



# Year-end Report

1 JANUARY – 31 DECEMBER 2010

## FOURTH QUARTER 2010

- Order intake increased by 20<sup>1)</sup> per cent
- Net sales increased by 24<sup>1)</sup> per cent to 4,638 MSEK (3,076)
- Operating earnings (EBIT 1) amounted to 969 MSEK (566)
- Earnings before taxes, excluding non-recurring items<sup>2)</sup> amounted to 841 MSEK (536). Including these items, earnings before taxes amounted to -463 MSEK (527)
- Net earnings, excluding non-recurring items<sup>2)</sup> amounted to 690 MSEK (470). Including these items, net earnings amounted to -438 MSEK (463)
- Earnings per share amounted to -1.43 SEK (1.53). Earnings per share, excluding non-recurring items<sup>2)</sup> amounted to 2.21 SEK (1.55).
- The Board of Directors proposes a dividend of 1.40 SEK per share (1.05)

MSEK	Q4 2010	Q4 2009	Δ%	2010	2009	Δ%
Operating net sales	4,692	3,076	24 <sup>1)</sup>	14,150	11,811	17 <sup>1)</sup>
Revenue adjustment 3)	-54	-	n.a.	-54	-	n.a.
Net sales	4,638	3,076	24 <sup>1)</sup>	14,096	11,811	17 <sup>1)</sup>
Operating earnings (EBIT1)	969	566	71	2,604	1,784	46
Operating margin, %	20.7	18.4	2.2	18.4	15.1	3.3
Earnings before taxes excl. non-recurring items	841	536	57	2,362	1,626	45
Non-recurring items	-1,304	-9	n.a.	-1,304	-184	n.a.
Earnings before taxes	-463	527	n.a.	1,058	1,442	-27
Net earnings	-438	463	n.a.	875	1,254	-30
Earnings per share, SEK	-1.43	1.53	n.a.	2.83	4.13	-31
Earnings per share, excl. non-recurring items, SEK	2.21	1.55	43	6.54	4.65	41

1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

2) Non-recurring items totaling 1,304 MSEK related to the acquisition of Intergraph and impairment in Other Operations.

3) Non-recurring reduction of acquired deferred revenue in 2010 related to the acquisition of Intergraph.

## COMMENTS FROM OLA ROLLÉN, PRESIDENT AND CEO, HEXAGON AB

"Thanks to the accelerating organic growth in the fourth quarter and the recovery throughout the year, Hexagon's core business has recovered to a sales level above its previous peak year 2008. The emerging markets have continued their growth throughout the recession and are some 35 per cent above the 2008 level. The more mature markets still have some 10 per cent to go. The recovery in sales is mainly driven from the expansion in emerging markets. It is therefore impressive that Hexagon MT posts a record operating margin of 22 per cent. The recovery in volume and the improvement in profitability has also been a result of our commitment to continuously invest significant resources in our product portfolio. Intergraph is recorded in our books as from 28 October and has delivered a result that is above our expectations, mainly due to strong demand from the power and energy related markets and a quick implementation of identified cost synergies. For 2011 we will try to speed up the planned launch of the many exciting customer solutions we are developing combining Hexagon with Intergraph."



## GROUP DEVELOPMENT

The fourth quarter of 2010 shows a continued recovery in demand with organic growth in order intake and net sales of 20 and 24 per cent respectively.

The emerging markets continue to grow from already high activity levels. The more mature markets are experiencing stronger growth rates compared to the first half of 2010.

Geosystems, which represents 40 per cent of Group sales in the fourth quarter, records an order intake and net sales organic growth of 7 and 9 per cent, respectively. Metrology which represents 31 per cent of Group sales displays order intake and net sales organic growth of 41 and 47 per cent, respectively. Technology, which represents 3 per cent of sales, displays order intake and net sales organic growth of 3 and 11 per cent, respectively.

Intergraph has contributed with two months of sales in the fourth quarter totalling 1,069 MSEK representing 23 per cent of sales. The revenue from Intergraph is reported as "structure" in the table below. Order intake has and will not be reported for Intergraph due to the special characteristics of software contracts.

## SALES BRIDGE FOURTH QUARTER

MSEK	Order intake <sup>1)</sup>	Net sales
2009	3,145	3,076
Structure, %	-	33
Currency, %	-6	-6
Organic growth, %	20	24
Total, %	14	51
2010	3,596	4,638

1) Excluding Intergraph

## MARKET DEVELOPMENT

All geographic regions are displaying strong double digit organic growth in order intake and net sales. Asia and South America are continuing to display strong growth. North America and Europe have accelerated the recovery from the levels seen in the first half of 2010.

### EMEA

The demand for Hexagon's products and services in EMEA continued to improve in the fourth quarter. The organic growth in order intake and net sales was 25 and 23 per cent, respectively. For the Group's core business, Measurement Technologies (MT), order intake and net sales organic growth were 23 and 21 per cent, respectively. The organic growth in order intake and sales for Other Operations were 54 per cent and 57 per cent, respectively.

The major markets in Western Europe experienced increased activity levels in the fourth quarter backed by improved demand for measurement solutions used in connection to infrastructural investments as well as for equipment used in industrial segments such as automotive and aerospace. Demand in Southern Europe remains weak. Africa, Eastern Europe, Russia and the Middle East continue to grow.

Hexagon expects increased demand in EMEA in 2011.

### AMERICAS

Americas recorded organic growth in order intake and net sales of 18 and 27 per cent, respectively, in the fourth quarter.

Several industries in NAFTA are recovering such as automotive, aerospace, general engineering and governmental projects related to Hexagon's Technology business and Intergraph. Demand was also strong for products related to infrastructural improvements.

Hexagon expects increased demand in NAFTA in 2011.

South America, led by Brazil, showed strong demand for Geosystems, Intergraph as well as Metrology products. The mining and oil exploration activity is increasing and Hexagon is gaining market share in these segments.

Hexagon expects increased demand in South America in 2011.

