

YEAR-END REPORT

1 JANUARY – 31 DECEMBER 2014

FOURTH QUARTER 2014

- Net sales increased by 18 per cent to 743.4 MEUR (631.7). Using fixed exchange rates and a comparable group structure, net sales increased by 9 per cent
- Operating earnings (EBIT1) increased by 28 per cent to 174.4 MEUR (136.7)
- Earnings before taxes amounted to 165.8 MEUR (129.4)
- Net earnings amounted to 132.6 MEUR (104.9)
- Earnings per share increased by 28 per cent to 0.37 EUR (0.29)
- Operating cash flow improved by 55 per cent to 131.2 MEUR (84.5)
- The Board of Directors proposes an increase in dividend of 13 per cent to 0.35 EUR per share (0.31)

| MEUR | Q4 2014 | Q4 2013 | Δ% | 2014 | 2013 | Δ% |
|--|---------|---------|-----------------|---------|---------|-----------------|
| Net sales 2) | 743.4 | 631.7 | 9 ¹⁾ | 2,622.4 | 2,429.7 | 7 ¹⁾ |
| Gross earnings | 441.0 | 349.9 | 26 | 1,514.5 | 1,347.9 | 12 |
| Gross margin, % | 59.3 | 55.4 | 3.9 | 57.8 | 55.5 | 2.3 |
| Operating earnings (EBITDA) | 223.2 | 172.2 | 30 | 743.5 | 642.2 | 16 |
| EBITDA margin, % | 30.0 | 27.3 | 2.7 | 28.4 | 26.4 | 2.0 |
| Operating earnings (EBIT1) 2) | 174.4 | 136.7 | 28 | 578.1 | 507.7 | 14 |
| Operating margin, % | 23.5 | 21.6 | 1.9 | 22.0 | 20.9 | 1.1 |
| Earnings before taxes excluding non-recurring items | 165.8 | 129.4 | 28 | 544.5 | 473.8 | 15 |
| Non-recurring items 3) | - | - | - | -36.0 | -14.9 | -142 |
| Earnings before taxes | 165.8 | 129.4 | 28 | 508.5 | 458.9 | 11 |
| Net earnings | 132.6 | 104.9 | 26 | 406.2 | 371.2 | 9 |
| Net earnings, excl. non-recurring items | 132.6 | 104.9 | 26 | 435.6 | 383.8 | 13 |
| Earnings per share, EUR | 0.37 | 0.29 | 28 | 1.13 | 1.04 | 9 |
| Earnings per share, excl. non-recurring items, EUR | 0.37 | 0.29 | 28 | 1.21 | 1.08 | 12 |

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

2) Net sales and EBIT1 have been negatively impacted by -2.2 MEUR in Q4 2014 and by -4.0 MEUR in 2014 from accounting effects from deferred revenues (revenue haircut) related to the acquisitions of Vero and Mintec.

3) Non-recurring items in 2014 relate to Veripos, Mintec, Vero and Other Operations.



Ola Rollén, President and CEO, Hexagon AB

COMMENTS FROM OLA ROLLÉN, PRESIDENT AND CEO, HEXAGON AB

"The strong performance in the fourth quarter was a fitting end to 2014. We achieved 9 per cent organic growth and an operating margin of 23.5 per cent. Metrology and Intergraph PP&M were the primary growth engines as customers continue to show a willingness to invest in solutions that improve quality and drive productivity. Encouragingly, we also saw a strong development of our cash flow, which will enable us to continue to solidify our market leadership through acquisitions. Looking into 2015, we remain confident in our ability to achieve profitable growth through innovative solutions."

BUSINESS DEVELOPMENT Q4

Organic growth was 9 per cent in the fourth quarter, and net sales amounted to 743.4 MEUR. Operating earnings (EBIT1) grew by 28 per cent to 174.4 MEUR, which corresponds to an operating margin of 23.5 per cent.

Geosystems recorded organic growth of 2 per cent. The core surveying business saw mid-single digit organic growth, but overall growth was hampered by weak demand in the mining industry.

Metrology recorded organic growth of 14 per cent. Growth was driven by the automotive and electronics segment.

Technology recorded 12 per cent organic growth. Intergraph PP&M recorded 14 per cent organic growth due to strong demand from Owner Operators for asset management solutions. Intergraph SG&I recorded slight organic growth but experienced a strong order intake in the quarter. Positioning saw strong growth due to customer wins in the agriculture segment and improved market conditions.

SALES BRIDGE FOURTH QUARTER

| | |
|-------------------|--------|
| 2013, MEUR | 619.5* |
| Structure, % | 7 |
| Currency, % | 4 |
| Organic growth, % | 9 |
| Total, % | 20 |
| 2014, MEUR | 743.4 |

Net sales from acquisitions and divestments during the last twelve months are reported as "Structure" in the table above. Percentages are rounded to the nearest whole per cent.
*Proforma for group after Other Operations divestiture

MARKET DEVELOPMENT

EMEA continued to see robust growth levels in the automotive and manufacturing segments, offsetting weaker demand in Russia. Growth rates in Americas remained firm although somewhat lower sequentially (compared to Q3, 2014) due to the impact from the mining segment in South America. North America saw strong demand in the construction segment, coupled with increased activity levels in the manufacturing segment. Asia benefited from continued strong demand in the automotive and electronics segments in China, as well as from customer wins in the Solutions-related business.

EMEA

EMEA recorded 7 per cent organic growth in net sales in the fourth quarter.

Western Europe recorded mid-single digit growth. The positives were Germany, UK, Italy and the Nordic region, whilst demand in France remained weak. The growth was driven by the automotive, manufacturing as well as the power and energy segments.

Growth rates in infrastructure-related activities slowed down, partly due to the strong development seen in Q4 2013 when demand was benefiting from product launches within Geosystems.

Demand in Russia weakened due to turmoil in the region, while Eastern Europe and the Middle East continued to see increased activity levels.

Africa recorded strong growth in the quarter due to a project order.

AMERICAS

Americas recorded 6 per cent organic growth in net sales in the fourth quarter.

The demand in NAFTA remained strong, driven by the construction, automotive, aerospace and electronics segments. Geosystems continues to benefit from the improvement in infrastructure-related activities, with Mexico and USA contributing positively.

South America recorded a weak quarter as demand in the mining sector decreased following a project completion in Chile in Q3 2014. The public safety and the power and energy segments continued to grow.

ASIA

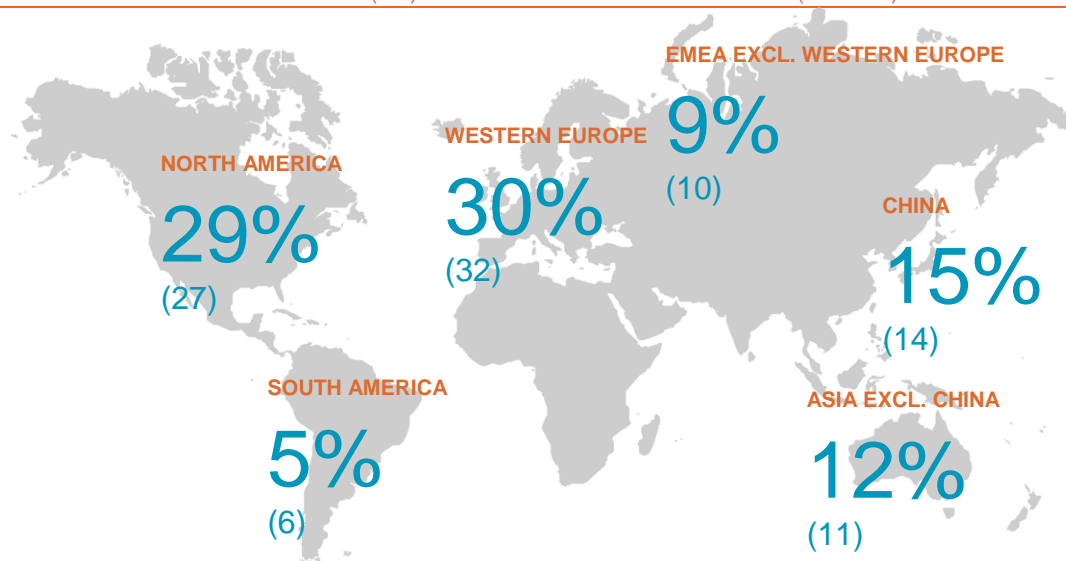
Asia recorded organic growth in net sales of 16 per cent in the fourth quarter.

