HEXAGON

shaping smart change

ANNUAL REPORT 2015

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MISSION:
We are dedicated to delivering actionable information through information technologies that enable customers to shape smart change across diverse industry landscapes.

VISION:
We aspire to play a leading role in the effort to solve the challenges our world is facing by providing ground-breaking information technologies that make a positive and lasting impact.

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Hexagon AB is a Swedish public limited liability company with corporate registration number 556190-4771. All values are expressed in Euros unless otherwise stated. The Euro is abbreviated EUR, thousands of Euro to KEUR, millions of Euro to MEUR, billions of Euro to bn EUR and million US dollars to MUSD. Figures in parentheses refer to 2014 unless otherwise stated. Data on markets and competition represent Hexagon's own assessments unless otherwise stated. Assessments are based on most recent available facts from published sources

SHAPING SMART CHANGE

Hexagon strives to narrow the gap between "what is" and "what should be" across industries essential to our existence – agriculture, power, safety, infrastructure, surveying, construction, aerospace, automotive, metals and mining – to name a few.

Narrowing that gap is what we call shaping smart change. Change that enables customers to challenge the status quo and deliver new business models, value and revenue streams.

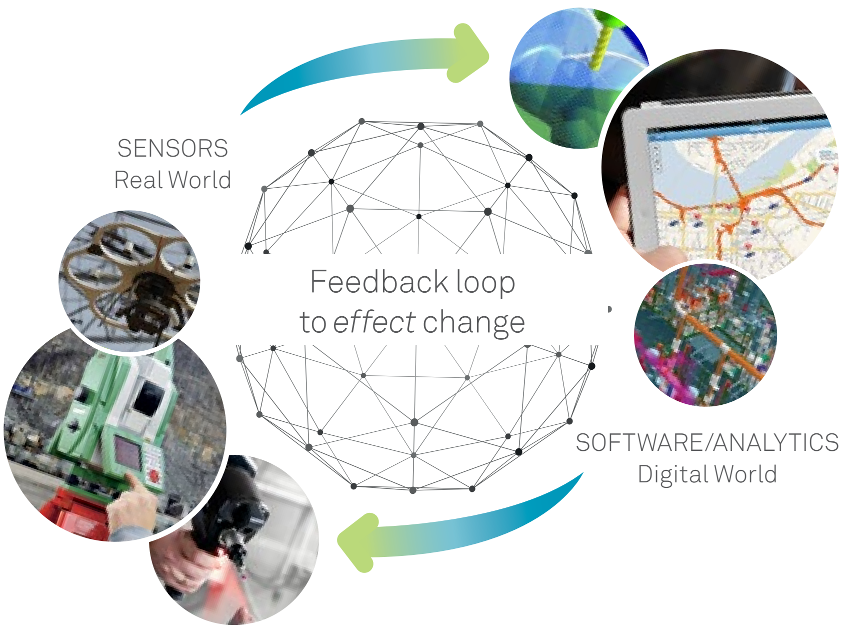
Our customers' ability to effect change critically depends on how well they leverage the explosion of data and the disruptive disciplines that make it invaluable – from private and public clouds and real-time analytics to the connectivity of virtually everything.

Hexagon is empowering its customers to harness this huge potential with our information technologies.

That is what drives us.

That is what we call *shaping smart change.*

OUR TECHNOLOGY WORKS AS FOLLOWS:



SENSORS AND SOFTWARE
The combination of sensors and software is fundamental to delivering productivity and quality improvements across customer organisations.

FINANCIAL SUMMARY

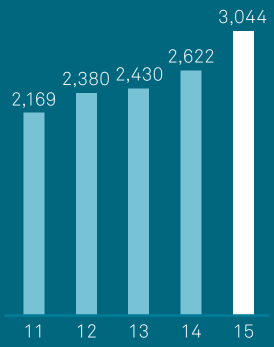
Hexagon grew organically by 5 per cent in 2015 as customers continued to show a willingness to invest in solutions that drive productivity and quality. Hexagon's gross margin reached 60 per cent and the operating margin (EBIT1) 23 per cent.

ORGANIC GROWTH
5%

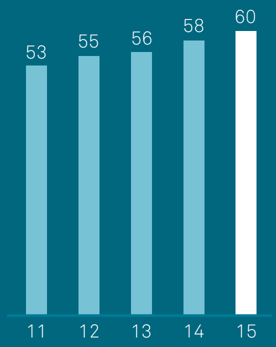
GROSS MARGIN
60%

OPERATING MARGIN
23%

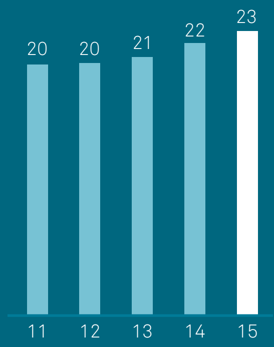
NET SALES, MEUR



GROSS MARGIN, %



OPERATING MARGIN, %



IMPORTANT EVENTS

- Hexagon Geosystems launched Leica Captivate, an industry-revolutionising software for Hexagon's renowned high-precision measurement instruments
- Hexagon enhanced industrial software portfolio through the acquisition of Q-DAS, a software company in statistical process control for industrial manufacturing
- Hexagon acquired EcoSys, a leading project management software supplier in industries such as oil & gas and construction
- Hexagon and Huawei initiated a partnership to deliver Smart City solutions by integrating Huawei's communication hardware with Hexagon's safety and infrastructure software solutions

The year's financial performance by business area can be found on page 47 and under segment reporting on page 15 and 21.

KEY FIGURES[1]	2015	2014	%
Net sales	3,043.8	2,622.4	5[2]
Operating earnings excl. non-recurring items (EBIT1)	692.7	578.1	20
Operating margin, %	22.8	22.0	0.8[3]
Earnings before taxes excl. non-recurring items	666.2	544.5	22
Non-recurring items[4]	-36.6	-36.0	n.a.
Earnings before taxes	629.6	508.5	24
Net earnings	505.1	406.2	24
Earnings per share, EUR	1.39	1.13	23
Operating cash flow	492.3	330.9	49
Return on equity, %	13.0	13.1	-0.1[3]
Return on capital employed, %	11.6	11.6	0[3]
Share price, SEK	314.8	242.0	30
Net debt	1,743.6	1,896.7	-8
Average number of employees	15,891	14,865	7

[1] All figures are in MEUR unless otherwise stated
[2] Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth
[3] The change is specified in percentage points
[4] Non-recurring items relate to a cost savings programme during 2015

HEXAGON IN BRIEF

Hexagon is a leading global provider of information technologies that drive quality and productivity 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, automate business processes and improve productivity. They are used in a broad range of vital industries.

55%
OF NET SALES IS SERVICES AND SOFTWARE

TECHNOLOGY SOLUTIONS PROVIDER

- Renowned information technologies leader focused on the customer's entire workflow
- Solutions that drive productivity and quality
- 55% of net sales from services and software

R&D FOCUSED

- 10–12% of net sales invested in R&D
- 3,400+ employees in R&D
- 3,200+ active patents

GLOBAL REACH

- Broad range of vital industries served
- More than 16,000 employees in 46 countries

STRONG FINANCIALS

- 3 bn EUR in sales
- 23% operating margin

HEXAGON'S SOLUTIONS ARE CONCENTRATED IN TWO SEGMENT

GEOSPATIAL ENTERPRISE SOLUTIONS

Geosystems

Safety & Infrastructure

Positioning Intelligence

PERCENT OF NET SALES:
50%

AVERAGE NO OF EMPLOYEES:
7,900

Hexagon's geospatial solutions are used for infrastructure planning, construction and maintenance and in the mining, agriculture and public safety industries. *Read about Geospatial Enterprise Solutions on pages 14–19.*

INDUSTRIAL ENTERPRISE SOLUTIONS

Manufacturing Intelligence

Process, Power & Marine

PERCENT OF NET SALES:
50%

AVERAGE NO OF EMPLOYEES:
8,000

Hexagon's industrial solutions are used for measurement and quality inspection of complex components in manufacturing processes as well as in design and operation of engineering facilities. *Read about Industrial Enterprise Solutions on pages 20–25.*

HEXAGONS DEVELOPMENT IN GEOGRAPHICAL MARKETS

NORTH AMERICA
Sales growth was stable during the year and driven by the construction, automotive and aerospace industries. Demand declined in the oil and gas sector during the last quarter as a result of the downturn in oil prices.

PER CENT OF NET SALES: **31%**
NO OF EMPLOYEES: **4,100**

SOUTH AMERICA
In South America, growth was negative, particularly in Brazil and Venezuela following an economic slowdown in the entire region.

PER CENT OF NET SALES: **3%**
NO OF EMPLOYEES: **750**

WESTERN EUROPE
Western Europe reported good growth. Northern Europe continued to develop well throughout the year, while southern Europe reported a recovery during the second half of the year.

PER CENT OF NET SALES: **30%**
NO OF EMPLOYEES: **5,600**

EMEA (EXCLUDING WESTERN EUROPE)
Eastern Europe developed well, except Russia, which had a sluggish start to the year, but improved during the second half. The Middle East reported good growth.

PER CENT OF NET SALES: **8%**
NO OF EMPLOYEES: **700**

CHINA
Demand was strong in the automotive, aerospace, electronics and manufacturing industries. Infrastructure-related segments were affected by the slowdown in the Chinese construction sector.

PER CENT OF NET SALES: **15%**
NO OF EMPLOYEES: **2,300**

ASIA (EXCLUDING CHINA)
In the Asia-Pacific region, growth was strong in several markets, including India, Japan and South Korea. Demand was good both in manufacturing-related segments, construction and infrastructure.

PER CENT OF NET SALES: **13%**
NO OF EMPLOYEES: **2,400**

LETTER FROM THE PRESIDENT & CEO

DEAR SHAREHOLDERS,

For Hexagon, 2015 was a successful year in which we enhanced our position in our addressable market and launched several new innovative solutions, taking another leap forward as a global leader in information technologies. Sales grew by 16 per cent to 3,044 MEUR. While a significant portion of that growth resulted from the weakening Euro, we still outpaced the growth and profitability of most of our peers.

But 2015 saw a global economy that remained highly imbalanced. There was good news and bad news. The oil price plunged. The U.S. economy continued its move to a higher and more sustainable growth trajectory. Europe generally picked up speed while emerging and developing countries became increasingly fragile.

No doubt, growth gets harder and harder to generate in a non-inflationary world where interest rates are sometimes negative and raw material prices continue to fall. But if we take a step back and look beyond the turmoil in the market and other factors that impact sentiment, the difference between 'what is' and 'what should be' describes our world view perfectly. The gap between these two states is change and narrowing that gap through innovations that shape smart change captures the essence of what Hexagon is all about.

CONNECTIVITY – THE NEW NORMAL

Today's narrower margins, heightened competition and weak GDP have generated higher demands from companies to increase their efficiency and productivity and changed the ways companies invest to grow. Future growth will not come from massive capex cycles or demand booms in certain regions of the world. Instead, it will come from new ideas and innovations seeking to solve the grand challenges of our civilisation.

The question is not whether to be innovative or not. Nearly every company wants to be more innovative, yet most are all about making rules and minimising risk. But innovation requires taking risks and breaking rules to create new ones. This is why many traditional industries are becoming less competitive and less important, while new ones are emerging and growing.

Today, innovation is more about access and experience – better solutions and new ways of doing things that are easily shared. Think about the organisations that have

> **"Innovation is the process by which we change the world and I believe that we have only seen the beginning of Hexagon's fantastic journey."**

enabled us to engage in new and interesting ways when it comes to securing transportation and vacation rentals – their inventors changed more than our everyday behaviour, they changed the face of entire industries.

The web and mobile infrastructure that drives our digital lives has made it possible to completely redefine the way an existing business or an entire industry operates. At Hexagon, we believe there's never been a greater need or a better time to exploit the 'connectivity of everything' era and build the platforms that fundamentally shift how our customers conduct business.

DEFINE. REFINE. SCALE.

We are focused on problem-solving solutions, where we become an integral part of our customers' workflow rather than an isolated provider of a specific type of information. We see information technology not as a cure-all, but as the accelerator that enables us to close the distance between what is and what should be. We are currently working on realising several strategies to make this happen.

One of the themes for the future is the "smart connected factory," where all aspects of the manufacturing chain are analysed in real time so that losses in yield, materials and work hours are cut to a minimum. Another theme deals with digital construction, transforming what has been a document-driven industry to a digital, data-driven one. We are also involved with several development projects for the autonomous vehicle, where we all become passengers and continue to explore concepts using robot technologies that improve public safety for all.

OPPORTUNITIES AHEAD

We have come a long way in our planning to secure the future for Hexagon – but there is still a lot of work left to do to make sure we are relevant and successful in the coming decades. Innovation is the process in which we change the world and I believe that we have only seen the beginning of Hexagon's fantastic journey.

We continue to focus on leveraging cross-business synergies and raising the innovation bar across all our lines of business. Cooperation multiplies energy – it is the essence of human effort – where each effort contributes to the efforts of others. The same holds true for our technology portfolio. Just as one person is not as smart as a team, no technology is as good alone as all our technologies together.

Our innovation strategy focuses on stronger gross margins, more recurring revenue and a greater percentage of our overall business rooted in software and services.

Last, but not least, I want to give our employees the recognition they so well deserve. They are our most valuable resource. More than 16,000 Hexagon employees worldwide work each day on behalf of our shareholders to make Hexagon stronger and more empowered to shape smart change.

I thank our shareholders, customers and partners for their continued confidence and loyalty. 2015 was an amazing year – I can't wait to see what lies ahead.

Stockholm, Sweden, March 2016

Ola Rollén
President and Chief Executive Officer

A RAPIDLY CHANGING WORLD

Financial and technology advances contribute to the vast changes affecting our world and present challenges serve as drivers for Hexagon's customers. Hexagon aspires to play a leading role in the effort to solve these challenges by providing groundbreaking technology solutions that make a positive and lasting impact.

GLOBAL TRENDS

GROWING POPULATION AND LIMITED RESOURCES

The world's population is growing. Estimates indicate that by 2050 the world's population will be close to 9 billion people, compared with today's 7.5 billion. However, the amount of arable land is limited, creating the need to improve yields.

URBANISATION

Most population growth will take place in cities in the developing countries. This trend in urbanisation requires cities to develop, which will lead to an unprecedented construction of housing, transport systems, communications systems and water and power supply systems.

GROWING MIDDLE CLASS

The industrialisation of developing countries means rising income and the emergence of a middle class that demands capital goods. Consequently, the capacity to manufacture anything, from cars and household appliances to electronics and other goods, will need to expand.

DIGITISATION

Digitisation affects every area of society and it is developing at a rapid pace. It changes the conditions and opportunities for companies and individuals alike and places new demands on suppliers who in turn drive development. Cloud storage and the number of connected units will increase; and software, robots and smart machines will absorb a large portion of manual labour in the future.

GREATER COMPETITION AND PRICE PRESSURE

Outsourcing production to low-cost countries means greater competition and pricing pressure. As a result, companies are left with production processes that are more complex and geographically dispersed, increasing the demand for better efficiency and productivity.

INDUSTRIAL TRENDS

MORE AUTOMATION

Digitisation and demands for higher productivity and quality mean considerable growth in the use of automation technologies as manufacturers automate time-consuming and labour-intensive tasks to a greater extent. Hexagon's solutions that incorporate quality control in the shop floor environment and automate the measuring process respond to this need.

SOLUTIONS FOR THE ENTIRE WORKFLOW

Hexagon customers increasingly demand solutions that address their entire workflow – from the sensor that collects information to the software that processes it. This data is used to make decisions about a product during its life cycle to achieve higher quality with less effort and at lower costs.

LARGER AND MORE COMPLEX PROJECTS

Within process industries such as oil, gas and chemicals there is a need to accelerate project completion and ensure operational efficiency. Yet industry data indicates that nearly half of all engineering projects fall victim to completion deadlines. Project organisations have become more geographically dispersed and project size has increased in scope and complexity, which creates problems. These factors have led customers to seek solutions to help improve productivity and reduce the risk of delays and cost overruns in their engineering projects.

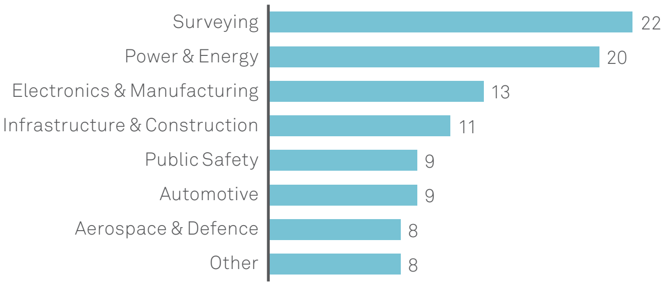
GROWING DATA SETS

Measurement and positioning data are becoming more exact and precise as sensors and positioning services become more advanced. The ability to turn the growing amount of data provided by increasingly advanced sensors into actionable information is a challenge for surveyors. To overcome this, they must seek solutions that help process their entire workflow using one single solution.

MOBILE DATA CAPTURE

The need for capturing data via mobile sensors is becoming increasingly important. Mobile sensors come in many forms. Traditional sensors can be made mobile when carried by unmanned aerial vehicles (UAVs) or people. Other non-traditional mobile sensors include smartphones and information shared via social media. These new forms of data capture are transforming how organisations leverage geospatial information. For example, within the construction sector, mobile sensors are used to capture activity at a construction site using field personnel who immediately share it with others in different locations. This leads to a number of improvements including improved communications, a reduction in errors and project delays and better control of costs.

NET SALES BY CUSTOMER SEGMENT IN 2015, %



COMPETITIVE LANDSCAPE

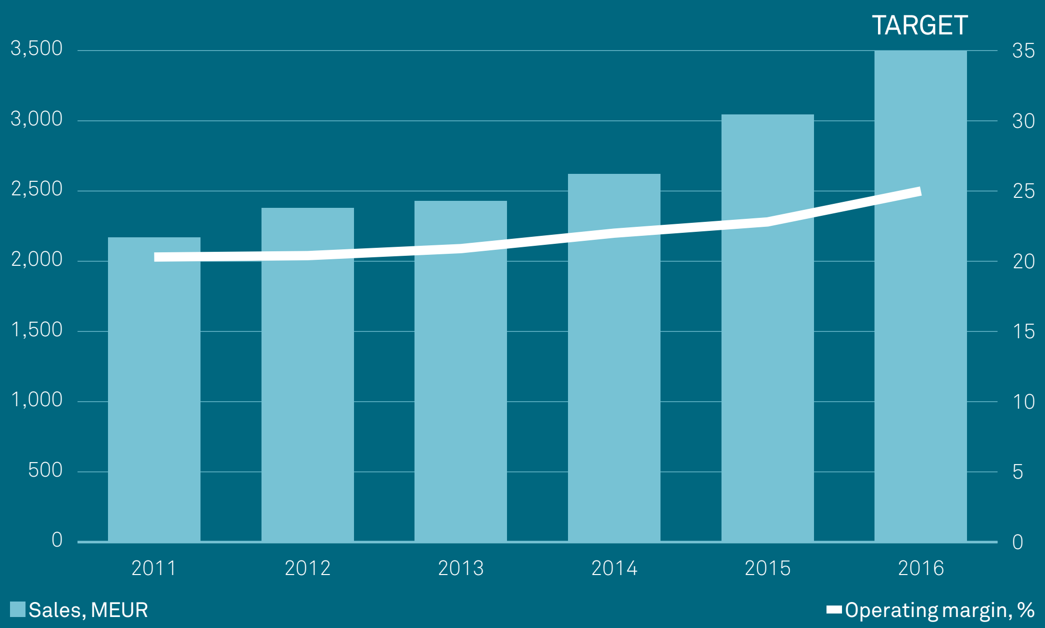
Hexagon's competitive landscape includes global companies of varying sizes and specialisations. Unlike Hexagon, most of these competitors operate within only one phase of an industry workflow or are limited to only sensors or software. To maintain its competitive advantage and meet increasing demand for solution-centric and enterprise-wide applications, Hexagon annually invests around 10–12 per cent of net sales in R&D.

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

STRATEGY FOR PROFITABLE GROWTH

Hexagon's goal is to strengthen its market-leading position and grow profitably. This demands innovation efficiency in every phase. Hexagon's global reach, investments in R&D, extensive industry knowledge and ability to leverage know-how and the market presence of acquired companies are fundamental factors for success.

Hexagon's financial plan, launched in 2011, stretches until 2016. The target – sales of 3.5 bn EUR with an operating margin of 25 per cent – will be realised through a combination of organic growth via new applications and a higher proportion of software as well as through acquisitions.



Two feasible scenarios for 2016 were presented at Hexagon's Capital Markets Day in December 2015, one depicting higher growth and one lower. The outcome of these scenarios will be influenced by the organic growth from both existing and new applications as well as acquisition potential.

- The higher-growth scenario would result in 3.6 bn EUR in sales, 8 per cent organic growth, 7 per cent growth from acquisitions and an operating margin of 25 per cent.
- The lower-growth scenario would result in 3.3 bn EUR in sales, 4 per cent organic growth, 3 per cent growth from acquisitions and an operating margin of 24 per cent.

ORGANIC GROWTH AND NEW APPLICATIONS

The growth strategy is to retain technology leadership through continued R&D investments, a higher proportion of software-generated sales and expanding the distributor network in emerging economies. Hexagon can grow its market share through its solution-centric strategy to focus on delivering solutions for customers' entire workflows.

Despite historically low GDP growth in recent years, Hexagon consistently delivered a higher organic growth than the underlying market. The ability to adapt operations to macro trends and customer needs has been a key factor in Hexagon's success. Over the past number of years, Hexagon has focused more on R&D and an increasingly greater share of sales stem from software-centric products and solutions. In addition, the company strives to better guide the direction and expansion of its product portfolio and to fully leverage synergistic opportunities vertically. Hexagon has a leading and unique portfolio of technology solutions and is the only one in the market to offer such solutions. With more than 3,200 patents and over of 3,400 employees in R&D, Hexagon invests between 10–12 per cent of its sales in research and development every year.

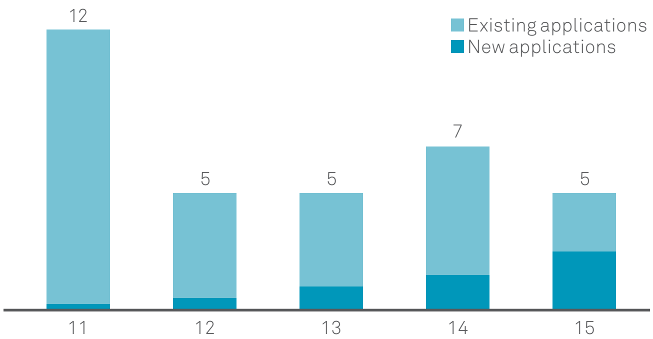
SALES TREND IN 2015

In 2015, organic growth amounted to 5 per cent, which was higher than the underlying market growth. It is Hexagon's inventiveness in solutions that improve customer productivity and efficiency that is at the root of this achievement.

Growth has been driven by higher sales from new initiatives and products coupled with a stronger order intake. Several new products were launched during the year. One of the largest product launches, which also had a strong favourable impact on sales, was Leica Captivate, an easy-to-use and intuitive software for geological surveying. Read more about Leica Captivate on page 18.

The transition to a business model with a greater share of software and turnkey solutions also means that Hexagon's proportion of recurring revenues is increased through subscription-based contracts. In 2015, recurring revenues accounted for approximately 40 per cent.

ORGANIC GROWTH, %



ACQUISITIONS

TARGET AND STRATEGY

Acquisitions play a vital role in Hexagon's growth strategy. Since 2000, Hexagon has made more than 100 corporate acquisitions. Acquisitions contribute to strengthening the product portfolio, add know-how and achieve a stronger presence in high-growth markets. Hexagon continues to monitor the financial, technology and commercial viability of a large number of acquisition candidates, focusing on companies that can yield synergies in terms of emerging markets distribution, new technology and strengthening the solution-centric strategy.

The candidates are evaluated from a financial, technological and business perspective. Hexagon estimates that acquisitions will add between 3–7 per cent in sales growth during 2016.

DEVELOPMENT IN 2015

During the year, Hexagon acquired a handful of small and medium-sized companies. The largest acquisition was EcoSys in project management and Q-DAS in statistical process control. The acquisitions strengthen Hexagon's product portfolio of turnkey solutions to increase productivity and efficiency for the customers.

During the year, acquisitions have accounted for 3 per cent of Hexagon's sales growth. Read more about the acquisitions on page 11.

SELECTION OF ACQUISITIONS THE PAST TWO YEARS

	Date	Company	Country	Strategy
2014	January	Veripos	UK	Positioning
	February	Aibotix	Germany	Sensors (UAV)
	March	SAFEmine	Switzerland	Sensors
	April	Mintec	USA	Software
	April	Arvus	Brazil	Sensors
	June	iLab	Brazil	Software
	June	North West Geomatics	Canada	Sensors
	July	Vero Software	UK	Software
2015	February	OhmTech	Norway	Software
	April	Q-DAS	Germany	Software
	October	EcoSys	USA	Software

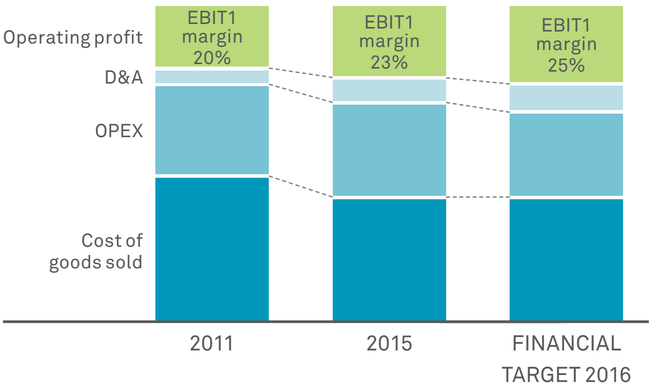
ENHANCED PROFITABILITY

TARGET AND STRATEGY

Hexagon's target is to continuously improve profitability. For 2016, the operating margin (EBIT1) is expected to reach between 24 and 25 per cent. The ability to improve results is due to operating leverage as well as the transition in Hexagon's business model – from a product-centric to a solution-centric provider of applications.

The shift toward a higher proportion of software has contributed to strengthening the operating margin, but has also led to a change in cost structure with lower costs of goods sold and higher R&D and depreciation/amortization expenses.

As a result, gross margin has increased at a higher pace than the operating margin. Moreover, increased focus on software also means that the acquired companies often have higher margins than Hexagon.



Economies of scale are an important factor in achieving operating leverage and long-term cost advantages. Sharing sales channels across new geographies enables different parts of Hexagon to achieve cost benefits.

A competitive cost structure is necessary to defend a leading market position, enhance an organisation's position as a challenger or more easily manage fluctuations in demand.

DEVELOPMENT IN 2015

Hexagon delivered its best result ever. Operating earnings (EBIT1) increased by 20 per cent to 692.7 MEUR (578.1) and operating margin was 22.8 per cent (22.0). Operating margin was favourably impacted by organic growth, cost savings, product launches and a higher proportion software, while currency effects had a negative impact.

In the first quarter of 2015, a cost savings programme was introduced to counter the negative impact of currency fluctuations on the operating margin. The programme is expected to generate savings of approximately 35 MEUR per year. The positive effect of the savings programme amounted to 20 MEUR for the full year. Full effect will be realised during the first quarter of 2016.

OTHER FINANCIAL TARGETS

EQUITY RATIO

Hexagon targets an equity ratio of at least 25 per cent. The equity ratio amounted to 55 per cent (51) at year-end 2015. A high equity ratio is a requirement for financing acquisitions by borrowings.

BALANCED DEBT STRUCTURE

Debt capital market loans accounted for 82 per cent of Hexagon's financing, while bank loans made up the remainder. Hexagon's net interest expense amounted to -26.5 MEUR (-33.6) in 2015. The average interest rate on the Group's short and long-term loans was 1.2 per cent (1.5) at year-end 2015.

POSITIVE CASH FLOW OVER A BUSINESS CYCLE

A strong cash flow is necessary to finance investments, settle interest on debts and pay dividends to shareholders. Hexagon's cash conversion, i.e., the ratio at which profits are converted into cash, has averaged 83 per cent since 2011. The cash conversion ratio in 2015 was 91 per cent. Cash flow from operations, excluding non-recurring items, was 722.6 MEUR (563.4).

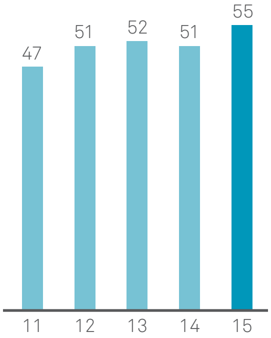
EFFICIENT USE OF CAPITAL

Hexagon aspires to keep working capital as low as possible. In recent years, the ratio of working capital to sales has averaged less than 20 per cent. As the business model continues to shift towards more software-centric solutions, Hexagon expects the working capital as a percentage of sales to trend downwards. Hexagon's target is that return on capital employed, including goodwill from acquisitions, should exceed 15 per cent over a business cycle. Return on average capital employed, excluding non-recurring items, in 2015 was 11.6 per cent (11.6).

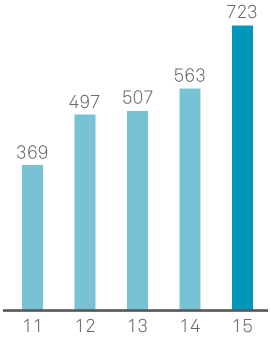
RETURNS TO SHAREHOLDERS

Hexagon's dividend policy is to distribute between 25 and 35 per cent of net earnings after tax. The Board proposes a dividend of 0.43 EUR (0.35) per share in respect of the financial year 2015, which represents 31 per cent of earnings per share.

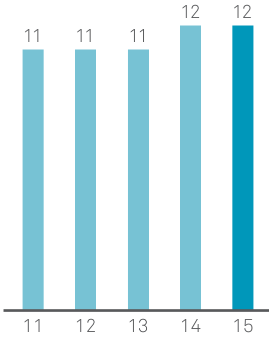
EQUITY RATIO, %



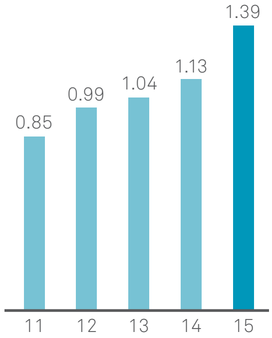
CASH FLOW, MEUR



RETURN ON CAPITAL EMPLOYED, %



EARNINGS PER SHARE, EUR



LARGER ACQUISITIONS IN 2015

ACQUISITIONS WITHIN SOFTWARE

Since 2000, Hexagon has made more than 100 acquisitions. In 2015, Hexagon signed agreements for the acquisition of a handful of small- and medium-sized companies. Q-DAS and EcoSys are the two largest acquisitions, both well in line with Hexagon's solution-centric strategy.

Q-DAS
SOLUTIONS FOR STATISTICAL PROCESS CONTROL

Q-DAS is a software company that provides solutions for statistical process control to the manufacturing industry. The Q-DAS software portfolio is widely used in, for example, the automotive industry, where high production volumes and dimensional quality needs require statistical analysis.

The Q-DAS portfolio will strengthen Hexagon's MMS planning solution (Metrology Management System), which is designed for planning and easy management of measurement data – from any source or supplier. Q-DAS net sales amounted to approximately 15 MEUR in 2014.

ECOSYS
MORE EFFECTIVE PLANNING AND COST CONTROL

EcoSys Management LCC is a provider of software that promotes more effective construction processes and facilities operations for more than 250 customers. The software is used by capital-intensive industries, including oil, gas and construction, which must be able to manage risks that may arise during the course of a project, such as delays and budget overruns.

Integration of the project scheduling (4D) and cost management (5D) tools with Process, Power & Marine's (PP&M) 3D design strengthen Hexagon's capabilities in the BIM market. EcoSys' net sales amounted to approximately 29 MUSD in 2014.

AUTOMOTIVE

Globally there are almost 89 million cars produced every year, Hexagon technology touches 75% of them

TECHNOLOGY SOLUTIONS PORTFOLIO

Over the past decade, Hexagon has gradually built a technology portfolio with a range that sets it apart from its competitors.

Hexagon's technology solutions are based on combinations of sensors and software. The sensors capture digital information and the software interprets the captured data. The result is actionable information that helps customers to act faster, make more informed decisions and improve efficiency and productivity.

HEXAGON'S SEGMENTS

Hexagon's solutions are divided into two primary segments: Geospatial Enterprise Solutions and Industrial Enterprise Solutions.