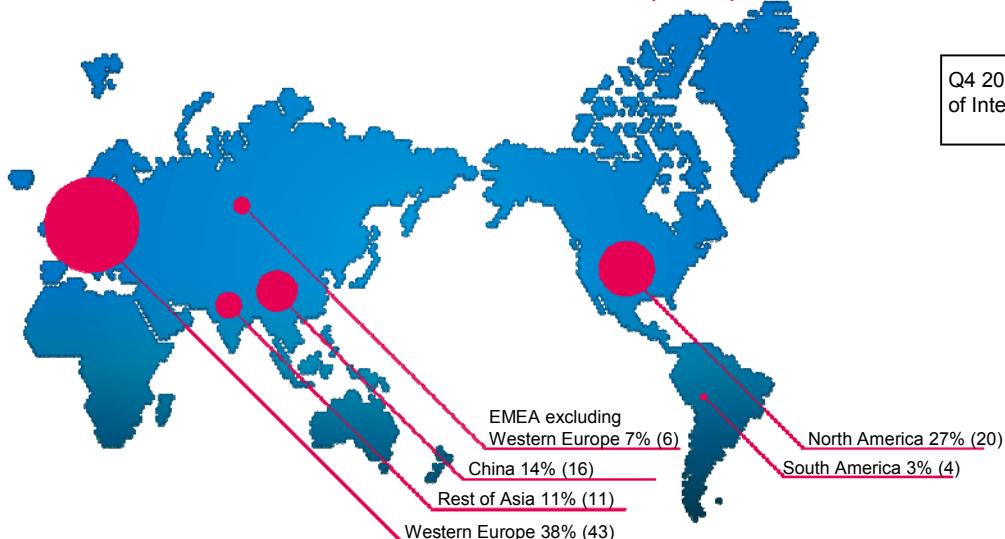
### ASIA

Asia recorded continuous strong organic growth during the fourth quarter. The organic growth in order intake and net sales was 13 and 22 per cent, respectively.

The growth in the region was obtained from infrastructural activities in China, as well as, strong demand from the Chinese and Indian automotive and aerospace industries. In addition to India and China, several other markets and industries in the region are growing, as for example Japan, Australia and parts of Southeast Asia.

Hexagon expects increased demand in Asia in 2011.

## MEASUREMENT TECHNOLOGIES NET SALES PER REGION Q4 2010 (Q4 2009)



## FINANCIAL SUMMARY FOURTH QUARTER

MSEK	Net sales			Earnings		
	Q4 2010	Q4 2009	Δ % <sup>1)</sup>	Q4 2010	Q4 2009	Δ %
Hexagon MT	4,536	2,977	23	982	592	66
Other Operations	156	99	57	5	-15	n.a.
Operating net sales	4,692	3,076	24			
Group cost and eliminations				-18	-11	-64
Operating earnings (EBIT1)				969	566	71
Per cent of net sales				20.7	18.4	2.2
Interest income and expenses, net				-128	-30	-326
Earnings before non-recurring items				841	536	57
Non recurring items	-54			-1,304	-9	n.a.
Net sales	4,638	3,076	24			
Earnings before taxes				-463	527	n.a.
Tax				25	-64	n.a.
Net earnings				-438	463	n.a.

1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

## CURRENCY IMPACT FOURTH QUARTER (AS COMPARED TO SEK)

	Movement <sup>1)</sup>	Income-cost <sup>2)</sup>	Profit impact
CHF	Strengthened ☘	Negative	Negative ☘
USD	Weakened ☗	Positive	Negative ☗
EUR	Weakened ☗	Positive	Negative ☗
CNY	Weakened ☗	Positive	Negative ☗
EBIT1, MSEK			-45

1) Compared to Q4 2009.

2) Net income in currency (positive), net cost (negative).

## NON-RECURRING ITEMS

MSEK	Effects in Q4	Amortised over 5 years
Cash cost 1)	401	132 <sup>4)</sup>
Non-cash cost 2)	649	-
Impairment in Other Operations	254	-
<b>Total</b>	<b>1,304</b>	<b>132</b>
of which revenue adjustment 3)	54	-

1) Restructuring, integration, transaction and refinancing cost related to the Intergraph acquisition.

2) Impairment of overlapping technologies and PPA adjustments.

3) Non-recurring reduction of acquired deferred revenue in 2010.

4) Will be expensed over the life of the financing arrangement.

## ORDER INTAKE– ORGANIC GROWTH BY REGION (HEXAGON MT<sup>1)</sup>)



Order intake growth is strong in all regions. Americas and EMEA display organic growth in order intake of 18 and 23 per cent, respectively. Asia coming from an already high level reports organic growth in order intake of 13 per cent.

1) Excluding Intergraph

## NET SALES – ORGANIC GROWTH BY REGION (HEXAGON MT<sup>1)</sup>)



All regions recorded above 20 per cent organic growth in net sales in the fourth quarter. Asia continues to grow towards new peak levels. Americas and EMEA are above the sales level in 2008, but with a mix shift from mature markets to the emerging markets.

1) Excluding Intergraph

## Q4 NET SALES AND EARNINGS

Operating net sales amounted to 4,692 MSEK (3,076) in the fourth quarter. Using fixed exchange rates and a comparable group structure, order intake increased by 20 per cent and net sales increased by 24 per cent.

Operating earnings (EBIT1) amounted to 969 MSEK (566), which corresponds to an operating margin of 20.7 per cent (18.4). Operating earnings (EBIT1) were negatively affected by exchange rate movements of -45 MSEK.

The financial net amounted to -128 MSEK (-30) in the fourth quarter. The increase is explained by higher interest rates and a higher net debt which is a result from the acquisition of Intergraph.

Earnings before taxes, excluding non-recurring items, amounted to 841 MSEK (536).

Non-recurring items amount to -1,304 MSEK and relates to the Intergraph acquisition and an impairment charge in the business area Other Operations (see table below).

Earnings before taxes, including non-recurring items, amounted to -463 MSEK (527). Earnings were negatively affected by exchange rate fluctuations of -46 MSEK.

Net earnings, excluding non-recurring items, amounted to 690 MSEK (470), or 2.21 SEK (1.55) per share. Net earnings, including these items, amounted to -438 MSEK (463) or -1.43 SEK (1.53) per share.