Hexagon recorded a strong quarter in China with 18 per cent organic growth. Demand continued to be favourable in the automotive, electronics and power and energy segments. Hexagon's sales in China also benefited from good development in the Solutions-related business, while the underlying surveying market remained weak.

Several other markets in the region reported strong growth, including Japan, South Korea, Malaysia and Indonesia.

Australia reported solid growth in the quarter although from subdued levels due to a longer period of poor market conditions in mining. However, it is too early to say whether the growth in Australia represents a shift in the trend in mining.

MEASUREMENT TECHNOLOGIES (MT) NET SALES PER REGION Q4 2014 (Q4 2013)



FINANCIAL SUMMARY – FOURTH QUARTER

| MEUR | Net sales | | | Earnings | | |
|--|-----------|---------|-------------------|----------|---------|------|
| | Q4 2014 | Q4 2013 | Δ % ¹⁾ | Q4 2014 | Q4 2013 | Δ % |
| Hexagon MT | 743.4 | 619.5 | 9 | 179.0 | 141.3 | 27 |
| Other Operations | - | 12.2 | n.a. | - | -0.1 | n.a. |
| Net sales ²⁾ | 743.4 | 631.7 | 9 | | | |
| Group cost and eliminations | | | | -4.6 | -4.5 | -2 |
| Operating earnings (EBIT1) ²⁾ | | | | 174.4 | 136.7 | 28 |
| Operating margin, % | | | | 23.5 | 21.6 | 1.9 |
| Interest income and expenses, net | | | | -8.6 | -7.3 | -18 |
| Earnings before non-recurring items | | | | 165.8 | 129.4 | 28 |
| Non-recurring items | | | | - | - | n.a. |
| Earnings before taxes | | | | 165.8 | 129.4 | 28 |
| Taxes | | | | -33.2 | -24.5 | -36 |
| Net earnings | | | | 132.6 | 104.9 | 26 |

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

²⁾ Net sales and EBIT1 in Q4 2014 have been negatively impacted by -2.2 MEUR from accounting effects from deferred revenues (revenue haircut) related to the acquisitions of Vero and Mintec.

Q4 NET SALES AND EARNINGS

Net sales amounted to 743.4 MEUR (631.7) in the fourth quarter. Using fixed exchange rates and a comparable group structure, net sales increased by 9 per cent.

Operating earnings (EBIT1) increased by 28 per cent to 174.4 MEUR (136.7), which corresponds to an operating margin of 23.5 per cent (21.6). Operating earnings (EBIT1) were positively affected by exchange rate movements of 8.1 MEUR.

In the fourth quarter of 2014, net sales and EBIT1 have been negatively impacted by -2.2 MEUR by the acquisition of deferred revenues (revenue haircut) in Vero and Mintec.

The financial net amounted to -8.6 MEUR (-7.3) in the fourth quarter.

Earnings before taxes amounted to 165.8 MEUR (129.4). Earnings before taxes were positively affected by exchange rate movements of 8.1 MEUR.

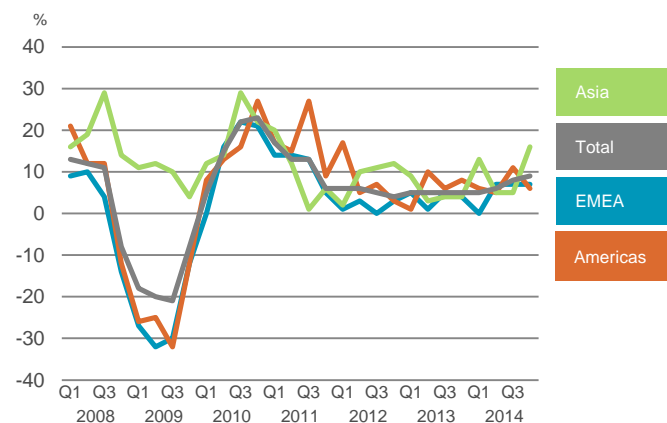
Net earnings amounted to 132.6 MEUR (104.9), or 0.37 EUR (0.29) per share.

CURRENCY IMPACT – FOURTH QUARTER AS COMPARED TO EUR

| | Movement ¹⁾ | | Income less cost | Earnings impact |
|-------------|------------------------|----|------------------|-----------------|
| CHF | Strengthened | 2% | Negative | Negative ↘ |
| USD | Strengthened | 9% | Positive | Positive ↗ |
| CNY | Strengthened | 8% | Positive | Positive ↗ |
| EBIT1, MEUR | | | | 8.1 |

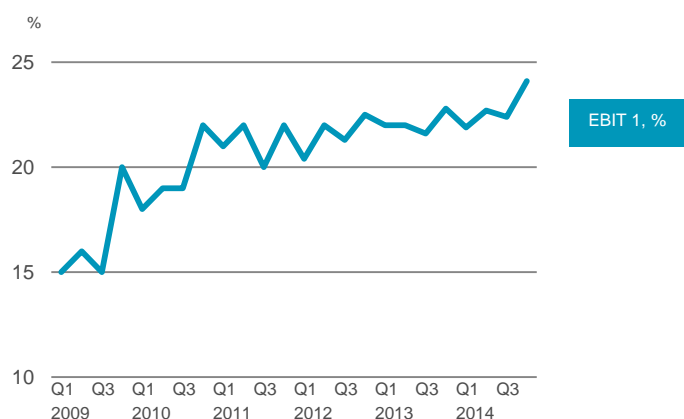
¹⁾ Compared to Q4 2013.

NET SALES – ORGANIC GROWTH BY REGION (MT)



EMEA recorded organic growth of 7 per cent in the fourth quarter, whilst Americas recorded organic growth of 6 per cent. Asia recorded 16 per cent organic growth in the quarter.

OPERATING MARGIN (MT) – QUARTERLY DATA



Hexagon's core business, Measurement Technologies, has consistently improved its profitability. In 2007 and in 2008 the EBIT margin was 20 per cent. In 2009, the margin decreased to approximately 17 per cent due to reduced volumes caused by the global economic downturn. In 2010, the margin was back at 20 per cent and since then, it has continued to expand and reached 22 per cent in 2013. In the fourth quarter of 2014, the margin was 24.1 per cent (22.8).

FINANCIAL SUMMARY – 2014

| MEUR | Net sales | | | Earnings | | |
|-------------------------------------|-----------|---------|-------------------|----------|-------|------|
| | 2014 | 2013 | Δ % ¹⁾ | 2014 | 2013 | Δ % |
| Hexagon MT | 2,609.4 | 2,368.9 | 7 | 596.1 | 523.8 | 14 |
| Other Operations | 13.0 | 60.8 | n.a. | 0.4 | 1.8 | -78 |
| Net sales 2) | 2,622.4 | 2,429.7 | 7 | | | |
| Group cost and eliminations | | | | -18.4 | -17.9 | -3 |
| Operating earnings (EBIT1) 2) | | | | 578.1 | 507.7 | 14 |
| Operating margin, % | | | | 22.0 | 20.9 | 1.1 |
| Interest income and expenses, net | | | | -33.6 | -33.9 | 1 |
| Earnings before non-recurring items | | | | 544.5 | 473.8 | 15 |
| Non-recurring items | | | | -36.0 | -14.9 | -142 |
| Earnings before taxes | | | | 508.5 | 458.9 | 11 |
| Taxes | | | | -102.3 | -87.7 | -17 |
| Net earnings | | | | 406.2 | 371.2 | 9 |

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

²⁾ Net sales and EBIT1 in 2014 have been negatively impacted by -4.0 MEUR from accounting effects from deferred revenues (revenue haircut) related to the acquisitions of Vero and Mintec.

