HEXAGON

ANNUAL REPORT **2013**

SHAPING SMART CHANGE

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Hexagon AB is a Swedish public limited liability company with Corporate registration number 556190-4771. All values are expressed in Euros unless otherwise stated. The Euro is abbreviated EUR, thousands of Euro to KEUR, millions of Euro to MEUR, billions of Euro to bn EUR and million US dollars to MUSD. Figures in parentheses refer to 2012 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.

Shaping smart change

Global megatrends are pushing critical industries to rise to challenges.

From safety and infrastructure to resources and manufacturing, the opportunity to address these global challenges begins with positively altering the course of change.

For Hexagon, that means generating the information customers need to act with greater intelligence in a way that maximises its usefulness in real time and positions decision makers close to the action. Where they can act fast, act smarter and get by with less – less effort, less time, less risk, less resources and less waste.

Whether helping to feed the expanding population, protect scarce resources, maintain infrastructure or keep people safe, customers using Hexagon technologies are making a difference every day across the globe. That's shaping smart change.

At its core, shaping smart change is about solving problems that matter to the industries that are essential to our world.

2013 SUMMARY

Hexagon at a glance

Who we are
Leading provider of design, measurement and visualisation technologies

Industries we serve
From aerospace, automotive, construction and transportation to energy, public safety and defence

Profitability
21 per cent operating margin

Sales
2.4 bn EUR

Reach
14 000 employees in more than 40 countries

R&D Focus
11 per cent of net sales invested in R&D

Hexagon technologies at work around the world

When it comes down to what we do and how we do it, Hexagon is about positively altering the course of change. Digital depictions that fuse reality with computer-generated data help customers see things exactly as they are, making their target – their purpose – more attainable.

From sensor and metrology systems that capture and manage location- and spatial-based information to software solutions that help build and maintain vital infrastructure and derive actionable intelligence from "big data" – Hexagon technologies are at work around the world, optimising processes and increasing productivity across industries essential to our future.

In short – it's not what our technology does, but what our customers do with our technology that makes a difference.

At Hexagon, one thing is clear: the key to success is not to build solutions in a vacuum, but to create value-driven solutions. The value is not just in the technology utilised, but in the purpose it serves.

Another year of profitable growth

+5%
Net sales

21%
Operating margin

KEY FIGURES	2013	2012	Δ%
Net sales, MEUR	2,429.7	2,380.0	5[1]
Operating earnings (EBIT1), MEUR	507.7	484.9	5
Net earnings, MEUR	371.2	351.1	6
Earnings per share, EUR	1.04	0.99	5
Share price, SEK	203	163	25
Net debt, MEUR	1,488.7	1,638.8	-9

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

Organic growth of 5 per cent despite challenging macroeconomic environment

The operating margin of 21 per cent underscores the shift in business model towards software-centric solutions

Strong cash flow generation enabled increased expansion activity, evidenced by nine acquisitions completed in 2013

Hexagon's operations

Reported across three application areas:

GEOSYSTEMS

Measurement and Positioning Systems

36 per cent of net sales

METROLOGY

Stationary and Portable Industrial Metrology Systems

31 per cent of net sales

TECHNOLOGY

Engineering and Geospatial Software Solutions

33 per cent of net sales

LETTER FROM THE PRESIDENT & CEO

DEAR SHAREHOLDERS,
2013 was a year in which Hexagon struck a balance between staying the course and positioning for the future. We know our continued success depends on how well we leverage our technology, leadership and expertise to create new and continued value for our customers. But what we are most proud of is that we did what we set out to do – we delivered for our shareholders, customers and partners.

EXPANDING FROM THE CORE
We formed a new group, Hexagon Solutions, to better guide the direction and expansion of our Smart Solutions portfolio. Comprised of targeted combinations of our geospatial and industrial technologies, the value to the customer goes well beyond what each stand-alone product offers. With emphasis on efficient and effective management on a global level, the group is well positioned to ensure that we fully leverage the synergistic opportunities across our businesses.

We split Intergraph's geospatial technology portfolio from Intergraph SG&I, creating Hexagon Geospatial, a new group that will serve multiple internal and external customers. We took these actions to better leverage our strengths as an integrated technology company, reinforcing our own business success, as well as the competitiveness of our customer base.

GROWTH DESPITE HEADWINDS
On the whole, the 2013 global economy was slightly disappointing, marked by problems in Europe, political distraction in the USA and a weaker first half in China. Emerging markets had a tough year, hit by slow growth, market instability and social unrest, while mature markets like the USA, Europe and Japan saw modest recovery. China shifted from its traditional reliance on exports and investment towards a slower-growing, but consumption-driven, economy.

Despite macroeconomic headwinds, 2013 was a very solid year for us, with sales amounting to a record 2.4 bn EUR and EBIT margin of 21 per cent. We supported core business activities and our commitment to strengthen our product portfolio and bolster our presence in key markets through multiple acquisitions. We added deep- and shallow-water bathymetry and coastal topography capabilities with Airborne Hydrography AB. We welcomed Devex, a Brazilian company with leading mine management software solutions. We also added several distributors to our footprint including Navgeocom, one of the largest distributors for Geosystems in the Russian Federation, Manfra, a Geosystems distributor in South America, and Pixis, a Chilean distributor of Intergraph solutions.

COMPETING WITH PURPOSE
Today, practically everything can be captured and measured digitally. This digital footprint provides a wealth of data, but often leaves organisations challenged to make sense of it all. It's not uncommon to be data rich, yet information poor. Never has it been more important to provide the means and support to channel big data in a way that maximises its usefulness in real time so that organisations can deliver the right information to the right stakeholder – when and where it's needed. In the face of escalating global challenges, that is a crucial part of technology innovation and at the core of what we do.

Together, over 14,000 Hexagon employees work on behalf of our shareholders to achieve our financial targets and develop intelligent solutions that position Hexagon to lead into the future.

To view an augmented reality experience of President and CEO Ola Rollén as he recaps Hexagon's 2013 activity and discusses the future of the company visit Hexagon.com/activate.

In 2013, we introduced Leica Pegasus:One, an intuitive mapping solution that mobilises a customer's existing scanners, making the future of transportation-related asset management easier and more efficient. Customers can take their business mobile – GIS tagging road signs, mapping transportation corridor clearance or documenting city compliance for outdoor advertising – all at the speed of traffic.

Through an agreement with Aibotix (and the later acquisition of the company in 2014), a manufacturer of intelligent multicopter systems for high-efficiency aerial applications, we now offer an end-to-end solution for the professional inspection and mapping market. It is ideal for difficult infrastructure inspections – such as power lines, bridges and dams – as well as locally focused mapping tasks of buildings or any vertical structure.

We launched mobile responder technology that changes the way emergency personnel function in the field. It takes advantage of the GPS capabilities in smartphones, providing access to critical information outside of response vehicles. For example, firefighters can take a smartphone or tablet into a building to gain situational awareness, or the location of police officers can be instantly known while they are on foot at an incident

We introduced the world's first multi-station, the Leica Nova MS50. It combines every significant measuring technology in one device – precision 3D scanning, extensive and precise total station capabilities, digital imagery and GNSS connectivity – opening doors to a new dimension in the geospatial world. It offers an unprecedented range of applications for anyone working with rich point clouds and 3D data sets – from land and plant surveyors to construction managers and public safety authorities.

On the data management side, we introduced SmartPlant Cloud, a dynamic cloud computing environment to support Intergraph PP&M's SmartPlant Enterprise. This new approach to capital project data sharing reduces information barriers and raises the efficiency and data quality of project handover. We also introduced SmartPlant Fusion, a solution for accessing, organising and managing unstructured legacy engineering information, marking Intergraph's first foray into brownfield legacy information acquisition.

With regard to our Smart Solutions portfolio, several gained traction in 2013. We received our first orders for Smart Modular Assembly, an innovative way to link design information to the build workflow for large-scale construction, and Smart Agriculture, a comprehensive web-based software solution to optimise the utilisation of land, water, fertilisers, pesticides, seeds and other farming resources. We also launched several Smart H^2O pilot and production projects across China and Russia. Smart H^2O is our comprehensive water infrastructure management solution, designed to improve the construction, operability and security of water management systems such as dams, reservoirs and levees, while also ensuring the safety of neighboring communities in the event of emergency.

OUR FUTURE: BIG OPPORTUNITY

Hexagon is built on a foundation of sustained growth with a proven legacy of driving shareholder value. We remain committed to protecting and extending our leadership position, spending 11 per cent of sales on R&D. Hexagon's value is truly more than the sum of its parts. Our remarkable collection of brands, global footprint, integrated technology portfolio and ability to innovate enable us to execute on a scale few others can match.

THANK YOU!

Together, over 14,000 Hexagon employees work on behalf of our shareholders to achieve our financial targets and develop intelligent solutions that position Hexagon to lead into the future. Together with our employees worldwide, I would like to thank our Board, shareholders, customers and partners for their continued confidence and loyalty. I look forward to another exciting year ahead!

Ola Rollén
President and Chief Executive Officer
Stockholm, Sweden, March 2014

MARKET ENVIRONMENT AND HEXAGON'S STRATEGY

Dynamic and competitive market

From sensors that capture, process and store geographical information and metrology systems that evaluate and inspect manufacturing processes, to engineering and geospatial technologies that enable customers to organise vast amounts of complex data, Hexagon works to infuse the world with knowledge that allows people everywhere to live and work smarter.

BUSINESS DRIVERS

Macro
- Population growth
- Aging population
- Growing middle class
- Urbanisation
- Scarce resources
- Inadequate infrastructure

Other
- Market trends
- Competition
- Geographical coverage
- Data overload and complexity

BUSINESS PRIORITIES

Sales targets
Core business growth – investments in R&D and expansion in emerging markets

Innovation – develop solutions to gain market share

M&A – complementary technology and emerging markets focus

Margin target
- Improving mix
- Gross margin expansion

TECHNOLOGY PORTFOLIO

Focus areas
- SAFETY
- INFRASTRUCTURE
- RESOURCES
- MANUFACTURING

VALUE CREATION

Customers
- Smarter decisions
- Reduced costs
- Efficiency, agility and productivity

Society/ Sustainability
- Intelligent use of resources

Shareholders/ Financial
- Dividend + share price appreciation

SCARCE RESOURCES AND INCREASED COMPETITION

Critical industries such as infrastructure, power and energy, public safety, security and defence require technologies such as Hexagon provides to meet the needs of our changing world.

Rapid population growth and urbanisation require cities to develop and organise housing, transport systems and water and power supply on an unprecedented scale. In a world with shrinking resources and fierce competition, Hexagon's customers are faced with the challenge to constantly do more with less. By maximising data usefulness, Hexagon helps customers solve one of the biggest challenges they face – increasing productivity – so they can do things smarter and faster, with less effort and less waste.

DATA OVERLOAD AND COMPLEXITY

Analysing large data sets, or "big data", has created tremendous challenges for companies and organisations needing to process massive amounts of information in real time. Efficiency suffers as organisations struggle to capture, manage and leverage the information they need to perform, and accuracy and timeliness of information are often compromised.

Access to complex, constantly changing data and information is a powerful decision-making tool when the data is integrated and presented in an intuitive and purposeful format. Hexagon solutions provide customers the means to create, manage, understand and act upon a constant flow of information.

COMPETITIVE LANDSCAPE

A company's competitive landscape is highly dependable on globalisation, the rate of new entrants to the market and the ecosystem in which the business operates. To navigate effectively and maintain a competitive advantage, Hexagon invests heavily in its core technologies with emphasis on delivering solution-centric, enterprise-wide applications. While Hexagon's competitive landscape encompasses global companies of varying sizes and specialisations, the majority concentrates within only one phase of an industry workflow or is limited to only hardware or software.

HEXAGON'S MAIN COMPETITORS

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

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

11
bn EUR

Hexagon estimates the size of its addressable market at 11 bn EUR, with annual growth of approximately 8 per cent over a business cycle. These estimates are Hexagon's assessment, based on internal industry knowledge.

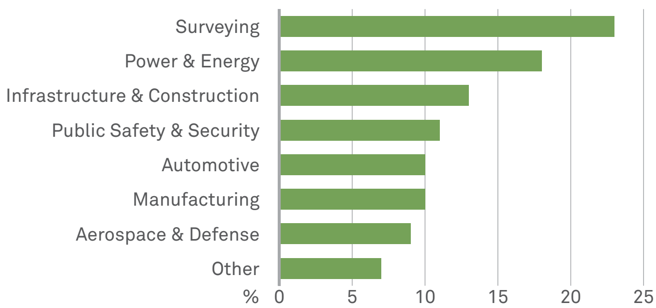
Market overview

Hexagon achieved organic growth of 5 per cent in 2013 despite the challenging global economic environment. Weak European demand in the first half of the year and significant downturns in the automotive segment and U.S. defence and Australian mining industries were the primary factors holding back growth. However, cyclical industries such as construction rebounded in the U.S. and Europe, signalling that a recovery remains on track.

CUSTOMER DEMAND

Hexagon supplies thousands of customers across a large variety of industries. No individual customer represents more than 0.8 per cent of net sales. Surveying is the single largest customer category and accounted for 23 per cent of net sales in 2013, followed by Power and Energy with 18 per cent, Infrastructure and Construction with 13 per cent and Public Safety and Security with 11 per cent.

Net sales by customer group in 2013[1]



[1] *Hexagon Measurement Technologies*

Strong presence in all regions

NORTH AMERICA – Apart from the defence market, demand in North America improved steadily throughout 2013. Automotive, aerospace, general engineering and residential housing projects were the primary drivers for expansion. Growth was also seen within infrastructure, as well as the power and energy segment.

SOUTH AMERICA – Demand for Hexagon's offerings remained strong in South America throughout the year despite the weaker macro environment in Brazil. Hexagon continued to strengthen its market position in the region by acquiring Manfra and Devex in Brazil and Pixis in Chile.

EMEA EXCLUDING WESTERN EUROPE – Demand for Hexagon's offerings in EMEA, continued to grow, particularly in the Middle East, Russia and Africa. Eastern Europe saw slow growth at the beginning of the year, but demand improved in the second half. Solid growth potential in the region is further supported by two distributors acquired in 2013 – Navgeocom in Russia and Kompakt in Hungary.

WESTERN EUROPE – Hexagon saw improved activity levels in Northern Europe from the beginning of 2013, but demand in the South did not pick up until the third quarter, mainly driven by the construction sector. Automotive and manufacturing sectors experienced stalling growth throughout the year due to a decrease in capital expenditure, but the aerospace segment continued to deliver strong growth. Demand for public safety solutions weakened due to government-related budget cuts, and despite weakened demand for enterprise engineering solutions in the power and process industries, both sectors still recorded growth in the year.

APAC – A number of markets and industries in the Asia-Pacific region such as India, Korea, Malaysia, Indonesia and Philippines reported solid growth in 2013. However, overall growth in the region was held back by Australia due to the downturn in the mining sector.

CHINA – All of Hexagon's application areas recorded growth in China in the year, primarily driven by strong demand in infrastructure-related businesses, as well as the power and energy markets. Although demand in the automotive segment remained high, the growth rate slowed significantly.

[1] *Hexagon Measurement Technologies*

28 per cent of sales[1]

5 per cent of sales[1]

9 per cent of sales[1]

31 per cent of sales[1]

12 per cent of sales[1]

15 per cent of sales[1]

Financial strategies and targets

Hexagon's business priorities include a combination of organic growth of its core business, acquisitions and revenue synergies. Hexagon's current financial plan is to achieve net sales of 3.5 bn EUR and to improve EBIT margin to 25 per cent by 2015.

DRIVING SHAREHOLDER VALUE

Hexagon considers strong growth in earnings per share (EPS) to be the best measure of shareholder value and targets to reach above 15 per cent growth in EPS annually. This is mainly driven by sales growth and margin enhancement but is also complemented by measures to further increase capital efficiency and reduce financing costs.

SALES GROWTH AND MARGIN EXPANSION

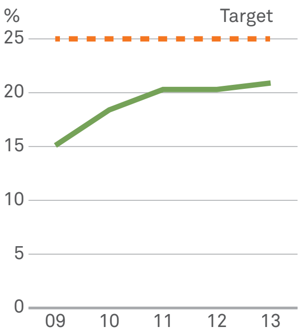
Sales have grown through a combination of organic growth and acquisitions while margin enhancement has primarily resulted from a shift in Hexagon's business model – from a product-centric organisation towards a solution-centric provider.

In effect, the shift towards higher-value, more profitable (higher margin) solutions are replacing older generation technologies, contributing toward the 2015 EBIT target of 25 per cent. In addition, areas with above average growth rates are also producing above average EBIT margins. This helps to offset any dilutive effects from acquisitions given acquired companies typically have a lower EBIT margin than Hexagon.

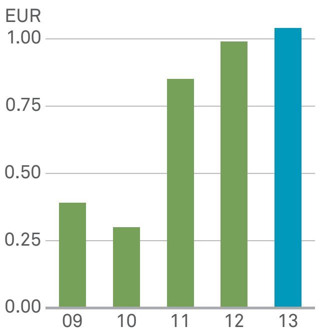
ORGANIC GROWTH

Hexagon targets an annual organic growth rate of 8 per cent, which is the weighted average of estimated future growth rates for its three application areas (Geosystems, Metrology and Technology). Since the acquisition of Intergraph (2010), Hexagon has significantly increased the proportion of software and services sales and recurring revenues into the mix. Hexagon's organic growth strategy also emphasises sizeable investments in research and development where 11 per cent of total revenues was spent on R&D in 2013.

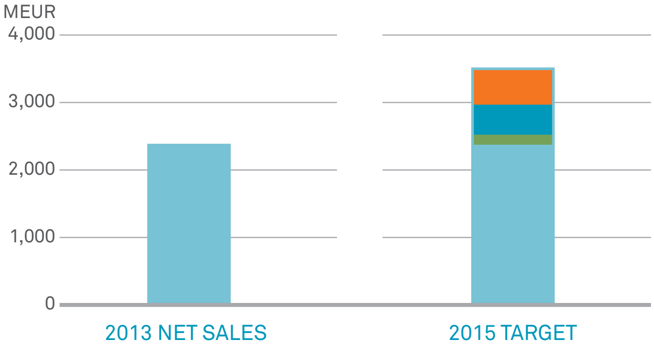
Operating margin



Earnings per share



Financial plan



MERGERS AND ACQUISITIONS

Hexagon has made 90+ acquisitions since 2000 and continues to monitor a large number of targets in the aim to strengthen its product portfolio, gain know-how and achieve a stronger presence in high growth markets. The acquisition targets are evaluated from a financial, technology and commercial viability perspective, with specific emphasis on increasing emerging market distribution and filling technology gaps. Acquisition onboarding – placement and integration within Hexagon – is determined on the basis of synergy opportunities and implementation strategies. Hexagon believes 200-600 MEUR of the 2015 sales target will be achieved through acquisitions.

In line with Hexagon's intent and strategic focus to concentrate all resources on its core business, Measurement Technologies, Hexagon divested EBP i Olofström AB in July of 2013, and SwePart Transmission AB was divested in March of 2014.

REVENUE SYNERGIES

Combining technologies in an innovative and revolutionary manner is the essence of Hexagon's business. In addition to the continued integration of Intergraph's' technologies across the business, the company formed a new group toward the end of 2013, Hexagon Solutions, to better guide the direction and expansion of Hexagon's Smart Solutions portfolio and to fully leverage the synergistic opportunities that exist across its three application areas. The Company expects 100-200 MEUR of the 2015 sales target to be achieved through revenue synergies. Hexagon Solutions will be reported under Hexagon's Technology division as of the first quarter of 2014.

EQUITY RATIO

Hexagon targets to have an equity ratio of at least 25 per cent. The equity ratio amounted to 52 per cent (51) at year-end 2013. A high equity ratio is a requirement for financing acquisitions by borrowings.

REDUCING FINANCING COSTS

Bank loans account for 47 per cent of Hexagon's financing, while debt capital markets make up the remainder. Hexagon's net financial cost amounted to -33.9 MEUR in 2013 (-50.7). The average interest rate at year end 2013 was 2.0 per cent (2.2). The reason for the reduction in financing cost was a combination of lower net debt and lower interest rates.

POSITIVE CASH FLOW OVER A BUSINESS CYCLE

A strong cash flow generation is necessary to pay for investments, servicing debt and paying dividends to shareholders. Hexagon's cash conversion, i.e. the ratio at which profits are translated into cash, has been 81 per cent as an average since 2007. The cash conversion ratio in 2013 was 75 per cent.

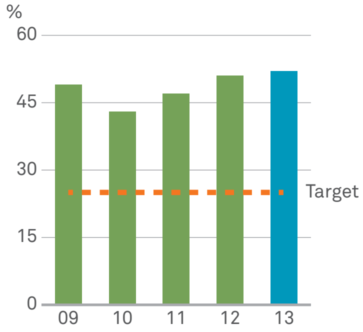
EFFICIENT USE OF CAPITAL

Hexagon strives to keep working capital as low as possible. In recent years the ratio of working capital to sales has averaged less than 20 per cent. As the business model continues to shift towards more software centric solutions, Hexagon expects the working capital as a percentage of sales to trend downwards. Hexagon's target is that return on capital employed should exceed 15 per cent annually, including goodwill from acquisitions. Return on average capital employed, excluding non-recurring items, was 11.2 per cent (10.9) in 2013.

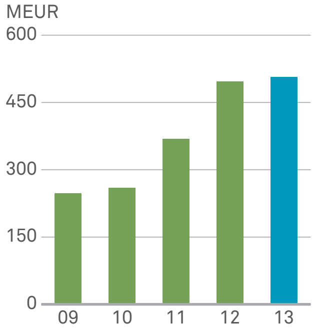
RETURNS TO SHAREHOLDERS

Hexagon's dividend policy is to distribute between 25 and 35 per cent of net earnings after tax. The proposed dividend of 0.31 EUR (0.28) per share in respect of the financial year 2013 represents 30 per cent of earnings.

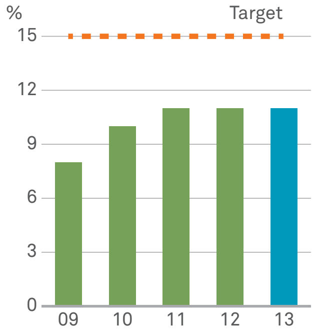
Equity ratio



Cash flow from operations



Return on capital employed



Organic growth

Application Area	Historic average growth	2013 growth	Long-term growth
Geosystems	8%	9%	8%
Metrology	6%	3%	Above 6%
Technology	n.a.	2%	n.a.
PPM	15%	n.a.	Above 10%
SGI	5%	n.a.	5%
NovAtel	Above 10%	n.a.	Above 10%
Total	**8%**	**5%**	**8%**

Acquisitions in 2013

Month	Company	Country	Rationale
January	Navgeocom	Russia	Distribution
January	Listech	Australia	Software
February	Kompakt	Hungary	Distribution
April	Manfra	Brazil	Distribution
April	a/m/t	Switzerland	Software
June	Geosoft	Italy	Software
October	Devex	Brazil	Software
October	AHAB	Sweden	Sensors
December	Pixis	Chile	Software

Application areas

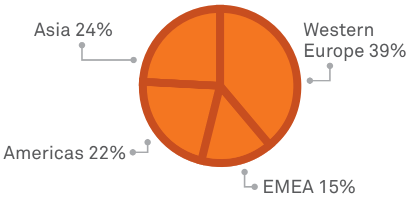
Hexagon's offerings span a wide array of industries, market segments and regions. Our operations are segmented and reported across three primary application areas – Geosystems, Metrology and Technology. While all three share a common goal of delivering actionable information, each one specialises in its own mix of hardware, software and services.

The extensive line of hardware and software offered across all three application areas encompasses both industrial and geospatial technologies. Both appeal to a broad range of users, offering powerful 3D analytical tools, flexible mobility and a comprehensive picture for smarter decisions and decisive action.

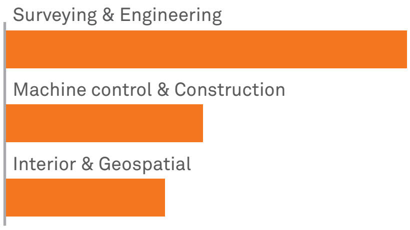
- Industrial technologies include measuring systems and software for optimising processes and throughput in manufacturing facilities, and engineering software for designing, constructing and operating industrial facilities (plants, offshore facilities and ships).
- Geospatial technologies include hardware and software for capturing and recording the world around us and understanding and acting upon that geo-referenced data.

	GEOSYSTEMS	METROLOGY	TECHNOLOGY
	Geospatial	Industrial	Industrial and Geospatial
OVERVIEW	Capture and measure the world around us – whether a small object, large structure or complete environment – using laser instruments, GPS and photographic imagery.	Optimise and control manufacturing processes that rely on dimensional precision and accuracy using stationary and portable systems.	Manage data critical to physical plant assets through enterprise engineering, construction and data management software, and capture, integrate, manage and analyse vast volumes of location-based data.
APPLICATIONS	Customers use offerings from Geosystems to better understand and plan for changes to the environment, to cities and to man-made infrastructure. They design and build vital infrastructure such as roads, bridges, dams and buildings. They monitor and track the movement of what was planned and built – and even natural phenomena such as landslides – to better protect people and resources.	Customers use offerings from Metrology to measure, inspect and control manufactured components of all sizes during the manufacturing and assembly process, from aircrafts and cars to small parts in medical devices. Measurement and comparison of objects to their CAD drawings ensure manufactured components conform to their original product design.	Customers use offerings from Technology to design, construct and operate plants, ships and offshore facilities. They create intelligent maps and data-centric, user-defined operational pictures to facilitate situational awareness and improve decision making. They manage and protect critical infrastructure and provide information vital to the safety and well-being of millions of people every day.

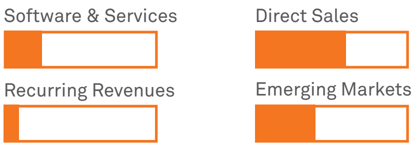
SALES BY REGION



SALES BY INDUSTRY



SALES MIX



GEOSYSTEMS

Hexagon Geosystems solutions are used to survey terrain, buildings and other architectural features. A broad range of devices and technologies capture large quantities of measurements, scanning objects in three dimensions and storing the configurations as digital files so exact proportions and shapes can be analysed, processed and modified. Geosystems solutions serve a broad range of industries including agriculture, construction, engineering, mining, power supply, public safety and security and surveying.

SUPPORTING INFRASTRUCTURE

The surveying and construction industry relies heavily on measurement technologies during the planning and execution of infrastructure projects. Whether involved in the preparation, execution or monitoring of vital infrastructure such as buildings, roads, bridges, railroads, tunnels or ports, surveyors must conduct and inspect measurements throughout every phase of their lifetime.

By using Hexagon's advanced measurement solutions, measurement data can be collected with fewer personnel in the field, increasing productivity and speed of data acquisition while reducing costs.

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

MACHINE CONTROL FOR OPTIMISATION

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

PREVENTING DISASTERS AND PRESERVING HISTORY

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

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

TRENDS

The biggest transformational trend is the rise of non-traditional sensors, which includes unmanned aerial vehicles (UAVs) and mobile device sensors. In addition, the synthesis of social media has created a new source of geospatial information. These new sources transform how organisations gather information, and in the case of personal devices, people can act as sensors.

Ultimately, any data source can be geographically referenced and used (if necessary) to associate an individual with an event and location. From this, interesting analytics and information by-products can be derived to support solutions where a common operational picture is required to make quick and informed decisions.

To understand change, large volumes of data must be carefully managed, thoroughly examined and easily accessible. To leverage the trends transforming the industry, organisations need big data management, powerful 3D analytical tools and flexible mobility, where the cloud is the unifying platform for pulling it all together and delivering to others.

METROLOGY

Hexagon Metrology solutions are used to optimise and control manufacturing processes that rely on dimensional precision and accuracy, using stationary systems such as coordinate measuring machines and portable systems including handheld devices, articulated arms and laser trackers. Customers employ offerings from Metrology to measure, inspect and control manufactured components of all sizes, from aircrafts and cars to small parts in medical devices.

MEETING MANUFACTURING CHALLENGES

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

From vehicle inspections to measuring and inspecting aircraft, Hexagon Metrology is serving the transportation needs of today and tomorrow. Metrology solutions also are used in the manufacturing of high-precision parts and components, helping companies bring products from concept to full production more quickly and efficiently.

Generating heat and electricity from systems that make the most out of fossil fuels and renewable sources of energy is becoming increasingly important. Hexagon Metrology has a quality control solution for just about every one of the 8,000-plus components required for wind power. From solar, nuclear, wind and hydroelectric power generation to the optimum use of coal, crude oil and natural gas, the future of tomorrow's energy sources rely on high-tech measuring systems like those from Hexagon Metrology.

SOFTWARE AND HIGH-QUALITY SERVICES

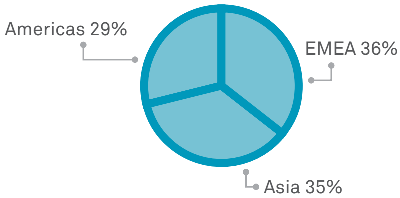
As the largest software developer in the metrology industry, Hexagon offers a wide range of in-house developed configurable software packages that allow users to intelligently acquire, analyse and manage collected data to process and present results quickly and effectively.

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

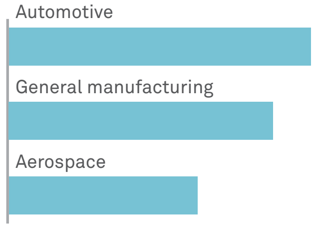
TRENDS

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

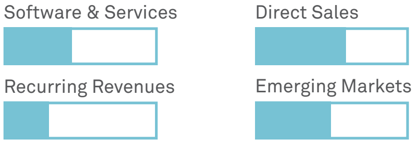
SALES BY REGION



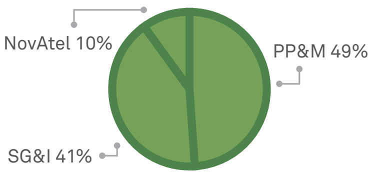
SALES BY INDUSTRY



SALES MIX



TECHNOLOGY SALES BY SUBDIVISION



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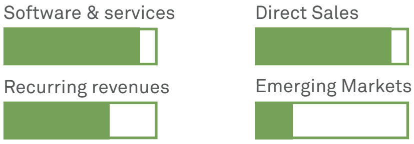


TECHNOLOGY

Whether protecting lives and property or enabling the creation and maintenance of process, power and marine projects, geospatial and enterprise engineering technologies are solving the problems of tomorrow today. These solutions enable customers to collect data, analyse the information and create a complete operational picture so they can take action.

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

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

PP&M serves a wide spectrum of industries including nuclear and power generation, oil and gas, shale gas, offshore, chemical, consumer goods, marine, metals and mining, pharmaceutical and shipbuilding. These industries share the need to create and manage complex engineering information to speed project completion and ensure operational efficiency.

GEOSPATIALLY POWERED SOLUTIONS
Intergraph Security, Government & Infrastructure (SG&I) provides incident management and geospatial software solutions to help customers protect life as well as manage, enhance and protect infrastructure and property. Incident analysis and geospatial information create a firm foundation for interoperability and smart decision making, which are critical elements to every industry Intergraph SG&I serves.

