HEXAGON

# INTERIM REPORT

## 1 JANUARY – 30 JUNE 2011


### SECOND QUARTER 2011

- Operating net sales increased by 13 [1] per cent to 543.5 MEUR (350.8)
- Operating earnings (EBIT1) increased by 81 per cent to 114.3 MEUR (63.3)
- Earnings before taxes, excluding non-recurring items [2] amounted to 99.5 MEUR (59.6).
- Net earnings, excluding non-recurring items [2] amounted to 78.9 MEUR (51.2)
- Earnings per share increased by 29 per cent to 0.22 EUR (0.17)

| MEUR | Q2 2011 | Q2 2010 | Δ% | H1 2011 | H1 2010 | Δ% |
|---|---|---|---|---|---|---|
| Operating net sales | 543.5 | 350.8 | 13 [1] | 1,064.8 | 643.2 | 16 [1] |
| Revenue adjustment 2) | -4.1 | - | n.a. | -8.5 | - | n.a. |
| Net sales | 539.4 | 350.8 | 13 [1] | 1,056.3 | 643.2 | 16 [1] |
| Operating earnings (EBIT1) | 114.3 | 63.3 | 81 | 219.1 | 111.4 | 97 |
| Operating margin, % | 21.0 | 18.0 | 3.0 | 20.6 | 17.3 | 3.3 |
| Earnings before taxes excl. non-recurring items | 99.5 | 59.6 | 67 | 189.7 | 104.1 | 82 |
| Non-recurring items | -4.1 | - | n.a. | -8.5 | - | n.a. |
| Earnings before taxes | 95.4 | 59.6 | 60 | 181.2 | 104.1 | 74 |
| Net earnings | 76.3 | 51.2 | 49 | 144.9 | 89.5 | 62 |
| Earnings per share, EUR | 0.22 | 0.17 | 29 | 0.41 | 0.29 | 41 |
| Earnings per share, excl. non-recurring items, EUR | 0.22 | 0.17 | 29 | 0.42 | 0.29 | 45 |

[1] Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.
[2] Non-recurring reduction of acquired deferred revenue in Q2 2011 related to the acquisition of Intergraph.

Ola Rollén, President and CEO, Hexagon AB

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

”The strength of having a geographically and operationally diversified business shows in the second quarter. We post a solid organic growth of 13 per cent primarily driven by the emerging markets and by the engineering and energy related segments. The strength of our core business is evidenced by the increase in gross margin to 55 per cent and the increase in the operating margin to 22 percent, in spite of significant currency headwinds in the quarter. While we recognise the uncertainty surrounding the macro outlook, we feel confident that our business mix will provide plenty of opportunities to continue to grow in the second half of the year.”

## GROUP DEVELOPMENT Q2

The second quarter of 2011 was another strong quarter for Hexagon, with organic growth in net sales of 13 per cent. High activity in the emerging markets continues, supporting strong growth, while the mature markets continue to recover.

Geosystems, which represented 36 per cent of Group sales in the second quarter, recorded an organic growth of 1 per cent in net sales. Geosystems growth was adversely affected by the lack of investments in high-speed rail in China during the quarter.

Metrology, which represented 29 per cent of Group sales, displayed 33 per cent organic growth in net sales. Technology, which includes the acquisition of Intergraph in late 2010, represented 32 per cent of net sales.

Intergraph is reported as "structure" in the table below.

### SALES BRIDGE SECOND QUARTER

| | Net sales |
|---|---|
| 2010, MEUR | 350.8 |
| Structure, % | 46 |
| Currency, % | -4 |
| Organic growth, % | 13 |
| Total, % | 55 |
| 2011, MEUR | 543.5 |

## MARKET DEVELOPMENT

All geographic regions display double-digit organic growth in net sales. Growth in the quarter primarily comes from the emerging markets, industrial segments, and power and energy markets.

## EMEA

The demand for Hexagon's products and services in EMEA continued to improve in the second quarter. The organic growth in net sales was 14 per cent for the Group's core business, Measurement Technologies (MT), as well as for Other Operations.

The major markets in Western Europe experienced increased activity levels in the second quarter primarily driven by improved demand for measurement solutions used in industrial segments such as automotive and aerospace. Demand was also driven by customer investments in CAD software used in power and process industries. Demand in Southern Europe remains weak. Eastern Europe, Russia and the Middle East continue to grow.

Hexagon expects a continued increased demand in EMEA in 2011.

## AMERICAS

Americas recorded organic growth in net sales of 15 per cent in the second quarter.

Several of Hexagon's markets are growing in NAFTA, including automotive, aerospace, and general engineering, as well as government projects related to Hexagon's Technology division. Demand was also strong for CAD tools used in connection to the Canadian oil sands exploration. The infrastructure and construction sector did not experience the same strong growth as the engineering-related sectors.

Hexagon expects a continued increased demand in NAFTA in 2011.

Once again, South America (led by Brazil) showed strong demand for all of Hexagon's divisions and products. Specifically, as activity in mining and oil exploration continues to increase, Hexagon continues to gain market share.

Hexagon expects a continued increased demand in South America in 2011.

## ASIA

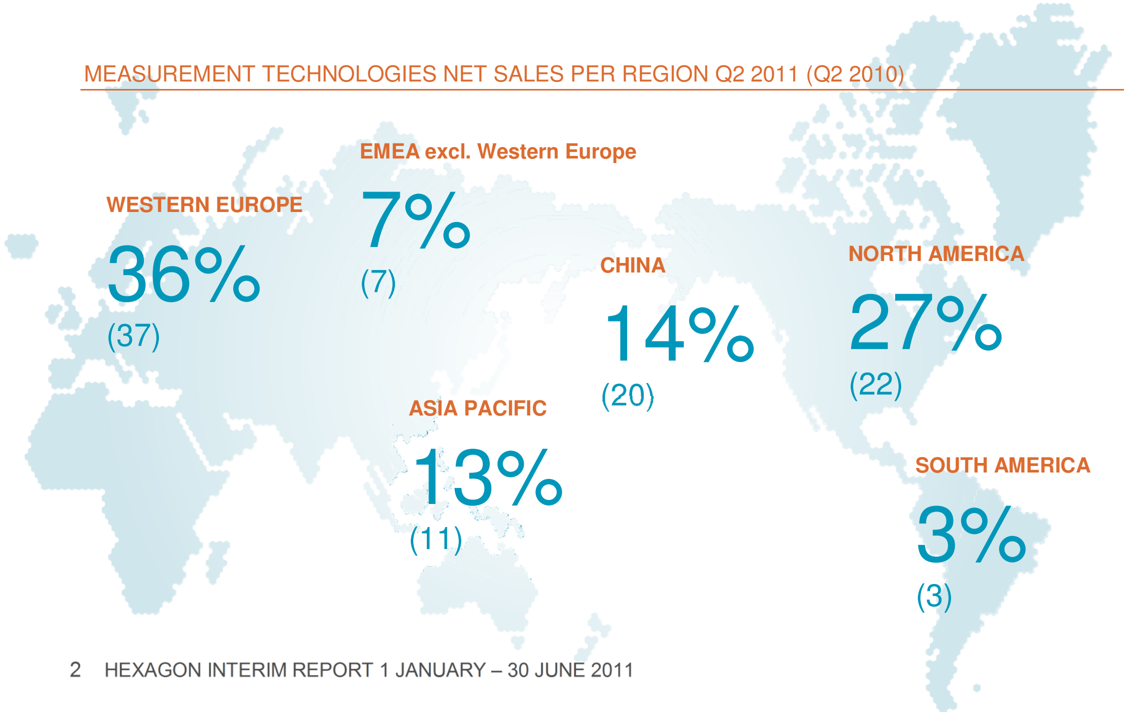
Asia continues to record strong organic growth in net sales, which was 12 per cent in the second quarter.