2014 NET SALES AND EARNINGS

Net sales amounted to 2,622.4 MEUR (2,429.7) in 2014. Using fixed exchange rates and a comparable group structure, net sales increased by 7 per cent.

Operating earnings (EBIT1) amounted to 578.1 MEUR (507.7), which corresponds to an operating margin of 22.0 per cent (20.9). Operating earnings (EBIT1) were negatively affected by exchange rate movements of -16.1 MEUR.

During 2014, net sales and EBIT1 have been negatively impacted by -4.0 MEUR by the acquisition of deferred revenues (revenue haircut) in Vero and Mintec. In addition to this, Hexagon posted non-recurring items of -36.0 MEUR (-14.9) related to Veripos, Mintec and Vero Software (impairment of overlapping technologies and assets between Hexagon and the acquired companies as well as transaction costs) and the divestment of Other Operations.

The financial net amounted to -33.6 MEUR (-33.9) in 2014.

Earnings before taxes, excluding non-recurring items, amounted to 544.5 MEUR (473.8). Earnings before taxes, including these items, amounted to 508.5 MEUR (458.9). Earnings before taxes were negatively affected by exchange rate movements of -16.1 MEUR.

Net earnings, excluding non-recurring items, amounted to 435.6 MEUR (383.8) or 1.21 EUR (1.08) per share. Net earnings, including these items, amounted to 406.2 MEUR (371.2) or 1.13 EUR (1.04) per share.

CURRENCY IMPACT – 2014 AS COMPARED TO EUR

| | Movement ¹⁾ | | Income less cost | Earnings impact |
|-------------|------------------------|-----|------------------|-----------------|
| CHF | Strengthened | 1% | Negative | Negative ↘ |
| USD | Strengthened | 0% | Positive | Positive ↗ |
| CNY | Weakened | -0% | Positive | Negative ↘ |
| EBIT1, MEUR | | | | -16.1 |

¹⁾ Compared to 2013.

In addition to the above, significant movements in the Brazilian Real, the Canadian Dollar and the Russian Ruble had a negative impact on net sales and profit during 2014.

IMPACT FROM RECENT CURRENCY MOVEMENTS

Recent currency movements will have a positive impact on Hexagon's sales and earnings in absolute terms. The strengthening of the US dollar and the Chinese yuan is beneficial, as Hexagon has more income than cost in these currencies. At the same time, the strengthening of the Swiss franc is negative for margins as Hexagon has more cost than income in the Swiss franc.

Below is an illustrative pro forma income statement for 2014, using currency rates as of February 4, 2015:

PRO FORMA INCOME STATEMENT FOR 2014 USING CURRENT FX RATES

| MEUR | 2014 | Impact from FX movements | Pro forma 2014 income statement |
|----------------------------|---------|--------------------------|---------------------------------|
| Net sales | 2,622.4 | 213.2 | 2,835.6 |
| Operating earnings (EBIT1) | 578.1 | 34.8 | 612.9 |
| Operating margin, % | 22.0 | -0.4 | 21.6 |

Actions to mitigate the negative impact from the strengthening of the Swiss franc will be taken. More information about these actions will be announced in Q1 2015.



The Fire Department of the City of New York, one of the largest emergency response agencies in the world, selected Hexagon to update its incident response technologies. Hexagon's computer-aided dispatch solution and Mobile for Public Safety will provide the foundation for dispatch and emergency operations for fire and emergency medical service throughout New York City.

PROFITABILITY

Capital employed increased to 5,674.0 MEUR (4,511.0). Return on average capital employed for the last twelve months was 11.6 per cent (11.2). Return on average shareholders' equity for the last twelve months was 13.1 per cent (13.0). The capital turnover rate was 0.5 times (0.5).

FINANCIAL POSITION

Total shareholders' equity increased to 3,470.2 MEUR (2,846.3). The equity ratio was 51 per cent (52). Hexagon's total assets increased to 6,812.0 MEUR (5,473.6).

Following a refinancing in 2014, Hexagon's main sources of financing consist of:

- 1) A multicurrency revolving credit facility (RCF) established during Q3 2014. The RCF amounts to 2,000 MEUR with a tenor of 5+1+1 years
- 2) A Swedish Medium Term Note Programme (MTN) established during Q2 2014. The MTN programme amounts to 10,000 MSEK with tenor up to 5 years
- 3) A Swedish Commercial Paper Programme (CP) established during 2012. The CP programme amounts to 8,000 MSEK with tenor up to 12 months

On 31 December 2014, cash and unutilised credit limits totalled 1,006.8 MEUR (390.1). Hexagon's net debt was 1,896.7 MEUR (1,488.7). The net indebtedness was 0.50 times (0.49). Interest coverage ratio was 14.3 times (12.7).

CASH FLOW

During the fourth quarter, cash flow from operations before changes in working capital amounted to 188.0 MEUR (151.2), corresponding to 0.53 EUR (0.43) per share. Cash flow from operations in the fourth quarter amounted to 193.9 MEUR (151.6), corresponding to 0.54 EUR (0.43) per share. Operating cash flow in the fourth quarter of 2014, including non-recurring items, amounted to 130.6 MEUR (80.1).

For the full year, cash flow from operations amounted to 563.4 MEUR (506.8) corresponding to 1.58 EUR (1.43) per share. The operating cash flow, including non-recurring items, amounted to 316.7 MEUR (286.1).

INVESTMENTS, DEPRECIATION, AMORTISATION AND IMPAIRMENT

Hexagon's net investments, excluding acquisitions and divestitures, amounted to -62.7 MEUR (-67.1) in the fourth quarter and -232.5 MEUR (-216.3) in 2014. The 2014 investments include -25.0 MEUR (-17.6) related to the now completed Intergraph facility in Huntsville, Alabama, USA.

Depreciation, amortisation and impairment amounted to -48.8 MEUR (-34.8) in the fourth quarter and -192.9 MEUR (-134.5) in 2014. Hexagon recorded impairment charges of -27.5 MEUR (-) in 2014 related to the acquisitions of Veripos, Mintec and Vero (impairment of overlapping technologies between Hexagon and acquired companies) and the divestment of Other Operations. The charges were recorded as non-recurring items.

TAX RATE

The Group's tax expense for 2014 totalled -102.3 (-87.7).

The reported tax rate was 20.0 per cent (18.9) for the quarter and 20.1 per cent (19.1) for the full year. The tax rate, excluding non-recurring items, was 20.0 (18.9) per cent for the quarter and 20.0 (19.0) the full year.

EMPLOYEES

The average number of employees during 2014 was 14,865 (13,931). The number of employees at the end of the year was 15,783 (14,462). The increase was primarily related to acquisitions.

SHARE DATA

Earnings per share for the fourth quarter, amounted to 0.37 EUR (0.29).

Earnings per share, excluding non-recurring items, for the full year amounted to 1.21 EUR (1.08). Earnings per share, including non-recurring items, for the full year amounted to 1.13 EUR (1.04).

On 31 December 2014, equity per share was 9.68 EUR (8.00) and the share price was 242.00 SEK (203.30).

Hexagon's share capital amounts to 79,302,633 EUR, represented by 357,389,213 shares, of which 15,750,000 are of series A with 10 votes each and 341,639,213 are of series B with one vote each. Hexagon AB holds no treasury shares.

In accordance with a decision by a Shareholders' General Meeting in December 2011, an incentive programme was introduced, under which a maximum of 13,665,000 warrants can be issued. At full exercise of the warrant programme, the dilutive effect would be 3.7 per cent of the share capital and 2.7 per cent of the number of votes. On 31 December 2014, 2,982,929 warrants were outstanding.