Users within the government and transportation, utilities and communications, public safety and security and defence and intelligence industries are able to conduct in-depth analysis and better manage incidents and workflows through data-centric, user-defined operational pictures. This facilitates situational awareness, supporting agencies in disaster planning, emergency management call handling and dispatch, building intelligent transportation systems and developing more intelligent power grids.

In late 2013, Intergraph's geospatial technology portfolio was split from Intergraph SG&I to become the focus of Hexagon Geospatial, a new business unit within Technology that will serve multiple parts of Hexagon in addition to Intergraph SG&I.

POSITIONING ACCURACY
Recognised for its technical innovation, quality and customer support, NovAtel's integrated positioning solutions can be used on land, sea and in the air. GNSS receivers and antennas are supplied to the survey, construction, agriculture, defence and mining industries, delivering superior position accuracy and increased signal availability in demanding work environments, heavily forested areas or in deep open-pit mines.

NovAtel receivers provide GNSS corrections to the aerospace industry, which is critical for collision avoidance. NovAtel also offers navigation and positioning capabilities for search and rescue operations that may rely on unmanned aerial vehicles or be conducted in unknown terrain.

Acquired by Hexagon in 2014, Veripos, one of the early innovators in the field of precise positioning, is a market leader in precise navigation and positioning solutions through the innovative application of technology, continuous product development and operational excellence.

Products and services, which include comprehensive training programme, are widely used by professionals in key areas of the offshore industry including seismic exploration, survey and construction, and dynamic positioning marine and drilling.

Enabling the smart enterprise

Today, practically everything can be captured and measured digitally. This digital footprint provides a wealth of data, but often leaves organisations challenged to make sense of it all. Smart solutions have the ability to affect nearly every major sector of the global economy, playing a critical role in the future of the planet by dramatically improving productivity and decision-making processes central to how major industries conduct business and create value. Hexagon is uniquely positioned to power enterprise organisations by providing them smart solutions.

With the world's richest geospatial and industrial portfolio, Hexagon has the key ingredients to capture, fuse and transform dynamic data into actionable information that can be shared and delivered to the right people at the right time.

UNDERSTANDING CHANGE

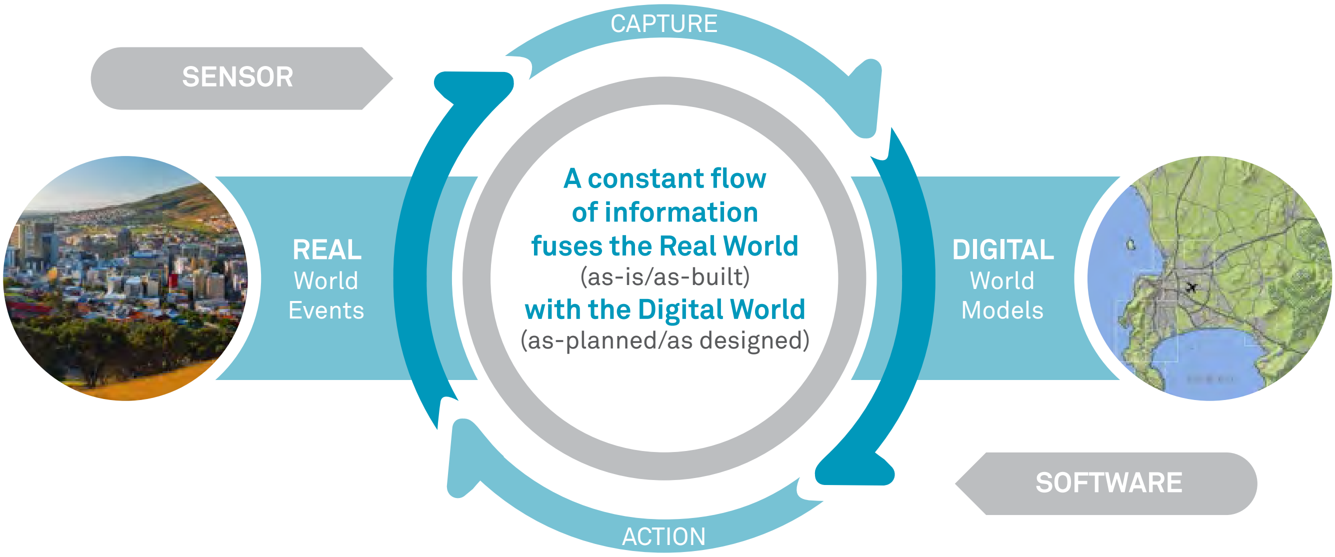
Information overload is practically suffocating enterprise organisations. Leaders in every sector are grappling with the implications of analysing large data sets or big data. More data equals more formats and more silos. Its complexity and overabundance make important things harder to find and impede good decision-making.

To understand change, large volumes of data must be carefully managed, thoroughly examined and easily accessible. This requires the quick collection and breakdown of data from endless sources, integrated and presented in an intuitive and purposeful format. It involves breaking down silos that can cost an organisation in agility and responsiveness, making data analysis more comprehensible and, in turn, transforming how entire industries confront difficult challenges.

THE HEXAGON ADVANTAGE

Through sensors that capture the world as-is or as-built and software that interprets the captured data, our customers are able to better manage real conditions and take immediate action. With accurate and up-to-date digital depictions of what's going on in the real world, they are able to derive insight, ask relevant questions and manage extensive and complex enterprise-wide information.

Hexagon Advantage



OUR SMART SOLUTIONS FRAMEWORK

Because all data is not equal, it is important to understand when data is relevant and what data is needed. In addition to big data management, organisations need value-driven solutions that are tightly aligned to their specific work processes, yet comprehensive enough to address end-to-end needs – where data is intuitive, instilling confidence and control throughout the decision-making process.

Solutions from Hexagon serve four key areas with solutions that fit the problems we need to address. Together, they are transforming how critical industries tackle increasingly difficult challenges, providing decision-makers the tools and intelligence to make informed and strategic choices – so they can do things smarter, faster, with less effort and with less waste.

1. Safety: Smarter ways to protect the public
2. Infrastructure: Smarter ways to provide for the public
3. Resources: Smarter ways to build and maintain industrial facilities and optimise resources
4. Manufacturing: Smart ways to manufacture essentials for everyday life

Smart Solutions Framework

FOCUS AREAS

Safety	Infrastructure	Resources	Manufacturing
PREVENTION	CONSTRUCTION	OIL AND GAS	AUTOMOTIVE
INVESTIGATION	CITIES AND TOWNS	FOOD	AEROSPACE
RESPONSE	TRANSPORTATION NETWORKS	LAND	ENERGY
	POWER AND WATER SYSTEMS	RAW MATERIALS	MEDICAL
			OTHER MANUFACTURED PRODUCTS

See our technologies in action

HEXAGON'S TECHNOLOGIES AT WORK

Making a difference every day

Solving challenges that threaten our existence is necessary for building and sustaining stronger communities, and Hexagon is at the forefront, providing access to vital information needed to act with greater intelligence.

SAFETY

Mobile technology gives officers more time in the field

Police officers in New Zealand have found it a little easier to protect and serve thanks to smart technology courtesy of Intergraph.

In 2013, New Zealand Police, the unified national law enforcement agency, deployed smartphones and tablets featuring Intergraph technology to more than 6 000 frontline officers. Linked to Intergraph's industry-leading computer-aided dispatch software (I/CAD), Intergraph's Mobile Responder app helps New Zealand field officers use smartphones to access critical information required for more informed decision making.

New Zealand Police estimate the technology enables officers to spend more time in the field, reduce significant amounts of paperwork and increase productivity by 30 minutes per shift, amounting to 520,000 hours each year or $304.8 million (NZD) in productivity savings over 12 years.

Police Commissioner Peter Marshall said the decision for police to roll out smartphones and tablets to frontline staff will fundamentally change the way these officers do their jobs.

"We believe greater use of modern technology is the way of the future; it's common sense and will ensure officers can remain on the frontline rather than returning to stations to complete paperwork," he said. "Our long-term vision is for frontline officers to be empowered, informed, tech-savvy, visible and safe in the community preventing crime."

New Zealand Police also are utilising Intergraph's GeoMedia Smart Client software. GeoMedia Smart Client integrates data from police communications centers into near real-time interactive maps, displaying information required by officers on- and off-field. The system stores current and historic event reports and acts as a key planning and decision-making tool. Intergraph developed the GeoMedia Smart Client-enabled solution in collaboration with the Communications Centres Intelligence Unit at Police National Headquarters, Wellington.

Solving more crimes with 3D laser scanning

Historically, law enforcement agencies, investigators and forensic scientists have struggled to collect and piece together evidence to solve the mysteries of crime scenes. Fortunately, technology advances are providing ways to capture the smallest details quickly and virtually return to the crime scene as often as needed to gather more intelligence.

Chief among these advances is 3D laser scanning, a technology that accurately records millions of measurements along with panoramic photography. Because 3D laser scanners such as the Leica ScanStation P20, C10 and C5 measure everything within their line of sight, they provide an invaluable way to accurately reconstruct the scene in a digital environment for continued analysis long after the crime scene tape has been removed.

Combined with powerful software such as Leica Cyclone for bullet path reconstruction, Leica TruView for generating realistic 3D panoramic images of the scene and MapScenes Forensic CAD for reconstructing, animating and presenting compelling simulations, 3D laser scanning technology is reshaping the way investigators handle crime scenes.

A group of forensic experts used Leica Geosystems 3D laser scanning and other modern tools to explore lingering questions surrounding the 1963 assassination of U.S. President John F. Kennedy. Their analysis included firing the same type of gun Lee Harvey Oswald used and a trip to Dealey Plaza, where the assassination took place. Using a Leica ScanStation PS20, the team spent an entire day collecting laser scan data from the plaza and Sixth Floor Museum.

As a result of this field work, investigators do not have to return to the scene of the crime to test theories about what happened. Instead, they can use a computer to analyse distances and angles and compare the scan data to what they know occurred.

INFRASTRUCTURE

Mobile mapping – on the road with Leica Pegasus:One

Surveying in developing countries sometimes can be difficult due to environmental or political issues. Instability and uncertainty in an environment requires equipment and processes that allow quick and reliable data gathering.

The Leica Pegasus:One mobile mapping solution from Leica Geosystems addressed this need for topographic services company Viamapa, which successfully used Leica Pegasus:One to create base transportation maps in Niger. The challenge was to gather base survey maps for construction as fast and efficiently as possible. With Leica Pegasus:One, Viamapa found it easy to extract maps for construction, acquiring data using local vehicles.

The speed of data delivery was the highlight of the project. Surveyors successfully mapped 425 km in just nine days with Leica Pegasus:One. Using a 3D laser scanner and six panoramic cameras mounted on each of the vehicles – the two systems guaranteeing that all features were captured and Viamapa did not have to return to any location – photos were taken every four metres and the scanner generated a scan every 20 centimetres.

By capturing more than 40 billion data points (two million scan lines) while generating more than 500 000 images, Viamapa helped move a developing nation faster into the future.

Putting Germany's railway infrastructure data on track

DB Netz, the agency responsible for railway infrastructure in Germany, is using Intergraph solutions to manage the geospatial documentation of rail infrastructure, the transportation network and rail corridor data, as well as to create cartographic products.

Responsible for managing more than 33 500 kilometers of rail network, DB Netz was in need of a seamlessly integrated system that could handle a vast amount of information.

DB Netz is using GeoMedia, Intergraph's powerful GIS management platform that lets users pull data from different databases into a single GIS database environment for viewing, analysis, presentation and sharing.

Decision makers at DB Netz say using GeoMedia enabled the agency to increase data quality and integrity and the enterprise-wide usage of its spatial infrastructure data, as well as made system administration and handling and data exchange with third parties much easier.

RESOURCES

Intelligent information management drives better decisions in China

China National Offshore Oil Corporation (CNOOC), the largest offshore oil and gas producer in China, needed to create a sophisticated information management system that could support the entire life cycle of its projects.

With the help of Intergraph's asset and data management software solution SmartPlant Foundation, CNOOC is able to better manage the engineering information of its offshore platforms and oil fields. SmartPlant Foundation's capabilities span the entire project life cycle, ranging from simple document management to configuration management in highly regulated industries. The solution allows CNOOC to manage massively interrelated, interdependent and rapidly evolving data, while ensuring its quality and accuracy and promoting effective management optimisation of the supply chain, minimising costly shutdown periods and improving the safety of CNOOC facilities.

SmartPlant Foundation enables CNOOC to integrate all data, documents and models that were generated in design, construction and production stages to be linked to other systems such as SAPR and FileNet. With full interoperability, all key stakeholders can access accurate engineering data from a single source.

Tapping Brazil's oil reserves

Tomé Ferrostaal, a joint venture between Tomé Engenharia and Ferrostaal in Brazil, selected Intergraph SmartMarine Enterprise solutions as part of a project with Petrobras, one of the world's largest energy companies. Intergraph's leading-edge enterprise engineering software is being used to construct the topsides of six identical floating, production, storage and offloading (FPSO) vessels being built in Brazil.

Intergraph's SmartMarine Enterprise suite is the world's most advanced, integrated offshore and shipbuilding solution, driving improvements in design efficiency, production schedule, handover and overall life-cycle cost control for enhanced global competitiveness.

Tomé Ferrostaal is using a suite of Intergraph software solutions in the construction. In addition to the software, training and on-site support will be provided for the project.

Tomé Ferrostaal expects to boost productivity and project quality, as well as reduce project time and errors, especially by having on-site technical support.

MANUFACTURING

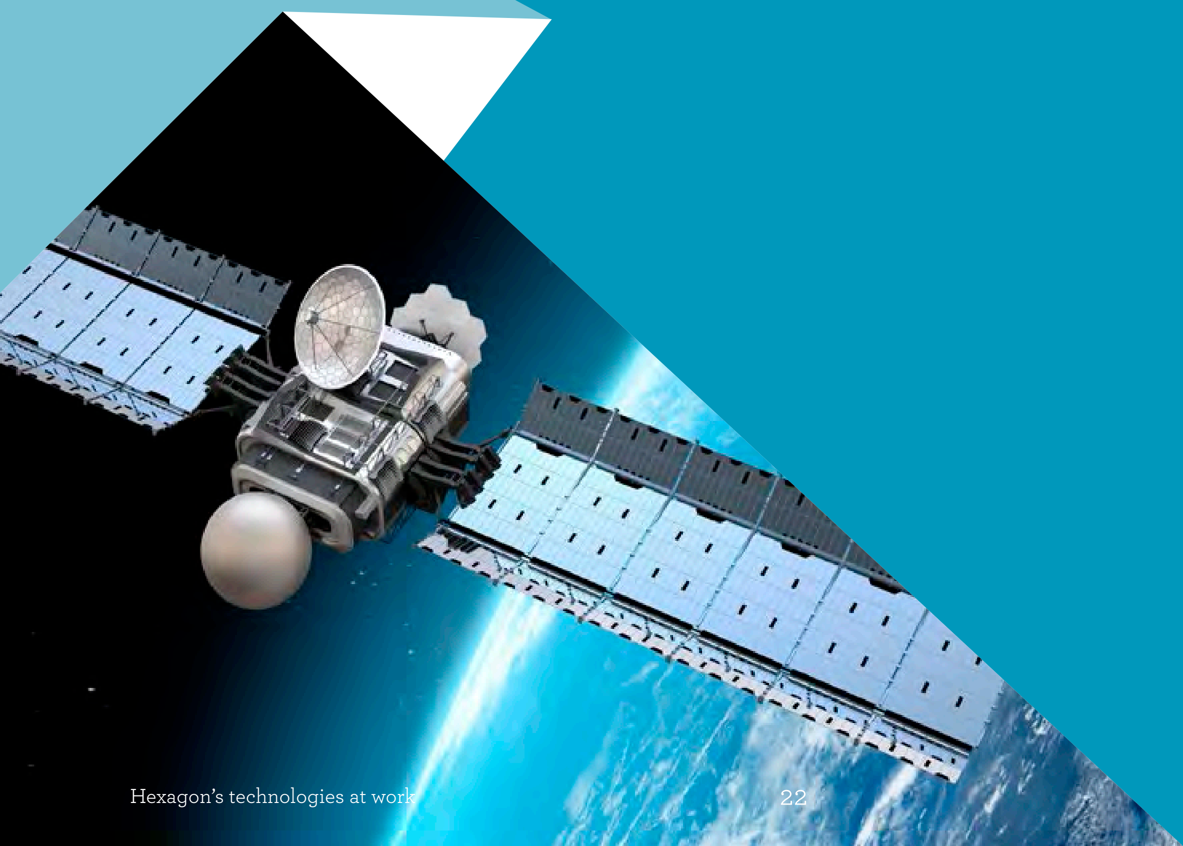
Innovations for exploration at NASA

Experts at NASA are facing some unique challenges that are being addressed by Hexagon's developments in metrology solutions including hardware, software, sensors and services.

Aided by Hexagon Metrology's SpatialAnalyzer (SA), a portable metrology software solution for large-scale manufacturing applications, NASA is working on two projects – the James Webb Space Telescope that will replace Hubble in 2014, and the Lunar Reconnaissance Orbiter (LRO) that will map the surface of the moon. Each of these projects needs the precision metrology that SA brings to the process.

The goal of the LRO project is to find good landing sites on the moon, as well as locate topographical features and resources. This is done by creating an atlas of the moon through different cameras mounted on spacecraft. SA creates a software model of the LRO spacecraft including all the pointing measurements that have been collected, describes the instrument orientations and helps prevent errors.

On the space telescope project, the crew used SA to fit measurements to the model allowing verification that the instruments would fit when replaced on the Hubble Space Telescope. Parts of the telescope are being constructed in decentralized sites because it is part of an international effort. Mechanical engineers all over the world are working with SA to coordinate among partners, resulting in improved communication and confidence.



Flying high with more efficiency

BMT Aerospace operates three international production facilities, and each has found its own niche market. The factory in Oostkamp, Belgium, specialises in all sizes of pinions and sector gears, which are used for the mechanical actuation of movable leading-edge slats, whether in small regional jets or the Airbus A380.

It is imperative that these components function reliably, as they are needed in every takeoff and landing manoeuvre. But with only one horizontal arm measuring machine and a high volume of orders, BMT Aerospace was not able to handle its tasks in the measuring room.

When the search was on for a new solution, it was clear that greater efficiency was critical. The right partner was found in Hexagon Metrology, whose relationship with BMT Aerospace began in 1998 with the purchase of a high-precision Leitz coordinate measuring machine, which was followed by the purchase of another machine a few years later. BMT Aerospace also incorporated Hexagon Metrology's QUINDOS, a software solution for measuring work pieces on pallets and measuring gearwheels.

To handle the recent increase in orders, a third machine, a Leitz Reference, was added. All three Leitz measuring machines at BMT Aerospace offer the same system configuration that increases flexibility in the measuring room. High-speed scanning sensors on the machines ensure a high density of data and high measuring accuracy. When work piles up at one machine, it is easy to reschedule the pinions and sector gears for another.

With the help of the semi-automatic process, it is possible to operate the machine in 24-hour mode. During the late shift, measuring technicians load the machines with the pallets. At the press of a button, the process runs automatically through the night. Incorrect placement, pronounced deviations in geometry or processing residues from production do not cause the machine to stand still, and manual interventions are not required.

Hexagon Solutions

Hexagon has developed a portfolio of targeted solutions designed to leverage synergistic opportunities that exist across all businesses. Through specific combinations of geospatial and industrial technologies, the value to the customer goes well beyond what each stand-alone product offers.

HEXAGON SOLUTIONS

Smart Agriculture Solution – providing nourishment for a growing world

When it comes to providing food for the world, there are a number of critical factors that affect production including availability of land, accessibility of water and sustainability in agriculture. Only 11 per cent of the planet's land is considered fit for growing crops. Increased occurrences of natural disasters such as droughts and floods have had a catastrophic impact on the availability of usable land.

Smart Agriculture Solution addresses these issues with a comprehensive solution that helps increase productivity, reduce waste and optimise processes and resources.

Adoption of precision agriculture has changed the way farmers and agribusinesses see their land. Once treated uniformly, fields are now being micromanaged for higher productivity, better margins and lower waste. Much of precision agriculture, or site-specific farming, has been made possible by combining the global positioning system (GPS) and geographic information systems (GIS). These technologies enable coupling of real-time data collection with accurate position information, leading to efficient manipulation and analysis of large amounts of geospatial data.

The Smart Agriculture Solution combines Hexagon Geospatial geo-processing software and Leica Geosystems steering solutions to build a comprehensive solution that covers the life cycle of the agriculture process. Smart Agriculture Solution keeps farmers abreast of crop creation, production and progression through digital crop workflows created from geo-enabled data. With Smart Agriculture, information is collected and analysed, and action is taken to optimise processes, thereby increasing efficiency to improve yield while saving costs.

Smart Modular Assembly Solution – a new way to build

Building large structures has long been a challenge for engineers. The proper design and modularisation of the structure and its final assembly are particularly difficult tasks. Unfortunately, many construction processes are intrinsically imprecise, resulting in parts with dimensional imperfections that can potentially risk the quality, safety and use of the final product. Because safety and quality cannot be compromised, some scrap and rework in manufacturing and assembly processes often is necessary.

To minimise the risks of dimensional imprecision, control of and insight into the design and build process is mandatory. There are costs and delays associated with reworking a part, and the sooner the impact on the construction schedule is known, the better.

Smart Modular Assembly Solution closes a gap in the construction workflow where the assembly of complex structures is critical. The combination of design tools for proper modularisation, a managing tool for planning and "what if" scenarios, metrology instruments and analysis software can fulfill all the functionality and permit immediate feedback to the design and planning teams for them to take corrective action.

By integrating Intergraph's SmartPlant family of products with measurement data obtained by the precision equipment and software of Hexagon Metrology and Leica Geosystems, Smart Modular Assembly provides visibility of the dimensional quality of parts, automating and optimising processes.

It is the only comprehensive solution to connect multiple products. From single-part inspection to highly accurate, large-scale, multi-instrument surveys, the advanced analysis capabilities support large-scale manufacturers that have no other option but to make components that fit, stick to time schedules and keep costs under control.

Smart H^2O Solution – shaping the future of water resources

Communications, energy, transportation and water management systems are crucial to maintaining our way of life, and they all heavily depend upon reliable and safe infrastructure.

As with any infrastructure, water systems present huge risks. Regardless of cause – natural or man-made – a single threat can result in significant destruction. When a dam crumbles, a reservoir floods or a levee is breached, the results can be devastating, including loss of life, massive property damage or long-term environmental consequences.

The Smart H^2O solution is a comprehensive water infrastructure management solution. Its integrated components are designed to improve the construction, operability and security of water management systems while ensuring the safety of neighbouring communities in the event of emergency.

Comprised of total stations and other sensors from Leica Geosystems and monitoring, dispatch, engineering and asset management solutions from Intergraph. Together, they work to reduce the risk of infrastructure failure by keeping it protected and healthy, as well as safeguard against disaster through the use of real-time monitoring, early warning systems and emergency operations plans.

RESEARCH AND DEVELOPMENT

Innovative, leading-edge technologies

Hexagon's overarching R&D strategy aims at both breakthrough innovation and incremental change. R&D is a prerequisite for Hexagon's industry leadership and it is vital to maintaining the company's expertise in design, measurement and visualisation technologies.

INNOVATION PROCESSES

Hexagon seeks to create a continuous flow of new products and technologies through its R&D process. A concrete set of rules, phases and milestones help identify product innovations for large-scale production and enable simultaneous and parallel development. Clearly defined roles foster knowledge sharing among teams and divisions, creating company-wide synergies across the organisation. Approximately 23 per cent of employees are dedicated to R&D activity.

PATENTS CRUCIAL TO PROTECT INNOVATION

Each year, Hexagon submits a large number of patent applications to protect its innovations. Hexagon's patent portfolio consists of about 3,200 active patents worldwide.

TECHNOLOGY DEVELOPMENT

Hexagon's divisional R&D targets satisfy specific customer needs. In addition to divisional R&D, Hexagon has a corporate R&D centre that ensures that technologies developed in one division can be used throughout the organisation.

INNOVATION THROUGH COMBINATION OF TECHNOLOGIES

Part of Hexagon's R&D strategy is focused on combinations of its geospatial and industrial technologies to fully leverage the synergistic opportunities that exist across all businesses. As a result, the value to customers goes well beyond what each stand-alone product offers.

TECHNOLOGY ACQUISITION

Hexagon's R&D strategy includes leveraging acquisitions to fill technology gaps and add know-how, thereby securing the company's market-leading position. In line with Hexagon's solution-centric focus, software technology acquisitions are of primary importance.

R&D EXPENSES

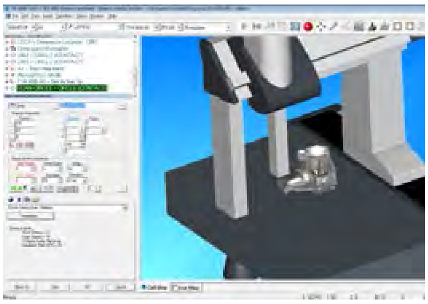
In 2013, R&D expenses were 274 MEUR (255), corresponding to 11 per cent (11) of total net sales). Development expenses are capitalised only if they pertain to new products, the cost is significant and the product is believed to have major earnings potential. In 2013, 53 per cent of R&D spend was capitalised, and the majority of the spend was used for development of software or software-related solutions, supporting the company's solution-centric strategy.

11%
of net sales

23%
of employees

3,200
active patents

Several innovations introduced in 2013



LEICA NOVA MS50 MULTISTATION – Combines every significant measuring technology including precision 3D scanning, extensive and precise total station capabilities, digital imagery and GNSS connectivity in one device to provide unchallenged accuracy and quality.

LEICA PEGASUS:ONE – The most flexible, mobile mapping platform available today, allows service providers to use their existing terrestrial scanners for mobile mapping.

INTERGRAPH MOBILE RESPONDER – A smartphone and tablet application for police, fire and emergency medical emergency personnel, enabling them to view incident details, receive and acknowledge messages, update status, query databases and more.

INTERGRAPH SMARTPLANT CLOUD – A dynamic cloud computing environment that removes the need for customer hardware and infrastructure and allows users to access SmartPlant Enterprise applications, project and plant maintenance environments via a simple URL, regardless of global location.

INTERGRAPH SMARTPLANT FUSION – A synergistic integration of Intergraph's SmartPlant Enterprise and Leica TruView that delivers an intuitive, photo-realistic web portal and management system for diverse and source-agnostic technical asset information. SmartPlant Fusion automatically reads and extracts meaningful content from many sources and assembles an organised plant record without costly CAD conversions or data cleansing, allowing lower-cost management of technical asset information with better ROI.

HEXAGON METROLOGY PC-DMIS 2013 – The leading software in the metrology industry for the collection, evaluation, management and presentation of manufacturing data to reduce scrap, improve throughput, reduce costs and build lean manufacturing operations. A major new feature for width construction was added during the year.

Sustainability priorities aligned with business goals

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

IMPROVING PRODUCTIVITY

Hexagon's market leadership is based on its ability to consistently bring innovative solutions to the market that help customers improve efficiency, agility and productivity. The solutions also help customers achieve their sustainability goals, such as:

- Monitoring of production to decrease the volume of scrap material, thereby reducing consumption of components and raw material
- Improving energy efficiency
- Ergonomic features that improve the working environment
- Facilitation of upgrades of products and services to extend the lifecycle of products
- Reducing the consumption of hazardous materials in product design

EFFICIENT R&D

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

Hexagon strives to minimise use of resources in its product development by using rigorous project management. One important task for the project manager is risk management, such as avoiding re-work in product development. Development and market risks are continuously monitored, and at each individual milestone a dedicated steering board evaluates the risk list and decides on go, no-go or a reiteration.

The Hexagon Innovation Process (HIP) helps to manage the development projects. As it is customisable and adaptable to the type of project or organisation, it helps to avoid unnecessary steps. HIP is based on best practices in product management, project management and new product engineering, and describes and covers all the phases from the product idea via the product development to the market release and introduction.

SUSTAINABLE MANUFACTURING

In the manufacturing operations, Hexagon has implemented programmes designed to ensure that environmental standards are in compliance with laws, regulations and directives. Major production facilities are ISO 14001 certified. The company strives to minimise the use of natural resources by minimising consumption of materials and maximising recycling. Hexagon utilises safe and environmentally friendly installations in Hexagon's manufacturing processes and promotes energy efficiency in buildings, production plants and performance of services.

Hexagon's market leadership is based on its ability to consistently bring innovative solutions to the market that help customers improve efficiency, agility and productivity.

Hexagon focuses mainly on assembly, adjusting and qualification processes to ensure highest quality standards and specifications that meet customers' demand under all environmental conditions. Important parameters are tracked with Hexagon's Assembly Information System. This allows on-going monitoring of defined KPI's throughout all production processes and further supports Hexagon's service organisation with important instrument specific information.

Key processes, key tools, qualification and certification equipment is primarily designed in-house for an optimal adaptation of product requirements and to ensure efficient and economic processes in close cooperation with R&D.

Lean manufacturing is a key initiative to ensure a cost optimised manufacturing process. Hexagon applies the most efficient processes to ensure flexibility and on time delivery at minimum inventory. The primary focus is to integrate key suppliers into an efficient supply chain and not to restrict the optimisation to Hexagon's in house production only.

Employees participate in on-going improvement programmes to optimise processes and workflows. Hexagon regularly invests in automatisation projects or projects to reduce the risk of breakdowns. A team of engineers in every production facility monitors the processes, implements improvements and participates in the product innovation process.

RESPONSIBLE PROCUREMENT

Hexagon requires that suppliers support the organisation's ethical standards, defined in the Code of Business Conduct and Ethics. Hexagon maintains close and on-going contacts with its suppliers to ensure quality and sound business practices. Audits are performed, and Hexagon expects its suppliers to demonstrate continuous improvement.

STIMULATING WORK ENVIRONMENT

As an industry leader in innovation and quality, Hexagon considers it essential to attract and retain the most competent employees and to motivate them to excel. The work environment is intended to be stimulating, challenging and support continuous learning.

Hexagon encourages communication and collaboration across divisions and geographic boundaries to ensure the best possible use of available knowledge and expertise. Hexagon's managers are provided training to promote compliance with the organisation's high leadership standards.

BOARD OF DIRECTORS ARE RESPONSIBLE FOR SUSTAINABILITY

The Board of Directors has the overall responsibility for sustainability at Hexagon. The Board has laid down Corporate Responsibility Guidelines that serve as a framework for Hexagon's approach.

STEERING DOCUMENTS

Hexagon's Code of Business Conduct and Ethics defines the duty of all Hexagon employees to uphold high standards for ethical conduct. The Code also aims to ensure a safe work environment and that all employees are treated equally and fairly. Corporate Responsibility Guidelines support and adhere to the core values expressed in the United Nations Global Compact's ten principles in the areas of human rights, labour rights, environment and anti-corruption.

Employees at the forefront

Hexagon employs more than 14,000 people in over 40 countries in areas such as research and development, marketing, sales, assembly and production, customer training, service and administration. Given Hexagon's innovative nature, it is crucial to attract, develop and retain employees having the right skills and being at the forefront in their fields of expertise.