## FINANCIAL SUMMARY 2010

MSEK	Net sales			Earnings		
	2010	2009	Δ % <sup>1)</sup>	2010	2009	Δ %
Hexagon MT	13,646	11,458	16	2,685	1,905	41
Other Operations	504	353	43	-11	-74	85
<b>Operating net sales</b>	<b>14,150</b>	<b>11,811</b>	<b>17</b>			
Group cost and eliminations				-70	-47	-49
<b>Operating earnings (EBIT1)</b>				<b>2,604</b>	<b>1,784</b>	<b>46</b>
Per cent of net sales				18.4	15.1	3.3
Interest income and expenses, net				-242	-158	-53
<b>Earnings before non-recurring items</b>				<b>2,362</b>	<b>1,626</b>	<b>45</b>
Non recurring items	-54			-1,304	-184	n.a.
<b>Net sales</b>	<b>14,096</b>	<b>11,811</b>	<b>17</b>			
Earnings before taxes				1,058	1,442	-27
Tax				-183	-188	3
<b>Net earnings</b>				<b>875</b>	<b>1,254</b>	<b>-30</b>

1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

## CURRENCY IMPACT 2010 (AS COMPARED TO SEK)

	Movement <sup>1)</sup>	Income-cost <sup>2)</sup>	Profit impact
CHF	Weakened ☰	Negative	Positive ☲
USD	Weakened ☰	Positive	Negative ☰
EUR	Weakened ☰	Positive	Negative ☰
CNY	Weakened ☰	Positive	Negative ☰
EBIT1, MSEK			-148

1) Compared to 2009.

2) Net income in currency (positive), net cost (negative).

## 2010 NET SALES AND EARNINGS

Operating net sales amounted to 14,150 MSEK (11,811). Using fixed exchange rates and a comparable group structure, order intake increased by 22 per cent and net sales increased by 17 per cent.

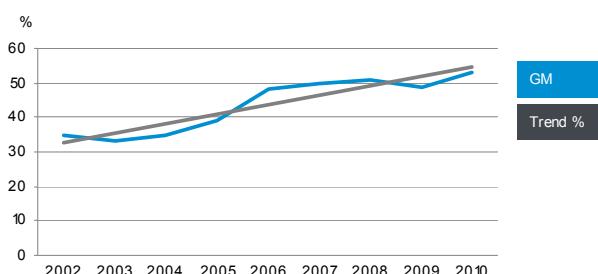
Operating earnings (EBIT1) amounted to 2,604 MSEK (1,784), which corresponds to an operating margin of 18.4 per cent (15.1). Operating earnings (EBIT1) were negatively affected by -148 MSEK from exchange rate movements.

The financial net amounted to -242 MSEK (-158) in the period.

Earnings before taxes, excluding non-recurring items, amounted to 2,362 MSEK (1,626). Earnings before taxes, including non-recurring items, amounted to 1,058 MSEK (1,442). Earnings were negatively affected by exchange rate fluctuations of -145 MSEK.

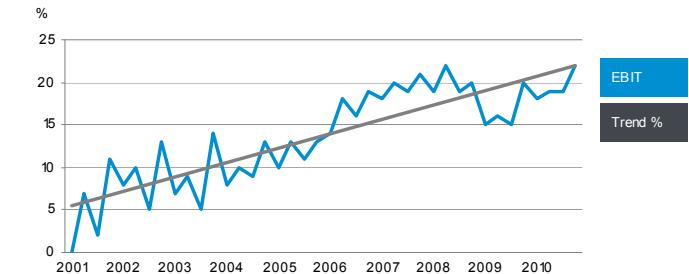
Net earnings, excluding non-recurring items, amounted to 2,003 MSEK (1,412), or 6.54 SEK (4.65) per share. Net earnings, including these items, amounted to 875 MSEK (1,254) or 2.83 SEK (4.13) per share.

## GROSS MARGIN (HEXAGON MT) YEARLY DATA



Product innovations including new technology, lower manufacturing costs and an increasing software content have allowed Hexagon to improve the gross margin from 35 per cent in 2002 to 51 per cent in 2008. In 2009 the gross margin decreased to 49 per cent. In 2010 it improved to 53 per cent.

## OPERATING MARGIN (HEXAGON MT) QUARTERLY DATA



Hexagon improved its operating margin from 5 per cent in 2001 to 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. In the fourth quarter 2010 the margin improved to 21.6 per cent (19.9).



Cognitens WLS400M is a new white light sensor for portable and automated 3D measurement systems. Its innovative LED technology generates highly accurate 3D data.

## PROFITABILITY

Capital employed, defined as total assets less non-interest bearing liabilities, increased to 37,734 MSEK (22,300). Return on average capital employed, excluding non-recurring items, for the last twelve months was 9.3 per cent (7.8). Return on average shareholders' equity for the last twelve months was 6.1 per cent (10.3). The capital turnover rate was 1.1 times (0.5).

## FINANCIAL POSITION

Total shareholders' equity increased to 19,476 MSEK (12,484). The equity ratio amounted to 43 per cent (49). Hexagon's total assets increased to 44,887 MSEK (25,426).

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

On 31 December 2010, cash and unutilised credit limits totalled 4,556 MSEK (4,757). Hexagon's net debt was 16,819 MSEK. The net indebtedness was 0.82 times (0.66). Interest coverage ratio was 3.6 times (9.5).

## CASH FLOW

During the fourth quarter cash flow from operations before changes in working capital increased to 928 MSEK (735), corresponding to 3.00 SEK (2.44) per share. Cash flow from operations in the fourth quarter amounted to 751 MSEK (1,042),

corresponding to 2.42 SEK (3.46) per share. The cash flow was negatively affected by non-recurring items amounting to -401 MSEK (-49). The operating cash flow in the fourth quarter including non-recurring items amounted to 118 MSEK (777).

For the full year, cash flow from operations amounted to 2,483 MSEK (2,621), corresponding to 8.18 SEK (8.69) per share and the operating cash flow after restructuring amounted to 1,195 MSEK (1,610).

## INVESTMENTS, DEPRECIATION AND IMPAIRMENT

Hexagon's net investments, excluding acquisitions and divestitures, amounted to -232 MSEK (-216) in the fourth quarter and -832 MSEK (-821) in the twelve month period. Depreciation, amortisation and impairment amounted to -815 MSEK (-208) in the fourth quarter and -1,455 MSEK (-756) in the twelve month period of which impairments amounted to -601 MSEK (4). The -601 MSEK relate to overlapping technologies in Hexagon and Intergraph and an impairment in Other operations.