ASSOCIATED COMPANIES

Associated companies affected Hexagon's earnings during 2014 by 0.0 MEUR (-2.0).

PARENT COMPANY

The parent company's earnings after financial items 2014 amounted to 201.2 MEUR (262.4). The equity was 1,885.2 MEUR (1,757.1). The equity ratio of the parent company was 39 per cent (43). Liquid funds including unutilised credit limits were 772.8 MEUR (210.9).

BUSINESS AREAS

MEASUREMENT TECHNOLOGIES – SALES AND EARNINGS

| MEUR | Q4 2014 | Q4 2013 | Δ% | 2014 | 2013 | Δ% |
|-------------------------------|---------|---------|-----------------|---------|---------|-----------------|
| Net sales 2) | 743.4 | 619.5 | 9 ¹⁾ | 2,609.4 | 2,368.9 | 7 ¹⁾ |
| Operating earnings (EBIT1) 2) | 179.0 | 141.3 | 27 | 596.1 | 523.8 | 14 |
| Operating margin, % | 24.1 | 22.8 | 1.3 | 22.8 | 22.1 | 0.7 |

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

²⁾ Net sales and EBIT1 in Q4 2014 have been negatively impacted by -2.2 MEUR from accounting effects from deferred revenues (revenue haircut) related to the acquisitions of Vero and Mintec.

OTHER OPERATIONS – SALES AND EARNINGS

| MEUR | Q4 2014 | Q4 2013 | Δ% | 2014 | 2013 | Δ% |
|-------------------------------|---------|---------|--------------------|------|------|--------------------|
| Net sales | - | 12.2 | n.a. ¹⁾ | 13.0 | 60.8 | n.a. ¹⁾ |
| Operating earnings (EBIT1) 2) | - | -0.1 | n.a. | 0.4 | 1.8 | -78 |
| Operating margin, % | n.a. | -0.8 | n.a. | 3.1 | 3.0 | 0.1 |

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

MEASUREMENT TECHNOLOGIES

In the fourth quarter, net sales amounted to 743.4 MEUR (619.5). Using fixed exchange rates and a comparable group structure, net sales increased by 9 per cent.

Operating earnings (EBIT1) amounted to 179.0 MEUR (141.3), which corresponds to an operating margin of 24.1 per cent (22.8).

The number of employees by the end of the quarter was 15,765 (14,198).

OTHER OPERATIONS

On March 17 2014, Hexagon divested SwePart Transmission which finalized the strategy to focus on Measurement Technologies. Hence, no revenue was recorded from Other Operations in Q4 2014.

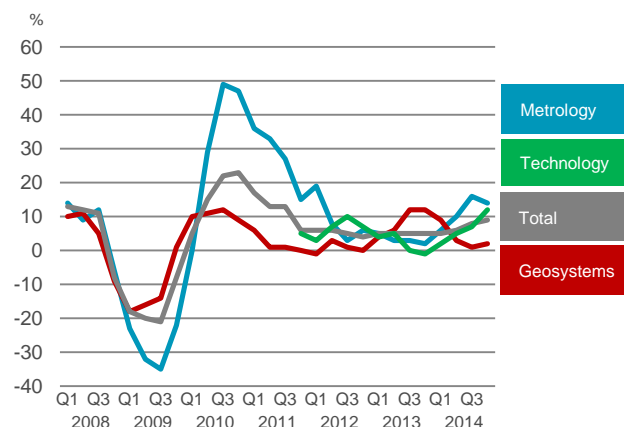
In Q4 2013, Other Operations had net sales of 12.2 MEUR and operating earnings (EBIT1) amounted to -0.1 MEUR.

MEASUREMENT TECHNOLOGIES – APPLICATION AREAS

| MEUR | Net sales | | | | Net sales | | |
|------------------|-----------|---------|------------------|--|-----------|---------|------------------|
| | Q4 2014 | Q4 2013 | Δ% ¹⁾ | | 2014 | 2013 | Δ% ¹⁾ |
| Geosystems | 246.7 | 224.8 | 2 | | 907.3 | 850.6 | 4 |
| Metrology | 260.9 | 200.4 | 14 | | 850.8 | 735.8 | 11 |
| Technology | 235.8 | 194.3 | 12 | | 851.3 | 782.5 | 6 |
| Total Hexagon MT | 743.4 | 619.5 | 9 | | 2,609.4 | 2,368.9 | 7 |

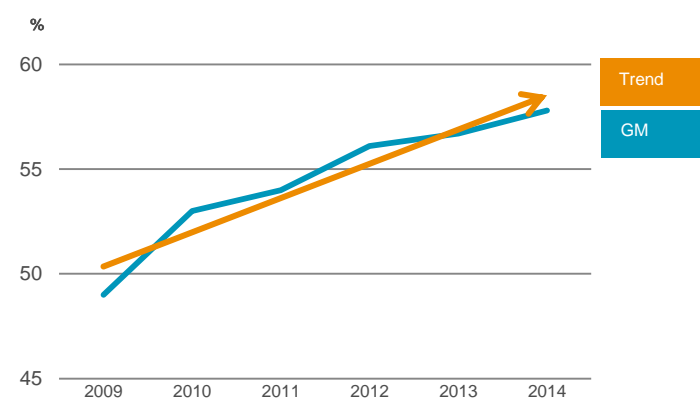
¹⁾ Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

NET SALES – ORGANIC GROWTH BY APPLICATION AREA (MT)



Geosystems recorded 2 per cent organic growth in net sales in the fourth quarter. Metrology recorded organic sales growth of 14 per cent and Technology recorded 12 per cent organic growth.

GROSS MARGIN (MT) – ANNUAL DATA



Product innovations including new technology, lower manufacturing costs and greater software content have enabled Hexagon to improve the gross margin over time. In 2014, the gross margin reached a new record level of 58 per cent (57).



The latest model in the Leica Absolute Tracker range, the AT960, answers customer demand for a genuinely portable laser tracker with high-speed dynamics and six degrees of freedom (6DoF) capabilities. The Boeing Everett factory, based in Washington State, USA, will implement the AT960 with Leica T-Probe in inline production for fuselage assembly of the 747, which will allow assembly and periodic inspections in a single fixed installation.

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

Stockholm, Sweden, 6 February 2015
Hexagon AB (publ)

Melker Schörling
Chairman of the Board

Ulrika Francke
Board Member

Gun Nilsson
Board Member

Jill Smith
Board Member

Ulrik Svensson
Board Member

Ola Rollén
President and CEO
Board Member

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

ACCOUNTING PRINCIPLES

Hexagon applies International Financial Reporting Standards (IFRS) as adopted by the European Union. Hexagon's report for the Group is prepared in accordance with IAS 34, "Interim Financial Reporting" and the Annual Accounts Act. Parent company accounts are prepared in accordance with the Annual Accounts Act. Accounting principles and calculation methods are unchanged from those applied in the Annual Report for 2013. New and amended standards applicable from 2014 have not had any significant impact on the financial statements.

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 and the ability to raise funds. 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 risks facing the Group compared to what was reported in the 2013 Annual Report.

RELATED PARTY TRANSACTIONS

No significant related party transactions have been incurred during 2014.

ANNUAL GENERAL MEETING 2015

The AGM will be held on 6 May 2015 at 17:00 CET in Stockholm (City Conference Center, Drottninggatan 71 B). The Annual Report for 2014 will be distributed during the week starting 13 April. To attend the AGM shareholders must be registered in the share register maintained by Euroclear on 29 April. Notification of attendance should be made to Hexagon's head office no later than on 29 April. To participate in the AGM, shareholders with nominee-registered holdings should temporarily re-register their shares in their own names through the agency of their nominees so that they are recorded in the share register in good time before 29 April.

PROPOSED DIVIDEND

The Hexagon Board of Directors proposes a dividend of 0.35 EUR per share (0.31). The proposed record date will be 8 May and expected date for settlement is 18 May.