Hexagon's geospatial enterprise solutions are used in planning, construction and maintenance of infrastructure, mining, agriculture and public safety.

Hexagon's industrial enterprise solutions are used for measurement and quality inspection of complex parts, which are significant aspects of every manufacturing process, as well as design and operation of engineering facilities. Demand for Hexagon products is fuelled by a growing need to build infrastructure and improve productivity, quality and efficiency in manufacturing processes.

VENTURES

As a part of Hexagon's solution-centric strategy, the Innovation Hub was established with the aim to extract synergies by supporting the interoperability and cross-functionality of different systems and application areas. Ventures is a key component in the Innovation Hub tasked with developing new solutions, operations and business models based on shared know-how and global presence within Geospatial Enterprise Solutions and Industrial Enterprise Solutions.

HOW HEXAGON RESPONDS TO MARKET NEEDS

Hexagon's success is founded on a strong market position, global reach, focus on R&D, strong M&A competence and high level of expertise. The matrix lists examples of the technologies and solutions Hexagon offers.

STRONG MARKET POSITION
- Aims to be no. 1 or no. 2 in all industries served

GLOBAL REACH
- 16,000+ employees
- Presence in 46 countries

FOCUS ON R&D
- 10–12 per cent of sales invested in R&D
- More than 3,200 patents
- More than 3,400 employees in R&D

M&A COMPETENCE
- Strong ability in leveraging complementary know-how and market presence of acquired companies

DOMAIN EXPERTISE
- Extensive industry knowledge

GEOSPATIAL ENTERPRISE SOLUTIONS

SOLUTION EXAMPLES
- Total- and multistations
- Airborne sensors
- UAVs (unmanned aerial vehicles)
- GNSS receivers
- Public safety software
- Mine planning software

AREAS OF USE
- Agriculture
- Defence
- Infrastructure and construction
- Mining
- Safety
- Surveying

Read more about Geospatial Enterprise Solutions on pages 14–19.

INDUSTRIAL ENTERPRISE SOLUTIONS

SOLUTION EXAMPLES
- In-line metrology
- Coordinate measuring machines
- Articulated arms
- Metrology software
- Enterprise engineering software

AREAS OF USE
- Aerospace
- Automotive
- Chemical
- Consumer goods
- Medical devices
- Metals and mining
- Oil and gas
- Pharmaceutical
- Power
- Shipbuilding

Read more about Industrial Enterprise Solutions on pages 20–25.

CAPTURE THE WORLD IMAGERY

54% of the E arth's geospatial imagery is either collected, processed or designed with Hexagon's geospatial technology stack (sensors/software/ solutions)

GEOSPATIAL ENTERPRISE SOLUTIONS

Hexagon's solutions within the Geospatial Enterprise Solutions (GES) segment are based on various types of sensors capturing geo-referenced data from land, sea, air or space. The sensors – equipped with GIS software for rendering 3D maps and models – may be scanners, total stations, airborne cameras and unmanned aerial vehicles (UAV), or apps for mobile mapping and precise satellite positioning with GNSS.

SOLUTIONS THAT RENDER REALITY WITH SUPERIOR PRECISION

Captured content focuses on improving user knowledge about changes in our surroundings. Data is derived from multiple sources and can include survey data, point clouds, imagery and video clips. Hexagon's solutions focus on simplifying the process of interpreting information gathered by sensors in different systems. The solutions provide the means to render reality with superior precision and detail and map hard-to-reach areas above and below ground. Radar technology, for example, enables a worker to perform centimetre-accurate 3D mobile mapping before attempting to lay underground pipe – a process that will reveal the location of existing pipework and pinpoint areas for laying new pipe. Other applications include smart meters in energy grids, traffic surveillance cameras and sensors for crop irrigation needs. The capacity to aggregate and interpret data drives improvements in planning, response, productivity and quality output in the entire system.

GEOSYSTEMS

Geosystems provides solutions to capture, analyse and present spatial information. Its geospatial measuring technology in the form of sensors and software is used for infrastructure planning, construction and maintenance.

GEOSPATIAL ENTERPRISE SOLUTIONS CONSISTS OF THE FOLLOWING APPLICATION AREAS:

- Geosystems
- Safety & Infrastructure
- Positioning Intelligence

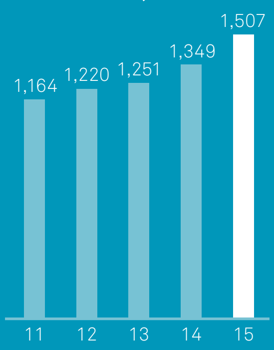
PER CENT OF NET SALES

50%

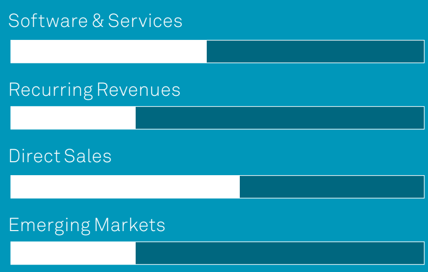
AVERAGE NO OF EMPLOYEES

7,900

NET SALES, MEUR

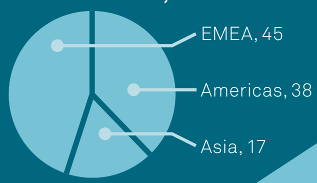


SALES MIX



CUSTOMER SEGMENT, %

GEOGRAPHY, %



The sensors capture large quantities of data through the use of total stations, 3D scanners and airborne cameras. The software enables this data to be processed, stored and analysed with high precision and accuracy.

Surveying is paramount when it comes to planning and executing construction and infrastructure projects. Hexagon has the market's broadest portfolio of advanced measurement solutions that require fewer people in the field and capture data faster, leading to greater productivity and lower costs.

Hexagon's sensors are used to monitor movement of dams, bridges and buildings. They also monitor areas at risk for natural disasters such as landslides, aid in environment monitoring and help public agencies improve disaster management and rapid response. Using Hexagon's 3D scanners, customers can create precise 3D models of objects such as factories or historical buildings, resulting in more effective maintenance. The software manages and converts geospatial data, turning data into relevant and actionable information.

Industries such as construction, mining and agriculture benefit from Hexagon's solutions for heavy machinery operation. Sensors relay accurate real-time information to in-cab control panels, allowing precise positioning and enabling operators to work accurately and efficiently guided by solid data that reduces the risk of error.

Hexagon's machine control technologies can help steer and coordinate individual pieces of equipment or entire fleets above and below ground. The solutions use 3D models and precise positioning services and increase productivity and efficiency, leading to less impact on the environment.

Hexagon provides the mining industry with solutions to integrate, automate and optimise critical workflows above and below ground by integrating design, planning and mining techniques for safer and more productive mines. The solutions are divided into three areas: planning, operations and safety.

SAFETY & INFRASTRUCTURE

Safety & Infrastructure helps customers to manage vast amounts of complex data in the most efficient, user-friendly way by offering solutions to customers in government agencies, transportation, water, electricity and sewerage, as well as companies active in communication, public safety and defence.

As one of the largest providers of Geospatial Information Systems (GIS) in the world, Hexagon helps its customers transform data into actionable information. Applications include building intelligent transportation systems, improving productivity in water management and developing more intelligent power grids, as well as within public safety.

POSITIONING INTELLIGENCE

Real-time awareness of position has become a critical requirement for growth areas such as autonomous vehicle navigation and precision farming. Positioning Intelligence helps customers improve their positioning precision through the use of GNSS and solutions that enable customers to pinpoint their positioning to a level measured in centimetres.

Hexagon's positioning solutions can be used on land, sea and in the air. GNSS receivers and antennas are supplied to the surveying, oil, construction, agriculture, defence and mining industries, delivering superior position accuracy and increased signal availability.

Reliability in positioning is expected to play an even greater role in the future, with more focus on safety and a high demand from the defence industry.

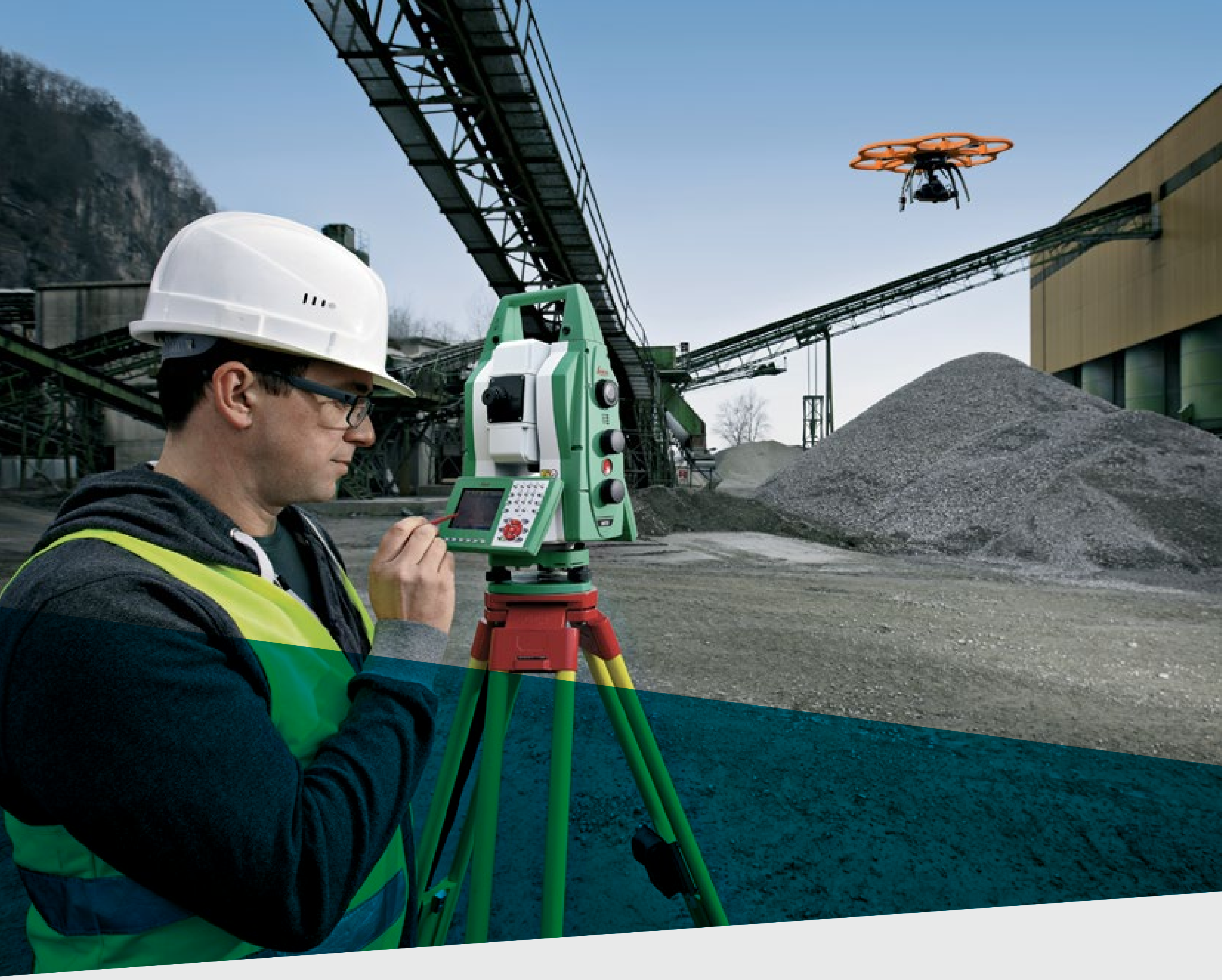
A new, exciting area in Hexagon is the use of UAVs to collect data. Surveying can be done faster, easier, safer and more cost-effectively than before by using a UAV equipped with technology for collecting geo-referenced 3D data. Hard-to-access infrastructure, such as underground channels and under bridges where a GPS cannot reach, are just a few application areas.

TECHNOLOGY ADVANCES

Technology advances in research and development, through partnerships and via acquisitions, mean that several solutions are imminent. The Hexagon Imagery Program, launched two years ago, is an exciting collaboration with partners who purchase Hexagon's airborne sensors. Partner agencies capture data using these sensors and upload the information into a Hexagon system. The result is a dynamic cloud-based solution for extremely precise mapping of vast areas of land, coastlines and marine ecosystems. The information housed by Hexagon is then connected to customer-specific analysis tools to generate relevant, actionable information for each customer. Large parts of the USA and Canada, as well as part of Europe, have already been mapped. The technology is expected to have considerable significance for future community planning, crime prevention measures and law enforcement and for other professions that need precise image rendering and capacity to link information to analysis tools.

Other advanced solutions are more distant, but still on the horizon. The concept of driverless cars is slowly becoming reality thanks to positioning advances and sensor integration. GNSS technology provides the precision, access and reliability a car needs to be self-driving, but a completely autonomous vehicle requires a solution that offers precise localisation. Hexagon's GNSS technology today can offer accuracy of under 5 centimetres precision to guarantee that a car stays in its lane or maintains a safe distance from other vehicles.

For a closer look into the future, visit investors.hexagon.com and download presentations from Hexagon's 2015 Capital Markets Day.



PRECISION FROM EXTREME HEIGHT

Unmanned aerial vehicles (UAV) open entirely new possibilities in surveying and are used increasingly for large-scale, complex construction projects. The Swiss power company Axpo uses Hexagon's Aibot X6 UAV to survey and document construction of the country's largest hydroelectric plant, located in the Swiss Alps.

The investment for this large-scale construction project is estimated at approximately 1.85 billion USD (1.7 billion EUR). The plant will guarantee future electricity supply to northeastern and central Switzerland.

Hundreds of thousands of cubic metres of soil and rock must be removed to build the tunnels and caverns for the plant. Most of this will be transported to the Muttenalp mountain by cable car and used to build the dam, which will be more than a kilometre long and rise to a height of 36 metres (118 feet). The rest of the material will be deposited in front of the existing Limmern dam.

ACCURACY WITHOUT GPS NAVIGATION

Aibot X6 was used in the initial step of surveying the area. The surrounding mountains blocked satellite signal reception, so Aibot X6 was flown manually without GPS navigation.

A total of 50,000 square metres (12.5 acres) of land was surveyed. Agisoft photogrammetry software was used to process the collected data and a precise point cloud with an accuracy of up to 1 centimetre (0.4 inches) was generated. This data was then used to plan the subsequent phases of the construction process.

COST-EFFECTIVE AND SAFE SOLUTION

Axpo intends to use Aibot X6 not only to create digital models of terrain for planning and building power plants, but also for vital inspections that can be performed without shutting off the current in the plant.

"Among our customers, we see that UAVs are used for several workflow phases. They give an overview of the current status of the project and can be used to inspect the work when it is finished. The fact that the inspection is performed by an unmanned aircraft makes it safer and more cost-effective than an inspection by helicopter," says Robert Lautenschlager, Sales Support Engineer at Hexagon.

GEOLOGICAL SURVEYING IN A NEW AND CONVENIENT WAY

The Leica Captivate Experience enables Hexagon's customers to collect 3D data in a completely new and convenient way. An easy-to-use, intuitive field software with apps and touch technology supports the use of measurement instruments, and creates precise, realistic 3D renderings of complex data.

With Leica Captivate, customers can capture and manage complex data with superior precision. The Leica Captivate field software allows customers to overlay complex data, such as measured points, 3D models and point clouds into a single view for optimal decision making directly in the field.

DEVELOPMENT IN DIALOGUE WITH THE CUSTOMERS

When Hexagon designed the new solution, it gave top priority to customer feedback. David Dixon, Alastair Green and Hans-Martin Zogg of Leica Geosystems describe how development focuses on what the customers most value.

"Leica Captivate is based on being sensitive to customer needs – from their first contact with our sales reps all the way through to customer use of our equipment," says Green.

"We started with the software, which is all-important to customer experience. Software technology was used to design Leica Captivate to produce a new user experience. The new software demanded development of a new generation of field controllers and tablets, so we designed the Leica CS20 field controller and Leica CS35 tablet. With their large displays and high performance, they are the ideal platform for Leica Captivate.

"We also reviewed the total station user experience and decided that we needed to design a completely new generation of total stations and MultiStation. Leica Nova MS60, Nova TS60 and Viva TS16 are the world's first self-learning MultiStation and total stations that automatically read the environmental conditions and adapt to guarantee superior performance."

"Our customer experience focus extends also to our GNSS offer. Thanks to the Leica Captivate field software and the new series of field controllers and tablets we have also a completely new GNSS offering that combines ultimate performance with an outstanding user experience," says Dixon.

One of Hexagon's factors for success is the ability to combine technologies in new solutions. Leica Captivate is also the result of a combination of technologies from Hexagon's various operations.

“The technology used comes from various companies within Hexagon, such as Leica Geosystems, NovAtel, Technodigit and myVR. Naturally, we’ve spoken with many others in Hexagon,” says Zogg.

What’s customer feedback been like so far?
“The feedback from our customers on Leica Captivate is very positive. Leica Captivate is described as a brand-new experience in measuring and analysing complex 3D data,” says Zogg.

“We live in a mobile, digital age. Our lives are thoroughly technology-integrated. Wherever you go, people use smartphones and tablets with user-friendly software. Our customers use these devices in their personal lives and now they expect this technology to be available in their work tools too. With this in mind, we knew that the time had come for a solution like Leica Captivate,” says Dixon.

Three areas identified as important for the customers:
Create a unique user experience
An easy-to-use solution that users easily and intuitively understand how to use – from users with basic skills to experts who need to perform advanced technical tasks.

Focus on 3D
All data is conveniently converted into realistic and usable 3D models. The option to merge the overlay of measured points, 3D models and point clouds into a single view allows users to optimally make use of the 3D data directly on site.

Improve the basics
Use familiar touch technology and user-friendly software for convenient usability. Customers often do the same tasks all day. Keeping the basic aspects of their jobs easy and enjoyable is paramount for a positive user experience.

INDUSTRIAL ENTERPRISE SOLUTIONS

Hexagon's Industrial Enterprise Solutions (IES) leverage 3D modelling and CAD/CAM platforms to optimise manufacturing facility throughput and reduce construction periods for large-scale engineering projects. Here, linking design information to the build workflow is of utmost importance to assure quality control.

STRONG OFFERINGS THROUGH R&D AND ACQUISITIONS

Successful research and development coupled with rewarding acquisitions have put Hexagon in the vanguard of comprehensive solutions that enhance customer competitiveness. During 2015, Industrial Enterprise Solutions made two larger acquisitions: Q-DAS for statistical process control and EcoSys for effective enterprise planning and cost control.

MANUFACTURING INTELLIGENCE

Manufacturing Intelligence's core expertise is in dimensional metrology, which involves using sensors to gather data from different sources. In 2015, the offering diversified, with expertise in new fields, such as statistical process control and CAD/CAM software coupled with the ability to connect information from a variety of sources. This is a deliberate strategy to improve customer offerings, going beyond quality control to analysing data and transforming it into actionable information. By providing this processed data, Hexagon helps its customers improve manufacturing processes and their productivity.

Manufacturing Intelligence offers a comprehensive range of solutions for all industrial metrology applications in the automotive, aerospace, electronics, energy and medical device industries. Measurement data is used throughout the product's life cycle – from development and design to production, assembly and final inspection. These

INDUSTRIAL ENTERPRISE SOLUTIONS CONSISTS OF THE FOLLOWING APPLICATION AREAS:

- Manufacturing Intelligence
- Process, Power & Marine

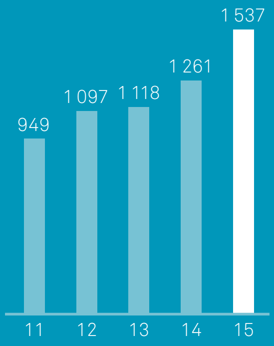
PER CENT OF NET SALES

50%

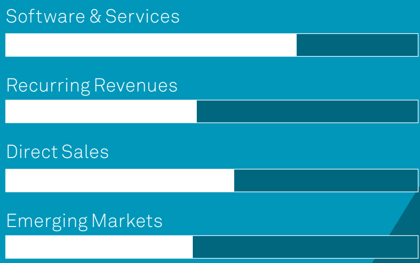
AVERAGE NO OF EMPLOYEES

8,000

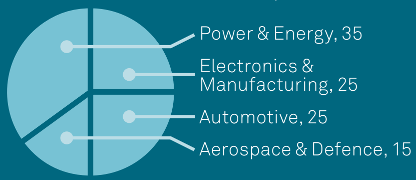
NET SALES, MEUR



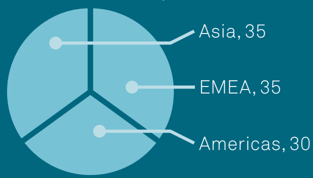
SALES MIX



CUSTOMER SEGMENT, %



GEOGRAPHY, %



solutions rely on dimensional precision and accuracy, using stationary sensors such as coordinate measuring machines and portable sensors such as articulated arms and laser tracker systems. As manufacturers have sought to increase the use of automation, metrology sensors have increasingly become an integrated part of the manufacturing line. This is due to improvements in sensor capabilities, as well as the deployment of more advanced software. This software processes data collected at the speed of the manufacturing line and helps customers to inspect every part that is being produced, ensuring the throughput is as intended. In the automotive industry, Hexagon technologies assist body, powertrain and component quality control, helping automakers build cars better, faster and with higher quality and less waste.

Acquisitions reinforce MMS solution

Hexagon has long supplied tactile technology to the automotive industry, which is transitioning from contact to non-contact technology with optical measurement instruments for data capture. Access to more measurement data and the ability to more quickly link data from Hexagon and other manufacturers means better quality information. Hexagon's Metrology Management System (MMS), an important tool for data management, is designed for planning and easy management of 3D data from any source. Acquisition of the software company Q-DAS and its statistical process control solutions for the automotive industry will strengthen Hexagon's MMS solution, as Q-DAS has gathered data from all automotive industry suppliers including Hexagon competitors. Hexagon is now connecting process parameters with this quality data.

Launched in 2014, the 360° SIMS solution allows measurements to be fully integrated into production lines without having to stop the production process. It revolutionises the automotive industry. Statistical analysis linked to 360° SIMS is possible with help from Q-DAS.

In the aerospace industry, Hexagon's solutions are used to analyse and inspect all parts including complex, large-scale components such as the wings of an aircraft, mitigating the need for continuous and costly rework. Hexagon offers solutions for aircraft engines that involve gathering measurement data in a way similar to that of the automotive industry. MMS Change Management is used to ensure synchronisation of the PLM environment (Product Lifecycle Management) and enhance value for the customer, and MMS Pulse is used to analyse environmental conditions and equipment performance.

Hexagon offers the aerospace industry software solutions for management of complex kinematics – objects in movement – and for robot calibration.

In the consumer electronics industry, metrology solutions are used to inspect the quality of devices such as smartphones and tablets, ensuring quality in a mass-production environment. Hexagon is the only company that can offer all the complex data that mobile phone manufacturers require, with an automated and traceable assembly and inspection system.

Continued growth
Sensors are the origin, but the portion of software has grown markedly from 25 per cent in 2008 to around 45 per cent of net sales at the end of 2015 through organic growth, expansion in maintenance services and via acquisitions. Sales are well-diversified geographically. Net sales from emerging markets climbed from 35 per cent in 2008 to almost 50 per cent at the end of 2015. Growth in these countries is due to a strong local organisation and the scope of the portfolio. While the proportion of recurring revenues is higher in mature markets, the proportion of new customers is higher in the emerging markets.

Further automation of workflows offers considerable future potential. Competition is intense in the automotive industry, with new car models launched at short intervals. Consequently, the automotive industry has a great deal to gain from further streamlining the workflow process.

PROCESS, POWER & MARINE

The complexity of engineering projects has increased in recent years as the average project size has increased and design teams are more often geographically dispersed. This has led to major challenges for engineering companies. Surveys show that nearly half of all engineering projects fall victim to their completion deadlines, leading to costly delays and access to asset information once the project is completed is difficult. These challenges can be solved using Hexagon's solutions.

Process, Power & Marine (PP&M) is the leading global provider of enterprise-wide engineering software for designing, constructing and operating process and power plants, ships and offshore facilities. Enterprise-wide information management capabilities allow engineering companies and facility owners to capture and integrate engineering knowledge. This reduces risk while improving efficiency and cost-effectiveness throughout all stages of the engineering life cycle – from early project phases through operations and maintenance and up to decommissioning.

The software is used for engineering and schematics design, 3D modelling and visualisation, stress analysis, procurement, fabrication, construction and information management.

PP&M's customers are widely spread geographically. Almost 70 per cent of the revenues are recurring, which aligns well with Hexagon's strategy. Software leases, monthly fees for software upgrades and cloud-based fees account for recurring revenues.

Enhanced customer offerings through acquisitions
Through the acquisition of EcoSys, PP&M has broadened its portfolio to include project control technology. Integration of the project scheduling (4D) and cost management (5D) with PP&M's 3D design further strengthen Hexagon's capabilities in the BIM market (Building Information Modelling).

PP&M also acquired OhmTech in 2015. The company reinforces Hexagon's analysis capacity for calculation and design of pressure vessels, shell and tube heat exchangers and more through a graphic-based MS Windows program.

Growth on several levels
Hexagon sees growth possibilities for PP&M through further development of cloud technology and higher market shares in the robustly growing fields of project control and market expansion for BIM and AEC (architecture, engineering and construction).

INNOVATING WITH CUSTOMERS

In recent years, oil and gas companies have faced head-wind in the form of lower energy prices. By investing in technology automation, they are working to streamline their processes and counteract the loss effect of lower oil revenue. One example is the work Hexagon Process, Power & Marine is doing with Royal Dutch Shell.

Shell is deploying ProjectVantage, an integrated cloud platform enabling seamless information development and management across suppliers, vendors and engineers. Shell expects key savings in design and engineering to result from the single-source availability of up-to-date design information, semi-automated data validation and consistency checking across disciplines, locations and contractors. Once projects have been completed, hand-over will be dramatically simplified to a change in system access rights. Shell has applied Hexagon PP&M's Smart-Plant Cloud to enable this bold vision for streamlined capital project execution.

Shell and Hexagon have worked closely during the last two years to create a critical information validation capability of SmartPlant Cloud, Smart Data Validator. Smart Data Validator is a comprehensive data validation, transforma-tion and migration platform that enables companies to ensure the quality of information and significantly reduce the time and costs associated with data take-on.

"Managing the handover of data and documentation from projects to operations is a daunting task because the volumes are so high. Smart Data Validator has been designed to help our customers significantly reduce the time and cost associated with the import and validation of data. However, the real value associated with quality data handover is in the operations phase. High-quality data is critical to the safe, reliable and effective operation of any manufacturing facility," says Patrick Holcomb, Process, Power & Marine's Executive Vice President of global busi-ness development and marketing.

SMART PLANT CLOUD

Smart Plant Cloud is a tailored computing environment that allows access to extensive project data at any time on any device from any place around the world.

SMART DATA VALIDATOR

Smart Data Validator ensures the quality of data deliv-ered from contractors, suppliers and vendors, creating a high-quality data basis for operations.

IN SEARCH OF THE PERFECT OUTPUT

As a metrology equipment manufacturer, Manufacturing Intelligence's expertise historically has been in quality control solutions, producing inspection tools for the measuring room. But in recent years, the company has seen metrology break out of the confines of the measuring room and a move closer to the production line to maximise productivity and efficiency.

Supporting this approach is Hexagon's development of the latest shop floor-hardened CMMs, which enable more accurate measurement in workshop conditions. More recently, the company has designed and installed fully automated inspection cells capable of inspecting within the production line itself. The MMS software can help manufacturers turn gathered data into actionable information and utilise it for more effective decision making across many aspects of the production process.

Hexagon's acquisition of statistical process control specialist Q-DAS adds a new set of tools to the scope of the MMS development project. Statistical process control offers a slightly different perspective on data use than more traditional metrology analytics and the Q-DAS product portfolio has brought a range of options that are directly compatible with current Hexagon technologies, as well as several potential development opportunities.

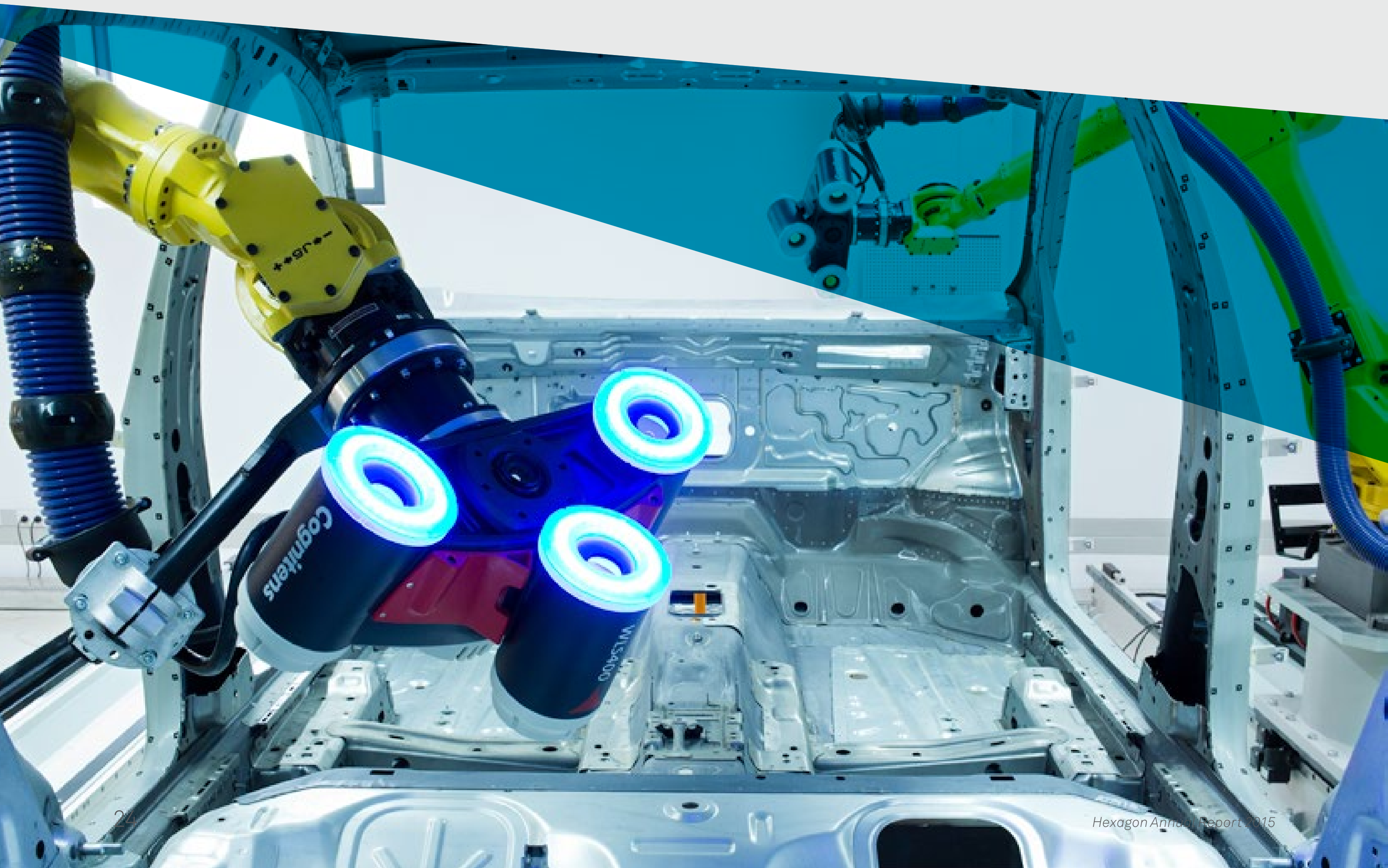
Just nine months after the acquisition was completed, modifications enabling all Hexagon sensors to directly connect with Q-DAS software were completed. For customers using both platforms, this eliminates the need for data converters, which inherently introduce an unwelcome complexity into the process. With Q-DAS technicians taking a leading role in some of Hexagon's major software projects, this is just the first of many more developments to come.

But in terms of key customer demand – top quality output – inspection and information are only part of the story. Hexagon's acquisition of Vero Software provides a real competitive advantage in this area.

Vero Software's expertise in the field of computer-aided manufacturing (CAM) offers customers active production planning and response technology. In combination with Hexagon's data capture and management systems, CAM becomes an exciting prospect for uniting quality control information and computer-controlled machine response. This enables customers to not only detect product imperfections, but also intervene and correct them automatically through active feedback loops.