TALENT MANAGEMENT PROJECT

The Talent Management Project was created based on results of Hexagon's 2011 employee survey and focuses on the organisation's overall approach to attracting, developing and retaining high-quality professionals. The project, expected to yield an integrated and consistent approach to talent management across the organisation, covers three core areas:

- Performance management
- Talent assessment and succession planning
- Leadership development and culture

PERFORMANCE MANAGEMENT

The first step in the project was the launch of Principles of Performance Management campaign, which allows employees to discuss and explore career and development opportunities with their manager.

The second step is to establish consistent processes and systems that are known and understood across the company. In support of this initiative, a number of training modules were developed and designed in-house in the form of classroom training, e-learning and other self-learning guides.

TALENT ASSESSMENT AND SUCCESSION PLANNING

In 2013, a talent assessment pilot that included performance reviews was conducted within the R&D team in Metrology. The pilot triggered valuable discussions about how to retain talent, and the tools developed will be implemented throughout the company.

LEADERSHIP DEVELOPMENT

Measures are taken to continuously build the leadership culture of the organisation. During 2013, a programme was initiated to identify future leaders on different levels such as junior managers, senior managers and executive leaders.

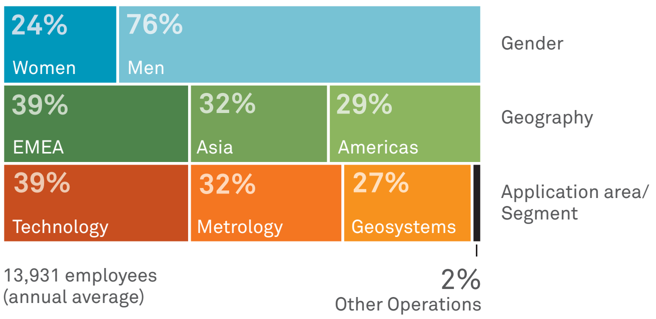
RECRUITMENT

Hexagon representatives attend student job fairs worldwide and the company is highlighted through various channels including journals, web sites, videos and open visitation at Hexagon locations. Hexagon also has research collaborations with relevant and prestigious universities in many countries including the USA, China, India and Switzerland.

TURNOVER

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

EMPLOYEES BY REGION AND SEGMENT



Hexagon's core values

Hexagon's core values unite all employees under one shared purpose of accountability and in meeting the high standards they expect from themselves and their peers.

Profit driven

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

Customer focused

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

Engaged

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

Innovative

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

Professional

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

Entrepreneurial

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

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

+25%
in 2013

The share

SHARE PRICE DEVELOPMENT AND TRADING

In 2013, the Hexagon share price increased by 25 per cent to 203.30 SEK at 31 December, performing in line with the NASDAQ OMX Stockholm PI Index which increased by 23 per cent. The share price reached the 52-week high of 206.20 SEK on 5 August and the 52-week low on 7 January at 163.00 SEK. Hexagon's total market capitalisation as of 31 December 2013 was 72,171 MSEK. During the year, 229 million (356) Hexagon shares were traded on the NASDAQ OMX Stockholm, BATS, Burgundy, Chi-X and Turquoise. The turnover rate, i.e. the degree of liquidity, was 65 per cent (101).

SHAREHOLDER STRUCTURE

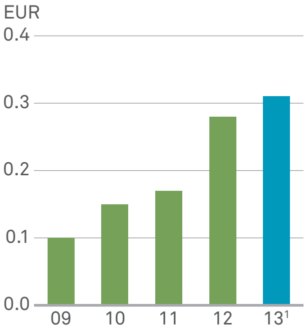
At year-end 2013, Hexagon had 17,767 registered shareholders (19,688). Shareholders in the USA accounted for the largest foreign holding, representing 16 per cent (15) of total shares followed by the UK, representing 16 per cent (13). The 10 largest owners held 53.8 per cent (57.0) of the share capital and 67.0 per cent (69.5) of the votes.

SHARE CAPITAL

At year-end 2013, Hexagon's share capital amounted to 78,771,810 EUR, represented by 354,996,977 shares, of which 15,750,000 are of series A with 10 votes each and 339,246,977 are of series B with one vote each. Each share has a quota value of 0.22 EUR. Hexagon AB held no treasury shares as of 31 December 2013.

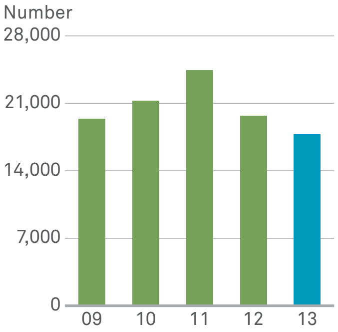
Hexagon's Annual General Meeting in 2013 authorised the Board of Directors to resolve on the acquisition and transfer of series B shares for the purpose of giving the Board the opportunity to adjust the company's capital structure and to enable the financing of acquisitions and the exercise of warrants. The authorisation covers repurchase and transfers of a maximum of 10 per cent of all Hexagon shares.

Cash dividend per share

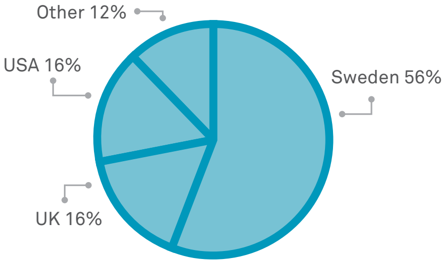


[1] *According to the Board of Directors' proposal.*

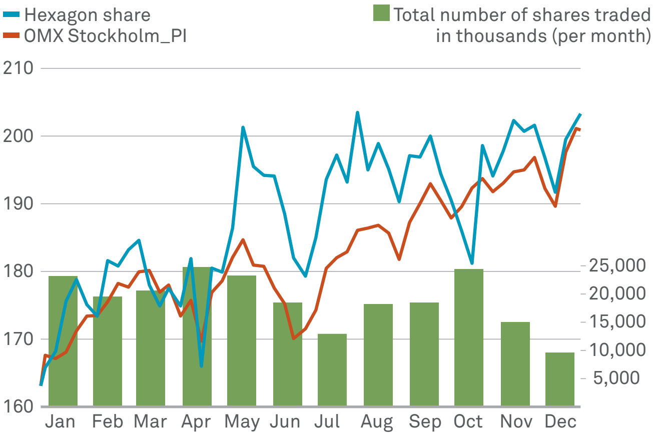
Number of shareholders



Geographic distribution of shareholdings

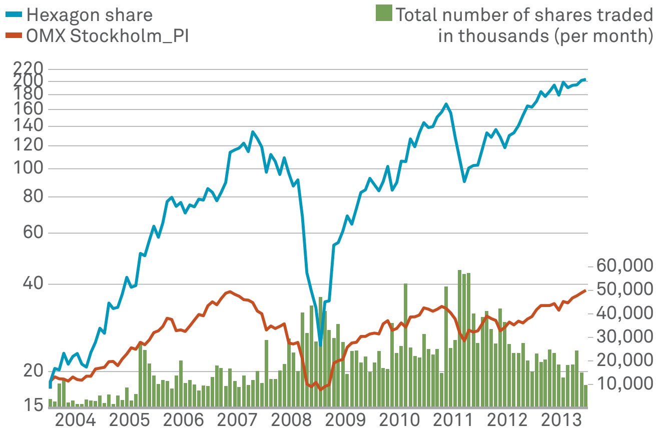


Hexagon



Source: SIX

Hexagon



Source: SIX

Class of shares	Number of shares	Number of votes	% of capital	% of votes
A shares	15,750,000	157,500,000	4.44	31.71
B shares	339,246,977	339,246,977	95.56	68.29
Total	**354,996,977**	**496,746,977**	**100.00**	**100.00**

LARGEST SHAREHOLDERS

Owner/manager/deposit bank	A shares	B shares	Share capital, %	Voting rights, %
Melker Schörling AB	15,750,000	78,711,582	26.61	47.55
JPM Chase NA	-	23,562,669	6.64	4.74
Ramsbury Invest AB	-	17,196,387	4.84	3.46
Swedbank Robur Funds	-	12,636,677	3.56	2.54
SSB CL Omnibus	-	11,021,858	3.10	2.22
Columbia Wanger Asset Management	-	10,918,636	3.08	2.20
Nordea Investment Funds	-	5,580,789	1.57	1.12
SSB and Trust COM	-	5,580,579	1.57	1.12
AMF - Insurance and Funds	-	5,280,559	1.49	1.06
Mellon Omnibus	-	4,893,877	1.38	0.99
Didner & Gerge Funds	-	4,050,000	1.14	0.82
Fourth AP Fund	-	3,670,929	1.03	0.74
CBLDN	-	3,632,189	1.02	0.73
BNYM SA NV	-	3,079,697	0.87	0.62
Second AP Fund	-	2,835,918	0.80	0.57
Handelsbanken Funds	-	2,803,116	0.79	0.56
Mellon US Tax Exempt Account	-	2,780,683	0.78	0.56
Third AP Fund	-	2,714,209	0.76	0.55
NTC Various Fiduciary Capacities	-	2,711,772	0.76	0.55
SEB	-	2,705,096	0.76	0.54
Subtotal, 20 largest shareholders	**15,750,000**	**206,367,222**	**62.57**	**73.25**
Summary, others	-	132,879,755	37.43	26.75
Total number of outstanding shares	**15,750,000**	**339,246,977**	**100.00**	**100.00**
Total issued number of shares	**15,750,000**	**339,246,977**	**100.00**	**100.00**

Source: Euroclear Sweden AB as of 30 December 2013.

THE HEXAGON SHARE

Transactions	Nominal value, SEK/EUR	A shares, change	B shares, change	A shares, total	B shares, total	Share capital, SEK/EUR
2000	10			840,000	13,953,182	147,931,820
2002 Rights issue	10	210,000	3,488,295	1,050,000	17,441,477	184,914,770
2004 New issue, warrants exercised	10		10,170	1,050,000	17,451,647	185,016,470
2005 New issue, warrants 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, warrants exercised	4		154,500	3,150,000	54,677,346	231,309,384
2005 Private Placement[1]	4		11,990,765	3,150,000	66,668,111	279,272,444
2005 Private Placement[2]	4		82,000	3,150,000	66,750,111	279,600,444
2006 Rights issue	4	787,500	16,687,527	3,937,500	83,437,638	349,500,552
2006 New issue, warrants 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, warrants exercised	4		309,119	3,937,500	84,454,325	353,567,300
2007 New issue, warrants 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, warrants exercised	2		169,785	11,812,500	253,707,270	531,039,540
2008 Repurchase of shares	2		-1,311,442	11,812,500	252,395,828	531,039,540
2009 Sale of repurchased shares, warrants exercised	2		138,825	11,812,500	252,534,653	531,039,540
2010 Sale of repurchased shares, warrants exercised	2		20,070	11,812,500	252,554,723	531,039,540
2010 Rights issue	2	3,937,500	83,845,572	15,750,000	336,400,295	707,284,354
2011 Rights issue	2		339,335	15,750,000	336,739,630	707,284,354
2011 Change of functional currency to EUR	0.22			15,750,000	336,739,630	78,471,187
2012 Sale of repurchased shares, warrants exercised	0.22		185,207	15,750,000	336,924,837	78,471,187
2013 Sale of repurchased shares, warrants exercised	0.22		967,340	15,750,000	337,892,177	78,471,187
2013 New issue, warrants exercised	0.22		1,354,800	15,750,000	339,246,977	78,771,810
Total number of issued and outstanding shares				**15,750,000**	**339,246,977**	**78,771,810**

[1] *Issues in kind in connection with the acquisition of Leica Geosystems whereby shares in Leica Geosystems were contributed in exchange for B shares in Hexagon.*
[2] *Issue in kind in connection with annual block exercise in Leica Geosystems' warrant programme whereby shares in Leica Geosystems received by the programme participants based on the exercise of warrants were contributed in exchange for B shares in Hexagon.*

OWNERSHIP STRUCTURE

Holding per shareholder	Number of shareholders	Number of outstanding A shares	Number of outstanding B shares
1–500	10,812	-	1,744,809
501–1,000	2,339	-	1,843,142
1,001–2,000	1,788	-	2,734,967
2,001–5,000	1,368	-	4,452,524
5,001–10,000	555	-	4,046,275
10,001–20,000	302	-	4,347,819
20,001–50,000	211	-	6,574,488
50,001–100,000	78	-	5,448,269
100,001–500,000	117	-	25,634,882
500,001–1,000,000	30	-	22,417,776
1,000,001–5,000,000	44	-	94,550,508
5,000,001–10,000,000	4	-	22,322,345
10,000,001-	5	15,750,000	143,129,173
Total number of outstanding shares	**17,653**	**15,750,000**	**339,246,977**

Source: Euroclear Sweden AB as of 30 December 2013.

WARRANTS PROGRAMME

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

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

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

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

The warrants may be exercised during 1 January 2012 – 31 December 2015. In 2013, 2,597,050 warrants were exercised.

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

DIVIDEND

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

The Board of Directors proposes a dividend of 0.31 EUR (0.28) per share for 2013. The proposed dividend amounts to 30 per cent of the year's earnings per share after tax and is thus in line with the dividend policy.

KEY DATA PER SHARE

	2013	2012[1]	2011	2010	2009
Shareholder's equity, EUR	8.00	7.77	7.15	6.15	4.02
Net earnings, EUR	1.04	0.99	0.84	0.30	0.39
Cash flow, EUR	1.42	1.41	1.00	0.70	0.76
Cash dividend, EUR	0.31[2]	0.28	0.17	0.15	0.10
Pay-out ratio, %	29.8	28.3	20.2	50.0	25.6
Share price, EUR	22.95	19.00	11.55	16.08	9.04
P/E ratio[3]	22	19	14	54	23

[1] Restated IAS 19.
[2] According to the Board of Directors' proposal.
[3] Based on the share price at 31 December and calendar year earnings.

ANALYSTS FOLLOWING HEXAGON AB

Institution	Name
ABG Sundal Collier	Erik Golrang
Bank of America	Ben Maslen
Barclays	Gerardus Vos
Carnegie	Mikael Laséen
Danske Bank	Björn Enarson
DNB	Lars Brorson
Goldman Sachs	S.K. Prasad Borra
J.P. Morgan	Stacy Pollard
Nordea	Andreas Koski
Pareto Securities	David Jacobsson Cederberg
SEB Equities	Daniel Schmidt
Swedbank	Håkan Wranne
UBS Investment Research	Guillermo Peigneux

Corporate Governance report

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

Hexagon applies the Code, which is based on the principle "comply or explain". Hexagon does not report any deviations from the Code for the financial year 2013, except one: although the Code stipulates that the Audit Committee shall consist of at least three members, Hexagon chose to operate the Committee through two members only.

This corporate governance report has been prepared in accordance with the provisions of the Annual Accounts Act and the Code and has, by virtue of Section 6, paragraph 8 of the Annual Accounts Act, been drawn up as a document separate from the Annual Report.

OWNERSHIP STRUCTURE AND SHARE INFORMATION

At 31 December 2013, Hexagon's share capital was 78,771,810 EUR, represented by 354,996,977 shares, of which 15,750,000 are of series A with 10 votes each and 339,246,977 are of series B with one vote each. Hexagon AB held no treasury shares at year end. The Annual General Meeting 2013 authorised the Board of Directors ("the Board") to resolve on purchases and divestments of own shares equal to no more than 10 per cent of the total number of issued shares in the company.

Melker Schörling AB, the single largest shareholder in Hexagon, held a total of 15,750,000 series A shares and 78,711,582 series B shares at year-end 2013, representing 47.6 per cent of the votes and 26.6 per cent of the capital. No other shareholder has any direct or indirect shareholding representing more than 10 per cent of the total votes.

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

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

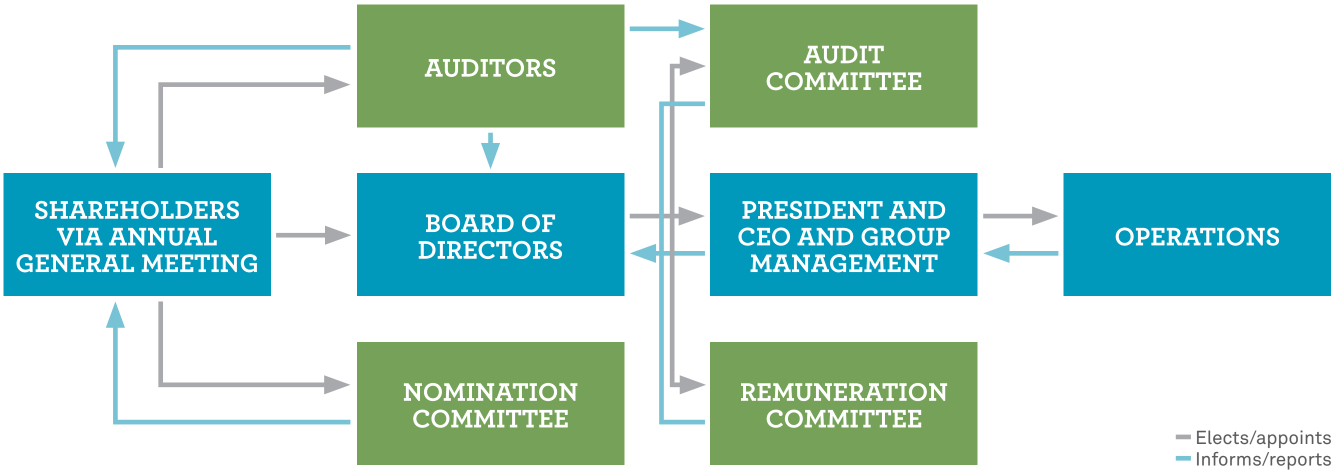
ANNUAL GENERAL MEETING (AGM)

The General Meeting is Hexagon's supreme executive body in which all shareholders are entitled to participate. The Articles of Association of the company contain no restrictions regarding the number of votes that may be cast by a shareholder at general meetings. At the AGM, the Board presents the Annual Report (including the consolidated accounts) and the audit report. Hexagon issues the notice convening the AGM no later than four weeks prior to the meeting. The AGM is held in Stockholm, Sweden, usually in the month of May. The AGM resolves on a number of issues, such as the adoption of the income statement and balance sheet, the allocation of the company's profit and the discharge from liability to the company for the Board members and the President and CEO, remuneration to the Board and auditors, the principles for remuneration and employment terms for the President and CEO and other senior executives, election of members and Chairman of the Board of Directors, election of auditor and any amendments to the Articles of Association, etc.

NOMINATION COMMITTEE

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

The Nomination Committee shall consist of representatives for major shareholders of the company elected by the AGM. In case a shareholder, who a member of the Nomination Committee represents, is no longer one of the major shareholders of Hexagon, or if a member of the Nomination Committee is no longer employed by such shareholder, or for any other reason leaves the Committee before the next AGM, the Committee is entitled to appoint another



representative among the major shareholders to replace such member. No fees are paid to the members of the Nomination Committee.

BOARD OF DIRECTORS

In accordance with the Articles of Association, the Board of Directors of Hexagon shall consist of no less than three and not more than nine members, elected annually by the AGM for the period until the end of the next AGM. The Articles of Association of the company contain no special provisions regarding the election and discharge of Board members or regarding changes of the Articles of Association. The AGM 2013 elected six members, including the President and Chief Executive Officer. The Chief Financial Officer and Executive Vice President, Hexagon's General Counsel and the Chief Technical Officer participate in the Board meetings. Other Hexagon employees participate in the Board meetings to make presentations on particular matters if requested.

The Nomination Committee's assessment of the members' independence in relation to the company, its management and major shareholders is presented on page 39. According to the requirements set out in the Code, the majority of the Board members elected by the General Meeting must be independent in relation to the company and its management, and at least two of such Board members shall also be independent in relation to the company's major shareholders.

The Board of Directors is responsible for determining Hexagon's overall objectives, developing and monitoring the overall strategy, deciding on major acquisitions, divestments and investments and ongoing monitoring of operations. The Board is also responsible for ongoing evaluation of management, as well as systems for monitoring the internal control and the company's financial position. The Board ensures that the company's external disclosure of information is characterised by openness and that it is accurate, relevant and clear. Procedural rules and instructions for the Board and the President and CEO govern issues requiring Board approval and financial information and other reporting to be submitted to the Board.

The Chairman directs the Board's activities to ensure that they are conducted pursuant to the Swedish Companies Act, the prevailing regulations for listed companies and the Board's internal control instruments.

At all scheduled Board meetings, information concerning Hexagon's financial position and important events affecting the company's operations are presented.

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

The Remuneration Committee is appointed by the Board annually, and its task is to consider issues regarding remuneration to the President and CEO and executives that report directly to the President and CEO, on behalf of the Board, and other similar issues that the Board assigns the Committee to consider. The Committee has not been authorised to make any decisions on behalf of the Board.

EXTERNAL AUDITORS

The AGM appoints the company's auditors. On behalf of the shareholders, the auditors' task is to examine the company's Annual Report and accounting records and the administration by the Board of Directors and the President and CEO. In addition to the audit, the auditors occasionally have other assignments, such as work relating to acquisitions. Hexagon's auditors normally attend the first Board meeting each year, at which the auditors report observations from the examination of Hexagon's internal controls and the annual financial statements. Moreover, the auditors report to and regularly meet with the Audit Committee. In addition, the auditors participate in the AGM to present the auditors' report, which describes the audit work and observations made.

INTERNAL CONTROL

The responsibility of the Board of Directors for internal control is regulated in the Swedish Companies Act and in the Code. It is the duty of the Board of Directors to ascertain that the internal control and formalised routines of the company ensure that the principles for internal control and financial reporting are adhered to, and that the financial reports comply with the law and other requirements applicable to listed companies. The Board of Directors bears the overall responsibility for internal control of the financial reporting. The Board of Directors has established written formal rules of procedure that clarifies the Board of Directors' responsibilities and regulates the Board of Directors' and its Committees' internal distribution of work.

PRESIDENT AND CEO AND GROUP MANAGEMENT

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

The Group Management, comprising the President and CEO, presidents of application areas, heads of geographical regions and specific Group staff functions, totals ten persons. Group Management is responsible for the overall business development and the apportioning of financial resources between the business areas, as well as matters involving financing and capital structure. Regular management meetings constitute Hexagon's forum for implementing overall controls down to a particular business operation, and in turn, down to individual company level.

OPERATIONS

In financial terms, Hexagon's business operations are controlled on the basis of the return on capital employed. This requires that they focus on maximising operating earnings and minimising their working capital. Hexagon's organisational structure is characterised by decentralisation. Targets, guidelines and strategies are set centrally in collaboration with the business units. Managers assume overall responsibility for their respective business, and pursue the clearly stated objectives.

ACTIVITIES DURING THE YEAR

ANNUAL GENERAL MEETING (AGM)

The AGM was held on 13 May 2013 in Stockholm, Sweden, and was attended by a total of 191 shareholders, who jointly represented 58 per cent of the total number of shares and 70 per cent of the total number of votes in the company. Melker Schörling was elected Chairman of the AGM.

The following main resolutions were passed:

- Re-election of Directors Melker Schörling, Ola Rollén, Ulrika Francke, Gun Nilsson and Ulrik Svensson. Election of Jill Smith
- Re-election of Melker Schörling as Chairman of the Board
- Re-election of the accounting firm Ernst & Young AB for a one year period of mandate. Ernst & Young AB has appointed the authorised public accountant Rickard Andersson as auditor in charge.
- Dividend of 0.28 EUR per share for the financial year 2012 as per the Board's proposal
- Guidelines for remuneration to Hexagon's senior executives
- Authorisation of the Board to resolve on acquisition and transfer of the company's shares

NOMINATION COMMITTEE

In respect of the 2014 AGM, the Nomination Committee comprised:

- Mikael Ekdahl, Melker Schörling AB (Chairman)
- Jan Andersson, Swedbank Robur fonder
- Anders Oscarsson, AMF Fonder
- Bengt Belfrage (replaced Thomas Ehlin in November 2013), Nordea Fonder

During 2013, the Nomination Committee held two meetings at which the Chairman gave an account of the process of evaluation of the Board of Directors' work. The Committee discussed and decided on proposals to submit to the 2014 AGM concerning the election of Chairman of the AGM, the election of Chairman and other Board Members, directors' fees, remuneration for committee work and fees to the auditors. Shareholders wishing to submit proposals have been able to do so by contacting the Nomination Committee via mail or email. Addresses have been made available on Hexagon's website.

BOARD OF DIRECTORS' ACTIVITIES

In 2013, the Board held ten minuted meetings, including the statutory Board meeting. At all Board meetings the President and CEO presented the financial and market position of Hexagon and important events affecting the company's operations. On different occasions, Hexagon senior managers presented their operations and business strategies to the Board. In addition, items such as the approval of the interim reports and the annual report are part of the Board's work plan and the company's auditors presented a report on their audit work during the year. At the final Board meeting of the year, the Board approved the operational strategy and the financial plan for 2014.

KEY DATA FOR BOARD MEMBERS[1]

Board Member	Elected	Independent	Committee membership: Audit	Committee membership: Remuneration	Meeting attendance: Board of Directors	Meeting attendance: Audit Committee	Meeting attendance: Remuneration Committee
Melker Schörling	1999	No[2]		●	10/10		1/1
Mario Fontana[3]	2006	Yes	●		2/10	2/6	
Ulrika Francke	2010	Yes			8/10		
Ulf Henriksson[3]	2007	Yes			1/10		
Gun Nilsson	2008	Yes	●	●	10/10	5/6	1/1
Ola Rollén	2000	No[4]			10/10		
Jill Smith[5]	2013	Yes			7/10		
Ulrik Svensson	2010	No[2]	●		10/10	6/6	

[1] A complete presentation of the Board Members is included on pages 44–45.
[2] Melker Schörling and Ulrik Svensson are not deemed to be independent of the company's major shareholders.
[3] Mario Fontana and Ulf Henriksson left their assignments as Board Members during 2013.
[4] Ola Rollén is not deemed to be independent of the company as a result of his position as Hexagon's President and CEO.
[5] Jill Smith became Board Member during 2013.

BOARD AND COMMITTEE MEETINGS

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

EVALUATION OF THE BOARD'S WORK

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

AUDIT COMMITTEE

During 2013 the Audit Committee comprised:

- Ulrik Svensson (Chairman)
- Gun Nilsson

Although the Code stipulates (rule 7.3) that the Audit Committee shall consist of at least three members, Hexagon opted to operate the Committee through two members only. The Board deems that two members is sufficient to correctly address Hexagon's most important areas in regard to risk and audit issues, and that the incumbent members have long-standing and extensive experience in these areas from other major listed companies. In 2013, the Committee held six minuted meetings where the financial reporting and risks of Hexagon were monitored and discussed. The Committee dealt with relevant accounting issues, audit work and reviews, new financing and testing of impairment requirements for goodwill.

REMUNERATION COMMITTEE

During 2013, the Remuneration Committee comprised:

- Melker Schörling (Chairman)
- Gun Nilsson

In 2013, the Committee held one minuted meeting where remuneration and other employment terms and conditions for the President and CEO and Group Management were discussed. The Remuneration Committee also monitored and evaluated the ongoing programmes for variable remuneration to senior executives as well as the application of the guidelines for remuneration to senior executives and the structure and levels of remuneration in the company.

EXTERNAL AUDITORS

The 2013 AGM re-elected the accounting firm Ernst & Young AB as auditor for a one year period of mandate. Ernst & Young AB has appointed authorised public accountant Rickard Andersson as auditor in charge. In addition to Hexagon, Rickard Andersson conducts auditing assignments for such companies as Autoliv Inc., Proact IT Group AB and NAXS Nordic Access Buyout Fund AB.

Hexagon's auditors attended the first Board meeting of the year, at which they reported observations from their examination of Hexagon's internal controls and the annual financial statements. The auditors met with the Audit Committee on six occasions during 2013. The address of the auditors is Ernst & Young AB, P.O. Box 7850, SE-103 99, Stockholm, Sweden.

REMUNERATION

PRINCIPLES

The following principles for remuneration to senior executives in Hexagon were adopted by the AGM 2013.

The guidelines for remuneration to senior executives principally entail that the remuneration shall consist of a basic salary, a variable remuneration, other benefits and pension and that all in all this remuneration shall be competitive and in accordance with market practice. The variable remuneration shall be maximised to 60 per cent of the basic remuneration, related to the earnings trend on which the individual may have an impact and based on the outcome in relation to individual targets. However, in relation to two senior executives employed in the USA a cap of 200 per cent in relation to the basic remuneration currently applies for the variable part of the salary, and will apply going forward.

The Board annually considers whether a share or share price related incentive programme shall be proposed to the AGM.

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

It is proposed to the AGM 2014 to resolve on substantially the same guidelines as above concerning the remuneration of senior executives.

REMUNERATION OF GROUP MANAGEMENT

Remuneration of the President and CEO and other senior executives is presented in Note 30 on page 90.

WARRANTS PROGRAMME

Details of the warrants programme are presented on page 35 (The Share section) and in Note 30 on page 91.

REMUNERATION OF BOARD OF DIRECTORS

Remuneration to the Board of Directors is resolved by the AGM upon proposal from the Nomination Committee. During 2013, the Chairman of the Board and other Board Members received remuneration totalling 363.6 KEUR. Remuneration of the Board of Directors is presented in Note 30 on page 90.

REMUNERATION OF EXTERNAL AUDITORS

Remuneration for services in addition to auditing services primarily refers to work related to acquisitions and tax. Remuneration of the external auditors is presented in Note 31 on page 92.

INTERNAL CONTROL PERTAINING TO FINANCIAL REPORTING

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

1. CONTROL ENVIRONMENT

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

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

2. RISK ASSESSMENT

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

3. CONTROL ACTIVITIES

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

4. INFORMATION AND COMMUNICATION

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

5. MONITORING ACTIVITIES

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

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

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

It is the board of directors who is responsible for the corporate governance statement for the year 2013 on pages 36–41 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, Sweden 27 March 2014

Ernst & Young AB

Rickard Andersson,
Authorised Public Accountant

COMMENTS FROM THE CHAIRMAN OF THE BOARD **MELKER SCHÖRLING**

Our main commitment in the Board is to secure Hexagon's successful long-term development and serve the best interests of the company's shareholders. I am very pleased to confirm that Hexagon performed in line with its targets in 2013 and further strengthened its position as a global leader in design, measurement and visualisation technologies, thanks to great work by Hexagon's employees and support from our partners and customers. Although Hexagon experienced a number of adverse market conditions in 2013, the 5 per cent organic growth in the year proved the resilience of our business model.

Hexagon was also able to expand business operations through several acquisitions. Furthermore, as part of our continued effort to truly leverage our entire portfolio, existing platforms and global footprint to create the next generation of value for our customers, we established the Hexagon Solutions business. With emphasis on efficient and effective management of our Smart Solutions portfolio on a global level, the organisation is a natural next step to driving our solution-centric strategy forward and better exploiting the synergistic opportunities that exist across our businesses – both critical to our success over the coming years.

With the broadest technology portfolio in the industry and an outstanding customer base, I am confident that Hexagon will remain strong as we successfully pursue new opportunities and horizons.

