Promote energy efficiency.

CUSTOMERS AND COMPETITORS

Hexagon strives to be the first-choice supplier for all customers, whether existing or potential, by offering superior products through fair and honest competition.

Hexagon follows the ethical norms of ICC's (International Chamber of Commerce) codes for advertising and marketing.

In their contacts with customers and distribution partners, Hexagon's employees are expected to make only statements and pledges that can be fulfilled.

Hexagon follows the industry norms and accepted antitrust and competition legislation in those countries where the Group operates.

All employees must avoid situations that may lead to actions that are illegal or that hinder competition.

SOCIETY

Hexagon regularly engages in social projects where the Group's technology is used for the benefit of poor and vulnerable people or to support other social goals. These projects are decided and managed at the local level by each Hexagon company.

As partners, Hexagon will engage with respected organisations and institutions that have the aim of supporting the common good.

OWNERS AND INVESTORS

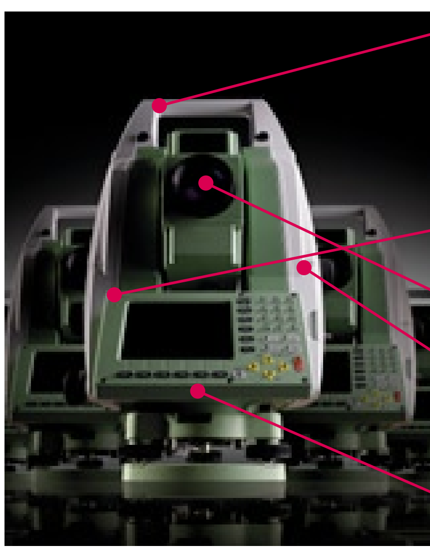
As a publicly listed company, Hexagon is required to follow accounting principles and standards and to have appropriate internal processes to ensure that accounting and financial reporting complies with legal, regulatory and listing requirements.

Hexagon is committed to ensuring transparency in its financial reporting. It has a policy of full, fair and accurate disclosure to ensure that the market receives timely, comprehensive and understandable information on an impartial basis. Comments about financial performance and prospects to external parties may only be made by an official Hexagon spokesperson.

HEXAGON'S PRODUCT DEVELOPMENT

As an integrated part of the research and development work, continuous discussions are held and tests performed concerning product improvements and whether they are financially, technologically and ecologically justifiable. For Hexagon, sustainable product development includes:

- Controlling and striving to reduce the size and weight of its products to minimise the use of metals and plastics.
- Using recyclable materials, such as aluminium and brass.
- Facilitating upgrades of products and services to extend the lifecycle of products (modular design).
- Increasing compatibility with other measuring systems or components, thereby broadening the functionality of the measuring system.
- Designing ergonomic products that are easy to use.
- Reducing the consumption of hazardous materials in the production and design of products.



- Miniaturising
- Using recyclable materials
- Laser safety
- Using power systems with low environmental impact (no NiCd batteries)
- Labelling of plastic parts
- Use of screw or lock mechanisms instead of glue to allow easy dismantling of products
- Gluing optical components using robots
- Lead-free glass, no arsenic
- No use of PVC
- More casings made of plastic instead of metal: no surface treatment necessary
- Weight reduction
- Standardisation/variety reduction of materials
- Water-based and power paints for tripods and instruments

Valued employees

Hexagon's some 7 500 employees work in research, development, marketing, sales, production, installation, customer training, service and administration.

EQUALITY, HEALTH AND SECURITY

Hexagon's ambitions as an employer extend beyond compliance with 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. The work environment must be stimulating, challenging and support lifelong learning.

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 to be treated with equal respect and will have an equal opportunity to contribute fully to the company's success based on their individual skills and interests.

ZERO-TOLERANCE

Hexagon employees will not discriminate against or harass any colleague or business associate. Hexagon has a zero-tolerance policy against harassment and discrimination based on age, background, colour, marital status, medical condition, mental or physical disability, national origin, religion, political affiliation, sex, sexual orientation or gender identity, or any other factor as established by law. Employment-related decisions based on any of these factors are unacceptable.

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

SKILLS AND REMUNERATION

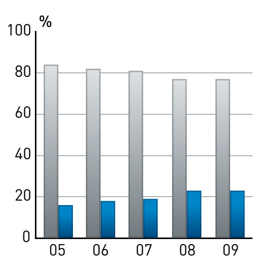
Hexagon encourages communication and collaboration across divisions and geographic boundaries to ensure the best possible use of available knowledge and expertise. Hexagon teams work globally, sharing their knowledge and professional skills, and within the Hexagon Group there is a dynamic exchange of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

Hexagon not only profits from the professional knowledge of the employees, but also from their cultural background and individual approach, ensuring that customers get the best out of Hexagon's worldwide network. At Hexagon, career-oriented competence development is geared toward the needs of the Group and the individual. Hexagon's managers are provided training to ensure that they live up to the Group's high leadership standards. The level of remuneration should be market-based and competitive. Where appropriate, there is also a performance-based component.

RECRUITMENT

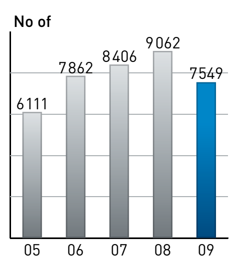
For a global company like Hexagon, local expertise is a necessary and decisive factor for success in specific geographic markets. For this reason, most recruitment is carried out locally. To bring competence and up-to-date knowledge to the company, Hexagon cooperates with a wide range of universities and colleges throughout the world. As an example, Hexagon provides universities with measurement instruments for students to use in their curriculum and research activities.

Hexagon also offers students research and practical experience possibilities for their diploma thesis as well as participating in education by giving lectures at universities.



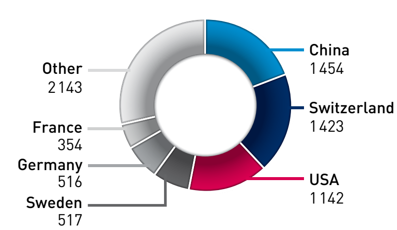
SHARE OF MEN AND WOMEN

At year-end 2009, the share of female employees in Hexagon was 23 per cent (23).



AVERAGE NUMBER OF EMPLOYEES

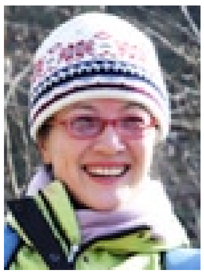
In 2009, the average number of employees was 7 549 (9 062). Excluding Hexpol the 2008 number was 8 112.



AVERAGE NUMBER OF EMPLOYEES PER COUNTRY

Based on the average number of employees in 2009, China, Switzerland and the US had the highest number of employees.

Liao Lu has worked at Hexagon for 19 years and has, amongst other things, experienced Hexagon's acquisition of Brown & Sharpe, now part of the Group. She works in marketing in China.



What have you enjoyed most about working for Hexagon so far?
The high demands put on you by the company. There are always fresh chances for development. The demand to constantly go forward and improve, gives you the opportunity to grow as an individual. It's a dynamic environment that is stimulating to work in.

> "I get to be involved in creating tomorrow's measurement technology, both in China and the rest of the world"

Why have you stayed with the company?
It's exciting to work with the industry's market leader. I get to be involved in creating tomorrow's measurement technology, both in China and the rest of the world.

Dr. Nader Issa started at Hexagon in 2007 in the research and development department.

What made you come to Hexagon?
The combination of advanced technology and robust practical applications.

> "Knowledge and technology in my field, light and laser technology, have fantastic potential for the future. I am convinced that this is also true of Hexagon"

What's made you stay?
Seeing how our work develops from an initial idea to a finished, functioning solution. The thousands of small steps that must be taken there in between make my daily work both challenging and stimulating.

What will you be doing in a few years' time?
Knowledge and technology in my field, light and laser technology, have fantastic potential for the future. I am convinced that this is also true of Hexagon.

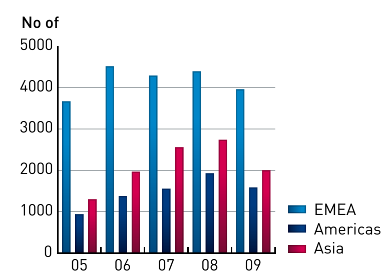
Thomas Jensen: R&D department, Heerbrugg, Switzerland, started to work in a central R&D department at Hexagon 2004.

What is it like to work at Hexagon?
Our central position allows us to work with many different partners from Hexagon. Besides the technical parts social aspects have to be considered that keep the work challenging and interesting.

What has made you stay?
My expectations regarding flexibility and diversifications have been fulfilled. Projects are very interesting and we have a very good working atmosphere in our groups.

> "Our central position allows us to work with many different partners from Hexagon"

What do you think you will be doing in a few years' time?
Continue working on interacting Hexagon projects and develop the optical path inside Hexagon.



AVERAGE NUMBER OF EMPLOYEES PER REGION
EMEA is the geographic region in which Hexagon has the highest number of employees. The average number of employees in the Americas and Asia almost tripled during the period 2004 to 2009. Definitions of regions, see page 94.

	2009	2008	CHANGE
Number of employees	7 476	8 436	-11%
Average number of employees	7 549	9 062	-17%
Number of countries	39	36	3
Average number of employees outside Sweden, %	93	92	1
Remuneration as a share of sales, %	27	25	2

A well-diversified Group

Hexagon's risk management activities are designed to identify, control and reduce risks associated with its business. Operational risks are primarily managed within each subsidiary of the Hexagon Group, while financial risks are managed at Group level. The Group's Treasury Policy, which is updated and approved annually by the Board, stipulates the rules and limitations for the management of financial risk throughout the Group.

Risk is a natural feature of international operations and can be operational or financial. Hexagon deploys a structured approach to limit exposure to short as well as long-term risk.

OPERATIONAL RISK MANAGEMENT

Since the majority of operational risks are attributable to Hexagon's customer and supplier relations, ongoing risk analyses of customers and suppliers are conducted to assess business risks.

Industry and market conditions

During 2009, the real global economy was hit by a recession that started as a financial crisis in the autumn of 2008. A weaker economy increases the risk in business processes that can affect customers' decision to invest in measurement technologies. The market for measurement technologies significantly contracted in 2009, although conditions improved somewhat towards the end of the year.

The negative effects of the recession on Hexagon's performance are somewhat balanced by sales of growth technologies and sales to growth markets with differing economic cycles. Emerging markets and new technologies account for about 33 per cent of net sales and Hexagon is focusing on increasing its local presence in regions where growth is expected to remain strong. During 2009, Hexagon continued to maintain high levels of investment in R&D and launched a large number of new products.

Political risk

Hexagon's operations may be limited by changes to regulatory structures, customs duties and other trading obstacles, pricing and currency controls and other central government regulations and restrictions in the countries where Hexagon is active.

To manage country specific risks, Hexagon observes local legislation and monitors the political development in the countries where the Group is active.

Customer and supplier dependence

Hexagon's business activities are conducted in a large number of geographical markets, with numerous customer categories. Surveying is the largest customer category for Hexagon's core business, measurement technologies, and accounted for 35 per cent of net sales in 2009. Surveying is followed by customer categories heavy construction (12 per cent), automotive (9 per cent) and manufacturing (9 per cent). For more information about Hexagon's customer categories, see page 20.

The largest customer represents about 1.5 per cent of the Group's total net sales and the largest supplier accounts for some 1 per cent of total net sales. Customer credits account for the majority of our counterparty risk.

Hexagon believes there is no significant concentration of counterparty risk. Hexagon has favourable risk diversification and dependence on a single customer, customer category or supplier is not decisive for the Group's performance.

Price risk

Parts of Hexagon's operations are affected by pressure on prices and rapid technological change.

To reduce price risk, Hexagon's ability to compete in a market environment by introducing new products with greater functionality, while simultaneously reducing costs for new and existing products, is crucially important. In Hexagon's innovation process, there is a constant focus on costs, both in development and production of new technologies, as well as on finished products' pricing.

Raw materials risk

Raw materials risk relates to the supply of and price formation for necessary production inputs.

Hexagon sources components such as electronics, sensors, optics and computers. 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.

Legal risk

To minimise legal risks, Hexagon closely monitors regulations and ordinances applicable in each market and rapidly works to adapt the company to identified future changes in the area.

While it occasionally occurs that Hexagon becomes a party to legal disputes relating to its business operations, at 31 December 2009, no Group company is part of any legal process or dispute whose outcome is anticipated to have a material impact on consolidated earnings and financial position.

To secure a return on Hexagon's investments in research and development, the Group protects its technological innovations against infringement. Hexagon protects its intellectual property through legal proceedings when warranted.

Human capital risk

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.

Insurable risk

To ensure well-balanced insurance coverage and financial economies of scale, Hexagon's insurance includes Group-wide property and liability insurance, travel insurance and transport insurance. As Hexagon develops and damage-prevention programmes are completed, the insurance programme is periodically amended so that own risk and insured risk are optimally balanced.

Corporate responsibility risk

Changes in environmental requirements can positively effect demand for the Group's products. Hexagon's measurement instruments help customers maximise productivity and efficiency, minimise tolerance levels and scrapping and quickly adjust processes based on changes in requirements or demand.

FINANCIAL RISK MANAGEMENT

Hexagon is a net borrower and has operations in many countries around the world. Hexagon is therefore exposed to various forms of financial risk. The Group's Treasury Policy, which is updated and approved annually by the Board, stipulates the rules and limitations for the management of financial risks throughout the Group.

Hexagon's treasury operations run the Group's internal bank, which is responsible for coordinating the financial risk management. The internal bank is also responsible for the Group's external borrowing and its internal financing. Centralisation generates substantial economies of scale, lower financing costs and better control and management of the Group's financial risks. Within Hexagon there is no mandate to conduct independent trading in currencies and interest rate instruments. All relevant exposures are monitored continuously and are reported to Group Management on a regular basis.

SENSITIVITY ANALYSIS

The Group's earnings are affected by changes in certain key factors, as reviewed below. The calculations proceed from the conditions prevailing in 2009 and the effects are expressed on an annualised basis. Earnings in foreign subsidiaries are converted into SEK based on average exchange rates for the period the earnings arise.

During the year, there have been very significant changes to the exchange rates of the foreign currencies that have the biggest impact on Hexagon's earnings and net assets, namely USD, EUR, CHF and CNY. The SEK weakened substantially against all these currencies. Since Hexagon has a majority of its operating earnings denominated in USD, EUR and CNY this had a positive impact on operating earnings for the year. But the strengthening of the CHF had an adverse effect, since a large part of Hexagon's costs and the majority of the Group's external debt is denominated in CHF.

During 2009, total net operating earnings from operations in foreign currencies amounted to an equivalent of 1 580 MSEK (2 267). An isolated change in the SEK exchange rate by 1 per cent against all other foreign currencies would have an effect on operating earnings of approximately 16 MSEK.

A 1 per cent change in sales prices would affect revenues and operating earnings by approximately 118 MSEK. A 1 per cent change in payroll expenses, including social security contributions, would affect operating earnings by approximately 39 MSEK.

Based on the average interest fixing period of less than two months in the Group's total loan portfolio as of year-end 2009, a simultaneous 1 percentage point change in interest rates in all of Hexagon's funding currencies would have an earnings impact before tax of about 82 MSEK in the coming 12 months.

SENSITIVITY ANALYSIS 2009

	Change	Pre-tax impact
Foreign exchange rates	1 per cent	16 MSEK
Sales price	1 per cent	118 MSEK
Payroll expenses	1 per cent	39 MSEK
Market interest rates	1 percentage point	82 MSEK

Financial risk management

RISK	POLICY	EXPOSURE 2009

FOREIGN EXCHANGE

Foreign exchange risk is the risk that currency exchange rate fluctuations will have an adverse effect on cash flow, income statement or balance sheet. Furthermore, the comparability of Hexagon's results between periods will be affected by changes in currency exchange rates. Hexagon's operations are mainly located outside Sweden and sales, costs and net assets are therefore primarily denominated in currencies other than SEK.

CURRENCY EFFECTS 2009

	Movement[1]	Income-cost	Profit impact
CHF	strengthened	negative	negative
USD	strengthened	positive	positive
EUR	strengthened	positive	positive
CNY	strengthened	positive	positive
EBIT, MSEK			**106**

[1] Compared to SEK

TRANSACTION EXPOSURE

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

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

As of 31 December 2009, outstanding foreign exchange derivatives hedging transaction exposures had a net market value of 9 MSEK. Cash flow hedge accounting is applied and thereby the market value is partly deferred in the hedge reserve in equity to offset the gains/losses on hedged future sales and purchases in foreign currencies.

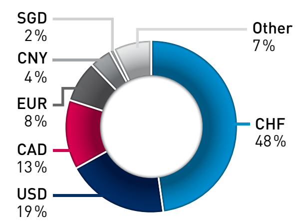
BALANCE SHEET

Translation exposure arise when the net assets in foreign entities are translated into SEK upon consolidation.

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

Translation differences from net assets in foreign operations reported in equity during 2009 were negative, -953 MSEK (3 668), which were partly offset by profits from revaluing loans in non-SEK currencies, designated as hedges of net assets in foreign entities, by 430 MSEK (-2 653).

NET ASSETS PER FOREIGN CURRENCY 2009



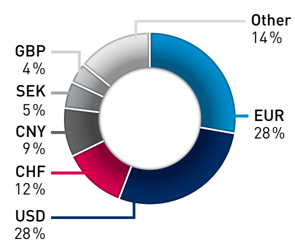
INCOME STATEMENT

Since the consolidated operating income is mainly generated in non-Swedish subsidiaries, changes in foreign exchange rates have an impact on the Group's earnings when the income statements of foreign subsidiaries are translated into SEK.

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

Consolidated operating earnings was positively affected by 106 MSEK using last year's exchange rates on 2009 operating income.

NET SALES PER CURRENCY 2009



RISK | **POLICY** | **EXPOSURE 2009**

INTEREST RATE

The interest rate risk is the risk that changes in interest rates will adversely affect the Group's net interest expense and/or the cash flow. Interest rate exposure 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.

The average interest fixing period as of the end of 2009 was less than two months. During 2009 no interest rate derivatives were used to manage the interest rate risk.

FINANCIAL INCOME AND EXPENSE

MSEK	2009
Interest income	9
Interest expense	-148
Other financial income and expense	-19
Net	**-158**

CREDIT

Credit risk is the risk that counterparts may be unable to fulfil their payment obligations. Financial credit risks 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 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 repay external debt and therefore the average surplus cash invested with banks is kept as low as possible.

LIQUIDITY

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

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

On 31 December 2009, cash and unutilised credit limits totalled 4 737 MSEK (3 001).

ACCESS TO FUNDS AND CASH FLOW

MSEK	2009
Access to funds, 1 January 2009	**3 001**
Change in credit limits	55
Cash flow excluding repayments/borrowing	1 194
Other change in cash and cash equivalents	487
Access to funds, 31 December 2009	**4 737**

REFINANCING

Refinancing risk refers to the risk that Hexagon does not have sufficient financing available when needed to refinance maturing debt, because existing lenders decline extending or difficulties arise in procuring new lines of credit at a given point in time. 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 committed credit facilities, is allowed to mature within the next 12 months unless replacing facilities has been agreed.

A syndicated loan of 1 000 MEUR, with maturity in June 2011, forms the foundation of the Group's financing. The key financial covenant in the syndicated loan is that the ratio between net debt and EBITDA shall be less than 3.5, which was the case at year-end 2009. For debt diversification and refinancing risk purposes Hexagon issued a 2 000 MSEK five year bond in the fourth quarter of 2009. The bond was placed with a Swedish institutional investor.

NET DEBT PER CURRENCY	2009
CHF	49%
USD	28%
SEK	21%
EUR	1%
Other	1%
Total	**100%**

A more detailed description of Hexagon's financial risks is presented in Note 19 on page 88.

Strong recovery in 2009

The Hexagon share is traded on the NASDAQ OMX Stockholm and also has a secondary listing on the SWX Swiss Exchange. Hexagon's share price at year-end was 105.75 SEK and market capitalisation totalled approximately 28 billion SEK. Earnings per share amounted to 4.71 SEK.

SHARE PRICE AND TRADING

At year-end 2009 the price of the Hexagon share was 105.75 SEK, an increase of 179 per cent compared to year-end 2008. During the same period, the NASDAQ OMX Stockholm's OMXS index increased by 44 per cent. The highest closing price paid during the year was 105.75 SEK on 30 December 2009. The low for the year, 26.00 SEK, was recorded on 20 January 2009. Market capitalisation at year-end was 27 830 MSEK (10 014). A total of 290 712 420 shares (262 946 817) were traded in 2009, including after-hour trading, for a total value of 17 563 MSEK (22 307). An average of 1 158 217 shares (1 043 440) were traded per trading day. The number of shares traded was 109 per cent (99) of the total number of shares.

SHAREHOLDER STRUCTURE

At year-end 2009, Hexagon had 19 406 registered shareholders (12 636). Foreign ownership was 21 per cent (22) of the total number of shares. Shareholders in the US accounted for the largest foreign holding, representing 8 per cent (9) of total shares.

SHARE CAPITAL

Hexagon's share capital was 531 039 540 SEK, represented by 265 519 770 outstanding shares. Total outstanding shares at year-end was 11 812 500 class A shares, each carrying ten votes, and 253 707 270 class B shares. Class A shares carry ten votes and Class B shares carry one vote. All shares confer equal rights to participate in Hexagon's assets and earnings.

REPURCHASE OF OWN SHARES

Hexagon's Annual General Meeting on 6 May 2009 authorised the Board of Directors to purchase the company's own shares for the purpose of among other things giving the Board the possibility to adapt the company's capital structure and of enabling the financing of acquisitions. The authorisation totals repurchase of a maximum of ten per cent of outstanding shares in the company.

The total number of repurchased shares, held by Hexagon, at year-end 2009 was 1 172 617 (1 311 442). The shares were repurchased at an average share price of 39.30 SEK. During the period, 138 825 repurchased shares were used to buy options at an average price of 63.00 SEK.

OPTION PROGRAMMES

Hexagon currently has three option programmes with the overall objective of harmonising the incentives applying to key employees with shareholder interests, by offering these employees the opportunity to participate in the Group's value growth.

Hexagon's subsidiary Leica Geosystems has two option programmes. These options have been transferred free of charge on allotment. Following Hexagon's acquisition of Leica Geosystems, the terms and conditions were adapted so that the options apply to Hexagon shares plus a cash consideration. The remaining 3 340 options confer rights to subscribe for 50 100 class B Hexagon shares, insofar as Hexagon elected not to redeem the options for cash.