Growth in the region was primarily due to strong demand from the automotive and aerospace industries in China and India. Hexagon also received significant orders from the Chinese power industry and from the marine industry in the region.

The delay in the build-out of the high speed rail network in China had a significant, negative impact on the regions, as well as Hexagons, growth rate in the quarter. Growth in China in the quarter excluding high-speed rail was close to 30 per cent. In addition to India and China, several other markets and industries in the region, such as Korea, Australia and parts of Southeast Asia are growing.

Hexagon expects a continued increased demand in Asia in 2011.

### MEASUREMENT TECHNOLOGIES NET SALES PER REGION Q2 2011 (Q2 2010)



## FINANCIAL SUMMARY – SECOND QUARTER

| MEUR | Net sales Q2 2011 | Net sales Q2 2010 | Δ % 1) | Earnings Q2 2011 | Earnings Q2 2010 | Δ % |
|---|---|---|---|---|---|---|
| Hexagon MT | 526.7 | 336.9 | 13 | 117.2 | 65.4 | 79 |
| Other Operations | 16.8 | 13.9 | 14 | 0.4 | -0.2 | n.a. |
| Operating net sales | 543.5 | 350.8 | 13 | | | |
| Group cost and eliminations | | | | -3.3 | -1.9 | -74 |
| Operating earnings (EBIT1) | | | | 114.3 | 63.3 | 81 |
| Operating margin | | | | 21.0% | 18.0% | 3.0 |
| Interest income and expenses, net | | | | -14.8 | -3.7 | -300 |
| Earnings before non-recurring items | | | | 99.5 | 59.6 | 67 |
| Revenue adjustment (non recurring) | -4.1 | - | n.a. | -4.1 | - | n.a. |
| Net sales | 539.4 | 350.8 | 13 | | | |
| Earnings before taxes | | | | 95.4 | 59.6 | 60 |
| Tax | | | | -19.1 | -8.4 | -127 |
| Net earnings | | | | 76.3 | 51.2 | 49 |

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

## CURRENCY IMPACT – SECOND QUARTER AS COMPARED TO EUR

| | Movement 1) | Income-cost 2) | Profit impact |
|---|---|---|---|
| CHF | Strengthened | Negative | Negative |
| USD | Weakened | Positive | Negative |
| CNY | Weakened | Positive | Negative |
| EBIT1, MEUR | | | -8.7 |

1) Compared to Q2 2010.
2) Net income in currency (positive), net cost (negative).

## Q2 NET SALES AND EARNINGS

Operating net sales amounted to 543.5 MEUR (350.8) in the second quarter. Using fixed exchange rates and a comparable group structure, net sales increased by 13 per cent.

Operating earnings (EBIT1) amounted to 114.3 MEUR (63.3), which corresponds to an operating margin of 21.0 per cent (18.0). Operating earnings (EBIT1) were negatively affected by exchange rate movements of -8.7 MEUR.

The financial net amounted to -14.8 MEUR (-3.7) in the second quarter. The increase is explained by higher interest rates and a higher net debt, which is a result of the acquisition of Intergraph.

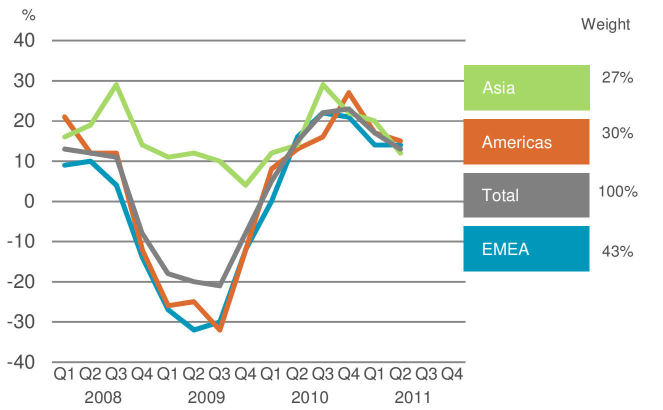
Earnings before taxes, excluding non-recurring items, amounted to 99.5 MEUR (59.6).

Non-recurring items amount to -4.1 MEUR and concludes the revenue adjustment related to the acquired deferred revenue from the Intergraph acquisition.

Earnings before taxes, including non-recurring items, amounted to 95.4 MEUR (59.6). Earnings were negatively affected by exchange rate movements of -8.2 MEUR.

Net earnings, excluding non-recurring items, amounted to 78.9 MEUR (51.2), or 0.22 EUR (0.17) per share. Net earnings, including these items, amounted to 76.3 MEUR (51.2) or 0.22 EUR (0.17) per share.

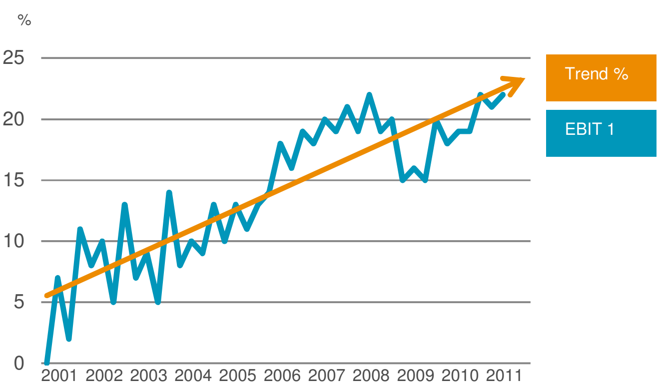
## NET SALES – ORGANIC GROWTH BY REGION (MT 1))




All regions recorded double-digit organic growth in net sales in the second quarter.