This development potential is bi-directional. The expertise of Hexagon in measurement hardware offers a new dimension to Vero Software's customer base as well, providing an option to better inform their decision making and process planning using mature metrology technologies.

The synergies with the Vero Software portfolio and the process control expertise of Q-DAS are allowing Hexagon to channel its research focus into providing greater integration between metrology and production, improving the quality and capabilities of the solutions offered to customers in industrial manufacturing. It is no longer enough to simply measure things – Hexagon's aim is to support customers in producing the best possible output. And with the vision and innovation Hexagon brings to the table, quality-controlled manufacturing is even closer.



PRECISION FOR OPTIMUM PERFORMANCE

Formula One racing is a sport of the finest of margins. The cars are built from hundreds of thousands of components and over the years they have become even more complex and margins slimmer.

Red Bull Racing has worked with Hexagon as an Innovation Partner to the team since 2006. During this time the team has won eight World Championships (four Drivers, four Constructors). Since the team was founded 12 years ago, Red Bull Racing has achieved 50 race wins and 119 podium finishes along the way.

"Every machined part and every composite surface is mission-critical in the world of F1; we rely on 100% inspection rates to ensure that our designers' painstaking work is accurately represented in the final components. Hexagon is the ideal innovation partner to equip us to achieve this level of quality and provide a range of inspection tools for the team," says Alan Peasland is Head of Technical Partnerships at Red Bull Technology.

He explains the importance of quality in every aspect of Formula One racing.

"Quality in F1 is what keeps drivers safe, ensures the car is legal and also adds competitive advantage in every race. Every component has to conform to the exacting requirements of the design team, in order to make the most of the stringent regulations set by the International Automobile Federation, FIA. This includes everything from the moulds and jigs used for our carbon fibre parts, right through to inspection of the final assembled car at the race circuit, in which even the slightest discrepancy in setup geometry can have a fundamental effect on driver feel and performance. Hexagon products allow us to inspect as we go, wherever we go, with high-accuracy CMM solutions in the factory, to rapid, portable scanners for the race track."

What parts are you measuring with the help of Hexagon?
"We aim for 100% inspection rate for the parts fitted to the car, however the detailed scanning is primarily of crash structures, safety features and aerodynamic surfaces. When we reach the circuit, we then use datum points on the car, along with a Leica T-Probe and portable laser tracker set up in the garage, to allow us to check the finished car before we race."

How do you think the cooperation with Hexagon has helped you in your achievements?
"Hexagon understands our business and responds accordingly, over the years we have built some very strong connections and solved some interesting problems! Apart from the quality of the tools themselves, we have really benefitted from the quality of service and training that we've received from Hexagon as a partner. Many of our suppliers now use their products, so we can be assured of their inspection standards."

How do you think the cooperation has helped Hexagon in the development of products?
"We often work with Hexagon to spec new products for our challenging requirements – particularly for items we might want to use at the race circuit, as weight and size become an important issue. We do this by hosting annual technical workshops to collaborate with Hexagon's development team; a great opportunity for us to both gain insight and offer input to their product roadmaps."

FOCUS ON TECHNOLOGY LEADERSHIP

Hexagon has a strong focus on technology leadership. This is particularly evident in the research and development investments made every year. In 2015, more than 350 MEUR were invested in R&D.

DEVELOPMENT IN DIALOGUE WITH THE CUSTOMER

Innovation in close collaboration with customers is key to Hexagon's success. Hexagon can continue to profitably grow by meeting customer needs through advanced information technology solutions. One prerequisite is the sales organisation's understanding of the technology and unique ability to listen to and interpret customer needs, coupled with interaction between Hexagon sales and the research and development organisation.

INNOVATION PROCESS

Every development project is based on an identified business case with clearly defined technical, commercial and cost targets and is run in close collaboration with customers and partners. Hexagon's innovation process takes innovations from concept to finished product. It is an established framework for development projects based on a concrete set of rules, phases and milestones that identify product innovations for large-scale production and enable simultaneous parallel development. Clearly defined roles foster agile knowledge sharing among teams and divisions, creating company-wide synergies.

TECHNOLOGY DEVELOPMENT

Hexagon has an Innovation Hub as part of its solution-centric strategy. This unit is tasked with creating conditions for software and sensors to communicate with each other in new ways between applications and platforms so they can be used across Hexagon's organisation. See the box below.

NEW TECHNOLOGY ACQUISITIONS

Acquisitions enable Hexagon to supplement its technology portfolio, thereby strengthening the company's market-leading position. Hexagon's software technology acquisitions, which can create synergies, are in line with the company's solution-centric strategy.

R&D EXPENSES

Hexagon's total expenditure for research and development during 2015 amounted to 359.7 MEUR (293.4), corresponding to 12 per cent (11) of net sales. Development expenses are capitalised only if they pertain to new products, the cost is significant and the product is believed to have major earnings potential. In 2015, 52 per cent (53) of R&D spend was capitalised.

PATENTS

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

INNOVATION HUB

Hexagon's innovation strategy is driven by the Innovation Hub – designed to exploit cross-business synergies and raise the innovation bar across all lines of business. And while incremental innovation remains a focus, the focus of the Hub is to capitalise on expert insights and fuel disruptive, breakthrough innovation across the company.

TECHNOLOGY CENTRE

PURPOSE: Systems integration and innovative R&D of selected Hexagon information technologies (hardware and related software)

GOAL: Technology prep for the 'the connectivity of everything' era (the smarter the device, the stronger the connectivity)

FOCUS: Research and development of "smart-ready" technologies (embedded, operating-system agnostic software application tools, communication ports, protocols, user interfaces, etc.)

APPLICATION CENTRE

PURPOSE: Holistic view of technology synergies and integration opportunities across Hexagon, supporting the interoperability of Hexagon and third-party products

GOAL: Connectivity and business process optimisation (the more integrated and intelligent the workflow, the greater the value to the business)

FOCUS: Development of connectivity technologies and platforms (think IoT) that support Hexagon and third-party products and provide advanced data analytics algorithms to sophisticate connectivity

HEXAGON VENTURES

PURPOSE: Business incubator acumen for exploiting strategic and opportunistic innovation pipeline opportunities

GOAL: To start ventures and partnerships that are to be driven by the divisions after reaching a certain level of maturity

FOCUS: Holistic view of how technologies might transfer to other business areas and markets, creating new business models, value and revenue streams

RESEARCH FOR A SUSTAINABLE ENVIRONMENT

Research that can help us understand and prevent climate change in the reaction of glaciers is a top priority worldwide. Hexagon Geosystems recently took part in a research project concerning Greenland's glaciers.

Greenland is especially vulnerable to climate change; the ice sheet is melting faster and the glaciers are moving 10 times faster toward the sea than they did just five years ago. The country's ice represents approximately 8 per cent of all freshwater found on Earth. Should these glaciers melt, the meltwater would be enough to raise sea levels by more than 7 metres, affecting millions of people. The serious consequences on our environment make it extremely important to monitor these changes.

Luc Moreau is a glaciologist based in Chamonix, France. He has studied the four-kilometre-wide Eqip Sermia glacier in West Greenland since 2011.

"Protecting nature is to protect ourselves," says Moreau.

He recently organised an expedition to collect data on the speed of this glacier's melt flow and to understand how the glacier's ice moulins – deep holes that transport meltwater through glaciers – affect the speed of movement at the ice-rock interface. Moreau was joined by Farouk Kadded, product manager of geomatics at Hexagon Geosystems France. They calculated the length and speed of the flow of the Eqip Sermia glacier by repeatedly scanning remarked points on the glacier far upstream on the ice cap and pairing the film with topographic data collected with Hexagon equipment.

"Thanks to the instruments, software and people from Hexagon we were able to collect information for scientists to interpret. Hexagon Geosystems provided a boost to the scientific research and, at the same time, put its instruments to severe tests. This was highly motivational for the research team," Moreau says.

The results proved that the glacier's movement was up to 7 metres (23 feet) a day and up to 13 metres (43 feet) on the fastest part (L. Luethi, A. Vieili, L. Moreau, 2014). The last measurements taken in 2012, revealed the Eqip Sermia moved 3 metres (10 feet) daily. This flow, when compared with other glaciers around the world, moving roughly 30 centimetres (12 inches) a day, is alarmingly fast. The team also proved the glacier lost roughly 500 metres (1,640 feet) in just the previous month. Results also proved the glacier is melting 100 times faster below the surface of the ocean than above.

"This is because of the rising temperatures of the ocean as a result of that the sea ice disappeared in the north pole. Everything is linked! To verify these changes, it is essential to have reliable data. The information gathered is crucial for the future," says Moreau.

RESPONSIBLE BUSINESS FOR LONG-TERM VALUE GENERATION

Hexagon is committed to creating value by delivering long-term profitability and competitiveness for its own business, as well as for its customers. The company continues to invest in groundbreaking concepts that will contribute to sustainable and viable development.

AN IMPORTANT ROLE IN SOCIETY

Solving global challenges such as providing the world's growing population with food and water or reducing environmental and climate impact, demands innovative solutions. Hexagon's customers share a reality; they are constantly reminded to find ways to do more with less. The company's solutions give customers access to information and analysis tools that contribute to research and development, better understanding and the potential to make well-informed decisions that, in turn, improve productivity and efficiency. This is Hexagon's greatest contribution to society. We feel that long-term value can only be achieved by doing business in a responsible manner throughout the value chain. Hexagon engages regularly in social projects where its technology is used to help poor and vulnerable people, or to contribute to other social objectives. These projects are decided and led locally within the Group's subsidiaries.

HEXAGON HELPS CUSTOMERS REALISE THEIR SUSTAINABILITY TARGETS

We help our customers attain their sustainability targets through technologies that enable customers to do things smarter and faster. Hexagon's product range includes measurement systems with features that help customers experience sustainability gains in areas such as raw material and component consumption reduction, improved energy efficiency, product life cycle extension, work environment improvements through ergonomic features and reduced hazardous materials consumption in product design. One example of functionality that reduces environmental impact is Hexagon's Green GIS software, which helps customers shrink data sets, thereby lowering carbon dioxide emissions in their IT processes. For this solution, Hexagon was awarded second place in the Wichmann Innovation Awards, presented by Wichmann publishing, known for its geodesy and geomatics expertise.

INTERNATIONAL AND QUALIFIED WORKFORCE

Hexagon must always be in the forefront if it is to maintain a market-leading position. Product development and innovation are central for Hexagon, which invests more resources in R&D than most of its competitors. Hexagon strives to offer a stimulating and challenging work environment where employees can constantly advance their knowledge and careers, be creative and achieve prominent results. For Hexagon, with operations in 46 countries, diversity is a business-critical issue. Hexagon recruits local personnel that know and understand their respective local markets. All employees are to be treated with respect and be given equal opportunities. The company has a zero-tolerance attitude in terms of harassment and discrimination.

RESPONSIBLE PROCUREMENT

Hexagon works closely with its suppliers to ensure quality and sound business practices. Suppliers are expected to follow the Hexagon Code of Business Conduct and Ethics and adhere to the goals and values articulated in Hexagon's Corporate Responsibility Guidelines based on the UN Global Compact. The guidelines are also used as an assessment tool in the selection of suppliers.

In addition to assessing the overall competitiveness of their offerings, Hexagon strives to select suppliers that are at the forefront concerning environmental issues and that adhere to Hexagon's guidelines.

With an extensive network of global suppliers, there is always a risk that some suppliers will fail to measure up. We deem this risk to be larger in certain developing countries where regulations and supervisory methods are not forceful enough. The Group's procurement managers are responsible for taking this into account when assessing new suppliers and supervising existing ones. Audits are performed on a regular basis and, in cases of non-compliance, Hexagon engages with suppliers and takes suitable measures to ensure that the issue will not be repeated.

SUSTAINABLE MANUFACTURING

Hexagon has operations in 46 countries worldwide and research laboratories and manufacturing and assembly plants in 12 countries: Brazil, China, Denmark, France, Germany, India, Israel, Italy, Japan, Singapore, Switzerland and the USA.

In its own manufacturing operations, Hexagon implements programmes designed to ensure that environmental standards are in compliance with laws, regulations and directives and has obtained ISO 14001 certification of its major production facilities. The most significant environmental impact of the company's products is through their application in production processes. By minimising consumption of materials and maximising recycling, Hexagon strives to limit the use of natural resources. The company utilises safe and environmentally friendly installations in its manufacturing processes and promotes energy efficiency in buildings, production plants and performance of services.

Lean manufacturing is a key initiative to ensure a cost-optimised manufacturing process. Hexagon applies the most efficient processes to ensure flexibility and on-time delivery at minimum inventory. The primary focus is to

SOLUTIONS THAT PROTECT THE ENVIRONMENT

At the Convention on Climate Change held in December 2015 in Paris, Hexagon explained how solutions are used to protect the environment, from helping to prevent disasters and manage natural resources to monitoring climate changes and global threats.

Claudio Mingrino, Hexagon Geospatial Vice President of Global Strategic Partnerships, presented examples of how geospatial technology is used to address security risks and monitor climate changes:

- Risk analysis and management of chemical, biological, radiological and nuclear threats
- Hydro-geological risk analysis and management
- Air and water quality monitoring
- Oil spill and vessel detection
- Measuring the environmental impact of large infrastructures
- Use of remote sensing in restoration of ecosystems
- Locating dikes for best flood prevention
- Forestry inventory
- Planning and response for earthquakes
- Surveillance for peace keeping

Geospatial technologies from Hexagon can be used to capture the world quickly and effectively, monitor change, aid in prevention, streamline decision making and take quick action. The ultimate goal is to streamline the process between events that occur and the actions that follow and to prevent or mitigate events whenever possible.

integrate key suppliers into an efficient supply chain and to not restrict optimisation only to Hexagon's in-house production. Employees participate in ongoing improvement programmes to optimise processes and workflows.

OPEN AND TRANSPARENT COMMUNICATION

Hexagon's goal is to be transparent, open and proactive in its communication with all its stakeholders. Communication and collaboration are encouraged across divisions and geographic boundaries to ensure the best possible use of available knowledge and expertise.

Employees are encouraged and expected to report any incidents of non-compliance with the Hexagon Code of Business Conduct and Ethics (the whistleblower function), with the assurance that there will be no retaliation or other negative consequences for persons acting in good faith.

COUNTERACTING CORRUPTION

Hexagon's Compliance Programme provides tools and guidelines for counteracting bribery and corruption in the daily business. The programme covers all operations and 230 of Hexagon's senior managers have an assigned responsibility to make sure that employees adhere to company routines regarding corruption. Hexagon organises courses on an annual basis to keep employees abreast of routines to counteract corruption.

BOARD OF DIRECTORS IS RESPONSIBLE FOR SUSTAINABILITY

Hexagon's Board of Directors has established Corporate Responsibility Guidelines that serve as a framework for Hexagon's business approach. The practical sustainability efforts are primarily managed within each subsidiary. The same applies to market risk and operational risk management.

STEERING DOCUMENTS

Hexagon's Code of Business Conduct and Ethics defines the duty of all Hexagon employees to uphold high standards for ethical conduct. The Code also aims to ensure a safe work environment and that all employees are treated equally and fairly. Hexagon's Corporate Responsibility Guidelines support and adhere to the core values expressed in the United Nations Global Compact's 10 principles in the areas of human rights, labour rights, environment and anti-corruption.

EMPLOYEES WITH STRONG DEDICATION AND CREATIVITY

Hexagon has more than 16,000 employees in 46 countries who work in research and development, marketing, sales, production, installation, training, service and administration. Hexagon's success is built upon offering the most advanced high-technology solutions that strengthen customer productivity. This extends to its corporate culture, which is driven by results instead of processes, dedicated and creative employees and advanced technology know-how.

HEXAGON ON THE LABOUR MARKET

A global company such as Hexagon must have local knowledge to be successful in different geographical markets, which is why recruitment is primarily performed locally. Hexagon proactively engages with universities and colleges in various parts of the world to share knowledge and encourage more people to apply for employment at Hexagon. Students are offered opportunities for research and internships in conjunction with their thesis. Company representatives participate in a variety of lectures and attend career fairs and industry conferences to strengthen Hexagon's employer brand.

INTEGRATION OF ACQUISITIONS

Acquisitions are an important part of Hexagon's strategy. For the past several years, Hexagon has made more than 100 acquisitions that have supplied new technologies, know-how and a stronger position in different markets. New acquisitions are integrated in a close, respectful dialogue with management of the acquired company and over a longer period of time. As a result, Hexagon has over time successfully retained key employees and advanced technology expertise.

MANAGER AND EMPLOYEE DEVELOPMENT

Motivated and dedicated employees are essential for Hexagon's success. A flat hierarchy and healthy opportunities for development are ingredients in the recipe for success. Hexagon invests continuously in leadership development to strengthen manager competence and the ability to develop employees. In recent years, the company has invested in a new leadership development programme based on globally established leadership methods. Widespread reviews of employees have been implemented to nurture talents and remedy areas in need of further development. Hexagon has increased the number of Performance Management activities the past years to further cement its company culture and strategy, better cultivate talents and link strategic targets to the individual targets of employees.

COMMUNICATION AND WORK ENVIRONMENT

Hexagon encourages communication and collaboration, which are fundamental for successfully developing new, advanced solutions. They are also vital to a good work environment. The Hexagon Code of Business Conduct and Ethics defines the duty of all Hexagon employees to

MAXIMISING POTENTIAL THROUGH CULTURE

In July 2015, Hexagon's Process, Power & Marine won the Employer of Choice Award at the prestigious Australian Business Awards.

The award recognises organisations that have developed the best workplaces capable of maximising the full potential of their workforce through practices that demonstrate effective employee recruitment, engagement and retention.

The award comes three years after PP&M introduced an HR strategy that has involved significant changes and more support for employees. The company surpassed 350 other organisations by demonstrating outstanding achievements across the key areas of organisational

culture such as leadership and strategy, performance management, training and development and employee health, safety and satisfaction.

HEXAGON'S CORE VALUES

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

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

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

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

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

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

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

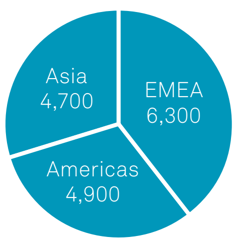
uphold high standards for ethical conduct. Employees are expected to properly report any deviations. The Code also aims to ensure a safe work environment and that all employees are treated equally and fairly. All employees are to be treated with respect and have the same opportunities to fully contribute to the company's success in relation to their know-how and dedication. Hexagon has a zero-tolerance attitude in terms of harassment and discrimination. The company strives to secure a safe work environment by implementing all applicable health and safety regulations throughout the Group.

EMPLOYEE ENGAGEMENT SURVEY
The Hexagon Employee Engagement Survey takes place on a global basis every two to three years as part of Hexagon's ambition to gain better insight into employee engagement, satisfaction and business efficiency. Based on the responses, management works with employees to produce action plans. The most recent survey was carried out in September 2014 and gave a response rate of 84 per cent.

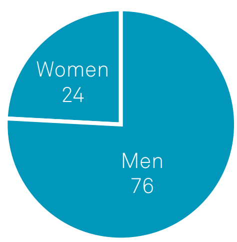
NUMBER OF EMPLOYEES:
The average number of employees in 2015 was 15,891. The number of employees at the close of the year was 16,132. Annual employee turnover was approximately 10 per cent in 2015, in line with the industry average.

EMPLOYEES PER SEGMENT, AVERAGE NUMBER

EMPLOYEES PER REGION, AVERAGE NUMBER



GENDER DISTRIBUTION, %



THE SHARE

SHARE PRICE DEVELOPMENT AND TRADING

In 2015, the Hexagon share price increased by 30 per cent to 314.80 SEK at 31 December, compared to the OMX Stockholm 30 Index which fell by 1.2 per cent. The share price reached the 52-week high of 331.10 SEK on 22 April and the 52-week low on 31 January at 240.10 SEK. Hexagon's total market capitalisation as of 31 December 2015 was 108,476 MSEK. During the year, 286 million (230) Hexagon shares were traded on the Nasdaq Stockholm, BATS, Burgundy, Chi-X and Turquoise. The turnover rate, i.e. the degree of liquidity, was 83 per cent (64).

OWNERSHIP STRUCTURE

At year-end 2015, Hexagon had 20,265 registered shareholders (17,920). Shareholders in the USA accounted for the largest foreign holding, representing 17 per cent (19) of total shares followed by the UK, representing 14 per cent (14). The ten largest owners held 48.0 per cent (55.3) of the share capital and 62.7 per cent (68.0) of the votes.

SHARE CAPITAL

At year-end 2015, Hexagon's share capital amounted to 79,956,762 EUR, represented by 360,337,142 shares, of which 15,750,000 are of Class A with ten votes each and 344,587,142 are of Class B with one vote each. Each share has a quota value of 0.22 EUR. Hexagon AB held no treasury shares as of 31 December 2015.

Hexagon's Annual General Meeting in 2015 authorised the Board of Directors to resolve on the acquisition and transfer of Class B shares for the purpose of giving the Board the opportunity to adjust the company's capital structure and to enable the financing of acquisitions and the exercise of warrants. The authorisation covers a maximum of 10 per cent of all Hexagon shares.

INCENTIVE PROGRAMMES

In 2015, a new warrants programme was implemented for Group and application area management, senior managers and other key employees through the issue of 10,000,000 subscription warrants that entitle the holder to the same number of new Class B shares in Hexagon AB. The subscription warrants were issued to Hexagon Förvaltning AB, a wholly owned subsidiary and offered for sale to participants of the programme.

163 Group and application area managers, senior managers and other key employees in the Group purchased 7,107,660 warrants at a price of 25 SEK per warrant in 2015. Remaining subscription warrants have been reserved for future senior managers and recruitments of persons within the above eligible categories in the Group. The programme is expected to lead to an increased interest in the company's development and a strengthening of the share price.

The strike price for subscription of shares upon exercise of the transferred warrants was set at 347.80 SEK. The warrants were valued by an independent institute in accordance with the Black&Scholes model and were acquired by the participants at market value. The warrants may be exercised during 1 June 2018 – 31 December 2019.

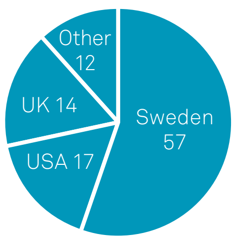
The warrants programme implemented in 2011 (2011/2015) expired on 31 December 2015. In 2015, 2,982,929 warrants were exercised.

+30%

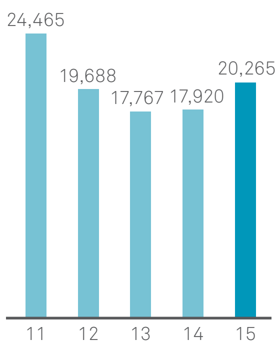
SHARE PRICE IN 2015

ISIN SE0000103699
NASDAQ OMX STOCKHOLM HEXA B
REUTERS HEXAB.ST
BLOOMBERG HEXAB SS
SECTOR TECHNOLOGY
SEGMENT LARGE CAP

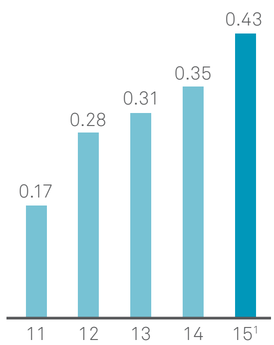
GEOGRAPHIC DISTRIBUTION OF SHAREHOLDINGS, %



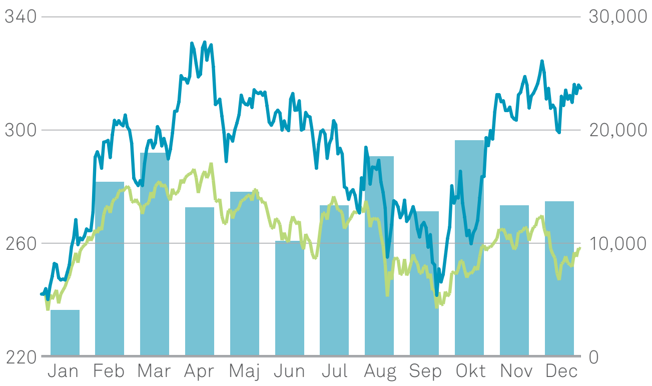
NUMBER OF SHAREHOLDERS



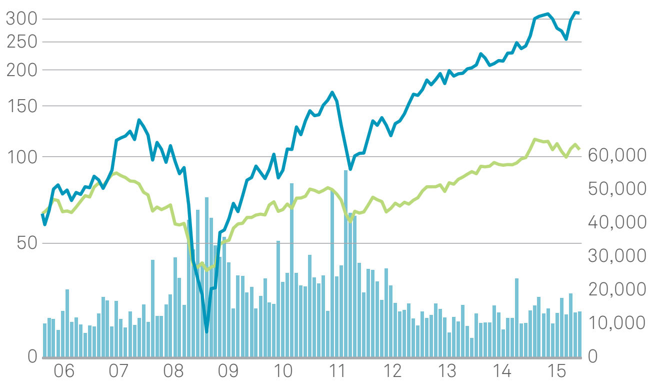
CASH DIVIDEND PER SHARE, EUR



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



Source: SIX



Source: SIX

Class of shares	Number of shares	Number of votes	% of capital	% of votes
A shares	15,750,000	157,500,000	4.4	31.4
B shares	344,587,142	344,587,142	95.6	68.6
Total	**360,337,142**	**502,087,142**	**100.0**	**100.0**

LARGEST SHAREHOLDERS

Owner/manager/deposit bank	A shares	B shares	% of capital	% of votes
Melker Schörling AB	15,750,000	77,929,899	26.0	46.9
JPM Chase NA	-	18,286,352	5.1	3.6
Ramsbury Invest AB	-	17,196,387	4.8	3.4
Swedbank Robur Fonder	-	14,837,445	4.1	3.0
State Street Bank Trust Client, Omnibus	-	8,555,612	2.4	1.7
SSB CL, Omnibus	-	7,060,419	2.0	1.4
Första AP-fonden	-	6,894,515	1.9	1.4
State Street Bank & Trust Com., Boston	-	6,557,283	1.8	1.3
BNY Mellon SA/NV (former BNY), W8IMY	-	6,473,629	1.8	1.3
CBNY-Norges Bank	-	6,124,532	1.7	1.2
Didner & Gerge Fonder	-	4,479,414	1.2	0.9
AMF Försäkring och Fonder	-	4,093,447	1.1	0.8
Livförsäkringsbolaget Skandia OMS	-	4,085,103	1.1	0.8
Handelsbanken Fonder	-	3,727,915	1.0	0.7
Fjärde AP-fonden	-	3,198,752	0.9	0.6
Andra AP-fonden	-	3,163,179	0.9	0.6
INV Bank & Trust	-	2,765,109	0.8	0.6
SEB Investment Management	-	2,700,565	0.8	0.5
CBLDN	-	2,645,282	0.7	0.5
NTC GIC GOVT OF SINGAPORE INV CORP	-	2,633,329	0.7	0.5
Subtotal, 20 largest shareholders[1]	**15,750,000**	**203,408,168**	**60.8**	**71.7**
Summary, others	-	141,178,974	39.2	28.3
Total number of outstanding shares	**15,750,000**	**344,587,142**	**100.0**	**100.0**
Total issued number of shares	**15,750,000**	**344,587,142**	**100.0**	**100.0**

[1] The concentration corresponds to the 20 largest shareholders presented in the list.
Source: Euroclear Sweden AB as of 30 December 2015 (with some adjustments).

DIVIDEND

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

The Board of Directors proposes a dividend of 0.43 EUR (0.35) per share for 2015. The proposed dividend amounts to 31 per cent of the year's earnings per share after tax and is thus in line with the dividend policy.

THE HEXAGON SHARE

Year Transaction	Nominal value, SEK/EUR	A shares, change	B shares, change	A shares, total	B shares, total	Share capital, SEK/EUR
2000	10			840,000	13,953,182	147,931,820
2002 Rights issue	10	210,000	3,488,295	1,050,000	17,441,477	184,914,770
2004 New issue, warrants exercised	10		10,170	1,050,000	17,451,647	185,016,470
2005 New issue, warrants exercised	10		722,635	1,050,000	18,174,282	192,242,820
2005 Bonus issue	12			1,050,000	18,174,282	230,691,384
2005 Split 3:1	4	2,100,000	36,348,564	3,150,000	54,522,846	230,691,384
2005 New issue, warrants exercised	4		154,500	3,150,000	54,677,346	231,309,384
2005 Private Placement[1]	4		11,990,765	3,150,000	66,668,111	279,272,444
2005 Private Placement[1]	4		82,000	3,150,000	66,750,111	279,600,444
2006 Rights issue	4	787,500	16,687,527	3,937,500	83,437,638	349,500,552
2006 New issue, warrants exercised	4		508,933	3,937,500	83,946,571	351,536,284
2006 Compulsory redemption, Leica Geosystems	4		198,635	3,937,500	84,145,206	352,330,824
2006 New issue, warrants exercised	4		309,119	3,937,500	84,454,325	353,567,300
2007 New issue, warrants exercised[2]	4		58,170	3,937,500	84,512,495	353,625,470
2007 Bonus issue	6			3,937,500	84,512,495	530,699,970
2007 Split 3:1	2	7,875,000	169,024,990	11,812,500	253,537,485	530,699,970
2008 New issue, warrants exercised[2]	2		169,785	11,812,500	253,707,270	531,039,540
2008 Repurchase of shares	2		-1,311,442	11,812,500	252,395,828	531,039,540
2009 Sale of repurchased shares, warrants exercised	2		138,825	11,812,500	252,534,653	531,039,540
2010 Sale of repurchased shares, warrants exercised	2		20,070	11,812,500	252,554,723	531,039,540
2010 Rights issue	2	3,937,500	83,845,572	15,750,000	336,400,295	707,284,354
2011 Rights issue	2		339,335	15,750,000	336,739,630	707,284,354
2011 Change of functional currency to EUR	0.22			15,750,000	336,739,630	78,471,187
2012 Sale of repurchased shares, warrants exercised	0.22		185,207	15,750,000	336,924,837	78,471,187
2013 Sale of repurchased shares, warrants exercised	0.22		967,340	15,750,000	337,892,177	78,471,187
2013 New issue, warrants exercised	0.22		1,354,800	15,750,000	339,246,977	78,771,810
2014 New issue, warrants exercised	0.22		2,392,236	15,750,000	341,639,213	79,302,633
2015 New issue, warrants exercised	0.22		2,947,929	15,750,000	344,587,142	79 956 762
Total number of issued and outstanding shares				**15,750,000**	**344,587,142**	**79 956 762**

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

OWNERSHIP STRUCTURE

Holding per shareholder	Number of shareholders	Number of outstanding A shares	Number of outstanding B shares
1–500	13,350	-	2,060,739
501–1 000	2,454	-	1,942,025
1 001–2 000	1,694	-	2,583,089
2 001–5 000	1,268	-	4,116,766
5 001–10 000	565	-	4,077,541
10 001–20 000	320	-	4,645,647
20 001–50 000	243	-	7,504,730
50 001–100 000	104	-	7,480,395
100 001–500 000	174	-	41,163,981
500 001–1 000 000	36	-	26,775,905
1 000 001–5 000 000	49	-	94,218,115
5 000 001–10 000 000	5	-	34,605,571
10 000 001-	3	15,750,000	113,412,638
Total	**20,265**	**15,750,000**	**344,587,142**

Source: Euroclear Sweden AB as of 30 December 2015 .

KEY DATA PER SHARE

	2015	2014	2013	2012[1]	2011
Shareholder's equity, EUR	11.36	9.68	8.00	7.77	7.15
Net earnings, EUR	1.39	1.13	1.04	0.99	0.84
Cash flow, EUR	2.01	1.58	1.42	1.41	1.00
Cash dividend, EUR	0.43[2]	0.35	0.31	0.28	0.17
Pay-out ratio, %	31.0	31.0	29.8	28.3	20.2
Share price, EUR	34.26	25.76	22.95	19.00	11.55
P/E ratio[3]	25	23	22	19	14

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

ANALYSTS FOLLOWING HEXAGON AB

Organisation	Name
ABG Sundal Collier	Per Lindberg
Bank of America	Mark Troman
Barclays	Gerardus Vos
Carnegie	Mikael Laséen
Danske Bank	Björn Enarson
Deutsche Bank	Alex Tout
DNB	Johan Sjöberg
Goldman Sachs	Mohammed Moawalla
Handelsbanken	Daniel Djurberg
J.P. Morgan	Stacy Pollard
Kepler Cheuvreux	Markus Almerud
Morgan Stanley	Adam Wood
Nomura	Alexander Virgo
Nordea	Erik Golrang
Pareto Securities	David Jacobsson Cederberg
RBC	Wasi Rizvi
SEB Equities	Daniel Schmidt
Swedbank	Mathias Lundberg
UBS Investment Research	Guillermo Peigneux

HEXAGON'S CORPORATE GOVERNANCE REPORT

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

Hexagon applies the Code, which is based on the principle "comply or explain". Hexagon does not report any deviations from the Code for the financial year 2015.