Hexagon AB has one option programme in place through a directed issue of 2 500 000 subscription warrants for a price of 20 SEK per warrant. Each subscription warrant shall entitle the holder to subscribe for one class B Hexagon share during the period from 2 July 2011 up to and including 2 January 2012. When transferring the subscription warrants, the price to be paid upon subscription of new shares (exercise price) shall be based on a market valuation considering the established price for the warrants and the exercise period using the Black-Scholes model. In April 2008, 1 391 000 options were issued to management and other key staff with an exercise price calculated to be 177.00 SEK per share. Following the Hexpol share issue, in 2008 the number of shares per option was changed to 1.04 and the exercise price to 170.20 SEK.

Upon full exercise of Hexagon's three option programmes, the dilutive effect would be 1.0 per cent of the share capital and 0.7 per cent of the number of votes.

DIVIDEND

Hexagon's Board of Directors proposes a dividend of 1.20 SEK per share, compared to 0.50 SEK in 2008. The 2009 dividend amounts to 25 per cent of the year's income per share after tax.

ANALYSTS MONITORING HEXAGON AB

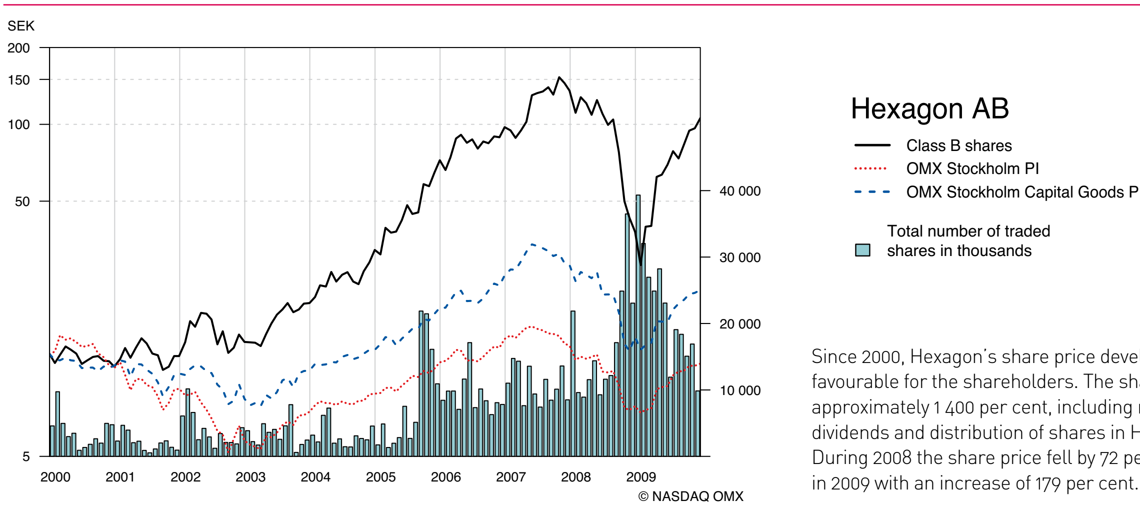
ABG Sundal Collier	Erik Pettersson	erik.pettersson@abgsc.se
CA Cheuvreux	Andreas Dahl	adahl@cheuvreux.com
Carnegie	Joakim Höglund	joakim.hoglund@carnegie.se
Danske Bank	Carl Gustafsson	cagu@danskebank.se
Deutsche Bank	Johan Wettergren	johan.wettergren@db.com
Evli Bank	Marcus Neckmar	marcus.neckmar@evli.com
Handelsbanken	Jon Hyltner	johy01@handelsbanken.se
Nordea	Olof Krook	olof.krook@nordea.com
SEB Enskilda	Daniel Schmidt	daniel.schmidt@enskilda.se
Swedbank Markets	Peter Näslund	peter.naslund@swedbank.se
Ålandsbanken	Carl-Johan Blomqvist	carl-johan.blomqvist@alandsbanken.se
Öhman Equities	Björn Enarson	bjorn.enarson@ohman.se

DIVIDEND POLICY
Hexagon's earnings and equity ratio determine the size of the dividend. Hexagon's dividend policy stipulates that 25–35 per cent of earnings per share after tax should be paid as a dividend to shareholders, assuming the company satisfies its equity ratio objective.

FINANCIAL INFORMATION
Via Hexagon's subscription service, you can subscribe to press releases and other financial information. Information is also available on the company's website www.hexagon.se and can be ordered via e-mail ir@hexagon.se or telephone +46 8 601 26 27.

ANNUAL REPORT DISTRIBUTION
The Hexagon Annual Report 2009 is sent to all shareholders who have not informed the company that they do not wish to receive the Annual Report. Hexagon Annual Reports from 1997 to 2009 are available on the company's website www.hexagon.se.

SHARE PERFORMANCE



Since 2000, Hexagon's share price development has been favourable for the shareholders. The share price has increased by approximately 1 400 per cent, including new issues, ordinary dividends and distribution of shares in Hexpol AB and VBG AB. During 2008 the share price fell by 72 per cent and then recovered in 2009 with an increase of 179 per cent.

CHANGES IN SHARES OUTSTANDING AND SHARE CAPITAL

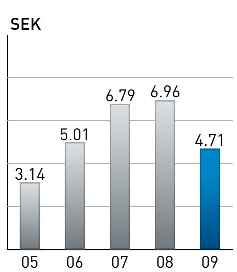
Year	Transaction	Nominal value, SEK	A shares, change	B shares, change	A shares, total	B shares, total	Share capital, SEK
2000		10	–	–	840 000	13 953 182	147 931 820
2002	Rights issue	10	210 000	3 488 295	1 050 000	17 441 477	184 914 770
2004	New issue, options exercised	10	–	10 170	1 050 000	17 451 647	185 016 470
2005	New issue, options exercised	10	–	722 635	1 050 000	18 174 282	192 242 820
2005	Bonus issue	12	–	–	1 050 000	18 174 282	230 691 384
2005	Split 3:1	4	2 100 000	36 348 564	3 150 000	54 522 846	230 691 384
2005	New issue, options exercised	4	–	154 500	3 150 000	54 677 346	231 309 384
2005	Private Placement[1]	4	–	11 990 765	3 150 000	66 668 111	279 272 444
2005	Private Placement[1]	4	–	82 000	3 150 000	66 750 111	279 600 444
2006	Rights issue	4	787 500	16 687 527	3 937 500	83 437 638	349 500 552
2006	New issue, options exercised	4	–	508 933	3 937 500	83 946 571	351 536 284
2006	Compulsory redemption, Leica Geosystems	4	–	198 635	3 937 500	84 145 206	352 330 824
2006	New issue, options exercised	4	–	309 119	3 937 500	84 454 325	353 567 300
2007	New issue, options exercised	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	Options exercised	2	–	138 825	11 812 500	252 534 653	531 039 540
31 December 2009		2	–	–	11 812 500	252 534 653	531 039 540
		2			**11 812 500**	**252 534 653**	**531 039 540**

[1] Issues in kind in connection with the acquisition of Leica Geosystems.

HOLDING PER SHAREHOLDER	No. of shareholders	No. of outstanding shares A	No. of outstanding shares B
1 – 500	11 138	–	1 937 352
501 – 1 000	3 096	–	2 609 245
1 001 – 2 000	2 007	–	3 121 421
2 001 – 5 000	1 695	–	5 603 326
5 001 – 10 000	641	–	4 709 798
10 001 – 20 000	366	–	5 162 557
20 001 – 50 000	201	–	6 254 624
50 001 – 100 000	78	–	5 532 554
100 001 – 500 000	109	–	24 288 848
500 001 – 1 000 000	32	–	22 598 401
1 000 001 – 5 000 000	37	–	66 377 787
5 000 001 – 10 000 000	4	–	27 023 014
10 000 001 –	2	11 812 500	77 431 726
Total external shareholders	**19 406**	**11 812 500**	**252 534 653**
Repurchased shares, Hexagon AB	**–**	**–**	**1 172 617**
Total	**19 406**	**11 812 500**	**253 707 270**

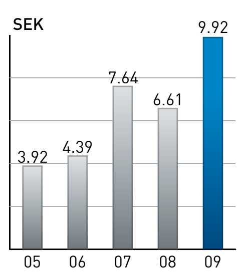
Source: Direct and nominee-registered holdings with Euroclear Sweden AB at 31 December 2009

SYMBOLS AND CODES	
ISIN code	SE0000103699
NASDAQ OMX Stockholm	HEXA B
SWX Swiss Exchange	HEXN
Reuters Ticker	HEXAb.ST
Bloomberg Ticker	HEXAB SS



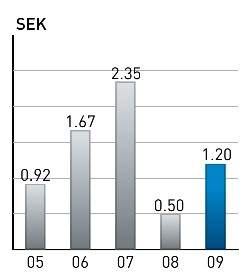
EARNINGS PER SHARE

In 2009 earnings per share decreased by 32 per cent.



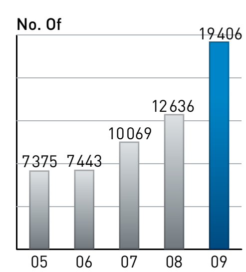
CASH FLOW PER SHARE

Cash flow from operating activities increased to 2 621 MSEK, corresponding 9.92 SEK per share.



CASH DIVIDEND PER SHARE

The Hexagon Board of Directors proposes a cash dividend of 1.20 SEK, corresponding to 25 per cent of earnings per share after tax.



NUMBER OF SHAREHOLDERS

The number of Hexagon shareholders has steadily increased. At year-end 2009, Hexagon had 19 406 shareholders.

HEXAGON AB'S LARGEST SHAREHOLDERS

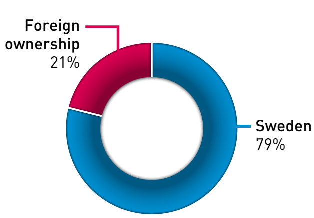
	A shares	B shares	Share capital, %	Voting rights, %
Melker Schörling AB	11 812 500	66 374 551	29.45	49.78
AMF Pension Funds	–	13 564 082	5.11	3.66
Swedbank Robur Funds	–	12 837 651	4.83	3.46
Columbia Wanger Asset Management	–	11 471 151	4.32	3.09
Ramsbury Invest AB	–	9 312 000	3.51	2.51
AFA Insurance	–	7 471 913	2.81	2.02
Didner & Gerge Aktiefond	–	5 525 627	2.08	1.49
SEB Investment Management	–	5 112 905	1.93	1.38
Nordea Investment Funds Sweden	–	4 876 380	1.84	1.32
Handelsbanken Funds	–	3 911 785	1.47	1.06
Lannebo Funds	–	3 900 000	1.47	1.05
Fourth AP Fund	–	3 543 176	1.33	0.96
Simon Bonnier	–	3 242 430	1.22	0.87
Ola Rollén	–	2 781 152	1.05	0.75
Folksam with subsidiaries	–	2 591 653	0.98	0.70
First AP Fund	–	2 509 489	0.95	0.68
Government of Norway	–	2 280 402	0.86	0.62
Gamla Livförsäkringsaktiebolaget	–	2 219 270	0.84	0.60
Schroeders ESEC Lending Account	–	2 032 540	0.77	0.55
Second AP Fund	–	1 953 544	0.74	0.53
Subtotal, 20 largest shareholders	**11 812 500**	**167 511 701**	**67.54**	**77.06**
Summary, others	–	85 022 952	32.02	22.94
Total number of outstanding shares	**11 812 500**	**252 534 653**	**99.56**	**100.00**
Hexagon AB Treasury shares	–	1 172 617	0.44	–
Total number of issued shares	**11 812 500**	**253 707 270**	**100.00**	**100.00**

Source: Direct and nominee-registered holdings with Euroclear Sweden AB at 31 December 2009 (with some adjustments).

DISTRIBUTION OF SHARES	No. of outstanding shares	Capital, %	Votes, %
A shares	11 812 500	4.45	31.87
B shares	252 534 653	95.11	68.13
Hexagon AB Treasury B shares	1 172 617	0.44	–
Total	**265 519 770**	**100.0**	**100.0**

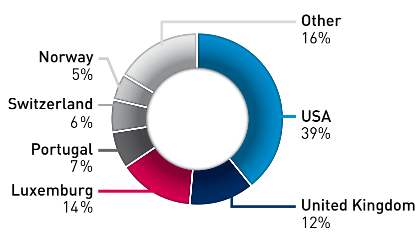
PRESS RELEASES 2009

13 January	Hexagon grew earnings per share by 6 to 8 per cent in 2008
6 February	Year-End Report 2008
2 April	Annual General Meeting invitation
6 May	Interim Report January–March 2009
6 May	Annual General Meeting of Hexagon AB
6 August	Interim Report January–June 2009
1 October	Hexagon strengthens its distribution in North America
28 October	Interim Report January–September 2009
1 December	Hexagon Capital Markets Day
10 December	Hexagon acquires two companies in Germany



SWEDISH AND FOREIGN OWNERSHIP

The share distribution is based on where the shareholding is registered. At the end of 2009, foreign ownership was 21 per cent.



PROPORTION OF FOREIGN OWNERSHIP

Of the foreign owners, 39 per cent were registered in the US and 12 per cent in the UK at the end of 2009.

KEY DATA PER SHARE	2009	2008	%
Shareholders' equity, SEK	47.03	45.26	4
Earnings, SEK[1]	4.71	6.63	-29
Cash flow, SEK	9.20	6.61	39
Cash dividend, SEK	1.20[2]	0.50	140
Dividend yield, %	1.1	1.3	-15
Pay-out ratio, %	25	7	257
Share price, SEK	106	38	179
P/E ratio, SEK[3]	22	5	340

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

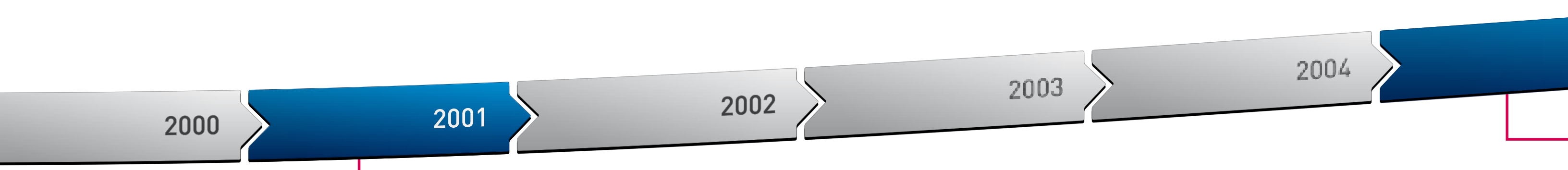
The Hexagon story

Hexagon has expanded through organic growth and acquisitions. Successful product development and expansion of our distribution network has opened up new market segments and geographical areas. Hexagon has between 2000 and 2009 made some 70 acquisitions and approximately 50 divestitures. Today, measurement technologies account for 97 per cent of Hexagon's net sales.

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

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

Figures for 2001–2003 have not been restated to comply with IFRS.



Today's Hexagon begins to take shape with the acquisition of US-listed measurement technologies company Brown & Sharpe Inc.

2000
4 600 MSEK net sales, 4 per cent operating margin, 24 different businesses – a large number of small subcontractors supplying components to the Swedish engineering sector. Decision to concentrate the Group's activities. Measurement technologies deemed to have substantial potential.

2001
Acquisition of US-based Brown & Sharpe Inc., additional acquisitions in the Metrology sector both in distribution and in technology, with software company Wilcox being the largest of these.

2002
Hexagon's transformation begins to take effect and earnings per share after tax increased by 19 per cent. At the same time, acquisitions have been made in hydraulics and measurement technologies sectors, with total net sales of approximately 4.5 billion SEK since the new strategy was laid out in 2000. Hexagon's main acquisition in 2002 was C E Johansson, a metrology company.

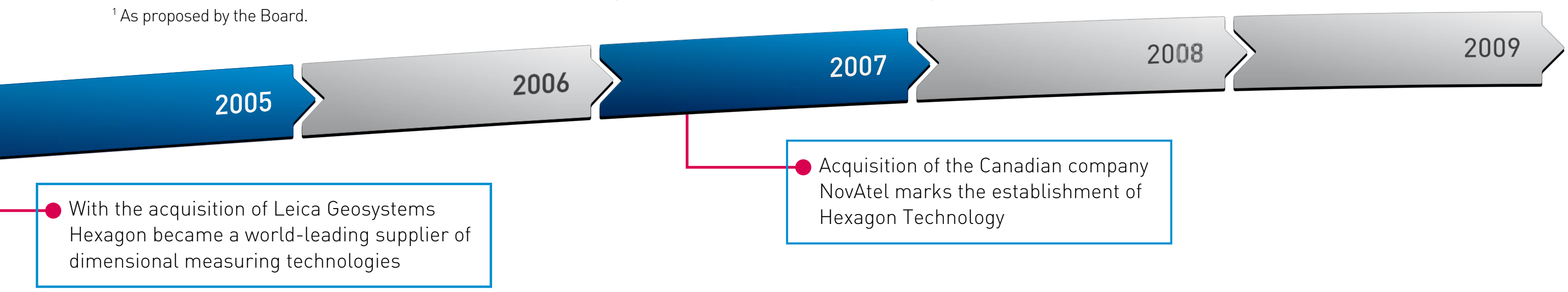
2003
Hexagon has at this time four separate business areas: Metrology, Engineering, Automation and Polymers. Metrology has the best development and within that business a number of important acquisitions are made in China.

2004
A record year with earnings per share after tax increasing 62 per cent. Sales and operating margin have doubled compared to 2000 and the number of strategic businesses has decreased from 24 to 4.

KEY FIGURES	2001	2002	2003	2004	2005	2006	2007	2008	2009
Annual net sales growth, %	22	13	2	16	17	40	8	-1	-19
Operating margin, %	5	6	6	8	10	14	17	18	15
Return on capital employed, %	9	10	10	13	11	12	14	12	8
Return on capital employed excluding goodwill amortisation, %	10	12	11	13	11	12	14	12	8
Return on equity, %	8	9	10	18	18	17	20	18	10
Return on equity excluding goodwill amortisation, %	12	14	13	18	18	17	20	18	10
Investments	202	267	226	299	442	834	825	1 005	821
Equity ratio, %	28	36	39	34	30	46	40	44	49
Share of risk-bearing capital, %	28	37	41	35	32	49	43	45	51
Interest coverage ratio, multiple	2.90	3.40	4.20	5.00	5.10	7.40	8.85	7.00	9.50
Net debt /equity ratio, multiple	1.35	0.97	0.78	1.11	1.66	0.70	0.88	0.89	0.66
Cash flow before changes in working capital[1]	358	388	534	723	956	1 737	2 472	2 587	2 003
Cash flow[1]	310	307	440	642	764	1 115	2 027	1 755	2 621
Earnings per share, SEK	0.92	1.10	1.22	2.28	3.14	5.01	6.79	6.96	4.71
Earnings per share after dilution, SEK	0.92	1.10	1.22	2.27	3.10	4.97	6.77	6.95	4.71
Earnings per share excluding goodwill amortization, SEK	1.32	1.62	1.63	2.28	3.14	5.01	6.79	6.96	4.71
Cash flow per share before changes in working capital, SEK	2.28	2.27	2.94	3.99	4.90	6.84	9.32	9.75	7.58
Cash flow per share after change in working capital, SEK	1.98	1.80	2.43	3.54	3.92	4.39	7.64	6.61	9.20
Shareholders' equity per share, SEK	11.00	12.00	13.00	13.00	24.00	32.00	37.69	45.26	47.03
Closing share price, SEK	12	14	20	32	72	97	135	38	106
Cash dividend per share, SEK	0.47	0.47	0.47	0.61	0.92	1.67	2.35	0.50	1.20[1]
Average no. of shares, in thousands	156 925	170 714	181 376	181 386	195 125	254 019	265 278	265 317	264 284
Average no. of shares after dilution, in thousands	156 925	170 714	181 376	182 259	197 960	256 323	266 034	265 768	264 511
Number of shares-closing balance, in thousands	156 925	181 376	181 376	181 484	228 547	265 176	265 350	264 208	264 347
Average number of employees	5 061	5 428	5 401	5 935	6 111	7 862	8 406	9 062	7 549

The share-related key financial ratios have been calculated considering all historical share issues and splits. The figures for 2001–2003 have not been restated to comply with IFRS.

[1] As proposed by the Board.



2005
Technologies and applications increasingly drive the two main micro and macro segments closer together. Hexagon acquires Leica Geosystems Holdings AG that manufactures advanced products in macro segments. Hexagon Automation was divested.

2006
Synergies between Leica Geosystems and Metrology realised more rapidly than expected and earnings per share increase by 60 per cent. Major acquisitions in Geosystems include Sweden's Scanlaser AB, Norway-based Scanlaser AS and Danish Mikrofyn A/S that strengthen Hexagon's market position in the fast-growing machine control sector.

2007
Hexagon acquires NovAtel, now Hexagon Technology. 2007 sees a total of 18 acquisitions, with annual sales of approximately 1 400 MSEK, to complement our measurement technologies activities primarily in the macro segment.

2008
Hexagon Polymers is distributed to Hexagon shareholders and listed as a separate company, Hexpol AB, on NASDAQ OMX Stockholm. Streamlining of Hexagon as a measurement technologies company is complete. A series of complementary acquisitions are made both in the micro and macro segments.

2009
11 811 MSEK in net sales, 15 per cent operating margin, one core business – a leading global measurement technologies group.

Corporate Governance Report

Hexagon is a listed company on NASDAQ OMX Stockholm. The company applies a transparent approach to the dissemination of information to shareholders and capital markets and applies the Swedish Code of Corporate Governance.

During 2009, deviations from the Swedish Code of Corporate Governance (the Code) were as follows:

Rule	Rule from the Code	Comments
10.1	The Board of Directors shall establish an audit committee that must comprise at least three Members of the Board.	In order to ensure active and efficient work by the Board of Directors, Hexagon has a limited number of Board Members. Accordingly, the Audit Committee only comprises two Board Members.

The Corporate Governance Report 2009 has not been audited by Hexagon's auditors and is not part of the formal Annual Report.

ARTICLES OF ASSOCIATION

Hexagon's current Articles of Association were adopted on 2 May 2007, and state that the objective of the company's operations is to own and manage shares in industrial, trade and service companies and to own and manage real property, securities, and to manage administrative operations for the subsidiaries as well as to carry on other operations compatible therewith. The Articles of Association formalise issues such as shareholders' rights, the number of Board Members and auditors, that the Annual General Meeting (AGM) is to be held within six months of the end of the financial year, the structure of the notice convening the AGM and that the company's Board has its registered office in Stockholm, Sweden. The current Articles of Association are available on the company's website.