1) Excluding Intergraph

## OPERATING MARGIN (MT) – QUARTERLY DATA




Hexagon MT improved its operating margin from 5 per cent in 2001 to 20 per cent in 2008. In 2009, the margin decreased to approximately 17 per cent due to reduced volumes caused by the global economic downturn. In the second quarter 2011, the margin improved to 22.3 per cent (19.4).

## FINANCIAL SUMMARY – FIRST SIX MONTHS

| MSEK | Net sales H1 2011 | Net sales H1 2010 | Net sales Δ % [1] | Earnings H1 2011 | Earnings H1 2010 | Earnings Δ % |
|---|---|---|---|---|---|---|
| Hexagon MT | 1,029.8 | 618.1 | 15 | 224.1 | 115.8 | 94 |
| Other Operations | 35.0 | 25.1 | 28 | 1.3 | -0.9 | n.a. |
| Operating net sales | 1,064.8 | 643.2 | 16 | | | |
| Group cost and eliminations | | | | -6.3 | -3.5 | -80 |
| Operating earnings (EBIT1) | | | | 219.1 | 111.4 | 97 |
| Operating margin | | | | 20.6% | 17.3% | 3.3 |
| Interest income and expenses, net | | | | -29.4 | -7.3 | -303 |
| Earnings before non-recurring items | | | | 189.7 | 104.1 | 82 |
| Revenue adjustment (non recurring) | -8.5 | - | | -8.5 | - | n.a. |
| Net sales | 1,056.3 | 643.2 | 16 | | | |
| Earnings before taxes | | | | 181.2 | 104.1 | 74 |
| Tax | | | | -36.3 | -14.6 | -149 |
| Net earnings | | | | 144.9 | 89.5 | 62 |

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

## CURRENCY IMPACT – FIRST SIX MONTHS AS COMPARED TO EUR

| | Movement [1] | Income-cost [2] | Profit impact |
|---|---|---|---|
| CHF | Strengthened ⇗ | Negative | Negative ⇘ |
| USD | Weakened ⇘ | Positive | Negative ⇘ |
| CNY | Weakened ⇘ | Positive | Negative ⇘ |
| EBIT1, MEUR | | | -7.5 |

[1] Compared to Q1-Q2 2010.
[2] Net income in currency (positive), net cost (negative).

## Q1-Q2 NET SALES AND EARNINGS

Operating net sales amounted to 1,064.8 MEUR (643.2) in the first six months of the year. Using fixed exchange rates and a comparable group structure, net sales increased by 16 per cent.

Operating earnings (EBIT1) amounted to 219.1 MEUR (111.4), which corresponds to an operating margin of 20.6 per cent (17.3). Operating earnings (EBIT1) were negatively affected by exchange rate movements of -7.5 MEUR.

The financial net amounted to -29.4 MEUR (-7.3) in the first six months. Earnings before taxes, excluding non-recurring items, amounted to 189.7 MEUR (104.1).

Non-recurring items amount to -8.5 MEUR and relates to acquired deferred revenue from the Intergraph acquisition.

Earnings before taxes, including non-recurring items, amounted to 181.2 MEUR (104.1). Earnings were negatively affected by exchange rate movements of -7.2 MEUR.

Net earnings, excluding non-recurring items, amounted to 150.2 MEUR (89.5), or 0.42 EUR (0.29) per share. Net earnings, including these items, amounted to 144.9 MEUR (89.5) or 0.41 EUR (0.29) per share.


Hexagon Metrology won a significant order from VW Shanghai. The project includes delivery of a significant amount of horizontal arms and Coordinate Measuring Machines. VW Shanghai also decided that Hexagon's software PCDMIS will be used as a standard for the sheet metal application in the future.

## PROFITABILITY

Capital employed, defined as total assets less non-interest bearing liabilities, increased to 4,170.1 MEUR (2,470.6). Return on average capital employed, excluding non-recurring items, for the last twelve months was 10.7 per cent (9.0). Return on average shareholders' equity for the last twelve months was 7.5 per cent (13.0). Annualised return on average shareholders' equity was 13.2 (13.6). The capital turnover rate was 1.0 times (0.6).

## FINANCIAL POSITION

Total shareholders' equity increased to 2,223.6 MEUR (1,425.9). The equity ratio was 44 per cent (50). Hexagon's total assets increased to 4,992.2 MEUR (2,837.4).

In July 2010, Hexagon entered into a five-year 900 MUSD and a 1,000 MEUR Term and Revolving Credit Facilities Agreement and a 1,225 MUSD Bridge Term Credit Facilities Agreement in order to finance the acquisition of Intergraph and to refinance the company's previous 1,000 MEUR revolving credit facility. In December 2010, 850 MUSD of the Bridge Facilities Agreement was repaid with the proceeds from the rights offering. The remaining Bridge Term Loan of 375 MUSD matures in July 2012.

On 30 June 2011, cash and unutilised credit limits totalled 347.0 MEUR (393.0). Hexagon's net debt was 1,821.3 MEUR. The net indebtedness was 0.77 times (0.62). Interest coverage ratio was 6.9 times (14.4).

## CASH FLOW

During the second quarter, cash flow from operations before changes in working capital increased to 80.3 MEUR (76.8), corresponding to 0.23 EUR (0.25) per share. The cash flow in the quarter was burdened by significant tax payments not only related to the second quarter. Cash flow from operations in the second quarter amounted to 54.4 MEUR (64.7), corresponding to 0.15 EUR (0.21) per share. The operating cash flow in the second quarter including non-recurring items amounted to 26.0 MEUR (38.9).

For the first six months, cash flow from operations amounted to 128.6 MEUR (110.4), corresponding to 0.36 EUR (0.37) per share and the operating cash flow including non-recurring items amounted to 55.8 MEUR (64.1).

## INVESTMENTS, DEPRECIATION AND IMPAIRMENT

Hexagon's net investments, excluding acquisitions and divestitures, amounted to -28.4 MEUR (-23.7) in the second quarter and -56.8 MEUR (-41.7) in the first six months. Depreciation, amortisation and impairment amounted to -24.6 MEUR (-22.5) in the second quarter and -49.9 MEUR (-43.0) in the first six months.

## TAX RATE

The Group's tax expense for the first six months totalled -36.3 MEUR (-14.6), corresponding to an effective tax rate of 20 per cent (14). The increase in the effective tax rate is due to increased operations in the US following the acquisition of Intergraph in 2010.

## EMPLOYEES

The average number of employees in Hexagon during the first six months was 11,836 (7,346). The number of employees at the end of the quarter was 12,228 (7,596). The increase in number of employees is primarily a result from the acquisition of Intergraph.

## SHARE DATA

Earnings per share for the second quarter amounted to 0.22 EUR (0.17). Earnings per share for the first six months amounted to 0.41 EUR (0.29).