On behalf of Hexagon's Board of Directors, I would like to thank our shareholders for their support and trust in Hexagon. I am grateful to our dedicated management and employees – their work and commitment have produced another outstanding year in the company's history.

Stockholm, Sweden, March 2014

Melker Schörling
Chairman of the Board

Board of Directors

MELKER SCHÖRLING
Born in 1947
Chairman of the Board since 1999
Chairman of Remuneration Committee

Education: B.Sc. (Econ.)

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

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

Previous assignments in the past five years: -

Shareholding: 15,750,000 shares of series A and 78,711,582 shares of series B through Melker Schörling AB.

Independent of the company and its management.

ULRIKA FRANCKE
Born in 1956
Member of the Board since 2010

Education: University studies

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

Other assignments: CEO Tyréns AB, Chairman of the Board of Stockholm Stadsteater AB, Board Member of Swedbank AB and of Wåhlin Fastigheter AB.

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

Shareholding: 4,000 shares of series B.

Independent of the company, its management and major shareholders.

GUN NILSSON
Born in 1955
Member of the Board since 2008
Member of Audit Committee and Remuneration Committee

Education: B.Sc. (Econ.)

Work experience: CFO Nobia Group, CEO Gambro Holding AB, Deputy CEO and Executive Vice President and CFO Duni AB.

Other assignments: CFO Sanitec Group.

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

Shareholding: 9,666 shares of series B.

Independent of the company, its management and major shareholders.

OLA ROLLÉN
Born in 1965
President and Chief Executive Officer since 2000
Member of the Board since 2000

Education: B.Sc. (Econ.)

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

Other assignments: –

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

Shareholding: 2,000,001 shares of series B and 300,000 warrants for shares of series B.

Independent of major shareholders.

JILL SMITH
Born in 1958
Member of the Board since 2013

Education: M.Sc. (Business Administration), B.A. (Business Studies)

Work experience: CEO DigitalGlobe Inc., CEO eDial Inc., COO Micron Technology, Inc., Managing Director Treacy & Company LLC, CEO SRDS Inc.

Other assignments: Board Member of J.M. Huber Corp., Endo Health Solutions, Inc.

Previous assignments in the past five years: Board Member of Elster GmbH, SoundBite Inc.

Shareholding: 3,500 shares of series B.

Independent of the company, its management and major shareholders.

ULRIK SVENSSON
Born in 1961
Member of the Board since 2010
Chairman of Audit Committee

Education: B.Sc. (Econ.)

Work experience: CFO Esselte AB and CFO Swiss International Air Lines.

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

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

Shareholding: 6,000 shares of series B via capital insurance.

Independent of the company and its management.

Group Management

OLA ROLLÉN
Born in 1965. President and Chief Executive Officer since 2000. Employed since 2000.
Education: B.Sc. (Econ.)
Work experience: President Sandvik Materials Technology, Executive Vice President Avesta-Sheffield and President of Kanthal.
Other assignments: –
Previous assignments in the past five years: Board Member of Vestas Wind Systems A/S.
Shareholding: 2,000,001 shares of series B and 300,000 warrants for shares of series B in Hexagon AB.

JOHNNY ANDERSSON
Born in 1965. General Counsel. Retained since 2011.
Education: M.Sc. (Law)
Work experience: Partner Mannheimer Swartling Advokatbyrå.
Other assignments: Member of the Swedish Bar Association and the International Bar Association.
Previous assignments in the past five years: –
Shareholding: 200,000 warrants for shares of series B in Hexagon AB.

ROBERT BELKIC
Born in 1970. Chief Financial Officer and Executive Vice President. Employed since 2009.
Education: B.Sc. (Business Administration and Economics)
Work experience: Group Treasurer at Hexagon AB, Group Treasurer at EF Education First Ltd and Assistant Group Treasurer at Autoliv Inc.
Other assignments: –
Previous assignments in the past five years: –
Shareholding: 300,000 warrants for shares of series B in Hexagon AB.

STEVEN COST
Born in 1967. President of Intergraph Security, Government & Infrastructure. Employed since 2007.
Education: B.Sc. (Accounting), MBA
Work experience: Intergraph Chief Accountant Officer/Controller/Treasurer, Senior management positions with Adtran, AVEX Electronics and Benchmark Electronics.
Other assignments: –
Previous assignments in the past five years: –
Shareholding: 24,995 warrants for shares of series B in Hexagon AB.

JÜRGEN DOLD
Born in 1962. President of Hexagon Geosystems. Employed since 1995.
Education: M.Sc., PhD (Engineering)
Work experience: Academic counsel at the Technical University of Braunschweig, Germany, and various management positions within Leica Geosystems AG.
Other assignments: –
Previous assignments in the past five years: –
Shareholding: 8,615 shares of series B and 150,000 warrants for shares of series B in Hexagon AB.

NORBERT HANKE
Born in 1962. President of Hexagon Metrology. Employed since 2001.
Education: B.Sc. (Econ.)
Work experience: Various positions within Kloeckner Group, Chief Financial Officer Brown & Sharpe.
Other assignments: –
Previous assignments in the past five years: –
Shareholding: 44,529 shares of series B and 200,000 warrants for shares of series B in Hexagon AB.

LI HONGQUAN
Born in 1966. Vice President and President of Hexagon China. Employed since 2001.
Education: M.Sc. (Engineering)
Work experience: President Qingdao Brown & Sharpe Qianshao Technology Co. Ltd. Operation Manager, VP, President Qingdao Qianshao Indivers Technology Co. Ltd. Mechanical Designer, Quality Dept. Manager Qingdao Qianshao Precision Machinery Company.
Other assignments: –
Previous assignments in the past five years: –
Shareholding: 120,000 shares of series B and 200,000 warrants for shares of series B in Hexagon AB.

BO PETTERSSON
Born in 1952. Chief Technical Officer. Employed since 2001.
Education: M.Sc. (Engineering)
Work experience: Research & Development positions within ABB Group and Erisoft Group.
Other assignments: –
Previous assignments in the past five years: –
Shareholding: 257,087 shares of series B and 100,000 warrants for shares of series B in Hexagon AB.

GERHARD SALLINGER
Born in 1952. President of Intergraph Process, Power & Marine. Employed since 1985.
Education: B.Sc. (Chemical engineering)
Work experience: Various positions in the process industry and owner of an engineering firm.
Other assignments: –
Previous assignments in the past five years: –
Shareholding: 200,000 warrants for shares of series B in Hexagon AB.

MATTIAS STENBERG
Born in 1977. Chief Strategy Officer. Employed since 2009.
Education: B.Sc. (Econ.)
Work experience: Vice President Strategy and Communications Hexagon AB and Investor Relations positions at Teleca AB and Autoliv Inc.
Other assignments: –
Previous assignments in the past five years: –
Shareholding: 75,000 warrants for shares of series B in Hexagon AB.

Board of Directors' report

The Board of Directors and the President and Chief Executive Officer of Hexagon AB hereby submit their annual report for the year of operation 1 January 2013 to 31 December 2013. Hexagon AB is a public limited liability company with its registered office in Stockholm, Sweden and its corporate registration number is 556190-4771.

OPERATIONS

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

HEXAGON
Global technology group engaged in the provision of integrated design, measurement and visualisation technologies. Hexagon's brand portfolio comprises a large number of world-class brands that are well known in their individual sectors and that have strong traditions of quality and reliability.

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

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

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

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

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

OPERATING STRUCTURE

Hexagon's business activities are conducted through more than 240 operating companies in over 40 countries worldwide. The President and CEO is responsible for daily management and decision making, together with the other members of Hexagon Group Management, including Chief Financial Officer, Chief Strategy Officer, Chief Technical Officer, General Counsel and application area and regional directors.

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

SALES AND EARNINGS

Net sales grew by 2 per cent during the year to 2,429.7 MEUR (2,380.0). Operating earnings increased by 2 per cent to 492.8 (484.9) MEUR.

MARKET DEMAND

Despite the mixed signals in the global economy, Hexagon's business model proved resistant and continued to drive growth in 2013. Hexagon's net sales, adjusted to fixed exchange rates and a comparable group structure (organic growth), increased by 5 per cent during the year.

FIVE YEAR SUMMARY

MEUR	2013	2012[1]	2011	2010	2009
Net sales	2,429.7	2,380.0	2,169.1	1,481.3	1,112.0
Operating earnings (EBIT1)	507.7	484.9	439.8	272.9	168.0
Operating margin, %	20.9	20.4	20.2	18.4	15.1
Earnings before taxes excluding non-recurring items	473.8	434.2	380.9	247.5	153.2
Non-recurring items	-14.9	-	-8.5	-136.6	-17.4
Earnings before taxes	458.9	434.2	372.4	110.9	135.8
Net earnings	371.2	351.1	297.4	91.7	118.1
Earnings per share, EUR	1.04	0.99	0.84	0.30	0.39

[1] *Restated – IAS 19*

Net sales in **EMEA** grew by 4 per cent organically in 2013 and amounted to 1009.6 MEUR (980.7), representing 42 per cent (41) of Group sales. For the first half of the year, Hexagon experienced increased activity levels in Northern Europe, but demand in the South of Europe only picked up as of the second half of the year, primarily driven by improved demand for measurement solutions used in the construction sector. Automotive and manufacturing sectors experienced stalling growth throughout the year due to decrease in capex investments, but the aerospace segment continued to deliver strong growth. Demand for public safety solutions weakened due to various governments' budget cuts, and although enterprise engineering and software products used in power and process industries saw weakened demand, they still recorded growth in the year. Whilst demand in Eastern Europe improved only in the second part of 2013, Middle East, Russia and Africa recorded strong growth throughout the year.

Net sales in **Americas** grew by 6 per cent organically in 2013 and amounted to 779.8 MEUR (756.6), representing 32 per cent (32) of Group sales. Apart from defence related products, all of Hexagon's market segments experienced growth in NAFTA throughout the year including automotive, aerospace, engineering as well as residential housing and power and energy related projects. All of Hexagon's end markets reported solid growth in South America, despite the weaker macro environment in Brazil.

Net sales in **Asia** grew organically by 5 per cent in 2013 and amounted to 640.3 MEUR (642.7), representing 26 per cent (27) of Group sales. All of Hexagon's application areas recorded growth in China in the year, primarily driven by strong demand in infrastructure-related businesses as well as the power and energy markets. The demand in the automotive segment remained high but the growth rate has significantly slowed down. A number of other markets and industries in the Asian Pacific region, such as India, Korea, Malaysia, Indonesia and Philippines reported solid growth in the year. However, growth was held back in the region by Australia, due to the downturn in the mining sector.

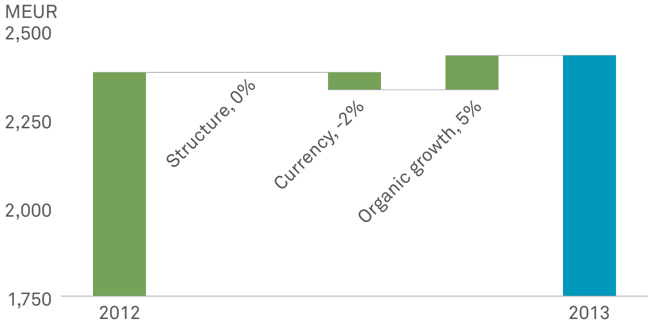
NET SALES

Net sales amounted to 2,429.7 MEUR (2,380.0). Using fixed exchange rates and a comparable group structure, net sales increased by 5 per cent.

Hexagon Measurement Technologies' (MT) net sales amounted to 2,368.9 MEUR (2,317.6). Using fixed exchange rates and a comparable structure for MT, net sales increased by 5 per cent.

Net sales from Other Operations amounted to 60.8 MEUR (62.4). Using fixed exchange rates and a comparable group structure, net sales increased by 20 per cent. Hexagon divested EBP i Olofström AB in July 2013 and SwePart Transmission AB in March 2014, both which were reported within the business area Other Operations. Following the divestments, Hexagon's strategy to concentrate all its resources on its core business, Measurement Technologies, is fulfilled.

Sales bridge, 2013



OPERATING EARNINGS

Operating earnings (EBITDA) increased by 6 per cent to 642.2 MEUR (605.7), corresponding to an operating margin (EBITDA margin) of 26 per cent (25).

Operating earnings excluding non-recurring items (EBIT1) increased by 5 per cent to 507.7 MEUR (484.9), corresponding to an operating margin (EBIT1 margin) of 20.9 per cent (20.4).

Hexagon Measurement Technologies' operating earnings (EBIT1) increased to 523.8 MEUR (499.7), corresponding to an operating margin of 22.1 per cent (21.6).

Operating earnings (EBIT1) from Other Operations increased to 1.8 MEUR (1.3), corresponding to an operating margin of 3.0 per cent (2.1).

BUSINESS AREAS

	Net Sales		Operating Earnings (EBIT1)	
MEUR	**2013**	**2012**	**2013**	**2012**
Measurement Technologies	2,368.9	2,317.6	523.8	499.7
Other Operations	60.8	62.4	1.8	1.3
Group costs and adjustments	-	-	-17.9	-16.1
Total	**2,429.7**	**2,380.0**	**507.7**	**484.9**

GROSS EARNINGS

Gross earnings amounted to 1,347.9 MEUR (1,301.1). The gross margin was 55.5 per cent (54.7).

FINANCIAL REVENUE AND EXPENSES

The financial net amounted to -33.9 MEUR (-50.7) in 2013. The decrease is mainly explained by lower interest rates and a lower net debt.

NON-RECURRING ITEMS

Non-recurring items amounted to -14.9 MEUR (-) in 2013 and are related to divestiture of Other Operations, a write-down of the Blom investment and a cost reduction programme in Measurement Technologies.

EARNINGS BEFORE TAX

Earnings before tax, excluding non-recurring items, amounted to 473.8 MEUR (434.2). Including non-recurring items, earnings before tax were 458.9 MEUR (434.2).

EFFECTIVE TAX RATE

Hexagon's tax expense for the year totalled -87.7 MEUR (-83.1), corresponding to an effective tax rate of 19 per cent (19).

NON-CONTROLLING INTEREST OF NET EARNINGS

The non-controlling interest of net earnings was 3.3 MEUR (2.9).

NET EARNINGS

Net earnings, excluding non-recurring items, amounted to 383.8 MEUR (351.1), or 1.08 EUR per share (0.99). Net earnings, including non-recurring items, amounted to 371.2 MEUR (351.1), or 1.04 EUR per share (0.99).

CASH FLOW

Cash flow from operations before changes in working capital and non-recurring items amounted to 538.0 MEUR (494.4), corresponding to 1.52 EUR per share (1.40). Including changes in working capital, cash flow from operations was 506.8 MEUR (497.3), corresponding to 1.43 EUR per share (1.41). Cash flow from other investment activities was -73.1 MEUR (-81.0). Cash flow after other investments amounted to 213.0 MEUR (244.5). The change in borrowings was -105.8 MEUR (-177.4). Cash dividends to the Parent Company shareholders amounted to -98.8 MEUR (-59.9), corresponding to 0.28 EUR per share (0.17).

PROFITABILITY

Capital employed, defined as total assets less non-interest bearing liabilities, increased to 4,511.0 MEUR (4,515.2). Return on average capital employed, excluding non-recurring items, for the last 12 months was 11.2 per cent (10.9). Return on average shareholders' equity for the last 12 months was 13.0 per cent (13.3). The capital turnover rate was 0.5 times (0.5).

FINANCING AND FINANCIAL POSITION

Shareholders' equity, including non-controlling interest, increased to 2,846.3 MEUR (2,749.1). The equity ratio increased to 52 per cent (51). Hexagon's primary source of financing is a 900 MUSD and a 1,000 MEUR term and revolving credit facilities agreement that expires in July 2015. In 2009, Hexagon issued a 2,000 MSEK five year bond and to further diversify its debt structure, Hexagon established a Swedish commercial paper programme in the first quarter of 2012. The programme enables Hexagon to issue commercial paper up to a total amount of 8,000 MSEK. Commercial paper can be issued with tenor of up to 12 months under the programme. On 31 December 2013, cash and unutilised credit limits totalled 390.1 MEUR (450.8). Hexagon's net debt was 1,488.7 MEUR (1,638.8). The net indebtedness was 0.49 times (0.54). Interest coverage ratio was 12.7 times (8.8).

INVESTMENTS

Ordinary investments consist mainly of investments in production facilities, production equipment and intangible assets, primarily capitalised development expenses. Of the ordinary investments of 218.4 MEUR (172.3) during 2013, approximately 66 per cent (71) were capitalised expenses for development work. Development work is primarily performed in Hexagon's R&D centres with its primary units located in Switzerland, China and the USA, and results in products and services that are sold worldwide. The remaining part of the ordinary investments, approximately 34 per cent, comprised mostly investments in buildings, business equipment and machines. All ordinary investments during the year have been financed by cash flow from operations. Investments corresponded to 9 per cent (7) of net sales. Hexagon does not expect any material change in the near future to current ordinary investment levels as a percentage of net sales. Depreciation and amortisation during the year amounted to -134.5 MEUR (-120.8).

INVESTMENTS

MEUR	2013	2012
Investments in intangible fixed assets	155.9	125.5
Investments in tangible fixed assets	62.5	46.8
Divestments of intangible fixed assets	-0.6	-
Divestments of tangible fixed assets	-1.5	-0.5
Total ordinary investments	**216.3**	**171.8**
Investments in subsidiaries	35.2	67.3
Divestments of subsidiaries	-0.2	-
Investments of financial fixed assets	43.2	18.4
Divestments of financial fixed assets	-5.1	-4.7
Total other investments	**73.1**	**81.0**
Total investments	**289.4**	**252.8**

INTANGIBLE FIXED ASSETS

As of 31 December 2013, Hexagon's carrying value of intangible fixed assets was 3,906.6 MEUR (3,931.6). Amortisation of intangible fixed assets for the 2013 financial year was -95.7 MEUR (-84.6). Impairment tests are made to determine whether the value of goodwill and/or similar intangible assets is justifiable or whether there is any impairment need in full or in part. Such a test was conducted at the end of 2013 and no impairment requirement arose. Goodwill at 31 December 2013 amounted to 2,596.4 MEUR (2,642.0), corresponding to 47 per cent (49) of total assets.

GOODWILL

MEUR	2013	2012
Measurement Technologies	2,595.0	2,640.7
Other Operations	1.4	1.3
Total	**2,596.4**	**2,642.0**

ACQUISITIONS

Demand for Hexagon's products drives organic growth but acquisitions are key to Hexagon's long-term growth strategy. During 2013, Hexagon acquired the following companies:

- Navgeocom (Russia) in January
- Listech (Australia) in January
- Kompakt (Hungary) in February
- Manfra (Brazil) in April
- a/m/t software service (Switzerland) in April
- Geosoft (Italy) in June
- Devex (Brazil) in October
- Airborne Hydrography (Sweden) in October
- Pixis (Chile) in December

OTHER GROUP INFORMATION

Research and development (R&D)

Hexagon places a high priority on investment in research and development. Being the most innovative supplier in the industry, it is important not only to improve and adapt existing products, but also to identify new applications and thereby increase the total market for Hexagon's products and services. Total expenditure for research and development during 2013 amounted to 273.6 MEUR (255.2), corresponding to 11 per cent (11) of net sales. Development expenses are capitalised only if they pertain to new products, the cost is significant and the product is believed to have considerable earnings potential. The current level of R&D costs is in line with other leading suppliers in the industry.

R&D COST

MEUR	2013	2012
Capitalised	144.0	122.9
Expensed (excluding amortisation)	129.6	132.3
Total	**273.6**	**255.2**

ENVIRONMENTAL IMPACT

Hexagon's research and development team develops products and systems that comply with customer requirements for being able to measure with considerable precision in one, two or three dimensions. High quality measurement systems contribute to increased quality, productivity, efficiency and reduced waste and thus to a decreased consumption of materials and raw materials. Hexagon's products and services are used in thousands of applications that all have one thing in common: making various processes more efficient, cheaper and more environmentally friendly. This may involve measuring the quality in production processes, using a plot of land in an optimal way or reducing waste and loss in the construction industry. Our efforts in research and development create solutions that contribute to solving the great challenges of our time: the need for food, cleaner solutions and a more resource-efficient society. Hexagon develops and assembles high-technology products under laboratory-like conditions. Major plants have been ISO 14001 certified and a programme for monitoring the suppliers is in place.

Hexagon aims for development of sustainable products and uses environmentally friendly resources in production to the extent possible. Hexagon satisfies environmental requirements pursuant to legislation, ordinances and international accords. Decisions regarding operations that affect the environment are guided by what is ecologically justifiable, technically feasible and economically viable. Hexagon's subsidiaries are obligated to have ISO quality accreditation wherever this is warranted.

SHARE CAPITAL AND OWNERSHIP

At year-end 2013, Hexagon's share capital was 78,771,810 EUR, represented by 354, 996,977 issued shares. Total issued shares was 15,750,000 class A shares, each carrying 10 votes, and 339,246,977 class B shares, each carrying one vote. Melker Schörling AB, the single largest shareholder in Hexagon, held a total of 15,750,000 class A shares and 78,711,582 class B shares, representing 47.6 per cent of the votes and 26.6 per cent of the capital.

SHARE REPURCHASES

The Annual General Meeting on 13 May 2013 authorised Hexagon's Board of Directors to acquire or sell the company's own shares for the purpose of, among other things, providing the Board with the possibility to adapt the company's capital structure and to enable the financing of acquisitions and the exercise of warrants. The authorisation to repurchase totals a maximum of 10 per cent of all outstanding shares in the company. 967,340 treasury shares were sold in 2013 for the exercise of warrants. By year-end 2013 Hexagon held no treasury shares.

SIGNIFICANT AGREEMENTS

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

As far as the Board knows there is no shareholder agreement that could prevent the transfer of shares. Nor are there agreements between the company, directors or employees, other than as described in Note 30 on page 90, which stipulate the right to compensation if such a person voluntarily leaves the company, is dismissed with cause or if such a person's employment is terminated as a result of a public offer for shares of the company.

MANAGEMENT OF HEXAGON'S CAPITAL

Hexagon's reported shareholders' equity, including non-controlling interest, was 2,846.3 MEUR (2,749.1) 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 as Hexagon is seeking to minimise the weighted average cost of capital for the company's financing.

Hexagon has undertaken to comply with certain requirements regarding key financial ratios (covenants) towards lenders. The key financial ratios are reported to lenders in conjunction with the quarterly reports. If the requirements are not complied with, the terms and conditions are renegotiated and there is a risk of a temporary increase in borrowing costs. In addition, lenders have a right to terminate loan agreements. Hexagon has not breached any covenants in 2013 or in prior years.

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

CORPORATE GOVERNANCE

In accordance with the Swedish Annual Accounts Act, Hexagon has prepared a Corporate Governance report separate from the annual report. It can be found in this document on pages 36–41. The Corporate Governance report contains the Board of Directors' report on internal control.

DIVIDEND

The dividend policy of Hexagon provides that, over the long term, dividends should comprise 25 to 35 per cent of earnings per share after tax, assuming that Hexagon satisfies its equity ratio objective.

The Board of Directors proposes a dividend of 0.31 EUR per share, corresponding to 30 per cent of earnings per share after tax and to 22 per cent of cash flow from operating activities per share. The dividend is expected to total approximately 110.1 MEUR (98.7). The proposed dividend is in line with the dividend policy. The proposed record date for dividend payments is 14 May 2014.

REMUNERATION OF SENIOR EXECUTIVES

The Annual General Meeting 2013 resolved, as proposed by the Board, on the adoption of guidelines for remuneration to senior executives principally entailing that the remuneration shall consist of a basic remuneration, 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 to 60 per cent in relation to the basic remuneration, related to the earnings trend which the relevant individual may influence and based on the outcome in relation to individual targets. However, in relation to two senior executives employed in the USA, a cap of 200 per cent in relation to the basic remuneration currently applies for the variable part of the salary, and will apply going forward.

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

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

It is proposed to the Annual General Meeting 2014 to resolve on substantially the same guidelines as above concerning the remuneration of senior executives.

INCENTIVE PROGRAMMES

See Note 30 on page 90.

PARENT COMPANY

The Parent Company's earnings before tax were 262.4 MEUR (126.2). The equity was 1,751.1 MEUR (1,579.7). The equity ratio of the Parent Company was 43 per cent (39). Liquid funds including unutilised credit limits were 210.9 MEUR (291.4).

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

SUBSEQUENT EVENTS

In February 2014, Hexagon owned and had received acceptances for a total of 97.7 per cent of the shares in Veripos. Through its network of GNSS reference stations, Veripos provides precise navigation and positioning for key areas of the offshore industry. In March 2014, Hexagon completed a compulsory acquisition of the remaining shares.

In February 2014, Hexagon acquired Aibotix, a manufacturer of intelligent multicopter systems for high-efficiency aerial applications. Aibotix is the maker of Aibot X6, an unmanned aerial vehicle (UAV) designed to suit the needs of customers in the industrial inspection, aerial mapping, surveying, utility and security markets.

In March 2014, Hexagon acquired Safemine, a manufacturer of safety solutions for mining operations. Safemine products include collision avoidance, driver fatigue monitoring and advanced tracking radar.

In March 2014, Hexagon divested SwePart Transmission. Following the divestment, Hexagon's strategy to concentrate all resources on its core business, Measurement Technologies, is fulfilled.

Managing risks

Hexagon's risk management activities are designed to identify, control and reduce risks associated with its business. The majority of these activities are managed within each subsidiary of Hexagon. However, certain legal, strategic and financial risks are managed at the Group level.

Market risk management

Market risk concerns risks such as economic trends, competition and risks related to acquisitions and integrations. Market's risks are primarily managed within each subsidiary of Hexagon.

RISK	RISK MANAGEMENT
ACQUISITIONS AND INTEGRATIONS	
An important part of Hexagon's strategy is to work actively with acquisitions of companies and businesses. Strategic acquisitions will continue to be part of Hexagon's growth strategy going forward. It cannot be guaranteed, however, that Hexagon will be able to find suitable acquisition targets, nor can it be guaranteed that the necessary financing for future acquisition targets can be obtained on terms acceptable to Hexagon. This may lead to a decreasing growth rate for Hexagon. Acquisitions entail risk. The acquired entities' relations with customers, suppliers and key personnel may be negatively affected. There is also a risk that integration processes may prove more costly or more time consuming than estimated and that anticipated synergies in whole or in part fail to materialise.	Hexagon monitors a large number of companies to find acquisitions that can strengthen the Group's product portfolio or improve its distribution network. Potential targets are regularly evaluated on financial, technological and commercial grounds. Every acquisition candidate's potential place in the Group is determined on the basis of synergy simulations and implementation strategies. Thorough due diligence is performed to evaluate potential risks. From 2000 to 2013, Hexagon made some 90 acquisitions, including the key strategic acquisitions of Brown & Sharpe (2001), Leica Geosystems (2005), NovAtel (2007) and Intergraph (2010). Based on extensive experience of acquisitions and integration, and clear strategies and goals, Hexagon is strongly positioned to successfully integrate acquired companies into the Group.
IMPACT OF THE ECONOMY	
Hexagon engages in worldwide operations that are dependent on general economic trends and conditions that are unique for certain countries or regions. As in virtually all businesses, general market conditions affect the inclination and the capabilities of Hexagon's existing and potential customers to invest in design, measurement and visualisation technologies. A weak economic trend in the whole or part of the world may therefore result in lower market growth that falls below expectations.	Hexagon's business is widely spread geographically, with a broad customer base within numerous market segments. Potential negative effects of a downturn in the developed world may for example be partially off-set by growth in emerging markets and vice versa.
COMPETITION AND PRICE PRESSURE	
Parts of Hexagon's operations are carried out in sectors which are subject to price pressure and rapid technological change. Hexagon's ability to compete in the market environment by introducing new and successful products with enhanced functionality while simultaneously cutting costs on new and existing products is of the utmost importance in order to avoid erosion of market share. Research and development efforts are costly and new product development always entails a risk of unsuccessful product launches or commercialisation, which could have material consequences.	Hexagon invests annually approximately 11 per cent of net sales in research and development. A total of about 3,200 employees are engaged in research and development at Hexagon. The objective for Hexagon's R&D division is to transform customer needs into products and services and to detect market and technological opportunities early on.

Operational risk management

Operational risks concern risks related to reception of new products and services, dependence on suppliers and risks related to human capital. Since the majority of operational risks are attributable to Hexagon's customer and supplier relations, ongoing risk analysis of customers and suppliers are conducted to assess business risks. Operational risks are primarily managed within each subsidiary of Hexagon.

RISK	RISK MANAGEMENT
CUSTOMERS	
Hexagon's business activities are conducted in a large number of markets with multiple customer categories. In 2013, Surveying was the single largest customer category and accounted for 23 per cent of net sales. For Hexagon, this customer category may involve certain risks as a downturn or weak development in the surveying sector can have a negative impact on Hexagon's business. Surveying is followed by customer categories Power and Energy with 18 per cent, Infrastructure and Construction with 12 per cent and Automotive with 12 per cent.	Hexagon has a favourable risk diversification in products and geographical areas, and dependence of a single customer or customer category is not decisive for the Group's performance. The largest customer represents approximately 0.8 per cent of the Group's total net sales. Credit risk in customer receivables account for the majority of Hexagon's counterparty risk. Hexagon believes there is no significant concentration of counterparty risk.
SUPPLIERS	
Hexagon's products consist of components from several different suppliers. To be in a position to sell and deliver solutions to customers, Hexagon is dependent upon deliveries from third parties in accordance with agreed requirements relating to, for example, quantity, quality and delivery times. Erroneous or default deliveries by suppliers can cause delay or default in Hexagon's deliveries, which can result in reduced sales.	Hexagon has a favourable risk diversification and dependence of a single supplier is not decisive for the Group's performance. The largest supplier accounts for approximately 1.3 per cent of Hexagon's total net sales. To minimise the risk of shortages in the supply or of excessive price variations among suppliers, Hexagon works actively to coordinate sourcing within the Group and to identify alternative suppliers for strategic components. Supplier risk surveys are performed (by Hexagon's external partner) in order to identify and mitigate risks associated with the suppliers' operations.
HUMAN CAPITAL	
The resignation of key employees or Hexagon's failure to attract skilled personnel may have an adverse impact on the Group's operations.	Since future success is largely dependent on the capacity to retain, recruit and develop skilled staff, being an attractive employer is an important success factor for Hexagon. Group and business area management jointly handle risks associated with human capital.
PRODUCTION UNITS AND DISTRIBUTION CENTERS	
Hexagon's production units and distribution centers are exposed to risks (fire, explosion, natural hazards, machinery damages, etc.) that could lead to property damages and business interruption.	Risk grading surveys are performed (by Hexagon's external partner) in order to identify and mitigate risks as well as support local management in their loss prevention work. Surveys are conducted in line with a long term planning together with each subsidiary.

Financial risk management

Financial risks are managed at Group level. The Group Treasury Policy, which is updated and approved annually by the Board of Directors, stipulates the rules and limitations for the management of financial risks throughout the Group.

