

Governance for long-term competitiveness

The corporate governance in Hexagon is based on Swedish legislation, primarily the Swedish Companies Act, Hexagon's Articles of Association, the Board of Director's internal rules, the rules and regulations of NASDAQ OMX Stockholm and the regulations and recommendations issued by relevant organisations.

Hexagon corporate governance

The company applies the Swedish Code of Corporate Governance (the "Code"). The Code is based on the principle "comply or explain". This means that a company which applies the Code may deviate from individual provisions, but, if doing so, has to provide an explanation for each deviation. Hexagon did not report any deviations from the Code in 2010.

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 separate document from the Annual Report.

OWNERSHIP STRUCTURE AND THE SHARE

At 31 January 2011, after the completion of the rights issue conducted during 2010, Hexagon's share capital was 707 284 354 SEK, represented by 353 642 177 outstanding shares. Total outstanding shares were 15 750 000 class A shares, each carrying ten votes, and 337 892 177 class B shares, each carrying one vote. Melker Schörling AB, the single largest shareholder in Hexagon, held at year-end 2010 a total of 15 750 000 class A shares and 88 670 582 class B shares, representing 49.8 per cent of the votes and 29.5 per cent of the capital. No other shareholder has any direct or indirect shareholding representing at least ten per cent of the votes of all shares in the company.

To the knowledge of the company, there are no shareholder agreements which could entail restrictions on transfer of shares. Neither are there any agreements between the company and any Board member or any employee which prescribe for compensation if such person's is dismissed, with or without cause, or if such persons employment is terminated as a consequence of a public offer regarding the shares in the company.

ANNUAL GENERAL MEETING (AGM)

The Annual General Meeting (or, when applicable, an Extraordinary General Meeting) is Hexagon's supreme executive body in which all sharehold-

ers may 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 Annual General Meeting, the Board presents the Annual Report, consolidated accounts and audit report. Hexagon issues the notice convening the Annual General Meeting no later than four weeks prior to the meeting. The Annual General Meeting is held in Stockholm, Sweden, usually in the month of May. The Annual General Meeting resolves on a number of issues, such as the adoption of the income statement and balance sheet, the allocation of the company's profit and the discharge from liability to the Company for the Board members and the CEO, remuneration to the Board and auditors, the principles for remuneration and employment terms for the CEO and other senior executives, election of members and Chairman of the Board or Directors, election of auditor and any amendments to the Articles of Association, etc.

NOMINATION COMMITTEE

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

The Nomination Committee shall consist of five members selected by the Annual General Meeting. 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 Annual General Meeting, the Committee shall be 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 fewer than three and not more than nine members, elected annually by the Annual General Meeting for the period until the end of the next Annual General Meeting. The Articles of Association of the company contains no special provisions regarding the election and discharge of Board members or regarding changes of the Articles of Association. The Annual General Meeting 2010 elected seven members, including the CEO. Hexagon's CFO, Vice President and General Counsel participate in the Board meetings. Other Hexagon employees participate in the Board meetings to make presentations on particular matters if requested. Hexagon's auditors attend the first Board meeting of the year and report their observations from their examination of the Group's internal controls and financial statements.

The Nomination Committee's assessment of the members' independence in relation to the company, its management and major shareholders is presented on page 43. 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. As evident from the table on page 43, Hexagon complies with these requirements.

The Board of Directors is responsible for determining the Group'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 and 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 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 the Group's financial position and important events affecting the company's operations are presented.

The Board of Directors has, within itself, established two committees, the Audit Committee and the Remuneration Committee.

Audit Committee

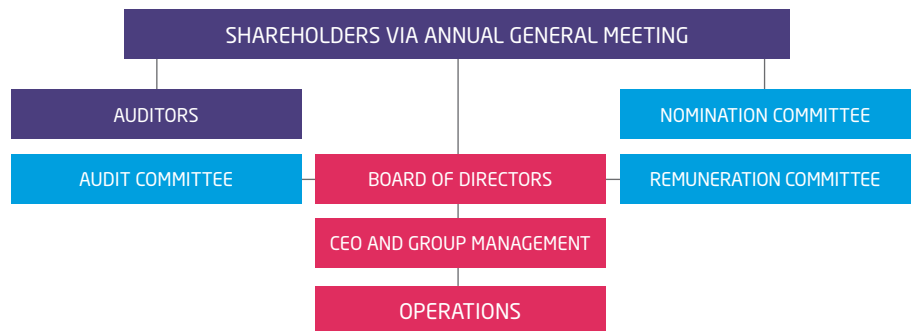
The Audit Committee is appointed annually by the Board, and its purpose is to consider issues regarding tendering and remunerating auditors on behalf of the Board, including reviewing and surveying the auditors' impartiality and independence, considering plans for auditing and the related reporting,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

Remuneration Committee

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

EXTERNAL AUDITORS

The Annual General Meeting 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 of the Board of Directors and the CEO. In addition to the audit, the auditors occasionally have other assignments, such as work relating to acquisitions. Hexagon's auditors normally attend the first Board meeting each year,



at which the auditors report observations from the examination of the Group'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 Annual General Meeting 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, which also includes requirements on annual external information disclosure concerning how internal control is organized insofar as it affects financial reporting. The Board of Directors bears the overall responsibility for internal control of the financial reporting. The Board of Directors has established written formal rules of procedure that clarifies the Board of Directors' responsibilities and regulates the Board of Directors' and its committees' internal distribution of work.