COMMENTS FROM THE CHAIRMAN OF THE BOARD

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

The significant downturn that began during the second half of 2008 bottomed out and slowly recovered during 2009. Hexagon took strong actions to meet the difficult market situation in order to maintain its position as a leading global measurement technologies company and the innovator of the industry. The actions involved rightsizing the organisation to a temporary lower sales volume and at the same time investing in R&D by the continuous launch of new technologies.

The long-term demand for measurement technology is growing. The target of a turnover of 20 billion SEK and an operating margin of 20 per cent in 2011 is a milestone but not the ultimate target. The focus of the work for the Board of Directors and Hexagon's management is on making Hexagon the undisputed leader in an industry which can help respond to the challenges that our world faces in the coming decades.

We can put a dramatic year behind us. It is pleasing that so many shareholders have shown the company continued confidence. That Hexagon has managed to withstand the hardship is much due to the dedicated employees of the Group. On behalf of Hexagon's Board of Directors, I would like to thank Hexagon's employees for the hard work during a difficult time. 2010 has the prerequisites to become a year characterised by recovery and growth to benefit all of Hexagon's stakeholders.

Stockholm, Sweden, January 2010

Melker Schörling
Chairman of the Board

ANNUAL GENERAL MEETING

The AGM was held on 6 May 2009 in Stockholm, Sweden, and was attended by a total of 112 shareholders, who jointly represented 61 per cent of the total number of shares and 72 per cent of the total number of votes. Melker Schörling was elected Chairman of the AGM.

Resolutions

The following main resolutions were passed:

- Re-election of Directors Melker Schörling, Ola Rollén, Mario Fontana, Ulf Henriksson, and Gun Nilsson.
- Re-election of Melker Schörling as Chairman of the Board.
- Total Directors' fees of 2 075 000 SEK to be allocated with 650 000 SEK to the Chairman and 350 000 SEK to each of the other Directors elected by the AGM but not employed by the company. It was resolved that the Chairman of the Remuneration Committee would receive 75 000 SEK and that each member of this Committee would receive 50 000 SEK and that the Chairman of the Audit Committee would receive 150 000 SEK and that each member of this Committee would receive 100 000 SEK.
- The AGM also resolved that the auditor shall be remunerated on current account.
- Payment of a dividend of 0.50 SEK per share for 2008 as per the Board's proposal.
- Guidelines for remuneration to Hexagon's senior executives.
- Issue in kind, whereby the company's share capital was to be increased by a maximum of 408 000 SEK by a new issue of not more than 204 000 class B shares. The background to the issue in kind was that, in connection with Hexagon's acquisition of Leica Geosystems Holdings AG in October 2005, there were approximately 90 000 outstanding options which had been awarded employees within the former Leica Geosystems Group.
- Authorisation of the Board to resolve on acquisition and transfer of the company's own shares.

The notice, minutes and documents presented at the 2009 AGM are available in Swedish and in English on Hexagon's website.

NOMINATION COMMITTEE

In accordance with the resolution at the 2009 AGM, five representatives of the company's major shareholders were by the end of the third quarter asked to become members of the Hexagon Nomination Committee. The composition of the Nomination Committee ahead of the 2010 AGM is:

- Mikael Ekdahl, Melker Schörling AB (Chairman)
- Anders Algotsson, AFA Försäkring
- Jan Andersson, Swedbank Robur fonder
- Fredrik Nordström, AMF Pension
- Ulrika Danielson, Andra AP-fonden

During 2009, the Nomination Committee held five minuted meetings at which the Chairman made a presentation of the evaluation process. The Committee discussed desirable changes and decided on proposals to submit to the 2010 AGM concerning the election of Chairman of the AGM, the election of Chairman and other Board Members, directors' fees, remuneration for committee work and to the auditors. Shareholders wishing to submit proposals have been able to do so by contacting the Nomination Committee via post or e-mail. Addresses are available on Hexagon's website.

BOARD OF DIRECTORS

At the 2009 AGM, all members were re-elected. The Board Members possess excellent financial know-how and broad international experience of the engineering technology business.

All Board Members are shareholders of Hexagon, which ensures considerable personal commitment to Hexagon's development. Chairman of the Board Melker Schörling is the principal owner of Melker Schörling AB, which controls slightly more than 49 per cent of the voting rights in Hexagon.

Hexagon's CFO, Strategy Director and General Counsel attended the Board meetings in 2009. Other Hexagon employees participate in the Board meetings to make presentations on particular matters if requested. Hexagon's auditors attend the first Board meeting of the year and report their observations from their examination of the Group's internal controls and financial statements. At all scheduled Board meetings information concerning the Group's financial position and important events affecting the company's operations are presented.

COMPOSITION OF THE BOARD OF DIRECTORS 2009

			Attendance				
Name	Position	Elected	Audit Committee	Remuneration Committee	Board Meetings	Independence[1]	Shares[2]
Melker Schörling	Chairman	1999	–	1	7	In relation to the company and management	A: 11 812 500[3] B: 66 374 551[3]
Mario Fontana	Member	2006	4	–	7	In relation to the company, management and the company's major shareholders	B: 62 000
Ulf Henriksson	Member	2007	–	–	6	In relation to the company, management and the company's major shareholders	B: 56 350
Gun Nilsson	Member	2008	4	1	7	In relation to the company, management and the company's major shareholders	B: 5 000
Ola Rollén	Member, President and CEO	2000	–	–	7	In relation to the company, management and the company's major shareholders	B: 2 781 152

[1] The assessment of the independence of the Board Members has been made in accordance with NASDAQ OMX Stockholm's rule book for issuers and criteria for independence.
[2] At 31 December 2009.
[3] Shares owned through Melker Schörling AB.

Board activities

In 2009, the Board held seven minuted meetings, including the statutory Board meeting. The major matters included:

- 12 January — Update of the 2008 forecast
- 5 February — Financial statements for 2008
- 6 May — Interim report, first quarter
- 6 May — Statutory Board meeting
- 5 August — Interim report, second quarter
- 27 October — Interim report, third quarter
- 17 December — Budget 2010 and strategic discussion

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.

Remuneration Committee

Hexagon's Remuneration Committee is appointed by the Board annually, and its task is to consider issues regarding remuneration to the CEO and executives that report directly to the CEO, on behalf of the Board, and other similar issues that the Board assigns the Committee to consider. The Committee has not been authorised to make any decisions of behalf of the Board. During 2009, the Remuneration Committee comprised the Board Members Melker Schörling (Chairman) and Gun Nilsson.

During 2009, the Remuneration Committee held a meeting in April where they discussed the terms of employment for the CEO and Group Management.

Audit Committee

Hexagon's 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, considering plans for auditing and the related reporting, to quality assure the company's financial reporting, other information, and meet the company's auditors on an ongoing basis to stay informed on the orientation and scope of the audit. The Audit Committee's tasks include monitoring external auditors' activities, and the company's internal control systems, monitoring the current risk situation and the company's financial information, and other issues the Board assigns the Committee to consider. The Committee has not been authorised to make any decisions on behalf of the Board. During 2009, the Audit Committee comprised Gun Nilsson (Chairman) and Mario Fontana. The Committee members are independent of the company, its management and the company's major shareholders.

During 2009, the Audit Committee held four meetings:

- 4 February — Annual accounts 2008
- 4 May — Financing activities
- 23 September — Focus of the audit in 2009
- 7 December — Preparation of annual accounts 2009

AUDITORS

The AGM appoints auditors every fourth year. On behalf of the shareholders, the auditors' task is to examine the company's Annual Report and accounting records and the administration of the Board of Directors and the CEO.

At the 2008 AGM, Ernst & Young AB, with the authorised public accountant Hamish Mabon as chief auditor, was re-elected auditor for a term of office of four years. Ernst & Young AB possesses the requisite expertise and is a member of FAR SRS. Hamish Mabon (born in 1965) 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 CEO.

During 2009, in addition to the audit, the auditors had other assignments in the form of work connected to acquisitions. Hexagon's auditors attended the first Board meeting of the year, at which they reported observations from their examination of the Group's internal controls and the annual financial statements. Moreover, the auditors met the Audit Committee on three occasions during 2009.

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

GROUP MANAGEMENT

The CEO is responsible for leading and controlling Hexagon's operations in accordance with the strategy determined by the Board. The CEO has as of 1 April 2010 appointed a Group Management comprising heads of business areas and Group staff functions, a

REMUNERATION TO GROUP MANAGEMENT

SEK 000s	Year	Basic salary	Variable remuneration	Other benefits[1]	Pension	Other remuneration	Total
President and CEO	2008	10 135	4 000	–	2 027	–	16 162
	2009	10 135	–	–	2 027	–	12 162
Other senior executives (five people)[2]	2008	9 619	4 175	149	1 927	–	15 870
	2009	17 666	–	1 756	2 013	–	21 435

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

[2] Three people during 2008.

total of eight persons. Group Management is responsible for overall business development, and apportioning financial resources between the businesses, as well as matters involving financing and capital structure.

INFORMATION TO THE CAPITAL MARKET

Hexagon provides the market with ongoing information on the company's progress and financial position. Hexagon aims to utilise openness, objectivity and a high level of service in its financial reporting, in order to enhance the market's trust in the company and increase the interest of current and potential investors in the Hexagon share. During 2009, Hexagon regularly met investors and capital market players to explain and clarify the value of the Group's operations. The company's information policy was adopted by the Board on 6 May 2009 and is updated annually. The policy satisfies the communication standards set by the stock market, and is designed in accordance with NASDAQ OMX Stockholm's recommendations that complement the rule book for issuers.

Hexagon regularly publishes financial information in Swedish and English in the form of Interim Reports, the Annual Report and press releases on news and share price sensitive events, arranges presentations and telephone conferences for financial analysts, investors and the media when interim reports are published and/or publishes other significant information disclosures. Published information on the Group's progress, other information intended for the stock market and other important data is available on Hexagon's website.

REMUNERATION

Principles

The 2009 AGM resolved on the adoption of guidelines for the remuneration of senior executives, essentially entailing that such remuneration should comprise a basic salary, variable remuneration, other benefits and pension, and that in total this remuneration should be commercially viable and competitive in the market. The variable remuneration should be maximised in relation to the basic salary, be connected to the Group's earnings trend in terms of what the particular individual can affect and be based on individually established goals. The executive must normally provide six-months notice of termination of employment. If the company terminates the executive's employment, the period of notice and severance pay should not exceed a total of 24 months. Pension benefits shall be based on either defined-benefit or defined-contribution plans, or a combination of such plans, with individually set retirement ages, although not lower than 60 years.

Incentive programmes

In order to create the conditions for recruiting and retaining valuable skills within the company, an option programme has been formulated that provides the option holder with the right to participate in the potential future value growth in the company's share. This programme also aims to enhance interest in the company's progress and stimulate continued loyalty to the company. In connection with the acquisition of Leica Geosystems, the Leica Geosystems Group already had existing option programmes designed for the company's senior executives. In 2007 Hexagon implemented a subscription warrant programme for senior executives and key employees in the Group by means of a directed issue of 2 500 000 subscription warrants. 1 391 000 of the warrants were transferred to approximately 80 senior executives and key employees identified by the Board, at a price of 20 SEK per warrant, and the remaining warrants to be reserved for future recruitment of senior executives and key employees in the Group. The design of the outstanding incentive programmes is described in the section on the Hexagon share on page 42.

Remuneration to Group Management 2009

Remuneration to the President and CEO, as well as other senior executives, comprises basic salary, variable remuneration, other benefits and pension. In 2009 the President and CEO and the other senior executives declined salary increases as well as bonus payments with consideration to the fact that the Group at the same time were carrying out a cost reduction programme. For 2009, remuneration was paid as per the table on the previous page.

Remuneration to Board of Directors 2009

Remuneration to the Board of Directors is resolved by the AGM on the proposal from the Nomination Committee. During 2009, the Chairman of the Board and other Board Members received remuneration totalling 2 075 000 SEK. The Chairman received 650 000 SEK and the other Board Members each plus if any committee fee received 350 000 SEK, apart from the CEO, who does not receive any director's fees. For 2009, remuneration was paid as per the table below.

Remuneration to Auditors 2009

Remuneration for services in addition to auditing services primarily refers to work related to acquisitions. For 2009, remuneration was paid as per the table below.

REMUNERATION TO BOARD OF DIRECTORS 2009

TSEK	Position	Directors' fee	Committee fee	Total
Melker Schörling	Chairman	650	75	725
Mario Fontana	Member	350	100	450
Ulf Henriksson	Member	350	–	350
Gun Nilsson	Member	350	200	550
Ola Rollén	Member, President and CEO	–	–	–

REMUNERATION TO AUDITORS 2009

MSEK	2009	2008
Auditing	20	20
Assignments other than auditing	8	15
Total	**28**	**35**

The Board of Directors' report on internal control pertaining to financial reporting for the financial year 2009

The Code stipulates 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 reasonable assurance of the reliability of the external reporting. According to a generally accepted framework that has been established for this purpose, internal control is usually described from five different perspectives. These five perspectives serve as subheadings below.

CONTROL ENVIRONMENT

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

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

RISK ASSESSMENT

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

CONTROL ACTIVITIES

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

INFORMATION AND COMMUNICATION

To ensure the completeness and correctness of financial reporting, the Group has formulated information and communication guidelines designed to ensure that relevant and significant information is exchanged within the business, within the particular unit and to and from management and the Board. Guidelines, handbooks and job descriptions pertaining to the financial process are communicated between management and personnel and are accessible electronically and/or in a printed format. Via the Audit Committee, the Board receives regular feedback in respect of the internal control process. 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.

FOLLOW-UP

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

SHAREHOLDERS VIA ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is Hexagon's supreme executive body in which all shareholders may participate. At the AGM the Board presents the annual report, consolidated accounts and audit report. Hexagon issues the notice convening the AGM no later than four weeks prior to the meeting. The AGM is held in May in Stockholm, Sweden. The development of the company is addressed at the AGM, which resolves on a number of issues such as discharging the Board and CEO from personal liability for the financial year, dividends, remuneration to the Board and auditors, appointment of new Board Members for the period up to the following AGM and any amendments to the Articles of Association.

AUDITORS

The AGM appoints auditors every fourth year. On behalf of the shareholders, the auditors' task is to examine the company's Annual Report and accounting records and the administration of the Board of Directors and the CEO.

The auditors report to the Audit Committee and participate in the AGM to present the audit report, which describes the audit work and observations made.

BOARD OF DIRECTORS

Hexagon's Board Members are elected annually at the AGM for the period until the following AGM has been held. The Board 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 Board is also responsible for ongoing evaluation of management, systems for monitoring and internal control and financial position.

Procedural rules and instructions for the Board and the CEO govern issues requiring Board approval, and financial information and other reporting to be submitted to the Board. The Chairman of the Board is appointed by the AGM.

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.

NOMINATION COMMITTEE

On behalf of the AGM, the Nomination Committee presents proposals on the election of Chairman and Board Members, chairman of the AGM, director fees etc. The Nomination Committee also presents proposals regarding the election of auditors and auditors' fees. The Nomination Committee includes representatives of major shareholders. If a replacement is required, the Committee elects a representative from the major shareholders in terms of voting rights.

AUDIT COMMITTEE

On behalf of the Board, the task of the Audit Committee is to consider the procurement and remuneration of auditors, plans for auditing work, to quality assure the financial reporting, and to meet the auditors on an ongoing basis. The Audit Committee's tasks also include monitoring the activities of external auditors and internal control systems, monitoring the current risk situation and the company's financial information, and monitoring other issues the Board assigns the Committee to consider.

CEO AND GROUP MANAGEMENT

The CEO is responsible for leading and controlling Hexagon's operations in accordance with the strategy determined by the Board. Group Management is responsible for overall business development, and apportioning financial resources between the business areas, as well as matters involving financing and capital structure. Where necessary, specialist know-how from leading experts is also commissioned.

REMUNERATION COMMITTEE

On behalf of the Board, the task of the Remuneration Committee is to consider issues regarding the remuneration of the CEO and the executives that report directly to the CEO, and other similar issues assigned by the Board for consideration. The Remuneration Committee obtains supporting data and views from, among others, other Board Members, the CEO and the CFO.

OPERATIONS

Hexagon's management also comprises key personnel, each with responsibility for one of the Group's product segments and geographical regions. Regular management meetings constitute the Group's forum for implementing overall controls down to a particular business operation, and in turn, down to individual company level.

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

Board of Directors

Shareholding at 31 December 2009

Melker Schörling

Stockholm, Sweden, born in 1947

Chairman of the Board since 1999

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

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

Education: B.Sc. (Econ.)

Committees: Chairman of Remuneration Committee

Independent/Dependent: Independent of the company and its management

Hexagon shareholding: 11 812 500 series A and 66 374 551 series B, through Melker Schörling AB

Mario Fontana

Herrliberg, Switzerland, born in 1946

Board Member since 2006

Other assignments: Board Member of three exchange listed companies: Swissquote, Inficon and Dufry.

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.

Education: Master of Engineering

Committees: Audit Committee.

Independent/Dependent: Independent of the company, its management and major shareholders

Hexagon shareholding: 62 000 series B

Ulf Henriksson

Oxshott, UK, born in 1963

Board Member since 2007

Other assignments: CEO of Invensys plc.

Work experience: Executive and senior leader for Eaton Corporation, Honeywell International/Allied Signal Inc. and Volvo Aero.

Education: Master of Engineering

Independent/Dependent: Independent of the company, its management and major shareholders

Hexagon shareholding: 56 350 series B

Gun Nilsson

Stockholm, Sweden, born in 1955

Board Member since 2008

Other assignments: CFO Sanitec. Board Member of Husqvarna AB.

Work experience: CFO Nobia Group, CEO Gambro Holding AB, Deputy Managing Director and CFO at Duni AB.

Education: B.Sc. (Econ.)

Committees: Chairman of Audit Committee, Remuneration Committee

Independent/Dependent: Independent of the company, its management and major shareholders

Hexagon shareholding: 5 000 series B

Ola Rollén

London, UK, born in 1965

President and CEO since 2000

Board Member since 2000

Other assignments: Board Member of Vestas Wind Systems A/S.

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

Education: B.Sc. (Econ.)

Independent/Dependent: Independent of the company's major shareholders

Hexagon shareholding: 2 781 152 series B

Group Management

Shareholding at 31 December 2009

Ola Rollén

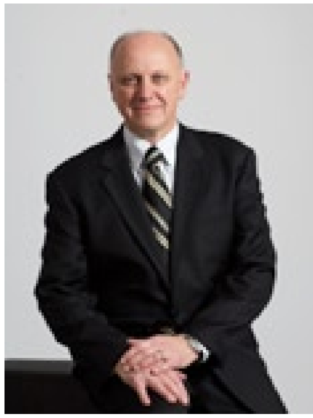
Born in 1965

President and CEO

Employed in 2000

Education: B.Sc. (Econ.)

Hexagon shareholding:
2 781 152 series B



William Gruber

Born in 1953

Vice President

Employed in 2003

Education: B.Sc. (Econ.)

Hexagon shareholding:
108 818 series B and 50 000 warrants

Jürgen Dold[1]

Born in 1962

President Hexagon Geosystems

Employed in 1995

Education: M.Sc. (Engineering)

Hexagon shareholding:
6 929 series B and 25 000 warrants

Håkan Halén

Born in 1954

Chief Financial Officer

Employed in 2001

Education: B.Sc. (Econ.)

Hexagon shareholding:
1 054 441 series B, through capital insurance

Norbert Hanke[1]

Born in 1962

President Hexagon Metrology

Employed in 2001

Education: B.Sc. (Econ.)

Hexagon shareholding:
70 897 series B and 50 000 warrants

Li Hongquan[1]

Born in 1966

President Hexagon Asia

Employed in 2001

Education: M.Sc. (Engineering)

Hexagon shareholding:
99 000 series B and 50 000 warrants

Frederick London

Born in 1952

General Counsel

Employed in 2007

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

Hexagon shareholding:
3 360 series B and 40 000 warrants

Bo Pettersson

Born in 1952

Chief Technical Officer

Employed in 2001

Education: M.Sc. (Engineering)

Hexagon shareholding:
194 750 series B (own and family members') and 50 000 warrants

[1] Part of Group management as of 1 April 2010.

Directors' Report

Contents

HEXAGON AB (PUBL)

Corporate identity number 556190-4771

The Board of Directors and Chief Executive Officer of Hexagon AB (publ), with its registered office in Stockholm, Sweden, hereby submit the Annual Report and consolidated financial statements for the financial year 2009. The following Income Statements and Balance Sheets, Specifications of Shareholders' Equity, Cash Flow Statements and review of accounting principles and notes constitute Hexagon's formal financial report.

FINANCIAL YEAR 2009

Hexagon is a global measurement technologies company with strong positions in selected market segments. Hexagon's business activities are conducted through 142 operating companies in 36 countries throughout the world. Hexagon's operations are organised, governed and reported on the basis of the two operating segments, Hexagon Measurement Technologies (MT) and Other Operations. The operating segment Hexagon Measurement Technologies comprises the application areas Geosystems, Metrology and Technology. The product portfolio consists of systems that are designed to measure in one, two or three dimensions and to position and update objects. The portfolio's different measuring instruments are built upon common core technologies and have to a large extent coordinated development and production. Aftermarket services and support are also an important part of the offering in MT. The operating segment Other Operations is mainly focused towards the transportation industry including cars as well as heavy vehicles. Other Operations has the bulk of its business in the Nordic region. The Hexagon share is listed on the NASDAQ OMX Stockholm and SWX Swiss Exchange. Earnings per share before dilution and excluding Hexpol amounted to 4.71 SEK (6.63).

Market trends

Demand for Hexagon's products and services declined during 2009 on the back of the financial crisis. The size of the market for measurement technologies contracted by approximately 25 per cent in 2009. Hexagon's net sales organic growth in MT was down 17 per cent in the same period.

Hexagon's sales in Asia increased throughout 2009. Within the region several submarkets and industries grew at double-digit rates. The healthy growth was primarily obtained from Hexagon's strong position in the region in combination with good demand from the infrastructure-related construction industry primarily in China. The organic growth in Asia in net sales was 9 per cent, in 2009.

Demand for Hexagon's products in EMEA was reduced during 2009 compared to 2008. The organic growth in net sales was -27 per cent. By the end of the year, however, customers stopped reducing inventory levels which for the first nine months of the year had caused reductions in sales volumes in both the industrial and construction-related segments across Western Europe. The sales volume was reduced in Eastern European as well. Russia, the Middle East and Africa continued to grow albeit at significantly lower growth rates.