## TAX RATE

The Group's tax expense for 2010 totalled -183 MSEK (-188), corresponding to an effective tax rate of 17 per cent (13). The effective tax rate in the fourth quarter was positively affected by the non-recurring costs resulting in a tax credit of 25 MSEK (-64) in the fourth quarter. Excluding these effects the tax rate in the fourth quarter was 18 per cent. The tax rate of Hexagon including Intergraph is estimated to be 18-22 per cent in the next few years.

## EMPLOYEES

The average number of employees in Hexagon during the year was 8,179 (7,549). The number of employees at the end of the

year was 11,992 (7,476). The increase in number of employees is primarily a result from the acquisition of Intergraph.

## SHARE DATA

Earnings per share for the fourth quarter amounted to -1.43 SEK (1.53). Earnings per share for 2010 amounted to 2.83 SEK (4.13). Excluding non-recurring items, earnings per share for the fourth quarter amounted to 2.21 SEK (1.55) and for the full year it amounted to 6.54 SEK (4.65). On 31 December 2010, equity per share was 55.15 SEK (41.23) and the share price was 144 SEK (93). At full exercise of existing stock option programmes, the dilutive effect would be 0.8 per cent of the share capital and 0.8 per cent of the number of votes. Through the rights issue conducted in December the number of shares increased by 88 122 407 of which 3 937 500 shares of series A and 84 184 907 shares of series B. Total number of shares after the rights issue amounts to 353 642 177 shares of which 15 750 000 shares of series A and 337 892 177 shares of series B.

## ASSOCIATED COMPANIES

Associated companies affected Hexagon's earnings during 2010 by 1 MSEK (-2).

## PARENT COMPANY

The parent company's earnings after financial items for 2010 amounted to -1,959 MSEK (302). The solvency ratio of the parent company was 33 per cent (38). The equity was 11,264 MSEK (7,046). Liquid funds including unutilised credit limits were 3,158 MSEK (3,734).

## BUSINESS AREA

### MEASUREMENT TECHNOLOGIES - SALES AND EARNINGS

MSEK	Q4 2010	Q4 2009	Δ%	2010	2009	Δ%
Order intake	3,439	3,043	19 <sup>1)</sup>	13,035	11,512	20 <sup>1)</sup>
Net sales 2)	4,536	2,977	23 <sup>1)</sup>	13,646	11,458	16 <sup>1)</sup>
Operating earnings (EBIT1)	982	592	66	2,685	1,905	41
Operating margin, %	21.6	19.9	1.7	19.7	16.6	3.1

1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

2) Excluding non-recurring effect from revaluation of acquired deferred revenue of -54 MSEK in 2010.

### MEASUREMENT TECHNOLOGIES

Order intake, excluding Intergraph, amounted to 3,439 MSEK (3,043) during the fourth quarter. Net sales amounted to 4,536 MSEK (2,977). Using fixed exchange rates and a comparable group structure, order intake increased by 19 per cent and net sales by 23 per cent.

Operating earnings (EBIT1) amounted to 982 MSEK (592), which corresponds to an operating margin of 22 per cent (20).

The number of employees by the end of the quarter was 11,659 (7,152).

### OTHER OPERATIONS - SALES AND EARNINGS

MSEK	Q4 2010	Q4 2009	Δ%	2010	2009	Δ%
Order intake	157	102	54 <sup>1)</sup>	596	330	81 <sup>1)</sup>
Net sales	156	99	57 <sup>1)</sup>	504	353	43 <sup>1)</sup>
Operating earnings (EBIT1)	5	-15	n.a.	-11	-74	85
Operating margin, %	3.2	-15.2	18.4	-2.2	-21.0	23.2

1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

### OTHER OPERATIONS

Order intake amounted to 157 MSEK (102) during the fourth quarter. Net sales amounted to 156 MSEK (99). Using fixed exchange rates and a comparable group structure, order intake increased by 54 per cent and net sales by 57 per cent.

Operating earnings (EBIT1) amounted to 5 MSEK (-15), which corresponds to an operating margin of 3 per cent (-15).

The number of employees by the end of the quarter was 321 (312).

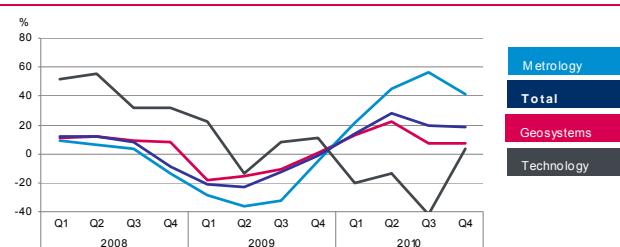
### MEASUREMENT TECHNOLOGIES APPLICATION AREAS

MSEK	Order intake			Net sales		
	Q4 2010	Q4 2009	Δ % <sup>1)</sup>	2010	2009	Δ % <sup>1)</sup>
Geosystems	1,781	1,752	7	7,320	6,860	13
Metrology	1,510	1,143	41	5,194	3,959	40
Technology	148	148	3	521	693	-20
Intergraph	n.a.	-	n.a.	n.a.	-	n.a.
<b>Total Hexagon MT</b>	<b>3,439</b>	<b>3,043</b>	<b>19</b>	<b>13,035</b>	<b>11,512</b>	<b>20</b>

1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

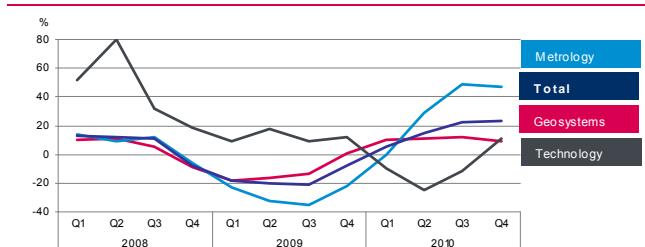
2) Excluding non-recurring effect from revaluation of acquired deferred revenue of -54 MSEK in 2010.