SUBSEQUENT EVENTS

No significant events have occurred during the period between quarter-end and date of issuance of this report.

Condensed Income Statement

| MEUR | Q4 2014 | Q4 2013 | 2014 | 2013 |
|--|--------------|--------------|----------------|----------------|
| Net sales | 743.4 | 631.7 | 2,622.4 | 2,429.7 |
| Cost of goods sold | -302.4 | -281.8 | -1,107.9 | -1,081.8 |
| Gross earnings | 441.0 | 349.9 | 1,514.5 | 1,347.9 |
| Sales and administration costs, etc. | -259.0 | -208.5 | -946.2 | -828.4 |
| Earnings from shares in associated companies | 0.1 | - | 0.0 | -2.0 |
| Capital loss from sale of shares in Group companies | - | - | -1.5 | -5.2 |
| Amortization of surplus values (in Sales and administration costs, etc.) | -7.7 | -4.7 | -24.7 | -19.5 |
| Operating earnings 1) | 174.4 | 136.7 | 542.1 | 492.8 |
| Interest income and expenses, net | -8.6 | -7.3 | -33.6 | -33.9 |
| Earnings before taxes | 165.8 | 129.4 | 508.5 | 458.9 |
| Taxes | -33.2 | -24.5 | -102.3 | -87.7 |
| Net earnings | 132.6 | 104.9 | 406.2 | 371.2 |
| Attributable to: | | | | |
| Parent company shareholders | 132.0 | 104.1 | 402.8 | 367.9 |
| Non-controlling interest | 0.6 | 0.8 | 3.4 | 3.3 |
| 1) of which non-recurring items | - | - | -36.0 | -14.9 |
| Earnings include depreciation, amortisation and impairments of | -48.8 | -34.8 | -192.9 | -134.5 |
| - of which amortization of surplus values | -7.7 | -4.7 | -24.7 | -19.5 |
| Basic earnings per share, EUR | 0.37 | 0.29 | 1.13 | 1.04 |
| Earnings per share after dilution, EUR | 0.37 | 0.29 | 1.13 | 1.03 |
| Total shareholder's equity per share, EUR | 9.68 | 8.00 | 9.68 | 8.00 |
| Closing number of shares, thousands | 357,389 | 354,997 | 357,389 | 354,997 |
| Average number of shares, thousands | 356,497 | 353,766 | 355,764 | 353,226 |
| Average number of shares after dilution, thousands | 357,951 | 356,007 | 357,225 | 355,482 |

Condensed Comprehensive Income

| MEUR | Q4 2014 | Q4 2013 | 2014 | 2013 |
|--|--------------|---------------|--------------|---------------|
| Net earnings | 132.6 | 104.9 | 406.2 | 371.2 |
| Other comprehensive income | | | | |
| Items that will not be reclassified to income statement | | | | |
| Remeasurement of pensions | -39.6 | 7.6 | -39.6 | 7.6 |
| Taxes on items that will not be reclassified to income statement | 4.9 | -1.5 | 4.9 | -1.5 |
| Total items that will not be reclassified to income statement, net of taxes | -34.7 | 6.1 | -34.7 | 6.1 |
| Items that may be reclassified subsequently to income statement | | | | |
| Exchange rate differences | 90.2 | -80.6 | 373.4 | -194.4 |
| Effect of hedging of net investments in foreign operations | -9.6 | 5.1 | -36.4 | 8.2 |
| Cash flow hedges, net | - | -0.2 | - | - |
| Taxes on items that may be reclassified subsequently to income statement | -0.6 | -33.5 | -4.4 | -29.1 |
| Total items that may be reclassified subsequently to income statement, net of taxes | 80.0 | -109.2 | 332.6 | -215.3 |
| Other comprehensive income, net of taxes | 45.3 | -103.1 | 297.9 | -209.2 |
| Total comprehensive income for the period | 177.9 | 1.8 | 704.1 | 162.0 |
| Attributable to: | | | | |
| Parent company shareholders | 176.7 | 0.9 | 699.6 | 158.6 |
| Non-controlling interest | 1.2 | 0.9 | 4.5 | 3.4 |

Condensed Balance Sheet

| MEUR | 31/12 2014 | 31/12 2013 |
|--|----------------|----------------|
| Intangible fixed assets | 4,998.8 | 3,906.6 |
| Tangible fixed assets | 311.9 | 252.6 |
| Financial fixed assets | 24.6 | 56.0 |
| Deferred tax assets | 66.0 | 65.1 |
| Total fixed assets | 5,401.3 | 4,280.3 |
| Inventories | 403.9 | 369.6 |
| Accounts receivable | 615.4 | 509.7 |
| Other receivables | 60.4 | 49.2 |
| Prepaid expenses and accrued income | 102.4 | 88.8 |
| Total current receivables | 778.2 | 647.7 |
| Cash and cash equivalents | 228.6 | 176.0 |
| Total current assets | 1,410.7 | 1,193.3 |
| Total assets | 6,812.0 | 5,473.6 |
| Equity attributable to parent company shareholders | 3,458.8 | 2,839.8 |
| Equity attributable to non-controlling interest | 11.4 | 6.5 |
| Total shareholders' equity | 3,470.2 | 2,846.3 |
| Interest bearing liabilities | 1,573.3 | 918.8 |
| Other liabilities | 7.0 | 8.1 |
| Pension liabilities | 87.6 | 53.2 |
| Deferred tax liabilities | 361.8 | 294.3 |
| Other provisions | 66.0 | 22.1 |
| Total long-term liabilities | 2,095.7 | 1,296.5 |
| Interest bearing liabilities | 457.6 | 680.3 |
| Accounts payable | 166.6 | 159.0 |
| Other liabilities | 130.3 | 99.2 |
| Other provisions | 48.0 | 48.5 |
| Accrued expenses and deferred income | 443.6 | 343.8 |
| Total short-term liabilities | 1,246.1 | 1,330.8 |
| Total equity and liabilities | 6,812.0 | 5,473.6 |

Financial instruments

In Hexagon's balance sheet derivatives and other long-term securities holdings are carried at fair value. Derivatives are measured at fair value based on valuation techniques with observable market data as input (level 2 according to definition in IFRS 7). Other long-term securities holdings amount to insignificant numbers. Other assets and liabilities are carried at accrued cost.

For financial assets and liabilities that are carried at accrued cost, the fair value is deemed to be coincident with the carrying amount except for long-term liabilities to credit institutions. The difference between the fair value and the carrying amount for these long-term liabilities is deemed to be insignificant relative to the total balance sheet since the interest rate duration is short.

Condensed Statement of Changes in Equity

| MEUR | 2014 | 2013 |
|--|---------|---------|
| Opening shareholders' equity | 2,846.3 | 2,749.1 |
| Total comprehensive income for the period 1) | 704.1 | 162.0 |
| New share issues, warrants exercised - net of issuance costs | 29.5 | 23.2 |
| Dividend | -110.3 | -101.9 |
| Sale of repurchased shares | - | 13.8 |
| Effect of acquisitions of subsidiaries | 0.6 | 0.1 |
| Closing shareholders' equity 2) | 3,470.2 | 2,846.3 |
| 1) Of which: Parent company shareholders | 699.6 | 158.6 |
| Non-controlling interest | 4.5 | 3.4 |
| 2) Of which: Parent company shareholders | 3,458.8 | 2,839.8 |
| Non-controlling interest | 11.4 | 6.5 |

Number of Shares

| | series A | series B | Total |
|--|------------|-------------|-------------|
| 2009-12-31 Total issued and outstanding | 11,812,500 | 252,534,653 | 264,347,153 |
| Sale of repurchased shares | - | 20,070 | 20,070 |
| Rights issue | 3,937,500 | 83,845,572 | 87,783,072 |
| 2010-12-31 Total issued and outstanding | 15,750,000 | 336,400,295 | 352,150,295 |
| Rights issue | - | 339,335 | 339,335 |
| 2011-12-31 Total issued and outstanding | 15,750,000 | 336,739,630 | 352,489,630 |
| Sale of repurchased shares | - | 185,207 | 185,207 |
| 2012-12-31 Total issued and outstanding | 15,750,000 | 336,924,837 | 352,674,837 |
| Sale of repurchased shares | - | 967,340 | 967,340 |
| New issue, warrants exercised | - | 1,354,800 | 1,354,800 |
| 2013-12-31 Total issued and outstanding | 15,750,000 | 339,246,977 | 354,996,977 |
| New issue, warrants exercised | - | 2,392,236 | 2,392,236 |
| 2014-12-31 Total issued and outstanding 1) | 15,750,000 | 341,639,213 | 357,389,213 |

¹⁾ As per 31 December 2014, there were in total 357,389,213 shares in the Company, of which 15,750,000 are of series A with ten votes each and 341,639,213 are of series B with one vote each. Hexagon AB holds no treasury shares. Warrants exercised until 2014-12-31 have incurred a new share issue in progress as per 2014-12-31 of 71,000 new shares of series B. The new share issue will be finalized in the first quarter of 2015.