RISK	RISK MANAGEMENT

CURRENCY

Hexagon's operations are mainly conducted internationally. During 2013, total operating earnings, excluding non-recurring items, from operations in currencies other than EUR amounted to an equivalent of 449.7 MEUR. Of these currencies, USD, CHF and CNY have the biggest impact on Hexagon's earnings and net assets. Currency risk is the risk that currency exchange rate fluctuations will have an adverse effect on income statement, balance sheet or cash flow.

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

Translation exposure arises when the income statement and balance sheets are translated into EUR. The balance sheet translation exposure might substantially affect other comprehensive income negatively. Furthermore, the comparability of Hexagon's earnings between periods is affected by changes in currency exchange rates. The income statement translation exposure is described in the table below for the currencies having the largest impact on Hexagon's earnings and net assets including the effect on Hexagon's operating earnings in 2013.

	Movement[1]	Net of income and cost	Profit impact
CHF	Weakened	Negative	Positive
USD	Weakened	Positive	Negative
CNY	Weakened	Positive	Negative
EBIT1, MEUR			**-22.1**

[1] Compared to EUR.

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

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

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

INTEREST

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

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 2013 was less than three months. During 2013 no interest rate derivatives were used to manage the interest rate risk.

Financial risk management

Hexagon's internal bank coordinates the management of financial risks and is also responsible for the Group's external borrowing and its internal financing. Centralisation generates substantial economies of scale, lower financing costs, as well as better control and management of the Group's financial risks.

RISK	RISK MANAGEMENT
CREDIT	
Credit risk, i.e., the risk that customers may be unable to fulfill their payment obligations, account for the majority of Hexagon's counterparty risk.	Through a combination of geographical and industry diversification of customers the risk for significant credit losses is reduced.
Financial credit risk is the exposure to default of counterparties with which Hexagon has invested cash or with which it has entered into forward exchange contracts or other financial instruments.	To reduce Hexagon's financial credit risk, surplus cash is only invested with a limited number of approved banks and derivative transactions are only conducted with counterparties where an ISDA (International Swaps and Derivatives Association) netting agreement has been established. As Hexagon is a net borrower, excess liquidity is primarily used to repay external debt and therefore the average surplus cash invested with banks is kept as low as possible.
LIQUIDITY	
Liquidity risk is the risk of not being able to meet payment obligations in full as they become due or only being able to do so at materially disadvantageous terms due to lack of cash resources.	The Group Treasury Policy states that the total liquidity reserve shall at all times be at least 10 per cent of forecasted annual net sales. At year-end, cash and unutilised credit limits totalled 390,1 MEUR (450,8).
REFINANCING	
Refinancing risk refers to the risk that Hexagon does not have sufficient financing available when needed to refinance maturing debt, because existing lenders decline extending or difficulties arise in procuring new lines of credit at a given point in time. Hexagon's ability to satisfy future capital needs is to a large degree dependent on successful sales of the company's products and services. There is no guarantee that Hexagon will be able to raise the necessary capital. In this regard, the general development on the capital and credit markets is also of major importance. Hexagon, moreover, requires sufficient financing in order to refinance maturing debt. Securing these requirements demands a strong financial position in the Group, combined with active measures to ensure access to credit. There is no guarantee that Hexagon will be able to raise the sufficient funds in order to refinance maturing debt.	In order to ensure that appropriate financing is in place, and to decrease the refinancing risk, no more than 20 per cent of the Group's gross debt, including committed credit facilities, is allowed to mature within the succeeding 12 months, unless replacement facilities have been entered into. Hexagon's primary source of financing is a 900 MUSD and a 1,000 MEUR Term and Revolving Credit Facilities Agreement that expires in July 2015. In 2009 Hexagon issued a 2,000 MSEK five year bond and to further diversify the debt structure, Hexagon, in the first quarter of 2012, established a Swedish Commercial Paper Programme. The programme enables Hexagon to issue commercial paper up to a total amount of 8,000 MSEK. Commercial paper can be issued with tenor of up to 12 months under the programme.
INSURABLE RISK	
Hexagon's operations, assets and staff are to a certain degree exposed to various risk of damages, losses and injuries which could tentatively threaten the Group's business continuity, earnings, financial assets and personnel.	To ensure a well-balanced insurance coverage and financial economies of scale, Hexagon's insurance programme includes among other things group-wide property and liability insurance, travel insurance, errors and omissions insurance and transport insurance combined with local insurance coverage wherever needed. The insurance programme is periodically amended so that own risk and insured risk are optimally balanced.

Legal risk management

Legal risks are primarily managed within each subsidiary of Hexagon. The group legal function supports the subsidiaries and to manages certain legal risks at group level.

RISK	RISK MANAGEMENT
LEGISLATION AND REGULATION	
Hexagon's main markets are subject to extensive regulation. Hexagon's operations may be affected by regulatory changes, changes to customs duties and other trading obstacles, pricing and currency controls, as well as other government legislation and restrictions in the countries where Hexagon is active.	Hexagon closely monitors legislation, regulations and applicable ordinances in each market and seeks to adapt the business to identified future changes in the area. To manage country-specific risks, Hexagon observes local legislation and monitors political development in the countries where the Group conducts operations. To this effect, Hexagon has adopted a worldwide compliance programme across the Group to ensure that its subsidiaries at all times comply with all applicable legislation, rules and ordinances.
INTELLECTUAL PROPERTY RIGHTS	
Patent infringement and plagiarism are risks to which Hexagon is exposed. There is no guarantee that Hexagon will be able to protect obtained patents, trademarks and other intellectual property rights or that submitted applications for registration will be granted. Furthermore, there is a risk that new technologies and products are developed which circumvent or replace Hexagon's intellectual property rights. Infringement disputes can, like disputes in general, be costly and time consuming and may therefore adversely affect Hexagon's business.	Hexagon seeks to protect its technological innovations to safeguard the returns on the resources that Hexagon assigns to research and development. The Group strives to protect its technical innovations through patents and protects its intellectual property through legal proceedings when warranted.
ENVIRONMENT	
Certain companies within Hexagon have operations that have environmental impact. Stricter regulation of environmental matters can result in increased costs or further investments for the companies within Hexagon which are subject to such regulation.	Hexagon complies with all applicable laws and obligations, and obtains relevant approvals where needed. Hexagon continuously monitors anticipated and implemented changes in legislation in the countries in which it operates.
TAX	
Hexagon operates through subsidiaries in a number of jurisdictions and all cross-border transactions are normally a tax risk because there are no global transfer pricing rules. Local tax authorities have their local transfer pricing rules to follow and authorities interpret transfer pricing guidelines differently. Hexagon's interpretation of prevailing tax law, tax treaties, OECD guidelines and agreements entered into with foreign tax authorities may be challenged by tax authorities in some countries. Rules and guidelines may also be subject to future changes which can have an effect on the Group's tax position. Furthermore, a change of the business or part of the business can have an impact on agreements entered into with tax authorities in some tax jurisdictions. The tax rate may increase if large acquisitions are made in high tax jurisdictions or if the corporate tax rates change in countries where Hexagon carries out substantial business.	Transactions between Group companies are carried out in accordance with Hexagon's interpretation of prevailing tax laws, tax treaties, OECD's guidelines and agreements entered into with foreign tax authorities and are normally at arm's length. Hexagon does not implement artificial tax planning vehicles and consequently believes its tax transactions are carried out in accordance with the OECD's guidelines.

Financial reports and notes

Contents

Consolidated Income Statement

MEUR	Note	2013	2012
Net sales	3, 5	2,429.7	2,380.0
Cost of goods sold	6, 12	-1,081.8	-1,078.9
Gross earnings		**1,347.9**	**1,301.1**
Sales expenses	6, 12	-426.2	-411.4
Administration expenses	6, 12	-205.0	-201.8
Research and development expenses	6, 12	-219.2	-210.1
Other operating income	7	40.1	42.2
Other operating expenses	7, 12	-37.6	-34.6
Share of income of associated companies	9, 17	-2.0	-0.5
Capital loss from sale of shares in group companies	27	-5.2	-
Operating earnings[1]	3, 13, 25, 28, 29, 30, 31	**492.8**	**484.9**
Financial income and expenses			
Financial income	10	5.2	5.0
Financial expense	10	-39.1	-55.7
Earnings before tax	3	**458.9**	**434.2**
Tax on earnings for the year	11	-87.7	-83.1
Net earnings		**371.2**	**351.1**
Attributable to:			
Parent company shareholders		367.9	348.2
Non-controlling interest		3.3	2.9
[1] Of which non-recurring items	12	-14.9	-
Average number of shares, thousands	21	**353,226**	**352,499**
Average number of shares after dilution, thousands	21	**355,482**	**353,494**
Earnings per share, EUR		**1.04**	**0.99**
Earnings per share after dilution, EUR		**1.03**	**0.99**
Depreciations/amortisations and write-downs included in net earnings		**-134.5**	**-120.8**

Consolidated Comprehensive Income Statement

MEUR	2013	2012
Net earnings	**371.2**	**351.1**
Other comprehensive income:		
Items that will not be reclassified to income statement		
Remeasurement of pensions	7.6	20.8
Tax attributable to items that will not be reclassifed to income statement	-1.5	-1.3
Total items that will not be reclassified to income statement, net of taxes	**6.1**	**19.5**
Items that may be reclassified subsequently to income statement		
Exhange rate differences	-194.4	-45.8
Effect of hedging of net investments in foreign operations	8.2	1.9
Fair value adjustment	-	-4.8
Change in hedging reserve (cash flow hedges) before tax	-	1.5
Tax attributable to items that may be reclassified subsequently to income statement:		
Tax attributable to effect of translation differences	-27.3	-3.7
Tax attributable to effect of hedging of net investments in foreign operations	-1.8	-0.5
Tax attributable to effect of cash flow hedges	-	-0.4
Total items that will may be reclassified subsequently to income statement, net of taxes	**-215.3**	**-51.8**
Other comprehensive income, net of tax	**-209.2**	**-32.3**
Total comprehensive income	**162.0**	**318.8**
Attributable to:		
Parent company shareholders	158.6	316.0
Non-controlling interest	3.4	2.8

Consolidated Balance Sheet

MEUR	Note	2013-12-31	2012-12-31	2012-01-01
ASSETS				
Fixed assets				
Intangible fixed assets	8, 14	3,906.6	3,931.6	3,872.3
Tangible fixed assets	15	252.6	239.0	229.3
Shares in associated companies	16, 17	2.7	17.1	0.2
Other long-term securities holdings	16	39.6	0.1	8.6
Other long-term receivables	16, 18	13.7	20.1	18.6
Deferred tax assets	11	65.1	90.1	89.7
Total fixed aseets		**4,280.3**	**4,298.0**	**4,218.7**
Current assets				
Inventories	19	369.6	376.8	358.9
Customer receivables	18, 24	509.7	514.5	509.8
Current tax receivables	11	10.4	16.1	40.3
Other receivables - interest bearing	24	3.1	2.8	3.4
Other receivables - non-interest bearing	18, 24	35.7	34.5	39.9
Prepaid expenses and accrued income	20, 24	88.8	60.5	56.3
Short-term investments	24	39.1	9.8	3.6
Cash and bank balances	24	136.9	120.9	112.8
Total current assets		**1,193.3**	**1,135.9**	**1,125.0**
TOTAL ASSETS		**5,473.6**	**5,433.9**	**5,343.7**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	21	78.8	78.5	78.5
Other capital contributions		1,311.7	1,288.8	1,286.1
Revaluation reserve		-4.8	-4.8	-
Hedging reserve		0.7	0.7	-0.4
Translation reserve		-67.7	147.7	195.7
Retained earnings		1,521.1	1,230.9	922.3
Shareholders' equity attributable to Parent Company shareholders		**2,839.8**	**2,741.8**	**2,482.2**
Non-controlling interest		6.5	7.3	7.1
Total shareholders' equity		**2,846.3**	**2,749.1**	**2,489.3**
Long-term liabilities				
Provisions for pensions	22	53.2	64.1	80.3
Other provisions	23	22.1	15.3	81.3
Deferred tax liabilities	11	294.3	281.4	240.5
Long-term liabilities – interest bearing	24	918.8	1,503.8	1,404.2
Other long-term liabilities – non-interest bearing	24	8.1	12.5	29.9
Total long-term liabilities		**1,296.5**	**1,877.1**	**1,839.5**
Current liabilities				
Current liabilities – interest bearing	24	680.3	187.6	456.9
Advance payments from customers	24	29.7	24.9	19.7
Accounts payable	24	159.0	156.3	144.8
Current tax liabilities	11	32.6	26.2	25.0
Other liabilities – non-interest bearing	24	36.9	33.6	34.3
Other provisions	23	48.5	34.1	8.2
Accrued expenses and deferred income	20, 24	343.8	345.0	326.0
Total current liabilities		**1,330.8**	**807.7**	**1,014.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**5,473.6**	**5,433.9**	**5,343.7**
Collateral pledged	26	**6.1**	**37.4**	**38.0**
Contingent liabilities	26	**114.7**	**5.8**	**6.9**

Changes in Consolidated Shareholders' Equity

	Share capital	Other capital contributions	Revaluation reserve	Hedging reserve	Translation reserve	Retained earnings	Shareholders equity attributable to Parent Company shareholders	Non-controlling interest	Total shareholders' equity
Closing shareholders' equity, 2011-12-31	**78.5**	**1,286.1**	**-**	**-0.4**	**195.7**	**958.8**	**2,518.7**	**7.1**	**2,525.8**
Change in accounting principle (IAS 19)	**-**	**-**	**-**	**-**	**-**	**-36.5**	**-36.5**	**-**	**-36.5**
Opening shareholders' equity, 2012-01-01	**78.5**	**1,286.1**	**-**	**-0.4**	**195.7**	**922.3**	**2,482.2**	**7.1**	**2,489.3**
Total comprehensive income	**-**	**-**	**-4.8**	**1.1**	**-48.0**	**367.7**	**316.0**	**2.8**	**318.8**
Sale of repurchased shares	-	2.7	-	-	-	-	2.7	-	2.7
Issue of warrants	-	-	-	-	-	0.8	0.8		0.8
Dividend	-	-	-	-	-	-59.9	-59.9	-2.6	-62.5
Closing shareholders' equity, 2012-12-31	**78.5**	**1,288.8**	**-4.8**	**0.7**	**147.7**	**1,230.9**	**2,741.8**	**7.3**	**2,749.1**
Total comprehensive income	**-**	**-**	**-**	**-**	**-215.4**	**374.0**	**158.6**	**3.4**	**162.0**
New share issue	0.3	19.1	-	-	-	-	19.4	-	19.4
New share issue in progress	-	3.8	-	-	-	-	3.8	-	3.8
Sale of repurchased shares	-	-	-	-	-	13.8	13.8	-	13.8
Dividend	-	-	-	-	-	-98.8	-98.8	-3.1	-101.9
Effect of acquisitions and divestments of subsidiaries	-	-	-	-	-	1.2	1.2	-1.1	0.1
Closing shareholders' equity, 2013-12-31	**78.8**	**1,311.7**	**-4.8**	**0.7**	**-67.7**	**1,521.1**	**2,839.8**	**6.5**	**2,846.3**

Share capital is described in detail in Note 21.

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

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

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

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

Retained earnings include all historical net earnings after tax excluding non-controlling interests less dividends paid, including remeasurements of pensions posted in other comprehensive income.

Non-controlling interests are the shares of equity that pertain to non-controlling interests in certain subsidiaries.

Consolidated Cash Flow Statement

MEUR	Note	2013	2012
Cash flow from operating activities			
Operating earnings		**492.8**	**484.9**
Adjustments for items in operating earnings not affecting cash flow:			
Depreciation and amortisation		134.5	120.8
Change in provisions		-9.9	-9.9
Capital gains on divestments of fixed assets		-0.1	0.6
Capital loss from sale of shares in group companies		5.2	-
Earnings from shares in associated companies		2.0	0.5
Interest received		5.3	5.1
Interest paid		-33.9	-50.4
Tax paid		-62.3	-57.2
Cash flow from operating activities before changes in working capital		**533.6**	**494.4**
Cash flow from changes in working capital			
Change in inventories		-5.3	-16.6
Change in current receivables		-55.6	-8.9
Change in current liabilites		29.7	28.4
Cash flow from changes in working capital		**-31.2**	**2.9**
Cash flow from operating activities[1]		**502.4**	**497.3**
Cash flow from ordinary investing activities			
Investments in intangible fixed assets	14	-155.9	-125.5
Investments in tangible fixed assets	15	-62.5	-46.8
Divestments of intangible fixed assets	14	0.6	-
Divestments of tangible fixed assets	15	1.5	0.5
Cash flow from ordinary investing activities		**-216.3**	**-171.8**
Operating cash flow		**286.1**	**325.5**
Cash flow from other investing activities			
Investments in subsidiaries	27	-35.2	-67.3
Divestments of subsidiaries	27	0.2	-
Investments in financial fixed assets	16	-43.2	-18.4
Divestments of financial fixed assets	16	5.1	4.7
Cash flow from other investing activities		**-73.1**	**-81.0**
Cash flow from financing activities			
Borrowings		-	741.6
Repayment of debt		-105.8	-919.0
Warrants issued		-	9.0
Sale of repurchased shares		13.8	2.7
New issue related to warrants programme, net of expenses		19.4	-
New share issue in progress related to warrants programme		3.8	-
Dividend to Parent Company shareholders		-98.8	-59.9
Dividend to non-controlling interests in subsidiaries		-3.1	-2.6
Cash flow from financing activities		**-170.7**	**-228.2**
Cash flow for the year		**42.3**	**16.3**
Cash and cash equivalents, beginning of year		**130.7**	**116.4**
Effect of translation differences on cash and cash equivalents		3.0	-2.0
Cash flow for the year		42.3	16.3
Cash and cash equivalents, end of year		**176.0**	**130.7**
[1] Of which non-recurring cash flow		*-4.4*	-

Cash and cash equivalents include short-term investments and cash and bank balances

Parent Company Income Statement

MEUR	Note	2013	2012
Net sales	4, 5	11.2	10.5
Administration expenses	6, 30, 31	-17.1	-17.7
Operating earnings		**-5.9**	**-7.2**
Financial income and expense			
Earnings from shares in group companies	9	235.0	204.0
Interest income	10	135.1	119.9
Interest expenses	10	-101.8	-190.5
Earnings before tax		**262.4**	**126.2**
Tax on earnings for the year		-30.2	37.4
Net earnings		**232.2**	**163.6**

Parent Company Comprehensive Income Statement

MEUR	Note	2013	2012
Net earnings		232.2	163.6
Other comprehensive income		-	-
Total comprehensive income		**232.2**	**163.6**

Parent Company Balance Sheet

MEUR	Note	2013	2012
ASSETS			
Fixed assets			
Intangible fixed assets	14	11.4	0.9
Tangible fixed assets	15	0.0	0.0
Total intangible and tangible assets		11.4	**0.9**
Financial fixed assets			
Shares in group companies	16	2,979.9	2,289.7
Receivables from group companies	16	944.4	1,557.7
Shares in associated companies	16	-	9.3
Receivables from associated companies		-	2.5
Other financial fixed assets	16	0.4	0.1
Total financial fixed assets		**3,924.7**	**3,859.3**
Deferred tax asset		10.0	42.1
Total fixed assets		**3,946.1**	**3,902.3**
Current assets			
Current receivables			
Receivables from group companies		157.6	152.9
Tax receivables		0.0	0.1
Other recievables		0.3	0.8
Prepaid expenses and accrued income	20	0.9	1.5
Total current receivables		**158.8**	**155.3**
Cash and bank balances		16.3	4.5
Total current assets		**175.1**	**159.8**
TOTAL ASSETS		**4,121.2**	**4,062.1**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	21	78.8	78.5
Paid-in, non registered share capital		0.1	-
Statutory reserve		314.3	314.3
Total restricted equity		**393.2**	**392.8**
Non-restricted equity			
Premium reserve		828.5	805.7
Retained earnings		535.4	381.2
Total non-restricted equity		**1,363.9**	**1,186.9**
Total shareholders' equity		**1,757.1**	**1,579.7**
Provisions			
Other provisions		3.4	3.4
Total provisions		**3.4**	**3.4**
Long-term liabilities			
Liabilities to credit institutions		910.6	1,468.4
Total long-term liabilites		**910.6**	**1,468.4**
Current liabilities			
Liabilities to credit institutions		662.4	170.8
Accounts payable		0.4	1.1
Liabilities to group companies		783.3	835.2
Other liabilities		0.4	0.1
Accrued expenses and deferred income	20	3.6	3.4
Total current liabilities		**1,450.1**	**1,010.6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,121.2**	**4,062.1**
Collateral pledged	26	**None**	**None**
Contingent liabilities	26	**148.4**	**42.8**

Changes in Parent Company Shareholders' equity

MEUR	Restricted shareholders' equity			Unrestricted shareholders' equity		
	Share capital	Paid-in, non-registered share capital	Statutory reserve	Premium reserve	Retained earnings	Total shareholders' equity
Opening balance 2012-01-01	**78.5**	**-**	**314.3**	**805.7**	**274.8**	**1,473.3**
Total comprehensive income	**-**	**-**	**-**	**-**	**163.6**	**163.6**
Dividend	-	-	-	-	-59.9	**-59.9**
Sale of repurchased shares	-	-	-	-	2.7	**2.7**
Closing balance 2012-12-31	**78.5**	**-**	**314.3**	**805.7**	**381.2**	**1,579.7**
Total comprehensive income	**-**	**-**	**-**	**-**	**232.2**	**232.2**
Dividend	-	-	-	-	-98.8	**-98.8**
Group contribution, received	-	-	-	-	7.0	**7.0**
New share issue	0.3	-	-	19.1	-	**19.4**
New share issue in progress	-	0.1	-	3.7	-	**3.8**
Sale of repurchased shares	-	-	-	-	13.8	**13.8**
Closing balance 2013-12-31	**78.8**	**0.1**	**314.3**	**828.5**	**535.4**	**1,757.1**

Parent Company Cash Flow Statement

MEUR	Note	2013	2012
Cash flow from operating activities			
Operating earnings		**-5.9**	**-7.2**
Adjustment for operating earnings items not affecting cash flow:			
Depreciation and impairment losses		0.4	6.4
Unrealised exchange rate changes		4.1	19.9
Other		-	3.2
Interest received		137.0	123.1
Dividends received		236.8	204.0
Interest paid		-102.5	-189.9
Tax paid		-0.1	-0.2
Cash flow from operating activities before changes in working capital		**269.8**	**159.3**
Cash flow from changes in working capital			
Change in current receivables		3.6	42.9
Change in current liabilities		-50.9	154.0
Cash flow from changes in working capital		**-47.3**	**196.9**
Cash flow from operating activities		**222.5**	**356.2**
Cash flow from investing activities			
Investments in intangible fixed assets	14	-0.2	-0.4
Divestments of intangible fixed assets	14	0.8	-
Investments in financial fixed assets	16	-692.0	-11.8
Change in long-term receivables, group companies		591.2	-100.8
Cash flow from investing activities		**-100.2**	**-113.0**
Cash flow from financing activities			
Borrowings		-	741.6
Repayments		-64.9	-922.1
New share issue, net of expenses		23.2	-
Sale of repurchased shares		13.8	2.7
Dividend to shareholders		-98.8	-59.9
Cash flow from financing activities		**-126.7**	**-237.7**
Cash flow for the year		**-4.4**	**5.5**
Cash and bank balances, beginning of year		4.5	0.2
Effect of translation differences on cash and bank		16.2	-1.2
Cash flow for the year		-4.4	5.5
Cash and bank balances, end of year		**16.3**	**4.5**

Notes

NOTE 1 Accounting Policies

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

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

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

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

On 26 March 2014, the Board of Directors and the President approved this annual report and consolidated accounts for publication, and they will be presented to the Annual General Meeting on 9 May 2014 for adoption.

APPLICATION OF NEW AND AMENDED ACCOUNTING RULES

The Group has introduced the following new and amended standards and interpretations from IASB and IFRIC, respectively, as of 1 January 2013.

Amendment to IAS 19 Employee Benefits – the change means that all changes in the defined benefit liabilities shall be recognised as they occur, i.e. the option to apply the so called corridor approach that Hexagon currently applies will be removed. The change have had an impact on the amount of the defined benefit liabilities and other comprehensive income. The change also means that the return on plan assets shall be calculated with the same discount rate as used for the calculation of the defined benefit liability instead of expected return. The difference between actual return and discount rate applied on plan assets will be recognised in other comprehensive income as remeasurement. Income statement and balance sheet for 2012 have been restated in accordance with the new standard. The impact of the change in accounting principle is further described in note 22.

IFRS 13 Fair Value Measurement – the standard provides a single definition of fair value and a single framework for measuring fair value. New disclosure requirements are also amended. The standard has not had any significant impact on the financial statements of Hexagon.

Amendment to IAS 1 Presentation of Financial Statements – means new disclosure requirements of components contained in other comprehensive income related to items that may be reclassified to income statement and items that never will be reclassified to income statement. For Hexagon it is only remeasurements related to defined benefit plans that never will be reclassified to income statement.

IFRS 7 Financial Instruments – consists of extended disclosure requirements for offsetting financial assets and liabilities and also disclosure of agreements that allows offsetting.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standards, amended standards and interpretations that have not entered into force, have not been applied in advance in the financial reports of Hexagon. The following standards enter into force on 1 January 2014 or later.

IFRS 10 Consolidated Financial Statements – the standard replaces IAS 27 and SIC-12 about consolidation and provides a single model to identify whether control exists or not. An entity or investment should be included within the consolidated financial statements by identifying the concept of control as a determining factor. The standard will be applied as of 1 January 2014. The standard is not expected to have any significant impact on the financial statements of Hexagon.

IFRS 11 Joint Arrangements – the standard replaces IAS 31 Interests in Joint Ventures. Joint arrangements shall according to the standard be divided into two categories, joint venture or joint operation. Different accounting principles shall be applied for these categories. The standard will be applied as of 1 January 2014. The standard is not expected to have any significant impact on the financial statements of Hexagon.

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

Amendment to IAS 32 Financial Instruments – the amendment in IAS 32 introduces clarifications on the application of the offsetting rules. The purpose of the amendment is to clarify the impact of offsetting in entities´ balance sheets. The standard is not expected to have any impact on the financial statements of Hexagon. The amendment in IAS 32 enters into force 1 January 2014.

Other changes in standards and interpretations that enter into force from 1 January, 2014 are not expected to have any impact on the financial statements of Hexagon.

BASIS OF REPORTING FOR THE PARENT COMPANY AND THE GROUP

The functional currency of the Parent Company is EUR as is the presentation currency for the Parent Company and the Group. The financial reports are presented in EUR. All amounts, unless indicated otherwise, are rounded off to the nearest million. All numbers are rounded to the nearest million with one decimal, unless otherwise stated.

Assets and liabilities are reported at historical cost with the exception of certain financial instruments which are reported at fair value.

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

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

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

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

CLASSIFICATION

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

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

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

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

Goodwill recorded represents the difference between the acquisition cost of Group companies' shares, the value of non-controlling interest in the acquired business and the fair value of previously owned shares and on the other hand, the purchase price allocation of the assets acquired and liabilities assumed. Goodwill is recognised in accordance with the section Goodwill and other intangible assets below. Non-controlling interests are recognised at the acquisition date, either at its fair value or at its proportionate share of the carrying value of the acquiree's identifiable assets and liabilities. Acquisition of non-controlling interest is reported as transactions between shareholders, i.e. in equity.

Group companies' financial statements are included in the consolidated accounts as of the date when control occurs (acquisition date) until the control ceases. When control of the group company ceases, but the Group retains shares in the company, remaining shares are initially reported at fair value. The gain or loss is recorded in the income statement.

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

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

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

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

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

TRANSACTIONS, ASSETS AND LIABILITIES OTHER CURRENCIES THAN EUR
Transactions in non-EUR currencies are recognised in the functional currency at the exchange rate on the transaction day. Monetary assets and liabilities are translated to the functional currency on the closing day at the exchange rate then in effect. Exchange rate differences that arise through these translations are recognised in the income statement.

ELIMINATED TRANSACTIONS
Intra-Group receivables and liabilities, revenue or expenses, and gains or losses that arise from transactions between Group companies are eliminated in their entirety in the preparation of the consolidated accounts. Gains that arise from transactions with associated companies and joint ventures are eliminated to an extent corresponding to the Group's ownership interest in the company. Losses are eliminated in the same way as gains, but only to the extent that there is no impairment loss.

SEGMENT REPORTING
Hexagon's Board of Directors is responsible for determining the Group's overall objectives, developing and monitoring the overall strategy, decisions on major acquisitions, divestments and investments, and ongoing monitoring of operations.

The President is responsible for leading and controlling Hexagon's operations in accordance with the strategy determined by the Board. The President is therefore the Group's chief operating decision maker and is the function that internally within the Hexagon Group allocates resources and evaluates results. The Group's chief operating decision maker assesses the performance in the operating segments based on earnings before financial items, excluding non-recurring items. Financial items and taxes are reported for the Group as a whole.

Hexagon's operations are organised, governed and reported on the basis of the two operating segments Hexagon Measurement Technologies and Other Operations. The operating segment Hexagon Measurement Technologies comprises the application areas Geosystems, Metrology and Technology which offer design, measurement and visualisation solutions that are built upon common core technologies. The operating segment Other Operations is mainly focused towards the transportation industry including cars as well as heavy vehicles. Other Operations conducts its business in the Nordic region.

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

REVENUES
Hexagon applies the following principles for revenue recognition:

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

- The company has transferred the essential risks and benefits associated with the ownership of the goods to the buyer;
- The company does not retain any commitment in ongoing management usually associated with ownership, and nor does the company exert any actual control over the goods that have been sold;

Revenues can be reliably calculated if;

- It is likely that the financial benefits for the seller associated with the transaction will accrue to the seller;
- The expenditure that has arisen or is expected to arise as a consequence of the transaction can be reliably calculated;
- Installation revenues comprise an insignificant portion of total revenues for equipment sold with a commitment to install the equipment.

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

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

The percentage of completion is determined by comparing the expenditure that has arisen in relation with the total estimated expenditure for the assignment. If the degree of completion cannot be reliably determined, only those amounts corresponding to the expenditure that has arisen are recognised as revenues, but only to the extent that it is likely that they will be remunerated by the buyer. If it appears likely that all the expenditure for an assignment will exceed total revenues, the probable loss is accounted immediately, and fully, as an expense.

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

GOVERNMENT GRANTS
Hexagon accounts for government grants that were decided and paid out during the year. Government grants have been reported as a reduction of the Group's expenses in the function where the expenses occurred.

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

OTHER OPERATING REVENUES/EXPENSES
Other operating revenues/expenses primarily consist of gains/losses from sales of fixed assets, currency exchange gains and losses related to operating assets and liabilities and revenues for letting of premises and other assets.

FINANCIAL ASSETS AND LIABILITIES AND OTHER INSTRUMENTS
Financial instruments recognised in the balance sheet include, on the asset side, cash and bank, accounts receivables, shares, loans receivable and derivatives. Liabilities include trade accounts payable, loans payable and derivatives. Supplementary payments for acquired companies are recognised as provisions.

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

Amortised cost is determined using the effective interest rate calculated on the date of acquisition.