### ORDER INTAKE – ORGANIC GROWTH BY APPLICATION AREA

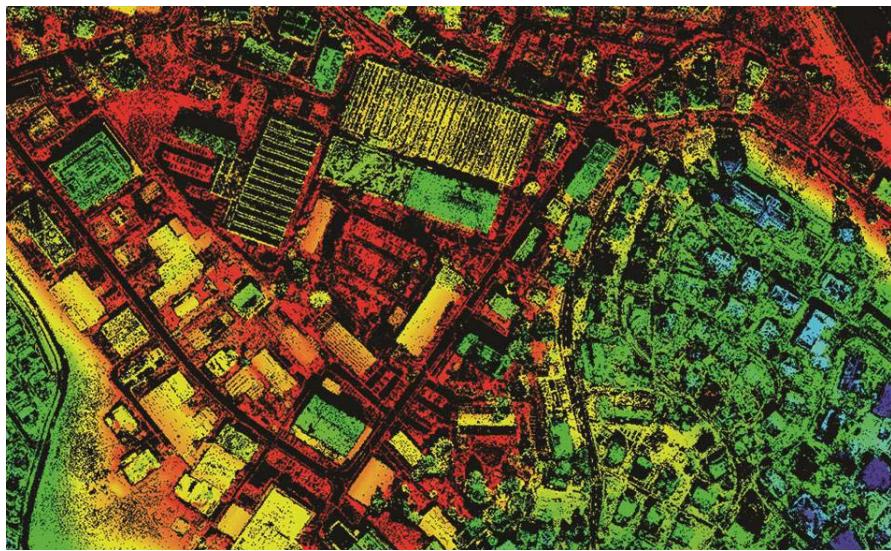


Geosystems has been in a relatively slow but steady recovery since the first quarter of 2009 and is closing in on previous peak numbers. Metrology suffered harder in the recession, but has been displaying a strong recovery.

### NET SALES – ORGANIC GROWTH BY APPLICATION AREA



Geosystems continues to display around 10 per cent growth in net sales. The strong recovery in Metrology continued in the fourth quarter and the application area displays organic sales growth of 47 per cent compared to the corresponding period 2009. Technology reports organic growth of 11 per cent after having reported three consecutive quarters of negative organic growth.



Hexagon's new software "ERDAS 2011" is a comprehensive and interoperable product portfolio designed to help organisations tackle every step of their geospatial processing workflow more efficiently.

The Board of Directors and the President and CEO declare that this year-end report provides a true and fair overview of the company's and the Group's operations, their financial position and performance, and describes material risks and uncertainties facing the company and companies within the Group.

Stockholm, Sweden, 9 February 2011

Hexagon AB (publ)

Melker Schörling  
Chairman of the Board

Mario Fontana  
Board Member

Ulrika Francke  
Board Member

Ulf Henriksson  
Board Member

Gun Nilsson  
Board Member

Ulrik Svensson  
Board Member

Ola Rollén  
President and CEO  
Board Member

This Year-End Report has not been reviewed by the company's auditors.

#### ACCOUNTING PRINCIPLES

Hexagon applies International Financial Reporting Standards (IFRS) as adopted by the European Union. Hexagon's report for the Group is prepared in accordance with IAS 34, "Interim Financial Reporting" and the Annual Accounts Act. Parent company accounts are prepared in accordance with the Annual Accounts Act. Accounting principles and calculation methods are unchanged from those applied in the Annual Report for 2009 with the following exception: the new IFRS 3 Business Combinations, which came into effect on 1 January 2010, has changed how acquisitions are to be accounted and reported, where, among others, transaction expenses are no longer allowed for capitalisation but must be expensed in the income statement as incurred.

#### RISKS AND UNCERTAINTY FACTORS

As an international group, Hexagon is exposed to a number of business and financial risks. The business risks can be divided into strategic, operational and legal risks. The financial risks are related to such factors as exchange rates, interest rates, liquidity, the giving of credit and financial instruments. The execution of the acquisition of Intergraph implies risk. In addition to company-specific risks, the acquired company's relations with customers, suppliers and key personnel may be negatively affected. There is also a risk that integration processes may prove more costly or more time consuming than estimated and that anticipated synergies in whole or in part fail to materialise. Risk management in Hexagon aims to identify, control and reduce risks. This work begins with an assessment of the probability of risks occurring and their potential effect on the Group. For a detailed description of risks and risk management, see the 2009 Annual Report. No significant risks other than the risks referred to above are deemed to be currently relevant.

#### SUBSEQUENT EVENTS

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

#### RELATED PARTY TRANSACTIONS

No significant related party transaction occurred in 2010.

#### ANNUAL GENERAL MEETING 2011

The AGM will be held on 10 May 2011, at 17:00 CET in Stockholm (Oscarsteatern, Kungsgatan 63). The Annual Report for 2010 will be distributed during the week starting 18 April. To participate at the AGM shareholders must be registered in the share register maintained by Euroclear on 4 May. Notification of attendance should be made to Hexagon's head office no later than 12:00 CET on 5 May. To participate in the AGM, shareholders with nominee-registered holdings should temporarily re-register their shares in their own names through the agency of their nominees so that they are recorded in the share register in good time before 4 May.

#### PROPOSED DIVIDEND

The Hexagon Board of Directors proposes a dividend of 1.40 SEK per share (1.05), corresponding to 21 per cent of the earnings per share after tax excluding the effect of non-recurring items.

# Condensed income statement

MSEK	Q4 2010	Q4 2009	2010	2009
Net sales 1)	4,638	3,076	14,096	11,811
Cost of goods sold	-2,183	-1,601	-6,824	-6,231
<b>Gross earnings</b>	<b>2,455</b>	<b>1,475</b>	<b>7,272</b>	<b>5,580</b>
Sales and administration costs, etc.	-2,643	-918	-5,826	-3,978
Earnings from shares in associated companies	0	0	1	-2
<b>Operating earnings 2), 3)</b>	<b>-188</b>	<b>557</b>	<b>1,447</b>	<b>1,600</b>
Interest income and expenses, net 4)	-275	-30	-389	-158
Earnings before taxes	-463	527	1,058	1,442
Taxes	25	-64	-183	-188
<b>Net earnings 5)</b>	<b>-438</b>	<b>463</b>	<b>875</b>	<b>1,254</b>
1) of which effect from revaluation of acquired deferred revenue (included in 2))	-54	-	-54	-
2) of which non-recurring items	-1,157	-9	-1,157	-184
3) including depreciation and write-downs	-815 <sup>6)</sup>	-208	-1,455	-756
4) of which non-recurring items	-147	-	-147	-
5) of which minorities	6	3	17	9
6) in the fourth quarter of 2010 write-downs amounted to -601 MSEK				
Basic earnings per share, SEK	-1.43	1.53	2.83	4.13
Earnings per share after dilution, SEK	-1.43	1.52	2.83	4.13
Total shareholder's equity per share, SEK	55.15	41.23	55.15	41.23
Closing number of shares, thousands	352,150	301,580	352,150	301,580
Average number of shares, thousands	309,845	301,580	303,655	301,509
Average number of shares after dilution, thousands	309,845	301,676	303,677	301,768