On 30 June 2011, equity per share was 6.29 EUR (4.71) and the share price was 156 SEK (90). In the second quarter, all outstanding options, except for 104,500 options were repurchased. At full exercise of existing stock option programmes, the dilutive effect would be 0.0 per cent of the share capital and 0.0 per cent of the number of votes.

Through the rights issue conducted around year-end 2010, the number of shares increased by 88 122 407, of which 3 937 500 shares of series A and 84 184 907 shares of series B. Total number of shares after the rights issue amounts to 353 642 177 of which 15 750 000 shares of series A and 337 892 177 shares of series B.

## ASSOCIATED COMPANIES

Associated companies affected Hexagon's earnings during the first six months by 0.1 MEUR (0.1).

## PARENT COMPANY

The parent company's earnings after financial items for the first six months amounted to 87.9 MEUR (111.3). The solvency ratio of the parent company was 36 per cent (41). The equity was 1,301.3 MEUR (819.3). Liquid funds including unutilised credit limits were 189.0 MEUR (290.0).

## BUSINESS AREA

### MEASUREMENT TECHNOLOGIES (MT) – SALES AND EARNINGS

| MEUR | Q2 2011 | Q2 2010 | Δ% | H1 2011 | H1 2010 | Δ% |
|---|---|---|---|---|---|---|
| Net sales | 526.7 | 336.9 | 13 1) | 1,029.8 | 618.1 | 15 1) |
| Operating earnings (EBIT1) | 117.2 | 65.4 | 79 | 224.1 | 115.8 | 94 |
| Operating margin, % | 22.3 | 19.4 | 2.9 | 21.8 | 18.7 | 3.1 |

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

### OTHER OPERATIONS – SALES AND EARNINGS

| MEUR | Q2 2011 | Q2 2010 | Δ% | H1 2011 | H1 2010 | Δ% |
|---|---|---|---|---|---|---|
| Net sales | 16.8 | 13.9 | 14 1) | 35.0 | 25.1 | 28 1) |
| Operating earnings (EBIT1) | 0.4 | -0.2 | n.a. | 1.3 | -0.9 | n.a. |
| Operating margin, % | 2.4 | -1.4 | 3.8 | 3.7 | -3.6 | 7.3 |

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

### MEASUREMENT TECHNOLOGIES

In the second quarter, net sales amounted to 526.7 MEUR (336.9). Using fixed exchange rates and a comparable group structure, net sales increased by 13 per cent.

Operating earnings (EBIT1) amounted to 117.2 MEUR (65.4), which corresponds to an operating margin of 22 per cent (19).

The number of employees by the end of the quarter was 11,956 (7,291).

### OTHER OPERATIONS

In the second quarter, net sales amounted to 16.8 MEUR (13.9). Using fixed exchange rates and a comparable group structure, net sales increased by 14 per cent.

Operating earnings (EBIT1) amounted to 0.4 MEUR (-0.2), which corresponds to an operating margin of 2 per cent (-1).

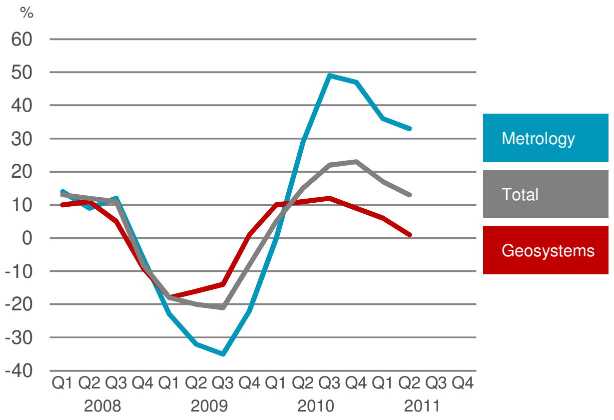
The number of employees by the end of the quarter was 321 (293).

### MEASUREMENT TECHNOLOGIES – APPLICATION AREAS

| | Net sales | | | Net sales | | |
|---|---|---|---|---|---|---|
| MEUR | Q2 2011 | Q2 2010 | Δ % 1) | H1 2011 | H1 2010 | Δ % 1) |
| Geosystems | 196.6 | 198.0 | 1 | 381.7 | 367.0 | 3 |
| Metrology | 155.6 | 123.8 | 33 | 292.5 | 221.8 | 34 |
| Technology | 174.5 | 15.0 | n.a. | 355.6 | 29.2 | n.a. |
| Total Hexagon MT | 526.7 | 336.9 | 13 | 1,029.8 | 618.1 | 15 |

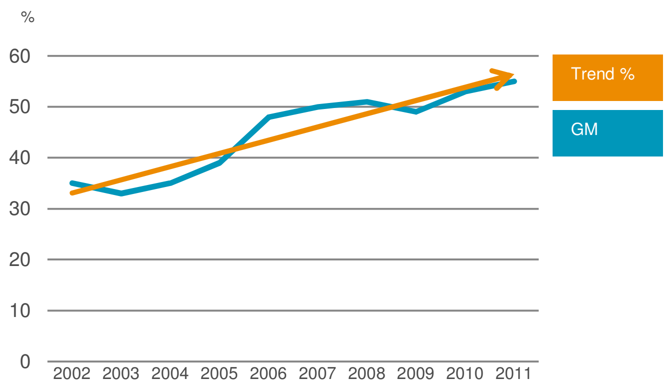
1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

### NET SALES – ORGANIC GROWTH BY APPLICATION AREA (MT)




Geosystems reported 1 per cent organic growth in net sales in the second quarter. The strong recovery in Metrology continued in the second quarter and the application area displayed organic sales growth of 33 per cent compared to the corresponding period in 2010. Technology, including Intergraph, is reported as structure and is not displayed in the above graph.

### GROSS MARGIN (MT) – YEARLY DATA




Product innovations including new technology, lower manufacturing costs and an increasing software content have allowed Hexagon to improve the gross margin from 35 per cent in 2002 to 51 per cent in 2008. In 2009 the gross margin decreased to 49 per cent. In Q2 2011, it improved to 55 per cent.

Intergraph's SmartPlant Foundation will be used to develop CNOOC's Engineering Digital Information System project, which will manage the engineering information of 33 offshore platforms for three of CNOOC's four oil fields, located in Tianjin, Shenzhen and Zhangjiang.

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

Stockholm, Sweden, 3 August 2011
Hexagon AB (publ)

Melker Schörling
Chairman of the Board

Mario Fontana
Board Member

Ulrika Francke
Board Member

Ulf Henriksson
Board Member

Gun Nilsson
Board Member

Ulrik Svensson
Board Member

Ola Rollén
President and CEO
Board Member

This Interim Report has not been reviewed by the company's auditors.