In Americas a similar situation as in EMEA occurred, where customers reduced inventory levels during the first nine months of the year thus reducing demand for Hexagon's products. Demand from the manufacturing industry in Americas has been weak during 2009. South America, led by Brazil, has been growing throughout the year mainly due to increasing activity in the mining and automotive industries. Americas displayed organic growth in net sales of -23 per cent, in 2009.

STRUCTURAL CHANGES

On 1 October 2009, Hexagon acquired the Spatial Systems division of the American company Loyola Enterprises Inc. Loyola's Spatial Systems division, headquartered in Richmond, Virginia, is a leading distributor and service provider for surveying equipment in the states of Virginia, West Virginia, Maryland and Washington DC. The division also operates its own GPS reference station network RTK-NetTM, providing high-precision differential correction services to a wide range of users and applications. The division had an average annual turnover of 23 MSEK over the past years. Excluding inter-company transactions, this number would have been approximately 8 MSEK.

Effective 10 December 2009, Hexagon acquired all outstanding assets and intellectual property of two German companies within the vision metrology industry. The acquired assets and IP from Mahr Multisensor GmbH gave Hexagon a complete range of optical coordinate measuring systems used for measuring in industrial applications, as well as in science and research. The transactions also included all assets and IP in Mycrona GmbH, which is a manufacturer of state-of-the-art 3D multi-sensor coordinate measuring machines. The acquired businesses will be integrated into Hexagon's Metrology Vision business. It will be operated with R&D and manufacturing facilities in Germany and China. Excluding inter-company transactions, the acquisitions will add approximately 50–70 MSEK to Hexagon's sales in 2010.

ORDER INTAKE AND NET SALES

Order intake, excluding Hexpol, which was deconsolidated from Hexagon as of 1 June 2008, amounted to 11 842 MSEK (13 168) and net sales to 11 811 MSEK (13 060). Using fixed exchange rates and a comparable group structure, order intake decreased by -16 per cent and net sales by -19 per cent. For the first five months of 2008, net sales in Hexpol amounted to 1 419 MSEK.

Hexagon Measurement Technologies' net sales amounted to 11 458 MSEK (12 356) during the year. Using fixed exchange rates and a comparable group structure, order intake and net sales decreased by -15 per cent and -17 per cent, respectively.

Net sales from Other operations amounted to 353 MSEK (704) during the year. Using fixed exchange rates and a comparable group structure, order intake and net sales decreased by -47 per cent and -50 per cent, respectively. The negative trend is caused by a severe downturn in the Swedish heavy vehicle industry.

Order intake and net sales for Hexagon's various businesses are presented in the table below.

GROSS PROFIT

Gross profit, excluding Hexpol, amounted to 5 580 MSEK (6 365). The gross margin was 47.3 per cent (48.7).

OPERATING EARNINGS

Operating earnings (EBITDA), excluding Hexpol, amounted to 2 537 MSEK (3 087), corresponding to an operating margin (EBITDA margin) of 21 per cent (24).

Operating earnings (EBIT1), excluding Hexpol, amounted to 1 784 MSEK (2 405), corresponding to an operating margin of 15 per cent (18).

Hexagon Measurement Technologies' operating earnings (EBIT1) amounted to 1 905 MSEK (2 469), corresponding to an operating margin of 17 per cent (20).

Operating earnings (EBIT1) from Other operations decreased during the year to -74 MSEK (6), corresponding to an operating margin of -21 per cent (1).

Hexpols' operating earnings (EBIT1) for the first five months 2008 were 143 MSEK.

Operating earnings (EBIT1) for Hexagon's various businesses are presented in the table below.

DIVIDED BY BUSINESS AREA	Order intake		Net sales		Operating earnings (EBIT1)	
MSEK	2009	2008	2009	2008	2009	2008
Hexagon Measurement Technologies	11 512	12 481	11 458	12 356	1 905	2 469
Hexpol	–	1 425	–	1 419	–	143
Other operations	330	617	353	704	-74	6
Group costs and adjustments	–	–	–	–	-47	-70
Total	**11 842**	**14 523**	**11 811**	**14 479**	**1 784**	**2 548**

NON-RECURRING ITEMS

During the fourth quarter of 2008 and into 2009 Hexagon has taken advantage of the weakened demand to accelerate planned rationalisations and extract synergies from acquisitions made in recent years. Previously decided rationalisation projects have, in view of the situation, been possible to carry out in just six months time. All in all, the cost savings affect approximately 1 200 employees including both lay-offs and temporary leaves of absence. As a consequence, Hexagon reported restructuring charges of 100 MSEK in the fourth quarter of 2008 and restructuring charges of 184 MSEK in 2009. Annualised savings amount to approximately 900 MSEK by the end of 2009 compared to the cost level seen in September 2008. Of the total savings, approximately 500–600 MSEK are structural, and therefore enabling Hexagon to improve its EBIT margins, especially once the volumes resume growth.

INTANGIBLE FIXED ASSETS

As of 31 December 2009, Hexagon's carrying value of intangible fixed assets was 16 396 MSEK (16 832). Amortisation of intangible fixed assets for the 2009 financial year was -472 MSEK (-418).

FINANCIAL REVENUE AND EXPENSES

The financial net amounted to -158 MSEK (-319) in 2009. The decrease is mainly explained by lower interest rates and a lower net debt.

EARNINGS BEFORE TAXES

Earnings before taxes, excluding Hexpol and non-recurring items, amounted to 1 626 MSEK (2 104). Including Hexpol and -184 MSEK of non-recurring items for 2009 and -100 MSEK of non-recurring items for 2008, earnings before taxes amounted to 1 442 MSEK (2 129).

EFFECTIVE TAX RATE

The Group's tax cost for the year totalled -188 MSEK (-270), corresponding to an effective tax rate of 13 per cent (13). The tax cost is affected by the fact that a considerable part of Hexagon's earnings are generated in foreign subsidiaries located in countries where tax rates differ from those in Sweden.

MINORITY SHARE OF NET EARNINGS

The minority share of net earnings was 9 MSEK (12).

NET EARNINGS

Net earnings, excluding Hexpol and non-recurring items, amounted to 1 412 MSEK (1 857), or 5.31 SEK (6.95) per share. Net earnings, including these items, amounted to 1 254 MSEK (1 859), or 4.71 SEK (6.96) per share.

INVESTMENTS

Hexagon's net investments, excluding acquisitions and divestitures, were -821 MSEK (-1 005) during the year and consisted mainly of investments in production facilities, production equipment and intangible assets, primarily capitalised development costs. Investments corresponded to 7 per cent (7) of net sales. Depreciation and write-downs during the year, including 4 MSEK (-4) for reversed impairment losses, amounted to -756 MSEK (-719).

CASH FLOW

Cash flow from operations before changes in working capital and restructuring amounted to 2 003 MSEK (2 587), corresponding to 7.58 SEK (9.75) per share. Including changes in working capital, cash flow from operations was 2 621 MSEK (1 755), corresponding to 9.92 SEK per share (6.61). The cash flow was negatively affected by the settlement of restructuring programme obligations, amounting to -190 MSEK (-). Operating cash flow after normal investments amounted to 1 610 MSEK (750). Cash flow from other investments activities was -268 MSEK (-1 048). The change in borrowings was -1 327 MSEK (262). Cash dividends to the Parent Company shareholders amounted to -132 MSEK (-624), corresponding to 0.50 SEK (2.35) per share.

PROFITABILITY

Capital employed, defined as total assets less non-interest bearing liabilities, decreased to 22 300 MSEK (23 668). Return on average capital employed, excluding non-recurring items, for the last twelve months was 7.8 per cent (12.5). Return on average shareholders' equity for the last twelve months was 10.3 per cent (18.2). The capital turnover rate was 0.5 times (0.7).

FINANCIAL POSITION

Shareholders' equity, including minority interests, amounted to 12 484 MSEK (12 014). The equity ratio increased to 49 per cent (44). Hexagon's total assets decreased to 25 426 MSEK (27 501). As a consequence of goodwill no longer being amortised according to a plan, regular tests are made to determine whether the value of goodwill and/or similar fixed assets is justifiable or whether there is any impairment need in full or in part. Such a test was conducted at the end of 2009 and no impairment requirement arose. Consolidated goodwill at 31 December 2009 amounted to 10 196 MSEK (10 522), corresponding to 40 per cent (38) of total assets. The table below shows the businesses to which the goodwill is attributable.

GOODWILL

MSEK	2009	2008
Hexagon Measurement Technologies	10 185	10 511
Other operations	11	11
Total	**10 196**	**10 522**

On 31 December 2009, Hexagon's net debt was 8 298 MSEK (10 676). The net indebtedness was 0.66 times (0.89). The interest coverage ratio was 9.5 times (7.0).

MANAGEMENT OF THE HEXAGON GROUP'S CAPITAL

The Hexagon Group's capital comprises reported shareholders' equity, including minority interest, which was 12 484 MSEK (12 014) 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 endeavouring to minimise the weighted average cost of capital for the company's financing. Hexagon's expansion rate is limited by financial covenants made to the company's lenders, whereby net debt is not permitted to exceed 3.5 times EBITDA. The net debt is calculated as all interest-bearing liabilities and provisions less cash and cash equivalents and interest bearing current assets. EBITDA excludes/includes 12 months proforma EBITDA from divested/acquired companies and also excludes non-recurring items. All key ratios related to the financial covenants are reported to the lenders in conjunction with the disclosure of the quarterly reports. If the financial covenants are breached, the terms and conditions are re-negotiated and the borrowing cost probably increases temporarily.

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

FINANCIAL RISK MANAGEMENT

A predominant portion of Hexagon's revenues, expenses and net assets are denominated in foreign currencies due to extensive operations outside Sweden. This means that fluctuations in exchange rates affect Hexagon's net sales, operating earnings, net assets, shareholders' equity and other items. Hexagon is also affected by fluctuations in interest rates. Hexagon's Treasury function is responsible for coordinating the management of currency and interest rate exposure. The Treasury function is also responsible for the Group's external and internal financing. Rules and limitations for the management of financial risks are determined annually by the Board and are stipulated in the Group Treasury Policy.

Financing

In order to ensure that Hexagon can satisfy its short- and long-term needs for external capital, it is necessary for the Group to maintain a strong financial position and to take active measures to ensure its access to credit. Hexagon's primary source for financing the company's operations is a syndicated loan facility amounting to 1 billion EUR that expires in June 2011. The syndicated loan facility includes certain financial covenants to be fulfilled in order to avoid additional financing cost. Hexagon met all its financial covenants in 2009. To diversify the debt portfolio and to prepare for the refinancing of the syndicated loan facility, Hexagon issued a 2 000 MSEK five-year bond to a Swedish institutional investor during the fourth quarter of 2009.

The unused portion of all funding facilities, together with existing liquidity, was 4 757 MSEK (3 001) on 31 December 2009.

Interest rate

The interest rate risk is the risk that changes in interest rates will adversely affect the Group's net interest expense and/or the cash flow. The Group's interest rate risk is managed by the Treasury function. Interest rate risk primarily arises due to of the Group's external borrowings. Standardised derivative instruments can be utilised to control interest rate exposure through means such as extending or shortening interest fixing periods without renegotiating underlying loans. In accordance with the Group Treasury Policy, all external debt has short interest rate duration.

Foreign exchange

Hexagon's transaction exposure pertains to currency exposure due to its subsidiaries' international trade. Exposure derives from changes in exchange rates in connection with buying and selling in currencies other than local currency. Contracted currency flows are fully hedged. Between 40 and 100 per cent of forecast flows in addition to contracted flows are hedged with a horizon of six months. Hedging is arranged through foreign exchange forward contracts.

The Group Treasury Policy states that the effect of currency exchange rate changes on shareholders' equity should be alleviated through hedging via loans in the currencies in which net assets are denominated.

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

Credit risk

Credit risk is the risk that counterparts may be unable to fulfil their payment obligations. Financial credit risk arises when investing cash, 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 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 segment diversification of the customers, the risk for significant customer credit losses is reduced.

OPERATIONAL RISK MANAGEMENT

As an international company the Group faces a variety of operational risks, including relations with customers, suppliers, political, price, raw material, legal, human capital, insurable and corporate responsibility risks. Hexagon works in a structured manner in its efforts to control both short-term and long-term risks in order to limit their impact on business operations.

RESEARCH AND DEVELOPMENT

Being the most innovative supplier necessitates major product and process development, partly to improve and adapt existing products, but also to identify new applications and thereby increasing the total market for Hexagon's products and services. Total expenditure for research and development during 2009 amounted to 1 255 MSEK (1 264), corresponding to 11 per cent (9) of net sales. Capitalisation of the Group's development expenses only occurs with regards to new products where significant development costs are involved, where the products have likely earnings potential that is expected to accrue to the company and where the costs are clearly distinguishable.

PARENT COMPANY

The Parent Company's earnings after financial items were 302 MSEK (1 444). The solvency ratio of the Parent Company was 38 per cent (36). The equity was 7 046 MSEK (6 786). Liquid funds including unutilised credit limits was 3 734 MSEK (2 105).

SHARE CAPITAL AND OWNERSHIP

Hexagon's share capital was 531 039 540 SEK, represented by 265 519 770 outstanding shares. Total outstanding shares at year-end 2009 was 11 812 500 class A shares, each carrying ten votes, and 253 707 270 class B shares, each carrying one vote. At year-end 2009 Melker Schörling AB, the single largest shareholder in Hexagon, held a total of 11 812 500 class A shares and 66 374 551 class B shares, representing 49.8 per cent of the votes and 29.5 per cent of the capital.

Share repurchases

The Annual General Meeting on 6 May 2009 authorised Hexagon's Board of Directors to acquire the company's own shares for the purpose of, among other things, giving the Board the possibility to adapt the company's capital structure and to enable the financing of acquisitions. The authorisation to repurchase totals a maximum of ten per cent of all outstanding shares in the company.

During 2009 no shares were repurchased. During the year, 138 825 out of 1 311 442 previously repurchased shares were used to pay for exercised options. By year-end Hexagon held 1 172 617 repurchased shares.

Significant agreements

There are no significant agreements to which the company is a party that will have an impact or be amended or cease to apply if control over the company changes due to a public tender offer for the company.

EMPLOYEES

The average number of employees in Hexagon during 2009 was 7 549 (9 062). Excluding Hexpol, the average number of employees in 2008 was 8 112. The share of employees located outside Sweden increased to 93 per cent (92). The average number of employees in the Parent Company was 11 (11).

REMUNERATION OF SENIOR EXECUTIVES

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

GUIDELINES

The Annual General Meeting 2009 resolved, as proposed by the Board, on the establishment of guidelines concerning the remuneration of senior executives. The remuneration shall consist of a basic salary, a variable remuneration, other benefits and pension and all in all be competitive and in accordance with market practice. The variable remuneration shall be maximized in relation to the basic salary, tied to such performance that the relevant individual can influence and based on the outcome in relation to individual targets. The Board shall annually consider whether a share or share price related incentive program shall be proposed to the Annual General Meeting.

The notice period shall normally be six months on the part of the employee. In case of notice of termination by the company, the notice period and the period during which severance payment is paid shall, all in all, not exceed 24 months. The pension rights shall be either benefit or fee-based, or a combination of both, with an individual pension age, however, not lower than 60 years.

The Board of Directors' proposal to the Annual General Meeting 2010 is that these guidelines remain unchanged. In 2009 the President and CEO and the other senior executives declined salary increases as well as bonus payments with consideration to that the Group at the same time was carrying out a cost reduction programme.

ENVIRONMENT

Hexagon's research and development work generates products and systems that comply with customer requirements for being able to measure with considerable precision in one, two or three dimensions. High-quality measurement systems contribute to increased quality, productivity and efficiency and reduced waste and thus to a decrease in the consumption of materials and raw materials. When Hexagon implements processes, it takes the environment into account and endeavours to achieve sustainable product development. A fundamental requirement for Hexagon's environmental efforts is to use environmentally friendly resources in production, to whatever extent possible. Hexagon satisfies environmental requirements pursuant to legislation, ordinances and international accords. Decisions regarding operations that affect the environment are guided by what is ecologically justifiable, technically feasible and economically viable. Hexagon's subsidiaries are obliged to have ISO quality accreditation, wherever this is warranted.

SUBSEQUENT EVENTS

As of April, 2010 William Gruber, President of Hexagon Metrology and member of Group Management, will be assuming the position of Executive Vice President for the Group.

Norbert Hanke will succeed William Gruber as President of product area Hexagon Metrology and join the Group management team. Norbert Hanke has been with the company since 2001 and his most recent positions have been CFO for product area Hexagon Metrology as well as responsible for operations for Hexagon MT in the sales regions RoA (Asia excl. China) and South America.

Jürgen Dold will assume the position of President of product area Hexagon Geosystems and join the Group management team. Jürgen Dold has been with the company since 1995 and his most recent position was President of the Geospatial Solutions Division within Hexagon Geosystems.

Also joining Group management is Li Hongquan who will assume the position of President Hexagon Asia. Li Hongquan has been employed since 2001.

Norbert Hanke, Jürgen Dold and Li Hongquan will join Ola Rollén - President and CEO, William Gruber - EVP, Håkan Halén - CFO , Frederick London - General Counsel and Bo Pettersson - Chief Technical Officer thus forming the new management team for the Group.

Consolidated Income Statement

MSEK	Note	2009	2008
Net sales	1	11 811	14 479
Cost of goods sold	4, 7, 8, 19	-6 231	-7 881
Gross earnings		**5 580**	**6 598**
Sales expenses	4, 7, 8, 19	-2 074	-2 238
Administration expenses	4, 6, 7, 8, 19	-943	-1 007
Research and development expenses	4, 7, 8, 19	-911	-944
Other operating revenues	5, 8	139	84
Other operating expenses	5, 7, 8	-189	-46
Share in associated company earnings	9, 14	-2	1
Operating earnings [1]		**1 600**	**2 448**
Financial revenues and expenses			
Interest income	9	9	36
Interest expenses	9	-167	-355
Earnings before tax	1	**1 442**	**2 129**
Tax on earnings for the year	10	-188	-270
Net earnings [2]		**1 254**	**1 859**
[1] Of which, non-recurring items	7	-184	-100
[2] Of which, minority share		9	12
Average number of shares, thousands		**264 284**	**265 317**
Average number of shares after dilution, thousands		**264 511**	**265 768**
Earnings per share, SEK		**4.71**	**6.96**
Earnings per share after dilution, SEK		**4.71**	**6.95**
Net Earnings include depreciations and write-downs of		**-756**	**-719**

Consolidated Comprehensive Income Statement

MSEK	2009	2008
Net earnings	**1 254**	**1 859**
Other comprehensive income:		
Translation differences	-953	3 688
Effect of hedging of net investments in foreign operations	430	-2 653
Cash flow hedges, net	1	1
Tax attributable to other comprehensive income		
Tax attributable to effect of hedging of net investments in foreign operations	-113	607
Tax attributable to effect of cash flow hedges	0	0
Other comprehensive income, net of tax	**-635**	**1 643**
Total comprehensive income	**619**	**3 502**
Attributable to:		
Parent company shareholders	609	3 483
Minority interest	10	19

Consolidated Balance Sheet

MSEK	Note	2009	2008
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalized development expenses	12	1 626	1 276
Patents and trademarks	12	3 872	4 138
Goodwill	12	10 196	10 522
Other intangible fixed assets	12	702	896
Total intangible fixed assets		**16 396**	**16 832**
Tangible fixed assets			
Buildings	12	654	734
Land and other real estate	12	216	229
Machinery and other technical plants	12	642	724
Equipment, tools and installations	12	169	196
Construction in progress and supplier advances	12	13	20
Total tangible fixed assets		**1 694**	**1 903**
Financial fixed assets			
Shares in associated companies	13, 14	15	20
Other long-term securities holdings	13, 19	89	39
Other long-term receivables	13, 15, 19	25	50
Total financial fixed assets		**129**	**109**
Deferred tax assets	10	590	587
Total fixed assets		**18 809**	**19 431**
Current assets			
Inventories, etc.			
Raw materials and consumables		1 070	1 283
Work in progress		211	282
Finished goods and goods for sale		1 316	1 729
Total inventories		**2 597**	**3 294**
Current receivables			
Customer receivables	15, 19	2 615	3 151
Receivables, associated companies	15	15	10
Current tax receivables	10	44	33
Other receivables – interest bearing	19	53	44
Other receivables – non-interest bearing	15, 19	209	362
Prepaid expenses and accrued income	16, 19	290	257
Total current receivables		**3 226**	**3 857**
Short-term investments	19	21	20
Cash and bank balances	19	773	899
Total current assets		**6 617**	**8 070**
TOTAL ASSETS		**25 426**	**27 501**

MSEK	Note	2009	2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	17	531	531
Other capital contributions		5 506	5 509
Hedging reserve		0	-1
Translation reserve		232	869
Retained earnings		6 164	5 049
Shareholders' equity attributable to Parent Company shareholders		**12 433**	**11 957**
Minorities		51	57
Total shareholders' equity		**12 484**	**12 014**
Long-term liabilities	19		
Provisions for pensions	4a	383	452
Other provisions	18	65	174
Deferred tax liabilities	10	409	331
Liabilities to credit institutions	19	9 223	10 470
Other long-term liabilities – interest-bearing	19	28	39
Other long-term liabilities – non-interest bearing	19	14	26
Total long-term liabilities		**10 122**	**11 492**
Current liabilities			
Other provisions – current portion	18	265	339
Liabilities to credit institutions	19	117	500
Advance payments from customers		146	121
Accounts payable	19	864	1 185
Current tax liabilities	10	138	185
Other liabilities – interest-bearing	19	–	–
Other liabilities – non-interest bearing	19	193	239
Accrued expenses and deferred income	16, 19	1 097	1 426
Total current liabilities		**2 820**	**3 995**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**25 426**	**27 501**
MEMORANDUM ITEMS			
Collateral pledged	21	29	20
Contingent liabilities	21	239	185

Changes in Consolidated Shareholders' Equity

2009	Share capital	Other capital contri-butions	Hedging reserve	Trans-lation reserve	Retained earnings	Shareholders Equity attributable to Parent Company shareholders	Mino-rities	Total share-holders' equity
Opening shareholders' equity	**531**	**5 509**	**-1**	**869**	**5 049**	**11 957**	**57**	**12 014**
Other Comprehensive Income, net of tax	–	–	1	-637	–	-636	1	-635
Net earnings	–	–	–	–	1 245	1 245	9	1 254
Total Comprehensive Income for the period	**–**	**–**	**1**	**-637**	**1 245**	**609**	**10**	**619**
Expense for share-based payments[1]	–	–	–	–	2	2	–	2
Effect of acquisitions and divestments of subsidiaries[2]	–	-3	–	–	–	-3	–	-3
Cash dividend	–	–	–	–	-132	-132	–16	-148
Closing shareholders' equity, Dec. 31, 2009	**531**	**5 506**	**0**	**232**	**6 164**	**12 433**	**51**	**12 484**

2008	Share capital	Other capital contri-butions	Hedging reserve	Trans-lation reserve	Retained earnings	Shareholders Equity attributable to Parent Company shareholders	Mino-rities	Total share-holders' equity
Opening shareholders' equity	**531**	**5 539**	**-2**	**-716**	**4 650**	**10 002**	**44**	**10 046**
Other Comprehensive Income, net of tax	–	–	1	1 635	–	1 636	7	1 643
Net earnings	–	–	–	–	1 847	1 847	12	1 859
Total Comprehensive Income for the period	**–**	**–**	**1**	**1 635**	**1 847**	**3 483**	**19**	**3 502**
Expense for share-based payments[1]	–	–	–	–	6	6	–	6
Effect of acquisitions and divestments of subsidiaries[2]	–	-5	–	–	–	-5	4	-1
Repurchase of shares	–	-52	–	–	–	-52	–	-52
Stock option payment	–	27	–	–	–	27	–	27
Cash dividend	–	–	–	–	-624	-624	-10	-634
Dividend - shares in Hexpol		–	–	-50	-830	-880	–	-880
Closing shareholders' equity, Dec. 31, 2008	**531**	**5 509**	**-1**	**869**	**5 049**	**11 957**	**57**	**12 014**

Share capital is described in detail in Note 17.