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

OWNERSHIP STRUCTURE AND SHARE INFORMATION

At 31 December 2015, Hexagon's share capital was EUR 79,956,762 represented by 360,337,142 shares, of which 15,750,000 are of Class A with ten votes each and 344,587,142 are of Class B with one vote each. Hexagon AB held no treasury shares at year end. The 2015 Annual General Meeting authorised the Board of Directors ("the Board") to resolve on purchases and transfers of own shares equal to no more than 10 per cent of the total number of issued shares in the company.

Melker Schörling AB, the single largest shareholder in Hexagon, held a total of 15,750,000 Class A shares and 77,929,899 Class B shares at year-end 2015, representing 46.9 per cent of the votes and 26.0 per cent of the capital. No other shareholder has any direct or indirect shareholding representing more than 10 per cent of the total votes.

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

As far as the Board is aware, there is no shareholder agreement that could prevent the transfer of shares.

ANNUAL GENERAL MEETING (AGM)

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

NOMINATION COMMITTEE

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

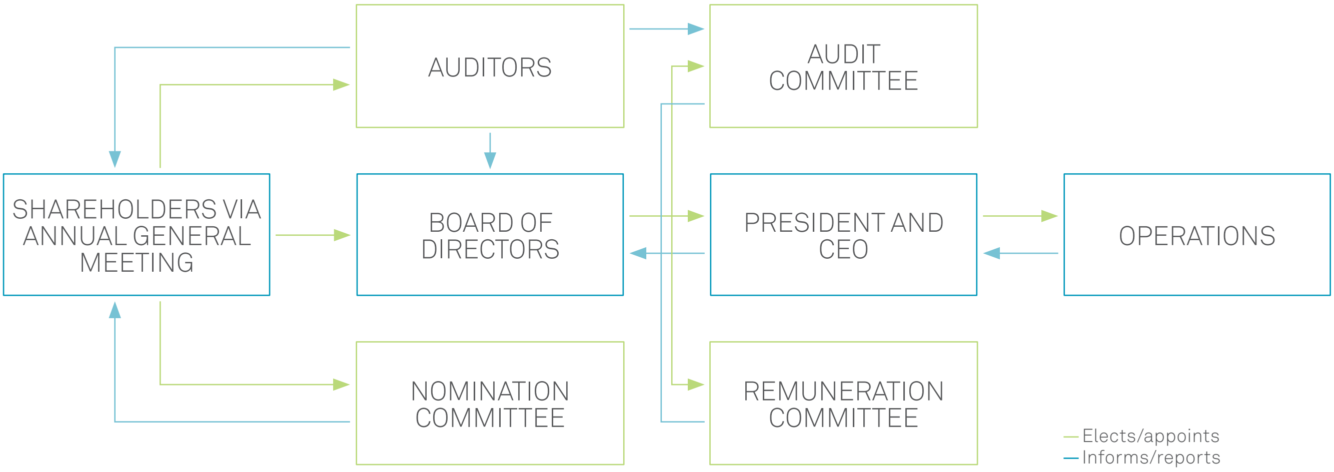
The Nomination Committee shall consist of representatives for major shareholders of the company elected by the AGM. In case a shareholder, who a member of the Nomination Committee represents, is no longer one of the major shareholders of Hexagon, or if a member of the Nomination Committee is no longer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

BOARD OF DIRECTORS

In accordance with the Articles of Association, the Board of Directors of Hexagon shall consist of no less than three and not more than nine members, elected annually by the AGM for the period until the end of the next AGM. The Articles of Association of the company contain no special provisions regarding the election and discharge of Board members or regarding changes of the Articles of Association. The AGM 2015 elected six members, including the President and Chief Executive Officer. The Chief Financial Officer and Executive Vice President, Hexagon's General Counsel and the Chief Strategy Officer participate in the Board meetings. Other Hexagon employees participate in the Board meetings to make presentations on particular matters if requested.

The Nomination Committee's assessment of the board members' independence in relation to the company, its management and major shareholders is presented on page 42. According to the requirements set out in the Code, the majority of the Board members elected by the General Meeting must be independent in relation to the company and its management and at least two of such Board members shall also be independent in relation to the company's major shareholders.

The Board of Directors is responsible for determining Hexagon's overall objectives, developing and monitoring the overall strategy, deciding on major acquisitions, divestments and investments and ongoing monitoring of operations. The Board is also responsible for ongoing evaluation of management, as well as systems for monitoring the internal control and the company's financial position. The Board ensures that the company's external disclosure of information is



characterised by openness and that it is accurate, relevant and clear. Procedural rules and instructions for the Board and the President and CEO govern issues requiring Board approval and financial information and other reporting to be submitted to the Board.

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

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

EXTERNAL AUDITORS

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

In addition to the audit, the auditors occasionally have other assignments, such as work relating to acquisitions and tax. Hexagon's auditors normally attend the first Board meeting each year, at which the auditors report observations from the examination of Hexagon's internal controls and the annual financial statements. Moreover, the auditors report to and regularly meet with the Audit Committee. In addition, the auditors participate in the AGM to present the auditors' report, which describes the audit work and observations made.

INTERNAL CONTROL

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

PRESIDENT AND CEO AND GROUP MANAGEMENT

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

The Group Management, comprising the President and CEO, presidents of application areas, heads of geographical regions and specific Group staff functions, totals 12 persons. Group Management is responsible for the overall business development and the apportioning of financial resources between the business areas, as well as matters involving financing and capital structure. Regular management meetings constitute Hexagon's forum for implementing overall controls down to a particular business operation and in turn, down to individual company level.

OPERATIONS

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

ACTIVITIES DURING THE YEAR

ANNUAL GENERAL MEETING (AGM)

The AGM was held on 6 May 2015 in Stockholm, Sweden and was attended by a total of 105 shareholders, who jointly represented 67 per cent of the total number of shares and 76 per cent of the total number of votes in the company. Melker Schörling was elected Chairman of the AGM.

THE FOLLOWING MAIN RESOLUTIONS WERE PASSED:

- Re-election of Directors Melker Schörling, Ola Rollén, Ulrika Francke, Gun Nilsson, Jill Smith and Ulrik Svensson
- Re-election of Melker Schörling as Chairman of the Board
- Re-election of the accounting firm Ernst & Young AB for a one-year period of mandate. Ernst & Young AB has appointed the authorised public accountant Rickard Andersson as auditor in charge
- Dividend of 0.35 EUR per share for 2014 as per the Board's proposal
- Principles for remuneration to Hexagon's senior executives
- Changes of the Articles of Association regarding the ratio of Class B shares in relation to shares outstanding in the company
- Implementation of a warrants programme for the CEO, Group management, division managers, senior executives and other key employees within the Hexagon Group through a directed issue of 10,000,000 subscription warrants that carry entitlement to the same number of Class B shares in Hexagon AB
- Authorisation of the Board to resolve on acquisition and transfer of the company's shares

NOMINATION COMMITTEE

In respect of the 2016 AGM, the Nomination Committee comprises:

- Mikael Ekdahl, Melker Schörling AB (Chairman)
- Jan Andersson, Swedbank Robur Fonder
- Anders Oscarsson, AMF Fonder
- Henrik Didner, Didner & Gerge Fonder

During 2015, the Nomination Committee held two minuted meetings at which the Chairman gave an account of the process of evaluation of the Board of Directors' work. The Committee discussed and decided on proposals to submit to the 2016 AGM concerning the election of Chairman of the AGM, the election of Chairman and other Board Members, remuneration for committee work and fees to the auditors. Shareholders wishing to submit proposals have been able to do so by contacting the Nomination Committee via mail or email. Addresses have been made available on Hexagon's website.

BOARD OF DIRECTORS' ACTIVITIES

In 2015, the Board held eight minuted meetings, including the statutory Board meeting. At all Board meetings the President and CEO presented the financial and market position of Hexagon and important events affecting the company's operations. On different occasions, Hexagon senior executives presented their operations and business strategies to the Board. In addition, items such as the approval of the interim reports and the annual report are part of the Board's work plan and the company's auditors presented a report on their audit work during the year. At the final Board meeting of the year, the Board approved the operational strategy and the financial plan for 2016.

KEY DATA FOR BOARD MEMBERS[1]

			Committee membership		Meeting attendence		
Board Member	Elected	Independent	Audit	Remuneration	Board of Directors	Audit Committee	Remuneration Committee
Melker Schörling	1999	No[2]		⦿	8/8		1/1
Ulrika Francke	2010	Yes			8/8		
Gun Nilsson	2008	Yes	⦿	⦿	8/8	7/7	1/1
Ola Rollén	2000	No[3]			8/8		
Jill Smith	2013	Yes	⦿		8/8	7/7	
Ulrik Svensson	2010	No[2]	⦿		8/8	7/7	

[1] *A complete presentation of the Board Members is included on pages 42–43.*
[2] *Melker Schörling and Ulrik Svensson are not deemed to be independent of the company's major shareholders.*
[3] *Ola Rollén is not deemed to be independent of the company as a result of his position as Hexagon's President and CEO.*

BOARD AND COMMITTEE MEETINGS

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

EVALUATION OF THE BOARD'S WORK

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

AUDIT COMMITTEE

During 2015 the Audit Committee comprised:

- Ulrik Svensson (Chairman)
- Gun Nilsson
- Jill Smith

In 2015, the Committee held seven minuted meetings where the financial reporting and risks of Hexagon were monitored and discussed. The Committee dealt with relevant accounting issues, audit work and reviews, new financing and testing for impairment of goodwill.

REMUNERATION COMMITTEE

During 2015, the Remuneration Committee comprised:

- Melker Schörling (Chairman)
- Gun Nilsson

In 2015, the Committee held one minuted meeting where remuneration and other employment terms and conditions for the President and CEO and Group management were discussed. The Remuneration Committee also monitored and evaluated the ongoing programmes for variable remuneration to senior executives as well as the application of the guidelines for remuneration to senior managers and the structure and levels of remuneration in the company.

EXTERNAL AUDITORS

The 2015 AGM re-elected the accounting firm Ernst & Young AB as auditor for a one-year period of mandate. Ernst & Young AB has appointed authorised public accountant Rickard Andersson as auditor in charge. In addition to Hexagon, Rickard Andersson conducts auditing assignments for such companies as Autoliv Inc., Proact IT Group AB and NAXS Nordic Access Buyout Fund AB.

Hexagon's auditors attended the first Board meeting of the year, at which they reported observations from their examination of Hexagon's internal controls and the annual financial statements. The auditors met with the Audit Committee on six occasions during 2015.

The address of the auditors is Ernst & Young AB, Box 7850, SE-103 99, Stockholm, Sweden.

REMUNERATION PRINCIPLES

The following principles for remuneration to senior executives in Hexagon were adopted by the AGM 2015.

Remuneration shall consist of a basic salary, a variable remuneration, other benefits and pension and that all in all this remuneration shall be competitive and in accordance with market practice. The variable remuneration shall be maximized to 60 per cent in relation to the basic remuneration, related to the earnings trend which the relevant individual may influence and based on the outcome in relation to individual targets. However, the variable remuneration for six senior executives shall be maximised to between 70 to 200 per cent in relation to the basic remuneration according to previously made agreements.

The Board annually considers whether a share or share-based incentive programme shall be proposed to the Annual General Meeting. The notice period shall normally be six months on the part of the employee. In case of notice of termination by the company, the notice period and the period during which severance payment is paid shall, all in all, not exceed 24 months. Pension benefits shall, as a main rule, be defined contribution. Deviation from this main rule may be permitted when appointing new senior executives whose previous employment agreement included a defined-benefit pension plan. The pension age for senior executives is individual, although not lower than 60 years.

It is proposed to the Annual General Meeting 2016 that the variable remuneration shall be maximized to 150 per cent in relation to the basic salary, related to the earnings trend which the relevant individual may influence and based on the outcome in relation to individual targets.

There are no agreements between the company, directors or employees, other than as described in Note 30, which stipulate the right to compensation if such person voluntarily leaves the company, is dismissed with cause or if such person's employment is terminated as a result of a public offer for shares in the company.

REMUNERATION OF GROUP MANAGEMENT

Remuneration of the President and CEO and other senior executives is presented in Note 30 on page 88.

INCENTIVE PROGRAMMES

Details of the warrants programme are presented on page 32 (The Share section) and in Note 30 on page 89.

REMUNERATION OF BOARD OF DIRECTORS

Remuneration of the Board of Directors is resolved by the AGM upon proposal from the Nomination Committee. During 2015, the Chairman of the Board and other Board Members received remuneration totalling 400.3 KEUR (381.5). Remuneration of the Board of Directors is presented in Note 30 on page 89.

REMUNERATION OF EXTERNAL AUDITORS

Remuneration for services in addition to auditing services primarily refers to work related to acquisitions and tax. Remuneration of the external auditors is presented in Note 31 on page 89.

For more information about applied principles:
- The Swedish Companies Act, www.regeringen.se
- The Swedish Code of Corporate Governance and separate Swedish regulations for corporate governance, www.bolagsstyrning.se

More information is available at hexagon.com
- Articles of Association
- Information from earlier Annual General Meetings
- Information about the Nomination Committee
- Information ahead of the Annual General Meeting 2016

INTERNAL CONTROL PERTAINING TO FINANCIAL REPORTING

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

1. CONTROL ENVIRONMENT

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

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

2. RISK ASSESSMENT

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

3. CONTROL ACTIVITIES

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

4. INFORMATION AND COMMUNICATION

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

5. MONITORING ACTIVITIES

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

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

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

It is the board of directors who is responsible for the corporate governance statement for the year 2015 on pages 35–39 and that it has been prepared in accordance with the Annual Accounts Act.

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

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

Stockholm, Sweden, 23 March 2016

Ernst & Young AB

Rickard Andersson
Authorised public accountant

"Hexagon stands today on a foundation that rests on the long-term decisions made by the Board a number of years ago."

COMMENTS FROM THE CHAIRMAN OF THE BOARD MELKER SCHÖRLING

2015 was yet another successful year for Hexagon. The long-term strategy built on a broad portfolio of high-tech solutions has generated continued growth and reinforced profitability, providing our shareholders with a healthy, sustainable return.

To be successful, we must constantly look to the future and have a clear understanding of the macro trends driving change. We must also be flexible enough to take action and adapt our operations to new challenges and opportunities. Hexagon stands today on a foundation that rests on the long-term decisions made by the Board a number of years ago. Decisions that involved an intensified long-term research and development initiative and investments toward a more solutions-centric product portfolio with a greater share of software. It is apparent that we are reaping major triumphs due to these decisions as an ever larger share of Hexagon's growth is attributable to new initiatives and applications.

In 2015, the Board had a strong focus on developing this strategy. Among other matters, we decided on a number of acquisitions to enhance the possibility for our customers to take action based on the information generated through our technologies. Through the acquisition of Q-DAS, Hexagon has expanded in industrial software and reinforced its offering of statistical process control solutions to the manufacturing industry. Furthermore, the acquisition of EcoSys means that Hexagon can offer leading project control software to the construction segment, among others. These represent two good examples of solutions that generate efficiency and productivity for our customers and which will contribute to Hexagon's future growth.

During the year, we also had our challenges, particularly during the latter half of the year in the form of a turbulent market and plummeting oil prices. In such situations, it is essential that we face the challenges with confidence and develop strategic plans to minimise risks of an operational, financial and legal nature. Despite these challenges, we closed the year with a very strong balance sheet and a historically low debt to equity ratio, which provides us with the ability to invest in future growth, both organic and through acquisitions. It gives us what we need to deliver continued stable returns to our shareholders, even in the future.

It always brings me great pleasure to reflect on our accomplishments and opportunities for growth and development accomplishments. Through sound corporate governance, we want to create the conditions to develop Hexagon and its operations in the best possible way. This annual report serves as a reminder of the importance of Hexagon's work. On behalf of my colleagues on the Board of Directors, I thank our shareholders for their continued confidence and our 16,000 talented and dedicated employees who are the backbone of Hexagon's development accomplishments. I look to the future and am eager to see what future accomplishments lie in store for Hexagon.

Stockholm, Sweden, March 2016

Melker Schörling
Chairman of the Board

BOARD OF DIRECTORS

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

Education: B.Sc. (Econ.)

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

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

Previous assignments in the past five years: –

Shareholding[1]: 15,750,000 shares of series A and 77,929,899 shares of series B through Melker Schörling AB

Independent of the company and its management.

ULRIKA FRANCKE
Born in 1956
Member of the Board since 2010

Education: University studies

Work experience: CEO and President Tyréns AB, City Planning Director and Street and Property Director City of Stockholm and CEO SBC.

Other assignments: Board Member of Swedbank AB, BIM Alliance and IQ Samhällsbyggnad.

Previous assignments in the past five years: Chairman of Stockholm Stadsteater AB. Board Member of Wåhlin Fastighets AB, Tyréns, Stockholm Business Region and Johanneberg Science Park.

Shareholding[1]: 6,000 shares of series B

Independent of the company, its management and major shareholders.

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

Education: B.Sc. (Econ.)

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

Other assignments: CFO IP-Only Group. Board member of Capio AB, Dometic Group AB and Bonnier Holding AB.

Previous assignments in the past five years: Board Member of Duni AB and Board Member of Husqvarna AB.

Shareholding[1]: 10,666 shares of series B

Independent of the company, its management and major shareholders.

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

Education: B.Sc. (Econ.)

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

Other assignments: –

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

Shareholding[1]: 1,173,400 shares of series B

Independent of major shareholders.

JILL SMITH
Born in 1958
Member of the Board since 2013
Member of Audit Committee

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

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

Other assignments: Board Member of J.M. Huber Corp., Endo International plc. and Allied Minds plc.

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

Shareholding[1]: 3,500 shares of series B

Independent of the company, its management and major shareholders.

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

Education: B.Sc. (Econ.)

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

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

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

Shareholding[1]: 6,000 shares of series B

Independent of the company and its management.

[1] Shareholdings and warrant holdings are based on information per 21 March 2016 and also include related-party holdings.

From left: Ulrik Svensson, Ulrika Francke, Melker Schörling, Gun Nilsson, Ola Rollén and Jill Smith.

GROUP MANAGEMENT

OLA ROLLÉN
Born in 1965. President and Chief Executive Officer since 2000. Employed since 2000.

Education: B.Sc. (Econ.)

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

Other assignments: –

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

Shareholding[1]: 1,173,400 shares of series B.

JOHNNY ANDERSSON
Born in 1965. General Counsel. Retained since 2011.

Education: M.Sc. (Law)

Work experience: Partner Mannheimer Swartling Advokatbyrå.

Other assignments: Member of the Swedish Bar Association and the International Bar Association.

Previous assignments in the past five years: –

Shareholding[1]: –

ROBERT BELKIC
Born in 1970. Chief Financial Officer and Executive Vice President. Employed since 2009.

Education: B.Sc. (Business Administration and Economics)

Work experience: Group Treasurer at Hexagon AB, Group Treasurer at EF Education First Ltd and Assistant Group Treasurer at Autoliv Inc.

Other assignments: –

Previous assignments in the past five years: –

Shareholding[1]: 300,000 warrants for Class B shares in Hexagon AB.

KRISTIN CHRISTENSEN
Born in 1971. Chief Marketing Officer. Employed since 2004.

Education: MBA (Marketing)

Work experience: Vice President, Corporate Communications Hexagon AB and marketing management positions at Intergraph, Solution 6 North America and various other software companies.

Other assignments: –

Previous assignments in the past five years: –

Shareholding[1]: 100,000 warrants for Class B shares in Hexagon AB.

STEVEN COST
Born in 1967. President of Hexagon Security & Infrastructure. Employed since 2007.

Education: B.Sc. (Accounting), MBA

Work experience: Intergraph Chief Accountant Officer/Controller/Treasurer, Senior management positions with Adtran, AVEX Electronics and Benchmark Electronics.

Other assignments: –

Previous assignments in the past five years: –

Shareholding[1]: 100,000 warrants for Class B shares in Hexagon AB.

JÜRGEN DOLD
Born in 1962. President of Hexagon Geosystems. Employed since 1995.

Education: M.Sc., PhD (Engineering)

Work experience: Academic counsel at the Technical University of Braunschweig, Germany and various management positions within Leica Geosystems AG.

Other assignments: –

Previous assignments in the past five years: –

*Shareholding[1]:*30,000 shares of series B and 200,000 warrants for Class B shares in Hexagon AB.

NORBERT HANKE
Born in 1962. President of Hexagon Manufacturing Intelligence. Employed since 2001.

Education: B.Sc. (Econ.)

Work experience: Various positions within Kloeckner Group, Chief Financial Officer Brown & Sharpe.

Other assignments: –

Previous assignments in the past five years: –

Shareholding[1]: 44,529 shares of series B and 100,000 warrants for Class B shares in Hexagon AB.

EDGAR PORTER
Born in 1959. Chief Human Resources Officer. Employed since 2004.

Education: B.Sc. (Business Administration)

Work experience: Executive Vice President of Human Resources, Intergraph. Vice President of Human Resources, Solution 6 North America.

Other assignments: –

Previous assignments in the past five years: –

Shareholding[1]: 100,000 warrants for Class B shares in Hexagon AB.

LI HONGQUAN
Born in 1966. Vice President and President of Hexagon China. Employed since 2001.

Education: M.Sc. (Engineering)

Work experience: President Qingdao Brown & Sharpe Qianshao Technology Co. Ltd. Operation Manager, VP, President Qingdao Qianshao Indivers Technology Co. Ltd. Mechanical Designer, Quality Dept. Manager Qingdao Qianshao Precision Machinery Company.

Other assignments: –

Previous assignments in the past five years: –

Shareholding[1]: 120,000 shares of series B and 300,000 warrants for Class B shares in Hexagon AB.

GERHARD SALLINGER
Born in 1952. President of Intergraph Process, Power & Marine. Employed since 1985.

Education: B.Sc. (Chemical engineering)

Work experience: Various positions in the process industry and owner of an engineering firm.

Other assignments: –

Previous assignments in the past five years: –

Shareholding[1]: 20,000 shares of series B and 50,000 warrants for Class B shares in Hexagon AB.

MATTIAS STENBERG
Born in 1977. Chief Strategy Officer. Employed since 2009.

Education: B.Sc. (Econ.)

Work experience: Vice President Strategy and Communications Hexagon AB and Investor Relations positions at Teleca AB and Autoliv Inc.

Other assignments: –

Previous assignments in the past five years: –

Shareholding[1]: 300,000 warrants for Class B shares in Hexagon AB.

CLAUDIO SIMÃO
Born in 1957. Chief Technology Officer. Employed since 2002.

Education: M.Sc. (Mechanical Engineering) and B.Sc. (Physics)

Work experience: President of Hexagon South America, President of Hexagon Metrology Asia-Pacific.

Other assignments: –

Previous assignments in the past five years: –

Shareholding[1]: 100,000 warrants for Class B shares in Hexagon AB.

[1] Shareholdings and warrant holdings based on information per 21 March 2016.


Ola Rollén


Johnny Andersson


Robert Belkic


Kristin Christensen


Steven Cost


Jürgen Dold


Norbert Hanke


Edgar Porter


Li Hongquan


Gerhard Sallinger


Mattias Stenberg


Claudio Simão

BOARD OF DIRECTORS' REPORT

The Board of Directors and the President and Chief Executive Officer of Hexagon AB hereby submit their annual report for the year of operation 1 January 2015 to 31 December 2015. Hexagon AB is a public limited liability company with its registered office in Stockholm, Sweden and its corporate registration number is 556190-4771.

OPERATING STRUCTURE

Hexagon's business activities are conducted through more than 280 operating companies in 46 countries worldwide. The President and CEO is responsible for daily management and decision making together with the other members of Hexagon Group Management, including the Chief Financial Officer, the Chief Strategy Officer, the General Counsel, the Chief Marketing Officer, the Chief Human Resources Officer, the Chief Technology Officer and application area and regional directors.

Hexagon's Group functions consist of Finance (group accounting, treasury and taxes), HR, Business and Technology development (Innovation Hub), Legal, Strategy and Marketing.

SALES AND EARNINGS

Net sales grew by 16 per cent during the year to 3,043.8 MEUR (2,622.4). Hexagon's net sales, adjusted to fixed exchange rates and a comparable group structure (organic growth), increased by 5 per cent during the year. The positive growth was primarily the result of new initiatives and products coupled with stronger order intake.

Operating earnings (EBIT1) increased by 20 per cent to 692.7 MEUR (578.1) and were favourably impacted by organic growth, cost savings, product launches and a larger proportion of software.

In the first quarter of 2015, a cost-savings programme was introduced to counter the negative impact of currency fluctuations on the operating margin. The programme is

HEXAGON'S REPORTING STRUCTURE

HEXAGON

A global provider of design, measurement and visualisation technologies. The Group has several subsidiaries that are world leaders in their industries with strong traditions and are recognised for quality and reliability.

GEOSPATIAL ENTERPRISE SOLUTIONS

Solutions that capture, analyse, present and store geospatial information

Geosystems

Safety & Infrastructure

Positioning Intelligence

CORPORATE

Finance

HR

Innovation Hub

Legal

Marketing

Strategy

INDUSTRIAL ENTERPRISE SOLUTIONS

Supplies industries with solutions for measurement, quality control, design and operations

Manufacturing Intelligence

Process, Power and Marine

FIVE YEAR SUMMARY

MEUR	2015	2014	2013	2012[1]	2011
Net sales	3,043.8	2,622.4	2,429.7	2,380.0	2,169.1
Operating earnings (EBIT1) excl. non-recurring items	692.7	578.1	507.7	484.9	439.8
Operating margin, %	22.8	22.0	20.9	20.4	20.2
Earnings before taxes excl. non-recurring items	666.2	544.5	473.8	434.2	380.9
Non-recurring items	-36.6	-36.0	-14.9	-	-8.5
Earnings before taxes	629.6	508.5	458.9	434.2	372.4
Net earnings	505.1	406.2	371.2	351.1	297.4
Earnings per share, EUR	1.39	1.13	1.04	0.99	0.84

[1] *Restated – IAS 19*

expected to generate savings of approximately 35 MEUR per year. The positive effect of the savings programme amounted to 20 MEUR for the full year. Full effect will be realised during the first quarter of 2016.

MARKET DEMAND

Net sales in EMEA grew by 6 per cent organically in 2015 and amounted to 1,147.2 MEUR (1,043.4), representing 38 per cent (40) of Group sales. The demand was good in the automotive and aerospace industries in 2015. Surveying reported positive growth, particularly in Western Europe. Growth was strong in markets such as Spain, Italy, UK and the Nordic region. After a soft start to the year, Russia improved during the second half of the year.

Net sales in Americas grew by 3 per cent organically in 2015 and amounted to 1,049.2 MEUR (870.1), representing 34 per cent (33) of Group sales. Sales growth in NAFTA was driven by segments such as construction, automotive and aerospace. Growth in Safety & Infrastructure rose gradually during the year and was favourably impacted by stronger order intake. Within the oil- and gas sector, demand grew during the first nine months, but dropped in the final quarter following the downturn in oil prices. South America posted negative growth in countries such as Brazil and Venezuela due to the economic slowdown in the wider region.

Net sales in Asia grew organically by 5 per cent in 2015 and amounted to 847.4 MEUR (709.0), representing 28 per cent (27) of Group sales. China reported stable growth at the start of the year, but dipped during the final quarter, largely due to a tough comparison quarter. Demand was strong in the automotive, aerospace, consumer electronics and manufacturing segments. Activities within infrastructure-related segments were affected by the downturn in the Chinese construction sector. In the wider Asian-Pacific region, growth was strong in a number of markets, such as India, Japan and South Korea.

NET SALES

Net sales amounted to 3,043.8 MEUR (2,622.4). Using fixed exchange rates and a comparable Group structure, sales increased by 5 per cent.

Net sales for Geospatial Enterprise Solutions amounted to 1,506.7 MEUR (1,348.6). Using fixed exchange rates and a comparable structure, net sales increased by 3 per cent.

Net sales for Industrial Enterprise Solutions amounted to 1,537.1 MEUR (1,260.8). Using fixed exchange rates and a comparable structure, net sales increased by 7 per cent.

OPERATING EARNINGS

Operating earnings (EBITDA) increased by 23 per cent to 912.3 MEUR (743.5), corresponding to an operating margin (EBITDA margin) of 30.0 per cent (28.4).

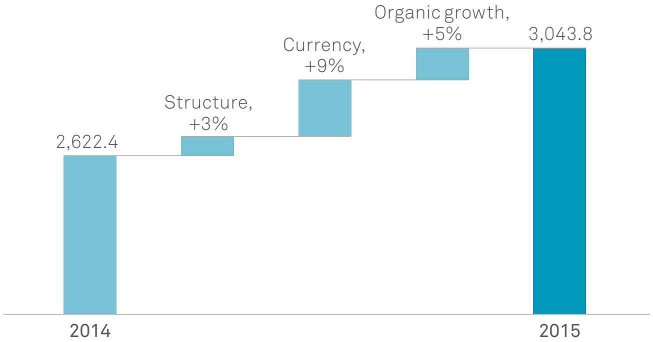
Operating earnings, excluding non-recurring items (EBIT1), increased by 20 per cent to 692.7 MEUR (578.1), corresponding to an operating margin (EBIT1 margin) of 22.8 per cent (22.0).

Operating earnings (EBIT1) for Geospatial Enterprise Solutions increased to 308.3 MEUR (270.2), corresponding to an operating margin of 20.5 per cent (20.0).

Operating earnings (EBIT1) for Industrial Enterprise Solutions increased to 409.6 MEUR (325.9), corresponding to an operating margin of 26.6 per cent (25.8).

SALES BRIDGE[1], 2015

MEUR



[1] *Net sales from completed acquisitions and divestments during the year are recognised as "Structure". Percentages are rounded to the nearest whole per cent.*

BUSINESS AREAS

	Net sales		Operating earnings (EBIT1)	
MEUR	**2015**	**2014**	**2015**	**2014**
Geospatial Enterprise Solutions	1,506.7	1,348.6	308.3	270.2
Industrial Enterprise Solutions	1,537.1	1,260.8	409.6	325.9
Other	-	13.0	-25.2	-18.0
Total	**3,043.8**	**2,622.4**	**692.7**	**578.1**

GROSS EARNINGS

Gross earnings amounted to 1,821.9 MEUR (1,514.5). The gross margin was 59.9 per cent (57.8).

FINANCIAL INCOME AND EXPENSES

The financial net amounted to -26.5 MEUR (-33.6) in 2015. The decrease is mainly explained by lower interest rates.

NON-RECURRING ITEMS

Non-recurring items amounted to -36.6 MEUR (-36.0) in 2015 and relate to the implementation of a cost-saving programme introduced during the first quarter.

EARNINGS BEFORE TAXES

Earnings before tax, excluding non-recurring items, amounted to 666.2 MEUR (544.5). Including non-recurring items, earnings before tax were 629.6 MEUR (508.5).

EFFECTIVE TAX RATE

Hexagon's tax expense for the year totalled -124.5 MEUR (-102.3), corresponding to an effective tax rate of 19.8 per cent (20.1).

NON-CONTROLLING INTEREST

The non-controlling interest's share of net earnings was 5.2 MEUR (3.4).

NET EARNINGS

Net earnings, excluding non-recurring items, amounted to 534.9 MEUR (435.6), or 1.47 EUR per share (1.21). Net earnings, including non-recurring items, amounted to 505.1 MEUR (406.2), or 1.39 EUR per share (1.13).

CASH FLOW

Cash flow from operations before changes in working capital and non-recurring items amounted to 749.9 MEUR (619.2), corresponding to 2.09 EUR per share (1.74). Including changes in working capital, but excluding non-recurring items, cash flow from operations was 722.6 MEUR (563.4), corresponding to 2.01 EUR per share (1.58). Cash flow from other investment activities was -193.9 MEUR (-550.0). Cash flow after other investments amounted to 279.8 MEUR (-233.3). The change in borrowings was -205.9 MEUR (353.4). Cash dividends to the Parent Company shareholders amounted to -125.8 MEUR (-110.1), corresponding to 0.35 EUR per share (0.31).