Financial assets and liabilities are classified in one of the following categories:

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

Available for sale
Hexagon considers listed holdings of securities as being available for sale, which means that the change in value up to the selling date is recognised directly in other comprehensive income. Unlisted shares and participations whose value cannot be determined reliably are recognised at acquisition cost.

Held-to-maturity investments
Assets held to maturity are valued at amortised costs, applying the effective interest rate method. No financial instruments were classified in this category during 2013 and 2012.

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

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

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

Trade accounts payable are carried at amortised cost. Trade accounts payable have a short expected maturity and are carried without discounting at their nominal amount.

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

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

The value of the net assets of subsidiaries whose functional currency is not EUR, including goodwill and other intangible assets, is partly hedged, mainly through currency loans. Currency forward contracts are used to a lesser extent. In the consolidated financial statements, the after-tax effects of hedging are offset against those translation differences that were recognised directly in other comprehensive income regarding the international operations.

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

PENSION AND SIMILAR COMMITMENTS
Expenditure for defined contribution plans are expensed as incurred.

Expected expenditure under defined benefit plans are recognised as a liability calculated in accordance with actuarial models, consisting of an estimate of future benefits that employees have earned through their employment during the current and prior periods. This benefit is discounted to its present value. The discount rate is the yield on high-quality corporate bonds or if there is no deep market for such bonds, government bonds – that have maturity dates approximating the terms of the Group's obligations.

Changes of the defined benefit obligation related to changed actuarial assumptions and experience based adjustment are reported in other comprehensive income. Pension expense for the year consists of pensions earned in the current period and pensions earned from prior periods resulting from any changes in the plan. Net interest is accounted for as a financial expense and consists of interest expense on the defined benefit liability less calculated return on plan assets. Obligations related to defined benefit plans are recognised net in the balance sheet (as a provision), meaning after a deduction of the value of any plan assets.

Defined benefit plans for which the insurer (Alecta) cannot specify Hexagon's share of the total plan assets and pension obligations, pending this information becoming available, are recognised as defined contribution plans.

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

PROVISIONS
A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Warranties
A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of all possible outcomes with their associated probabilities.

Restructuring
A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. No provision is posted for future operating losses.

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

INCOME TAXES
Income taxes comprise:
- Current tax, meaning the tax calculated on taxable earnings for the period, and adjustments regarding prior periods;
- Deferred tax, meaning the tax attributable to taxable temporary differences to be paid in the future, and the tax that represents a reduction of future tax attributable to deductible temporary differences, deductible loss carry-forwards and other tax deductions.

The income tax expenses for the year consist of current and deferred tax. Transactions recognised in other comprehensive income are including tax effects, i.e. tax related to these transactions are also posted in other comprehensive income.

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

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

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

TANGIBLE FIXED ASSETS
Tangible fixed assets are recognised at acquisition value less accumulated depreciations and impairment losses. Acquisition value includes expenditure that is directly attributable to acquisition of the asset.

Gains/losses on the divestment of a tangible fixed asset are recognised in the income statement as other operating income/cost and comprise the difference between the sales revenue and the carrying amount.

Amounts that can be depreciated comprise acquisition value less estimated residual value. The assets' carrying value and useful life are impairment tested on every balance-sheet date and adjusted if necessary.

DEPRECIATION AND AMORTISATION
Depreciation and amortisation is calculated on the original acquisition value and based on the asset's estimated useful life. The depreciation terms for various asset classes are:

• Capitalised development expenditure	2–6 years
• Patents and trademarks[1]	5 years
• Other intangible assets	2–20 years
• Computers	3–8 years
• Machinery and equipment	3–15 years
• Office buildings	20–50 years
• Industrial buildings	20–50 years
• Land improvements	5–25 years

[1] The value of trademarks obtained via acquired operations is determined by means of the acquisition analysis. If the trademark can be used without any time limitations, it is not subject to amortisation according to plan. The right to use the name Leica derives from a contractual useful life under an agreement that expires in 90 years' time. The agreement contains clauses stipulating extension opportunities. Since Hexagon is of the opinion that there is reason to believe that it will be possible to extend the agreement without considerable expenditure, the value of the right to use the name Leica is not subject to amortisation.

IMPAIRMENT

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

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

If independent cash flows cannot be isolated for individual assets, the assets are grouped at the lowest level where independent cash flows can be identified (cash-generating units).

CASH-GENERATING UNITS

The definition of cash-generating units complies with the Group's organisation, whereby assessments of whether there are any impairment requirements are made at the sub-segment level within each particular operating segment. Intangible assets that are common to a specific cash generating unit are allocated to this cash generating unit. The recoverable value is generally set at the value in use.

EARNINGS PER SHARE

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

ACCOUNTING POLICIES IN THE PARENT COMPANY

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

- The Parent Company does not apply IAS 39.
- In the Parent Company, all leases are treated as operational leases.
- In the Parent Company, the shares in subsidiaries are recognised at acquisition value less any impairment.
- Acquisition of shares in subsidiaries includes transaction costs and contingent consideration.

Non-monetary assets acquired in other currencies than EUR are recognised at the historical exchange rate. Other assets and liabilities are recognised at the exchange rate prevailing on the balance sheet date.

DIVIDENDS

The dividend proposed by the Board of Directors reduces earnings available for distribution and is recognised as a liability when the Annual General Meeting has approved the dividend.

APPROVAL OF ACCOUNTS

The Parent Company's and the consolidated financial statements will be presented to the Annual General Meeting for approval on 9 May 2014.

NOTE 2 Critical Accounting Estimates and Assumptions

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

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

Intangible assets Intangible assets within Hexagon concern essentially pertain to patents, trademarks and goodwill. Goodwill and other acquired intangible assets with an indefinite life are not subject to annual amortisation, while other intangible assets are amortised. Insofar as the underlying operations develop negatively, an impairment requirement may arise. Such intangible assets are subject to annual impairment testing, which is essentially based on the value in use, making assumptions about the sales trend, the Group's profit margins, on-going investments, changes in working capital and discount interest rate. The assumptions made by the Board of Directors are presented above. Company management considers the assumptions applied to be compatible with the data received from external sources of information or from previous experience. Hexagon's goodwill at 31 December amounted to 2 596 MEUR (2 642). Other intangible assets not subject to amortisation amount to 699 (721) MEUR as of this date. Impairment tests performed did not give rise to any impairment.

Tax assets and liabilities The Board of Directors and Company Management continuously assess the carrying amount of both current and deferred tax assets and liabilities. For deferred tax assets, Hexagon has to assess the probability of whether it will be possible to utilise the deductible temporary differences that give rise to deferred tax assets to offset future taxable profits. In addition, in certain situations, the value of the deferred tax assets and liabilities may be uncertain due to ongoing tax processes, for example. Accordingly, the value of deferred tax assets and liabilities may deviate from these estimates due to a change in future earning capacity, changed tax regulations or the outcome of examinations by authorities or tax courts of issued or not yet issued tax returns. When assessing the value of deferred tax assets and liabilities, Hexagon has to form an opinion of the tax rate that will apply at the time of the reversal of the temporary differences. Hexagon recognised deferred tax liabilities, net in an amount of 229.2 MEUR (191.3), at the end of 2013. At the same date, the Group had tax-loss carry-forwards with a value of 79.3 MEUR (92.8) that were not recognised as assets. These assets could not be capitalised based on assessments of the opportunity to utilise the tax deficits. In comparison with the final outcome, the estimates made concerning both deferred tax assets and liabilities could have either a positive or a negative impact on earnings.

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

NOTE 3 Operating Segments

Hexagon's operations are organised, governed and reported in two operating segments, Hexagon Measurement Technologies and Other Operations. The operating segment Measurement Technologies comprises the application areas Geosystems, Metrology and Technology. A detailed description of the operations is presented on pages 10–13 of this Annual Report.

2013	Hexagon Measurement Technologies	Other Operations	Total segments	Group expenses and eliminations	Group
Net sales	2,368.9	60.8	2,429.7	0.0	2,429.7
Operating expenses	-1,845.1	-59.0	-1,904.1	-17.9	-1,922.0
Operating earnings (EBIT1)[1]	**523.8**	**1.8**	**525.6**	**-17.9**	**507.7**
Non-recurring items	-7.3	-7.6	-14.9	-	-14.9
Operating earnings (EBIT)	**516.5**	**-5.8**	**510.7**	**-17.9**	**492.8**
Net interest income/expenses				-33.9	-33.9
Earnings before taxes				**-51.8**	**458.9**
Operating assets	5,114.3	45.3	5,159.6	10.1	5,169.7
Operating liabilities	-612.9	-12.3	-625.2	-22.0	-647.2
Net operating assets	**4,501.4**	**33.0**	**4,534.4**	**-11.9**	**4,522.5**
[1] Of which share in associated companies earnings	-	-	-	-2.0	-2.0
Shares in associated companies	2.7	-	2.7	-	2.7
Cash flow from operating activities	613.3	2.3	615.6	-108.8	506.8
Cash flow from ordinary investment activities	-212.9	-1.3	-214.2	-2.1	-216.3
Operating cash flow	**400.4**	**1.0**	**401.4**	**-110.9**	**290.5**
Average number of employees	13,645	267	13,912	19	13,931
Number of employees at year-end	14,198	245	14,443	19	14,462
Depreciation/amortisation and impairment losses	-132.3	-2.1	-134.4	-0.1	-134.5

2012	Hexagon Measurement Technologies	Other Operations	Total segments	Group expenses and eliminations	Group
Net sales	2,317.6	62.4	2,380.0	0.0	2,380.0
Operating expenses	-1,817.9	-61.1	-1,879.0	-16.1	-1,895.1
Operating earnings (EBIT1)[1]	**499.7**	**1.3**	**501.0**	**-16.1**	**484.9**
Non-recurring items	-	-	-	-	-
Operating earnings (EBIT)	**499.7**	**1.3**	**501.0**	**-16.1**	**484.9**
Net interest income/expenses				-50.7	-50.7
Earnings before taxes				**-66.8**	**434.2**
Operating assets	5,115.2	43.6	5,158.8	5.6	5,164.4
Operating liabilities	-602.9	-16.8	-619.7	-1.3	-621.0
Net operating assets	**4,512.3**	**26.8**	**4,539.1**	**4.3**	**4,543.4**
[1] Of which share in associated companies earnings	0.0	-	0.0	-0.5	-0.5
Shares in associated companies	5.7	-	5.7	11.4	17.1
Cash flow from operating activities	608.2	8.4	616.6	-119.3	497.3
Cash flow from ordinary investment activities	-168.9	-1.6	-170.5	-1.3	-171.8
Operating cash flow	**439.3**	**6.8**	**446.1**	**-120.6**	**325.5**
Average number of employees	12,889	298	13,187	16	13,203
Number of employees at year-end	13,431	306	13,737	17	13,754
Depreciation/amortisation and impairment losses	-117.9	-2.7	-120.6	-0.2	-120.8

Geographical markets	Net sales per recipient country[3] 2013	Net sales per recipient country[3] 2012	Operating Assets[1] Assets 2013	Assets 2012	Liabilities 2013	Liabilities 2012	Net 2013	Net 2012	Tangible and intangible fixed assets 2013	Tangible and intangible fixed assets 2012
EMEA[2]	1,009.6	980.7	2,260.2	2,207.2	-292.8	-261.7	1,967.4	1,945.5	1,609.7	1,565.5
Americas	779.8	756.6	2,824.8	2,856.1	-291.2	-311.3	2,533.6	2,544.8	2,486.6	2,542.4
Asia	640.3	642.7	323.4	313.0	-301.9	-259.9	21.5	53.1	62.9	62.8
Elimination of intra-group items / Adjustments	-	-	-238.7	-211.9	238.7	211.9	-	-	-	-
Group	**2,429.7**	**2,380.0**	**5,169.7**	**5,164.4**	**-647.2**	**-621.0**	**4,522.5**	**4,543.4**	**4,159.2**	**4,170.7**

[1] Net operating assets correspond with operating earnings in as much as items such as cash and cash equivalents, tax, interest and interest-bearing liabilities and provisions are not included.
[2] Sweden is included in EMEA with net sales of 116.4 MEUR (120.4) and tangible and intangible fixed assets of 72.6 MEUR (57.1).
[3] Relates to the country where the customer has it's residence. No single customer represents more than 0.8 per cent (1.5) of net sales.

NOTE 4 Parent Company Intra-Group Purchases and Sales

Other Group companies account for 100 per cent (100) of the Parent Company's sales and 64 per cent (76) of the Parent Company's purchases.

NOTE 5 Net Sales

	Group 2013	Group 2012	Parent Company 2013	Parent Company 2012
Surveying	555.3	541.2	-	-
Power and energy	431.7	454.0	-	-
Infrastructure and construction	297.1	255.3	-	-
Automotive	285.5	288.5	-	-
Public safety and security	262.5	248.3	-	-
Manufacturing	232.0	218.7	-	-
Aerospace and defence	208.2	211.5	-	-
Other	157.4	162.5	11.2	10.5
Total	**2,429.7**	**2,380.0**	**11.2**	**10.5**

NOTE 6 Operating Expenses

	Group 2013	Group 2012	Parent Company 2013	Parent Company 2012
Cost of goods sold				
Cost of goods	575.2	578.5	-	-
Personnel cost	263.4	280.9	-	-
Depreciation and amortisation	18.9	14.5	-	-
Other	224.3	205.0	-	-
Total	**1,081.8**	**1,078.9**	**-**	**-**
Research and development cost				
Personnel cost	116.8	117.9	-	-
Depreciation and amortisation	90.1	79.3	-	-
Other	12.3	12.9	-	-
Total	**219.2**	**210.1**	**-**	**-**
Sales expenses				
Personnel cost	324.2	306.1	-	-
Depreciation and amortisation	6.7	7.6	-	-
Other	95.3	97.7	-	-
Total	**426.2**	**411.4**	**-**	**-**
General and administrative cost				
Personnel cost	137.8	140.4	5.8	4.8
Depreciation and amortisation	13.8	19.4	0.5	0.2
Other	53.4	42.0	10.8	12.7
Total	**205.0**	**201.8**	**17.1**	**17.7**

NOTE 7 Other Operating Income and Operating Expenses

	Group 2013	Group 2012
Other operating income		
Capital gain on divestment of fixed assets	0.8	0.2
Exchange rate gains	21.4	18.3
Government grants	0.5	0.3
Reversal of provisions	6.2	10.1
Rental income	2.9	9.1
Other	8.3	4.2
Total	**40.1**	**42.2**
Other operating expenses		
Capital loss on divestment of fixed assets	-0.7	-0.7
Exchange rate losses	-24.6	-17.8
Rental related expenses	-6.2	-5.6
Other	-6.1	-10.5
Total	**-37.6**	**-34.6**

NOTE 8 Impairments

Cash-generating units

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

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

Carrying amount of goodwill and other intangible assets allocated to each of the CGUs:

	Hexagon Geosystems		Hexagon Metrology		NovAtel		Intergraph		Other Operations		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Goodwill	780.6	725.5	184.5	191.3	218.1	243.4	1,411.8	1,480.5	1.4	1.3	2,596.4	2,642.0
Other intangible assets with indefinite useful lives [1]	386.3	393.9	12.6	13.1	3.7	3.8	296.1	309.9	-	-	698.7	720.7
Intangible assets subject to amortization [2]	234.7	223.2	123.9	90.5	39.7	38.7	213.2	215.5	-	1.0	611.5	568.9
Total	**1,401.6**	**1,342.6**	**321.0**	**294.9**	**261.5**	**285.9**	**1,921.1**	**2,005.9**	**1.4**	**2.3**	**3,906.6**	**3,931.6**

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

Hexagon performed its annual impairment test as per 31 December 2013. Hexagon tests if the carrying value of the CGU's exceed their recoverable value. The recoverable value is the higher of the CGUs net realizable value and the value in use, meaning the discounted value of future cash flows.

Hexagon Geosystems

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

Hexagon Metrology

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

NovAtel

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

Intergraph

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

Other Operations

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

Key assumptions used in value in use calculations

The calculation of value in use for all CGU is most sensitive to the following assumptions

- Forecasts, including operating margins and sales growth
- Discount rates
- Growth rates used to extrapolate cash flow beyond the forecast period

Forecasts

The forecasted cash flows, that is approved by senior management, are based on a analysis of historic performance as well as a best estimate regarding the future. Hexagon has since 2001 shown systematically rising operating margins and virtually continuous good organic growth. The operating margins are based on average values achieved historically. The margins are increased over the period to reflect anticipated efficiency improvements. The organic growth are based on an analysis of how the competition situation is judged to develop over time

Discount rates

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

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

Sensitivity to changes in assumptions
With regard to the assessment of value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed the recoverable value. The sensitivity in all calculations demonstrates that the goodwill value still is defendable even if the discount rate is increased by one percentage point or if the growth rate after the forecast period is decreased by one percentage point.

NOTE 9 Earnings From Shares in Group Companies and Associates

	Group		Parent Company	
	2013	**2012**	**2013**	**2012**
Earnings from shares in group companies				
Dividend from subidiaries	-	-	236.8	396.5
Impairment loss of shares in Group companies	-	-	-1.8	-192.5
Total	**-**	**-**	**235.0**	**204.0**
Earnings from shares in associated companies				
Share of income in associated companies	-2.0	-0.5	-	-
Total	**-2.0**	**-0.5**	**-**	**-**

NOTE 10 Financial Income and Expenses

	Group		Parent Company	
	2013	**2012**	**2013**	**2012**
Financial income				
Interest income	5.0	4.4	0.7	1.5
Interest income, intercompany receivables	-	-	84.7	87.6
Other financial income	0.2	0.6	49.7	30.8
Total	**5.2**	**5.0**	**135.1**	**119.9**
Financial expenses				
Interest expenses	-29.0	-42.9	-23.0	-38.3
Interest expenses, intercompany liabilities	-	-	-2.9	-3.7
Net interest on pensions	-1.7	-2.5	-	-
Other financial expenses	-8.4	-10.3	-75.9	-148.5
Total	**-39.1**	**-55.7**	**-101.8**	**-190.5**

NOTE 11 Income Taxes, Group

Tax on earnings for the year

	2013	**2012**
Current tax	-64.8	-42.4
Deferred tax	-22.9	-40.7
Share of tax in associated companies	0.0	0.0
Total tax on earnings for the year	**-87.7**	**-83.1**

Deferred tax

	2013-12-31	**2012-12-31**
Deferred tax assets (liabilities) comprise:		
Fixed assets	-263.3	-264.3
Inventories	11.3	8.9
Customer receivables	0.5	1.2
Provisions	12.3	14.5
Other	-22.2	23.4
Unutilised loss carry-forwards and similar deductions	111.5	117.8
Less items not satisfying criteria for being recognised as assets	-79.3	-92.8
Total	**-229.2**	**-191.3**
According to the balance sheet:		
Deferred tax assets	65.1	90.1
Deferred tax liabilities	-294.3	-281.4
Total, net	**-229.2**	**-191.3**

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

Reconciliation of the year's change in current and deferred tax assets/liabilities

Deferred taxes	2013	2012
Opening balance, net	**-191.3**	**-150.8**
Change via income statement		
Deferred tax on earnings	-38.1	-51.1
Change in reserve for deductions not satisfying criteria for being recognised as assets	9.3	14.1
Change in tax rates and items pertaining to prior years	5.9	-3.7
Total	**-22.9**	**-40.7**
Change via other comprehensive income		
Deferred tax on other comprehensive income	3.5	-5.9
Change in reserve for deductions not satisfying criteria for being recognised as assets	-34.1	-
Total	**-30.6**	**-5.9**
Change via acquisitions and divestments	1.1	-0.2
Reclassification	7.1	7.5
Translation difference	7.4	-1.2
Closing balance, net	**-229.2**	**-191.3**

Current taxes	2013	2012
Opening balance, net	**-10.1**	**15.3**
Change via income statement		
Current tax on earnings	-64.0	-47.1
Items pertaining to prior years	-0.8	4.7
Total	**-64.8**	**-42.4**
Change via acquisitions and divestments	-0.2	-
Payments, net	62.3	39.5
Reclassification	-10.0	-22.9
Translation difference	0.6	0.4
Closing balance, net	**-22.2**	**-10.1**

The Group's unutilised loss carry-forwards and similar deductions mature as follows:

	2013-12-31
2014	6.7
2015	0.7
2016	0.8
2017	4.8
2018 and later	41.2
Indefinitely	405.1
Total	**459.3**

The difference between nominal Swedish tax rate and effective tax rate arises as follows:

	2013	2012
Earnings before tax	**458.9**	**434.2**
Tax pursuant to Swedish nominal tax rate 22%	-101.0	-114.2
Difference in tax rates between Swedish and foreign tax rate	-5.8	4.6
Revaluation of loss carry-forwards, etc.	9.3	14.1
Permanent differences	5.6	12.2
Change in tax rates and items pertaining to prior years	4.2	0.2
Tax, income statement	**-87.7**	**-83.1**

NOTE 12 Non-Recurring Items

	2013	2012
Nature		
Restructuring costs	-6.1	-
Sale of subsidiary	-5.2	-
Other	-3.6	-
Total	**-14.9**	**-**
Function		
Sales expenses	-2.8	-
Administration expenses	-3.6	-
Research and development expenses	-1.8	-
Other operating expenses	-1.5	-
Capital loss from sale of shares in group companies	-5.2	-
Operating earnings	**-14.9**	**-**

Non-recurring items relate mainly to a cost reduction programme in Measurement Technologies, the divestment of EBP i Olofström AB, expected outcome of the divestment of SwePart Transmission AB and the investment in Blom. No items were during 2012 posted as non-recurring items.

NOTE 13 Government Grants

During 2013 some of the subsidiaries within the Group have received government grants. The government grants relate primarily to education of employees and R&D funding. The table below shows how the grants are allocated to functions.

	2013	2012
Function		
Research and development expenses	0.3	0.1
Other operating income	0.5	0.3
Total	**0.8**	**0.4**

NOTE 14 Intangible Fixed Assets

Group

Intangible fixed assets

2013	Capitalised development expenses	Patents	Trademark	Goodwill	Other intangible fixed assets	Total
Acquisition value, opening balance	602.2	119.3	720.7	2,642.0	313.0	4,397.2
Investments	144.0	3.7	-	-	8.1	155.8
Investments/divestments of business	0.2	-	-	76.3	9.1	85.6
Sales/Disposals	-1.1	-0.2	-	-	-0.4	-1.7
Reclassification	-11.1	-1.6	0.0	1.2	10.3	-1.2
Translation differences	-22.3	-4.1	-22.0	-123.1	-16.9	-188.4
Acquisition value, closing balance	**711.9**	**117.1**	**698.7**	**2,596.4**	**323.2**	**4,447.3**
Amortisation, opening balance	-249.6	-45.4	-	-	-87.8	-382.8
Amortisation for the year	-63.9	-7.6	-	-	-24.2	-95.7
Investments/divestments of business	-	-	-	-	-0.1	-0.1
Sales/Disposals	0.2	0.2	-	-	0.2	0.6
Reclassification	9.1	0.1	-	-	-7.8	1.4
Translation differences	7.9	2.0	-	-	4.7	14.6
Amortisation, closing balance	**-296.3**	**-50.7**	**-**	**-**	**-115.0**	**-462.0**
Impairments, opening balance	-64.4	-	-	-	-18.4	-82.8
Translation differences	2.2	-	-	-	1.9	4.1
Impairments, closing balance	**-62.2**	**-**	**-**	**-**	**-16.5**	**-78.7**
Carrying value	**353.4**	**66.4**	**698.7**	**2,596.4**	**191.7**	**3,906.6**

2012	Capitalised development expenses	Patents	Trademark	Goodwill	Other intangible fixed assets	Total
Acquisition value, opening balance	465.6	118.4	717.3	2,666.4	331.4	4,299.1
Investments	123.0	2.2	-	-	0.3	125.5
Investments via acquisitions of subsidiaries	2.8	-	7.8	33.6	16.9	61.1
Sales/Disposals	-20.3	-1.8	-	-	-0.8	-22.9
Reclassification	33.0	-0.1	-	-23.2	-30.9	-21.2
Translation differences	-1.9	0.6	-4.4	-34.8	-3.9	-44.4
Acquisition value, closing balance	**602.2**	**119.3**	**720.7**	**2,642.0**	**313.0**	**4,397.2**
Amortisation, opening balance	-190.9	-38.8	-	-22.7	-91.2	-343.6
Amortisation for the year	-53.8	-8.2	-	-	-22.6	-84.6
Sales/Disposals	20.3	1.8	-	-	-	22.1
Reclassification	-25.5	-	-	23.2	25.2	22.9
Translation differences	0.3	-0.2	-	-0.5	0.8	0.4
Amortisation, closing balance	**-249.6**	**-45.4**	**-**	**-**	**-87.8**	**-382.8**
Impairments, opening balance	-63.9	-	-	-	-19.3	-83.2
Sales/Disposals	-	-	-	-	1.0	1.0
Translation differences	-0.5	-	-	-	-0.1	-0.6
Impairments, closing balance	**-64.4**	**-**	**-**	**-**	**-18.4**	**-82.8**
Carrying value	**288.2**	**73.9**	**720.7**	**2,642.0**	**206.8**	**3,931.6**

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

Amortisation of intangible assets allocated by function

	Group	
	2013	2012
Cost of goods sold	-0.9	-0.5
Sales expenses	-1.0	-2.4
Administration expenses	-5.5	-4.5
Research and development expenses	-86.2	-75.0
Other operating expenses	-2.1	-2.2
Total	**-95.7**	**-84.6**

Other intangible fixed assets

	Parent Company	
	2013	2012
Acquisition value, opening balance	1.2	0.8
Investments	11.7	0.4
Sales/Disposals	-1.0	-
Acquisition value, closing balance	**11.9**	**1.2**
Depreciation, opening balance	-0.3	-0.1
Depreciation for the year	-0.4	-0.2
Sales/Disposals	0.2	-
Depreciation, closing balance	**-0.5**	**-0.3**
Carrying value	**11.4**	**0.9**

NOTE 15 Tangible Fixed Assets

Group
Tangible fixed assets

2013	Buildings	Land and other real estate	Machinery and other technical plants	Equipment, tools and installation	Construction in progress and advances to suppliers	Total
Acquisition value, opening balance	155.8	38.8	254.9	110.8	6.3	566.6
Investments	5.9	0.8	19.1	15.7	21.1	62.6
Investments/divestments of business	-3.7	-	-15.8	1.8	-0.2	-17.9
Sales/disposals	-1.7	-0.1	-5.3	-6.2	-0.4	-13.7
Reclassification	0.3	-	0.1	1.2	-1.3	0.3
Translation differences	-3.9	-1.4	-8.3	-5.5	-0.9	-20.0
Acquisition value, closing balance	**152.7**	**38.1**	**244.7**	**117.8**	**24.6**	**577.9**
Depreciation, opening balance	-47.9	-2.1	-183.4	-82.6	-2.8	-318.8
Depreciation for the year	-6.8	-0.6	-17.6	-13.5	-0.3	-38.8
Investments/divestments of business	1.3	-	9.6	-0.9	0.1	10.1
Sales/disposals	1.4	-	5.0	5.9	0.4	12.7
Reclassification	-0.2	-	0.3	-1.1	0.7	-0.3
Translation differences	1.0	0.2	4.7	3.8	0.1	9.8
Depreciation, closing balance	**-51.2**	**-2.5**	**-181.4**	**-88.4**	**-1.8**	**-325.3**
Impairments, opening balance	-1.2	-	-7.6	-	-	-8.8
Investments/divestments of business	1.2	-	7.6	-	-	8.8
Translation differences	0.0	-	0.0	-	-	0.0
Impairments, closing balance	**-**	**-**	**-**	**-**	**-**	**-**
Carrying value	**101.5**	**35.6**	**63.3**	**29.4**	**22.8**	**252.6**

2012	Buildings	Land and other real estate	Machinery and other technical plants	Equipment, tools and installation	Construction in progress and advances to suppliers	Total
Acquisition value, opening balance	167.7	36.2	252.7	104.4	4.9	565.9
Investments	7.7	3.0	17.5	14.9	3.7	46.8
Investments/divestments of business	-	-	0.3	0.1	-	0.4
Sales/disposals	-20.0	-0.2	-17.3	-11.9	-0.2	-49.6
Reclassification	0.2	-0.1	-0.5	2.8	-2.1	0.3
Translation differences	0.2	-0.1	2.2	0.5	-	2.8
Acquisition value, closing balance	**155.8**	**38.8**	**254.9**	**110.8**	**6.3**	**566.6**
Depreciation, opening balance	-60.8	-1.9	-183.9	-78.6	-2.6	-327.8
Depreciation for the year	-6.6	-0.4	-16.8	-12.1	-0.3	-36.2
Sales/disposals	20.0	0.2	17.2	10.9	0.1	48.4
Reclassification	-0.1	-	1.8	-2.7	-	-1.0
Translation differences	-0.4	-	-1.7	-0.1	-	-2.2
Depreciation, closing balance	**-47.9**	**-2.1**	**-183.4**	**-82.6**	**-2.8**	**-318.8**
Impairments, opening balance	-1.2	-	-7.6	-	-	-8.8
Translation differences	0.0	-	0.0	-	-	0.0
Impairments, closing balance	**-1.2**	**-**	**-7.6**	**-**	**-**	**-8.8**
Carrying value	**106.7**	**36.7**	**63.9**	**28.2**	**3.5**	**239.0**

Depreciation of tangible assets allocated by function:

	Group	
	2013	2012
Cost of goods sold	-18.0	-14.0
Sales expenses	-5.6	-5.2
Administration expenses	-8.3	-7.5
Research and development expenses	-3.9	-4.3
Other operating expenses	-3.0	-5.2
Total	**-38.8**	**-36.2**

Equipment

	Parent Company	
	2013	2012
Acquisition value, opening balance	0.0	0.0
Acquisition value, closing balance	**0.0**	**0.0**
Depreciation, opening balance	0.0	0.0
Depreciation for the year	0.0	0.0
Depreciation, closing balance	**0.0**	**0.0**
Carrying value	**0.0**	**0.0**

NOTE 16 Financial Fixed Assets

Group	Shares in associated companies 2013	2012	Other long-term securities holdings 2013	2012	Other long-term receivables 2013	2012
Opening balance	17.1	0.2	0.1	8.6	20.1	19.8
Investments	-	12.0	39.6	2.0	2.5	1.9
Acquired as subsidiary	-5.4	-	-	-0.2	-	-
Earnings participations, etc.	-2.0	-0.5	-	-	-	-
Fair value adjustment	-	-	-	-4.8	-	-
Sales	-0.1	-	-	-	-5.0	-4.7
Reclassification	-6.0	5.7	-0.1	-5.7	-2.6	2.4
Translation differences	-0.9	-0.3	0.0	0.2	-1.3	0.7
Closing balance	**2.7**	**17.1**	**39.6**	**0.1**	**13.7**	**20.1**

Parent Company	Shares in Group companies 2013	2012	Receivables from Group companies 2013	2012	Shares in associated companies 2013	2012	Receivables from associated companies 2013	2012	Other financial fixed assets 2013	2012
Opening balance	2,289.7	2,289.7	1,557.7	1,477.4	9.3	-	2.5	-	0.1	0.1
Purchases	0.0	0.0	-	-	-	9.3	-	2.5	-	-
Shareholders contribution	692.0	192.5	-	-	-	-	-	-	-	-
Impairment	-1.8	-192.5	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-9.3	-	-	-	-	-
Increase/decrease in receivables	-	-	-613.3	80.3	-	-	-2.5	-	0.3	-
Closing balance	**2,979.9**	**2,289.7**	**944.4**	**1,557.7**	**-**	**9.3**	**-**	**2.5**	**0.4**	**0.1**

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

Other long-term securities holdings

	Group 2013-12-31	Group 2012-12-31
Veripos, Inc.[1]	39.3	-
Other	0.3	0.1
Total	**39.6**	**0.1**

[1] *Became subsidiary in the beginning of 2014.*

Subsidiaries of Hexagon AB	Corp ID. No.	Reg. Office/ Country	No. of shares	Portion of share capital and voting rights, %	Carrying amount 2013-12-31	Carrying amount 2012-12-31
Leica Geosystems AG	-	Switzerland	35,546	100	1,160.5	1,160.5
SwePart AB	556046-3407	Stockholm, Sweden	8,662,500	100	6.8	6.5
Hexagon Förvaltning AB	556016-3049	Stockholm, Sweden	200,000	100	23.1	23.1
Johnson Industries AB	556099-2967	Örebro, Sweden	100,000	100	7.3	7.3
Röomned AB	556394-3678	Stockholm, Sweden	1,439,200	100	11.2	11.2
Hexagon Metrology AB	556365-9951	Stockholm, Sweden	1,000	100	698.6	8.7
Tecla AB	556068-1602	Stockholm, Sweden	160,000	100	1.6	1.6
Hexagon Technology AB[1]	556083-1124	Stockholm, Sweden	100,000	100	1.6	1.6
Hexagon Global Services AB	556788-2401	Stockholm, Sweden	1,000	100	0.0	0.0
Hexagon Intergraph AB	556370-6828	Stockholm, Sweden	1,000	100	0.0	0.0
NovAtel Inc.	-	Canada	46,265,823	100	110.0	110.0
Intergraph Holding Company	-	USA	1	100	959.2	959.2
Hexagon Technology Center GmbH	-	Switzerland	20	100	0.0	0.0
Other companies, mainly dormant	-	-	-	100	0.0	0.0
Total					**2,979.9**	**2,289.7**

[1] *Has changed name during 2014 to Hexagon Solutions AB.*

NOTE 17 Shares in Associated Companies/Joint Ventures

	Type of ownership	Number of shares	Portion of, % Share capital	Portion of, % Voting rights	Portion of shareholders' equity	Carrying amount Group 2013-12-31	Carrying amount Group 2012-12-31	Share in associated companies' earnings Before tax 2013	Tax 2013	Before tax 2012	Tax 2012
Bridge In SARL	Associated company	2 000	20	20	0.0	0.1	0.2	0.0	0.0	0.0	0.0
Beamrider Ltd	Joint venture	-	-	-	-	-	0.0	-	-	0.0	0.0
H&S Server and Laser	Associated company	-	50	50	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Navgeocom	Associated company	-	-	-	-	-	5.5	0.0	0.0	0.0	0.0
Blom ASA	Associated company	-	-	-	-	-	8.8	-2.0	-	-0.5	-
North West Geo-matics Ltd	Associated company	72	10	10	1.3	2.6	2.6	0.0	0.0	0.0	0.0
Altheeb Intergraph Saudi Company	Associated company	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0
Total					**1.3**	**2.7**	**17.1**	**-2.0**	**0.0**	**-0.5**	**0.0**

Bridge In SARL has its registered office in France.
Beamrider Ltd has its registered office in Worcestershire, United Kingdom. Was divested during 2013.
H&S Server and Laser has its registered office in Las Vegas, USA.
Navgeocom has its registered office in Russia. Recognised as wholly owned susbsidiary as of 2013.
Blom ASA has its registered office in Norway. Was divested during 2013 and intangible fixed asset was received as payment.
North West Geomatics has its registered office in Canada.
Altheeb Intergraph Saudi Company has its registered office in Saudi Arabia. Was divested during 2013.
Since these holdings are insignificant in relation to the Group as a whole, no further disclosures are provided.