CEO AND GROUP MANAGEMENT

The 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, including the Code, the Articles of Association and the instructions and strategies determined by the Board. The 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 CEO is responsible for keeping the Board informed of the company's development between Board meetings.

The CEO has appointed a Group Management comprising heads of application areas, heads of geographical regions and certain Group staff functions, a total of eight persons. Group Management is responsible for overall business development, and apportioning financial resources between the business areas, as well as matters involving financing and capital structure. Where necessary, specialist know-how from leading experts is also commissioned. Regular management meetings constitute the Group's forum for implementing overall controls down to a particular business operation, and in turn, down to individual company level.

The CEO and other members of the Group management are presented in further detail on page 48.

OPERATIONS

In financial terms, Hexagon's business operations are controlled on the basis of the return on capital employed. This requires that they focus on maximising operating earnings, and minimising their working capital. Hexagon's organisational structure is distinctly characterised by decentralisation. Individual managers assume overall responsibility for their respective business, and pursue clearly stated objectives.

Activities during the year

ANNUAL GENERAL MEETING (AGM)

The AGM was held on 5 May 2010 in Stockholm, Sweden, and was attended by a total of 185 shareholders, who jointly represented 56 per cent of the total number of shares and 69 per cent of the total number of votes. Melker Schörling was elected Chairman of the AGM.

The following main resolutions were passed:

- Re-election of Directors Melker Schörling, Ola Rollén, Mario Fontana, Ulf Henriksson and Gun Nilsson and election of Ulrik Svensson and Ulrika Francke as new ordinary Board members. The Board members are presented in further detail on page 46.
- Re-election of Melker Schörling as Chairman of the Board.
- Dividend of 1.20 SEK per share for 2009 as per the Board's proposal.
- Guidelines for remuneration to Hexagon's senior executives.
- Issue in kind whereby the company's share capital shall be increased by a maximum of 100 200 SEK by a new issue of not more than 50 100 B-shares.
- Transfer of the company's shares.
- Authorisation of the Board to resolve on acquisition and transfer of the company's shares.

The notice, minutes and documents presented at the AGM are available in Swedish and in English on Hexagon's website.

EXTRAORDINARY GENERAL MEETING (EGM)

The EGM was held on 24 November 2010 in Stockholm, Sweden, and was attended by a total of 28 shareholders, who jointly represented 54 per cent of the total number of shares and 67 per cent of the total number of votes. Melker Schörling was elected Chairman of the EGM.

The following main resolutions were passed:

- Approval of the resolution by the Board of Directors on 22 October 2010 to perform a new share issue with preferential right for Hexagon's shareholders.
- Change of accounting currency from SEK to EUR effective as of 1 January 2011.

The notice, minutes and documents presented at the EGM are available in Swedish and in English on Hexagon's website.

NOMINATION COMMITTEE

In respect of the 2011 Annual General Meeting, the Nomination Committee comprises:

- Mikael Ek Dahl, Melker Schörling AB (Chairman)
- Anders Algotsson, AFA Försäkring
- Fredrik Nordström, AMF Pension
- Jan Andersson, Swedbank Robur fonder
- Henrik Didner, Didner & Gerge Aktiefond

During 2010, the Nomination Committee held two minuted meetings at which the Chairman made a presentation of the evaluation process. The Committee discussed desirable changes and decided on proposals to submit to the 2011 AGM concerning the election of Chairman of the AGM, the election of Chairman and other Board Members, directors' fees, remuneration for committee work and to the auditors. Shareholders wishing to submit proposals have been able to do so by contacting the Nomination Committee via mail or e-mail. Addresses are available on Hexagon's website.

BOARD OF DIRECTORS' ACTIVITIES

In 2010, the Board held 12 minuted meetings, including the statutory Board meeting. At all Board Meetings the President and CEO presented the financial and market position of Hexagon and important events affecting the company's operations. On different occasions, Hexagon senior managers presented their operations and business strategies to the Board. In addition, items such as the adoption 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.

The Board's work during 2010 was strongly influenced by the acquisition of Intergraph and the new share issue with preferential right for the company's shareholders. Also Hexagon's expansion in emerging markets was in focus during the year. At the final Board meeting of the year, the Board approved the operational strategy and the financial plan for 2011.