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

The hedging reserve includes changes in value of the hedging instruments representing cash flow hedges, net after amount transferred to the income statement.

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

Retained earnings include all historical net earnings excluding minorities less dividends paid.

Minorities are the shares of equity that pertain to minority holders in certain subsidiaries.

[1] Corresponds to the value of the services that are estimated to be received during the period in terms of the original benefit value that accrued to option holders in Leica Geosystems at the date of allotment before the acquisition by Hexagon.

[2] Leica Geosystems was acquired through a public tender offer comprising a combination of cash and new Hexagon shares. The offer was directed to all shareholders and indirectly to all option holders. In essence, all option holders at the time of the acquisition have been treated as shareholders. Hexagon has used both the possibility to redeem the options in cash alone, which results in a similar effect to that of a repurchase of shares, and the possibility to redeem with a combination of shares and cash.

Consolidated Cash Flow Statement

MSEK	Note	2009	2008
Cash flow from operating activities			
Net sales		11 811	14 479
Operating expenses		-10 211	-12 031
Operating earnings		**1 600**	**2 448**
Adjustments for items in operating earnings not influencing cash flow			
Depreciation and amortization		760	715
Impairment losses		-4	4
Change in provisions		-77	10
Capital gains on divestment of fixed assets		-1	-7
Earnings from shares in associated companies		2	-1
Other items not influencing cash flow		2	7
Interest received		15	45
Interest paid		-236	-290
Tax paid		-248	-344
Cash flow from operating activities before changes in working capital		**1 813**	**2 587**
Cash flow from changes in working capital			
Change in inventories		579	-491
Change in current receivables		531	80
Change in current liabilities		-492	-421
Cash flow from changes in working capital		**618**	**-832**
Cash flow from operating activities		**2 431**	**1 755**
Cash flow from ordinary investing activities			
Investments in intangible fixed assets	12	-673	-634
Investments in tangible fixed assets	12	-157	-387
Divestments of tangible fixed assets		9	16
Cash flow from ordinary investing activities		**-821**	**-1 005**
Operating cash flow		**1 610**	**750**
Cash flow from other investing activities			
Investments in subsidiaries	11	-222	-798
Divestments of subsidiaries	11	–	-220
Investments in financial fixed assets	13	-54	-44
Divestments of financial fixed assets	13	8	14
Cash flow from other investing activities		**-268**	**- 1 048**
Cash flow from financing activities			
Borrowings		1 993	262
Amortizations		-3 320	–
Stock option payment		–	27
Repurchase of shares		–	-52
Dividend to Parent Company shareholders		-132	-624
Dividend to minority interests in subsidiaries		-16	-10
Cash flow from financing activities		**-1 475**	**-397**
Cash flow for the year		**-133**	**-695**
Cash and cash equivalents, beginning of year [1]		**919**	**1 612**
Effect of translation differences on Cash and cash equivalents		8	2
Cash flow for the year		-133	-695
Cash and cash equivalents, end of year [1]		**794**	**919**
Net debt			
Pension obligations, net, and other interest-bearing provisions and liabilities		9 816	11 655
Short-term interest bearing receivables		-724	-60
Cash and cash equivalents [1]		-794	-919
Net debt		**8 298**	**10 676**

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

Parent Company Income Statement

MSEK	Note	2009	2008
Net sales	2	31	28
Administration expenses	2, 4, 6	-48	-75
Operating earnings		**-17**	**-47**
Financial income and expense			
Earnings from shares in Group companies	9	549	1 688
Interest income	9	147	258
Interest expenses	9	-377	-455
Earnings before tax		**302**	**1 444**
Tax on earnings for the year		61	54
Net earnings		**363**	**1 498**

Parent Company Balance Sheet

MSEK	Note	2009	2008
ASSETS			
Fixed assets			
Intangible fixed assets			
Patents and trademarks	12	0	0
Tangible fixed assets			
Buildings	12	0	0
Land	12	0	0
Equipment	12	1	1
Total tangible fixed assets		**1**	**1**
Financial fixed assets			
Shares in Group companies	13	12 150	12 137
Receivables from Group companies	13	5 092	5 429
Other financial fixed assets	13	1	1
Total financial fixed assets		**17 243**	**17 567**
Deferred tax asset		189	128
Total fixed assets		**17 433**	**17 696**
Current assets			
Current receivables			
Receivables from Group companies		898	746
Other receivables		49	61
Prepaid expenses and accrued income	16	18	21
Total current receivables		**965**	**828**
Cash and bank balances		171	507
Total current assets		**1 136**	**1 335**
TOTAL ASSETS		18 569	19 031

MSEK	Note	2009	2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	17	531	531
Statutory reserve		2 814	2 814
Total restricted equity		**3 345**	**3 345**
Non-restricted equity			
Premium reserve		1 980	1 980
Retained earnings		1 721	1 461
Total non-restricted equity		**3 701**	**3 441**
Total shareholders' equity		**7 046**	**6 786**
Long-term liabilities			
Liabilities to credit institutions		7 683	8 315
Total long-term liabilities		**7 683**	**8 315**
Current liabilities			
Liabilities to credit institutions		–	430
Accounts payable		3	6
Liabilities to Group companies		3 823	3 410
Other liabilities		1	4
Accrued expenses and deferred income	16	13	80
Total current liabilities		**3 840**	**3 930**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		18 569	19 031
MEMORANDUM ITEMS			
Collateral pledged	21	None	None
Contingent liabilities	21	455	477

Change in Parent Company Shareholders' Equity

MSEK	Share capital	Statutory reserve (restricted)	Premium reserve (unrestricted)	Retained earnings	Total shareholders'equity
Closing balance Dec. 31, 2008	**531**	**2 814**	**1 980**	**1 461**	**6 786**
Dividend	–	–	–	-132	- 132
Group contributions issued and received, net	–	–	–	19	19
Sale of own shares	–	–	–	10	10
Net earnings	–	–	–	363	363
Closing balance Dec. 31, 2009	**531**	**2 814**	**1 980**	**1 721**	**7 046**
Closing balance Dec. 31, 2007	**531**	**2 814**	**2 754**	**556**	**6 655**
Dividend	–	–	-793	-556	-1 349
Group contributions issued and received, net	–	–	–	14	14
New share issue	0	–	19	–	19
Repurchase of shares	–	–	–	-51	-51
Net earnings	–	–	–	1 498	1 498
Closing balance Dec. 31, 2008	**531**	**2 814**	**1 980**	**1 461**	**6 786**

Parent Company Cash Flow Statement

MSEK	Note	2009	2008
Cash flow from operating activities			
Net sales		31	28
Operating expenses		-48	-75
Operating earnings		**-17**	**-47**
Adjustment for operating earnings items not influencing cash flow			
Depreciation		0	0
Unrealised currency exchange differences		-570	-70
Other items not influencing cash flow		0	-3
Interest received		510	258
Dividend from subsidaries		549	1 679
Interest paid		-243	-386
Cash flow from operating activities before changes in working capital		**229**	**1 431**
Cash flow from changes in working capital			
Change in current receivables		-135	- 671
Change in current liabilities		419	291
Cash flow from changes in working capital		**284**	**-380**
Cash flow from operating activities		**513**	**1 051**
Cash flow from investing activities			
Investments in tangible fixed assets	12	0	0
Divestments of tangible fixed assets	12	0	0
Investments in financial fixed assets	13	-3	-4
Change in long-term receivables, Group companies		337	655
Group contributions received		14	111
Cash flow from other investing activities		**348**	**762**
Cash flow from financing activities			
Borrowings		1 993	–
Repayments		-3 058	-1 001
Repurchase of shares		–	-51
Dividend to shareholders		-132	-624
Cash flow from financing activities		**-1 197**	**-1 676**
Cash flow for the year		**-336**	**137**
Cash and cash equivalents opening balance [1]		**507**	**370**
Cash and cash equivalents closing balance [1]		**171**	**507**

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

Accounting Policies

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

Furthermore, the recommendation RFR 1.2 Supplementary accounting rules for corporate groups issued by the Swedish Financial Accoutning Standards Council has been applied.

The Parent Company applies the Annual Accounts Act and RFR 2.2. This means that the Parent Company applies the same accounting policies as the Group, except as outlined below.

Changes in accounting policies

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

The group has introduced the following new and amended standards and interpretations from IASB and IFRIC, respectively, as of January 1, 2009.

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 in January 2008 that clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The revisions have not been applicable for Hexagon in 2009.

IFRS 7 Financial instruments, Presentation and Disclosure (Revisions)

The revisions have entailed additional disclosures related to liquidity risks and related to the calculation of fair values. Financial instrument are divided into three tiers based on the methods applied to determine fair value. See Note 19.

IFRS 8 Operating Segments

The IASB issued IFRS 8 in November 2006 intended as a replacement for IAS 14 Segment Reporting. The new standard sets disclosure requirements for the Group's Operating Segments and replaces the need to define primary and secondary segments based on operating and geographical segments. IFRS 8 however requires that operating segment information is provided in the same manner that it is reported internally to the chief operating decision maker. Hexagon concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14.

IAS 1 Presentation of Financial Statements (Revised)

The standard separates changes in equity resulting from transactions with owners and other changes. The statement of changes in equity will only include details of transactions with owners. Other changes in equity than transactions with owners are presented as a separate caption in the statement of changes in equity. In addition the standard introduces the concept of "statement of comprehensive income", which presents all items related to income and expenses in a separate statement or in two inter-related statements. Hexagon has elected to report one separate statement.

IAS 23 Borrowing Costs (Revised)

The revised IAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Hexagon has historically applied this accounting policy, however currently has no qualifying assets as defined by the revised standard.

IAS 27 Consolidated and Separate Financial Statements (Amended)

The amendment to IAS 27 requires that dividends received from subsidiaries, associated companies etc. are recognized in the income statement in the separate financial statements. The amendments to IAS 27 should be applied prospectively, but only affect the separate financial statements of the parent company and not the consolidated financial statements.

IAS 32 Financial Instruments: Presentation (Revised) and IAS 1 Presentation of Financial Statements (Revised regarding Puttable Financial Instruments and Obligations Arising on Liquidation)

The revisions to these standards will not have an impact on the Group's financial performance or position, since no such instruments have been issued.

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 – Financial Instruments: Recognition and Measurement (Amendments)

The interpretation and amendments adress the reassessment of embedded derivatives and has not affected the Group's financial performance or position.

IFRIC 13 Customer Loyalty Programmes

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transactions in which they are granted. The Group does not maintain customer loyalty programmes of this nature.

Improvements to IFRSs

Improvements aim at simplifying and clarifying standards through changes influencing presentation, accounting, valuation and changes in terminology or editorial changes. These changes have had no or small impact on Hexagon's financial reports.

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did give rise to some, or no, impact on disclosures, including, in some cases, amendments to the description of accounting policies applied.

Future changes in accounting policies (Issued standards and interpretations, which are not yet effective)

Hexagon has not early adopted IFRS and IFRIC interpretations that become effective as of 1 January 2010 or later. The adoption of these standards and interpretations is, with the exception of the adoption of IFRS 3R and IAS 27R, not expected to have a material effect on the financial performance or position of the Group. They are however expected to give rise to additional disclosures, including in some cases, revisions to accounting policies. A brief description of the changes is presented below.

IFRS 3 – Business Combinations (Revised) and IAS 27 R – Consolidated and Separate Financial Statements (Amended)
The revised/amended standards were issued in January 2008 and should be applied for reporting periods commencing on 1 July 2009 or later. IFRS 3R introduces a number of changes to the accounting for business combinations made after the effective date, which will affect the amount of goodwill recognized, the earnings reported in the period the business combination are concluded as well as earnings reported in future periods. The revised IAS 27 requires changes in the ownership in a subsidiary where the majority owner does not lose control to be accounted for within equity. Consequently such transactions will not give rise to goodwill, nor will they lead to gains or losses. Furthermore the revised IAS 27 changes the accounting for losses that arise in a subsidiary as well as losses which arise upon loss of control of a subsidiary. The revisions/amendments have resulted in follow-on changes to IAS 7 Cash Flow Statements, IAS 12 Income taxes, IAS 21 The Effects of Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures.

In aggregate the revisions/amendments to IFRS 3 and IAS 27 will affect the accounting for future acquisitions, loss of control and transactions with minority owners which might have a big impact on Hexagon.

IAS 32 Classification of Rights Issues (Amendment)
The amendment entails classifying rights issues denominated in a currency other than the entities functional currency to in certain situations treat the rights issues as equity instruments. Hexagon is currently not affected by the amendments.

IAS 39 Financial instruments: Recognition and Measurement – Eligible Hedged items.
The amendment covers the designation of a one-sided risk in a hedged item and the designation of inflation as a hedged risk or part of a hedged risk in a specific situation. Hexagon has assessed that the amendment will not have an effect on the Group's financial performance or position, as the Group has not entered into any such hedges.

IFRIC 12 Service Concession Arrangements
The interpretation covers general principles for recognition and measurement of rights and obligations related to so called service concession arrangements, i.e. the delivery of certain infrastructure services to the public. The interpretation will not have any impact on the Group's financial performance or position.

IFRIC 15 Agreement for the construction of Real Estate
IFRIC 15 will not effect the Group's financial reporting in that such operations covered by the standard are not conducted within the Group.

IFRIC 16 Hedges of a net investment in a foreign operation
The interpretation is to be applied prospectively. IFRIC 16 provides guidance on how to account for hedges of a net investment in a foreign operation with regards to the identification of foreign currency risks which qualify for hedge accounting of net investments, what entities within a group which may hold the hedging instrument in question, as well as how the entity shall determine the value of the foreign currency gains or losses in relation to the net investment and the hedging instrument, which should be reversed upon a sale of the foreign operations. Hexagon are currently assessing what accounting policy should be applied upon sales of foreign operations.

IFRIC 17 Distribution of Non-cash Assets to Owners
The interpretation addresses issues related to non-cash distributions to owners. The interpretation will entail a change in the method applied by Hexagon upon such distributions.

IFRIC 18 Transfers of Assets from Customers
The interpretation adresses the accounting for assets or cash contributed from a customer and which thereafter is applied in the delivery of goods and services. The interpretation is not expected to have a material impact on the Group's financial performance or position.

IASB/IFRIC has issued the following new, amended or revised standards and interpretations, which have yet to be approved by the EU:

IFRS 2 Group Cash settled Share-based Payment Transactions" (Amendments)
The amendment clarifies the accounting for certain Group internal share-based payment transactions and entails the introduction of IFRIC 8 – Scope for IFRS 2 and IFRIC 11 – Group and Treasury Share Transactions into the standard itself. Hexagons current assessment is that the amended standard will not have a material impact on the Group's financial performance or position.

IFRS 9 Financial Instruments
The standard addresses the classification and measurement of financial instruments and represents the first step in the IASBs efforts to replace IAS 39 – Financial instruments: Recognition and measurement. The new standard will affect the Group's financial performance and position.

IAS 24 Upplysningar related Party Disclosures (Revised)
The revised standard clarifies and simplifies the definition of related parties and provides excemptions for disclosures of transactions between government owned entities. The revisions to IAS 24 will not have a material impact on the Group's financial performance or position.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendments)
The interpretation has corrected an inadvertent effect of IFRIC 14, but will have no material impact on the Group's financial performance or position.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
The interpretation addresses the accounting treatment for loans extinguished by means of issuing equity instruments. Hexagon is currently unaffected by the interpretation.

International Financial Reporting Standards Improvements Project
In April 2009 the IASB issued additional changes to existing standards, primarily aimed at removing inconsistencies and clarifying certain passages. Hexagon has elected not to early-adopt any of the improvements, which are not expected to materially affect the Group's financial performance or position

Basis of reporting for the Parent Company and the Group
The functional currency of the Parent Company is Swedish kronor as is the reporting currency for the Parent Company and the Group.

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

Consolidated Financial Statements

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

The consolidated financial statements have been prepared in accordance with the purchase method, which means that the Parent Company's acquisition value of shares in subsidiaries is eliminated against subsidiaries' shareholders' equity at the time of acquisition. The shareholders' equity of acquired subsidiaries is determined on the basis of a market valuation of assets and liabilities at the time of acquisition including those not reported earlier by the acquired company. In those cases where the acquisition value of shares in subsidiaries exceeds the acquired shareholders' equity as stated above, the discrepancy is accounted as goodwill in the balance sheet. In the event of an acquisition of minority interests, any differences between the acquisition price and the minority interest in the subsidiary's equity value are recognized as goodwill. Goodwill amortization on a straight-line basis has been discontinued. Reported goodwill values are impairment tested at each reporting date.

In accordance with the stated principles for consolidated accounting, divested companies are consolidated up to their date of divestiture, while acquired companies are consolidated from the time of acquisition onwards, meaning from the time when a controlling interest was attained.

The current method is used for the translation of foreign subsidiaries, meaning that balance sheets are translated at year-end exchange rates, and income statements are translated at average exchange rates for the period. The resulting translation differences are recognized directly in other comprehensive income.

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

Presentation of financial statements

An amendment to IAS 1 concerns the form for presentation of financial position, comprehensive income and cash flow and includes a requirement for statement of comprehensive income. As a consequence of the amendment, Hexagon reports an additional statement showing total comprehensive income for the period in connection with the income statement. The new statement includes items previously reported under 'Changes in shareholder's equity'.

Divested operations

According to the applicable accounting rules, the earnings from certain divested operations, in terms of both operating profit and capital gains, must be separate from the earnings from continuing operations. However, a corresponding adjustment for acquired operations is not shown in the income statement but is provided, to the extent possible, as a supplementary disclosure.

Hexagon has elected to account for the distribution of Hexpol to its shareholders as a reduction of shareholders' equity. Hexpol is consequently not treated as a discontinued operation in Hexagon consolidated accounts.

Associated companies and joint ventures

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

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

At the close of every reporting period, the carrying amounts for associated companies and joint ventures, including implicit goodwill values, are impairment tested.

Segment reporting

Operating segments

As of financial year 2009 Hexagon applies the "IFRS 8 Operating Segments" standard. The new standard sets disclosure requirements for the Group's Operating Segments and replaces the need to define primary and secondary segments based on operating and geographical segments. Adoption of this standard has a minor impact on Hexagon's financial 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. Group Management is responsible for overall business development, allocating financial resources between the business areas, and matters involving financing and capital structure. Group management is therefore equal to what IFRS 8 defines as the Group's chief operating decision maker and is the function that internally within the Hexagon Group allocates resources and evaluates results. The Group's chief operating decision maker assesses the performance in the operating segments based on earnings before financial items, excluding non-recurring items. Financial items and taxes are reported for the Group as a whole.

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

The two segments have separate product offerings, customer groups and geographical exposure and hence differentiated risk composition. No sales between the two operating segments exist. Both segments report applying the same accounting principles as the Group. Hexagon's internal reporting, representing the base for detailed review and analysis, is designed in alignment with the described division into operating segments. Sales within each operating segment are consequently analysed geographically.

Revenues

Hexagon applies the following principles for revenue recognition:

Sales of goods

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

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

Sales of services/contracts and similar assignments

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

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

The percentage of completion is determined by comparing the expenditure that has arisen in relation with the total estimated expenditure for the assignment. If the degree of completion cannot be reliably determined, only those amounts corresponding to the expenditure that has arisen are recognized 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 capitalized as follows:

Capitalization of development expenses in the Group are only applied to new products where significant development costs are involved, where the products have a probable earnings potential that the company may benefit from, and the costs are clearly distinguishable from ongoing product development expenditure.

Government Grants

Hexagon applies IAS 20 and has only accounted 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 ocurred. In Note 8 it is shown in detail the distribution by function. The government grants relate primarily to education of employees and support to cover employment expenses during a limited period of time in order to avoid redundancies.

Leasing

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

Other operating revenues/expenses

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

Financial instruments

Financial instruments are measured and recognized in accordance with the rules of IAS 39.

With certain exceptions, financial assets and liabilities are entered at acquisition value applying settlement-date accounting. Financial derivative instruments are recognized at fair value, with changes in fair value recognized 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 recognized directly in Other comprehensive income until the hedged transaction has been recognized.

Balances and transactions are hedged, and hedge accounting is applied if the hedging actions taken have the stated objective of constituting a hedge, have a direct correlation to the hedged item and effectively hedge the item. An effective hedge generates financial effects that offset those that arise through the hedged position. When hedging fair value, the change in the fair value of the hedging instrument is recognized in the income statement together with the change in the value of the liability or asset to which the risk hedging applies. Hexagon did not hedge fair value in 2008 and 2009. When hedging cash flow, the change in value of the hedging instrument is recognized directly in Other comprehensive income until the hedged transaction has been recognized.

When establishing fair value, official market listings on the balance-sheet date are used. If no such listings are available, a valuation is conducted based on the discounting of future cash flows to the listed market interest rate for the particular maturity. Currency swaps and currency forward contracts are valued at the listed market rate. Translation to SEK is based on the listed exchange rate on the balance-sheet date.

Receivables resulting from own lending and assets held to maturity are valued at the accrued acquisition value, applying the effective interest rate method. No financial instruments were classified in this category during 2008 and 2009.