Condensed Cash Flow Statement

| MEUR | Q4 2014 | Q4 2013 | 2014 | 2013 |
|---|---------|---------|--------|--------|
| Cash flow from operations before change in working capital excluding taxes and interest | 217.9 | 167.6 | 731.9 | 628.9 |
| Taxes paid | -21.2 | -10.4 | -84.5 | -62.3 |
| Interest received and paid, net | -8.7 | -6.0 | -28.2 | -28.6 |
| Cash flow from operations before change in working capital | 188.0 | 151.2 | 619.2 | 538.0 |
| Cash flow from change in working capital | 5.9 | 0.4 | -55.8 | -31.2 |
| Cash flow from operations | 193.9 | 151.6 | 563.4 | 506.8 |
| Cash flow from ordinary investing activities | -62.7 | -67.1 | -232.5 | -216.3 |
| Operating cash flow | 131.2 | 84.5 | 330.9 | 290.5 |
| Non-recurring cash flow 1) | -0.6 | -4.4 | -14.2 | -4.4 |
| Operating cash flow after non-recurring items | 130.6 | 80.1 | 316.7 | 286.1 |
| Cash flow from other investing activities 2) | -33.9 | -58.3 | -550.0 | -73.1 |
| Cash flow after other investing activities | 96.7 | 21.8 | -233.3 | 213.0 |
| Dividends paid | -0.2 | -0.3 | -110.3 | -101.9 |
| Sale of repurchased shares | - | 4.6 | - | 13.8 |
| New share issues, warrants exercised - net of issuance costs | 13.3 | 3.8 | 29.5 | 23.2 |
| Cash flow from other financing activities | -84.6 | -24.7 | 353.3 | -105.8 |
| Cash flow for the period | 25.2 | 5.2 | 39.2 | 42.3 |
| Cash and cash equivalents, beginning of period | 194.0 | 163.9 | 176.0 | 130.7 |
| Effect of translation differences on cash and cash equivalents | 9.3 | 6.9 | 13.3 | 3.0 |
| Cash flow for the period | 25.2 | 5.2 | 39.2 | 42.3 |
| Cash and cash equivalents, end of period | 228.5 | 176.0 | 228.5 | 176.0 |

¹⁾ Non-recurring cash flow in fourth quarter of 2014 consists of transaction costs of -0.6 MEUR.

²⁾ Acquisitions and divestments totalled -537.2 MEUR (-35.0) and other was -12.8 MEUR (-38.1) in 2014.

Key Ratios

| | Q4 2014 | Q4 2013 | 2014 | 2013 |
|---|---------|---------|---------|---------|
| Operating margin, % | 23.5 | 21.6 | 22.0 | 20.9 |
| Profit margin before taxes, % | 22.3 | 20.5 | 19.4 | 18.9 |
| Return on shareholders' equity, 12 month average, % | 13.1 | 13.0 | 13.1 | 13.0 |
| Return on capital employed, 12 month average, % | 11.6 | 11.2 | 11.6 | 11.2 |
| Equity ratio, % | 50.9 | 52.0 | 50.9 | 52.0 |
| Net indebtedness | 0.50 | 0.49 | 0.50 | 0.49 |
| Interest coverage ratio | 17.6 | 14.9 | 14.3 | 12.7 |
| Average number of shares, thousands | 356,497 | 353,766 | 355,764 | 353,226 |
| Basic earnings per share excl. non-recurring items, EUR | 0.37 | 0.29 | 1.21 | 1.08 |
| Basic earnings per share, EUR | 0.37 | 0.29 | 1.13 | 1.04 |
| Cash flow per share, EUR | 0.54 | 0.43 | 1.58 | 1.43 |
| Cash flow per share before change in working cap, EUR | 0.53 | 0.43 | 1.74 | 1.52 |
| Share price, SEK | 242.00 | 203.30 | 242.00 | 203.30 |
| Share price, translated to EUR | 25.76 | 22.95 | 25.76 | 22.95 |

Supplementary Information

NET SALES

| MEUR | Q4 2014 | Q3 2014 | Q2 2014 | Q1 2014 | 2014 | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 | 2013 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Hexagon MT | 743.4 | 648.6 | 635.6 | 581.8 | 2,609.4 | 619.5 | 566.1 | 614.2 | 569.1 | 2,368.9 |
| - Of which | | | | | | | | | | |
| Geosystem | 246.7 | 222.8 | 229.6 | 208.2 | 907.3 | 224.8 | 203.9 | 226.7 | 195.2 | 850.6 |
| Metrology | 260.9 | 214.1 | 196.4 | 179.4 | 850.8 | 200.4 | 173.3 | 186.3 | 175.8 | 735.8 |
| Technology | 235.8 | 211.7 | 209.6 | 194.2 | 851.3 | 194.3 | 188.9 | 201.2 | 198.1 | 782.5 |
| Other Operations | - | - | - | 13.0 | 13.0 | 12.2 | 10.5 | 20.9 | 17.2 | 60.8 |
| Group | 743.4 | 648.6 | 635.6 | 594.8 | 2,622.4 | 631.7 | 576.6 | 635.1 | 586.3 | 2,429.7 |

OPERATING EARNINGS (EBIT1)

| MEUR | Q4 2014 | Q3 2014 | Q2 2014 | Q1 2014 | 2014 | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 | 2013 |
|------------------|---------|---------|---------|---------|-------|---------|---------|---------|---------|-------|
| Hexagon MT | 179.0 | 145.3 | 144.2 | 127.6 | 596.1 | 141.3 | 122.3 | 135.2 | 125.0 | 523.8 |
| Other Operations | - | - | - | 0.4 | 0.4 | -0.1 | 0.2 | 1.1 | 0.6 | 1.8 |
| Group costs | -4.6 | -4.6 | -4.6 | -4.6 | -18.4 | -4.5 | -4.1 | -4.7 | -4.6 | -17.9 |
| Group | 174.4 | 140.7 | 139.6 | 123.4 | 578.1 | 136.7 | 118.4 | 131.6 | 121.0 | 507.7 |
| Margin, % | 23.5 | 21.7 | 22.0 | 20.7 | 22.0 | 21.6 | 20.5 | 20.7 | 20.6 | 20.9 |

NET SALES

| MEUR | Q4 2014 | Q3 2014 | Q2 2014 | Q1 2014 | 2014 | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 | 2013 |
|----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| EMEA | 290.3 | 248.2 | 259.4 | 245.3 | 1,043.3 | 267.7 | 230.4 | 261.9 | 249.6 | 1,009.6 |
| Americas | 251.9 | 228.3 | 203.8 | 186.1 | 870.1 | 206.7 | 187.9 | 201.7 | 183.5 | 779.8 |
| Asia | 201.2 | 172.1 | 172.3 | 163.4 | 709.0 | 157.3 | 158.3 | 171.5 | 153.2 | 640.3 |
| Group | 743.4 | 648.6 | 635.6 | 594.8 | 2,622.4 | 631.7 | 576.6 | 635.1 | 586.3 | 2,429.7 |