NOTE 18 Receivables

Group	Not due	Due less than 30 days	Due between 30–60 days	Due between 61–90 days	Due between 91–120 days	Older than 120 days	Total
Aging analysis of receivables, 31 December 2013, net of impairment losses							
Other non-current receivables	13.0	-	-	-	-	0.7	**13.7**
Account receivables	392.7	45.5	20.3	10.0	9.1	32.1	**509.7**
Other current receivables	31.1	1.8	1.4	0.2	0.2	1.0	**35.7**
Total	**436.8**	**47.3**	**21.7**	**10.2**	**9.3**	**33.8**	**559.1**
Aging analysis of receivables, 31 December 2012, net of impairment losses							
Other non-current receivables	20.1	-	-	-	-	-	**20.1**
Account receivables	390.0	51.8	17.8	13.7	7.2	34.0	**514.5**
Other current receivables	30.2	1.4	1.5	0.5	0.2	0.7	**34.5**
Total	**440.3**	**53.2**	**19.3**	**14.2**	**7.4**	**34.7**	**569.1**

Reserve for doubtful receivables

	Group 2013	Group 2012
Opening balance	20.0	23.0
Reserve for anticipated losses	8.3	10.3
Adjustment for actual losses	-1.6	-6.0
Reversal of unutilised amounts	-6.2	-7.0
Translation differences	0.4	-0.3
Closing balance	**20.9**	**20.0**

NOTE 19 Inventories

	Group 2013-12-31	Group 2012-12-31
Raw materials and supplies	143.5	152.4
Work in progress	33.8	33.9
Finished goods and goods for sale	192.3	190.5
Total	**369.6**	**376.8**
Value adjustment reserve includes provisions for obsolescence etc of	-43.2	-43.2

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

Prepaid expenses and accrued income

	Group		Parent Company	
	2013	2012	2013	2012
Accrued invoicing	49.4	34.1	-	-
Accrued interest income	0.3	0.4	0.2	0.3
Prepaid maintenance costs	2.6	1.3	-	-
Prepaid products and services	11.0	4.4	-	-
Prepaid rent	2.3	2.3	0.1	0.1
Prepaid insurance	4.2	3.5	0.1	0.1
Other items	19.0	14.5	0.5	1.0
Total	**88.8**	**60.5**	**0.9**	**1.5**

Accrued expenses and deferred income

	Group		Parent Company	
	2013	2012	2013	2012
Accrued personnel-related expenses	108.6	118.8	0.2	0.5
Accrued sales commission	16.4	15.3	-	-
Accrued installation and training expenses	5.4	5.9	-	-
Accrued R&D expenses	1.1	1.5	-	-
Accrued fees	3.9	4.1	0.1	0.1
Accrued royalties	1.7	2.6	-	-
Accrued interest expenses	0.9	1.6	0.6	0.7
Prepaid service revenues	7.4	7.1	-	-
Other prepaid revenues	165.8	156.8	-	-
Other items	32.6	31.3	2.7	2.1
Total	**343.8**	**345.0**	**3.6**	**3.4**

NOTE 21 Share Capital and Number of Shares

		Number of shares							
		Outstanding			Repurchased	Total issued			
Parent Company	Quota value per share, EUR	Class A	Class B	Total	Class B	Class A	Class B	Total	Share capital, MEUR
Opening balance 2012	**0.22**	**15,750,000**	**336,739,630**	**352,489,630**	**-1,152,547**	**15,750,000**	**337,892,177**	**353,642,177**	**78.5**
Sale of own shares - exercise of warrants	0.22	-	185,207	185,207	185,207	-	-	-	-
Closing balance 2012	**0.22**	**15,750,000**	**336,924,837**	**352,674,837**	**-967,340**	**15,750,000**	**337,892,177**	**353,642,177**	**78.5**
Sale of own shares - exercise of warrants	0.22	-	967,340	967,340	967,340	-	-	-	-
New share issue - exercise of warrants	0.22	-	1,354,800	1,354,800	-	-	1,354,800	1,354,800	0.3
Closing balance 2013	**0.22**	**15,750,000**	**339,246,977**	**354,996,977**	**-**	**15,750,000**	**339,246,977**	**354,996,977**	**78.8**

In 2013, the remaining repurchased shares were used for the exercise of warrants.
Warrants exercised until 2013-12-31 have incurred a new share issue in progress as per 2013-12-31 of 274,910 new shares of class B. The new share issue will be finalized in 2014.

Each series A share entitles the holder to 10 votes and each class B share to 1 vote. All shares entail the same right to share of profits in Hexagon. Dividend per share paid in 2012 amounted to 0.28 EUR (0.17).

Average number of shares before and after dilution, thousands

	2013	2012
Average number of shares before dilution	353,226	352,499
Estimated average number of potential shares pertaining to warrants plans	2,256	995
Average number of shares after dilution	**355,482**	**353,494**

NOTE 22 Pension Provisions and Similar Obligations

OVERVIEW

Provisions – Defined-benefit pension plans

	2013-12-31	2012-12-31[1]
Pension obligations	507.3	500.0
Fair value of plan assets	-454.6	-438.3
Pension obligations less plan assets	**52.7**	**61.7**
Unrecognised assets	0.3	1.1
Pension provision	**53.0**	**62.8**

[1] *Restated - IAS 19*

Pension expenses - Defined-benefit plans

	2013	2012[1]
Current service cost	20.1	21.0
Interest expense	11.8	13.3
Calculated interest income	-10.1	-10.8
Change in terms and conditions [2]	-2.8	-
Employees' own contribution	-8.5	-8.5
Pension expenses – defined-benefit plans	**10.5**	**15.0**

[1] *Restated - IAS 19*
[2] *In one of the Swiss plans, the so called conversion rate for calculating the retirement pension was reduced in 2013.*

Total pension expenses impact on the income statement

	2013	2012[1]
Operating expenses - defined-benefit plans	8.8	12.5
Operating expenses - defined contibution plans	25.9	20.6
Operating earnings impact	**34.7**	**33.1**
Net interest expenses - defined-benefit plans	1.7	2.5
Earnings before tax impact	**36.4**	**35.6**

[1] *Restated - IAS 19*

DEFINED-BENEFIT OBLIGATIONS

2013-12-31	Plan assets	Pension obligations	Net
Switzerland	415.5	-437.9	-22.4
Other countries	39.1	-69.4	-30.3
Total (fair/present value)	**454.6**	**-507.3**	**-52.7**
Unrecognised assets			-0.3
Pensions provisions, net			**-53.0**
Of which:			
Reported as asset (other non-current receivables)			0.2
Reported as liability			-53.2

2012-12-31[1]	Plan assets	Pension obligations	Net
Switzerland	400.2	-432.2	-32.0
Other countries	38.1	-67.8	-29.7
Total (fair/present value)	**438.3**	**-500.0**	**-61.7**
Unrecognised assets			-1.1
Pensions provisions, net			**-62.8**
Of which:			
Reported as asset (other non-current receivables)			1.3
Reported as liability			-64.1

[1] *Restated - IAS 19*

Three year summary

	2013-12-31	2012-12-31[1]	2012-01-01[1]
Fair value of plan assets	454.6	438.3	413.9
Pension obligations	-507.3	-500.0	-490.9
Net	**-52.7**	**-61.7**	**-77.0**
Unrecognised assets	-0.3	-1.1	-1.2
Book-value	**-53.0**	**-62.8**	**-78.2**

[1] *Restated - IAS 19*

Pension obligations

	2013	2012[1]
Opening balance	500.0	490.9
Change in terms and conditions	-2.8	-
Current service cost	20.1	21.1
Interest expense	11.8	13.3
Benefits paid	-22.5	-25.4
Acquired/divested subsidiaries	-0.1	2.2
Settlement of pension obligations	-0.1	0.0
Actuarial gains/losses - Financial assumptions	-6.5	1.7
Actuarial gains/losses - Demographic assumptions	-1.0	2.1
Actuarial gains/losses - Experience adjustments	17.1	-9.5
Currency translation differences	-8.7	3.5
Closing balance	**507.3**	**500.0**

[1] *Restated - IAS 19*

Plan assets

	2013	2012[1]
Opening balance	438.3	413.9
Calculated interest income	10.1	10.8
Contributions - employer	10.5	10.9
Contributions - employee	8.5	8.5
Benefits paid	-22.0	-25.9
Acquired/divested subsidiaries	-	2.1
Settlement of pension obligations	-	0.0
Return on plan assets excluding calculated interest income as above	17.2	14.4
Currency translation differences	-8.0	3.6
Closing balance	**454.6**	**438.3**

[1] *Restated - IAS 19*

Fair value of plan assets

	2013-12-31	2012-12-31
Equities and similar financial instruments	107.8	136.7
Interest-bearing securities, etc.	200.1	176.1
Real estate	146.7	125.5
Total	**454.6**	**438.3**

For 2014, the contributions to defined benefit plans are estimated at 18.6 MEUR, of which employer's contribution 10.1 MEUR.

CHARACTERISTICS OF THE PENSION OBLIGATIONS

The following applies for the Swiss plans which represent 86 per cent of the total defined benefit obligation. The Swiss plans include the following sub-plans: Retirement pension (main plan), disability pension, management plan, early retirement plan and jubilee plan. The main plan, retirement pension, is financed through an individual savings account. The plan defines a retirement credit in per cent of insured salary depending of the age of the plan member and it guarantees an interest rate, which is yearly determinet by the Pension Fund. The minimum legal rate as fixed by the Swiss government has to be credited to the minimum savings account. The interest is not allowed to negative, even if the if the actual return on assets is negative (capital protection). The other kinds of plans i Switzerland are of similar nature.

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.

ACTUARIAL ASSUMPTIONS FOR THE DEFINED-BENEFIT PENSION SCHEMES

(weighted average, where applicable)	2013	2012
Discount interest rate, %	2.4	2.4
Inflation, %	0.6	1.0
Future salary increase, %	0.9	0.9
For 86% of the defined benefit obligation, the Swiss BVG 2010 tables have been used for the actuarial assumptions regarding employee turnover and life expectancy.	-	-

SENSITIVITY ANALYSIS

The table below describes the effect on the value of the defined benefit obligations of an isolated change in assumptions as described.

	Change in assump-tion, %	Effect, MEUR	Change in assump-tion, %	Effect, MEUR
Discount rate	-0.5	58.1	+0.5	-52.7
Salary increase	-0.5	-2.0	+0.5	2.4
Employee turnover	-1.0	2.9	+1.0	-2.5

	Change in assump-tion, no. of years	Effect, MEUR	Change in assump-tion, no. of years	Effect, MEUR
Life expectancy	-1.0	-15.5	+1.0	15.4

RESTATEMENT OF 2012 – IAS 19

Hexagon has applied the amendments to IAS 19 Employee benefits when they become effective on 2013-01-01. The amendments to IAS 19 affecting the accounting for defined benefit plans include the net of the present value of the pension obligations and the value of plan assets to be reported in the balance sheet. Actuarial differences must be reported in other comprehensive. The calculated return in per cent of plan assets shall equal the interest rate used in the calculation of the present value of the pension obligations. The amendments to IAS 19 require a restatement of the 2012 financials for comparison purposes in the reporting of financials in 2013. The following changes have been made to the 2012 financials:

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

NOTE 23 Other Provisions

Group	Restructuring provisions	Warranty provisions	Other provisions	Estimated supplementary payments for acquired companies	Total
Opening balance 2012-01-01	**2.0**	**12.4**	**51.9**	**23.2**	**89.5**
Provision for the year	5.8	6.3	0.4	0.4	12.9
Present value adjustment	-	-	-	0.1	0.1
Increase through acquisition of businesses	-	-	-	16.2	16.2
Payment of supplementary acquisition considerations	-	-	-	-40.1	-40.1
Utilisation	-5.6	-6.5	0.1	-1.7	-13.7
Reversal of unutilised amounts	-1.3	-0.7	0.0	-9.9	-11.9
Reclassification	-	-	-38.1	38.1	-
Translation difference	-	-	-	-3.6	-3.6
Closing balance 2012-12-31	**0.9**	**11.5**	**14.3**	**22.7**[1,3]	**49.4**[2]
Provision for the year	6.3	3.2	2.5	-	12.0
Present value adjustment	-	-	-	0.3	0.3
Increase through acquisition of businesses	-	-	0.3	45.3	45.6
Payments of additional acquisition considerations	-	-	-0.1	-3.3	-3.4
Utilisation	-4.2	-3.1	-1.3	-	-8.6
Reversal of unutilised amounts	-0.5	-0.2	-8.0	-1.6	-10.3
Reclassification	0.1	-	-3.5	-5.4	-8.8
Translation difference	0.1	-0.3	-1.7	-3.7	-5.6
Closing balance 2013-12-31	**2.7**	**11.1**	**2.5**	**54.3**[1,3]	**70.6**[2]

[1] *Estimated amounts fall due within three years.*
[2] *Of which, current portion: 48.5 (34.1).*
[3] *Disclosure of fair value see note 24.*

NOTE 24 Financial Instruments

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

CURRENCY RISK

Currency risk is the risk that exchange rate fluctuations will have an adverse effect on income statement, balance sheet and cash flow. Furthermore, the comparability of Hexagon's earnings between periods will be affected by changes in currency exchange rates. Hexagon's operations are mainly conducted internationally and sales, costs and net assets are therefore denominated in a number of currencies. As of 1 January 2011 the presentation currency is EUR for the Group. The change decreases the currency exposure in both the income statement and balance sheet as well as in other comprehensive income. It also allows the Hexagon Group to better match debt to net assets. Currency exposure originates both from transactions in non-domestic currencies in the individual operating entities, i.e. transaction exposure, and from translation of earnings and net assets into EUR upon consolidation of the Group, i.e. translation exposure.

Transaction Exposure

Sales and purchase of goods and services in currencies other than respective 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 was hedged until December 2012 at which point in time the Group Treasury Policy was changed. The Policy now states that transaction exposure should not be hedged.

Currency derivatives used for hedging operating cash flows

	2014		2015 and later		Total		
2013-12-31[1]	**Sold**	**Bought**	**Sold**	**Bought**	**Sold**	**Bought**	**Net**
BRL	-	1.2	-	-	-	1.2	1.2
EUR	-1.3	-	-	-	-1.3	-	-1.3
Total	**-1.3**	**1.2**	**-**	**-**	**-1.3**	**1.2**	**-0.1**

	2013		2014 and later		Total		
2012-12-31[1]	**Sold**	**Bought**	**Sold**	**Bought**	**Sold**	**Bought**	**Net**
AUD	-	1.3	-	-	-	1.3	1.3
BRL	-	1.4	-	1.4	-	2.8	2.8
CAD	-	16.7	-	-	-	16.7	16.7
CHF	-11.2	40.7	-	-	-11.2	40.7	29.5
DKK	-0.5	-	-	-	-0.5	-	-0.5
EUR	-8.9	6.1	-1.3	-	-10.2	6.1	-4.1
GBP	-5.4	0.6	-	-	-5.4	0.6	-4.8
HUF	-0.3	-	-	-	-0.3	-	-0.3
INR	-1.2	-	-	-	-1.2	-	-1.2
JPY	-3.1	0.0	-	-	-3.1	0.0	-3.1
KRW	-0.6	-	-	-	-0.6	-	-0.6
NOK	-1.4	-	-	-	-1.4	-	-1.4
PLN	-1.0	0.1	-	-	-1.0	0.1	-0.9
SEK	-4.7	-	-	-	-4.7	-	-4.7
SGD	-	8.4	-	-	-	8.4	8.4
USD	-36.5	0.2	-	-	-36.5	0.2	-36.3
Total	**-74.8**	**75.5**	**-1.3**	**1.4**	**-76.1**	**76.9**	**0.8**

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

Translation Exposure – Balance Sheet

Translation exposure arise when the net assets are translated into EUR upon consolidation. Translation exposure is partly hedged with external debt in corresponding currencies, mainly USD, in accordance with the Group Treasury Policy. Translation differences from net assets in other currencies than EUR reported in other comprehensive income during 2013 were -194.4 MEUR (-45.8). Other postings in other comprehensive income relate to revaluation of external loans to hedge net assets in subsidaries and amounted to 8.2 MEUR (1.9).

Net exposure per currency

	2013-12-31	Hedging rate
USD	2,073.0	10%
CHF	1,177.9	0%
CAD	277.7	1%
CNY	166.2	-
BRL	131.3	5%
SEK	103.2	1%
NOK	50.0	0%
Other	211.3	4%
Total	**4,190.6**	**6%**

Translation Exposure – Income Statement

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

Net sales per currency

	2013	2012
USD	792.6	803.3
EUR	538.3	535.3
CNY	254.6	223.0
CHF	129.7	152.7
SEK	112.9	114.5
CAD	79.4	85.6
Other	522.2	465.6
Total	**2,429.7**	**2,380.0**

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 2013 and 2012 no interest rate derivatives were used in order to manage the interest rate risk.

Financial income and expenses

	2013	2012
Interest income	5.0	4.4
Interest expense	-29.0	-42.9
Other financial income and expense	-9.9	-12.2
Net	**-33.9**	**-50.7**

CREDIT RISK

Credit risk is the risk that counterparts may be unable to fulfil their payment obligations. Financial credit risk arise when investing cash and cash equivalents and when trading in financial instruments. To reduce the Group's financial credit risk, surplus cash is only invested with a limited number of by the company approved banks and derivative transactions are only conducted with counterparts where an ISDA netting agreement has been established.

As the Group is a net borrower, excess liquidity is primarily used to amortise external debt and therefore the average surplus cash invested with banks is kept as low as possible.

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

LIQUIDITY RISK

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

On 31 December 2013, cash and unutilised credit limits totalled 390.1 MEUR (450.8).

Group's maturity structure of interest-bearing financial liabilities - undiscounted cash flows

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

	2014		2015-2016		2017 and later		Total	
	Capital	Interest	Capital	Interest	Capital	Interest	Capital	Interest
Liabilities to credit institutions								
Revolving Credit	-	4.3	287.0	2.2	-	-	287.0	6.5
Term loan	255.5	5.7	166.0	1.3	-	-	421.5	7.0
Bond loan	217.9	5.5	-	-	-	-	217.9	5.5
Commercial paper[1]	172.0	5.6	457.5	2.8	-	-	629.5	8.4
Other lenders	33.1	1.7	3.6	0.3	1.0	0.1	37.7	2.1
Total liabilities to credit institutions	**678.5**	**22.8**	**914.1**	**6.6**	**1.0**	**0.1**	**1,593.6**	**29.5**
Other interest-bearing liabilities	1.8	0.2	1.0	0.3	2.7	0.3	5.5	0.8
Total interest-bearing liabilities	**680.3**	**23.0**	**915.1**	**6.9**	**3.7**	**0.4**	**1,599.1**	**30.3**

[1] Part of the the Commercial Paper Program is supported by long term loan facilites as back-up. This part is therefore classified as long term.

There were no interest rate derivatives pertaining to borrowing at 31 December 2013. The agreements governing the Revolving Credit Facility and the Term loan include certain financial covenants to be fulfilled to avoid additional financing costs. The most important covenant is the Net debt/EBITDA.

Currency composition pertaining to interest-bearing liabilities

	2013-12-31	2012-12-31
EUR	85%	86%
USD	14%	13%
CHF	0%	0%
SEK	0%	-
Other	1%	1%
Total	**100%**	**100%**

REFINANCING RISK

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

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

To finance the 2,125 MUSD acquisition of Intergraph and to refinance Hexagon's maturing 1,000 MEUR multicurrency revolving credit facility, Hexagon entered, in July 2010, into two financing arrangements, a bridge loan of 1,225 MUSD and a five year term loan and multicurrency revolving credit facility of 900 MUSD and 1,000 MEUR. 850 MUSD of the bridge loan was repaid with the proceeds from the rights issue offering in December 2010 and the remaining part of the bridge loan, 375 MUSD, was repaid in March 2012. The term loan of 900 MUSD together with the term and multicurrency revolving credit facilities of 1,000 MEUR, with maturity on 6 July 2015, form the foundation of the Group's financing and include standard financial covenants.

To diversify the debt structure Hexagon, in the first quarter of 2012, established a Swedish Commercial Paper Program. The program enables Hexagon to issue commercial paper up to a total amount of 8,000 MSEK. Commercial paper can be issued up to 12 months under the program. On 31 December 2013, Hexagon had issued commercial paper of a total amount of 5,589 MSEK (6,503). An additional back-up facility of 2,500 MSEK was established to support the commercial paper programme. This back-up facility was cancelled in January 2014 and replaced by a multicurrency revolving credit facility of 300 MEUR with maturity in July 2015.

In addition to the above financing, Hexagon issued a 2,000 MSEK five-year bond without any financial covenants in 2009.

Group's capital structure

	2013-12-31	2012-12-31
Interest-bearing liabilities and provisions	1,664.7	1,769.5
Cash, bank and short-term investments	-176.0	-130.7
Net Debt	**1,488.7**	**1,638.8**
Shareholders' equity	**2,846.3**	**2,749.1**

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 2013 and the effects are expressed on an annualised basis. Earnings in non-EUR subsidiaries are converted into EUR based on average exchange rates for the period when the earnings arise.

During the year there have been significant changes to the exchange rates of currencies that have the biggest impact on Hexagon's earnings and net assets, namely USD, CHF and CNY. The EUR has strengthened against USD, CHF and CNY. Since Hexagon has a majority of the operating earnings denominated in USD and CNY, this had a negative impact on operating earnings. The weakening of the CHF had a positive impact since a considerable part of the costs are denominated in CHF. An isolated strengthening in the exchange rate for EUR by 1 per cent for all assets and liabilities denominated in non-EUR currencies would have had an immaterial effect on net income but a negative effect on equity of 39.5 MEUR (39.6) net, and vice versa, after the impact of hedging.

During 2013, total operating earnings, excluding non-recurring items, from operations in other currencies than EUR amounted to an equivalent of 449.7 MEUR (416.1). An isolated change in the exchange rate for EUR by 1 per cent against all other currencies would have a net effect on operating earnings of approximately 4.5 MEUR (4.2).

Based on the average interest fixing period of less than three months in the Group's total loan portfolio as of year-end 2013, a simultaneous 1 percentage point change in interest rates in all of Hexagon's funding currencies would entail a pre-tax impact of about 12.8 MEUR (12.9) in the coming 12 months earnings.

FINANCIAL INSTRUMENTS – fair value

Assets	2013-12-31 Carrying amount	2013-12-31 Fair value	2012-12-31 Carrying amount	2012-12-31 Fair value
Available-for-sale financial assets				
Other long-term securities holdings	39.6	39.6	0.1	0.1
Loan receivables and account receivables				
Long-term receivables	13.7	13.7	22.6	22.6
Accounts receivable	509.7	509.7	514.5	514.5
Other current receivables	35.7	35.7	34.5	34.5
Accrued income	49.4	49.4	34.1	34.1
Accrued interest	0.3	0.3	0.4	0.4
Short-term investments	39.1	39.1	9.8	9.8
Cash and bank balances	136.9	136.9	120.9	120.9
Financial instruments at fair value through other comprehensive income				
Derivatives	-0.1	-0.1	0.4	0.4
Total	**824.3**	**824.3**	**737.3**	**737.3**

Liabilities	2013-12-31 Carrying amount	2013-12-31 Fair value	2012-12-31 Carrying amount	2012-12-31 Fair value
Financial liabilities valued at fair value through income statement				
Estimated supplementary payments for acquired companies	54.3	54.3	22.7	22.7
Financial liabilities valued at accrued acquisition value				
Long-term liabilities - interest bearing[1]	918.8	918.8	1,503.8	1,508.2
Other long-term liabilities - non interest-bearing	8.1	8.1	12.5	12.5
Current liabilities - interest bearing[1]	680.3	684.9	187.6	187.6
Accounts payable	159.0	159.0	156.3	156.3
Other current non interest-bearing liabilities	66.6	66.6	58.5	58.5
Accrued expenses	169.7	169.7	179.5	179.5
Accrued interest	0.9	0.9	1.6	1.6
Total	**2,057.7**	**2,062.3**	**2,122.5**	**2,126.9**

[1] Commercial papers and bond have with currency forward and swap contract being swapped from SEK to EUR and USD. The fair value of the derivatives are included in the current and long-term interest bearing liabilities.

Financial assets at fair value

	2013-12-31 Level 1	2013-12-31 Level 2	2013-12-31 Level 3	2012-12-31 Level 1	2012-12-31 Level 2	2012-12-31 Level 3
- Currency forward and swap contracts	-	4.5	-	-	0.4	-
- Estimated supplementary payments for acquired companies	-	-	-54.3	-	-	-22.7
- Other long-term securities holdings	-	39.3	0.3	-	-	0.1
Total	**-**	**43.8**	**-54.0**	**-**	**0.4**	**-22.6**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilites

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

For further information about estimated supplementary payments for acquired companies see note 23.

During the reporting period ending 31 December 2013, there were no transfers between levels.

NOTE 25 Rented Assets

Leasing/rental agreements of an operational nature

2013-12-31	Group Machinery, equipment, etc.	Group Premises	Parent Company Machinery, equipment, etc.	Parent Company Premises
Expenses due for payment in				
2014	10.1	25.7	0.0	0.4
2015-2018	15.2	52.4	0.1	0.3
2019 or later	1.4	20.2	-	0.0
Total	**26.7**	**98.3**	**0.1**	**0.7**

Leasing/rental agreements of an operational nature

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

The amounts are non-discounted minimum undertakings pursuant to contract. Costs for leasing/rents for the financial year were 38.2 MEUR (28.0).

Leasing/rental agreements of a financial nature

2013-12-31	Group Machinery, equipment, etc.	Group Premises	Parent Company Machinery, equipment, etc.	Parent Company Premises
Expenses due for payment in				
2014	1.3	0.3	-	-
2015-2018	1.0	0.3	-	-
2019 or later	0.0	-	-	-
Total	**2.3**	**0.6**	**-**	**-**

Leasing/rental agreements of a financial nature

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

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

NOTE 26 Assets Pledged and Contingent Liabilities

Pledged assets to credit institutions for loans, bank overdrafts and guarantees

	Group		Parent Company	
December 31	**2013**	**2012**	**2013**	**2012**
Real estate mortgages	0.8	34.5	-	-
Chattel mortgages	4.8	2.4	-	-
Other	0.5	0.5	-	-
Total	**6.1**	**37.4**	**-**	**-**

Contingent liabilities

	Group		Parent Company	
December 31	**2013**	**2012**	**2013**	**2012**
Guarantees in favour of Group companies	-	-	40.3	41.7
Letters of credit	6.0	3.9	-	-
Other contingent liabilities	108.7	1.9	108.1	1.1
Total	**114.7**	**5.8**	**148.4**	**42.8**

Other contingent liabilities refers mainly to a guarantee to Oslo Stock Exchange for the acquisition of Veripos in the beginning of 2014.