# Condensed comprehensive income

MSEK	Q4 2010	Q4 2009	2010	2009
Net earnings	-438	463	875	1,254
Other comprehensive income:				
Exchange rate differences	522	317	229	-953
Effect of hedging of net investments in foreign operations	-96	-66	-266	430
Cash flow hedges, net	-3	-6	2	1
Tax attributable to Other comprehensive income	27	22	70	-113
<b>Other comprehensive income, net of tax</b>	<b>450</b>	<b>267</b>	<b>35</b>	<b>-635</b>
Total comprehensive income for the period	12	730	910	619
Attributable to:				
Parent company shareholders	6	727	893	609
Non-controlling interest	6	3	17	10

# Condensed balance sheet

MSEK	31/12 2010	31/12 2009
Intangible fixed assets	32,235	16,396
Tangible fixed assets	2,457	1,694
Financial fixed assets	182	129
Deferred tax assets	577	590
<b>Total fixed assets</b>	<b>35,451</b>	<b>18,809</b>
Inventories	2,862	2,597
Accounts receivable	4,045	2,630
Other receivables	568	306
Prepaid expenses and accrued income	522	290
<b>Total current receivables</b>	<b>5,135</b>	<b>3,226</b>
Cash and cash equivalents	1,439	794
<b>Total current assets</b>	<b>9,436</b>	<b>6,617</b>
<b>Total assets</b>	<b>44,887</b>	<b>25,426</b>
Attributable to parent company shareholders	19,420	12,433
Attributable to non-controlling interest	56	51
<b>Total shareholders' equity</b>	<b>19,476</b>	<b>12,484</b>
Interest bearing liabilities	16,227	9,251
Other liabilities	215	14
Pension provisions	307	383
Deferred tax provisions	1,884	409
Other provisions	420	65
<b>Total long-term liabilities</b>	<b>19,053</b>	<b>10,122</b>
Other provisions	270	265
Interest bearing liabilities	1,384	117
Accounts payable	1,364	864
Other liabilities	499	477
Accrued expenses and deferred income	2,841	1,097
<b>Total short-term liabilities</b>	<b>6,358</b>	<b>2,820</b>
<b>Total equity and liabilities</b>	<b>44,887</b>	<b>25,426</b>

# Condensed statement of changes in equity

MSEK	31/12 2010	31/12 2009
Opening shareholders' equity as of 1 January	12,484	12,014
Total comprehensive income for the period 1)	910	619
Rights issue, net of issuance cost	6,414	-
Dividend	-329	-148
Effect of acquisitions of subsidiaries	-3	-3
Effect of share-based payments	-	2
Closing shareholders' equity 2)	19,476	12,484
1) of which: Parent company shareholders	893	609
Non-controlling interest	17	10
2) of which: Parent company shareholders	19,420	12,433
Non-controlling interest	56	51

## Number of shares, analysis

	Nominal value, SEK	series A	series B	Total
2008-12-31 Total issued	2	11,812,500	253,707,270	265,519,770
Repurchase	2	-	-1,311,442	-1,311,442
2008-12-31 Total issued and outstanding	2	11,812,500	252,395,828	264,208,328
Options exercised	2	-	138,825	138,825
2009-12-31 Total issued and outstanding	2	11,812,500	252,534,653	264,347,153
Options exercised	2	-	20,070	20,070
Rights issue	2	3,937,500	83,845,572	87,783,072
2010-12-31 Total issued and outstanding 1)	2	15,750,000	336,400,295	352,150,295

1) In January 2011 the issuance of shares subscribed for with subsidiary preferential rights, resulted in an increase of in total 339 335 shares of series B. As per 31 January 2011 there are in total 353 642 177 shares in the company, of which 15 750 000 are of series A with ten votes each and 337 892 177 are of series B with one vote each. Hexagon AB Treasury shares amount to 1 152 547 shares of series B.

# Condensed cash flow statement

MSEK	Q4 2010	Q4 2009	2010	2009
Cash flow from operations before change in working capital	928	735	2,805	2,003
Cash flow from change in working capital	-177	307	-322	618
<b>Cash flow from operations</b>	<b>751</b>	<b>1,042</b>	<b>2,483</b>	<b>2,621</b>
Cash flow from ordinary investing activities	-232	-216	-832	-821
<b>Operating cash flow</b>	<b>519</b>	<b>826</b>	<b>1,651</b>	<b>1,800</b>
Non-recurring cash flow	-401	-49	-456	-190
<b>Operating cash flow after restructuring</b>	<b>118</b>	<b>777</b>	<b>1,195</b>	<b>1,610</b>
Cash flow from other investing activities 1)	-14,726	-137	-14,888	-268
<b>Cash flow after other investing activities</b>	<b>-14,608</b>	<b>640</b>	<b>-13,693</b>	<b>1,342</b>
Dividends paid	-	-	-329	-148
Rights issue	6,490	-	6,490	-
Cash flow from other financing activities	8,697	-402	8,228	-1,327
<b>Change in liquid assets</b>	<b>579</b>	<b>238</b>	<b>696</b>	<b>-133</b>
Cash and cash equivalents, beginning of period	883	551	794	919
Effect of translation differences on cash and cash equivalents	-23	5	-51	8
<b>Cash flow for the period</b>	<b>579</b>	<b>238</b>	<b>696</b>	<b>-133</b>
<b>Cash and cash equivalents, end of period</b>	<b>1,439</b>	<b>794</b>	<b>1,439</b>	<b>794</b>

1) Acquisitions -14,824 MSEK and other -64 MSEK in 2010.