EXCHANGE RATES

| Average | Q4 2014 | Q3 2014 | Q2 2014 | Q1 2014 | 2014 | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 | 2013 |
|---------|---------|---------|---------|---------|--------|---------|---------|---------|---------|--------|
| SEK/EUR | 0.1079 | 0.1086 | 0.1105 | 0.1129 | 0.1099 | 0.1128 | 0.1152 | 0.1167 | 0.1177 | 0.1156 |
| USD/EUR | 0.8002 | 0.7544 | 0.7291 | 0.7299 | 0.7539 | 0.7348 | 0.7550 | 0.7657 | 0.7571 | 0.7531 |
| CNY/EUR | 0.1302 | 0.1224 | 0.1170 | 0.1196 | 0.1224 | 0.1206 | 0.1233 | 0.1244 | 0.1217 | 0.1225 |
| CHF/EUR | 0.8303 | 0.8254 | 0.8202 | 0.8173 | 0.8234 | 0.8135 | 0.8100 | 0.8120 | 0.8139 | 0.8123 |
| Closing | Q4 2014 | Q3 2014 | Q2 2014 | Q1 2014 | 2014 | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 | 2013 |
| SEK/EUR | 0.1065 | 0.1093 | 0.1090 | 0.1118 | 0.1065 | 0.1129 | 0.1155 | 0.1139 | 0.1197 | 0.1129 |
| USD/EUR | 0.8237 | 0.7947 | 0.7322 | 0.7253 | 0.8237 | 0.7251 | 0.7405 | 0.7645 | 0.7809 | 0.7251 |
| CNY/EUR | 0.1327 | 0.1294 | 0.1180 | 0.1166 | 0.1327 | 0.1198 | 0.1210 | 0.1246 | 0.1256 | 0.1198 |
| CHF/EUR | 0.8317 | 0.8290 | 0.8226 | 0.8201 | 0.8317 | 0.8146 | 0.8180 | 0.8105 | 0.8200 | 0.8146 |

Acquisitions

| MEUR | Veripos | Mintec | Vero | Other | Acquisitions | |
|---|--------------|--------------|--------------|--------------|--------------|-------------|
| | | | | | 2014 | 2013 |
| Fair value of acquired assets and assumed liabilities | | | | | | |
| Intangible fixed assets | 23.3 | 33.2 | 82.4 | 18.9 | 157.8 | 11.5 |
| Other fixed assets | 10.0 | 0.5 | 2.5 | 12.1 | 25.1 | 2.8 |
| Total fixed assets | 33.3 | 33.7 | 84.9 | 31.0 | 182.9 | 14.3 |
| Total current assets | 25.3 | 2.5 | 54.2 | 17.5 | 99.5 | 30.5 |
| Total assets | 58.6 | 36.2 | 139.1 | 48.5 | 282.4 | 44.8 |
| Total long-term liabilities | 5.6 | - | 70.2 | 9.2 | 85.0 | 10.1 |
| Total current liabilities | 9.0 | 9.8 | 38.2 | 12.9 | 69.9 | 15.3 |
| Total liabilities | 14.6 | 9.8 | 108.4 | 22.1 | 154.9 | 25.4 |
| Fair value of acquired assets and assumed liabilities, net | 44.0 | 26.4 | 30.7 | 26.4 | 127.5 | 19.4 |
| Long-term securities holdings | -42.9 | - | - | - | -42.9 | - |
| Shares in associated companies | - | - | - | -3.1 | -3.1 | -5.4 |
| Non-controlling interest in equity | - | - | -0.6 | - | -0.6 | -0.1 |
| Goodwill | 103.0 | 99.0 | 279.2 | 86.4 | 567.6 | 73.9 |
| Total purchase consideration transferred | 104.1 | 125.4 | 309.3 | 109.7 | 648.5 | 87.8 |
| Less cash and cash equivalents in acquired companies | | | | | -50.2 | -10.7 |
| Adjustment for non-paid consideration and considerations paid for prior years' acquisitions | | | | | -40.8 | -41.9 |
| Cash flow from acquisition of companies/businesses | | | | | 556.3 | 35.2 |

During 2014, Hexagon acquired the following companies:

- GT Strudl, a US software development company
- Aibotix, a German manufacturer of advanced drones
- Veripos, a UK based provider of positioning services
- SAFEmine, a Swiss based provider of mining safety products
- Geodata, a French provider of network RTK correction services
- North West Geomatics, a Canadian provider of aerial mapping
- Arvus, a Brazil provider of precision agriculture solutions
- iLab, a Brazil provider of precision agriculture solutions
- Mintec, a US provider of mine planning software
- Vero Software, a UK provider of Computer-Aided Manufacturing (CAM) software

The acquisitions included in the column "Other" are individually assessed as immaterial from a group perspective why only aggregated information are presented. The analysis of the acquired net assets is preliminary and the fair value might be subject to change.

Further information related to the acquisitions of Veripos, Mintec and Vero Software is presented in the acquisition analysis on page 13-14.

Acquisition analysis

ACQUISITION OF VERIPOS

As of March 12th 2014 Hexagon became the owner of 100 per cent of the shares in Veripos, a company headquartered in Aberdeen, Scotland, employing approximately 130 people in 8 countries. Veripos operates, maintains and controls its own network of over 80 GNSS reference stations to determine, calculate and deliver a GNSS correction signal through a satellite delivery method. Veripos' main market segment is the offshore energy market, with most of the company revenues generated in the oil & gas exploration and positioning segments.

Background and reasons for the transaction

Hexagon has a large customer base and an extensive offering in the surveying and agriculture markets through its brands Leica Geosystems and NovAtel. In those markets satellite correction services are becoming an essential part to be able to offer customers. It is therefore a good strategic fit between Hexagon and Veripos where Hexagon will provide, state-of-the-art, positioning technology to Veripos as well as future growth via Hexagon's onshore markets. Veripos has, in turn, built up a strong position in the offshore market and has infrastructure that Hexagon can leverage on immediately rather than building such infrastructure in-house.

The goodwill of 103.0 MEUR comprises the value of expected synergies arising from the acquisition and the assembled workforce, which is not separately recognised. Synergies have primarily been identified to arise by i) combining Hexagon and Veripos technologies, ii) selling Veripos correction services in Hexagon's markets and iii) rationalisation of overlapping resources at Hexagon and Veripos. Goodwill is allocated entirely to the Measurement Technologies operating segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

Of the 23.3 MEUR of acquired intangible assets, 8.8 MEUR was assigned to trademarks that are not subject to amortisation. The remaining 14.5 MEUR was assigned to capitalised development expenses, patents and other assets with useful lives of 7-15 years. The intangible assets have been valued using a discounted cash flow method.

From the date of acquisition, Veripos has contributed 34.2 MEUR of net sales in 2014. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 37.1 MEUR.

The analysis of the acquired net assets has been finalized.

ACQUISITION OF MINTEC

As of July 3rd 2014 Hexagon became the owner of virtually all assets and liabilities in Mintec, a company headquartered in Tucson, AZ, United States, employing approximately 230 people in 8 countries. Mintec is the developer of the MineSight software, used for resource modelling, optimisation, planning and scheduling in the mining industry. Mintec's software is used to design mines, make commercial decisions on where to mine and make decisions based on new information once material is extracted and assayed.

Background and reasons for the transaction

Hexagon has a large customer base and an extensive offering in the mining industry through its brands Leica Geosystems, Devex and SAFEmine. Mining is becoming a more precise practice, and accurate mine planning and scheduling is deemed to be at the forefront of this change. It is therefore a strategic fit between Hexagon's present activity in the operations domain, and Mintec's activities within the planning and scheduling phase. The integration of these capabilities will enable Hexagon to close the loop and control data flow from design and mine planning through extraction and back into life-of-mine planning, providing a comprehensive flow of data across all mining operations.