## ACCOUNTING PRINCIPLES

Hexagon applies International Financial Reporting Standards (IFRS) as adopted by the European Union. Hexagon's report for the Group is prepared in accordance with IAS 34, "Interim Financial Reporting" and the Annual Accounts Act. Parent company accounts are prepared in accordance with the Annual Accounts Act. Accounting principles and calculation methods are unchanged from those applied in the Annual Report for 2010 with the following exception: As of 1 January 2011, Hexagon has changed the accounting and presentation currency from Swedish kronor (SEK) to Euro (EUR). The change of accounting currency from SEK to EUR will decrease the currency exposure in both the profit and loss statement as well as in comprehensive income. It will also allow the Hexagon Group to better match debt to the net assets.

## RISKS AND UNCERTAINTY FACTORS

As an international group, Hexagon is exposed to a number of business and financial risks. The business risks can be divided into strategic, operational and legal risks. The financial risks are related to such factors as exchange rates, interest rates, liquidity, the giving of credit and financial instruments. The execution of the acquisition of Intergraph implies risk. In addition to company specific risks, the acquired company's relations with customers, suppliers and key personnel may be negatively affected. There is also a risk that integration processes may prove more costly or more time consuming than estimated and that anticipated synergies in whole or in part fail to materialise. Risk management in Hexagon aims to identify, control and reduce risks. This work begins with an assessment of the probability of risks occurring and their potential effect on the Group. There has been no change in the risk picture in comparison with what was reported in the 2010 Annual Report.

## SUBSEQUENT EVENTS

As of 29 July, 2011 MSCI has decided to reclassify Hexagon AB from Sector 20 Industrials to Sector 45 Information Technology. Classification is undertaken in accordance with Global Industry Classification Standard (GICS), a classification standard used by many Stock Exchanges.

## RELATED PARTY TRANSACTIONS

No significant related party transaction occurred in the first six months of 2011, except for compensation to the Board of Directors and the Executive Management.

# Condensed Income Statement

| MEUR | Q2 2011 | Q2 2010 | Q1-Q2 2011 | Q1-Q2 2010 | 2010 |
|---|---|---|---|---|---|
| Net sales | 539.4 | 350.8 | 1,056.3 | 643.2 | 1,481.3 |
| Cost of goods sold | -252.4 | -175.4 | -495.9 | -315.5 | -728.6 |
| Gross earnings | 287.0 | 175.4 | 560.4 | 327.7 | 752.7 |
| Sales and administration costs, etc. | -176.9 | -112.2 | -349.9 | -216.4 | -601.0 |
| Earnings from shares in associated companies | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Operating earnings 1) | 110.2 | 63.3 | 210.6 | 111.4 | 151.7 |
| Interest income and expenses, net 2) | -14.8 | -3.7 | -29.4 | -7.3 | -40.8 |
| Earnings before taxes | 95.4 | 59.6 | 181.2 | 104.1 | 110.9 |
| Taxes | -19.1 | -8.4 | -36.3 | -14.6 | -19.2 |
| Net earnings | 76.3 | 51.2 | 144.9 | 89.5 | 91.7 |
| Attributable to: | | | | | |
| Parent company shareholders | 75.8 | 50.9 | 143.9 | 88.9 | 89.9 |
| Non-controlling interest | 0.5 | 0.3 | 1.0 | 0.6 | 1.8 |
| 1) of which non-recurring items | -4.1 | - | -8.5 | - | -121.2 |
| 2) of which non-recurring items | - | - | - | - | -15.4 |
| Earnings include depreciation, amortisation and impairments of | -24.6 | -22.5 | -49.9 | -43.0 | -152.5 |
| Basic earnings per share, EUR | 0.22 | 0.17 | 0.41 | 0.29 | 0.30 |
| Earnings per share after dilution, EUR | 0.22 | 0.17 | 0.41 | 0.29 | 0.30 |
| Total shareholder's equity per share, EUR | 6.29 | 4.71 | 6.29 | 4.71 | 6.15 |
| Closing number of shares, thousands | 352,490 | 301,603 | 352,490 | 301,603 | 352,150 |
| Average number of shares, thousands | 352,490 | 301,591 | 352,479 | 301,586 | 303,655 |
| Average number of shares after dilution, thousands | 352,499 | 301,591 | 352,603 | 301,630 | 303,677 |

# Condensed Comprehensive Income

| MEUR | Q2 2011 | Q2 2010 | Q1 - Q2 2011 | Q1 - Q2 2010 | 2010 |
|---|---|---|---|---|---|
| Net earnings | 76.3 | 51.2 | 144.9 | 89.5 | 91.7 |
| Other comprehensive income: | | | | | |
| Exchange rate differences | 100.0 | 120.5 | -28.2 | 167.9 | 208.0 |
| Effect of hedging of net investments in foreign operations | -38.6 | -32.3 | -15.0 | -19.5 | -27.9 |
| Cash flow hedges, net | 1.9 | -0.5 | 1.5 | -0.4 | 0.2 |
| Tax attributable to Other comprehensive income | 9.8 | 8.5 | 3.6 | 5.2 | 7.3 |
| Other comprehensive income, net of tax | 73.1 | 96.2 | 38.1 | 153.2 | 187.6 |
| Total comprehensive income for the period | 149.4 | 147.4 | 106.8 | 242.7 | 279.3 |
| Attributable to: | | | | | |
| Parent company shareholders | 148.9 | 146.8 | 106.0 | 241.4 | 276.8 |
| Non-controlling interest | 0.5 | 0.6 | 0.8 | 1.3 | 2.5 |

# Condensed Balance Sheet

| MEUR | 30/6 2011 | 30/6 2010 | 31/12 2010 |
|---|---|---|---|
| Intangible fixed assets | 3,510.4 | 1,806.4 | 3,595.4 |
| Tangible fixed assets | 259.5 | 179.3 | 274.1 |
| Financial fixed assets | 21.1 | 20.5 | 20.3 |
| Deferred tax assets | 110.2 | 66.5 | 64.4 |
| Total fixed assets | 3,901.2 | 2,072.7 | 3,954.2 |
| Inventories | 355.7 | 300.0 | 319.2 |
| Accounts receivable | 481.7 | 307.1 | 451.2 |
| Other receivables | 75.1 | 36.0 | 63.4 |
| Prepaid expenses and accrued income | 53.3 | 33.8 | 58.2 |
| Total current receivables | 610.1 | 376.9 | 572.8 |
| Cash and cash equivalents | 125.2 | 87.8 | 160.4 |
| Total current assets | 1,091.0 | 764.7 | 1,052.4 |
| Total assets | 4,992.2 | 2,837.4 | 5,006.6 |
| Attributable to parent company shareholders | 2,216.6 | 1,420.8 | 2,166.1 |
| Attributable to non-controlling interest | 7.0 | 5.1 | 6.2 |
| Total shareholders' equity | 2,223.6 | 1,425.9 | 2,172.3 |
| Interest bearing liabilities | 1,706.9 | 416.4 | 1,810.0 |
| Other liabilities | 20.7 | 1.4 | 24.0 |
| Pension provisions | 38.0 | 36.5 | 34.2 |
| Deferred tax provisions | 256.2 | 34.9 | 210.1 |
| Other provisions | 54.4 | 3.6 | 46.8 |
| Total long-term liabilities | 2,076.2 | 492.8 | 2,125.1 |
| Interest bearing liabilities | 167.4 | 584.6 | 154.4 |
| Accounts payable | 128.7 | 101.8 | 152.1 |
| Other liabilities | 72.8 | 69.3 | 55.7 |
| Other provisions | 7.4 | 24.4 | 30.1 |
| Accrued expenses and deferred income | 316.1 | 138.6 | 316.9 |
| Total short-term liabilities | 692.4 | 918.7 | 709.2 |
| Total equity and liabilities | 4,992.2 | 2,837.4 | 5,006.6 |