# Key ratios

	Q4 2010	Q4 2009	2010	2009
Operating margin, %	20.7	18.4	18.4	15.1
Profit margin before taxes, %	-10.0	17.1	7.5	12.2
Return on shareholders' equity, %	6.1	10.3	6.1	10.3
Return on capital employed, %	9.3	7.8	9.3	7.8
Equity ratio, %	43.4	49.1	43.4	49.1
Net indebtedness	0.82	0.66	0.82	0.66
Interest coverage ratio	-0.7	18.6	3.6	9.5
Average number of shares, thousands	309,845	301,580	303,655	301,509
Basic earnings per share excl. non-recurring items, SEK	2.21	1.55	6.54	4.65
Basic earnings per share, SEK	-1.43	1.53	2.83	4.13
Cash flow per share, SEK	2.42	3.46	8.18	8.70
Cash flow per share before change in working cap, SEK	3.00	2.42	9.24	6.64
Share price, SEK	144	93	144	93

# Supplementary information

## Order intake

MSEK	Q4 2010	Q3 2010	Q2 2010	Q1 2010	2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	2009
Hexagon MT	3,439	3,103	3,496	2,997	13,035	3,043	2,651	2,884	2,934	11,512
- Of which Geosystems	1,781	1,688	2,078	1,773	7,320	1,752	1,598	1,783	1,727	6,860
Metrology	1,510	1,307	1,282	1,095	5,194	1,143	867	936	1,013	3,959
Technology	148	108	136	129	521	148	186	165	194	693
Intergraph	n.a.	-	-	-	n.a.	-	-	-	-	-
Other operations	157	159	153	127	596	102	106	67	55	330
Group	3,596	3,262	3,649	3,124	13,631	3,145	2,757	2,951	2,989	11,842

## Net sales

MSEK	Q4 2010	Q3 2010	Q2 2010	Q1 2010	2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	2009
Hexagon MT	4,536	3,058	3,256	2,796	13,646	2,977	2,556	2,983	2,942	11,458
- Of which Geosystems	1,849	1,712	1,914	1,680	7,155	1,775	1,559	1,806	1,671	6,811
Metrology	1,472	1,212	1,197	975	4,856	1,066	844	976	1,090	3,976
Technology	146	134	145	141	566	136	153	201	181	671
Intergraph	1,069 <sup>1)</sup>	-	-	-	1,069	-	-	-	-	-
Other operations	156	102	134	112	504	99	73	85	96	353
Group	4,692	3,160	3,390	2,908	14,150	3,076	2,629	3,068	3,038	11,811

## Operating earnings (EBIT1)

MSEK	Q4 2010	Q3 2010	Q2 2010	Q1 2010	2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	2009
Hexagon MT	982	569	633	501	2,685	592	391	489	433	1,905
Other operations	5	-7	-2	-7	-11	-15	-22	-22	-15	-74
Group costs	-18	-18	-18	-16	-70	-11	-10	-13	-13	-47
Group	969	544	613	478	2,604	566	359	454	405	1,784
Margin, %	20.7	17.2	18.1	16.4	18.4	18.4	13.7	14.8	13.3	15.1

## Net sales

MSEK	Q4 2010	Q3 2010	Q2 2010	Q1 2010	2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	2009
EMEA	2,191	1,405	1,597	1,404	6,597	1,570	1,207	1,455	1,497	5,729
Americas	1,357	766	809	680	3,612	710	678	741	753	2,882
Asia	1,144	989	984	824	3,941	796	744	872	788	3,200
Group	4,692 <sup>1)</sup>	3,160	3,390	2,908	14,150	3,076	2,629	3,068	3,038	11,811

1) Excluding non-recurring effect from revaluation of acquired deferred revenue of -54 MSEK in 2010.

# Acquisitions and divestments

MSEK	2010		2009	
	Acquisitions	Divestments	Acquisitions	Divestments
Intangible fixed assets	16,174	-	41	-
Other fixed assets	1,111	-	9	-
<b>Total fixed assets</b>	<b>17,285</b>	<b>-</b>	<b>50</b>	<b>-</b>
Total current assets	2,436	-	35	-
<b>Total assets</b>	<b>19,721</b>	<b>-</b>	<b>85</b>	<b>-</b>
Total long-term liabilities, etc	2,534	-	-136	-
Total short-term liabilities	1,623	-	-1	-
<b>Total liabilities</b>	<b>4,157</b>	<b>-</b>	<b>-137</b>	<b>-</b>
<b>Total net assets</b>	<b>15,564</b>	<b>-</b>	<b>222</b>	<b>-</b>
<b>Total acquisition cost/ divestment income</b>	<b>-15,804</b>	<b>-</b>	<b>-71</b>	<b>-</b>
Adjustment for cash and bank balances in acquired entities	741	-	-	-
Adjustment for non-paid part of acquisition cost/ divestment income incl. payment of items from prior year	239	-	-151	-
<b>Cash flow from acquisitions</b>	<b>-14,824</b>	<b>-</b>	<b>-222</b>	<b>-</b>

Acquired entities have converted to IFRS at the acquisition date, which has entailed a change compared to the accounting standards previously applied.

# Acquisition of Intergraph

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

## Background and reasons for the transaction

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

## Assets acquired and liabilities assumed

MSEK	Fair value recognised on acquisition
<b>Assets</b>	
Trademarks	2,695
Patents and other intangibles	1,549
<b>Total intangible assets</b>	<b>4,244</b>
Tangible fixed assets	914
Financial fixed assets	35
Deferred tax assets	144
Inventories	172
Customer receivables and other assets	1,523
Cash and bank balances	741
<b>Total assets</b>	<b>7,773</b>
<b>Liabilities</b>	
Deferred tax provision	1,687
Other provisions	59
Other long-term liabilities	519
Current liabilities and provisions	1,664
<b>Total liabilities</b>	<b>3,929</b>
<b>Total identifiable net assets at fair value</b>	<b>3,844</b>
Goodwill arising from the acquisition	11,935
<b>Total consideration</b>	<b>15,779</b>
<b>MSEK</b>	
<b>Analysis of cash flows on acquisition:</b>	
Transaction costs of the acquisition	-316 <sup>1)</sup>
Net cash acquired with the subsidiary	741
Cash consideration	-15,452
<b>Net cash flow on acquisition</b>	<b>-15,027</b>

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

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

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

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

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

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

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

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

# Condensed parent company income statement

MSEK	Q4 2010	Q4 2009	2010	2009
Net sales	19	8	73	31
Administration cost	-341	-11	-401	-48
Operating earnings	-322	-3	-328	-17
Earnings from shares in Group companies	-	-	939	549
Interest income and expenses, net	-2,371	49	-2,570	-230
Earnings after financial items	-2,693	46	-1,959	302
Tax	0	-17	53	61
Net earnings	-2,693	29	-1,906	363