The goodwill of 99.0 MEUR comprises the value of expected synergies arising from the acquisition and the assembled workforce, which is not separately recognised. Synergies have primarily been identified to arise by i) combining Hexagon and Mintec technologies, ii) selling Hexagon products to Mintec's customer base and iii) removal of overlapping resources at Hexagon and Mintec. Goodwill is allocated entirely to the Measurement Technologies operating segment.

Of the 33.2 MEUR of acquired intangible assets 10.3 MEUR was assigned to trademarks that are not subject to amortisation. The remaining 22.9 MEUR was assigned to capitalised development expenses, patents and other assets with useful lives of 10-20 years. The intangible assets have been valued using a discounted cash flow method.

From the date of acquisition, Mintec has contributed 18.6 MEUR of net sales in 2014. If the acquisition had taken place at the beginning of the year, the contribution to net sales in 2014 would have been 33.8 MEUR.

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

ACQUISITION OF VERO

As of August 7th 2014 Hexagon became the owner of 100 per cent of the shares in Vero Software, a company headquartered in Cheltenham, UK employing approximately 580 people in 12 countries. Vero Software is a developer of Computer-Aided Manufacturing (CAM) software, which aids the design and manufacturing process with solutions for programming and controlling machine tools, addressing the rising challenge of achieving manufacturing efficiencies with high-quality output. Brands in Vero Software's portfolio include Alphacam, Cabinet Vision, Edgecam, Radan, SURFCAM, VISI, and WorkNC.

Background and reasons for the transaction

Hexagon has a large customer base and an extensive offering in the manufacturing industry through its Metrology business, which helps customer to assess quality in the post-production stage within the manufacturing lifecycle. Vero Software will bring Hexagon into the pre-production stage of the manufacturing process, where Vero's software is used to program and control machine tools. The combination of these technologies will strengthen Hexagon's software offering, and provide the means to close the gap between metrology and production planning by making quality data fully actionable.

The goodwill of 279.2 MEUR comprises the value of expected synergies arising from the acquisition and the assembled workforce, which is not separately recognised. Synergies have primarily been identified to arise by i) combining Hexagon and Vero technologies, ii) using Hexagon's global footprint to extend the reach of Vero Software's organisation and iii) removal of overlapping resources at Hexagon and Vero. Goodwill is allocated entirely to the Measurement Technologies operating segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

Of the 82.4 MEUR of acquired intangible assets 40.2 MEUR was assigned to trademarks that are not subject to amortisation. The remaining 42.2 MEUR was assigned to capitalised development expenses, patents and other assets with useful lives of 12-15 years. The intangible assets have been valued using a discounted cash flow method.

From the date of acquisition, Vero has contributed 36.6 MEUR of net sales in 2014. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 85.8 MEUR.

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

Divestments

| MEUR | Divestments | |
|--|-------------|-------------|
| | 2014 | 2013 |
| Carrying value of divested assets and liabilities, net | | |
| Intangible fixed assets | 0.0 | - |
| Other fixed assets | 7.8 | - |
| Total fixed assets | 7.8 | - |
| Total current assets | 22.4 | 13.8 |
| Total assets | 30.2 | 13.8 |
| Total long-term liabilities | 1.3 | - |
| Total current liabilities | 22.3 | 8.4 |
| Total liabilities | 23.6 | 8.4 |
| Carrying value of divested assets and liabilities, net | 6.6 | - |
| Capital gain (+) / loss (-) | -1.5 | -5.2 |
| Total purchase consideration transferred | 5.1 | 0.2 |
| Plus repayment of intercompany loan | 14.0 | - |
| Cash flow from divestment of companies/businesses | 19.1 | 0.2 |

In March 2014, Hexagon divested SwePart Transmission AB that was reported within the business area Other Operations. In July 2013, Hexagon divested EBP i Olofström AB. Following these divestments, Hexagon will record no further activity within the Other Operations business area.

Condensed Parent Company Income Statement

| MEUR | Q4 2014 | Q4 2013 | 2014 | 2013 |
|---|---------|---------|-------|-------|
| Net sales | 5.2 | 2.8 | 16.8 | 11.2 |
| Administration cost | -4.0 | -5.9 | -15.4 | -17.1 |
| Operating earnings | 1.2 | -3.1 | 1.4 | -5.9 |
| Earnings from shares in Group companies | - | -1.8 | 146.6 | 235.0 |
| Interest income and expenses, net | 15.3 | 5.0 | 53.2 | 33.3 |
| Earnings before taxes | 16.5 | 0.1 | 201.2 | 262.4 |
| Taxes | 2.2 | -24.5 | -6.2 | -30.2 |
| Net earnings | 18.7 | -24.4 | 195.0 | 232.2 |

Condensed Parent Company Balance Sheet

| MEUR | 31/12 2014 | 31/12 2013 |
|------------------------------|------------|------------|
| Total fixed assets | 4,640.3 | 3,946.1 |
| Total current receivables | 223.3 | 158.8 |
| Cash and cash equivalents | 13.2 | 16.3 |
| Total current assets | 236.5 | 175.1 |
| Total assets | 4,876.8 | 4,121.2 |
| Total shareholders' equity | 1,885.2 | 1,757.1 |
| Total long-term liabilities | 1,564.6 | 914.0 |
| Total short-term liabilities | 1,427.0 | 1,450.1 |
| Total equity and liabilities | 4,876.8 | 4,121.2 |

Definitions

FINANCIAL DEFINITIONS

| | |
|---|---|
| Amortization of surplus values | When a company is acquired, the purchase consideration is allocated to the identified assets and liabilities of the company. Intangible assets are most often allocated the substantial part of the purchase consideration. The amortization of surplus values is defined as the difference between the amortization of such identified intangible assets and what the amortization would have been in the acquired company had the acquisition not taken place at all. |
| 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 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 |
| Profit margin before taxes | Earnings after financial items as a percentage of net sales |
| Return on capital employed (12 month average) | 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. |
| 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 Stockholm 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 | Measurement Technologies, the core business segment |



Hexagon is a leading global provider of information technologies that drive productivity and quality across geospatial and industrial enterprise applications. Hexagon's solutions integrate sensors, software, domain knowledge and customer workflows into intelligent information ecosystems that deliver actionable information. They are used in a broad range of vital industries. Hexagon (Nasdaq Stockholm: HEXA B) has more than 15,000 employees in 46 countries and net sales of approximately 2.6bn EUR. Learn more at www.hexagon.com.

FINANCIAL REPORT DATES

Hexagon gives financial information at the following occasions:

Interim report Q1 2015 6 May 2015
 Interim report Q2 2015 7 August 2015
 Interim report Q3 2015 27 October 2015
 Year-end report 2015 5 February 2016

FINANCIAL INFORMATION

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

TELEPHONE CONFERENCE

The interim report for the fourth quarter 2014 will be presented on 6 February at 10:00 CET at a telephone conference. Please view instructions at Hexagon's website on how to participate.

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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 6 February 2015 at 08:00 CET.

This communication may contain forward-looking statements. When used in this communication, words such as "anticipate", "believe", "estimate", "expect", "intend", "plan" and "project" are intended to identify forward-looking statements. They may involve risks and uncertainties, including technological advances in the measurement field, product demand and market acceptance, the effect of economic conditions, the impact of competitive products and pricing, foreign currency exchange rates and other risks. These forward-looking statements reflect the views of Hexagon's management as of the date made with respect to future events and are subject to risks and uncertainties. All of these forward-looking statements are based on estimates and assumptions made by Hexagon's management and are believed to be reasonable, though are inherently uncertain and difficult to predict. Actual results or experience could differ materially from the forward-looking statements. Hexagon disclaims any intention or obligation to update these forward-looking statements.



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