Hexagon considers listed holdings of securities as being available for sale, which means that the change in value up to the selling date is recognized directly in Other comprehensive income. Unlisted shares and participations whose value cannot be determined reliably are recognized at acquisition cost. Hexagon had no listed holdings in 2008 and 2009.

Accounts receivable and accounts payable are recognized at accrued acquisition value.

Financial liabilities are mainly measured at accrued acquisition value, applying the effective interest rate method.

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. Costs for raising loans are expensed over the maturity of the loan.

Pension and similar commitments

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

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.

Receivables and liabilities

Provisions for loss risks are made on a case-by-case basis. Foreign-currency receivables and liabilities are translated at the exchange rates prevailing on the balance-sheet date. The difference between acquisition value and the value on the balance-sheet date is recognized in the income statement.

Inventories

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

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 recognized 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. Acquisition-related intangible assets are recognized at fair value on the date of acquisition.

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

Tangible fixed assets

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

Gains/losses on the divestment of a tangible fixed asset are recognized 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/amortization according to plan

Depreciation/amortization according to plan is calculated on the original acquisition value and based on the asset's estimated economic life. The depreciation terms for various asset classes are:

Capitalized development expenditure	2–6 years
Patents and trademarks*	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

* 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 amortization according to plan. The right to use the name Leica derives from a contractual useful life under an agreement that expires in 93 years time. The agreement contains clauses stipulating extension opportunities. Since Hexagon is of the opinion that there is reason to believe that it will be possible to extend the agreement without considerable expenditure, the value of the right to use the name Leica is not subject to amortization according to plan.

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 recognized 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 realizable 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.

The basic assumptions used to determine whether or not there is an impairment requirement are as follows:

Basic assumptions used for determining discount rate per currency	2009	2008
Risk-free interest rate	2.0–3.5 %	1.8–2.4 %
Tax rate	7–35 %	7–40 %
Beta value	1–1.5	1–1.4
Applied discount rate before tax	8.4–9.6 %	6.8–8.8 %

Forecasting method	2009	2008
Forecast period	5–10 years	5–10 years
Growth after forecast period	2 %	2 %

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 business area. Intangible assets that are common to a specific business area are allocated to this business area. The total value of intangible fixed assets that are not subject to amortization was 13 382 MSEK (14 095) at 31 December 2009. The entire amount is attributable to business area Hexagon Measurement Technologies. The recoverable value is generally set at the value in use.

Accounting policies in the Parent Company

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

- The Parent Company does not apply IAS 39.
- In the Parent Company all leases are treated as operational leases.
- The Parent Company normally recognizes Group contributions issued and received, and the corresponding tax effect, directly in shareholders' equity. However, in those cases where Group contributions received can be considered as dividends, the Group contribution is recognized as financial income, and the tax effect is included in income tax for the year in the income statement.
- In the Parent Company, the shares in subsidiaries are recognized at acquisition value less any impairment.

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

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

Approval of accounts

The Parent Company's and the consolidated financial statements will be presented to the Annual General Meeting for approval on 5 May 2010.

Critical accounting estimates and assumptions

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

Income recognition

Parts of Hexagon's sales derive from major, complex customer contracts. In order to establish the amounts that are to be recognized as income and whether any loss provision should be posted, company management makes estimates of completed performance in relation to the contractual terms and conditions, the estimated total contractual costs and the proportion of the contract that has been completed.

Intangible assets

Intangible assets within the Hexagon Group concern essentially pertain to patents, trademarks and goodwill. Goodwill and other acquired intangible assets with an indefinite life are not subject to annual amortization, while other intangible assets are amortized. 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, ongoing investments, changes in working capital and discount interest rate. The assumptions made by the Board of Directors are presented above. Company management considers the assumptions applied to be compatible with the data received from external sources of information or from previous experience. Hexagon's goodwill at 31 December amounted to 10 196 (10 522) MSEK. Implemented impairment tests did not give rise to a cause to impair this amount.

Valuations of tax assets

The Board of Directors and company management continuously assess the carrying amount of both current and deferred tax assets/tax 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 may be uncertain due to ongoing tax processes, for example. Accordingly, the value of deferred tax assets may deviate from these estimates due to a change in future earning capacity, changed tax regulations or the outcome of examinations by authorities or tax courts of issued or not yet issued tax returns. When assessing the value of deferred tax liabilities, Hexagon has to form an opinion of the tax rate that will apply at the time of the reversal of taxable temporary differences. Hexagon recognized deferred tax assets in an amount of 181 (256) MSEK, net, at the end of 2009. At the same date, the Group had tax-loss carry-forwards with a tax value of 304 (422) MSEK that were not recognized as assets. These assets could not be capitalized based on assessments of the opportunity to utilise the tax deficits. In comparison with the final outcome, the estimates made concerning both deferred tax assets and liabilities could have either a positive or a negative impact on earnings.

Pension obligations

Within the Hexagon Group, there are defined-benefit pension schemes based on significant assumptions concerning future benefits pertaining to either the current or prior workforce. When calculating the pension liability, a number of actuarial assumptions are of major significance to the outcome of the calculation. The most critical pertain to the discount interest rate on the obligation and the anticipated return on the plan assets. Other significant assumptions include the rate of pay increases, employee turnover and estimated length of life. A reduced discount interest rate increases the recognized pension liability. The actual outcome could deviate from the recognized amount if the applied assumptions prove to be wrong.

Notes

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

NOTE 1. Business areas and geographical markets

A detailed description of the operations conducted by the various business areas is presented on pages 22–25 of this Annual Report.

BUSINESS AREAS 2009	Hexagon Measurement Technologies	Hexagon Polymers	Other operations	Group-wide and adjustments	Eliminations	Group
Net sales	**11 458**	**–**	**353**	**–**	**–**	**11 811**
Operating earnings (EBIT1)	**1 905**	**–**	**-74**	**-47**	**–**	**1 784**
Non-recurring items	-175	–	-9	–	–	-184
Earnings before net interest expense	**1 730**	**–**	**-83**	**-47**	**–**	**1 600**
Net interest income/expenses	–	–	–	-158	–	-158
Earnings before taxes	**1 730**	**–**	**-83**	**-205**	**–**	**1 442**
Operating assets	23 341	–	446	129	-36	23 880
Operating liabilities	-2 488	–	-101	-18	36	-2 571
Net operating assets	**20 853**	**–**	**345**	**111**	**–**	**21 309**
Of which share in associated companies earnings	-2	–	–	–	–	-2
Shares in associated companies	0	–	15	–	–	15
Cash flow from operating activities	3 116	–	-15	-670	–	2 431
Cash flow from ordinary investment activities	-814	–	-7	–	–	-821
Operating cash flow	**2 302**	**–**	**-22**	**-670**	**–**	**1 610**
Average number of employees	7 239	–	299	11	–	7 549
No. of employees at year-end	7 152	–	312	12	–	7 476
Depreciation/amortization and impairment losses	-715	–	-40	-1	–	-756

2008	Hexagon Measurement Technologies	Hexagon Polymers	Other operations	Group-wide and adjustments	Eliminations	Group
Net sales	**12 356**	**1 419**	**704**	**–**	**–**	**14 479**
Operating earnings (EBIT1)	**2 469**	**143**	**6**	**-70**	**–**	**2 548**
Non-recurring items	-100	–	–	–	–	-100
Earnings before net interest expense	**2 369**	**143**	**6**	**-70**	**–**	**2 448**
Net interest income/expenses	–	–	–	-319	–	-319
Earnings before taxes	**2 369**	**143**	**6**	**-389**	**–**	**2 129**
Operating assets	25 302	–	514	104	-112	25 808
Operating liabilities	-3 220	–	-111	-21	112	-3 240
Net operating assets	**22 082**	**–**	**403**	**83**	**–**	**22 568**
Of which share in associated companies' earnings	1	–	–	–	–	1
Shares in associated companies	5	–	15	–	–	20
Cash flow from operating activities	2 410	145	19	-819	–	1 755
Cash flow from ordinary investment activities	-925	-39	-36	-5	–	-1 005
Operating cash flow	**1 485**	**106**	**-17**	**-824**	**–**	**750**
Average number of employees	7 720	950	381	11	–	9 062
No. of employees at year-end	8 024	–	401	11	–	8 436
Depreciation/amortization and impairment losses	-641	-38	-37	-3	–	-719

GEOGRAPHICAL MARKETS	Net sales per recipient country 2009	Net sales per recipient country 2008	Net Operating assets[1] Assets 2009	Assets 2008	Liabilities 2009	Liabilities 2008	Net 2009	Net 2008	Cash flow from ordinary investment activities 2009	Cash flow from ordinary investment activities 2008
Sweden	758	1 557	428	496	-177	-194	251	302	-20	-52
EMEA excluding Sweden	4 971	6 449	16 799	18 386	-1 323	-1 744	15 476	16 642	-527	-695
Americas	2 883	3 589	1 760	2 010	-1 136	-1 136	624	874	-243	-199
Asia	3 199	2 884	5 667	5 848	-709	-1 098	4 958	4 750	-31	-59
Elimination of intra-group items	–	–	-774	-932	774	932	–	–	–	–
Group	**11 811**	**14 479**	**23 880**	**25 808**	**-2 571**	**-3 240**	**21 309**	**22 568**	**-821**	**-1 005**

[1] Net operating assets corresponds with operating earnings inasmuch as items such as cash and cash equivalents, tax, interest and interest-bearing liabilities and provisions are not included.

No single customer represented more than 10 % of net sales in 2008 or 2009.

NOTE 2. Intra-group purchases and sales

Other Group companies account for 100 per cent (100) of the Parent Company's sales and 10 per cent (34) of the Parent Company's purchases.

NOTE 3. Average number of employees

	2009 Men	2009 Women	2009 Total	2008 Men	2008 Women	2008 Total
Parent Company	8	3	11	7	4	11
Subsidiaries	5 841	1 697	7 538	6 952	2 099	9 051
Total, Group	**5 849**	**1 700**	**7 549**	**6 959**	**2 103**	**9 062**

Average number of employees by country	2009 Men	2009 Women	2009 Total	2008 Men	2008 Women	2008 Total
Sweden	429	88	517	577	173	750
Norway	38	4	42	42	5	47
Denmark	65	27	92	80	41	121
Finland	4	0	4	7	1	8
Nordic region	**536**	**119**	**655**	**706**	**220**	**926**
UK	156	39	195	175	42	217
Germany	442	74	516	444	80	524
Netherlands	19	2	21	20	2	22
Belgium	35	5	40	75	11	86
France	259	95	354	266	108	374
Switzerland	1 194	229	1 423	1 289	261	1 550
Italy	275	70	345	285	75	360
Portugal	9	3	12	9	3	12
Spain	122	27	149	137	41	178
Russia	3	1	4	12	3	15
Czech Republic	5	1	6	53	5	58
Turkey	10	4	14	11	3	14
Austria	10	4	14	12	4	16
Poland	30	4	34	25	4	29
Hungary	8	3	11	7	4	11
Rest of Europe	**2 577**	**561**	**3 138**	**2 820**	**646**	**3 466**
Total, Europe	**3 113**	**680**	**3 793**	**3 526**	**866**	**4 392**
USA	922	220	1 142	1 169	293	1 462
Canada	239	82	321	256	83	339
Mexico	23	3	26	50	8	58
North America	**1 184**	**305**	**1 489**	**1 475**	**384**	**1 859**

Average number of employees by country, cont.	2009 Men	2009 Women	2009 Total	2008 Men	2008 Women	2008 Total
Argentina	2	1	3	–	–	–
Brazil	70	27	97	53	18	71
Chile	26	4	30	–	–	–
Peru	12	1	13	–	–	–
South America	**110**	**33**	**143**	**53**	**18**	**71**
South Africa	3	2	5	1	–	1
South Africa	**3**	**2**	**5**	**1**	**–**	**1**
Australia	103	13	116	104	20	124
Australia	**103**	**13**	**116**	**104**	**20**	**124**
China	939	515	1 454	954	627	1 581
United Arab Emirates	5	1	6	4	1	5
Hong Kong	22	9	31	21	10	31
India	145	14	159	96	11	107
Israel	34	8	42	40	9	49
Japan	77	12	89	86	13	99
Korea	30	5	35	32	5	37
Malaysia	3	2	5	7	2	9
Thailand	5	5	10	6	6	12
Singapore	75	96	171	90	124	214
Sri Lanka	–	–	–	464	7	471
Vietnamn	1	–	1	–	–	–
Asia	**1 336**	**667**	**2 003**	**1 800**	**815**	**2 615**
Total, Group	**5 849**	**1 700**	**7 549**	**6 959**	**2 103**	**9 062**

NOTE 4A. Employee benefits

Salaries and Remuneration	Board, CEO and other Senior Executives 2009	Board, CEO and other Senior Executives 2008	Other employees 2009	Other employees 2008
Parent Company	19	27	7	7
(of which performance-related pay and bonus)	(–)	(8)	(–)	(–)
Subsidiaries in Sweden	19	14	135	249
Total	**38**	**41**	**142**	**256**
Australia	1	5	71	73
Austria	1	1	6	8
Belgium	4	6	17	32
Brazil	2	4	11	11
Canada	6	5	207	174
Chile	1	–	4	–
China	10	7	113	99
Czech Republic	1	2	2	7
Denmark	1	3	10	55
Finland	–	–	–	3
France	4	8	100	138
Germany	23	18	248	268
Hong Kong	–	–	13	12
Hungary	0	1	2	2
India	4	3	14	11
Ireland	–	–	2	–
Israel	2	2	23	28
Italy	6	12	152	151
Japan	10	7	46	41
Korea	–	–	8	12
Malaysia	0	0	1	1
Mexico	1	2	7	10

Salaries and Remuneration, cont.	Board, CEO and other Senior Executives 2009	Board, CEO and other Senior Executives 2008	Other employees 2009	Other employees 2008
Netherlands	1	2	11	11
Norway	1	1	9	16
New Zeeland	–	–	12	–
Poland	1	5	6	2
Portugal	–	–	4	4
Russia	0	1	2	4
Singapore	4	3	39	39
South Africa	–	–	3	0
Spain	6	5	50	63
Sri Lanka	–	0	–	9
Switzerland	51	63	814	842
Thailand	1	1	1	1
Turkey	1	1	2	2
UK	3	8	88	101
United Arab Emirates	1	2	2	1
USA	21	28	774	824
Total, Group	**206**	**247**	**3 016**	**3 311**
(of which performance-related pay and bonus)	(15)	(45)	(156)	(205)

Social security expenses	All Employees 2009	All Employees 2008
Parent Company	10	16
(of which pension expenses)	(5)	(6)
Subsidiaries	663	770
(of which pension expenses)	(136)	(127)
Total, Group	**673**	**786**
(of which pension expenses)	(141)	(133)

Pension expenses for Boards of Directors and Chief Executive Officers in the Group amounted to 12 MSEK (15). Pension commitments to Boards of Directors and Chief Executive Officers in the Group were 17 MSEK (12).

At year-end, one Board member was woman and four 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, 37 were women and 468 were men.

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

Pension obligations, 31 December 2009	Plan assets	Pension obligations	Net
Switzerland	3 169	- 3 077	92
UK	198	-204	-6
Germany	34	-99	-65
Italy	0	-61	-61
USA	38	-50	-12
Sweden	0	-35	-35
Other minor commitments	11	-43	-32
Total (fair/present value)	**3 450**	**-3 569**	**-119**

Capitalized actuarial gains/losses	-218
Unrecognized expenses for prior years service	-16
Unrecognized assets according to IAS 19	-15
Pension provisions, net	**-368**
Of which:	
Reported as asset	15
Reported as liability	-383

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

Defined-benefit pension schemes	2009	2008
Actuarial assumptions (%)		
Discount interest rate	3.7	3.7
Expected return on plan assets	5.0	4.9
Inflation	1.5	1.5
Employee turnover	14.1	8.4
OVERVIEW		
Provisions		
Pension obligations	3 569	3 809
Fair value of plan assets	-3 450	-3 416
Pension obligations less plan assets	**119**	**393**
Unrecognized past service cost	16	25
Unrecognized assets according to IAS 19	15	–
Actuarial gains (-)/losses (+)	218	18
Pension provision	**368**	**436**
Expenses		
Pensions vested during the year	144	119
Interest on pension provision	133	119
Expected return on plan assets	-164	-161
Amortization of unrecognized actuarial gains(-)/losses(+)	1	12
Expenses for prior-year service	-8	-7
Immediate recognition in accordance with IAS 19	15	–
Change in terms and conditions	-7	–
Employees' own contribution	-62	-41
Pension expenses – defined-benefit plans	**52**	**41**
Pension expenses – defined-contribution plans	89	92
Total pension expenses	**141**	**133**

Defined-benefit pension schemes, cont.	2009	2008
SPECIFICATIONS		
Pension obligations		
Opening balance	3 809	3 080
Change in terms and conditions	-7	–
Pensions vested during the year	144	119
Interest expense	133	119
Benefits paid	-273	-186
Acquired/divested subsidiaries	51	-9
Settlement of pension obligations	-1	–
Actuarial gains (-)/losses (+)	-91	-64
Currency translation differences	-196	750
Closing balance	**3 569**	**3 809**
Plan assets		
Opening balance	3 416	3 018
Expected return on plan assets	164	161
Funds contributed	141	118
Benefits paid	-254	-177
Acquired/divested subsidiaries	52	–
Actuarial gains (+)/losses (–)	114	-406
Currency translation differences	-183	702
Closing balance	**3 450**	**3 416**
Return on plan assets		
Expected return on plan assets	164	161
Actuarial gains (+)/losses (–)	114	-406
Actual return on plan assets	**278**	**-245**
Provision for pensions		
Opening balance	436	418
Pension expense, defined-benefit schemes	113	77
Funds contributed	-141	-118
Benefits paid	-19	-9
Expenses for prior-year service	-8	-7
Acquired/divested subsidiaries	-1	-9
Currency translation differences	-12	84
Closing balance	**368**	**436**
Actuarial gains/losses		
Opening balance, actuarial gains (-)/losses (+)	18	331
Amortisation during the year	-1	-12
Pension obligations, actuarial gains (-)/losses (+)	91	64
Plan assets, actuarial gains (-)/losses (+)	114	-406
Other gains and losses	8	11
Acquired/divested companies	-6	2
Currency translation differences	-6	28
Closing balance, actuarial gains (-)/losses (+)	**218**	**18**
Unrecognized expenses for prior-year service		
Opening balance	25	25
Recognized this year	-8	-7
Unrecognized this year	0	1
Currency translation differences	-1	6
Closing balance	**16**	**25**

Defined-benefit pension schemes, cont.	2009	2008
Unrecognised assets according to IAS 19		
Opening balance	–	–
Unrecognized during the year	15	–
Currency translation differences	0	–
Closning balance	**15**	**–**
Acquired subsidiaries		
Increase in pension obligations (+)	51	–
Increase in plan assets (–)	-52	–
Total, net	**-1**	**–**

Defined-benefit pension schemes, cont.	2009	2008
Divested subsidiaries		
Decrease in pension obligations (–)	–	-9
Change in actuarial gains (–)/losses(+)	–	2
Total, net	**–**	**-7**
Fair value of plan assets		
Equities and similar financial instruments	931	775
Interest-bearing securities, etc.	2 027	2 152
Real estate	492	489
Total	**3 450**	**3 416**

NOTE 4B. Remuneration to senior executives

Pursuant to resolutions by the Annual General Meeting, the Chairman of the Board and Board members were paid remuneration totalling 2 075 000 SEK (2 425 000). The Chairman of the Board received 650 000 SEK and other Board members 350 000 SEK each. The Chief Executive Officer of Hexagon AB did not receive any director fees. In addition to ordinary director fees, remuneration is paid for work on committees. The chairman of the Remuneration Committee received 75 000 SEK and each member received 50 000 SEK. The chairman of the Audit Committee received 150 000 SEK and each member received 100 000 SEK. No Board member received any remuneration in addition to director fees.

Remuneration to the President and Chief Executive Officer, as well as other senior executives, comprises basic salary, variable remuneration, other benefits and pension. Other senior executives are William Gruber, President Hexagon Metrology (Vice President Hexagon AB from April 1, 2010), Håkan Halén, Chief Financial Officer, Frederick London, General Counsel, Bo Pettersson, Chief Technical Officer and Gert Viebke, Vice President of Strategy. Gert Viebke has left his position in February 2010. Variable remuneration is based on the group's profitability. During 2009 CEO and other senior executives resigned from variable remuneration due to the fact that the Group started a cost reduction program.

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

REMUNERATION AND OTHER BENEFITS DURING THE YEAR

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

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

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. Pension premiums for four of the other senior executives are 20–25 per cent of pensionable salary and for the fifth senior executive 7 per cent of pensionable salary. Pensionable salary means basic salary.

SEVERANCE PAY

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

FINANCIAL INSTRUMENTS

Stock option plans, Leica Geosystems

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

Because the value of the additional bid premium stated above is not considered to correspond to remuneration for services, it has been regarded as a portion of the acquisition value of Leica Geosystems. Thus the expenses for the employee stock options in the Hexagon Group comprise the expense originally calculated regarding the services to which the benefits were considered to correspond at the date of allotment. These employee stock options are charged against the income statement until the earliest possible exercise date pursuant to the original calculation. For 2009, this expense was 2 MSEK (6).

The Chief Executive Officer and other senior executives (five people) do not participate in this stock option plan.

WARRANTS	Exercise period, until	Number of options/warrants	Number of subscription-qualifying shares in Hexagon to be received free of charge	To receive in cash less exercise price per Hexagon share	Share price on exercise
Warrant plan in Leica Geosystems					
Opening balance 2009	2010-04-07	503	7 545	193.59	
	2009-04-08	438	6 570	145.78	
	2011-04-08	2 568	38 520	134.55	
	2012-04-08	10 816	162 240	65.76	
Total opening balance 2009		**14 325**	**214 875**	**85.03**	
Changes in 2009					
Warrants exercised for cash		-375			88.00
Warrants exercised for cash and Hexagon shares		-10 468			60.00
Forfeited warrants		-142			
Closing balance 2009	2010-04-07	100	1 500	182.80	
	2011-04-08	400	6 000	127.06	
	2012-04-08	2 840	42 600	62.10	
Total closing balance 2009		**3 340**	**50 100**	**73.49**	

Stock option plan, Hexagon AB

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

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

As a consequence of the distribution of the shares in HexPol AB in June 2008, the number of subscription-qualifying shares was adjusted to be 1.04 per warrant and the exercise price to 170.20 SEK per share.