PROFITABILITY

Capital employed, defined as total assets less non-interest bearing liabilities, increased to 6,158.6 MEUR (5,674.0). Return on average capital employed, excluding non-recurring items, for the last 12 months was 11.6 per cent (11.6). Return on average shareholders' equity for the last 12 months was 13.0 per cent (13.1). The capital turnover rate was 0.5 (0.5).

FINANCING AND FINANCIAL POSITION

Shareholders' equity, including non-controlling interest, increased to 4,102.3 MEUR (3,470.2). The equity ratio increased to 55.2 per cent (50.9).

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 Q3 2014. The MTN programme amounts to 10,000 MSEK and gives Hexagon the option to issue bonds with tenors of up to five years. On 31 December 2015, Hexagon had issued bonds for a total amount of 6,750 MSEK (2,000).
3. A Swedish commercial paper programme (CP) was established during Q1 2012. The CP programme amounts to 15,000 MSEK and gives Hexagon the option to issue commercial paper with tenors of up to 12 months. On 31 December 2015, Hexagon had issued commercial paper for a total amount of 7,351 MSEK (5,517).

On 31 December 2015, cash and unutilised credit limits totalled 1,242.5 MEUR (1,006.8). Hexagon's net debt was 1,743.6 MEUR (1,896.7). The net indebtedness was 0.38 times (0.50). Interest coverage ratio was 20.3 times (14.3).

INVESTMENTS

Ordinary investments consist mainly of investments in production facilities, production equipment and intangible assets, primarily capitalised development expenses. Of the ordinary investments of 242.5 MEUR (240.5) during 2015, approximately 77 per cent (64) were capitalised expenses for development work. Development work is primarily performed in Hexagon's R&D centres with its primary units located in Switzerland, China and the USA and results in products and services that are sold worldwide. The remaining part of the current investments, approximately 23 per cent, comprised mostly investments in buildings, business equipment and machines. The most substantial investment in buildings in 2015 was the construction of a new facility for the Intergraph operations in Huntsville, Alabama, USA. All current investments during the year have been financed by cash flow from operating activities. Investments corresponded to 8 per cent (9) of net sales. Hexagon does not expect any material change in the near future to current investment levels as a percentage of net sales. Depreciation and amortisation during the year amounted to -219.6 MEUR (-192.9).

INVESTMENTS

MEUR	2015	2014
Investments in intangible fixed assets	194.6	163.2
Investments in tangible fixed assets	47.9	77.3
Divestments of tangible fixed assets	-12.2	-8.0
Total ordinary investments	**230.3**	**232.5**
Investments in subsidiaries	194.3	556.3
Divestments of subsidiaries	-	-19.1
Investments of financial fixed assets	4.8	17.1
Divestments of financial fixed assets	-5.2	-4.3
Total other investments	**193.9**	**550.0**
Total investments	**424.2**	**782.5**

INTANGIBLE FIXED ASSETS

As of 31 December 2015, Hexagon's carrying value of intangible fixed assets was 5,567.1 MEUR (4,998.8). Amortisation of intangible fixed assets was -152.6 MEUR (-121.2). Impairment tests are made to determine whether the value of goodwill and/or similar intangible assets is justifiable or whether there is any impairment need in full or in part. Such a test was conducted at the end of 2015 and no impairment requirement arose. Goodwill at 31 December 2015 amounted to 3,812.6 MEUR (3,418.4), corresponding to 51 per cent (50) of total assets.

GOODWILL

MEUR	2015	2014
Geospatial Enterprise Solutions	1,752.1	1,655.8
Industrial Enterprise Solutions	2,060.5	1,762.6
Total	**3,812.6**	**3,418.4**

ACQUISITIONS

Hexagon's ambition is to generate profitable growth through a combination of organic growth and acquisitions. Acquisitions are an important part of Hexagon's long-term growth strategy. During 2015, Hexagon acquired the following companies:

- OhmTech (Norway), February
- Q-DAS (Germany), April
- Blue Iron Systems (Canada), May
- Technet-Rail (Germany), May
- EcoSys (USA), October
- Leica Geosystems Singapore (Singapore), October
- Camtech (Germany), November
- PT Leica Geosystems Indonesia (Indonesia), December

OTHER GROUP INFORMATION

Research and development (R&D)

Hexagon places a high priority on investment in research and development. Being the most innovative supplier in the industry, it is important not only to improve and adapt existing products, but also to identify new applications and thereby increase the total market for Hexagon's products and services. Total expenditure for research and development during 2015 amounted to 359.7 MEUR (293.4), corresponding to 12 per cent (11) of net sales. Development expenses are capitalised only if they pertain to new products, the cost is significant and the product is believed to have considerable earnings potential. The current level of R&D costs is in line with other leading suppliers in the industry.

R&D COST

MEUR	2015	2014
Capitalised	186,0	154,1
Expensed (excluding amortisation)	173,7	139,3
Total	**359,7**	**293,4**

ENVIRONMENTAL IMPACT

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

Hexagon develops and assembles high-technology products under laboratory-like conditions. Major plants have been ISO 14001 certified and a programme for monitoring the suppliers is in place.

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

SHARE CAPITAL AND OWNERSHIP

Hexagon's share capital was 79,956,762 EUR, represented by 360,377,142 shares. On December 31, 2015, total shares outstanding was 15,750,000 Class A shares, each carrying 10 votes and 344,587,142 Class B shares, each carrying one vote. On December 31, 2015, Melker Schörling AB, the single largest shareholder in Hexagon, held a total of 15,750,000 Class A shares and 77,929,899 Class B shares, representing 46.9 per cent of the votes and 26.0 per cent of the capital.

REPURCHASE OF SHARES

The Annual General Meeting on 6 May 2015 authorised Hexagon's Board of Directors to acquire or sell the company's own shares for the purpose of, among other things, providing the Board with the possibility to adapt the company's capital structure and to enable the financing of acquisitions and the exercise of warrants. The authorisation to repurchase totals a maximum of 10 per cent of all outstanding shares in the company. No (-) shares were repurchased in 2015. By year-end 2015 Hexagon held no treasury shares.

SIGNIFICANT AGREEMENTS

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

As far as the Board knows, there is no shareholder agreement that could prevent the transfer of shares. Nor are there agreements between the company, directors or employees, other than as described in Note 30 on page 88, which stipulate the right to compensation if such a person voluntarily leaves the company, is dismissed without cause or if such a person's employment is terminated as a result of a public offer for shares of the company.

MANAGEMENT OF HEXAGON'S CAPITAL

Hexagon's reported shareholders' equity, including non-controlling interest, was 4,102.3 MEUR (3,470.2) at year-end. Hexagon's overall long-term objective is to increase earnings per share by at least 15 per cent annually and to achieve a return on capital employed of at least 15 per cent. Another Group objective is to achieve an equity ratio of 25 per cent as Hexagon is seeking to minimise the weighted average cost of capital for the company's financing.

Hexagon has undertaken to comply with a certain requirement regarding a key financial ratio (covenant) towards lenders. The key financial ratio is reported to lenders in conjunction with the quarterly reports. If the requirement is not complied with, the terms and conditions are renegotiated and there is a risk of a temporary increase in borrowing costs. In addition, lenders have a right to terminate loan agreements. Hexagon has not breached any covenants in 2015 or in prior years.

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

CORPORATE GOVERNANCE

In accordance with the Swedish Annual Accounts Act, Hexagon has prepared a Corporate Governance report separate from the annual report. It can be found in this document on pages 35–39. The Corporate Governance report contains the Board of Directors' report on internal control.

DIVIDEND

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

The Board of Directors proposes a dividend of 0.43 EUR per share, corresponding to 31 per cent of earnings per share after tax and to 21 per cent of cash flow from operating activities per share. The dividend is expected to total approximately 154.9 MEUR (125.8). The proposed dividend is in line with the dividend policy. The proposed record date for dividend is 12 May 2016.

REMUNERATION OF SENIOR EXECUTIVES

The Annual General Meeting 2015 resolved, as proposed by the Board, on the adoption of guidelines for remuneration to senior executives. The guidelines for remuneration to senior executives principally entail that the remuneration shall consist of a basic salary, a variable remuneration, other benefits and pension and that all in all this remuneration shall be competitive and in accordance with market practice. The variable remuneration shall be maximized to 60 per cent in relation to the basic remuneration, related to the earnings trend which the relevant individual may influence and based on the outcome in relation to individual targets. However, the variable remuneration for six senior executives shall be maximised to between 70 and 200 per cent in relation to the basic remuneration according to previously made agreements.

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

The notice period shall normally be six months on the part of the employee. In case of notice of termination by the company, the notice period and the period during which severance payment is paid shall, all in all, not exceed 24 months. Pension benefits shall, as a main rule, be defined contribution. Deviation from this main rule may be permitted when appointing new senior executives whose previous employment agreement included a defined-benefit pension plan. The pension age for senior executives is individual, although not lower than 60 years.

It is proposed to the Annual General Meeting 2016 that the variable remuneration shall be maximized to 150 per cent in relation to the basic salary, related to the earnings trend which the relevant individual may influence and based on the outcome in relation to individual targets. Otherwise, it is proposed that the same guidelines apply as those adopted at the 2015 Annual General Meeting.

INCENTIVE PROGRAMMES

See Note 30 on page 89.

PARENT COMPANY

The Parent Company's earnings before tax were 2,955.0 MEUR (201.2). The equity was 4,805.5 MEUR (1,885.2). The equity ratio of the Parent Company was 61 per cent (39). Liquid funds including unutilised credit limits were 1,023.3 MEUR (772.8).

A legal restructuring was carried out during the year that had a positive impact on the Parent Company's earnings.

Hexagon's activities are financed via equity and external borrowings in the Parent Company. Substantial currency effects arise due to intragroup and external lending and borrowing transactions in multiple currencies.

SUBSEQUENT EVENTS

After the end of the 2015 financial year Hexagon acquired two companies, Paul MacArthur Limited and SigmaSpace Corporation.

MANAGING RISKS

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

MARKET RISK MANAGEMENT

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

RISK	RISK MANAGEMENT
ACQUISITIONS AND INTEGRATION	
An important part of Hexagon's strategy is to work actively with acquisitions of companies and businesses. Strategic acquisitions will continue to be part of Hexagon's growth strategy going forward. It cannot be guaranteed, however, that Hexagon will be able to find suitable acquisition targets, nor can it be guaranteed that the necessary financing for future acquisition targets can be obtained on terms acceptable to Hexagon. This may lead to a decreasing growth rate for Hexagon. Acquisitions entail risk. The acquired entities' relations with customers, suppliers and key personnel may be negatively affected. There is also a risk that integration processes may prove more costly or more time consuming than estimated and that anticipated synergies in whole or in part fail to materialise.	Hexagon monitors a large number of companies to find acquisitions that can strengthen the Group's product portfolio or improve its distribution network. Potential targets are regularly evaluated on financial, technology and commercial grounds. Every acquisition candidate's potential place in the Group is determined on the basis of synergy simulations and implementation strategies. Thorough due diligence is performed to evaluate potential risks. From 2000 to 2015, Hexagon made some 100 acquisitions, including the key strategic acquisitions of Brown & Sharpe (2001), Leica Geosystems (2005), NovAtel (2007) and Intergraph (2010). Based on extensive experience of acquisitions and integration and clear strategies and goals, Hexagon is strongly positioned to successfully integrate acquired companies into the Group.
IMPACT OF THE ECONOMY	
Hexagon engages in worldwide operations that are dependent on general economic trends and conditions that are unique for certain countries or regions. As in virtually all businesses, general market conditions affect the inclination and the capabilities of Hexagon's existing and potential customers to invest in design, measurement and visualisation technologies. A weak economic trend in the whole or part of the world may therefore result in lower market growth that falls below expectations.	Hexagon's business is widely spread geographically, with a broad customer base within numerous market segments. Potential negative effects of a downturn in the developed world may for example be partially off-set by growth in emerging markets and vice versa.
COMPETITION AND PRICE PRESSURE	
Parts of Hexagon's operation are carried out in sectors which are subject to price pressure and rapid technological change. Hexagon's ability to compete in the market environment by introducing new and successful products with enhanced functionality while simultaneously cutting costs on new and existing products is of the utmost importance in order to avoid erosion of market share. Research and development efforts are costly and new product development always entails a risk of unsuccessful product launches or commercialisation, which could have material consequences.	Hexagon invests annually approximately 10-12 per cent of net sales in research and development. A total of about 3,400 employees are engaged in research and development at Hexagon. The objective for Hexagon's R&D division is to transform customer needs into products and services and to detect market and technology opportunities early on.

OPERATIONAL RISK MANAGEMENT

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

RISK	RISK MANAGEMENT
CUSTOMERS	
Hexagon's business activities are conducted in a large number of markets with multiple customer categories. In 2015, Surveying was the single largest customer category and accounted for 22 per cent of net sales. For Hexagon, this customer category may involve certain risks as a downturn or weak development in the surveying sector can have a negative impact on Hexagon's business. Surveying is followed by customer categories Power and Energy with 20 per cent, Electronics and Manufacturing with 13 per cent and Infrastructure and Construction with 11 per cent.	Hexagon has a favourable risk diversification in products and geographical areas and dependence of a single customer or customer category is not decisive for the Group's performance. The largest customer represents approximately 2 per cent of the Group's total net sales. Credit risk in customer receivables account for the majority of Hexagon's counterparty risk. Hexagon believes there is no significant concentration of counterparty risk.
SUPPLIERS	
Hexagon's products consist of components from several different suppliers. To be in a position to sell and deliver solutions to customers, Hexagon is dependent upon deliveries from third parties in accordance with agreed requirements relating to, for example, quantity, quality and delivery times. Erroneous or default deliveries by suppliers can cause delay or default in Hexagon's deliveries, which can result in reduced sales.	Hexagon has a favourable risk diversification and dependence of a single supplier is not decisive for the Group's performance. The largest supplier accounted for approximately 1 per cent of Hexagon's total net sales in 2015. To minimise the risk of shortages in the supply or of excessive price variations among suppliers, Hexagon works actively to coordinate sourcing within the Group and to identify alternative suppliers for strategic components. Supplier risk surveys are performed (by Hexagon's external partner) in order to identify and mitigate risks associated with the suppliers' operations.
HUMAN CAPITAL	
The resignation of key employees or Hexagon's failure to attract skilled personnel may have an adverse impact on the Group's operations.	Since future success is largely dependent on the capacity to retain, recruit and develop skilled staff, being an attractive employer is an important success factor for Hexagon. Group and business area management jointly handle risks associated with human capital.
PRODUCTION UNITS AND DISTRIBUTION CENTERS	
Hexagon's production units and distribution centers are exposed to risks (fire, explosion, natural hazards, machinery damages, etc.) that could lead to property damages and business interruption.	Risk grading surveys are performed (by Hexagon's external partner) in order to identify and mitigate risks as well as support local management in their loss prevention work. Surveys are conducted in line with a long term planning together with each subsidiary.

FINANCIAL RISK MANAGEMENT

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

RISK	RISK MANAGEMENT

CURRENCY

Hexagon's operations are mainly conducted internationally. During 2015, total operating earnings, excluding non-recurring items, from operations in currencies other than EUR amounted to an equivalent of 570.5 MEUR. Of these currencies, USD, CHF and CNY have the biggest impact on Hexagon's earnings and net assets. Currency risk is the risk that currency exchange rate fluctuations will have an adverse effect on income statement, balance sheet or cash flow.

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

Translation exposure arises when the income statement and balance sheets are translated into EUR. The balance sheet translation exposure might substantially affect other comprehensive income negatively. Furthermore, the comparability of Hexagon's earnings between periods is affected by changes in currency exchange rates. The income statement translation exposure is described in the table below for the currencies having the largest impact on Hexagon's earnings and net assets including the effect on Hexagon's operating earnings in 2015.

	Movement[1]	Net of income and cost	Profit impact
CHF	Strengthened	Negative	Negative
USD	Strengthened	Positive	Positive
CNY	Strengthened	Positive	Positive
EBIT1, MEUR			**43.4**

[1] *Compared to EUR.*

Hexagon's reporting currency is EUR, which has a stabilising effect on certain key ratios that are of importance to Hexagon's cost of capital.

As far as possible, transaction exposure is concentrated to the countries where the manufacturing entities are located. This is achieved by invoicing the sales entities in their respective functional currency from the manufacturing entities. According to the Group's financial policy, transaction exposure should not be hedged. The rationale for the change is that the vast majority of transactions concern a short period of time from order to payment. Moreover, a transaction hedge of a flow only postpones the effect of a change in currency rates.

The translation exposure can be hedged by denominating borrowings in the same currency as the corresponding net assets. But in order to have the volatility in net debt at an acceptable level, currently, the majority of the borrowings is denominated in EUR.

INTEREST

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

In accordance with the Group Treasury Policy, the average interest rate duration of the external debt is to be between 6 months and 3 years. During 2015 interest rate derivatives were used to manage the interest rate risk.

FINANCIAL RISK MANAGEMENT

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

RISK	RISK MANAGEMENT
CREDIT	
Credit risk, i.e., the risk that customers may be unable to fulfill their payment obligations, account for the majority of Hexagon's counterparty risk.	Through a combination of geographical and industry diversification of customers the risk for significant credit losses is reduced.
Financial credit risk is the exposure to default of counterparties with which Hexagon has invested cash or with which it has entered into forward exchange contracts or other financial instruments.	To reduce Hexagon's financial credit risk, surplus cash is only invested with a limited number of approved banks and derivative transactions are only conducted with counterparties where an ISDA (International Swaps and Derivatives Association) netting agreement has been established. As Hexagon is a net borrower, excess liquidity is primarily used to repay external debt and therefore the average surplus cash invested with banks is kept as low as possible.
LIQUIDITY	
Liquidity risk is the risk of not being able to meet payment obligations in full as they become due or only being able to do so at materially disadvantageous terms due to lack of cash resources.	The Group Treasury Policy states that the total liquidity reserve shall at all times be at least 10 per cent of forecasted annual net sales. At year-end 2015, cash and unutilised credit limits totalled 1,242.5 MEUR (1,006.8).
REFINANCING	
Refinancing risk refers to the risk that Hexagon does not have sufficient financing available when needed to refinance maturing debt, because existing lenders decline extending or difficulties arise in procuring new lines of credit at a given point in time. Hexagon's ability to satisfy future capital needs is to a large degree dependent on successful sales of the company's products and services. There is no guarantee that Hexagon will be able to raise the necessary capital. In this regard, the general development on the capital and credit markets is also of major importance. Hexagon, moreover, requires sufficient financing in order to refinance maturing debt. Securing these requirements demands a strong financial position in the Group, combined with active measures to ensure access to credit. There is no guarantee that Hexagon will be able to raise the sufficient funds in order to refinance maturing debt.	In order to ensure that appropriate financing is in place and to decrease the refinancing risk, no more than 20 per cent of the Group's gross debt, including committed credit facilities, is allowed to mature within the succeeding 12 months, unless replacement facilities have been entered into. Hexagon's main sources of financing consist of: • 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 • A Swedish Medium Term Note Programme (MTN) established during Q2 2014. The MTN programme amounts to 10,000 MSEK and gives Hexagon the option to issue bonds with tenors of up to 5 years • A Swedish Commercial Paper Programme (CP) established during 2012. The CP programme gives Hexagon the option to issue commercial paper for a total amount of 15,000 MSEK with tenor up to 12 months
INSURABLE RISK	
Hexagon's operations, assets and staff are to a certain degree exposed to various risk of damages, losses and injuries which could tentatively threaten the Group's business continuity, earnings, financial assets and personnel.	To ensure a well-balanced insurance coverage and financial economies of scale, Hexagon's insurance programme includes among other things group-wide property and liability insurance, travel insurance, errors and omissions insurance and transport insurance combined with local insurance coverage wherever needed. The insurance programme is periodically amended so that own risk and insured risk are optimally balanced.

LEGAL RISK MANAGEMENT

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

RISK	RISK MANAGEMENT
LEGISLATION AND REGULATION	
Hexagon's main markets are subject to extensive regulation. Hexagon's operations may be affected by regulatory changes, changes to customs duties and other trading obstacles, pricing and currency controls, as well as other government legislation and restrictions in the countries where Hexagon is active.	Hexagon closely monitors legislation, regulations and applicable ordinances in each market and seeks to adapt the business to identified future changes in the area. To manage country-specific risks, Hexagon observes local legislation and monitors political development in the countries where the Group conducts operations. To this effect, Hexagon has adopted a worldwide compliance programme across the Group to ensure that its subsidiaries at all times comply with all applicable legislation, rules and ordinances.
INTELLECTUAL PROPERTY RIGHTS	
Patent infringement and plagiarism are risks to which Hexagon is exposed. There is no guarantee that Hexagon will be able to protect obtained patents, trademarks and other intellectual property rights or that submitted applications for registration will be granted. Furthermore, there is a risk that new technologies and products are developed which circumvent or replace Hexagon's intellectual property rights. Infringement disputes can, like disputes in general, be costly and time consuming and may therefore adversely affect Hexagon's business.	Hexagon seeks to protect its technology innovations to safeguard the returns on the resources that Hexagon assigns to research and development. The Group strives to protect its technical innovations through patents and protects its intellectual property through legal proceedings when warranted.
ENVIRONMENT	
Certain companies within Hexagon have operations that have environmental impact. Stricter regulation of environmental matters can result in increased costs or further investments for the companies within Hexagon which are subject to such regulation.	Hexagon complies with all applicable laws and obligations and obtains relevant approvals where needed. Hexagon continuously monitors anticipated and implemented changes in legislation in the countries in which it operates.
TAX	
Hexagon operates through subsidiaries in a number of jurisdictions and all cross-border transactions are normally a tax risk because there are no global transfer pricing rules. Local tax authorities have their local transfer pricing rules to follow and authorities interpret transfer pricing guidelines differently. Hexagon's interpretation of prevailing tax law, tax treaties, OECD guidelines and agreements entered into with foreign tax authorities may be challenged by tax authorities in some countries. Rules and guidelines may also be subject to future changes which can have an effect on the Group's tax position. Furthermore, a change of the business or part of the business can have an impact on agreements entered into with tax authorities in some tax jurisdictions. The tax rate may increase if large acquisitions are made in high tax jurisdictions or if the corporate tax rates change in countries where Hexagon carries out substantial business.	Transactions between Group companies are carried out in accordance with Hexagon's interpretation of prevailing tax laws, tax treaties, OECD's guidelines and agreements entered into with foreign tax authorities and are normally at arm's length.

FINANCIAL REPORTS AND NOTES

CONTENTS

CONSOLIDATED INCOME STATEMENT

MEUR	Note	2015	2014
Net sales	3, 5	3,043.8	2,622.4
Cost of goods sold	6, 12	-1,221.9	-1,107.9
Gross earnings		**1,821.9**	**1,514.5**
Sales expenses	6, 12	-561.7	-457.0
Administration expenses	6, 12	-292.8	-239.9
Research and development expenses	6, 12	-313.1	-280.6
Other operating income	7	96.8	52.9
Other operating expenses	7, 12	-95.1	-46.3
Share of income in associated companies	9, 17	0.1	0.0
Capital loss from sale of shares in group companies	9, 27	-	-1.5
Operating earnings[1]	3, 13, 25, 29, 30, 31	**656.1**	**542.1**
Financial income and expenses			
Financial income	10	6.1	4.1
Financial expense	10	-32.6	-37.7
Earnings before tax	3	**629.6**	**508.5**
Tax on earnings for the year	11	-124.5	-102.3
Net earnings		**505.1**	**406.2**
Attributable to:			
Parent Company shareholders		499.9	402.8
Non-controlling interest		5.2	3.4
[1] Of which non-recurring items	12	-36.6	-36.0
Average number of shares, thousands	21	**359,387**	**355,764**
Average number of shares after dilution, thousands	21	**359,817**	**357,225**
Earnings per share, EUR		**1.39**	**1.13**
Earnings per share after dilution, EUR		**1.39**	**1.13**
Earnings include depreciation, amortisation and impairments of		**-219.6**	**-192.9**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

MEUR	2015	2014
Net earnings	**505.1**	**406.2**
Other comprehensive income:		
Items that will not be reclassified to income statement		
Remeasurement of pensions	-36.8	-39.6
Tax attributable to items that will not be reclassifed to income statement	5.1	4.9
Total items that will not be reclassified to income statement, net of taxes	**-31.7**	**-34.7**
Items that may be reclassified subsequently to income statement		
Exhange rate differences	256.2	373.4
Effect of hedging of net investments in foreign operations	-12.7	-36.4
Tax attributable to items that may be reclassified subsequently to income statement:		
Tax attributable to effect of translation differences	-12.3	-12.4
Tax attributable to effect of hedging of net investments in foreign operations	2.8	8.0
Total items that may be reclassified subsequently to income statement, net of taxes	**234.0**	**332.6**
Other comprehensive income, net of taxes	**202.3**	**297.9**
Total comprehensive income	**707.4**	**704.1**
Attributable to:		
Parent Company shareholders	701.5	699.6
Non-controlling interest	5.9	4.5

CONSOLIDATED BALANCE SHEET

MEUR	Note	2015-12-31	2014-12-31
ASSETS			
Fixed assets			
Intangible fixed assets	8, 14	5,567.1	4,998.8
Tangible fixed assets	15	287.9	311.9
Shares in associated companies	16, 17	3.5	3.6
Other long-term securities holdings	16, 24	4.9	4.7
Other long-term receivables	16, 18	16.6	16.3
Deferred tax assets	11	59.4	66.0
Total fixed aseets		**5,939.4**	**5,401.3**
Current assets			
Inventories	19	414.9	403.9
Customer receivables	18, 24	688.3	615.4
Current tax receivables	11	10.7	12.6
Other receivables – interest bearing	24	1.0	2.6
Other receivables – non-interest bearing	18, 24	51.1	45.2
Prepaid expenses and accrued income	20, 24	101.2	102.4
Short-term investments	24	59.8	52.9
Cash and bank balances	24	165.7	175.7
Total current assets		**1,492.7**	**1,410.7**
TOTAL ASSETS		**7,432.1**	**6,812.0**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	21	80.0	79.3
Other capital contributions		1,397.8	1,340.7
Revaluation reserve		-4.8	-4.8
Translation reserve		499.6	265,6
Retained earnings		2,119.7	1,778.0
Shareholders' equity attributable to Parent Company shareholders		**4,092.3**	**3,458.8**
Non-controlling interest		10.0	11.4
Total shareholders' equity		**4,102.3**	**3,470.2**
Long-term liabilities			
Provisions for pensions	22	124.0	87.6
Other provisions	23	57.8	66.0
Deferred tax liabilities	11	416.8	361.8
Long-term liabilities – interest bearing	24	1,782.8	1,573.3
Other long-term liabilities – non-interest bearing	24	3.9	7.0
Total long-term liabilities		**2,385.3**	**2,095.7**
Current liabilities			
Current liabilities – interest bearing	24	57.5	457.6
Advance payments from customers	24	29.3	32.4
Accounts payable	24	162.7	166.6
Current tax liabilities	11	23.2	43.8
Other liabilities – non-interest bearing	24	70.9	54.1
Other provisions	23	92.8	48.0
Deferred income	20, 24	235.7	202.0
Accrued expenses	20, 24	272.4	241.6
Total current liabilities		**944.5**	**1,246.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**7,432.1**	**6,812.0**
Collateral pledged	26	**1.0**	**0.5**
Contingent liabilities	26	**1.2**	**1.5**

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share capital	Other capital contribu-tions	Revalua-tion reserve	Hedging reserve	Translation reserve	Retained earnings	Shareholders equity attrib-utable to Par-ent Company shareholders	Non-controlling interest	Total share-holders' equity
Closing shareholders' equity, 2013-12-31	78.8	1,311.7	-4.8	0.7	-67.7	1,521.1	2,839.8	6.5	2,846.3
Total comprehensive income	-	-	-	-0.7	333.3	367.0	699.6	4.5	704.1
New share issues	0.5	28.1	-	-	-	-	28.6	-	28.6
New share issues in progress	-	0.9	-	-	-	-	0.9	-	0.9
Dividend	-	-	-	-	-	-110.1	-110.1	-0.2	-110.3
Effect of acquisitions and divestments of subsidiaries	-	-	-	-	-	-	-	0.6	0.6
Closing shareholders' equity, 2014-12-31	79.3	1,340.7	-4.8	-	265.6	1,778.0	3,458.8	11.4	3,470.2
Total comprehensive income	-	-	-	-	234.0	467.5	701.5	5.9	707.4
New share issues	0.7	37.7	-	-	-	-	38.4	-	38.4
New share issues in progress	-	0.5	-	-	-	-	0.5	-	0.5
Warrants issued	-	18.9	-	-	-	-	18.9	-	18.9
Dividend	-	-	-	-	-	-125.8	-125.8	-7.3	-133.1
Closing shareholders' equity, 2015-12-31	80.0	1,397.8	-4.8	-	499.6	2,119.7	4,092.3	10.0	4,102.3

Share capital is described in detail in Note 21.