# Condensed Statement of Changes in Equity

| MEUR | 30/6 2011 | 30/6 2010 | 31/12 2010 |
|---|---|---|---|
| Opening shareholders' equity | 2,172.3 | 1,217.7 | 1,217.7 |
| Total comprehensive income for the period 1) | 106.8 | 242.7 | 279.3 |
| Rights issue, net of issuance cost | 2.8 | - | 710.1 |
| Dividend | -55.5 | -34.4 | -34.5 |
| Repurchase of options | -2.8 | - | - |
| Effect of acquisitions of subsidiaries | - | -0.1 | -0.3 |
| Closing shareholders' equity 2) | 2,223.6 | 1,425.9 | 2,172.3 |
| 1) of which: Parent company shareholders | 106.0 | 241.4 | 276.8 |
| Non-controlling interest | 0.8 | 1.3 | 2.5 |
| 2) of which: Parent company shareholders | 2,216.6 | 1,420.8 | 2,166.1 |
| Non-controlling interest | 7.0 | 5.1 | 6.2 |

# Number of Shares, Analysis

| | Nominal value, SEK | series A | series B | Total |
|---|---|---|---|---|
| 2008-12-31 Total issued | 2 | 11,812,500 | 253,707,270 | 265,519,770 |
| Repurchase | 2 | - | -1,311,442 | -1,311,442 |
| 2008-12-31 Total issued and outstanding | 2 | 11,812,500 | 252,395,828 | 264,208,328 |
| Sale of repurchased shares | 2 | - | 138,825 | 138,825 |
| 2009-12-31 Total issued and outstanding | 2 | 11,812,500 | 252,534,653 | 264,347,153 |
| Sale of repurchased shares | 2 | - | 20,070 | 20,070 |
| Rights issue | 2 | 3,937,500 | 83,845,572 | 87,783,072 |
| 2010-12-31 Total issued and outstanding 1) | 2 | 15,750,000 | 336,400,295 | 352,150,295 |
| Rights issue | 2 | - | 339,335 | 339,335 |
| 2011-06-30 Total issued and outstanding 1) | 2 | 15,750,000 | 336,739,630 | 352,489,630 |

[1] In January 2011, the issuance of shares subscribed for with subsidiary preferential rights resulted in an increase of in total 339 335 shares of series B. As per 30 June 2011, there are in total 353 642 177 shares in the company, of which 15 750 000 are of series A with ten votes each and 337 892 177 are of series B with one vote each. Hexagon AB Treasury shares amount to 1 152 547 shares of series B.

# Condensed Cash Flow Statement

| MEUR | Q2 2011 | Q2 2010 | Q1-Q2 2011 | Q1-Q2 2010 | 2010 |
|---|---|---|---|---|---|
| Cash flow from operations before change in working capital excluding taxes and interest | 131.9 | 84.5 | 254.8 | 142.1 | 371.3 |
| Taxes | -37.2 | -4.0 | -47.2 | -10.6 | -22.1 |
| Interest | -14.4 | -3.7 | -28.6 | -7.6 | -55.1 |
| Cash flow from operations before change in working capital | 80.3 | 76.8 | 179.0 | 123.9 | 294.1 |
| Cash flow from change in working capital | -25.9 | -12.1 | -50.4 | -13.5 | -33.7 |
| Cash flow from operations | 54.4 | 64.7 | 128.6 | 110.4 | 260.4 |
| Cash flow from ordinary investing activities | -28.4 | -23.7 | -56.8 | -41.7 | -87.2 |
| Operating cash flow | 26.0 | 41.0 | 71.8 | 68.7 | 173.2 |
| Non-recurring cash flow | - | -2.1 | -16.0 | -4.6 | -47.8 |
| Operating cash flow after non-recurring items | 26.0 | 38.9 | 55.8 | 64.1 | 125.4 |
| Cash flow from other investing activities 1) | -15.1 | -0.8 | -15.8 | -6.0 | -1,598.2 |
| Cash flow after other investing activities | 10.9 | 38.1 | 40.0 | 58.1 | -1,472.8 |
| Dividends paid | -55.5 | -34.5 | -55.5 | -34.5 | -34.5 |
| Rights issue costs | -8.5 | - | -5.7 | - | 718.5 |
| Repurchase of options | -2.8 | - | -2.8 | - | - |
| Cash flow from other financing activities | 53.0 | 13.5 | -8.3 | -20.6 | 861.8 |
| Change in cash and cash equivalents | -2.9 | 17.1 | -32.3 | 3.0 | 73.0 |
| Cash and cash equivalents, beginning of period | 133.5 | 67.1 | 160.4 | 77.4 | 77.4 |
| Effect of translation differences on cash and cash equivalents | -5.4 | 3.6 | -2.9 | 7.4 | 10.0 |
| Cash flow for the period | -2.9 | 17.1 | -32.3 | 3.0 | 73.0 |
| Cash and cash equivalents, end of period | 125.2 | 87.8 | 125.2 | 87.8 | 160.4 |

1) Acquisitions -14.1 MEUR and other -1.0 MEUR in Q2 2011.