	Exercise period, until	Number of options	Number of subscription-qualifying shares in Hexagon	To be paid in cash per subscribed Hexagon share
Warrant plan in Hexagon AB				
Opening balance 2009	2012-01-02	1 391 000	1 446 640	170.20
Closing balance 2009	**2012-01-02**	**1 391 000**	**1 446 640**	**170.20**

WARRANTS, 31 December 2009	Warrants in Leica Geosystems		Warrants in Hexagon AB	
	Number	Acquisition price (CHF)	Number	Acquisition price (SEK)
CEO	–	–	–	–
Other senior executives (five people)	–	–	140 000	2 800 000
Other employees	3 340	–	1 251 000	25 020 000
Total	**3 340**	**–**	**1 391 000**	**27 820 000**

Upon full exercise of outstanding warrant programs, dilution would be 1.0 per cent of the share capital and 0.7 per cent of the voting rights.

NOTE 5. Other operating revenues and operating expenses

	Group		Parent Company	
	2009	2008	2009	2008
Operating revenues				
Capital gains on divestment of fixed assets	1	7	–	–
Exchange rate gains	88	6	–	–
Government Grants	4	–	–	–
Other	46	71	–	–
Total	**139**	**84**	**–**	**–**
Operating expenses				
Exchange rate losses	114	–	–	–
Acquisition costs	–	9	–	–
Government grants	-4	–	–	–
Other	79	37	–	–
Total	**189**	**46**	**–**	**–**

NOTE 6. Remuneration of the Group's auditors

	Group		Parent Company	
	2009	2008	2009	2008
Auditing				
Ernst & Young	19	19	1	1
Other	1	1	–	–
Total	**20**	**20**	**1**	**1**
Assignments other than auditing				
Ernst & Young	2	2	–	–
Other	6	13	–	–
Total	**8**	**15**	**–**	**–**

NOTE 7. Non-recurring items

Business area		**2009**	**2008**
Hexagon Measurement Technologies	Restructuring costs	-175	-100
Other operations	Restructuring costs	–9	–
Total		**-184**	**-100**

Function	**2009**	**2008**
Cost of goods sold	-51	-34
Sales Expenses	-50	-22
Administration Expenses	-34	-37
Research and Development Expenses	-10	-7
Other operating expense	-39	-
Total	**-184**	**-100**

NOTE 8. Government Grants

During 2009 several of the subsidiaries within the group have received government grants. In the table below is shown how the grants are allocated to functions.

Function	**2009**
Cost of goods sold	97
Sales Expenses	34
Administration Expenses	6
Research and Development Expenses	4
Other operating income	4
Other operating expense	4
Total	**149**

Government Grants for 2008 were significant lower than for 2009 and are not specified separately.

NOTE 9. Earnings from financial investments

	Group		Parent Company	
	2009	2008	2009	2008
Earnings from shares in Group companies				
Dividend from subsidiaries	–	–	549	1 679
Capital gain	–	–	–	9
Total	**–**	**–**	**549**	**1 688**

	Group		Parent Company	
	2009	2008	2009	2008
Earnings from shares in associated companies				
Share in associated company earnings	-2	1	–	–
Total	-2	**1**	**–**	**–**
Interest income				
Interest income, bank accounts	9	36	4	10
Interest income, inter-company receivables	–	–	143	248
Total	**9**	**36**	**147**	**258**
Interest expense				
Interest expense, inter-company liabilities	–	–	-26	-114
Interest expense on financial liabilities valued at accrued acquisition value	- 148	-336	-131	-322
Exchange rate differences	–	–	-211	-11
Other financial expenses	-19	-19	-9	-8
Total	**-167**	**-355**	**-377**	**-455**

NOTE 10. Income Taxes

	Group	
	2009	2008
Tax on earnings for the year		
Income tax	-198	-243
Total current tax	**-198**	**-243**
Deferred tax on earnings for the year	10	-27
Share of tax in associated companies	0	0
Total tax on earnings for the year	**-188**	**-270**

Non-accounted deferred Parent Company tax liabilities for untaxed reserves amount to – MSEK (–).

DEFERRED TAX

Deferred tax, meaning the difference between, on the one hand, income tax actually recognized as current tax in current and prior-year income statements and, on the other hand, the income tax the company will finally be charged as a consequence of business conducted in the current and prior financial years amounted to:

	Group	
	2009	2008
Deferred tax assets (liabilities) comprise:		
Fixed assets	-763	-660
Inventories	120	146
Customer receivables	5	4
Provisions	35	43
Hedge of net assets in foreign subsidiaries	489	602
Other	-54	-108
Unutilised loss carry-forwards and similar deductions	653	651
Less items not satisfying criteria for being recognized as assets	-304	-422
Total	**181**	**256**
According to the balance sheet:		
Deferred tax assets	590	587
Deferred tax liabilities	-409	-331
Total, net	**181**	**256**

Unutilized loss carry-forwards and similar deductions not satisfying criteria for being recognized as assets have not been recognized at any value. Deferred tax assets that depend on future taxable surpluses have been valued on the basis of both historical and forecast future taxable earnings. Hexagon is striving for a corporate structure that enables tax exemption when companies are divested and favourable taxation of dividends within the Group. However, certain potential taxes on dividends and divestments remain within the Group. The principal internal interface pertaining to potential income tax consequences from share divestments is the American company Brown & Sharpe International Capital Corporation's ownership of the Swiss company Tesa SA. With respect to dividends, the principal internal interface is between the Group's Chinese companies and owning company in the US.

Reconciliation of the year's change in current and deferred tax assets/liabilities	Group	
	2009	2008
DEFERRED TAXES		
Opening balance, net	**256**	**-176**
Change via income statement:		
Deferred tax on earnings	-14	-32
Change in reserve for deductions not satisfying criteria for being recognized as assets	66	-7
Change in tax rates and items pertaining to prior years	-42	12
Total	**10**	**-27**

Reconciliation of the year's change in current and deferred tax assets/liabilities, cont.	Group	
	2009	2008
Change via acquisitions and divestments	-2	-4
Changes recognized in Other comprehensive income, etc.	-113	607
Translation difference	30	-144
Closing balance, net	**181**	**256**
CURRENT TAXES		
Opening balance, net	**-152**	**-225**
Change via income statement:		
Current tax on earnings	-194	-281
Items pertaining to prior years	-4	38
Total	**-198**	**-243**
Change via acquisitions and divestments	3	5
Payments, net	248	344
Translation difference	5	-33
Closing balance, net	**-94**	**-152**

The Group's unutilized loss carry-forwards and similar deductions mature as follows:	Group 2009
Year	
2010	12
2011	0
2012	4
2013	6
2014 and later	451
Indefinitely	1 895
Total	**2 368**

The difference between nominal Swedish tax rate and effective tax rate arises as follows:	Group	
	2009	2008
Earnings before tax	**1 442**	**2 129**
Tax pursuant to Swedish nominal tax rate	**-379**	**-596**
Difference in tax rates in foreign businesses	201	280
Revaluation of loss carry-forwards, etc.	66	-7
Non-deductible expenses	-75	-43
Non-taxable revenue	37	50
Change in tax rates, etc.,	-38	46
Tax, income statement	**-188**	**-270**

NOTE 11. Acquisitions and divestments of subsidiaries

NET ASSETS IN ACQUIRED SUBSIDIARIES EXCLUDING ACQUIRED CASH AND BANK BALANCES

The market value of assets and liabilities in subsidiaries taken over and total cash flow from acquisitions is divided as follows:

	2009	2008
Goodwill	21	583
Other intangible fixed assets	20	206
Tangible fixed assets	7	32
Financial fixed assets	2	-3
Current receivables, inventories, etc.	35	221
Cash and cash equivalents	–	73
Provisions	133	-53
Long-term liabilities	3	-19
Current liabilities, etc.	1	-169
Net assets	**222**	**871**
Acquisition price	67	859
Acquisition cost	4	15
Total acquisition expenditure	**71**	**874**
Less cash and cash equivalents in acquired Group companies	–	-73
Less unpaid transaction costs	–	-2
Less unpaid portion of acquisition price	–	-114
Plus payment of unpaid acquisition costs from prior years	1	2
Plus payment of unpaid portion of acquisition price from prior years	132	90
Plus payment for Leica Geosystems	18	21
Cash flow from acquired Group companies, net	**222**	**798**

NET ASSETS IN DIVESTED SUBSIDIARIES EXCLUDING DIVESTED CASH AND BANK BALANCES

Market value of transferred assets and liabilities of subsidiaries and the total cash flow from divestments is divided as follows:

	2009	2008
Goodwill	–	1 094
Other intangible fixed assets	–	14
Tangible fixed assets	–	722
Financial fixed assets	–	1
Current receivables, inventories, etc.	–	789
Cash and cash equivalents	–	220
Provisions	–	-29
Long-term liabilities	–	-1 406
Current liabilities, etc.	–	-525
Net assets	**–**	**880**
Dividend to parent company's shareholders	**–**	**880**
Total sales revenue	**–**	**-**
Less cash and cash equivalents in divested units	–	-220
Cash flow from divested Group companies, net	**–**	**-220**

Most of the acquisition analyses pertaining to the year's acquisitions have been finalized. However, the acquisition analyses pertaining to a few of the acquisitions may require calibration during 2010, although only by minor amounts. The acquired companies apply IFRS as of the acquisition date, although the accounting norms previously applied are usually based on local legislation and/or tax legislation. Accordingly, historical figures are not comparable with the financial results reported after the acquisition. For this reason, Hexagon does not issue any estimates of what the Hexagon Group's earnings and financial position would have been if the acquisitions had occurred at the beginning of the year or any similar information. Since each acquisition in 2008 and 2009 was insignificant in size, all acquisitions are reported in summary. The only divestment made during 2008 and 2009 was the distribution of the shares in Hexpol to Hexagon's shareholders in 2008.

NOTE 12. Intangible and tangible fixed assets

GROUP

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

2008	Capitalized development expenses	Patents and trademarks	Goodwill	Other intangible fixed assets	Total
Acquisition value, opening balance	1 367	3 255	9 737	1 053	15 412
Translation differences	298	918	1 509	121	2 846
Investments	613	–	–	20	633
Investments via acquisitions of subsidiaries	1	78	583	127	789
Sales/disposals	-157	–	–	0	-157
Sales via divestments of subsidiaries	-17	–	-1 118	-11	-1 146
Reclassification	26	–	1	-1	26
Acquisition value, closing balance	**2 131**	**4 251**	**10 712**	**1 309**	**18 403**
Amortization, opening balance	-408	-61	-214	-212	-895
Translation differences	-48	-23	1	-40	-110
Amortization for the year	-293	-29	–	-96	-418
Sales/disposals	50	–	–	0	50
Sales via divestments of subsidiaries	11	–	23	4	38
Reclassification	-12	–	–	0	-12
Amortization, closing balance	**-700**	**-113**	**-190**	**-344**	**-1 347**
Impairments, opening balance	-294	–	–	-72	-366
Translation differences	-51	–	–	3	-48
Impairments for the year	-4	–	–	–	-
Sales/disposals	194	–	–	–	194
Impairments, closing balance	**-155**	**–**	**–**	**-69**	**-224**
Carrying value	**1 276**	**4 138**	**10 522**	**896**	**16 832**

Capitalized expenditure on research and development pertains mainly to software for sale.
With the exception of goodwill, the right to use the name "Leica" is the largest value in terms of intangible fixed assets. This right is not subject to amortization.
At 31 December 2009, trademarks accounted for 3 186 (3 573) MSEK of the total carrying value of patents and trademarks.
Other intangible fixed assets primarily consist of customer bases identified upon acquisitions.

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

2008	Buildings	Land and other real estate	Machinery and other technical plants	Equipment, tools and installation	Construction in progress and suppliers advances	Total
Acquisition value, opening balance	1 135	220	2 441	611	80	4 487
Translation differences	139	40	273	52	2	506
Investments	49	9	224	69	36	387
Investments via acquisitions of subsidiaries	35	–	0	13	–	48
Sales/disposals	-4	-3	-25	-12	–	-44
Sales via divestments of subsidiaries	-300	-36	-905	-167	-77	-1 485
Reclassification	61	6	10	-96	-21	-40
Acquisition value, closing balance	**1 115**	**236**	**2 018**	**470**	**20**	**3 859**
Depreciation, opening balance	-374	-10	-1 465	-361	–	-2 210
Translation differences	-41	0	-189	-26	–	-256
Investments via acquisitions of subsidiaries	-16	–	–	–	–	-16
Depreciation for the year	-44	-3	-177	-73	–	-297
Sales/disposals	2	0	20	12	–	34
Sales via divestments of subsidiaries	105	6	521	130	–	762
Reclassification	-13	–	-4	44	–	27
Depreciation, closing balance	**-381**	**-7**	**-1 294**	**-274**	**–**	**-1 956**
Carrying value	**734**	**229**	**724**	**196**	**20**	**1 903**

The taxable value of properties in Sweden was 13 MSEK (10) for buildings and 9 MSEK (6) for land.

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

2008	Patents and trademarks	Buildings	Land	Equipment	Total
Acquisition value, opening balance	2	0	0	2	4
Investments	–	–	–	0	0
Acquisition value, closing balance	**2**	**0**	**0**	**2**	**4**
Depreciation, opening balance	-2	0	0	-1	-3
Depreciation for the year	–	–	–	0	0
Depreciation, closing balance	**-2**	**0**	**0**	**-1**	**-3**
Carrying value	**0**	**0**	**0**	**1**	**1**

The taxable value of properties was – MSEK (-) for buildings and – MSEK (-) for land.

	Group	
Amortisation of intangible assets allocated by function:	2009	2008
Cost of goods sold	-3	-4
Sales expenses	-12	-14
Administration expenses	-38	-32
Research and Development expenses	-417	-365
Other operating expenses	-2	-3
Total	**-472**	**-418**

	Group	
Depreciation of tangible assets allocated by function:	2009	2008
Cost of goods sold	-148	-179
Sales expenses	-30	-16
Administration expenses	-48	-60
Research and Development expenses	-24	-15
Other operating expenses	-38	-26
Total	**-288**	**-296**

NOTE 13. Financial fixed assets

	Shares in associated companies		Other long-term securities holdings		Other long-term receivables	
GROUP	2009	2008	2009	2008	2009	2008
Opening balance	20	10	39	11	50	55
Translation differences	-1	0	1	1	-1	1
Investments	–	15	50	29	6	2
Investments via acquisitions of subsidiaries	–	1	–	–	–	–
Sales via divestment of subsidiaries	–	–	–	–	-1	-1
Earnings participations, etc.	-2	1	–	–	–	–
Impairment	–	–	–	-2	–	–
Sales/disposals	-2	-7	-1	–	–	-7
Reclassification	–	–	–	–	-29	–
Closing balance	**15**	**20**	**89**	**39**	**25**	**50**

	Shares in Group companies		Receivables from Group companies		Other financial fixed assets	
PARENT COMPANY	2009	2008	2009	2008	2009	2008
Opening balance	12 137	12 840	5 429	6 076	1	–
Purchases	13	40	–	–	–	1
Divestment	–	–17	–	–	–	–
Increase/decrease in receivables	–	–	–337	–647	–	–
Dividend (shares in Hexpol)	–	–726	–	–	–	–
Closing balance	**12 150**	**12 137**	**5 092**	**5 429**	**1**	**1**

	Group		Parent Company	
OTHER LONG-TERM SECURITIES HOLDINGS	2009	2008	2009	2008
Brilliant Telecommunications Inc.	33	30	–	–
Trimek	7	7	–	–
Navgeocom	49	–	–	–
Others	0	2	–	–
Total	**89**	**39**	**–**	**–**

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

Subsidiaries of Hexagon AB	Corp ID. No.	Reg. Office/Country	No. of shares	Portion of share capital and voting rights, %	Carrying amount 2009	Carrying amount 2008
Leica Geosystems AG	–	Switzerland	32 000	100	10 403	10 390
SwePart AB	556046-3407	Stockholm, Sweden	8 662 500	100	218	218
Hexagon Förvaltning AB	556016-3049	Stockholm, Sweden	200 000	100	206	206
Johnson Industries AB	556099-2967	Örebro, Sweden	3 000	100	133	133
Röomned AB	556394-3678	Stockholm, Sweden	1 439 200	100	100	100
Hexagon Metrology AB	556365-9951	Stockholm, Sweden	1 000	100	78	78
Tecla AB	556068-1602	Stockholm, Sweden	160 000	100	14	14
Kramsten Food and Drink Suppliers AB	556083-1124	Stockholm, Sweden	100 000	100	12	12
NovAtel Inc. [1]	–	Canada	–	–	–	311
Hexagon Acquistion Inc. [1]	–	Canada	1	100	986	675
Hexagon Metrology SrO [2]	–	Czech Republic	1	10	0	0
Other companies, mainly dormant	–	–	–	100	0	0
Total					**12 150**	**12 137**

[1] NovAtel Inc. and Hexagon Acquisition Inc. have been merged during 2009.

[2] Remaining 90 percent of the shares are owned by Hexagon Metrology AB.

NOTE 14. Shares in associated companies

	Type of ownership	Number of shares	Portion of, % Share capital	Portion of, % Voting rights	Portion of sharehold-ers' equity MSEK	Carrying amount Group 2009	Carrying amount Group 2008	Share in associated companies' earnings Before tax 2009	Tax 2009	Before tax 2008	Tax 2008
Outokumpu Nordic Brass AB	Joint venture	10 500	50.0	50.0	10	15	15	0	0	0	0
Point Inc.	Joint Venture	–	–	–	–	–	4	-1	0	2	0
Beamrider Ltd	Joint Venture	50 000	50.0	50.0	0	0	0	0	0	0	0
H&S Server and Laser	Joint Venture	–	50.0	50.0	0	0	1	-1	0	-1	0
Total					**10**	**15**	**20**	**-2**	**0**	**1**	**0**

Outokumpu Nordic Brass AB, corporate identity no. 556499-3979, has its registered office in Valdemarsvik, Sweden.
Point Inc. has its registered office in Kansas, USA. The company has been sold during 2009.
Beamrider Ltd has its registered office in Worcestershire, Great Brittain.
H&S Server and Laser has its registred office in Las Vegas, USA

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

NOTE 15. Receivables

	Status: 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 2009, net of impairment losses							
Other non-current receivables	25	–	–	–	–	–	25
Account receivables	1 896	270	128	74	50	197	2 615
Receivables asssociated companies	15	–	–	–	–	–	15
Other current receivables	199	2	2	0	1	5	209
Total	**2 135**	**270**	**130**	**74**	**51**	**202**	**2 864**
Aging analysis of receivables, 31 December 2008, net of impairment losses							
Other non-current receivables	50	–	–	–	–	–	50
Account receivables	1 959	554	195	159	90	194	3 151
Receivables asssociated companies	10	–	–	–	–	–	10
Other current receivables	289	59	5	0	1	8	362
Total	**2 308**	**613**	**200**	**159**	**91**	**202**	**3 573**

Reserve for doubtful receivables	2009	2008
Opening balance	**165**	**139**
Reserve for anticipated losses	35	65
Adjustment for definitive losses	-17	-35
Recovery of provisions	-9	-18
Acquired/divested companies	–	3
Translation differences	-14	11
Closing balance	**160**	**165**

Trade and other receivables

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

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

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

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

	Group		Parent Company	
	2009	2008	2009	2008
Prepaid expenses and accrued income				
Accrued invoicing	209	122	–	–
Prepaid rent	15	15	1	0
Prepaid insurance	8	8	–	–
Accrued interest income	0	3	–	3
Prepaid products	31	–	–	–
Prepaid acquisition costs	16	6	0	0
Prepaid bank expenses	–	–	15	14
Other items	11	103	2	4
Total	**290**	**257**	**18**	**21**
Accrued expenses and deferred income				
Accrued personnel-related expenses	437	595	3	3
Received goods and services, not invoiced	21	20	–	–
Prepaid service revenues	35	48	–	–
Other prepaid revenues	299	334	–	–
Accrued consultant fees	20	30	–	–
Accrued R&D expenses	14	–	–	–
Accrued royalties	8	–	–	–
Accrued interest expenses	7	76	7	75
Accrued sales commission	60	78	–	–
Accrued installation and training expenses	33	49	–	–
Other items	163	196	3	2
Total	**1 097**	**1 426**	**13**	**80**

NOTE 17. Share capital and number of shares

		Number of shares									
	Par value per share,	Outstanding			Repurchased			Total issued			Share capital
PARENT COMPANY	SEK	Class A	Class B	Total	Class A	Class B	Total	Class A	Class B	Total	MSEK
Opening balance 2008	2	11 812 500	253 537 485	265 349 985	–	–	–	11 812 500	253 537 485	265 349 985	531
New issues – exercise of warrants	2	–	169 785	169 785	–	–	–	–	169 785	169 785	0
Repurchase of shares	2	–	–1 311 442	–1 311 442	–	–1 311 442	–1 311 442	–	–	–	–
Closing balance 2008	**2**	**11 812 500**	**252 395 828**	**264 208 328**	**–**	**–1 311 442**	**–1 311 442**	**11 812 500**	**253 707 270**	**265 519 770**	**531**
Sale of own shares - exercise of warrants	2	–	138 825	138 825	–	138 825	138 825	–	–	–	–
Closing balance 2009	**2**	**11 812 500**	**252 534 653**	**264 347 153**	**–**	**–1 172 617**	**–1 172 617**	**11 812 500**	**253 707 270**	**265 519 770**	**531**

In 2009, the Parent Company used repurchased shares for the redemption of options.
In 2008, the Parent Company effected a new issue and conversion of options to shares.

AVERAGE NUMBER OF SHARES BEFORE AND AFTER DILUTION, THOUSANDS	2009	2008
Average number of shares before dilution	264 284	265 317
Estimated average number of potential shares pertaining to warrants plans	227	451
Average number of shares after dilution	**264 511**	**265 768**

Each A-share entitles the holder to 10 votes and each B-share to 1 vote. All shares entail the same right to share of profits in Hexagon.
For more information on the Hexagon share, reference is made to page 42-45.

NOTE 18. Other provisions

GROUP	Restructuring measures	Warranty provi-sion	Other provisions	Estimated supplementary payments for acquired companies	Total
Closing balance 2007	26	67	92	215	400
Provision	84	37	27	8	156
Present value adjustment	–	–	–	9	9
Increase through acquisition of businesses	–	–	–	91	91
Decrease through divestments of businesses	–	–	-27	–	-27
Payment o f supplementary acquisition considerations	–	–	–	-84	-84
Utilization	-28	-40	-23	–	-91
Reclassification	–	8	-17	-6	-15
Translation difference	13	23	5	33	74
Closing balance 2008	**95**	**95**	**57**	**266**	**513**
Provision	184	74	2	6	266
Present value adjustment	–	–	–	3	3
Increase through acquisition of businesses	–	3	3	–	6
Payments of supplementary acquisition considerations	–	–	–	-147	-147
Utilization	-196	-83	-12	–	-291
Reclassification	3	5	–	–	8
Translation difference	–5	-4	-2	-17	-28
Closing balance 2009	**81**	**90**	**48**	**111**[2]	**330**[1]

[1] Of which, current portion: 265 (339).