# Condensed parent company balance sheet

MSEK	31/12 2010	31/12 2009
Total fixed assets	32,547	17,433
Total current receivables	989	965
Cash and cash equivalents	349	171
<b>Total current assets</b>	<b>1,338</b>	<b>1,136</b>
<b>Total assets</b>	<b>33,885</b>	<b>18,569</b>
 Total shareholders' equity	 11,264	 7,046
Total long-term liabilities	15,851	7,683
<b>Total short-term liabilities</b>	<b>6,770</b>	<b>3,840</b>
<b>Total equity and liabilities</b>	<b>33,885</b>	<b>18,569</b>

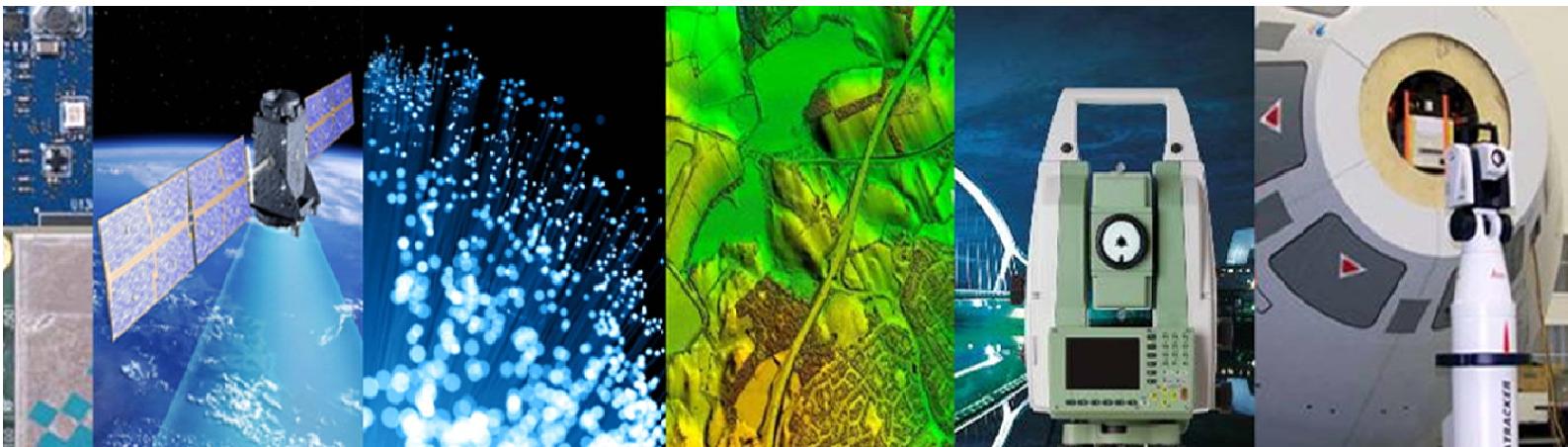
# Definitions

## FINANCIAL DEFINITIONS

Amortisation on excess values	Amortisation on the difference between carrying value of intangible fixed assets in acquired subsidiaries and the value Hexagon assigned those assets upon date of acquisition.
Capital employed	Total assets less non-interest bearing liabilities.
Capital turnover rate	Net sales divided by average capital employed.
Cash flow	Cash flow from operating activities, excluding non-recurring items, after change in working capital.
Cash flow per share	Cash flow from operating activities, excluding non-recurring items, after change in working capital, divided by average number of shares.
Earnings per share	Net earnings divided by average number of shares.
Equity ratio	Shareholders' equity including non-controlling 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 indebtedness	Interest-bearing liabilities less interest-bearing and liquid assets divided by shareholders' equity excluding non-controlling interests.
Non-recurring items	Income and expenses that are not expected to appear on a regular basis.
Operating earnings (EBIT1)	Operating earnings excluding capital gains on shares in group companies and other non-recurring items.
Operating margin	Operating earnings (EBIT1) as a percentage of net sales.
Operating net sales	Net sales reduced by the difference between fair value and book-value of deferred revenue regarding acquired businesses.
Profit margin before tax	Earnings after financial items as a percentage of net sales.
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 equity	Twelve months to end of period net earnings excluding non-controlling interests as a percentage of twelve months to end of period average shareholders' equity excluding non-controlling interests last twelve months.
Shareholders' equity per share	Shareholders' equity excluding non-controlling interests divided by the number of shares at year-end.
Share price	Last settled transaction on NASDAQ OMX Nordic Exchange on the last business day for the period.

## BUSINESS DEFINITIONS

Americas	North, South and Central America.
Asia	Asia, Australia and New Zealand.
EMEA	Europe, Middle East and Africa.
MT	Hexagon's core business Measurement Technologies.



Hexagon AB is a leading, global provider of 3D solutions to design, measure and position objects, and to process and present data. Hexagon's solutions enable customers to increase productivity, enhance quality and make better, faster operational decisions. Hexagon has about 12,000 employees in more than 42 countries and net sales of approximately 20,000 MSEK. Read more at [www.hexagon.se](http://www.hexagon.se).

#### FINANCIAL REPORT DATES

Hexagon gives financial information at the following occasions:

Interim Report Q1 2011	10 May 2011
Interim Report Q2 2011	4 August 2011
Interim Report Q3 2011	27 October 2011

#### FINANCIAL INFORMATION

Financial information is available in Swedish and English at the Hexagon website and can be ordered via phone +46 8 601 26 20 or e-mail [ir@hexagon.se](mailto:ir@hexagon.se)

#### TELEPHONE CONFERENCE

The 2010 year-end report will be presented 9 February at 10:00 CET at a telephone conference. Please view instructions on how to participate at Hexagon's website.

#### CONTACT

Mattias Stenberg, IR Manager, Hexagon AB  
+46 8 601 26 27, [ir@hexagon.se](mailto:ir@hexagon.se)

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This year-end report is a type of information that Hexagon AB (publ) is obliged to disclose in accordance with the Swedish Securities Market Act and /or the Financial Instruments Trading Act. The information was submitted for publication on 9 February 2011 at 08:00 CET.

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Hexagon AB [publ] P.O. Box 3692 SE- 103 59 Stockholm Fax: +46 8 601 26 21 Phone: +46 8 601 26 20  
Registration number: 556190-4771 Registered Office: Stockholm Sweden  
[www.hexagon.se](http://www.hexagon.se)