# Key Ratios

| | Q2 2011 | Q2 2010 | Q1-Q2 2011 | Q1-Q2 2010 | 2010 |
|---|---|---|---|---|---|
| Operating margin, % | 21.0 | 18.0 | 20.6 | 17.3 | 18.4 |
| Profit margin before taxes, % | 17.2 | 17.0 | 17.7 | 16.2 | 7.5 |
| Return on shareholders' equity YTD annualised, % | 13.8 | 14.9 | 13.2 | 13.6 | 6.0 |
| Return on shareholders' equity 12 month average, % | 7.5 | 13.0 | 7.5 | 13.0 | 6.0 |
| Return on capital employed, % | 10.7 | 9.0 | 10.7 | 9.0 | 10.2 |
| Equity ratio, % | 44.5 | 50.3 | 44.5 | 50.3 | 43.4 |
| Net indebtedness | 0.77 | 0.62 | 0.77 | 0.62 | 0.82 |
| Interest coverage ratio | 7.2 | 14.4 | 6.9 | 14.4 | 3.6 |
| Average number of shares, thousands | 352,490 | 301,591 | 352,479 | 301,586 | 303,655 |
| Basic earnings per share excl. non-recurring items, EUR | 0.22 | 0.17 | 0.42 | 0.29 | 0.69 |
| Basic earnings per share, EUR | 0.22 | 0.17 | 0.41 | 0.29 | 0.30 |
| Cash flow per share, EUR | 0.15 | 0.21 | 0.36 | 0.37 | 0.86 |
| Cash flow per share before change in working cap, EUR | 0.23 | 0.25 | 0.51 | 0.41 | 0.97 |
| Share price, SEK | 156 | 90 | 156 | 90 | 144 |
| Share price, EUR | 17.0 | 9.5 | 17.0 | 9.5 | 16.1 |

# Supplementary Information

In connection with the acquisition of Intergraph, a business unit in Geosystems (ERDAS) has been transferred to Intergraph (Technology) and a business unit in Intergraph (Z/I) has been transferred to Geosystems.

## NET SALES

| MEUR | Q2 2011 | Q1 2011 | Q4 2010 | Q3 2010 | Q2 2010 | Q1 2010 | 2010 |
|---|---|---|---|---|---|---|---|
| Hexagon MT | 526.7 | 503.1 | 490.1 | 326.0 | 336.8 | 281.2 | 1,434.2 |
| - Of which Geosystems | 196.6 | 185.1 | 200.0 | 182.9 | 198.0 | 169.0 | 749.9 |
| Metrology | 155.6 | 136.9 | 158.2 | 128.9 | 123.8 | 98.0 | 508.9 |
| Technology | 174.5 [1)] | 181.1 [1)] | 131.9 | 14.3 | 15.0 | 14.2 | 169.6 |
| Other operations | 16.8 | 18.2 | 16.8 | 11.0 | 13.9 | 11.2 | 52.9 |
| Group | 543.5 | 521.3 | 506.9 | 337.0 | 350.8 | 292.4 | 1,481.3 |

## OPERATING EARNINGS (EBIT1)

| MEUR | Q2 2011 | Q1 2011 | Q4 2010 | Q3 2010 | Q2 2010 | Q1 2010 | 2010 |
|---|---|---|---|---|---|---|---|
| Hexagon MT | 117.2 | 106.9 | 104.9 | 60.7 | 65.4 | 50.4 | 281.4 |
| Other operations | 0.4 | 0.9 | 0.5 | -0.8 | -0.2 | -0.7 | -1.2 |
| Group costs | -3.3 | -3.0 | -1.9 | -1.9 | -1.9 | -1.6 | -7.3 |
| Group | 114.3 | 104.8 | 103.5 | 58.0 | 63.3 | 48.1 | 272.9 |
| Margin,% | 21.0 | 20.1 | 20.7 | 17.2 | 18.0 | 16.5 | 18.4 |

## NET SALES

| MEUR | Q2 2011 | Q1 2011 | Q4 2010 | Q3 2010 | Q2 2010 | Q1 2010 | 2010 |
|---|---|---|---|---|---|---|---|
| EMEA | 242.6 | 231.3 | 237.3 | 150.1 | 165.4 | 141.1 | 693.9 |
| Americas | 158.4 | 153.7 | 146.5 | 81.6 | 83.7 | 68.4 | 380.2 |
| Asia | 142.5 | 136.3 | 123.1 | 105.3 | 101.7 | 82.9 | 413.0 |
| Group | 543.5 [1)] | 521.3 [1)] | 506.9 | 337.0 | 350.8 | 292.4 | 1,487.1 |

1) Excluding non-recurring effect from revaluation of acquired deferred revenue of -4.4 MEUR in Q1 2011 and -4.1 MEUR in Q2 2011.

# Acquisitions and Divestments

| MEUR | Q1 -Q2 2011 Acquisitions | Divestments | Q1 -Q2 2010 Acquisitions | Divestments |
|---|---|---|---|---|
| Intangible fixed assets | 10.7 | - | -0.6 | - |
| Other fixed assets | 0.1 | - | 1.9 | - |
| Total fixed assets | 10.8 | - | 1.3 | - |
| Total current assets | 1.5 | - | - | - |
| Total assets | 12.3 | - | 1.3 | - |
| Total long-term liabilities, etc | -2.0 | - | -1.3 | - |
| Total short-term liabilities | -0.3 | - | -2.2 | - |
| Total liabilities | -2.3 | - | -3.5 | - |
| Total net assets | 14.6 | - | 4.8 | - |
| Total acquisition cost/divestment income | -12.5 | - | -2.0 | - |
| Adjustment for non-paid part of acquisition cost/ divestment income incl. payment of items from prior years | 0.2 | - | - | - |
| Adjustment for cash and bank balances in aquired entities | -2.3 | - | -2.8 | - |
| Cash flow from acquisitions | -14.6 | - | -4.8 | - |

The Purchase Price Allocation (PPA) regarding the acquisition of Intergraph in October 2010 is still preliminary and might be subject to changes. The PPA is unchanged since last year-end. During the second quarter Intergraph has made a minor acquisition (certain assets from Denali Solutions LLC)

# Condensed Parent Company Income Statement

| MEUR | Q2 2011 | Q2 2010 | Q1-Q2 2011 | Q1-Q2 2010 | 2010 |
|---|---|---|---|---|---|
| Net sales | 1.9 | 1.9 | 3.7 | 3.7 | 7.6 |
| Administration cost | -2.9 | -3.7 | -5.8 | -5.1 | -43.9 |
| Operating earnings | -1.0 | -1.8 | -2.1 | -1.4 | -36.3 |
| Earnings from shares in Group companies | 143.7 | 95.8 | 143.7 | 95.8 | 98.8 |
| Interest income and expenses, net | -12.4 | 10.2 | -53.7 | 16.9 | -275.6 |
| Earnings after financial items | 130.3 | 104.2 | 87.9 | 111.3 | -213.1 |
| Tax | 3.9 | -2.2 | 15.0 | -4.1 | 3.2 |
| Net earnings | 134.2 | 102.0 | 102.9 | 107.2 | -209.9 |