[2] Estimated amounts fall due within two years

NOTE 19. Financial risk management and financial instruments

Hexagon is a net borrower and has extensive operations outside Sweden and is therefore exposed to various financial risks. The Group Treasury Policy, approved by the Board, stipulates the rules and limitations for the management of the different financial risks within the Group.

Hexagon's treasury operations are centralized 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. Centralization entails substantial economies of scale, lower financing cost and better control and management of the Group's financial risks. The internal bank has no mandate to conduct independent trading in currencies and interest rate instruments. All relevant exposures are monitored continuously and are reported to the Group Management on a regular basis.

FOREIGN EXCHANGE RISK

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

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

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

Transaction Exposure

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

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

As of 31 December 2009, outstanding foreign exchange derivatives, used for hedging transaction exposure, had a net market value of 9 MSEK (-2). Cash flow hedge accounting is applied and hereby the market value is partly deferred in the hedge reserve in equity to offset the gains/losses on hedged future sales and purchases in foreign currencies. The unrealized result deferred in equity will at unchanged exchange rates affect the income statement during 2010.

FOREIGN EXCHANGE FORWARDS USED FOR HEDGING OPERATING CASH FLOWS

	2010		2011 and later		Total		
Currency	Sold	Bought	Sold	Bought	Sold	Bought	Net
AUD	–	0	–	–	–	0	0
BRL	-4	–	–	–	-4	–	-4
CAD	–	216	–	–	–	216	216
CHF	-66	343	–	–	-66	343	277
DKK	-7	–	–	–	-7	–	-7
EUR	-120	35	–	–	-120	35	-85
GBP	-33	0	–	–	-33	0	-33
HUF	-3	–	–	–	-3	–	-3
JPY	-19	–	–	–	-19	–	-19
NOK	-20	–	–	–	-20	–	-20
PLN	-9	–	–	–	-9	–	-9
SEK	-10	–	–	–	-10	–	-10
SGD	–	66	–	–	–	66	66
USD	-367	7	–	–	-367	7	-360
Total	**-658**	**667**	**–**	**–**	**-658**	**667**	**9**

Translation Exposure – Balance Sheet

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

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

Translation differences from net assets in foreign operations reported in Equity during 2009 were negative, -953 MSEK (3 688), which was partly offset by gains from revaluing loans in non-SEK currencies by 430 MSEK (–2 653).

NET ASSETS PER FOREIGN CURRENCY	2009	Hedging, %	2008	Hedging, %
CHF	9 597	48	10 474	65
USD	3 754	68	3 028	77
CAD	2 653	–	2 354	–
EUR	1 640	–	3 216	41
CNY	717	–	878	–
SGD	390	–	-6	–
DKK	243	–	237	–
Other	1 071	–	1 102	–
Total	**20 065**	**36**	**21 283**	**49**

Translation Exposure – Income Statement

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

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

NET SALES PER CURRENCY	2009	2008
EUR	3 339	4 652
USD	3 302	3 928
CHF	1 362	1 761
CNY	1 098	848
SEK	632	1 205
GBP	463	539
Other	1 615	1 546
Total	**11 811**	**14 479**

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 2009 and 2008 no interest rate derivatives were used in order to manage the interest rate risk.

FINANCIAL INCOME AND EXPENSE 2009	2009	2008
Interest income	9	36
Interest expense	-148	-336
Other financial income and expense	-19	-19
Net	**-158**	**-319**

CREDIT RISK

Credit risk is the risk that counterparts may be unable to fulfil their payment obligations. Financial credit risks 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 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 amortize external debt and therefore the average surplus cash invested with banks is kept as low as possible. Credit risks associated with receivables are addressed in not 15.

Credit risk also includes the risk that customers will not pay receivables that the company has invoiced or intends to invoice. Through a combination of geographical and business segmental diversification of the customers the risk for significant customer credit losses is reduced.

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

LIQUIDITY RISK

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

On 31 December 2009, cash and unutilized credit limits totalled 4 737 MSEK (3 001).

ACCESS TO FUNDS	
Access to funds, 1 January 2009	**3 001**
Change in credit limits	55
Cash flow excluding repayments/borrowing	1 194
Other change in cash and cash equivalents	487
Access to funds, 31 December 2009	**4 737**

Access to funds is defined as unutilized credit facilities plus cash and bank balances.

Dates for re-fixing the interest and capital due dates pertaining to interest-bearing liabilities with related financial instruments, 31 December 2009	Maturing amounts						Total	
	2010		2011–2012		2013 and later			
	Capital	Interest	Capital	Interest	Capital	Interest	Capital	Interest
Liabilities to credit institutions								
Syndicated loan	–	7 171	7 171	–	–	–	7 171	7 171
Bond loan	–	2 000	–	–	2 000	–	2 000	2 000
Other lenders	117	169	48	–	4	–	169	169
Total liabilities to credit institutions	**117**	**9 340**	**7 219**	**–**	**2 004**	**–**	**9 340**	**9 340**
Other interest-bearing liabilities	–	28	9	–	19	–	28	28
Total interest-bearing liabilities	**117**	**9 368**	**7 228**	**–**	**2 023**	**–**	**9 368**	**9 368**

The interest rate columns state the corresponding capital that is subject to interest re-fixing. There were no interest rate derivatives pertaining to borrowing at 31 December 2009.

REFINANCING RISK

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

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

A syndicated loan of 1 000 MEUR, with maturity June 2011, forms the foundation of the Group's financing. The key financial covenant in the syndicated loan is that the ratio between net debt and EBITDA shall be less than 3.5, which was the case as per year-end 2009. Due to the different method for translating net debt and EBITDA ,respectively, to SEK, this ratio is sensitive towards large fluctuations in exchange rates. Net debt is translated into SEK using closing rate while EBITDA is translated using a 12 month rolling average rate. In the short term large movements in exchange rates for important currencies, especially CHF and USD, will have a larger impact on net debt than on EBITDA.

For debt diversification and refinancing risk purposes Hexagon issued a 2 000 MSEK five year bond in November 2009. The bond was placed with a Swedish institutional investor and is not subject to financial covenants.

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 2009 and the effects are expressed on an annualized basis. Earnings in foreign subsidiaries are converted into SEK based on average exchange rates for the period the earnings arise.

During the year there have been very significant changes to the exchange rates of the foreign currencies that have the biggest impact on Hexagon's earnings and net assets, namely USD, EUR , CHF and CNY. The SEK has weakened substantially against all these currencies. Since Hexagon has a majority of the operating earnings denominated in USD, EUR and CNY. This had a positive impact on operating earnings. But the strengthening of the CHF had an adverse effect, since a significant part of the cost and a majority of external debt is denominated in CHF. An isolated change in the exchange rate for SEK by 1 per cent for all assets and liabilities denominated in all foreign currencies would have had an immaterial effect on net income but an effect on equity of 129 MSEK net after the impact of hedging.

During 2009, total net operating earnings from operations in foreign currencies amounted to an equivalent of 1 580 MSEK. An isolated change in the exchange rate for SEK by 1 per cent against all other foreign currencies would have an effect on operating earnings of approximately 16 MSEK.

Based on the average interest fixing period of less than 2 months in the Group's total loan portfolio as of year-end 2009, a simultaneous 1 percentage point change in interest rates in all of Hexagon's funding currencies would entail a pre-tax impact of about 82 MSEK in the coming 12 months earnings.

Currency composition pertaining to interest-bearing liabilities at 31 December 2009	
CHF	49%
USD	28%
SEK	21%
EUR	1%
Other	1%
Total	**100%**

Group's capital structure	2009	2008
Interest-bearing liabilities and provisions	9 816	11 655
Less: interest bearing assets	-1 518	-979
Net Debt	8 298	10 676
Total shareholders' equity	12 484	12 014
Debt/equity ratio	66 %	89%

FINANCIAL INSTRUMENTS

Carrying amount and fair value on 31 December 2009

	2009		2008	
Assets	Carrying amount	Fair value	Carrying amount	Fair value
Other long-term securities holdings	89	89	39	39
Long-term receivables	10	10	34	34
Accounts receivable	2 621	2 621	3 151	3 151
Other current receivables	209	209	362	362
Accrued income	209	209	122	122
Accrued interest	0	0	3	3
Short-term investments	21	21	20	20
Cash and bank balances	773	773	899	899
Derivatives	9	9	–	–
Total	**3 941**	**3 941**	**4 630**	**4 630**

	2009		2008	
Liabilities	Carrying amount	Fair value	Carrying amount	Fair value
Long-term liabilities to credit institutions	9 223	9 223	10 470	10 470
Other long-term interest bearing liabilities	28	28	39	39
Long-term interest-free liabilities	14	14	26	26
Current liabilities to credit institutions	117	117	500	500
Accounts payable	864	864	1 185	1 185
Other current interest-free liabilities	339	339	360	360
Accrued expenses	756	756	968	968
Accrued interest	7	7	76	76
Derivatives	–	–	2	2
Total	**11 348**	**11 348**	**13 626**	**13 626**

All financial assets, apart for derivative instruments, and long-term securities holdings are included in the category "loan receivables and account receivables". Other long-term securities holdings are in the category "Available for sale securities".
All financial liabilities, apart from derivative instruments, are included in the category "financial liabilities valued at accrued acquisition value".
Interest-bearing accounts receivable represent overdue receivables where Hexagon has a legal or contractual right to receive penalty interest from due-date until date of collection. Penalty interest is recorded as income as earned net of amounts not expected to be recovered.
Fair value of long-term interest bearing liabilities is deemed to be the same as the carrying amount in that interest rates are variable and interest margins would be essentially unchanged upon refinancing.
Fair value of derivatives has been determined by means of current market quotes .
Hexagon believes that the fair value of other long-term securities holdings is the same as the carrying value in all material respects, representing acquisition cost, net of any impairment.

NOTE 20. Rented assets

Leasing/rental agreements of an operational nature	Group: Machinery, equipment, etc.	Group: Premises	Parent Company: Machinery, equipment, etc.	Parent Company: Premises
Expenses due for payment in				
2010	51	143	–	3
2011–2014	54	330	–	2
2015 and later	3	88	–	–
Total	**108**	**561**	**–**	**5**

The amounts are un-discounted minimum undertakings pursuant to contract. Costs for leasing/rents for the financial year were 226 MSEK (196).

Leasing/rental agreements of a financial nature	Group: Machinery, equipment, etc.	Group: Premises	Parent Company: Machinery, equipment, etc.	Parent Company: Premises
Expenses due for payment in				
2010	7	1	–	–
2011–2014	4	3	–	–
2015 and later	0	4	–	–
Total	**11**	**8**	**–**	**–**

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

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

NOTE 21. Memorandum items

Pledged assets to credit institutions for loans, bank overdrafts and guarantees	Group 2009	Group 2008	Parent Company 2009	Parent Company 2008
Other	29	20	–	–
Total	**29**	**20**	**–**	**–**

Contingent liabilities	Group 2009	Group 2008	Parent Company 2009	Parent Company 2008
Guarantees in favour of Group companies	–	–	375	392
Letters of credit	158	100	–	–
Other contingent liabilities	81	85	80	85
Total	**239**	**185**	**455**	**477**

NOTE 22. Related-party disclosures

Remuneration of senior executives, meaning both the Board of Directors and management, is presented in Note 4b. The Group's holdings in associated companies and receivables from and liabilities to associated companies are immaterial. There were no significant transactions between Hexagon and its associated companies. Similarly, there were no significant transactions between Hexagon and Melker Schörling AB.

NOTE 23. Events after the balance sheet date

Hexagon estimates that no significant events occurred during the period from the balance-sheet date up to the date upon which the Annual Report was issued.

NOTE 24. Quarterly income statements

	2009 Q 1	2009 Q 2	2009 Q 3	2009 Q 4	2008 Q 1	2008 Q 2	2008 Q 3	2008 Q 4
Net sales	**3 038**	**3 068**	**2 629**	**3 076**	**4 027**	**3 904**	**3 070**	**3 478**
Gross earnings	**1 429**	**1 427**	**1 249**	**1 475**	**1 699**	**1 760**	**1 514**	**1 625**
Sales expenses	-617	-506	-475	-476	-534	-541	-531	-639
Administration expenses	-265	-236	-203	-239	-251	-236	-247	-273
Research and development expenses	-278	-227	-208	-199	-245	-233	-189	-277
Other operating revenues/expenses	-37	-5	-4	-4	-27	-17	-4	93
Share in associated companies' earnings	-2	0	0	0	1	1	0	-1
Operating earnings[1]	**230**	**454**	**359**	**557**	**643**	**734**	**543**	**528**
Interest income/expenses, net	-55	-43	-30	-30	-81	-77	-76	-85
Earnings before tax	**175**	**411**	**329**	**527**	**562**	**657**	**467**	**443**
Tax	-24	-57	-43	-64	-84	-91	-49	-46
Net earnings[2]	**151**	**354**	**286**	**463**	**478**	**566**	**418**	**397**
[1] of which non-recurring items	-175	–	–	-9	–	–	–	-100
[2] of which minority shares	2	2	2	3	2	3	3	4
Earnings include depreciation and impairments of	**-194**	**-185**	**-169**	**-208**	**-178**	**-169**	**-156**	**-216**
Earnings per share, SEK	**0.56**	**1.33**	**1.07**	**1.74**	**1.79**	**2.12**	**1.56**	**1.48**
Earnings per share after dilution, SEK	**0.56**	**1.33**	**1.07**	**1.74**	**1.79**	**2.12**	**1.56**	**1.48**
Average number of shares, thousands	**264 208**	**264 235**	**264 347**	**264 347**	**265 350**	**265 412**	**265 520**	**264 985**
Average number of shares after dilution, thousands	**264 817**	**264 349**	**264 448**	**264 431**	**265 733**	**265 792**	**265 939**	**265 607**
Operating earnings (EBIT1)	**405**	**454**	**359**	**566**	**643**	**734**	**543**	**628**
Operating earnings (EBIT1) per share, SEK	**1.53**	**1.72**	**1.36**	**2.14**	**2.42**	**2.77**	**2.05**	**2.37**

Quarterly figures are not examined by the company's auditors.

Proposed Allocation of Earnings

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

– Premium reserve	1 980 275
– Earnings brought forward from previous year	1 337 830
– Group contribution, net after tax	19 139
– Net earnings	363 296
Total	**3 700 540**

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

– That a cash dividend of 1.20 SEK per share be paid to shareholders

In the following manner:

– That the cash dividend to shareholders be paid via retained earnings	317 217*
– Balance remaining in the premium reserve	1 980 275
– Carried forward	1 403 048
Total	**3 700 540**

*The amount is based on the number of shares issued and outstanding on 31 December 2009, namely 264 347 153.

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and generally accepted accounting principles, respectively, and give a true and fair view of the financial position and earnings of the Group and the company, and that the Directors' Report for the Group and the company give a fair review of the development of the operations, financial position and earnings of the Group and the company and describes substantial risks and uncertainties that the Group companies face.

Stockholm, Sweden, 26 March 2010

Melker Schörling
Chairman

Mario Fontana
Member of the Board

Ulf Henriksson
Member of the Board

Gun Nilsson
Member of the Board

Ola Rollén
Member of the Board
President and Chief Executive Officer

Our Audit Report was submitted on 26 March 2010

ERNST & YOUNG AB

Hamish Mabon
Authorized Public Accountant

Audit Report

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the managing director of Hexagon AB for the year 2009. The company's Annual Report is included in the printed version of this document on pages 56–92. The Board of Directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

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

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

Stockholm, Sweden, 26 March 2010

ERNST & YOUNG AB

Hamish Mabon
Authorized Public Accountant

Definitions

FINANCIAL DEFINITIONS

Annual net sales growth
Percentage change in net sales on previous year.

Capital employed
Total assets less non-interest-bearing liabilities.

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

Cash flow
Cash flow from operating activities after change in working capital.

Cash flow per share
Cash flow from operating activities after change in working capital divided by average number of shares.

Dividend payout ratio
Dividend per share divided by earnings per share.

Dividend yield
Dividend per share as a percentage of share price.

Earnings per share
Net earnings, excluding minority interests, divided by average number of shares.

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

Enterprise value
Market capitalisation less interest-bearing liabilities plus cash and bank balances.

Equity ratio
Shareholders' equity including minority interests as a percentage of total assets.

Interest cover ratio
Earnings after financial items plus financial expenses divided by financial expenses.

Investments
Purchases less sales of tangible and intangible fixed assets excluding those included in acquisitions and divestitures of subsidiaries.

Net debt/equity ratio
Interest-bearing liabilities less liquid assets and short-term interest bearing receivables divided by shareholders' equity excluding minority interests.

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.

P/E ratio
Share price divided by earnings per share.

Profit margin before tax
Earnings after financial items as a percentage of net sales for the year.

Return on capital employed
Twelve months to end of period earnings after financial items, excluding non-recurring items, plus financial expenses as a percentage of twelve months to end of period average capital employed.

Return on capital employed excluding goodwill amortisation
Twelve months to end of period earnings after financial items, excluding non-recurring items, plus financial expenses and goodwill amortisation as a percentage of twelve months to end of period average capital employed.

Return on equity
Twelve months to end of period net earnings excluding minority interests as a percentage of twelve months to end of period average shareholders' equity excluding minority interests.

Return on equity excluding goodwill amortisation
Twelve months to end of period net earnings excluding minority interests and goodwill amortisation as a percentage of twelve months to end of period average shareholders' equity excluding minority interests.

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

Share of risk-bearing capital
The total of shareholders' equity including minority interests and tax provisions as a percentage of total assets.

Share price
Last settled transaction on the NASDAQ OMX Stockholm on the last business day for the year.

BUSINESS DEFINITIONS

Americas
North, South and Central America, and the Caribbean islands.

Asia
Asia, Australia and New Zealand.

CAD
Computer Aided Design.

CMM
Coordinate Measuring Machine.

EMEA
Europe, Middle East and Africa.

GIS
Geographical Information System.

GLONASS
Global'naya Navigatsionnaya Sputnikovaya Sistema.

GNSS
Global Navigation Satellite System.

GPS
Global Positioning System.

HDS
High Definition Surveying (3D laser scanning).

Micrometre
One millionth of a metre, one thousandth of a millimetre.

OEM
Original Equipment Manufacturer.

TPS
Terrestrial Positioning System (Total Station).

Shareholder Information

ANNUAL GENERAL MEETING 2010

The Annual General Meeting will be held on Wednesday 5 May 2010 at 17:00 CET at IVA, Grev Turegatan 16, Stockholm, Sweden.

Shareholders who wish to participate at the Annual General Meeting must be registered in the share register maintained by Euroclear Sweden AB (formerly VPC AB) no later than 28 April 2010. Notification of attendance should be made no later than 12:00 CET on 29 April 2010.

Notification of attendance can be done by filling out a form at Hexagon's website or alternatively:

- By post to Hexagon AB head office
- By e-mail to bolagsstamma@hexagon.se
- By telephone to +46 8 601 26 20
- By fax to +46 8 601 26 21

To be eligible to participate in the Annual General Meeting, share holders with nominee-registered holdings should temporarily register their shares in their own names through the agency of their nominees so that they are recorded in the share register in good time before 28 April 2010.

Applications should state the shareholder's name, personal/corporate identity number, address and telephone number. Shareholders wishing to be represented by proxy should send a power-of-attorney to Hexagon before the Annual General Meeting.

DIVIDEND

The Hexagon Board of Directors proposes a dividend for the financial year 2009 of 1.20 SEK per share.

The Board proposes 10 May 2010 as the record date for the payment of dividends. First day of trade excluding right to dividend is 6 May 2010. Dividends should be in the possession of shareholders by 14 May 2010, assuming that the Annual General Meeting approves the Board's motion.

FINANCIAL INFORMATION 2010

Hexagon will issue financial information concerning financial year 2010 on the following dates:

Annual General Meeting 2010	5 May 2010
Interim Report Q1	5 May 2010
Interim Report Q2	5 August 2010
Interim Report Q3	28 October 2010
Year-End Report	February 2011

Financial information is available on www.hexagon.se
If you have any questions, please contact:

Investor Relations
Hexagon AB
P. O. Box 3692
SE-103 59 Stockholm
Sweden
Telephone +46 8 601 26 27
E-mail ir@hexagon.se

ADDRESS

Hexagon AB
Registered Office: Stockholm, Sweden
Corp. Reg. No. 556190-4771

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

Visiting address: Lilla Bantorget 15

Telephone +46 8 601 26 20
Fax +46 8 601 26 21
E-mail info@hexagon.se
www.hexagon.se

Cover: Hong Kong's skyline seen from Victoria Peak at an altitude of 552 metres.

Production: Hexagon AB in cooperation with Prinfo I&N and Wildeco.
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Photos of Board of Directors and Group Management: Johan Olsson, Howard Brundrett. Photo cover: Samuel C.H. Louie.
Photos of products and operations: ESA, Farouk Kadded, BSF Swissphoto AG, MTU Aero Engine, University of Calgary, Skidmore, Owings & Merrill LLP, Hexagon's subsidiaries, Alan Becker, Paul Chesley, Getty Images, iStockphoto.

Hexagon is a leading global supplier of systems for measuring objects in one, two or three dimensions.

Measurement technology is used everywhere, from mapping of large land areas to precision measurements of components in the manufacturing sector.

The measurement systems we offer are able to measure with very high precision, providing rapid access to large quantities of measurement data. This results in increased efficiency and productivity, improved quality and significant material and cost savings.

Hexagon serves customers in nearly every business sector in every region of the world. The demand for measurement technologies is rising in part due to investments in infrastructure and industries among the world's emerging economies.

Our vision is to be a market leader. Our strategy is to be the most cost efficient and innovative supplier, with the industry's best management and very short and rapid decision-making processes.

Hexagon has more than 7 500 employees in 39 countries and net sales of approximately 12 000 MSEK.

B-shares are quoted on the NASDAQ OMX Stockholm and the SWX Swiss Exchange.

HEXAGON

POSTAL ADDRESS: Box 3692, 103 59 Stockholm, Sweden.
VISITING ADDRESS: Lilla Bantorget 15, Telephone: +46 8 601 26 20 Fax: +46 8 601 26 21
info@hexagon.se, www.hexagon.se