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

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

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

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

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

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

CONSOLIDATED CASH FLOW STATEMENT

MEUR	Note	2015	2014
Cash flow from operating activities			
Operating earnings		**656.1**	**542.1**
Adjustments for items in operating earnings not affecting cash flow:			
Depreciation and amortisation		219.6	192.9
Change in provisions		-3.7	-18.0
Capital gains on divestments of fixed assets		-0.1	-1.7
Capital loss from sale of shares in group companies		-	1.5
Earnings from shares in associated companies		-0.1	0.0
Other items not affecting cash flow		0.0	1.2
Interest received		6.1	5.0
Interest paid		-26.6	-40.7
Tax paid		-120.0	-84.5
Cash flow from operating activities before changes in working capital		**731.3**	**597.8**
Cash flow from changes in working capital			
Change in inventories		-8.8	-23.4
Change in current receivables		-45.3	-67.7
Change in current liabilites		26.8	42.5
Cash flow from changes in working capital		**-27.3**	**-48.6**
Cash flow from operating activities[1]		**704.0**	**549.2**
Cash flow from ordinary investing activities			
Investments in intangible fixed assets	14	-194.6	-163.2
Investments in tangible fixed assets	15	-47.9	-77.3
Divestments of tangible fixed assets	15	12.2	8.0
Cash flow from ordinary investing activities		**-230.3**	**-232.5**
Operating cash flow		**473.7**	**316.7**
Cash flow from other investing activities			
Investments in subsidiaries	27	-194.3	-556.3
Divestments of subsidiaries	27	-	19.1
Investments in financial fixed assets	16	-4.8	-17.1
Divestments of financial fixed assets	16	5.2	4.3
Cash flow from other investing activities		**-193.9**	**-550.0**
Cash flow from financing activities			
Borrowings		830.5	1,859.6
Repayment of debt		-1,036.4	-1,506.2
Warrants issued		18.9	-
New share issues related to warrants programme, net of expenses		38.9	29.5
Dividend to Parent Company shareholders		-125.8	-110.1
Dividend to non-controlling interests in subsidiaries		-7.3	-0.2
Cash flow from financing activities		**-281.2**	**272.6**
Cash flow for the year		**-1.4**	**39.3**
Cash and cash equivalents, beginning of year[2]		**228.6**	**176.0**
Effect of translation differences on cash and cash equivalents		-1.7	13.3
Cash flow for the year		-1.4	39.3
Cash and cash equivalents, end of year[2]		**225.5**	**228.6**
[1] Of which non-recurring cash flow		*-18.6*	*-14.2*

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

PARENT COMPANY INCOME STATEMENT

MEUR	Note	2015	2014
Net sales	4, 5	12.5	16.8
Administration expenses	6, 25, 29, 30, 31	-32.0	-15.4
Operating earnings		**-19.5**	**1.4**
Financial income and expense			
Earnings from shares in group companies	9	2,849.1	146.6
Interest income	10	273.1	188.6
Interest expenses	10	-147.7	-135.4
Earnings before tax		**2,955.0**	**201.2**
Tax on earnings for the year	11	0.0	-6.2
Net earnings		**2,955.0**	**195.0**

PARENT COMPANY COMPREHENSIVE INCOME STATEMENT

MEUR	Note	2015	2014
Net earnings		2,955.0	195.0
Other comprehensive income		-	-
Total comprehensive income		**2,955.0**	**195.0**

PARENT COMPANY BALANCE SHEET

MEUR	Note	2015	2014
ASSETS			
Fixed assets			
Intangible fixed assets	14	0.1	9.7
Tangible fixed assets	15	0.0	0.0
Total intangible and tangible assets		**0.1**	**9.7**
Financial fixed assets			
Shares in group companies	16	4,327.0	3,017.7
Receivables from group companies	16	3,334.7	1,612.8
Other financial fixed assets	16	0.3	0.1
Total financial fixed assets		**7,662.0**	**4,630.6**
Total fixed assets		**7,662.1**	**4,640.3**
Current assets			
Current receivables			
Receivables from group companies		222.1	221.5
Other recievables		0.3	0.7
Prepaid expenses and accrued income	20	0.7	1.1
Total current receivables		**223.1**	**223.3**
Cash and bank balances		24.1	13.2
Total current assets		**247.2**	**236.5**
TOTAL ASSETS		7,909.3	4,876.8
SHAREHOLDERS’ EQUITY AND LIABILITIES			
Shareholders’ equity			
Restricted equity			
Share capital	21	80.0	79.3
Statutory reserve		314.3	314.3
Total restricted equity		**394.3**	**393.6**
Non-restricted equity			
Premium reserve		922.4	857.5
Retained earnings		3,488.8	634.1
Total non-restricted equity		**4,411.2**	**1,491.6**
Total shareholders’ equity		**4,805.5**	**1,885.2**
Provisions			
Other provisions		0.3	-
Total provisions		**0.3**	**-**
Long-term liabilities			
Liabilities to credit institutions		1,775.0	1,564.6
Total long-term liabilites		**1,775.0**	**1,564.6**
Current liabilities			
Liabilities to credit institutions		35.1	436.1
Accounts payable		0.9	0.5
Liabilities to group companies		1,290.3	988.5
Other liabilities		0.1	0.2
Accrued expenses and deferred income	20	2.1	1.7
Total current liabilities		**1,328.5**	**1,427.0**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES		7,909.3	4,876.8
Collateral pledged	26	None	None
Contingent liabilities	26	37.7	41.3

CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

	Restricted shareholders' equity			Unrestricted shareholders' equity		
MEUR	Share capital	Paid-in, non-registered share capital	Statutory reserve	Premium reserve	Retained earnings	Total shareholders' equity
Opening balance 2014-01-01	78.8	0.1	314.3	828.5	535.4	1,757.1
Total comprehensive income	-	-	-	-	195.0	195.0
Dividend	-	-	-	-	-110.1	-110.1
Group contribution, received	-	-	-	-	13.8	13.8
New share issues	0.5	-0.1	-	28.1	-	28.5
New share issues in progress	-	0.0	-	0.9	-	0.9
Closing balance 2014-12-31	79.3	0.0	314.3	857.5	634.1	1,885.2
Total comprehensive income	-	-	-	-	2,955.0	2,955.0
Dividend	-	-	-	-	-125.8	-125.8
Group contribution, received	-	-	-	-	25.5	25.5
New share issues	0.7	-	-	37.7	-	38.4
New share issues in progress	-	0.0	-	0.5	-	0.5
Warrants exercised	-	-	-	26.7	-	26.7
Closing balance 2015-12-31	80.0	0.0	314.3	922.4	3,488.8	4,805.5

PARENT COMPANY CASH FLOW STATEMENT

MEUR	Note	2015	2014
Cash flow from operating activities			
Operating earnings		-19.5	1.4
Adjustment for operating earnings items not affecting cash flow:			
Depreciation, amortisation and impairment losses		9.6	1.7
Unrealised exchange rate gains and losses		-67.2	-29.6
Interest received		271.6	188.5
Dividends received		224.0	148.0
Interest paid		-147.9	-136.3
Tax paid		-	-0.1
Cash flow from operating activities before changes in working capital		270.6	173.6
Cash flow from changes in working capital			
Change in current receivables		27.3	-60.5
Change in current liabilities		304.1	199.8
Cash flow from changes in working capital		331.4	139.3
Cash flow from operating activities		602.0	312.9
Cash flow from investing activities			
Investments in financial fixed assets	16	-135.0	-3.4
Divestments of financial fixed assets	16	-	19.4
Change in long-term receivables, group companies		-172.5	-571.6
Cash flow from investing activities		-307.5	-555.6
Cash flow from financing activities			
Borrowings		848.1	1,859.6
Repayments		-1,023.7	-1,498.6
Warrants issued		26.7	-
New share issues, net of expenses		38.9	29.4
Provisions		0.3	-
Dividend to shareholders		-125.8	-110.1
Cash flow from financing activities		-235.5	280.3
Cash flow for the year		59.0	37.6
Cash and bank balances, beginning of year[1]		13.2	16.3
Effect of translation differences on cash and bank		-48.1	-40.7
Cash flow for the year		59.0	37.6
Cash and bank balances, end of year[1]		24.1	13.2

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

NOTES

NOTE 1 ACCOUNTING POLICIES

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

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

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

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

On 23 March 2016, the Board of Directors and the President approved this annual report and consolidated accounts for publication and they will be presented to the Annual General Meeting on 10 May 2016 for adoption.

APPLICATION OF NEW AND AMENDED ACCOUNTING RULES

There are no new or amended standards and interpretations from IASB and IFRIC which has come into force during the year, that has any effect on the financial statements of Hexagon, as of 1 January 2015.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standards, amended standards and interpretations that have not entered into force, have not been applied in advance in the financial reports of Hexagon. The following standards enter into force on 1 January 2016 or later.

IFRS 9 Financial instruments – the standard replaces IAS 39 Financial Instruments: Recognition and Measurement and provides a logical model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. The standard will be applied as of 1 January 2018. The standard is not expected to have any significant impact on Hexagons financial statements.

IFRS 15 Revenue from contracts with customers – the standard replaces IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer loyalty programs, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfer of assets from customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The new standard provides a five-step model to determine when to recognize revenue. According to the now present standards, revenues are to be recognized when the essential risk and rewards associated with the goods or services are transfered to the buyer. The new model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is then recognized. The standard will be applied as of 1 January 2018. Hexagon has not yet finalized the analysis of potential impacts on the financial statements but the current assessment is that the new standard will not have any significant impact.

IFRS 16 Leases – the standard replaces IAS 17 Leases and IFRIC 4 Determining an Arrangement contains a lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions involving the legal form of lease. The present standard require both the lessor and the lessee to classify their leases as either finance leases or operating leases, which are accounted for differently. The operating leases does not require lessees to recognise assets and liabilities (off balance sheet leases). That together with limited information requirements has caused an inconsistency in the financial statements. The new standard requires both the lessors and the lessees to recognise assets and liabilities from the lease in the balance sheet, except short-term leases (less than 12 months) and/or leases of assets of low value. The standard also require more information from both parties regarding the lease. The standard will be applied as of 1 January 2019. Hexagon has not yet finalized the analysis of potential impacts on the financial statements.

Other changes in standards and interpretations that enter into force from 1 January, 2016 are not expected to have any impact on the financial statements of Hexagon.

BASIS OF REPORTING FOR THE PARENT COMPANY AND THE GROUP

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

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

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

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

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

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

CLASSIFICATION

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

CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

ASSOCIATED COMPANIES AND JOINT VENTURES

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

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

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

TRANSLATION OF FINANCIAL REPORTS TO EUR

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

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

TRANSACTIONS, ASSETS AND LIABILITIES OTHER CURRENCIES THAN EUR

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

ELIMINATED TRANSACTIONS

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

SEGMENT REPORTING

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

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

Hexagon's operations are organised, governed and reported on the basis of the two operating segments Geospatial Enterprise Solutions and Industrial Enterprise solutions. The operating segment Geospatial Enterprise Solutions has sensors for capturing data from land and air as well as sensors for positioning via satellites. The sensors are complemented by software (GIS) for creation of 3D maps and models, which are used for decision-making in a range of software applications, covering areas such as surveying, construction, public safety and agriculture. The operating segment Industrial Enterprise Solutions provides metrology systems that incorporate the latest in sensor technology for fast and accurate measurements, as well as CAD (computer -aided design) and CAM (computer -aided manufacturing) software. The solutions within this segment optimise design, processes and throughput in manufacturing facilities and create and leverage asset management information critical to the planning, construction and operation of plants and process facilities in a number of industries such as automotive, aerospace and oil and gas.

The two segments have separate product offerings and customer groups and hence differentiated risk composition. There is marginal sales between the two operating segments. Both segments are applying the same accounting principles as the Group. Hexagon's internal reporting, representing the base for detailed review and analysis, is designed in alignment with the described division into operating segments. Sales within each operating segment are additionally analysed geographically.

REVENUES

Hexagon applies the following principles for revenue recognition:

Sales of goods

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

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

Revenues can be reliably calculated if;

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

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

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

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

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

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

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

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

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

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

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

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

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

Held-to-maturity investments
Assets held to maturity are valued at amortised costs, applying the effective interest rate method. No financial instruments were classified in this category during 2015 and 2014.

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

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

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

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

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

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

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

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

PENSION AND SIMILAR COMMITMENTS

Expenditure for defined contribution plans are expensed as incurred.

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

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

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

TERMINATION BENEFITS

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

PROVISIONS

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

Warranties

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

Restructuring

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

Onerous contracts

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

INCOME TAXES

Income taxes comprise:

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

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

INVENTORIES

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

GOODWILL AND OTHER INTANGIBLE FIXED ASSETS

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

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

TANGIBLE FIXED ASSETS

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

Gains/losses on the divestment of a tangible fixed asset are recognised in the income statement as other operating income/cost and comprise the difference between the sales revenue and the carrying amount. Amounts that can be depreciated comprise acquisition value less estimated residual value. The assets' carrying value and useful life are impairment tested on every balance-sheet date and adjusted if necessary.

DEPRECIATION AND AMORTISATION

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

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

[1] The value of trademarks obtained via acquired operations is determined by means of the acquisition analysis. If the trademark can be used without any time limitations, it is not subject to amortisation according to plan. The right to use the name Leica derives from a contractual useful life under an agreement that expires in 88 years' time. The agreement contains clauses stipulating extension opportunities. Since Hexagon is of the opinion that there is reason to believe that it will be possible to extend the agreement without considerable expenditure, the value of the right to use the name Leica is not subject to amortisation.

IMPAIRMENT

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

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

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

CASH-GENERATING UNITS

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

EARNINGS PER SHARE

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

ACCOUNTING POLICIES IN THE PARENT COMPANY

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

- The Parent Company does not apply IAS 39.
- In the Parent Company, all leases are treated as operational leases.
- In the Parent Company, the shares in subsidiaries are recognised at acquisition value less any impairment.
- Acquisition value of shares in subsidiaries includes transaction costs and contingent consideration.
- Non-monetary assets acquired in other currencies than EUR are recognised at the historical exchange rate. Other assets and liabilities are recognised at the exchange rate prevailing on the balance sheet date.

DIVIDENDS

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

APPROVAL OF ACCOUNTS

The Parent Company's and the consolidated financial statements will be presented to the Annual General Meeting for approval on 10 May 2016.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Parts of Hexagon's sales derive from major and complex customer contracts

In order to establish the amounts that are to be recognised as income and whether any loss provision should be posted, company management makes estimates of completed performance in relation to the contractual terms and conditions, the estimated total contractual costs and the proportion of the contract that has been completed.

Intangible assets

Intangible assets within Hexagon concern essentially pertain to patents, trademarks and goodwill. Goodwill and other acquired intangible assets with an indefinite life are not subject to annual amortisation, while other intangible assets are amortised. Insofar as the underlying operations develop negatively, an impairment requirement may arise. Such intangible assets are subject to annual impairment testing, which is essentially based on the value in use, making assumptions about the sales trend, the Group's profit margins, on-going investments, changes in working capital and discount interest rate. The assumptions made by the Board of Directors are presented above. Company management considers the assumptions applied to be compatible with the data received from external sources of information or from previous experience. Hexagon's goodwill at 31 December amounted to 3,812.6 MEUR (3,418.4). Other intangible assets not subject to amortisation amount to 885.6 (822.1) MEUR as of this date. Impairment tests performed did not give rise to any impairment.

Tax assets and liabilities

The Board of Directors and Company Management continuously assess the carrying amount of both current and deferred tax assets and liabilities. For deferred tax assets, Hexagon has to assess the probability of whether it will be possible to utilise the deductible temporary differences that give rise to deferred tax assets to offset future taxable profits. In addition, in certain situations, the value of the deferred tax assets and liabilities may be uncertain due to ongoing tax processes, for example. Accordingly, the value of deferred tax assets and liabilities may deviate from these estimates due to a change in future earning capacity, changed tax regulations or the outcome of examinations by authorities or tax courts of issued or not yet issued tax returns. When assessing the value of deferred tax assets and liabilities, Hexagon has to form an opinion of the tax rate that will apply at the time of the reversal of the temporary differences. Hexagon recognised deferred tax liabilities, net in an amount of 357.4 MEUR (295.8), net, at the end of 2015. At the same date, the Group had tax-loss carry-forwards with a value of 62.9 MEUR (79.3) that were not recognised as assets. These assets could not be capitalised based on assessments of the opportunity to utilise the tax deficits. In comparison with the final outcome, the estimates made concerning both deferred tax assets and liabilities could have either a positive or a negative impact on earnings.

Pension obligations

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

NOTE 3 OPERATING SEGMENTS

Hexagon's operations are organised, governed and reported in two operating segments, Industrial Enterprise Solutions (IES) and Geospatial Enterprise Solutions (GES). The operating segment IES comprises the application areas Manufacturing Intelligence and PP&M. The operating segment GES comprises the application areas Geosystems, Positioning Intelligence and Safety & Infrastructure. In March 2014, Hexagon divested SwePart Transmission AB that was reported within the business area Other Operations. Following that divestment, Hexagon will record no further activity within the Other Operations business area.

2015	IES	GES	Other Operations	Total segments	Group expenses and eliminations	Group
Net sales	1,537.1	1,506.7	-	3,043.8	-	3,043.8
Operating expenses	-1,127.5	-1,198.4	-	-2,325.9	-25.2	-2,351.1
Operating earnings (EBIT1)[1]	**409.6**	**308.3**	**-**	**717.9**	**-25.2**	**692.7**
Non-recurring items	-20.6	-16.0	-	-36.6	-	-36.6
Operating earnings (EBIT)	**389,0**	**292,3**	**-**	**681,3**	**-25,2**	**656,1**
Net interest income/expenses					-26.5	-26.5
Earnings before taxes					**-51,7**	**629.6**
Operating assets	4,520.5	3,502.6	-	8,023.1	40.3	8,063.4
Operating liabilities	-557.0	-1,291.3	-	-1,848.3	-15.9	-1,864.2
Net operating assets	**3,963.5**	**2,211.3**	**-**	**6,174.8**	**24.4**	**6,199.2**
[1] Of which share in associated companies earnings	0.1	0.0	-	0.1	-	0.1
Shares in associated companies	2.2	1.3	-	3.5	-	3.5
Investments in fixed assets	103.1	138.9	-	242.0	0.4	242.4
Average number of employees	7,967	7,857	-	15,824	67	15,891
Number of employees at year-end	8,170	7,893	-	16,063	69	16,132
Depreciation, amortisation and impairment	-82.8	-134.0	-	-216.8	-2.8	-219.6

2014	IES	GES	Other Operations	Total segments	Group expenses and eliminations	Group
Net sales	1,260.8	1,348.6	13.0	2,622.4	-	2,622.4
Operating expenses	-934.9	-1,078.4	-12.6	-2,025.9	-18.4	-2,044.3
Operating earnings (EBIT1)[1]	**325.9**	**270.2**	**0.4**	**596.5**	**-18.4**	**578.1**
Non-recurring items	-15.6	-18.9	-1.5	-36.0	-	-36.0
Operating earnings (EBIT)	**310.3**	**251.3**	**-1.1**	**560.5**	**-18.4**	**542.1**
Net interest income/expenses					-33.6	-33.6
Earnings before taxes					**-52.0**	**508.5**
Operating assets	3,481.7	4,032.1	-	7,513.8	27.5	7,541.3
Operating liabilities	-893.4	-949.1	-	-1,842.5	-25.5	-1,868.0
Net operating assets	**2,588.3**	**3,083.0**	**-**	**5,671.3**	**2.0**	**5,673.3**
[1] Of which share in associated companies earnings	0.0	0.0	-	0.0	-	0.0
Shares in associated companies	2.3	1.3	-	3.6	-	3.6
Investments in fixed assets	99,7	140,0	-	239,7	0,8	240,5
Average number of employees	7,275	7,490	53	14,818	47	14,865
Number of employees at year-end	7,683	8,047	-	15,730	53	15,783
Depreciation, amortisation and impairment	-70.1	-119.9	-0.5	-190.5	-2.4	-192.9

	Net sales by country[3]		Operating Assets[1] Assets		Liabilities		Net		Tangible and intangible fixed assets	
Geographical markets	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
EMEA[2]	1,147.2	1,043.3	4,200.1	3,801.7	-1,302.0	-1,407.4	2,898.1	2,394.3	2,521.8	2,062.5
Americas	1,049.2	870.1	3,715.6	3,600.2	-464.3	-360.3	3,251.3	3,239.9	3,251.1	3,177.6
Asia	847.4	709.0	434.3	389.1	-384.5	-350.0	49.8	39.1	82.1	70.6
Elimination of intragroup items / Adjustments	-	-	-286.6	-249.7	286.6	249.7	-	-	-	-
Group	**3,043.8**	**2,622.4**	**8,063.4**	**7,541.3**	**-1,864.2**	**-1,868.0**	**6,199.2**	**5,673.3**	**5,855.0**	**5,310.7**

[1] Net operating assets correspond with operating earnings in as much as items such as cash and cash equivalents, tax, interest and interest-bearing liabilities and provisions are not included.
[2] Sweden is included in EMEA with net sales of 61.8 MEUR (73.1) and tangible and intangible fixed assets of 29.1 MEUR (57.8).
[3] Relates to the country where the customer has it's residence. No single customer represented more than 2 per cent (2) of net sales.

NOTE 4 PARENT COMPANY INTRA-GROUP PURCHASES AND SALES

Other Group companies account for 100 per cent (100) of the Parent Company's sales and 68 per cent (67) of the Parent Company's purchases.

NOTE 5 NET SALES

	Group		Parent Company	
	2015	**2014**	**2015**	**2014**
Surveying	682.5	593.5	-	-
Power and energy	596.4	522.3	-	-
Infrastructure and construction	329.8	299.7	-	-
Automotive	288.8	249.8	-	-
Public safety	283.6	253.2	-	-
Electronics and manufacturing	387.4	313.2	-	-
Aerospace and defence	241.0	223.5	-	-
Other	234.3	167.2	12.5	16.8
Total	**3,043.8**	**2,622.4**	**12.5**	**16.8**

NOTE 6 OPERATING EXPENSES

	Group		Parent Company	
	2015	**2014**	**2015**	**2014**
Cost of goods sold				
Cost of goods	607.3	597.0	-	-
Personnel cost	340.5	301.6	-	-
Depreciation and amortisation	25.7	19.8	-	-
Other	248.4	189.5	-	-
Total	**1,221.9**	**1,107.9**	**-**	**-**
Research and development cost				
Personnel cost	126.3	126.4	-	-
Depreciation and amortisation	139.2	113.6	-	-
Other	47.6	40.6	-	-
Total	**313.1**	**280.6**	**-**	**-**
Sales expenses				
Personnel cost	386.5	325.5	-	-
Depreciation and amortisation	9.5	6.9	-	-
Other	165.7	124.6	-	-
Total	**561.7**	**457.0**	**-**	**-**
General and administrative cost				
Personnel cost	193.5	145.8	4.1	5.1
Depreciation and amortisation	24.6	17.9	9.6	1.7
Other	74.7	76.2	18.3	8.6
Total	**292.8**	**239.9**	**32.0**	**15.4**

NOTE 7 OTHER OPERATING INCOME AND OPERATING EXPENSES

	Group	
	2015	**2014**
Other operating income		
Capital gain on divestment of fixed assets	-	1.9
Exchange rate gains	63.8	36.0
Government grants	0.9	0.2
Reversal of provisions	20.7	7.9
Rental income	2.4	2.7
Other	9.0	4.2
Total	**96.8**	**52.9**
Other operating expenses		
Capital loss on divestment of fixed assets	-0.9	-0.2
Exchange rate losses	-70.3	-34.6
Rental related expenses	-6.0	-4.0
Impairment	-10.2	-
Other	-7.7	-7.5
Total	**-95.1**	**-46.3**

NOTE 8 IMPAIRMENTS

Cash-generating units

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

Geosystems
Manufacturing Intelligence
Positioining Intelligence
Safety & Infrastructure
PP&M

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

	Geosystems		Manufacturing Intelligence		Positioning Intelligence		Safety & Infrastructure		PP&M		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Goodwill	1,001.7	984.7	544.4	483.1	341.9	343.9	408.5	327.2	1,516.1	1,279.5	3,812.6	3,418.4
Other intangible assets with indefinite useful lives [1]	419.4	416.5	64.5	53.5	14.5	13.7	76.3	67.1	310.9	271.3	885.6	822.1
Intangible assets subject to amortization [2]	295.1	270.1	216.4	170.5	59.3	55.4	116.6	96.8	181.5	165.5	868.9	758.3
Total	**1,716.2**	**1,671.3**	**825.3**	**707.1**	**415.7**	**413.0**	**601.4**	**491.1**	**2,008.5**	**1,716.3**	**5,567.1**	**4,998.8**

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

Hexagon performed its annual impairment test as per 31 December 2015. Hexagon tests if the carrying value of the CGU's exceed their recoverable value. The recoverable value is the higher of the CGUs net realizable value and the value in use, meaning the discounted value of future cash flows.

Geosystems

The recoverable amount of the Geosystems CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The pre-tax discount rate applied to the cash flow projections was 6.8% (7.5). The growth rate was used to extrapolate the cash flows beyond the five-year period was approximately 2.0% (2.0). This growth rate is assessed on a conservative basis and is set equal to the expected inflation. As a result of the impairment test performed, management did not identify an impairment for this CGU.

Manufacturing Intelligence

The recoverable amount of the Manufacturing Intelligence CGU is also determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The pre-tax discount rate applied to the cash flow projections was 7.8% (8.0). The growth rate used to extrapolate the cash flows beyond the five-year period was approximately 2.0% (2.0). This growth rate is assessed on a conservative basis and is set equal to the expected future inflation. As a result of the impairment test performed, management did not identify an impairment for this CGU.

Positioning Intelligence

The recoverable amount of the Positioning Intelligence CGU is also determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The pre-tax discount rate applied to the cash flow projections was 8.0% (8.5). The growth rate was used to extrapolate the cash flows beyond the five-year period was approximately 2.0% (2.0). This growth rate is assessed on a conservative basis and is set equal to the expected inflation. As a result of the impairment test performed, management did not identify an impairment for this CGU.

Safety & Infrastructure

The recoverable amount of the Safety & Infrastructure CGU is also determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The pre-tax discount rate applied to the cash flow projections was 9.0% (9.0). The growth rate was used to extrapolate the cash flows beyond the five-year period was approximately 2.0% (2.0). This growth rate is assessed on a conservative basis and is set equal to the expected inflation. As a result of the impairment test performed, management did not identify an impairment for this CGU.

PP&M

The recoverable amount of the PP&M CGU is also determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The pre-tax discount rate applied to the cash flow projections was 9.0% (9.0). The yearly growth rate was used to extrapolate the cash flows beyond the five-year period was approximately 2.0% (2.0). This growth rate is assessed on a conservative basis and is set equal to the expected inflation. As a result of the impairment test performed, management did not identify an impairment for this CGU.

Key assumptions used in value in use calculations

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

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

Forecasts

The forecasted cash flows, that is approved by senior management, are based on a analysis of historic performance as well as a best estimate regarding the future. Hexagon has since 2001 shown systematically rising operating margins and virtually continuous good organic growth.

The operating margins are based on average values achieved historically. The margins are increased over the period to reflect anticipated efficiency improvements. The organic growth are based on an analysis of how the competition situation is judged to develop over time.

Discount rates

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

Growth rates used to extrapolate cash flow beyond the forecast period

Rates are based on published industry research. The long term rate used to extrapolate the budget is assessed as conservative as this is set equal to the expected long term inflation rate.

NOTE 8 Impairments, cont.

Sensitivity to changes in assumptions

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

NOTE 9 EARNINGS FROM SHARES IN GROUP COMPANIES AND ASSOCIATES

	Group		Parent Company	
	2015	2014	2015	2014
Earnings from shares in group companies				
Dividend from subidiaries	-	-	224.0	148.1
Capital gain/loss from sale of shares in Group companies	-	-1.5	2,625.1	-1.5
Total	**-**	**-1.5**	**2,849.1**	**146.6**
Earnings from shares in associated companies				
Share of income in associated companies	0.1	0.0	-	-
Total	**0.1**	**0.0**	**-**	**-**

NOTE 10 FINANCIAL INCOME AND EXPENSES

	Group		Parent Company	
	2015	2014	2015	2014
Financial income				
Interest income	5.7	3.9	0.0	0.1
Interest income, intercompany receivables	-	-	88.2	58.9
Other financial income	0.4	0.2	184.9	129.6
Total	**6.1**	**4.1**	**273.1**	**188.6**
Financial expenses				
Interest expenses	-18.5	-24.4	-14.4	-22.5
Interest expenses, intercompany liabilities	-	-	-1.4	-1.3
Net interest on pensions	-1.7	-1.7	-	-
Other financial expenses	-12.4	-11.6	-131.9	-111.6
Total	**-32.6**	**-37.7**	**-147.7**	**-135.4**

NOTE 11 INCOME TAXES

GROUP

Tax on earnings for the year

	2015	2014
Current tax	-100.2	-89.8
Deferred tax	-24.3	-12.5
Share of tax in associated companies	0.0	0.0
Total tax on earnings for the year	**-124.5**	**-102.3**

Specification of deferred tax

	2015-12-31	2014-12-31
Deferred tax assets (liabilities) comprise:		
Fixed assets	-406.5	-329.1
Inventories	15.0	17.2
Customer receivables	2.6	2.4
Provisions	14.4	6.0
Other	8,3	-7.1
Unutilised loss carry-forwards and similar deductions	71.7	94.1
Less items not satisfying criteria for being recognised as assets	-62.9	-79.3
Total	**-357.4**	**-295.8**
According to the balance sheet:		
Deferred tax assets	59.4	66.0
Deferred tax liabilities	-416.8	-361.8
Total, net	**-357.4**	**-295.8**

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

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

Deferred taxes	2015	2014
Opening balance, net	**-295.8**	**-229.2**
Change via income statement		
Deferred tax on earnings	-20.3	-18.1
Change in reserve for deductions not satisfying criteria for being recognised as assets	1.9	2.2
Change in tax rates and items pertaining to prior years	-5.9	3.4
Total	**-24.3**	**-12.5**
Change via other comprehensive income		
Deferred tax on other comprehensive income	-4.4	0.5
Total	**-4.4**	**0.5**
Change via acquisitions and divestments	-1.3	-32.4
Reclassification	-9.6	-
Translation difference	-22.0	-22,2
Closing balance, net	**-357.4**	**-295.8**

Current taxes	2015	2014
Opening balance, net	**-31.2**	**-22.2**
Change via income statement		
Current tax on earnings	-97.7	-87.4
Change in tax rates and items pertaining to prior years	-2.5	-2.4
Total	**-100.2**	**-89.8**
Change via acquisitions and divestments	-0.2	-2.4
Payments, net	120.0	84.5
Translation difference	-0.9	-1.3
Closing balance, net	**-12.5**	**-31.2**

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

	2015-12-31
2016	2.7
2017	7.0
2018	4.8
2019	3.6
2020 and later	100.9
Indefinitely	185.6
Total	**304.6**

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

	2015	2014
Earnings before tax	**629.6**	**508.5**
Tax pursuant to Swedish nominal tax rate 22%	-138.5	-111.9
Difference in tax rates between Swedish and foreign tax rate	20.5	10.7
Revaluation of loss carry-forwards, etc.	-0.8	2.2
Permanent differences	-1.8	-4.5
Change in tax rates and items pertaining to prior years	-3.9	1.2
Tax, income statement	**-124.5**	**-102.3**

PARENT COMPANY

Tax on earnings for the year	2015	2014
Current tax	0.0	3.8
Deferred tax	-	-10.0
Total tax on earnings for the year	**0.0**	**-6.2**

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

	2015	2014
Deferred taxes		
Opening balance, net	**0.0**	**10.0**
Change via income statement		
Deferred tax on earnings	-30.6	-15.8
Change in reserve for deductions not satisfying criteria for being recognised as assets	33.5	5.8
Change in tax rates and items pertaining to prior years	-2.9	-
Total	**0,0**	**-10.0**
Closing balance, net	**0.0**	**0.0**
Current taxes		
Opening balance, net	**-0.1**	**0.0**
Change via income statement		
Current tax on earnings	0.0	3.8
Total	**0.0**	**3.8**
Tax on group contributions reported in equity	-	-3.9
Closing balance, net	**-0.1**	**-0.1**

The Parent Company has unutilised loss carry-forwards of 37.5 MEUR (189.7), but no value has been assigned to these in the balance sheet due to the uncertainty of the possibility to utilise them. The maturity of these are indefinitely.

NOTE 12 NON-RECURRING ITEMS

	2015	2014
Nature		
Personnel costs	-27.1	-
Transaction costs	-	-4.4
Sale of subsidiary	-	-1.5
Capital loss of sales of fixed assets	-1.6	-
Impairments	-7.9	-27.5
Other	-	-2.6
Total	**-36.6**	**-36.0**
Function		
Cost of goods sold	-14.3	-
Sales expenses	-8.6	-
Administration expenses	-8.3	-4.6
Research and development expenses	-3.4	-29.0
Other operating expenses	-2.0	-0.9
Capital loss from sale of shares in group companies	-	-1.5
Operating earnings	**-36.6**	**-36.0**

Non-recurring items relate to a cost savings programme that was introduced in the first quarter of 2015.

NOTE 13 GOVERNMENT GRANTS

During 2015 some of the subsidiaries within the Group have received government grants. The government grants relate primarily to education of employees. The table below shows how the grants are allocated to functions.