# Condensed Parent Company Balance Sheet

| MEUR | 30/6 2011 | 30/6 2010 | 31/12 2010 |
|---|---|---|---|
| Subscribed but not paid capital | - | - | 2.8 |
| Total fixed assets | 3,545.5 | 1,870.3 | 3,627.8 |
| Total current receivables | 102.6 | 88.6 | 107.5 |
| Cash and cash equivalents | 7.7 | 24.4 | 38.9 |
| Total current assets | 110.3 | 113.0 | 146.4 |
| Total assets | 3,655.8 | 1,983.3 | 3,777.0 |
| Total shareholders' equity | 1,301.3 | 819.3 | 1,253.9 |
| Total long-term liabilities | 1,744.8 | 210.7 | 1,768.0 |
| Total short-term liabilities | 609.7 | 953.3 | 755.1 |
| Total equity and liabilities | 3,655.8 | 1,983.3 | 3,777.0 |

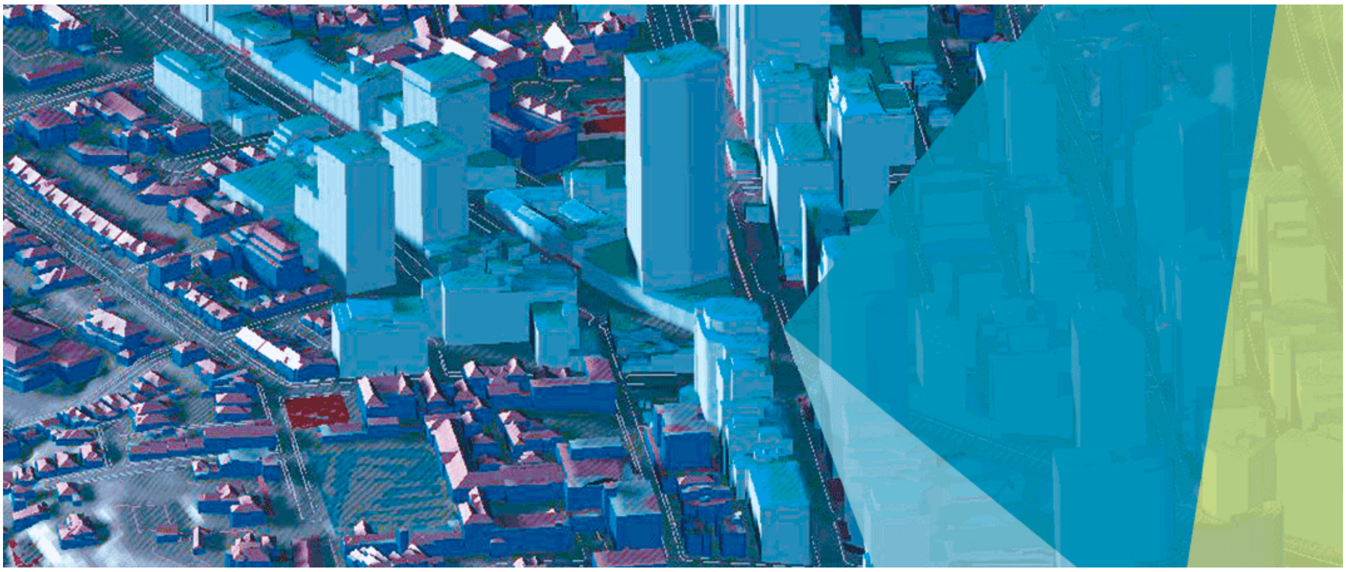
# Definitions

## FINANCIAL DEFINITIONS

| | |
|---|---|
| Capital employed | Total assets less non-interest bearing liabilities |
| Capital turnover rate | Net sales divided by average capital employed |
| Cash flow | Cash flow from operations, after change in working capital, excluding non-recurring items |
| Cash flow per share | Cash flow from operations, after change in working capital, excluding non-recurring items divided by average number of shares |
| Earnings per share | Net earnings excluding non-controlling interest divided by average number of shares |
| Equity ratio | Shareholders' equity including non-controlling interests as a percentage of total assets |
| Interest cover ratio | Earnings after financial items plus financial expenses divided by financial expenses |
| Investments | Purchases less sales of tangible and intangible fixed assets, excluding those included in acquisitions and divestitures of subsidiaries |
| Net indebtedness | Interest-bearing liabilities less interest-bearing current receivables and liquid assets divided by shareholders' equity excluding non-controlling interests |
| Non-recurring items | Income and expenses that are not expected to appear on a regular basis |
| Operating earnings (EBIT1) | Operating earnings excluding capital gains on shares in group companies and other non-recurring items |
| Operating margin | Operating earnings (EBIT1) as a percentage of operating net sales |
| Operating net sales | Net sales adjusted by the difference between fair value and book-value of deferred revenue regarding acquired businesses |
| Profit margin before tax | Earnings after financial items as a percentage of net sales |
| Return on capital employed | Twelve months to end of period earnings after financial items, excluding non-recurring items, plus financial expenses as a percentage of twelve months to end of period average capital employed |
| Return on equity (12 month average) | Twelve months to end of period net earnings excluding non-controlling interests as a percentage of twelve months to end of period average shareholders' equity excluding non-controlling interests last twelve months. |
| Return on equity (YTD annualised) | Annualised net earnings excluding non-controlling interests for the period as a percentage of average shareholders' equity excluding non-controlling interests for the period. |
| Shareholders' equity per share | Shareholders' equity excluding non-controlling interests divided by the number of shares at year-end |
| Share price | Last settled transaction on NASDAQ OMX Nordic Exchange on the last business day for the period |

## BUSINESS DEFINITIONS

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



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## FINANCIAL REPORT DATES

Hexagon gives financial information at the following occasions:

| | |
|---|---|
| Interim Report Q3 2011 | 27 October 2011 |
| Interim Report Q4 2011 | 8 February 2012 |

## FINANCIAL INFORMATION

Financial information is available in Swedish and English at the Hexagon website and can be ordered via phone +46 8 601 26 20 or e-mail ir@hexagon.com

## TELEPHONE CONFERENCE

The interim report for the second quarter 2011 will be presented 4 August at 15:00 CET at a telephone conference. Please view instructions on how to participate at Hexagon's website.

## CONTACT

Mattias Stenberg, VP Strategy and Communications, Hexagon AB
+46 8 601 26 27, ir@hexagon.com

This interim report is a type of information that Hexagon AB (publ) is obliged to disclose in accordance with the Swedish Securities Market Act and /or the Financial Instruments Trading Act. The information was submitted for publication on 4 August 2011 at 08:00 CET.

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Hexagon AB [publ] P.O. Box 3692 SE- 103 59 Stockholm Fax: +46 8 601 26 21 Phone: +46 8 601 26 20
Registration number: 556190-4771 Registred Office: Stockholm, Sweden
www.hexagon.com