NOTE 27 Net Assets in Acquired and Divested Businesses

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

Fair value of acquired assets and assumed liabilities

	2013	**2012**
Intangible fixed assets	11.5	27.5
Tangible fixed assets	1.0	0.4
Other fixed assets	1.8	0.0
Total fixed assets	**14.3**	**27.9**
Current receivables, inventories, etc.	19.8	7.7
Cash and cash equivalents	10.7	1.2
Total current assets	**30.5**	**8.9**
Total assets	**44.8**	**36.8**
Provisions	1.1	0.3
Long-term liabilities	9.0	-
Total long-term liabilities	**10.1**	**0.3**
Current liabilities, etc.	15.3	4.9
Total liabilities	**25.4**	**5.2**
Identifiable net assets at fair value	**19.4**	**31.6**
Shares in associated companies	-5.4	-
Non-controlling interest in equity in acquired companies	-0.1	-
Goodwill	73.9	33.6
Total purchase consideration transferred	**87.8**	**65.2**
Less cash and cash equivalents in acquired Group companies	-10.7	-1.2
Less unpaid acquisition price	-45.3	-19.1
Plus payment of unpaid portion of acquisition price from prior years	3.4	22.4
Cash flow from acquisitions of Group companies	**35.2**	**67.3**

The book-value of assets and liabilities in divested Group companies and the total cash flow from divestments is divided as follows:

Book-value of divested assets and liabilities

	2013	**2012**
Current assets	13.8	-
Total assets	**13.8**	**-**
Current liabilities	8.4	-
Total liabilities	**8.4**	**-**
Book-value of divested assets, net	**5.4**	**-**
Capital gain	-5.2	-
Cash flow from divestments of Group companies	**0.2**	**-**

In 2013, Hexagon divested EBP i Olofström AB, Sweden. There were no divestments in 2012.

During 2013, Hexagon acquired the following companies: Navgeocom, a Russian distributor, Listech, an Australian software development company, Kompakt, a Hungarian distributor, Manfra, a Brazil based distributor, a/m/t software service ag, a Swiss based software solutions company, Geosoft, an Italian software development company, Devex, a Brazilian software company, Airborne Hydrography AB, a Swedish based sensor provider and Pixis, a Chilean distributor.

The purchase price allocations for some of the acquisitions made during the second half of 2013 are preliminary.

In December 2013, Hexagon made an unconditional cash offer of NOK 37 per share for all outstanding shares of Veripos, a position services company listed in Oslo. In February 2014, Hexagon owned and had received acceptances corresponding to 97.7 per cent of the total number of shares in Veripos. Remaining shares became subject to compulsory acquisition during March 2014.

During 2012, Hexagon acquired the following companies or businesses: my Virtual Reality Software AS in Norway, Visava Oy in Finland, Lasertopo BVBA in Belgium, MicroSurvey Software Inc. in Canada, GTA Geoinformatik Gmbh in Germany, Sematec in France, New River Kinematics in the US and Geosystems Kazakhstan.

Acquisition of Devex 2013

The only acquisition significant in value 2013 was the acquisition of Devex. Devex is a Brazilian company with leading mine-management software solutions for open-pit and underground mines. The company's strong market position in primarily South America and technological leadership is expected to make possible a market expansion through Hexagons network concerning Devex offering and integration with other products to better serve the automation needs in adjacent segments such as agriculture and construction.

The preliminary purchase price allocation has resulted in a goodwill value of 32.1 MEUR. The goodwill value is primarily related to synergies expected to arise from cross-selling of complementary products, integration with other products and market expansion through Hexagon's network.

The company's net sales 2012 amounted to approx. 35.5 MBRL.

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

MEUR	
Intangible fixed assets	7.8
Tangible fixed assets	0.4
Other fixed assets	0.0
Total fixed assets	**8.2**
Current receivables, inventories, etc.	6.5
Cash and cash equivalents	5.1
Total current assets	**11.6**
Total assets	**19.8**
Provisions	1.1
Long-term liabilities	7.6
Total long-term liabilities	**8.7**
Current liabilities, etc.	2.8
Total liabilities	**11.5**
Identifiable net assets at fair value	**8.3**
Goodwill	32.1
Total purchase consideration transferred	**40.4**

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

The final valuation to fair value of identifiable assets and liabilities as the acquisition date was:

MEUR	Final purchase price allocation
Intangible assets	19.4
Total fixed assets	**19.4**
Total current assts	**4.1**
Total assets	**23.5**
Current liabilities	3.2
Total liabilities	**3.2**
Fair value of acquired assets and assumed liabilities, net	**20.3**
Goodwill	24.3
Total purchase consideration transferred	**44.6**

NOTE 28 Average Number of Employees

	2013			2012		
	Men	Women	Total	Men	Women	Total
Parent Company	6	6	12	6	4	10
Subsidiaries	10,514	3,405	13,919	9,923	3,270	13,193
Total, Group	**10,520**	**3,411**	**13,931**	**9,929**	**3,274**	**13,203**
Average number of employees by country						
Sweden	413	78	491	442	83	525
Norway	80	13	93	72	11	83
Denmark	107	37	144	100	41	141
Finland	31	8	39	26	7	33
Nordic region	**631**	**136**	**767**	**640**	**142**	**782**
UK	321	80	401	301	70	371
Germany	794	168	962	778	172	950
Netherlands	69	19	88	67	17	84
Belgium	68	15	83	60	12	72
France	339	105	444	314	99	413
Switzerland	1,319	241	1,560	1,294	252	1,546
Italy	313	88	401	288	85	373
Kazakhstan	24	15	39	10	5	15
Portugal	21	6	27	26	5	31
Spain	131	45	176	140	45	185
Russia	113	46	159	26	11	37
Czech Republic	50	19	69	43	20	63
Turkey	21	5	26	18	5	23
Austria	34	6	40	33	7	40
Poland	102	33	135	106	36	142
Hungary	12	3	15	6	2	8
Rest of Europe	**3,731**	**894**	**4,625**	**3,510**	**843**	**4,353**
Total, Europe	**4,362**	**1,030**	**5,392**	**4,150**	**985**	**5,135**
USA	2,187	842	3,029	2,166	879	3,045
Canada	400	136	536	388	126	514
Mexico	41	7	48	37	7	44
North America	**2,628**	**985**	**3,613**	**2,591**	**1,012**	**3,603**
Argentina	5	2	7	5	2	7
Brazil	281	61	342	238	41	279
Chile	27	4	31	16	3	19
Colombia	1	-	1	-	-	-
Peru	16	1	17	15	1	16
Venezuela	9	8	17	6	11	17
South America	**339**	**76**	**415**	**280**	**58**	**338**
South Africa	10	1	11	4	-	4
Africa	**10**	**1**	**11**	**4**	**-**	**4**
Australia	212	50	262	210	48	258
New Zealand	25	4	29	20	5	25
Australia and New Zealand	**237**	**54**	**291**	**230**	**53**	**283**
China	1,432	747	2,179	1,353	701	2,054
United Arab Emirates	8	2	10	9	2	11
Hong Kong	35	14	49	39	16	55
India	973	283	1,256	815	230	1,045
Indonesia	1	-	1	1	-	1
Israel	128	41	169	123	39	162
Japan	104	22	126	103	20	123
Korea	94	22	116	80	25	105
Malaysia	23	7	30	19	5	24
Philippines	-	-	-	1	-	1
Taiwan	7	2	9	7	4	11
Thailand	9	5	14	10	5	15
Singapore	128	120	248	112	119	231
Vietnam	2	-	2	2	-	2
Asia	**2,944**	**1,265**	**4,209**	**2,674**	**1,166**	**3,840**
Total, Group	**10,520**	**3,411**	**13,931**	**9,929**	**3,274**	**13,203**

NOTE 29 Employee Benefits

Salaries and Remuneration	Board, CEO and other Senior Executives 2013	Board, CEO and other Senior Executives 2012	Other employees 2013	Other employees 2012
Parent Company	5.0	4.3	1.2	1.4
(of which performance related pay and bonus)	(1.4)	(1.4)	(0.1)	(0.0)
Subsidiaries in Sweden	0.9	0.8	24.2	23.9
Total	**5.9**	**5.1**	**25.4**	**25.3**
Argentina	-	-	-	0,2
Australia	0,5	0,5	24,2	26,3
Austria	-	0,7	2,6	1,9
Belgium	-	-	5,2	5,5
Brazil	0,5	0,2	7,9	5,7
Canada	1,1	1,1	42,7	43,5
Chile	0,2	0,3	1,5	0,7
China	2,0	2,1	31,1	29,6
Colombia	-	-	0,0	-
Czech Republic	0,1	0,1	2,3	2,5
Denmark	0,9	1,3	8,4	8,5
Finland	0,2	0,2	2,1	2,0
France	0,9	1,0	20,8	19,1
Germany	3,2	2,2	64,0	60,1
Hong Kong	-	-	2,3	2,5
Hungary	-	-	0,3	0,2
India	0,2	0,4	11,5	10,0
Indonesia	-	-	0,0	0,0
Ireland	-	-	-	0,0
Israel	0,3	0,2	11,3	10,1
Italy	0,1	0,8	21,4	20,6
Japan	0,4	0,8	7,8	9,8
Kazakhstan	0,1	0,0	0,7	0,2
Korea	0,2	-	5,5	5,4
Malaysia	0,0	0,0	0,7	0,6
Mexico	0,2	0,2	2,1	1,8
Netherlands	0,0	0,0	5,7	6,1
Norway	1,1	0,7	7,2	7,0
New Zealand	-	-	1,9	1,8
Peru	-	-	0,5	0,5
Philippines	0,0	0,0	0,0	0,0
Poland	0,1	0,2	3,6	3,5
Portugal	0,2	-	0,7	1,2
Russia	0,4	-	5,8	1,7
Singapore	0,2	0,4	9,9	9,0
South Africa	0,1	-	0,8	0,3
Spain	0,9	0,5	6,0	7,3
Switzerland	1,8	2,1	131,5	131,5
Taiwan	0,1	0,1	0,3	0,3
Thailand	0,2	0,2	0,2	0,3
Turkey	0,4	0,2	0,5	0,5
UK	0,4	1,1	24,4	22,4
United Arab Emirates	-	0,3	0,1	0,5
USA	1,2	0,6	205,3	219,7
Venezuela	-	-	0,9	0,9
Vietnam	-	-	0,0	0,0
Total, Group	**24.1**	**23.6**	**707.1**	**706.6**
(of which performance related pay and bonus)	(6.2)	(7.9)	(51.8)	(48.7)

Social security expenses	All employees 2013	All employees 2012
Parent Company	2.3	1.9
(of which pension expenses)	1.4	0.9
Subsidiaries	117.9	108.6
(of which pension expenses)	33.4	32.2
Total, Group	**120.2**	**110.5**
(of which pension expenses)	34.8	33.1

Pension expenses for Boards of Directors and Chief Executive Officers in the Group amounted to 3.2 MEUR (3.7). Pension commitments to Boards of Directors and Chief Executive Officers in the Group were 4.1 MEUR (4.8).

At year-end, three Board members were women and three were men. The President and Chief Executive Officer and other senior executives were all men. Of all the Group's Board members and Chief Executive Officers, 43 were women and 483 were men.

NOTE 30 Remuneration to Senior Executives

Pursuant to resolutions by the Annual General Meeting, the Chairman of the Board and Board members were paid remuneration of totalling 363.6 KEUR (407.2). The Chairman of the Board received 104.1 KEUR and other Board members 52.0 KEUR each. The President and Chief Executive Officer of Hexagon AB did not receive any director fees. In addition to ordinary director fees, remuneration is paid for work on committees. The Chairman of the Remuneration Committee received 9.8 KEUR and each member received 6.9 KEUR. The Chairman of the Audit Committee received 20.2 and each member received 14.5 KEUR. No Board member received any remuneration in addition to director fees or remuneration for committee work. Remuneration to the President and Chief Executive Officer, as well as other senior executives, comprises basic salary, variable remuneration, other benefits and pension. The President and Chief Executive Officer total remuneration is recognised in note 29 in Parent Company. Ola Rollén has received remuneration as President of the Parent Company and as Chief Executive Officer of the Group according to a separate employment contract with a Group Company.

Other senior executives are Robert Belkic, Chief Financial Officer and Executive Vice President Hexagon AB, Johnny Andersson, General Counsel, Bo Pettersson, Chief Technical Officer, Mattias Stenberg, Chief Strategy Officer, Li Hongquan, President Hexagon China, Jürgen Dold, President Hexagon Geosystems, Norbert Hanke, President Hexagon Metrology, Steven Cost, President Intergraph SG&I and Gerhard Sallinger, President Intergraph PP&M.

Variable remuneration is based on the Group's profitability. Pensions and other benefits received by the President and other senior executives are paid as part of their total remuneration.

REMUNERATION AND OTHER BENEFITS 2013

KEUR	Basic salary/ Director fees	Variable remuneration	Other benefits[1]	Pension expenses	Total
Melker Schörling, Chairman of the Board	113.9	-	-	-	113.9
Gun Nilsson	73.4	-	-	-	73.4
Jill Smith	52.0	-	-	-	52.0
Ulrika Francke	52.0	-	-	-	52.0
Ulrik Svensson	72.3	-	-	-	72.3
Ola Rollén, President and Chief Executive Officer	2,380.7	1,190.3	-	476.1	4,047.1[3]
Other senior executives (nine people)[2]	4,586.1	1,566.4	46.4	396.3	6,595.2
Total	**7,330.4**	**2,756.7**	**46.4**	**872.4**	**11,005.9**

[1] Other benefits comprise company car, housing rent and insurance (excluding pension insurance).
[2] Including costs for part of the year for senior executives who acceded their positions 1st of February 2013 and 1st of December 2013 and left their positions 1st of October 2013 and 1st of December 2013.
[3] Compared with 2012, the total expense for these remunerations, including social security expenses, has not increased.

REMUNERATION AND OTHER BENEFITS 2012

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

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

Pension
Pension expense comprises defined-contribution pension schemes, and is the expense affecting earnings for the year. The President's pensionable age is 65. Pension premiums are payable at 20 per cent of pensionable salary. The pensionable age of other senior executives is 65, except for one person where the pensionable age is 60. Pension premiums for the senior executives are not higher than 25 per cent of pensionable salary. Pensionable salary means basic salary.

Severance pay
The notice period for the President is six months. Upon termination by the Company or in case of change of principal ownership the President is entitled to severance pay equal to 18 months of salary. The period of notice for senior executives is a maximum of 18 months. During the notice period, basic salary is the only severance pay.

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

Warrants programme 2011/2015
The Extraordinary General Meeting on 15 December 2011 resolved to implement a warrants programme for the employees through a directed issue of a maximum of 13,665,000 subscription warrants. Each subscription warrant entitles the holder to subscribe for one share of series B in Hexagon AB during the period from 1 January 2012 up to and including 31 December 2015. The subscription warrants are sold at market price determined by using the Black-Scholes method. The subscription warrants programme is intended for allotment to senior executives and key employees within the Group, whereby they will be offered the opportunity to take part in a value increase of the Company's share. This is expected to increase the interest in the Company's development - as well as in the Company's share price development - and to stimulate a continued loyalty over the forthcoming years.

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

Warrants programme 2011/2015 Hexagon AB

	Exercise period, until	Number of warrants	Shares qualified for subscription	To be paid / paid in cash per subscribed Hexagon share, SEK
Closing balance 2012	**2015-12-31**	**7,768,305**	**7,768,305**	**124.00**
Exercise of warrants for shares	2015-12-31	-2,597,050	-2,597,050	124.00
Closing balance 2013	**2015-12-31**	**5,171,255**	**5,171,255**	**124.00**

Warrants programme 2011/2015, Hexagon AB, 2013-12-31

	Number	Acquisition price, SEK
President and Chief Executive Officer	300,000	3,000,000
Other senior executives (nine people)	1,449,995	15,999,950
Other employees	3,421,260	36,212,600
Total	**5,171,255**	**55,212,550**

NOTE 31 Remuneration of the Group's Auditors

	Group		Parent Company	
	2013	2012	2013	2012
Audit, Ernst & Young	3.7	3.7	0.3	0.2
Audit, Others	0.4	0.4	-	-
Audit related	0.1	0.2	0.0	0.0
Tax	1.3	0.6	0.1	0.0
Total	**5.5**	**4.9**	**0.4**	**0.2**

NOTE 32 Related-Party Disclosures

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

Proposed Allocation of Earnings

The following earnings in the Parent Company are at the disposal of the Annual General Meeting (KEUR):	
Premium reserve	828,602
Retained earnings	303,169
Net earnings	232,181
Total	**1,363,952**

The Board of Directors proposes that these funds are allocated as follows:	
Cash dividend to shareholders of 0.31 EUR per share	110,049[1]
Balance remaining in the premium reserve	828,602
Balance remaining in retained earnings	425,301
Total	**1,363,952**

[1] The amount is based on the number of shares issued and outstanding on 31 December 2013, namely 354 996 977

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and generally accepted accounting principles, respectively, and give a true and fair view of the financial position and earnings of the Group and the Company, and that the Board of Directors' Report for the Group and the Company give a fair review of the development of the operations, financial position and earnings of the Group and the Company and describes substantial risks and uncertainties that the Group companies face.

Stockholm, Sweden 26 March 2014

Melker Schörling
Chairman

Ulrika Francke
Member of the Board

Gun Nilsson
Member of the Board

Jill Smith
Member of the Board

Ulrik Svensson
Member of the Board

Ola Rollén
Member of the Board
President and Chief Executive Officer

Our Audit Report was submitted on 27 March 2014

Ernst & Young AB

Rickard Andersson
Authorised Public Accountant

Audit Report

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Hexagon AB for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 48-93.

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

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Hexagon AB for the year 2013.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

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

Stockholm, Sweden, 27 March 2014

Ernst & Young AB

Rickard Andersson
Authorised public accountant

Quarterly Income Statements

MEUR	2013 Q 1	2013 Q 2	2013 Q 3	2013 Q 4	2013 Year	2012 Q 1	2012 Q 2	2012 Q 3	2012 Q 4	2012 Year
Net sales	**586.3**	**635.1**	**576.6**	**631.7**	**2,429.7**	**565.8**	**607.1**	**578.1**	**629.0**	**2,380.0**
Gross earnings	**323.6**	**352.7**	**321.7**	**349.9**	**1,347.9**	**305.0**	**333.5**	**319.4**	**343.2**	**1,301.1**
Sales and administration costs, etc.	-201.6	-220.4	-212.7	-213.2	-847.9	-195.6	-207.0	-204.0	-209.1	-815.7
Share of income of associated companies	-1.0	-0.7	-0.3	-	-2.0	0.0	0.0	0.0	-0.5	-0.5
Capital loss from sale of shares in Group companies	-	-	-5.2	-	-5.2	-	-	-	-	-
Operating earnings[1]	**121.0**	**131.6**	**103.5**	**136.7**	**492.8**	**109.4**	**126.5**	**115.4**	**133.6**	**484.9**
Interest income/expenses net	-9.4	-8.7	-8.5	-7.3	-33.9	-14.1	-13.4	-12.0	-11.2	-50.7
Earnings before tax	**111.6**	**122.9**	**95.0**	**129.4**	**458.9**	**95.3**	**113.1**	**103.4**	**122.4**	**434.2**
Tax	-21.2	-23.4	-18.6	-24.5	-87.7	-18.2	-21.8	-19.7	-23.4	-83.1
Net earnings[2]	**90.4**	**99.5**	**76.4**	**104.9**	**371.2**	**77.1**	**91.3**	**83.7**	**99.0**	**351.1**
[1] of which non-recurring items	-	-	-14.9	-	-14.9	-	-	-	-	-
[2] of which non-controlling interests	0.7	0.9	0.9	0.8	3.3	0.6	0.8	0.7	0.8	2.9
Earnings include depreciations/ amortisations and impairments of	**-31.2**	**-33.6**	**-34.9**	**-34.8**	**-134.5**	**-28.8**	**-30.3**	**-31.6**	**-30.1**	**-120.8**
Earnings per share, EUR	**0.25**	**0.28**	**0.21**	**0.29**	**1.04**	**0.22**	**0.26**	**0.24**	**0.28**	**0.99**
Earnings per share after dilution, EUR	**0.25**	**0.28**	**0.21**	**0.29**	**1.03**	**0.22**	**0.26**	**0.23**	**0.28**	**0.99**
Earnings per share excluding non-recurring items, EUR	**0.25**	**0.28**	**0.25**	**0.29**	**1.08**	**0.22**	**0.26**	**0.24**	**0.28**	**0.99**
Average number of shares (thousands)	**352,727**	**352,781**	**353,629**	**353,766**	**353,226**	**352,490**	**352,490**	**352,490**	**352,524**	**352,499**
Average number of shares after dilution (thousands)	**355,036**	**355,177**	**355,708**	**356,007**	**355,482**	**352,749**	**352,490**	**353,422**	**354,384**	**353,494**

10-Year Summary

	MSEK							MEUR						
	2004	2005	2006	2007	2008	2009	2010	2008	2009	2010	2011	2012	2012[1]	2013
Income statement														
Net sales	8,256	9,637	13,469	14,587	14,479	11,811	14,096	1,511.0	1,112.0	1,481.3	2,169.1	2,380.0	2,380.0	2,429.7
Operating earnings (EBITDA)	929	1,272	2,429	3,054	3,267	2,537	3,458	340.1	238.9	362.4	542.4	610.3	605.7	642.2
Operating earnings (EBIT1)	686	923	1,827	2,421	2,548	1,784	2,604	265.3	168.0	272.9	439.8	489.5	484.9	507.7
Operating earnings	634	844	1,743	2,270	2,448	1,600	1,447	254.9	150.6	151.7	431.3	489.5	484.9	492.8
Earnings before tax	541	705	1,618	2,056	2,129	1,442	1,058	221.6	135.8	110.9	372.4	441.3	434.2	458.9
- of which non-recurring items	-52	-79	13	-151	-100	-184	-1,304	-10.4	-17.4	-136.6	-8.5	-	-	-14.9
Net earnings	420	618	1,280	1,811	1,859	1,254	875	193.5	118.1	91.7	297.4	357.4	351.1	371.2
- of which non-controlling interest	7	5	7	11	12	9	17	1.2	0.8	1.8	2.2	2.9	2.9	3.3
Balance sheet														
Current assets	3,600	5,251	5,861	7,944	8,070	6,617	9,436	737.0	645.4	1,052.4	1,125.0	1,135.9	1,135.9	1,193.3
Fixed assets	3,798	13,391	12,687	16,996	19,431	18,809	35,451	1,774.5	1,834.7	3,954.2	4,218.7	4,299.4	4,298.0	4,280.3
Non-interest bearing liabilities and provisions	1,950	3,533	3,322	4,310	3,833	3,126	7,153	350.0	305.0	797.8	914.7	920.1	915.3	962.6
Interest bearing liabilities and provisions	2,952	9,590	6,617	10,584	11,654	9,816	18,258	1,064.3	957.4	2,036.5	1,903.2	1,742.6	1,769.5	1,664.7
Shareholders' equity	2,496	5,519	8,609	10,046	12,014	12,484	19,476	1,097.2	1,217.7	2,172.3	2,525.8	2,772.6	2,749.1	2,846.3
Total assets	7,398	18,642	18,548	24,940	27,501	25,426	44,887	2,511.5	2,480.1	5,006.6	5,343.7	5,435.3	5,433.9	5,473.6

[1] *Restated - IAS 19*

	MSEK							MEUR						
	2004	2005	2006	2007	2008	2009	2010	2008	2009	2010	2011	2012	2012[1]	2013
Key ratios														
Operating margin, %	8	10	14	17	18	15	18	18	15	18	20	21	20	21
Return on capital employed, %	13	11	12	14	12	8	10	12	8	10	11	11	11	11
Return on equity, %	18	18	17	20	18	10	6	18	10	6	13	13	13	13
Investments	299	442	834	825	1,005	821	832	104.6	77.3	87.2	135.9	171.8	171.8	216.3
Equity ratio, %	34	30	46	40	44	49	43	44	49	43	47	51	51	52
Share of risk-bearing capital, %	35	32	49	43	45	51	48	45	51	48	52	56	56	57
Interest coverage ratio (times)	5.0	5.1	7.4	8.9	7.0	9.5	3.6	7.0	9.5	3.6	7.0	9.3	8.8	12.7
Net debt/equity ratio (times)	1.11	1.66	0.70	0.88	0.89	0.66	0.82	0.89	0.66	0.82	0.66	0.54	0.56	0.49
Cash flow before changes in working capital and excluding non-recurring items	723	956	1,737	2,472	2,587	2,003	2,805	269.3	189.1	294.1	397.2	494.4	494.4	538.0
Cash flow after changes in working capital and excluding non-recurring items	642	764	1,115	2,027	1,755	2,621	2,483	182.7	247.4	260.4	369.0	497.3	497.3	506.8
Earnings per share, SEK/EUR	2.00	2.75	4.39	5.95	6.10	4.13	2.83	0.64	0.39	0.30	0.84	1.01	0.99	1.04
Earnings per share after dilution, SEK/EUR	1.99	2.71	4.35	5.93	6.09	4.13	2.83	0.63	0.39	0.30	0.84	1.00	0.99	1.03
Cash flow per share before changes in working capital and excluding non-recurring items, SEK/EUR	3.49	4.29	5.99	8.17	8.55	6.64	9.24	0.89	0.63	0.97	1.13	1.40	1.40	1.52
Cash flow per share after changes in working capital and excluding non-recurring items, SEK/EUR	3.10	3.43	3.85	6.70	5.80	8.70	8.18	0.60	0.82	0.86	1.05	1.41	1.41	1.43
Equity per share, SEK/EUR	12	21	28	33	40	41	55	3.62	4.02	6.15	7.15	7.84	7.77	8.00
Closing share price, SEK	28	64	85	118	33	93	144	33	93	144	103	163	163	203
Cash dividend per share, SEK/EUR	0.54	0.80	1.46	2.06	0.44	1.05	1.40	0.04	0.10	0.15	0.17	0.28	0.28	0.31[2]
Average number of shares (thousands)	206,934	222,608	289,798	302,643	302,687	301,509	303,655	302,687	301,509	303,655	352,484	352,499	352,499	353,226
Average number of shares after dilution (thousands)	207,930	225,842	292,426	303,505	303,202	301,768	303,677	303,202	301,768	303,677	352,546	353,494	353,494	355,482
Number of shares, closing balance (thousands)	207,046	260,738	302,526	302,725	301,422	301,580	352,150	301,422	301,580	352,150	352,490	352,675	352,675	354,997
Average number of employees	5,935	6,111	7,862	8,406	9,062	7,549	8,179	9,062	7,549	8,179	12,475	13,203	13,203	13,931

[1] *Restated - IAS 19*
[2] *As proposed by the Board of Directors*

The share-related key financial ratios have been calculated considering all historical share issues and splits.

Financial Definitions

Capital employed
Total assets less non-interest bearing liabilities.

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

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

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

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

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

Dividend yield
Dividend per share as a percentage of share price.

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

Equity ratio
Shareholders' equity including non-controlling interests as a percentage of total assets.

Interest coverage ratio
Earnings after financial items plus financial expenses divided by financial expenses.

Investments
Purchases less sales of tangible and intangible fixed assets excluding those included in acquisitions and divestments of subsidiaries.

Operating earnings (EBIT1)
Operating earnings excluding non-recurring items.

Operating earnings (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.

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

P/E ratio
Share price divided by earnings per share.

Return on capital employed
Twelve months to end of period earnings after financial items, excluding non-recurring items, plus financial expenses as a percentage of twelve months to end of period average capital employed.

Return on 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.

Revolving credit facility
A loan facility where the borrower may increase and reduce the size of outstanding debt up to the available limit during the term of the loan.

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

Share of risk-bearing capital
The total of shareholders' equity including non-controlling interests and tax provisions as a percentage of total assets.

Share price
Last settled transaction on the NASDAQ OMX Stockholm stock exchange on the last business day for the year.

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

Business Definitions

Americas
North America, South America and Central America.

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

CAD
Computer Aided Design. Software for creating technical drawings.

CMM
Coordinate Measuring Machine.

CSR
Corporate Social Responsibility.

EMEA
Europe, Middle East and Africa.

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

EPC
Engineering, procurement and construction companies.

GIS
Geographic Information Systems.

GNSS
Global Navigation Satellite System.

GPS
Global Positioning System.

ISDA
International Swaps and Derivatives Association

Laser tracker
A portable measurement system that uses a laser.

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

MT
Hexagon's core operations Measurement Technologies.

NAFTA
North American Free Trade Agreement.

OECD
Organisation of Economic Cooperation and Development.

OEM
Original Equipment Manufacturer.

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

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

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

R&D
Research and development.

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

Theodolites
Angle measuring instruments used in geodetic measurements.

Total station
An electronic theodolite with an integrated distance meter.

Currency codes

AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
CHF	Swiss Franc
CNY	Chinese Yuan
DKK	Danish Kronor
EUR	Euro
GBP	British Pound
HUF	Hungarian Forint
INR	Indian Rupee
JPY	Japanese Yen
KRW	Korean Won
NOK	Norwegian Kronor
PLN	Polish Zloty
SEK	Swedish Kronor
SGD	Singapore Dollar
USD	US Dollar

Information for Shareholders

ANNUAL GENERAL MEETING 2014
The Annual General Meeting will be held on Friday 9 May 2014 at 17:00 CET at Operaterrassen, Karl XII:s Torg, Stockholm, Sweden.

SHAREHOLDERS WHO WISH TO ATTEND THE ANNUAL GENERAL MEETING MUST:
(i) be recorded in the share register maintained by Euroclear Sweden AB on Saturday 3 May 2014. To be eligible to participate, shareholders with nominee-registered holdings should temporarily have their shares registered in their own names through the agency of their nominees so that they are recorded in the share register well before 3 May 2014.

(ii) notify the Company of their intention to attend the Annual General Meeting by filling out a form on Hexagon's website, www.hexagon.com or by post to: Hexagon AB, "Annual General Meeting", P.O. Box 3692, SE-103 59 Stockholm, Sweden or by e-mail to: bolagsstamma@hexagon.com by Monday 5 May 2014 at the latest.

Notifications should state the shareholder's name, personal/corporate identity number, address and telephone number. Shareholders wishing to be represented by proxy should send a power-of-attorney to Hexagon before the Annual General Meeting.

DIVIDEND
The Board of Directors proposes that a dividend of 0.31 EUR per share be declared for the financial year 2013.

As record day for right to receive dividend, the Board of Directors proposes Wednesday 14 May 2014. If the Annual General Meeting resolves in accordance with the proposal, the dividend is expected to be paid through Euroclear Sweden AB starting on Wednesday 21 May 2014.

Payment is made in EUR, provided that EUR can be received on the shareholder's yield account; if not, payment will be distributed in SEK, whereby currency exchange is made in accordance with Euroclear Sweden AB's applicable procedures.

FINANCIAL INFORMATION 2014
Hexagon will issue information concerning the financial year 2014 on the following dates:

Annual General Meeting 2014	9 May 2014
Q1 Interim Report	9 May 2014
Q2 Interim Report	7 August 2014
Q3 Interim Report	22 October 2014
Year-End Report 2014	February 2015

DISTRIBUTION POLICY
The Hexagon Annual Report is sent to all shareholders who have not informed the Company that they do not wish to receive the Annual Report. Hexagon's Annual Reports from 1997 and onwards are available at www.hexagon.com.

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

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