	2015	2014
Function		
Other operating income	0.9	0.2
Total	**0.9**	**0.2**

NOTE 14 INTANGIBLE FIXED ASSETS

Group

Intangible fixed assets

2015	Capitalised development expenses	Patents	Trademarks	Goodwill	Other intangible fixed assets	Total
Acquisition value, opening balance	896.2	122.9	822.1	3,418.4	446.2	5,705.8
Investments	186.0	0.4	-	-	8.2	194.6
Investments/divestments of business	-	-	23.3	170.6	45.9	239.8
Sales/Disposals	-11.8	-0.2	-	-	-1.9	-13.9
Reclassification	2.7	-3.7	-	22.9	3.5	25.4
Translation differences	24.7	3.0	40.2	200.7	24.0	292.6
Acquisition value, closing balance	**1,097.8**	**122.4**	**885.6**	**3,812.6**	**525.9**	**6,444.3**
Amortisation, opening balance	-385.9	-60.5	-	-	-149.4	-595.8
Amortisation for the year	-109.7	-7.8	-	-	-35.2	-152.7
Sales/Disposals	4.6	0.0	-	-	1.9	6.5
Reclassification	0.0	2.9	-	-	-0.8	2.1
Translation differences	-6.9	-1.3	-	-	-6.1	-14.3
Amortisation, closing balance	**-497.9**	**-66.7**	**-**	**-**	**-189.6**	**-754.2**
Impairments, opening balance	-89.7	-	-	-	-21.5	-111.2
Impairment for the year	-6.9	-	-	-	-4.7	-11.6
Sales/Disposals	7.3	-	-	-	-	7.3
Translation differences	-8.3	-	-	-	0.8	-7.5
Impairments, closing balance	**-97.6**	**-**	**-**	**-**	**-25.4**	**-123.0**
Carrying value	**502.3**	**55.7**	**885.6**	**3,812.6**	**310.9**	**5,567.1**

2014	Capitalised development expenses	Patents	Trademarks	Goodwill	Other intangible fixed assets	Total
Acquisition value, opening balance	711.9	117.1	698.7	2,596.4	323.2	4,447.3
Investments	154.1	0.5	-	-	8.6	163.2
Investments/divestments of business	2.4	-	71.6	567.6	83.9	725.5
Sales/Disposals	-15.8	-	-	-	-0.4	-16.2
Reclassification	0.3	-	-	-	-1.4	-1.1
Translation differences	43.3	5.3	51.8	254.4	32.3	387.1
Acquisition value, closing balance	**896.2**	**122.9**	**822.1**	**3,418.4**	**446.2**	**5,705.8**
Amortisation, opening balance	-296.3	-50.7	-	-	-115.0	-462.0
Amortisation for the year	-87.9	-7.5	-	-	-25.7	-121.1
Sales/Disposals	15.8	-	-	-	0.4	16.2
Reclassification	-0.3	-	-	-	-	-0.3
Translation differences	-17.2	-2.3	-	-	-9.1	-28.6
Amortisation, closing balance	**-385.9**	**-60.5**	**-**	**-**	**-149.4**	**-595.8**
Impairments, opening balance	-62.2	-	-	-	-16.5	-78.7
Impairment for the year	-23.5	-	-	-	-4.0	-27.5
Translation differences	-4.0	-	-	-	-1.0	-5.0
Impairments, closing balance	**-89.7**	**-**	**-**	**-**	**-21.5**	**-111.2**
Carrying value	**420.6**	**62.4**	**822.1**	**3,418.4**	**275.3**	**4,998.8**

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

Amortisation of intangible fixed assets allocated by function:

	Group 2015	Group 2014
Cost of goods sold	-0.6	-0.8
Sales expenses	-4.5	-1.4
Administration expenses	-7.0	-6.1
Research and development expenses	-135.9	-109.5
Other operating expenses	-4.7	-3.3
Total	**-152.7**	**-121.1**

Other intangible fixed assets

	Parent Company 2015	Parent Company 2014
Acquisition value, opening balance	11.9	11.9
Investments	0.0	0.0
Acquisition value, closing balance	**11.9**	**11.9**
Amortisation, opening balance	-2.2	-0.5
Amortisation for the year	-1.7	-1.7
Impairment for the year	-7.9	-
Amortisation, closing balance	**-11.8**	**-2.2**
Carrying value	**0.1**	**9.7**

NOTE 15 TANGIBLE FIXED ASSETS

Group

Tangible fixed assets

2015	Buildings	Land and other real estate	Machinery and other technical plants	Equipment, tools and installation	Construction in progress and advances to suppliers	Total
Acquisition value, opening balance	216.9	36.3	254.6	157.0	6.1	670.9
Investments	6.5	0.0	18.8	18.6	3.9	47.8
Investments/divestments of business	0.2	-	0.4	2.7	-	3.3
Sales/disposals	-9.3	-5.0	-5.0	-11.5	-0.5	-31.3
Reclassification	-16.4	0.0	-7.2	0.8	-7.2	-30.0
Translation differences	7.6	1.2	2.6	6.5	4.9	22.8
Acquisition value, closing balance	**205.5**	**32.5**	**264.2**	**174.1**	**7.2**	**683.5**
Depreciation, opening balance	-60.8	-3.1	-183.1	-110.3	-1.7	-359.0
Depreciation for the year	-10.7	-0.6	-22.8	-20.7	-0.5	-55.3
Investments/divestments of business	-0.1	-	-0.1	-1.3	-	-1.5
Sales/disposals	3.8	0.0	4.8	10.4	0.4	19.4
Reclassification	-0.9	-0.1	10.5	1.5	-1.4	9.6
Translation differences	-1.8	0.2	-2.2	-5.0	0.0	-8.8
Depreciation, closing balance	**-70.5**	**-3.6**	**-192.9**	**-125.4**	**-3.2**	**-395.6**
Carrying value	**135.0**	**28.9**	**71.3**	**48.7**	**4.0**	**287.9**

2014	Buildings	Land and other real estate	Machinery and other technical plants	Equipment, tools and installation	Construction in progress and advances to suppliers	Total
Acquisition value, opening balance	152.7	38.1	244.7	117.8	24.6	577.9
Investments	8.1	-	22.6	18.4	28.2	77.3
Investments/divestments of business	-1.6	0.3	-15.3	16.8	4.8	5.0
Sales/disposals	-0.4	-4.6	-7.3	-11.3	-0.5	-24.1
Reclassification	48.3	0.1	1.1	7.3	-56.2	0.6
Translation differences	9.8	2.4	8.8	8.0	5.2	34.2
Acquisition value, closing balance	**216.9**	**36.3**	**254.6**	**157.0**	**6.1**	**670.9**
Depreciation, opening balance	-51.2	-2.5	-181.4	-88.4	-1.8	-325.3
Depreciation for the year	-7.8	-0.6	-19.3	-16.5	-0.1	-44.3
Investments/divestments of business	0.4	0.1	17.1	-9.3	-	8.3
Sales/disposals	0.2	-	6.8	10.6	0.2	17.8
Reclassification	-0.1	-	-	-0.1	-	-0.2
Translation differences	-2.3	-0.1	-6.3	-6.6	-	-15.3
Depreciation, closing balance	**-60.8**	**-3.1**	**-183.1**	**-110.3**	**-1.7**	**-359.0**
Carrying value	**156.1**	**33.2**	**71.5**	**46.7**	**4.4**	**311.9**

Depreciation of tangible fixed assets allocated by function:

	Group	
	2015	2014
Cost of goods sold	-25.1	-19.0
Sales expenses	-5.0	-5.5
Administration expenses	-17.6	-11.8
Research and development expenses	-3.3	-4.1
Other operating expenses	-4.3	-3.9
Total	**-55.3**	**-44.3**

Equipment

	Parent Company	
	2015	2014
Acquisition value, opening balance	0.0	0.0
Acquisition value, closing balance	**0.0**	**0.0**
Depreciation, opening balance	0.0	0.0
Depreciation for the year	0.0	0.0
Depreciation, closing balance	**0.0**	**0.0**
Carrying value	**0.0**	**0.0**

NOTE 16 FINANCIAL FIXED ASSETS

Group	Shares in associated companies 2015	2014	Other long-term securities holdings 2015	2014	Other long-term receivables 2015	2014
Opening balance	3.6	2.7	4.7	39.6	16.3	13.7
Investments	-	2.3	-	8.0	5.2	6.8
Acquired as subsidiary	-	-2.0	-	-42.9	0.1	-
Earnings participations, etc.	0.1	0.0	-	-	-	-
Capital gains/losses	-	0.8	-	-	-	-
Sales	-	-	-	-	-5.3	-4.3
Reclassification	-	-	-	-	-0.2	-0.4
Translation differences	-0.2	-0.2	0.2	0.0	0.5	0.5
Closing balance	**3.5**	**3.6**	**4.9**	**4.7**	**16.6**	**16.3**

Parent Company	Shares in Group companies 2015	2014	Receivables from Group companies 2015	2014	Other financial fixed assets 2015	2014
Opening balance	3,017.7	2,979.9	1,612.8	944.4	0.1	0.4
Purchases	-	154.6	-	-	-	-
Shareholders contribution	2,469.8	-	-	-	-	-
Sales	-1,160.5	-116.8	-	-	-	-0.3
Reclassification	-	-	-	-	-0.1	-
Increase/decrease in receivables	-	-	1,721.9	668.4	0.3	-
Closing balance	**4,327.0**	**3,017.7**	**3,334.7**	**1,612.8**	**0.3**	**0.1**

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

Other long-term securities holdings

	Group 2015-12-31	2014-12-31
BIMobject	3,4	3.4
Euclideon PTY	1,1	1.0
Other	0,4	0.3
Total	**4,9**	**4.7**

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Subsidiaries of Hexagon AB	Corp ID. No.	Reg. Office/ Country	No. of shares	Portion of share capital and voting rights, %	Carrying amount 2015-12-31	2014-12-31
Leica Geosystems AG[1]	-	Switzerland	35,546	100	-	1,160.5
Hexagon Förvaltning AB	556016-3049	Stockholm, Sweden	200,000	100	23.1	23.1
Johnson Industries AB	556099-2967	Stockholm, Sweden	100,000	100	7.3	7.3
Röomned AB	556394-3678	Stockholm, Sweden	1,439,200	100	11.2	11.2
Hexagon Metrology AB	556365-9951	Stockholm, Sweden	1,000	100	735.7	698.6
Tecla AB	556068-1602	Stockholm, Sweden	160,000	100	1.6	1.6
Hexagon Solutions AB	556083-1124	Stockholm, Sweden	100,000	100	1.6	1.6
Hexagon Global Services AB	556788-2401	Stockholm, Sweden	1,000	100	0.0	0.0
Hexagon Intergraph AB	556370-6828	Stockholm, Sweden	1,000	100	0.0	0.0
Intergraph Holding Company	-	USA	1	100	1,003.9	959.2
Hexagon Technology Center GmbH[2]	-	Switzerland	583	75.1	2,388.0	0.0
Hexagon Positioning Ltd	-	England	3	100	154.6	154.6
Other companies, mainly dormant	-	-	-	100	0.0	0.0
Total					**4,327.0**	**3,017.7**

[1] The ownership in Leica Geosystems AG has been transferred to Hexagon Technology Center GmbH.
[2] The remaining part of share capital and voting rights in the company are owned by wholly owned subsidiaries in the Group.

NOTE 17 SHARES IN ASSOCIATED COMPANIES

	Portion of, %				Carrying amount Group		Share of income in associated companies			
							Before tax	Tax	Before tax	Tax
	Number of shares	Share capital	Voting rights	Portion of shareholders' equity	2015-12-31	2014-12-31	2015	2015	2014	2014
Bridge In SARL	2,000	20	20	0.0	0.1	0.1	0.0	0.0	0.0	0.0
H&S Server and Laser	-	50	50	0.0	0.0	0.0	0.0	0.0	0.0	0.0
North West Geomatics Ltd	-	-	-	-	-	-	-	-	0.0	0.0
Alberta Ltd	100	50	50	1.1	1.1	1.1	0.0	0.0	0.0	0.0
Navgeocom Severo-Zapad	-	45	45	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Navgeocom Yug	-	45	45	0.0	0.1	0.1	0.0	0.0	0.0	0.0
HostSure Ltd	375	25	25	0.2	2.2	2.3	0.1	0.0	0.0	0.0
Aircraft Concept GmbH	50	40	40	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total				**1.3**	**3.5**	**3.6**	**0.1**	**0.0**	**0.0**	**0.0**

Bridge In SARL has its registered office in France.
H&S Server and Laser has its registered office in Las Vegas, USA.
North West Geomatics has its registered office in Canada. Recognised as wholly owned subsidiary as of 2014.
Alberta Ltd has its registered office in Edmonton, Canada.
Navgeocom Severo-Zapad has its registered office in Russia.
Navgeocom Yug has its registered office in Russia.
HostSure Ltd has its registered office in Northern Ireland.
Aircraft Concept GmbH has its registered office in Germany.
Since these holdings are insignificant in relation to the Group as a whole, no further disclosures are provided.

NOTE 18 RECEIVABLES

Group	Not due	Due less than 30 days	Due between 30–60 days	Due between 61–90 days	Due between 91–120 days	Older than 120 days	Total
Aging analysis of receivables, 31 December 2015, net of impairment losses							
Other long-term receivables	11.9	0.5	0.3	1.3	1.2	1.4	**16.6**
Customer receivables	507.3	64.3	31.3	20.1	12.7	52.6	**688.3**
Other receivables – non-interest bearing	47.1	1.5	1.1	0.2	0.1	1.1	**51.1**
Total	**566.3**	**66.3**	**32.7**	**21.6**	**14.0**	**55.1**	**756.0**
Aging analysis of receivables, 31 December 2014, net of impairment losses							
Other long-term receivables	11.7	0.7	3.2	-	-	0.7	**16.3**
Customer receivables	446.4	75.7	29.1	15.4	9.9	38.9	**615.4**
Other receivables – non-interest bearing	41.2	1.3	1.0	0.0	0.2	1.5	**45.2**
Total	**499.3**	**77.7**	**33.3**	**15.4**	**10.1**	**41.1**	**676.9**

Reserve for doubtful receivables

	Group	
	2015	2014
Opening balance	26.4	20.9
Reserve for anticipated losses	12.4	2.7
Adjustment for actual losses	-2.2	-0.5
Reversal of unutilised amounts	-10.5	0.0
Increase through aquisition	-	1.4
Translation differences	-0.5	1.9
Closing balance	**25.6**	**26.4**

NOTE 19 INVENTORIES

	Group	
	2015-12-31	2014-12-31
Raw materials and supplies	158.4	156.5
Work in progress	35.2	32.5
Finished goods and goods for sale	221.3	214.9
Total	**414.9**	**403.9**
Value adjustment reserve includes provisions for obsolescence etc of	-53.6	-44.9

NOTE 20 PREPAID EXPENSES AND ACCRUED INCOME/ACCRUED EXPENSES AND DEFERRED INCOME

Prepaid expenses and accrued income

	Group		Parent Company	
	2015	2014	2015	2014
Accrued invoicing	20.5	23.6	-	-
Accrued interest income	0.3	0.0	-	-
Work in progress	34.6	32.0	-	-
Prepaid maintenance costs	4.0	2.3	-	-
Prepaid products and services	12.2	17.3	-	-
Prepaid rent	3.3	2.8	0.1	0.1
Prepaid insurance	5.7	4.9	0.1	0.1
Other items	20.6	19.5	0.5	0.9
Total	**101.2**	**102.4**	**0.7**	**1.1**

Accrued expenses and deferred income

	Group		Parent Company	
	2015	2014	2015	2014
Accrued personnel-related expenses	145.9	132.6	0.2	0.2
Accrued sales commission	18.4	18.2	-	-
Accrued installation and training expenses	7.3	6.9	-	-
Accrued R&D expenses	3.0	1.7	-	-
Accrued fees	6.0	5.2	0.1	-
Accrued royalties	5.0	2.3	-	-
Accrued interest expenses	2.0	0.4	1.2	0.3
Prepaid service revenues	9.3	9.4	-	-
Work in progress	24.3	17.2	-	-
Other prepaid revenues	235.7	202.0	-	-
Other items	51.2	47.7	0.6	1.2
Total	**508.1**	**443.6**	**2.1**	**1.7**

NOTE 21 SHARE CAPITAL AND NUMBER OF SHARES

		Number of shares						
		Outstanding			Total issued			
Parent Company	Quota value per share, EUR	Class A	Class B	Total	Class A	Class B	Total	Share capital, MEUR
Opening balance 2014	**0.22**	**15,750,000**	**339,246,977**	**354,996,977**	**15,750,000**	**339,246,977**	**354,996,977**	**78.8**
New share issues - exercise of warrants	0.22	-	2,392,236	2,392,236	-	2,392,236	2,392,236	0.5
Closing balance 2014	**0.22**	**15,750,000**	**341,639,213**	**357,389,213**	**15,750,000**	**341,639,213**	**357,389,213**	**79.3**
New share issues - exercise of warrants	0.22	-	2,947,929	2,947,929	-	2,947,929	2,947,929	0.7
Closing balance 2015	**0.22**	**15,750,000**	**344,587,142**	**360,337,142**	**15,750,000**	**344,587,142**	**360,337,142**	**80.0**

Warrants exercised until 2015-12-31 have incurred a new share issues in progress as per 2015-12-31 of 106,000 new shares (71,000) of series B. The new share issues will be finalized in the first quarter of 2016.

Each series A share entitles the holder to 10 votes and each series B share to 1 vote. All shares entail the same right to share of profits in Hexagon. Dividend per share paid in 2014 amounted to 0.35 EUR (0.31) per share.

Average number of shares before and after dilution, thousands

	2015	2014
Average number of shares before dilution	359,387	355,764
Estimated average number of potential shares pertaining to warrants plans	430	1,461
Average number of shares after dilution	**359,817**	**357,225**

NOTE 22 PENSION PROVISIONS AND SIMILAR OBLIGATIONS

OVERVIEW

Provisions – Defined-benefit plans

	2015-12-31	2014-12-31
Pension obligations	657.7	575.5
Fair value of plan assets	-534.3	-489.4
Pension obligations less plan assets	**123.4**	**86.1**
Unrecognised assets	0.1	1.3
Pension provision, net	**123.5**	**87.4**

Pension expenses - Defined-benefit plans

	2015	2014
Current service cost	26.2	21.2
Interest expense	11.7	13.4
Calculated interest income	-10.0	-11.7
Change in terms and conditions[1]	-2.2	-11.2
Employees' own contribution	-11.5	-9.3
Pension expenses – defined-benefit plans	**14.2**	**2.4**

[1] *In one of the Swiss plans, the so called conversion rate for calculating the retirement pension was reduced in 2014.*

Total pension expenses impact on the income statement

	2015	2014
Operating expenses - defined-benefit plans	12.5	0.7
Operating expenses - defined contibution plans	30.6	33.5
Operating earnings impact	**43.1**	**34.2**
Net interest expenses - defined-benefit plans	1.7	1.7
Earnings before tax impact	**44.8**	**35.9**

DEFINED-BENEFIT OBLIGATIONS

2015-12-31	Plan assets	Pension obligations	Net
Switzerland	482.6	-569.9	-87.3
Other countries	51.7	-87.8	-36.1
Total (fair/present value)	**534.3**	**-657.7**	**-123.4**
Unrecognised assets			-0.1
Pensions provisions, net			**-123.5**
Of which:			
Reported as asset (other non-current receivables)			0.5
Reported as liability			-124.0

2014-12-31	Plan assets	Pension obligations	Net
Switzerland	441.5	-489.0	-47.5
Other countries	47.9	-86.5	-38.6
Total (fair/present value)	**489.4**	**-575.5**	**-86.1**
Unrecognised assets			-1.3
Pensions provisions, net			**-87.4**
Of which:			
Reported as asset (other non-current receivables)			0.2
Reported as liability			-87.6

Three year summary

	2015-12-31	2014-12-31	2013-12-31
Fair value of plan assets	534.3	489.4	454.6
Pension obligations	-657.7	-575.5	-507.3
Net	**-123.4**	**-86.1**	**-52.7**
Unrecognised assets	-0.1	-1.3	-0.3
Book-value	**-123.5**	**-87.4**	**-53.0**

Pension obligations

	2015	2014
Opening balance	575.5	507.3
Change in terms and conditions	-2.2	-11.2
Current service cost	26.2	21.2
Interest expense	11.7	13.4
Benefits paid	-33.8	-27.6
Acquired/divested subsidiaries	-1.3	3.1
Settlement of pension obligations	-2.4	-0.2
Reclassification	-	2.8
Actuarial gains/losses - Financial assumptions	25.3	51.3
Actuarial gains/losses - Demographic assumptions	-1.9	5.8
Actuarial gains/losses - Experience adjustments	1.6	-2.0
Currency translation differences	59.0	11.6
Closing balance	**657.7**	**575.5**

Plan assets

	2015	2014
Opening balance	489.4	454.6
Calculated interest income	10.0	11.7
Contributions – employer	15.4	12.0
Contributions – employee	11.5	9.3
Benefits paid	-35.4	-27.6
Acquired/divested subsidiaries	-1.1	2.7
Return on plan assets excluding calculated interest income as above	-11.8	15.5
Currency translation differences	56.3	11.2
Closing balance	**534.3**	**489.4**

Fair value of plan assets

	2015-12-31	2014-12-31
Equities and similar financial instruments	146.9	138.8
Interest-bearing securities, etc.	230.2	217.3
Real estate	157.2	133.3
Total	**534.3**	**489.4**

For 2016, the contributions to defined benefit plans are estimated at 25,0 MEUR, of which employer's contribution 12,0 MEUR.

CHARACTERISTICS OF THE PENSION OBLIGATIONS

The following applies for the Swiss plans which represent 87 per cent of the total defined benefit obligation. The Swiss plans include the following sub-plans: Retirement pension (main plan), disability pension, management plan, early retirement plan and jubilee plan. The main plan, retirement pension, is financed through an individual savings account. The plan defines a retirement credit in per cent of insured salary depending of the age of the plan member and it guarantees an interest rate, which is yearly determined by the Pension Fund. The minimum legal rate as fixed by the Swiss government has to be credited to the minimum savings account. The interest is not allowed to negative, even if the actual return on assets is negative (capital protection). The other kinds of plans i Switzerland are of similar nature.

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

ACTUARIAL ASSUMPTIONS FOR THE DEFINED-BENEFIT PENSION SCHEMES

(weighted average, where applicable)	2015	2014
Discount interest rate, %	1.4	1.6
Inflation, %	0.5	0.5
Future salary increase, %	0.7	0.9
For 87% of the defined benefit obligation, the Swiss BVG 2010 tables have been used for the actuarial assumptions regarding employee turnover and life expectancy	-	-

SENSITIVITY ANALYSIS

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

	Change in assumption, %	Effect, MEUR	Change in assumption, %	Effect, MEUR
Discount rate	-0.3	23.7	+0.3	-20.9
Salary increase	-0.5	-4.6	+0.5	4.9
Employee turnover	-1.0	7.6	+1.0	-6.6

	Change in assumption, no. of years	Effect, MEUR	Change in assumption, no. of years	Effect, MEUR
Life expectancy	-1.0	-25.1	+1.0	25.1

NOTE 23 OTHER PROVISIONS

Group	Restructuring provisions	Warranty provisions	Other provisions	Estimated supplementary payments for acquired companies	Total
Opening balance 2014-01-01	**2.7**	**11.1**	**2.5**	**54.3**	**70.6**
Provision for the year	2.2	2.9	0.8	0.1	6.0
Present value adjustment	-	0.6	-	1.2	1.8
Increase through acquisition of businesses	-	-	6.3	74.2	80.5
Payments of additional acquisition considerations	-	-	-	-32.2	-32.2
Utilisation	-4.3	-2.1	-1.6	-	-8.0
Reversal of unutilised amounts	-0.2	-0.3	-0.2	-7.2	-7.9
Reclassification	-	-	1.8	-3.2	-1.4
Translation difference	0.0	0.5	0.4	3.7	4.6
Closing balance 2014-12-31	**0.4**	**12.7**	**10.0**	**90.9**[1,3]	**114.0**[2]
Provision for the year	37.4	6.9	0.8	-	45.1
Present value adjustment	-	-	-	1.3	1.3
Increase through acquisition of businesses	-	0.0	0.0	49.9	49.9
Payments of additional acquisition considerations	-	-	-	-8.1	-8.1
Utilisation	-16.3	-5.6	-1.9	-	-23.8
Reversal of unutilised amounts	0.0	-1.0	-0.2	-20.9	-22.1
Reclassification	-9.5	-	-	-	-9.5
Translation difference	0.0	0.8	0.2	2.8	3.8
Closing balance 2015-12-31	**12.0**	**13.8**	**8.9**	**115.9**[1,3]	**150.6**[2]

[1] Estimated amounts fall due within three years.
[2] Of which, current portion: 92,8 (48,0)
[3] Disclosure of fair value see note 24.

NOTE 24 FINANCIAL INSTRUMENTS

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

CURRENCY RISK

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

Transaction Exposure

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

In accordance with the Group Treasury Policy the transaction exposure should not be hedged.

Translation Exposure – Balance Sheet

Translation exposure arise when the net assets are translated into EUR upon consolidation. Translation exposure have during the year partly being hedged with external debt in corresponding currencies, mainly USD, in accordance with the Group Treasury Policy. Translation differences from net assets in other currencies than EUR reported in other comprehensive income during 2015 were 256.2 MEUR (373.4). Other postings in other comprehensive income relate to revaluation of external loans to hedge net assets in subsidiaries and amounted to -12.7 MEUR (-36.4).

Net exposure per currency

	2015-12-31	Hedging rate
USD	2,708.7	0%
GBP	410.7	0%
CAD	264.2	1%
CNY	227.7	-
CHF	-149.8	-1%
BRL	126.8	2%
INR	56.5	18%
Other	224.6	1%
Total	**3,869.4**	**1%**

Translation Exposure – Income Statement

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

Net sales per currency

	2015	2014
USD	1,160.9	880.3
EUR	657.8	591.6
CNY	352.0	289.4
CHF	149.9	122.4
GBP	92.5	117.0
CAD	66.2	80.7
Other	564.5	541.0
Total	**3,043.8**	**2,622.4**

INTEREST RATE RISK

The interest rate risk is the risk that changes in interest rates will adversely affect the Group's net interest expense and/or cash flow. Interest rate exposure arise primarily from the external interest bearing debt. In accordance with the Group Treasury Policy the average interest rate duration for the external debt should be in a range from 6 months to 3 years.

During 2015 interest rate derivatives were used in order to manage the interest rate risk.

Financial income and expenses

	2015	2014
Interest income	5.7	3.9
Interest expense	-20.2	-26.1
Other financial income and expense	-12.0	-11.4
Net	**-26.5**	**-33.6**

CREDIT RISK

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

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

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

LIQUIDITY RISK

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

On 31 December 2015, cash and unutilised credit limits totalled 1,242.5 MEUR (1,006.8).

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

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

	2016		2017-2018		2019 and later		Total	
	Capital	Interest	Capital	Interest	Capital	Interest	Capital	Interest
Liabilities to credit institutions								
Revolving Credit	-	1.6	-	3.2	266.8	2.8	266.8	7.6
MTN loan	-	7.6	385.9	10.6	338.9	4.2	724.8	22.4
Commercial paper[1]	-	3.2	-	6.5	783.4	5.7	783.4	15.4
Other lenders	54.3	1.5	2.2	0.1	0.6	0.0	57.1	1.6
Total liabilities to credit institutions	**54.3**	**13.9**	**388.1**	**20.4**	**1,389.7**	**12.8**	**1,832.1**	**47.1**
Other interest-bearing liabilities	3.2	0.3	1.7	0.3	3.3	0.3	8.2	0.9
Total interest-bearing liabilities	**57.5**	**14.2**	**389.8**	**20.7**	**1,393.0**	**13.1**	**1,840.3**	**48.0**

[1] The Commercial Paper Program is supported by long term loan facilities as back-up and therefore classified as long term.

There were interest rate derivatives pertaining to borrowing at 31 December 2015. The agreement governing the Revolving Credit Facility includes a financial covenant for Net debt/EBITDA to be fulfilled to avoid additional financing costs.

Currency composition pertaining to interest-bearing liabilities

	2015-12-31	2014-12-31
EUR	98%	91%
USD	1%	8%
INR	1%	0%
CHF	0%	0%
Other	0%	1%
Total	**100%**	**100%**

REFINANCING RISK

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

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

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 enables Hexagon to issue MTN up to a total amount of 10,000 MSEK. On December 2015, Hexagon had issued MTN of a total amount of 6,750 MSEK (2,000).
3) A Swedish Commercial Paper Program (CP) established during 2012. The CP programme enables Hexagon to issue commercial paper up to a total amount of 15,000 MSEK. Commercial paper with tenor up to 12 months can be issued under the programme. On 31 December 2015, Hexagon had issued commercial paper of a total amount of 7,351 MSEK (5,517). The 2.000 MEUR multicurrency revolving facility support the commercial paper programme.

Group's capital structure

	2015-12-31	2014-12-31
Interest-bearing liabilities and provisions	1,969.1	2,125.3
Cash, bank and short-term investments	-225.5	-228.6
Net Debt	**1,743.6**	**1,896.7**
Shareholders' equity	**4,102.3**	**3,470.2**

SENSITIVITY ANALYSIS

The Group's earnings are affected by changes in certain key factors, as described below. The calculations proceed from the conditions prevailing in 2015 and the effects are expressed on an annualised basis. Earnings in non-EUR subsidiaries are converted into EUR based on average exchange rates for the period when the earnings arise.

During the year there have been significant changes to the exchange rates of currencies that have the biggest impact on Hexagon's earnings and net assets, namely USD, CHF and CNY. The EUR has weakened against USD, CHF and CNY. Since Hexagon has a majority of the operating earnings denominated in USD and CNY, this had a positive impact on operating earnings. The strengthening of the CHF had a negative impact since a considerable part of the costs are denominated in CHF. An isolated strengthening in the exchange rate for EUR by 1 per cent for all assets and liabilities denominated in non-EUR currencies would have had an immaterial effect on net income but a negative effect on equity of 38.4 MEUR (49.9) net and vice versa, after the impact of hedging.

During 2015, total operating earnings, excluding non-recurring items, from operations in other currencies than EUR amounted to an equivalent of 570.5 MEUR (497.4). An isolated change in the exchange rate for EUR by 1 per cent against all other currencies would have a net effect on operating earnings of approximately 5.7 MEUR (5.0).

Based on the average interest fixing period of less than one year in the Group's total loan portfolio as of year-end 2015, a simultaneous 1 percentage point change in interest rates in all of Hexagon's funding currencies would entail a pre-tax impact of about 10.9 MEUR (14.7) in the coming 12 months earnings.

FINANCIAL INSTRUMENTS – fair value

	2015-12-31		2014-12-31	
Assets	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale financial assets				
Other long-term securities holdings	4.9	4.9	4.7	4.7
Loan receivables and accounts receivables				
Long-term receivables	16.6	16.6	16.3	16.3
Accounts receivable	688.3	688.3	615.4	615.4
Other current receivables	51.1	51.1	45.2	45.2
Accrued income	55.1	55.1	55.6	55.6
Accrued interest	0.3	0.3	0.0	0.0
Short-term investments	59.8	59.8	52.9	52.9
Cash and bank balances	165.7	165.7	175.7	175.7
Total	**1,041.8**	**1,041.8**	**965.8**	**965.8**

Liabilities	2015-12-31 Carrying amount	2015-12-31 Fair value	2014-12-31 Carrying amount	2014-12-31 Fair value
Financial liabilities valued at fair value through income statement				
Estimated supplementary payments for acquired companies	115.9	115.9	90.9	90.9
Financial liabilities valued at accrued acquisition value				
Long-term liabilities - interest bearing[1]	1,782.8	1,781.9	1,573.3	1,573.7
Other long-term liabilities - non interest-bearing	3.9	3.9	7.0	7.0
Current liabilities - interest bearing[1]	57.5	57,5	457.6	457.6
Accounts payable	162.7	162.7	166.6	166.6
Other current non interest-bearing liabilities	100.2	100.2	86.4	86.4
Accrued expenses	231.6	231.6	210.2	210.2
Accrued interest	2.0	2.0	0.4	0.4
Total	**2,456.6**	**2,455.7**	**2,592.4**	**2,592.8**

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

Financial assets at fair value

	2015-12-31 Level 1	2015-12-31 Level 2	2015-12-31 Level 3	2014-12-31 Level 1	2014-12-31 Level 2	2014-12-31 Level 3
- Currency forward and swap contracts	-	22.7	-	-	-35.4	-
- Estimated supplementary payments for acquired companies	-	-	-115.9	-	-	-90.9
- Other long-term securities holdings	-	4.6	0.3	-	4.4	0.3
Total	**-**	**27.3**	**-115.6**	**-**	**-31.0**	**-90.6**

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

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

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

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

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

During the reporting period ending 31 December 2015, there were no transfers between levels.

NOTE 25 RENTED ASSETS

Leasing/rental agreements of an operational nature

2015-12-31	Group Machinery, equipment etc.	Group Premises	Parent Company Machinery, equipment etc.	Parent Company Premises
Expenses due for payment in				
2016	14.7	28.0	0.0	0.3
2017-2020	19.7	63.6	0.0	-
2021 or later	1.1	23.4	-	-
Total	**35.5**	**115.0**	**0.0**	**0.3**

2014-12-31	Group Machinery, equipment etc.	Group Premises	Parent Company Machinery, equipment etc.	Parent Company Premises
Expenses due for payment in				
2015	12.5	25.5	0.0	0.3
2016-2019	17.8	55.8	0.0	0.3
2020 or later	0.9	25.1	-	-
Total	**31.2**	**106.5**	**0.0**	**0.6**

The amounts are non-discounted minimum undertakings pursuant to contract. Costs for leasing/rents for the financial year were 44.2 MEUR (45.9).

Leasing/rental agreements of a financial nature

2015-12-31	Group Machinery, equipment etc.	Group Premises	Parent Company Machinery, equipment etc.	Parent Company Premises
Expenses due for payment in				
2016	0.2	0.0	-	-
2017-2020	0.2	0.0	-	-
2021 or later	0.0	-	-	-
Total	**0.4**	**0.0**	**-**	**-**

2014-12-31	Group Machinery, equipment etc.	Group Premises	Parent Company Machinery, equipment etc.	Parent Company Premises
Expenses due for payment in				
2015	0.9	0.1	-	-
2016-2019	1.0	0.1	-	-
2020 or later	0.0	0.0	-	-
Total	**1.9**	**0.2**	**-**	**-**

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

NOTE 26 ASSETS PLEDGED AND CONTINGENT LIABILITIES

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

	Group		Parent Company	
December 31	2015	2014	2015	2014
Real estate mortgages	-	-	-	-
Chattel mortgages	-	-	-	-
Other	1.0	0.5	-	-
Total	**1.0**	**0.5**	**-**	**-**

Contingent liabilities

	Group		Parent Company	
December 31	2015	2014	2015	2014
Guarantees in favour of Group companies	-	-	37.6	41.0
Letters of credit	-	-	-	-
Other contingent liabilities	1.2	1.5	0.1	0.3
Total	**1.2**	**1.5**	**37.7**	**41.3**

NOTE 27 NET ASSETS IN ACQUIRED AND DIVESTED BUSINESSES

Fair value of acquired assets and assumed liabilities

	2015	2014
Intangible fixed assets	69.2	157.8
Tangible fixed assets	1.8	21.1
Other fixed assets	0.1	4.0
Total fixed assets	**71.1**	**182.9**
Current receivables, inventories, etc.	10.8	49.3
Cash and cash equivalents	3.9	50.2
Total current assets	**14.7**	**99.5**
Total assets	**85.8**	**282.4**
Provisions	1.7	43.0
Long-term liabilities	0.2	42.0
Total long-term liabilities	**1.9**	**85.0**
Current liabilities, etc.	9.1	69.9
Total liabilities	**11.0**	**154.9**
Identifiable net assets at fair value	**74.8**	**127.5**
Long-term securities holdings	-	-42.9
Shares in associated companies	-	-3.1
Non-controlling interest in equity in acquired companies	-	-0.6
Goodwill	170.6	567.6
Total purchase consideration transferred	**245.4**	**648.5**
Less cash and cash equivalents in acquired Group companies	-3.9	-50.2
Less unpaid acquisition price	-55.3	-74.2
Plus payment of unpaid portion of acquisition price from prior years	8.1	32.2
Cash flow from acquisitions of Group companies, net	**194.3**	**556.3**

During 2015, Hexagon acquired the following companies:

- OhmTech, a Norwegian software development company
- Q-DAS, a German provider of statistical process control software
- Blue Iron Systems, a Canadian provider of material handling solutions
- Technet-Rail, a German provider of mobile mapping technology for the rail industry
- EcoSys, an American provider of enterprise planning and project control software
- Leica Geosystems Singpore, a distributor for Geosystems
- PT Leica Geosystems Indonesia, a distributor for Geosystems
- Camtech, a distributor for Manufacturing Intelligence in Germany

The acquisitions are individually assessed as immaterial from a group perspective why only aggregated information is 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 Q-DAS and EcoSys is presented in the acqusition analysis section below.

Acquisition analysis

Acquisition of Q-DAS

As of 14 April 2015, after regulatory approvals, Hexagon became the owner of Q-DAS. Based in Germany, Q-DAS has offices and partner distribution companies around the world. Already compatible with both Hexagon and third-party solutions, the Q-DAS software portfolio is widely used in manufacturing sectors where high production volumes and dimensional quality needs require statistical analysis – like the automotive sector where Q-DAS is the de-facto standard.

Background and reasons for the transaction

Software solutions have become a vital part of optimizing the manufacturing process. Furthering Hexagon's strategy to expand its software portfolio in this area, the Q-DAS acquisition adds software to support the data management needs of a factory. While people, materials and methods can all lead to fluctuations in machine and process capability, Hexagon's solutions will now provide the means to more accurately observe and evaluate the production process in real time, enabling workers to control and suppress fluctuations as they occur. This helps customers avoid costly mistakes, align with global industry standards and achieve manufacturing efficiencies with high-quality output. The Q-DAS portfolio will strengthen Hexagon's metrology planning solution, MMS (Metrology Management System), which is designed to provide easy access to measurement data – from any source or supplier – all in one place. The application of statistical procedures will improve measurement accuracy and consistency while also helping to automate the analysis of measurement results – making quality data fully actionable throughout the production process.

The goodwill comprises expected synergies arising from the acquisition and the assembled workforce, which is not separately recognized. Synergies have primarily been identified to arise by i) combining Hexagon and Q-DAS technologies and ii) increasing Hexagon's total market in excess of Q-DAS own market. The acquired intangible assets, was assigned to trademarks that are not subject to amortization, capitalized development expenses 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, Q-DAS has contributed 11.4 MEUR of net sales in 2015. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 15.0 MEUR.

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

Acquisition of EcoSys

As of 2 October 2015, after regulatory approvals, Hexagon became the owner of EcoSys Management LLC, a provider of best-in-class enterprise planning and project controls software based in Colorado USA. EcoSys helps customers address the time and cost challenges of capital project management on a global scale.

Background and reasons for the transaction

Asset-intensive industries, such as oil and gas and construction, demand predictability and control in order to navigate the complexities of building and operating their facilities. Engineering, Procurement and Construction companies (EPCs) and owner operators must be able to mitigate the risks associated with budget overruns and schedule delays in order to optimise their return on capital project investments. The acquisition of EcoSys broadens PP&M's enterprise engineering portfolio to include project controls. EcoSys EPC (Enterprise Planning & Controls), its flagship product, is an industry leading software solution for the project controls industry. Its web-based platform helps customers implement best practices for planning and managing project portfolios, controlling project costs and improving project performance. Additionally, the integration of project scheduling (4D) and cost management (5D) with PP&M's 3D design and construction solutions will strengthen Hexagon's capabilities in the BIM (Building Information Modelling) market.

The goodwill comprises 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 Intergraph and EcoSys technologies ii) increasing Hexagon's total market in excess of EcoSys own market. The acquired intangible assets, was assigned to trademarks that are not subject to amortization, capitalized development expenses and customer relationships with useful lives of 12-15 years. The intangible assets have been valued using a discounted cash flow method. From the date of acquisition, EcoSys has contributed 8.4 MEUR of net sales in 2015. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 25.5 MEUR .

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

Acquisitions 2014

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. 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.

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 has been finalized.

Acquisition of Vero Software

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 Manufacturing Intelligence 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. 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 has been finalized.

Book-value of divested assets and liabilities

	2015	2014
Intangible fixed assets	-	0.0
Tangible fixed assets	-	7.8
Total fixed assets	**-**	**7.8**
Current assets	-	22.4
Total assets	**-**	**30.2**
Provisions	-	1.3
Current liabilities	-	22.3
Total liabilities	**-**	**23.6**
Book-value of divested assets, net	**-**	**6.6**
Capital gain	-	-1.5
Total purchase consideration transferred	-	5.1
Plus repayment of intercompany loan	-	14.0
Cash flow from divestments of companies/ businesses	**-**	**19.1**

In March 2014, Hexagon divested SwePart Transmission AB that was reported within the business area Other Operations.

NOTE 28 AVERAGE NUMBER OF EMPLOYEES

	2015			2014		
	Men	Women	Total	Men	Women	Total
Parent Company	5	9	14	6	7	13
Subsidiaries	12,095	3,782	15,877	11,241	3,611	14,852
Total, Group	**12,100**	**3,791**	**15,891**	**11,247**	**3,618**	**14,865**
Average number of employees by country						
Denmark	128	44	172	119	39	158
Finland	31	10	41	29	8	37
Norway	81	18	99	86	15	101
Sweden	218	47	265	259	53	312
Nordic region	**458**	**119**	**577**	**493**	**115**	**608**
Austria	42	5	47	35	5	40
Belgium	72	13	85	71	12	83
Czech Republic	60	16	76	48	17	65
France	426	131	557	367	110	477
Germany	965	217	1,182	834	183	1,017
Hungary	15	3	18	14	3	17
Ireland	2	1	3	-	-	-
Italy	380	97	477	347	88	435
Kazakhstan	27	15	42	26	16	42
Netherlands	67	13	80	61	15	76
Poland	137	28	165	113	32	145
Portugal	24	3	27	21	4	25
Russia	115	49	164	122	47	169
Spain	156	39	195	133	41	174
Switzerland	1,372	260	1,632	1,390	262	1,652
Turkey	25	5	30	21	5	26
UK	592	141	733	466	118	584
Rest of Europe	**4,477**	**1,036**	**5,513**	**4,069**	**958**	**5,027**
Total, Europe	**4,935**	**1,155**	**6,090**	**4,562**	**1,073**	**5,635**
Canada	452	167	619	410	156	566
Mexico	61	11	72	49	8	57
USA	2,504	886	3,390	2,343	902	3,245
North America	**3,017**	**1,064**	**4,081**	**2,802**	**1,066**	**3,868**
Argentina	3	1	4	4	2	6
Brazil	475	124	599	478	121	599
Chile	99	16	115	88	14	102
Colombia	6	-	6	3	-	3
Peru	18	4	22	15	3	18
Uruguay	1	-	1	-	-	-
Venezuela	8	8	16	7	8	15
South America	**610**	**153**	**763**	**595**	**148**	**743**
South Africa	18	5	23	15	3	18
Africa	**18**	**5**	**23**	**15**	**3**	**18**
Australia	196	91	287	213	53	266
New Zealand	30	4	34	25	5	30
Australia and New Zealand	**226**	**95**	**321**	**238**	**58**	**296**
China	1,591	725	2,316	1,516	729	2,245
Hong Kong	37	14	51	36	14	50
India	1,045	289	1,334	935	265	1,200
Indonesia	13	4	17	7	1	8
Israel	125	53	178	122	45	167
Japan	134	34	168	115	25	140
Korea	111	29	140	98	25	123
Malaysia	26	9	35	23	6	29
Taiwan	10	3	13	9	3	12
Thailand	11	5	16	11	5	16
Singapore	171	152	323	151	149	300
United Arab Emirates	15	2	17	9	3	12
Vietnam	5	-	5	3	-	3
Asia	**3,294**	**1,319**	**4,613**	**3,035**	**1,270**	**4,305**
Total, Group	**12,100**	**3,791**	**15,891**	**11,247**	**3,618**	**14,865**

NOTE 29 EMPLOYEE BENEFITS

Salaries and Remuneration	Board, CEO and other Senior Executives 2015	Board, CEO and other Senior Executives 2014	Other employees 2015	Other employees 2014
Parent Company	5.1	4.7	1.4	1.4
(of which performance related pay and bonus)	(1.5)	(1.5)	(0.1)	(0.1)
Subsidiaries in Sweden	0.5	0.5	14.0	14.8
Total, Sweden	**5.6**	**5.2**	**15.4**	**16.2**
Argentina	-	-	0.2	0.2
Australia	0.6	0.4	24.3	22.2
Austria	-	-	3.4	3.0
Belgium	-	-	5.1	5.1
Brazil	0.5	0.6	9.7	15.4
Canada	1.5	0.9	48.8	42.2
Chile	-	0.2	4.0	6.4
China	2.9	2.5	46.8	35.9
Colombia	-	-	0.1	0.0
Czech Republic	0.0	-	2.7	2.6
Denmark	0.5	0.6	11.4	10.8
Finland	0.2	0.2	2.1	1.8
France	0.6	0.6	25.9	24.1
Germany	3.3	2.8	78.7	68.9
Hong Kong	1.5	0.3	1.8	2.3
Hungary	-	-	0.2	0.2
India	0.1	0.4	16.9	12.7
Indonesia	0.1	-	0.3	0.2
Ireland	-	-	0.3	0.1
Israel	0.4	0.2	13.2	11.3
Italy	0.9	0.1	28.1	25.3
Japan	0.5	0.3	9.3	8.7
Kazakhstan	0.3	0.1	0.5	0.7
Korea	-	-	8.9	7.0
Malaysia	0.0	-	1.5	1.1
Mexico	0.3	0.2	2.8	2.6
Netherlands	-	0.0	6.1	5.8
Norway	0.3	0.2	7.0	7.3
New Zealand	-	-	2.4	2.3
Peru	-	-	0.7	0.5
Poland	0.1	0.1	4.7	4.3
Portugal	-	0.1	1.0	0.8
Russia	0.0	0.1	4.0	5.0
Singapore	0.2	0.2	16.4	14.0
South Africa	0.1	0.1	1.4	0.9
Spain	0.8	0.8	8.0	6.6
Switzerland	2.0	2.1	159.2	140.4
Taiwan	-	-	0.5	0.4
Thailand	0.2	0.2	0.3	0.2
Turkey	0.4	0.4	0.6	0.5
UK	0.7	0.5	54.2	38.0
United Arab Emirates	-	-	1.2	0.4
USA	3.1	1.5	304.4	224.4
Venezuela	-	-	0.1	1.4
Vietnam	-	-	0.1	0.0
Total, Group	**27.7**	**21.9**	**934.7**	**780.2**
(of which performance related pay and bonus)	(8.4)	(5.6)	(81.6)	(59.0)

Social security expenses	All employees 2015	All employees 2014
Parent Company	2.6	1.7
(of which pension expenses)	1.3	0.9
Subsidiaries	147.2	120.9
(of which pension expenses)	41.8	33.3
Total, Group	**149.8**	**122.6**
(of which pension expenses)	43.1	34.2

Pension expenses for Boards of Directors and Chief Executive Officers in the Group amounted to 2.8 MEUR (2.7). Pension commitments to Boards of Directors and Chief Executive Officers in the Group were 3.6 MEUR (3.8).

At year-end, three Board members were women and three were men. Of the President and Chief Executive Officer and other senior executives were eleven men and one woman.

Of all the Group's Board members and Presidents, 42 were women and 423 were men.

NOTE 30 REMUNERATION TO SENIOR EXECUTIVES

Pursuant to resolutions by the Annual General Meeting, the Chairman of the Board and Board members were paid remuneration of totaling 400.3 KEUR (381.5). The Chairman of the Board received 117.6 KEUR and other Board members 53.4 KEUR each. The President and Chief Executive Officer of Hexagon AB did not receive any director fees. In addition to ordinary director fees, remuneration is paid for work on committees. The Chairman of the Remuneration Committee received 9.1 KEUR and each member received 6.4 KEUR. The Chairman of the Audit Committee received 21.4 and each member received 16.1 KEUR. No Board member received any remuneration in addition to director fees or remuneration for committee work. Remuneration to the President and Chief Executive Officer, as well as other senior executives, comprises basic salary, variable remuneration, other benefits and pension. The President and Chief Executive Officer total remuneration is recognised in note 29 in the Parent Company. Ola Rollén has received remuneration as President of the Parent Company and as Chief Executive Officer of the Group according to a separate employment contract with a Group Company.

Other senior executives are Robert Belkic, Chief Financial Officer and Executive Vice President Hexagon AB, Johnny Andersson, General Counsel, Claudio Simao, Chief Technology Officer, Mattias Stenberg, Chief Strategy Officer, Kristin Christensen, Chief Marketing Officer, Edgar Porter, Chief Human Resources Officer, Li Hongquan, President Hexagon China, Jürgen Dold, President Hexagon Geosystems, Norbert Hanke, President Hexagon Manufacturing Intelligence, Steven Cost, President Hexagon Safety & Infrastructure and Gerhard Sallinger, President Intergraph PP&M.

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

Pension

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

Severance pay

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

Advisory and resolution model

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

NOTE 30 Remuneration to Senior Executives, cont.

REMUNERATION AND OTHER BENEFITS

KEUR	Basic salary/ Director fees		Variable remuneration		Other benefits[1]		Pension expenses		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Melker Schörling, Chairman of the Board	126.7	119.2	-	-	-	-	-	-	126.7	119.2
Gun Nilsson	75.9	72.5	-	-	-	-	-	-	75.9	72.5
Jill Smith	69.5	66.0	-	-	-	-	-	-	69.5	66.0
Ulrika Francke	53.4	52.3	-	-	-	-	-	-	53.4	52.3
Ulrik Svensson	74.8	71.5	-	-	-	-	-	-	74.8	71.5
Ola Rollén, President and Chief Executive Officer	2,644.6	2,344.0	1,322.3	1,172.0	-	-	528.9	468.8	4,495.8	3,984.8
Other senior executives (eleven people 2015 and nine people 2014)	6,163.6	4,899.6	4,330.8	2,073.9	260.9	184.0	455.7	359.2	11,211.0	7,516.7
Total	**9,208.5**	**7,625.1**	**5,653.1**	**3,245.9**	**260.9**	**184.0**	**984.6**	**828.0**	**16,107.1**	**11,883.0**

[1] *Other benefits comprise company car, housing rent and insurance (excluding pension insurance).*

Warrants programme 2011/2015

The Extraordinary General Meeting on 15 December 2011 resolved to implement a warrants programme for the employees through a directed issue of a maximum of 13,665,000 subscription warrants. Each subscription warrant entitles the holder to subscribe for one share of series B in Hexagon AB at a price of SEK 124 during the period from 1 January 2012 up to and including 31 December 2015. The subscription warrants are sold at market price determined by using the Black&Scholes model. The subscription warrants programme is intended for allotment to senior executives and key employees within the Group, whereby they will be offered the opportunity to take part in a value increase of the Company's share. This is expected to increase the interest in the Company's development – as well as in the Company's share price development – and to stimulate a continued loyalty over the forthcoming years.

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

The 2011/2015 warrants programme matured in 31 December 2015 and was replaced by the 2015/2019 warrants programme.

Warrants programme 2015/2019

The General Meeting on 6 May 2015 resolved to implement a warrants programme for the employees through a directed issue of a maximum of 10,000,000 subscription warrants. Each subscription warrant entitles the holder to subscribe for one share of series B in Hexagon AB during the period from 1 June 2018 up to and including 31 December 2019. The subscription warrants are sold at market price determined by using the Black&Scholes model. The subscription warrants programme is intended for allotment to senior executives and key employees within the Group, whereby they will be offered the opportunity to take part in a value increase of the Company's share. This is expected to increase the interest in the Company's development - as well as in the Company's share price development - and to stimulate a continued loyalty over the forthcoming years.

In September, 2015 7,107,660 warrants were purchased by the employees at a price of SEK 25 each. The warrants entitle to subscription of one new B-share in Hexagon at a price of SEK 347.80. The price was calculated using the Black&Scholes model.

Warrants programme 2011/2015 Hexagon AB

	Exercise period, until	Number of warrants	Number of shares qualified for subscription	To be paid /paid in cash per subscribed Hexagon share, SEK
Closing balance 2014	**2015-12-31**	**2,982,929**	**2,982,929**	**124.00**
Exercise of warrants for shares	2015-12-31	-2,982,929	-2,982,929	124.00
Closing balance 2015	**2015-12-31**	**0**	**0**	**124.00**

Warrants programme 2015/2019 Hexagon AB

	Exercise period, until	Number of warrants	Number of shares qualified for subscription	To be paid/paid in cash per subscribed Hexagon share, SEK
Sale	2019-12-31	7,107,660	7,107,660	347.80
Closing balance 2015	**2019-12-31**	**7,107,660**	**7,107,660**	**347.80**

Warrants programme 2015/2019, Hexagon AB, 2015-12-31

	Number	Acquisition price, SEK
President and Chief Executive Officer	-	-
Other senior executives (ten people)	1,650,000	41,250,000
Other employees	5,457,660	136,441,500
Total	**7,107,660**	**177,691,500**

NOTE 31 REMUNERATION OF THE GROUP'S AUDITORS

	Group		Parent Company	
	2015	2014	2015	2014
Audit, Ernst & Young	4.6	4.1	0.3	0.3
Audit, Others	0.3	0.4	-	-
Audit related	0.2	0.1	-	0.0
Tax	2.3	1.7	-	0.4
Total	**7.4**	**6.3**	**0.3**	**0.7**

NOTE 32 RELATED-PARTY DISCLOSURES

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

PROPOSED ALLOCATION OF EARNINGS

The following earnings in the Parent Company are at the disposal of the Annual General Meeting (KEUR):	
Premium reserve	922,449
Retained earnings	528,185
Net earnings	2,960,620
Total	**4,411,254**

The Board of Directors proposes that these funds are allocated as follows:	
Cash dividend to shareholders of 0.43 EUR per share	154,945[1]
Balance remaining in the premium reserve	922,449
Balance remaining in retained earnings	3,333,860
Total	**4,411,254**

[1] *The amount is based on the number of shares issued and outstanding on 31 December 2015, namely 360,337,142*

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

Stockholm, Sweden 23 March 2016

Melker Schörling
Chairman

Ulrika Francke
Member of the Board

Gun Nilsson
Member of the Board

Jill Smith
Member of the Board

Ulrik Svensson
Member of the Board

Ola Rollén
Member of the Board
President and Chief Executive Officer

Our Audit Report was submitted on 23 March 2016

Ernst & Young AB

Rickard Andersson
Authorised Public Accountant

AUDIT REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Hexagon AB for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 46–90.

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

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Hexagon AB for the year 2015.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

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

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

Opinions

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

Stockholm, Sweden, 23 March 2016

Ernst & Young AB

Rickard Andersson
Authorised public accountant

10-YEAR SUMMARY

	MSEK					MEUR								
	2006	2007	2008	2009	2010	2008	2009	2010	2011	2012	2012[1]	2013	2014	2015
Income statement														
Net sales	13,469	14,587	14,479	11,811	14,096	1,511.0	1,112.0	1,481.3	2,169.1	2,380.0	2,380.0	2,429.7	2,622.4	3,043.8
Operating earnings (EBITDA)	2,429	3,054	3,267	2,537	3,458	340.1	238.9	362.4	542.4	610.3	605.7	642.2	743.5	912.3
Operating earnings (EBIT1)	1,827	2,421	2,548	1,784	2,604	265.3	168.0	272.9	439.8	489.5	484.9	507.7	578.1	692.7
Operating earnings	1,743	2,270	2,448	1,600	1,447	254.9	150.6	151.7	431.3	489.5	484.9	492.8	542.1	656.1
Earnings before tax	1,618	2,056	2,129	1,442	1,058	221.6	135.8	110.9	372.4	441.3	434.2	458.9	508.5	629.6
- of which non-recurring items	13	-151	-100	-184	-1,304	-10.4	-17.4	-136.6	-8.5	-	-	-14.9	-36.0	-36.6
Net earnings	1,280	1,811	1,859	1,254	875	193.5	118.1	91.7	297.4	357.4	351.1	371.2	406.2	505.1
- of which non-controlling interest	7	11	12	9	17	1.2	0.8	1.8	2.2	2.9	2.9	3.3	3.4	5.2
Balance sheet														
Current assets	5,861	7,944	8,070	6,617	9,436	737.0	645.4	1,052.4	1,125.0	1,135.9	1,135.9	1,193.3	1,410.7	1,492.7
Fixed assets	12,687	16,996	19,431	18,809	35,451	1,774.5	1,834.7	3,954.2	4,218.7	4,299.4	4,298.0	4,280.3	5,401.3	5,939.4
Non-interest bearing liabilities and provisions	3,322	4,310	3,833	3,126	7,153	350.0	305.0	797.8	914.7	920.1	915.3	962.6	1,216.5	1,360.7
Interest bearing liabilities and provisions	6,617	10,584	11,654	9,816	18,258	1,064.3	957.4	2,036.5	1,903.2	1,742.6	1,769.5	1,664.7	2,125.3	1,969.1
Shareholders' equity	8,609	10,046	12,014	12,484	19,476	1,097.2	1,217.7	2,172.3	2,525.8	2,772.6	2,749.1	2,846.3	3,470.2	4,102.3
Total assets	18,548	24,940	27,501	25,426	44,887	2,511.5	2,480.1	5,006.6	5,343.7	5,435.3	5,433.9	5,473.6	6,812.0	7,432.1

[1] *Restated – IAS 19*

	MSEK					MEUR								
	2006	2007	2008	2009	2010	2008	2009	2010	2011	2012	2012[1]	2013	2014	2015
Key ratios														
Operating margin, %	14	17	18	15	18	18	15	18	20	21	20	21	22	23
Return on capital employed, %	12	14	12	8	10	12	8	10	11	11	11	11	12	12
Return on equity, %	17	20	18	10	6	18	10	6	13	13	13	13	13	13
Investments	834	825	1,005	821	832	104.6	77.3	87.2	135.9	171.8	171.8	216.3	232.5	230.3
Equity ratio, %	46	40	44	49	43	44	49	43	47	51	51	52	51	55
Share of risk-bearing capital, %	49	43	45	51	48	45	51	48	52	56	56	57	56	61
Interest coverage ratio (times)	7.4	8.9	7.0	9.5	3.6	7.0	9.5	3.6	7.0	9.3	8.8	12.7	14.3	20.3
Net debt/equity ratio (times)	0.70	0.88	0.89	0.66	0.82	0.89	0.66	0.82	0.66	0.54	0.56	0.49	0.50	0.38
Cash flow before changes in working capital and excluding non-recurring items	1,737	2,472	2,587	2,003	2,805	269.3	189.1	294.1	397.2	494.4	494.4	538.0	619.2	749.9
Cash flow after changes in working capital and excluding non-recurring items	1,115	2,027	1,755	2,621	2,483	182.7	247.4	260.4	369.0	497.3	497.3	506.8	563.4	722.6
Earnings per share, SEK/EUR	4.39	5.95	6.10	4.13	2.83	0.64	0.39	0.30	0.84	1.01	0.99	1.04	1.13	1.39
Earnings per share after dilution, SEK/EUR	4.35	5.93	6.09	4.13	2.83	0.63	0.39	0.30	0.84	1.00	0.99	1.03	1.13	1.39
Cash flow per share before changes in working capital and excluding non-recurring items, SEK/EUR	5.99	8.17	8.55	6.64	9.24	0.89	0.63	0.97	1.13	1.40	1.40	1.52	1.74	2.09
Cash flow per share after changes in working capital and excluding non-recurring items, SEK/EUR	3.85	6.70	5.80	8.70	8.18	0.60	0.82	0.86	1.05	1.41	1.41	1.43	1.58	2.01
Equity per share, SEK/EUR	28	33	40	41	55	3.62	4.02	6.15	7.15	7.84	7.77	8.00	9.68	11.36
Closing share price, SEK	85	118	33	93	144	33	93	144	103	163	163	203	242	315
Cash dividend per share, SEK/EUR	1.46	2.06	0.44	1.05	1.40	0.04	0.10	0.15	0.17	0.28	0.28	0.31	0.35	0.43[2]
Average number of shares (thousands)	289,798	302,643	302,687	301,509	303,655	302,687	301,509	303,655	352,484	352,499	352,499	353,226	355,764	359,387
Average number of shares after dilution (thousands)	292,426	303,505	303,202	301,768	303,677	303,202	301,768	303,677	352,546	353,494	353,494	355,482	357,225	359,817
Number of shares, closing balance (thousands)	302,526	302,725	301,422	301,580	352,150	301,422	301,580	352,150	352,490	352,675	352,675	354,997	357,389	360,337
Average number of employees	7,862	8,406	9,062	7,549	8,179	9,062	7,549	8,179	12,475	13,203	13,203	13,931	14,865	15,891

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

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

QUARTERLY INCOME STATEMENTS

	2015					2014				
MEUR	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Net sales	705.1	780.7	742.3	815.7	3,043.8	594.8	635.6	648.6	743.4	2,622.4
Gross earnings	421.0	472.6	444.8	483.5	1,821.9	330.8	364.6	378.1	441.0	1,514.5
Sales expenses	-143.8	-141.3	-134.2	-142.4	-561.7	-100.4	-111.4	-118.0	-127.2	-457.0
Administration expenses	-75.0	-70.3	-67.3	-80.2	-292.8	-48.5	-57.1	-62.7	-71.6	-239.9
Research and development expenses	-87.3	-78.4	-71.9	-75.5	-313.1	-70.7	-57.1	-77.7	-75.1	-280.6
Earnings from shares in associated companies	0.0	0.1	0.0	0.0	0.1	0.0	0.0	-0.1	0.1	0,0
Capital loss from sale of shares in Group companies	-	-	-	-	-	-1.5	-	0.0	-	-1.5
Other income and expenses, net	-1.7	-5.4	-3.6	12.4	1.7	-3.7	0.6	2.5	7.2	6.6
Operating earnings[1]	113.2	177.3	167.8	197.8	656.1	106.0	139,6	122,1	174,4	542.1
Interest income/expenses net	-7.6	-7.0	-6.1	-5.8	-26.5	-8.2	-8.1	-8.7	-8.6	-33.6
Earnings before tax	105.6	170.3	161.7	192.0	629.6	97.8	131.5	113.4	165.8	508.5
Tax	-21.6	-34.1	-32.3	-36.5	-124.5	-19.7	-26.4	-23.0	-33.2	-102.3
Net earnings[2]	84.0	136.2	129.4	155.5	505.1	78.1	105.1	90.4	132.6	406.2
[1] of which non-recurring items	-36.6	-	-	-	-36.6	-17.4	-	-18.6	-	-36.0
[2] of which non-controlling interest	1.2	1.6	1.5	0.9	5.2	0.8	1.0	1.0	0.6	3.4
Earnings include depreciation/ amortisation and impairments of	-48.8	-52.4	-51.3	-67.1	-219.6	-48.9	-38.6	-56.6	-48.8	-192.9
Earnings per share, EUR	0.23	0.37	0.36	0.43	1.39	0.22	0.29	0.25	0.37	1.13
Earnings per share after dilution, EUR	0.23	0.37	0.36	0.43	1.39	0.22	0.29	0.25	0.37	1.13
Earnings per share excluding non-recurring items, EUR	0.31	0.37	0.36	0.43	1.47	0.26	0.29	0.29	0.37	1.21
Average number of shares (thousands)	357,675	359,759	359,999	360,114	359,387	355,083	355,551	355,925	356,497	355,764
Average number of shares after dilution (thousands)	358,331	360,054	360,222	360,659	359,817	355,779	357,420	357,750	357,951	357,225

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. A significant part of the purchase consideration is often allocated to intangible assets. 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 for the year divided by average capital employed for the year.

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

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

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

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

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

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

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

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

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

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

Operating earnings (EBITDA)
Operating earnings excluding non-recurring items and amortisation and depreciation of fixed assets.

Operating margin
Operating earnings (EBIT1) as a percentage of net sales for the year.

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

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

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

Return on equity
Twelve months to end of period net earnings excluding non-controlling interests as a percentage of twelve months to end of period average shareholders' equity excluding non-controlling interests.

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

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

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

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

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

BUSINESS DEFINITIONS

Americas
North America, South America and Central America.

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

BIM
Building Information Modeling. A process which increases the use of technology in construction.

CaaS
Content as a Service. As a service where the user subscribes on regular updates.

CAD
Computer Aided Design. Software for creating technical drawings.

CAM
Computer Aided Manufacturing. Software for controlling machine tools.

CMM
Coordinate Measuring Machine.

CSR
Corporate Social Responsibility.

EMEA
Europe, Middle East and Africa.

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

EPC
Engineering, Procurement and Construction companies. Engineering companies delivering design, purchases and building within big projects.

GES
Hexagon's operating segment Geospatial Enterprise Solutions.

GIS
Geographic Information Systems.

GNSS
Global Navigation Satellite System.

GPS
Global Positioning System.

IES
Hexagon's operating segment Industrial Enterprise Solutions.

ISDA
International Swaps and Derivatives Association.

Laser tracker
A portable measurement system that uses a laser.

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

MMS
Metrology Management System.

Multistation
An integrated total station and 3D laser scanner.

NAFTA
North American Free Trade Agreement.

OECD
Organisation of Economic Cooperation and Development.

OEM
Original Equipment Manufacturer.

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

PP&M
Hexagon´s application area Process, Power & Marine.

R&D
Research and development.

Total station
An electronic theodolite with an integrated distance meter.

UAV
Unmanned Aerial Vehicle. An unmanned aerial vehicle which give land surveying new work methods.

CURRENCY CODES

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

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING 2016

The Annual General Meeting will be held on Tuesday 10 May 2016 at 17:00 CET at Operaterassen, Karl XII:s torg, Stockholm, Sweden.

SHAREHOLDERS WHO WISH TO ATTEND THE ANNUAL GENERAL MEETING MUST:

(i) be recorded in the share register maintained by Euroclear Sweden AB on Tuesday 3 May 2016. To be eligible to participate, shareholders with nominee-registered holdings should temporarily have their shares registered in their own names through the agency of their nominees so that they are recorded in the share register well before 3 May 2016.

(ii) notify the Company of their intention to attend the Annual General Meeting by filling out a form on Hexagon's website, www.hexagon.com or by post to: Hexagon AB, "Annual General Meeting", c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden or by phone +46 8 402 92 21.

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

DIVIDEND

The Board of Directors proposes that a dividend of 0.43 EUR per share be declared for the financial year 2015.

As record day for right to receive dividend, the Board of Directors proposes Thursday 12 May 2016. If the Annual General Meeting resolves in accordance with the proposal, the dividend is expected to be paid through Euroclear Sweden AB starting on Thursday 19 May 2016.

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

FINANCIAL INFORMATION 2016

Hexagon will issue information concerning the financial year 2016 on the following dates:

Annual General Meeting 2016	10 May 2016
Q1 Interim Report	10 May 2016
Q2 Interim Report	8 August 2016
Q3 Interim Report	28 October 2016
Financial information 2016	6 February 2017

DISTRIBUTION POLICY

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

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

Produced by Hexagon in cooperation with Intellecta Corporate. Print: Åtta45, Solna. Photo: Hexagon, Shutterstock.

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