Evaluation of 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 2010 the Audit Committee comprised:

- Ulrik Svensson (Chairman)
- Mario Fontana
- Gun Nilsson

In 2010, the Committee held five minuted meetings where the financial reporting of Hexagon was monitored and discussed. The Committee dealt with relevant accounting issues, audit work and reviews such as for example the acquisition of Intergraph, new financing and testing of impairment requirements for goodwill.

Remuneration Committee

During 2010 the Remuneration Committee comprised:

- Melker Schörling (Chairman)
- Gun Nilsson

In 2010, the Committee held one minuted meetings where remuneration and other employment terms and conditions for the CEO and Group Management was discussed. The Remuneration Committee also monitored and evaluated the ongoing programmes for variable remuneration to senior executives as well as the application of the guidelines for remuneration to senior executives and the structure and levels of remuneration in the company.

EXTERNAL AUDITORS

The 2008 Annual General Meeting re-elected the accounting firm Ernst & Young AB, with the authorised public accountant Hamish Mabon (born in 1965) as chief auditor, as auditor for a term of office of four years. Hamish Mabon possesses the requisite expertise and is a member of FAR. Hamish Mabon has participated in the assignment of auditing Hexagon since 2001. In addition to Hexagon, he conducts auditing assignments for such companies as Vattenfall AB, Relacom Holding AB and Scania Sverige AB. Hamish Mabon has no active assignments in companies that are closely related to Hexagon's major shareholders or President and CEO.

During 2010, in addition to the audit, the auditors had other assignments in the form of work connected to acquisitions and the new share issue with preferential right for the company's shareholders. Hexagon's auditors attended the first Board meeting of the year, at which they reported observations from their examination of the Group's internal controls and the annual financial statements. The auditors met the Audit Committee on four occasions during 2010.

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

BOARD OF DIRECTORS AND COMMITTEES ¹

Board member	Elected	Independent	Committee		Meeting attendance		
			Audit	Remuneration	Board of Directors	Audit Committee	Remuneration Committee
Melker Schörling	1999	No ²		•	12/12		1/1
Mario Fontana	2006	Yes	•		12/12	5/5	
Ulrika Francke ³	2010	Yes			11/12		
Ulf Henriksson	2007	Yes			10/12		
Gun Nilsson	2008	Yes	•	•	12/12	5/5	1/1
Ola Rollén	2000	No ²			12/12		
Ulrik Svensson ³	2010	No ²	•		10/12	4/5	

¹ A complete presentation of the Board Members is included on pages 46-47.

² Melker Schörling and Ulrik Svensson are not deemed to be independent of the company's major shareholders.

Ola Rollén is not deemed to be independent of the company as a result of his position as Hexagon's President and CEO.

³ Elected as new ordinary Board member at AGM 5 May 2010.

BOARD AND COMMITTEE MEETINGS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Board of Directors		•			••••	•		•		••	••••	•
Audit Committee		•						•	•	•		•
Remuneration Committee												•

Remuneration

PRINCIPLES

The following principles for remuneration to senior executives in the Group were adopted by the Annual General Meeting 2010. The guidelines for the remuneration of senior executives, essentially entail that such remuneration should comprise a basic salary, variable remuneration, other benefits and pension, and that all in all this remuneration shall be competitive and in accordance with market practice. The variable remuneration shall be maximised in relation to the basic salary, tied to such performance that the relevant individual may influence and based on the outcome in relation to individual targets.

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

The President and CEO must normally provide six months notice of termination of employment. If the company terminates the President and CEO's employment, the period of notice and severance pay should not exceed a total of 24 months. Pension rights shall be either benefit or fee-based, or a combination of both, with an individual pension age, however, not lower than 60 years.

The notice period shall normally be six months on the part of the employee. At notice of termination by the company, the notice period and the period during which severance payment is paid, all in all, shall not exceed 24 months.

REMUNERATION OF GROUP MANAGEMENT

Remuneration of the President and CEO and other senior executives comprises basic salary, variable remuneration, other benefits and pension. In 2009 the President and CEO and the other senior executives declined salary increases as well as bonus payments with consideration to the fact that the Group at the same time were carrying out a cost reduction programme. Remuneration of the President and CEO and other senior executives is presented in Note 4B on page 78.

INCENTIVE PROGRAMMES

In 2007 Hexagon implemented a warrant program for senior executives and key employees in the Group by means of an issue of 2 500 000 warrants. 1 391 000 of the warrants have been allotted to and purchased by approximately 80 senior executives and key employees identified by the Board, and the remaining warrants have been reserved for future recruitment of senior executives and key employees in the Group. The

outstanding incentive programme is described in further detail on page 79.

REMUNERATION OF BOARD OF DIRECTORS

Remuneration to the Board of Directors is resolved by the Annual General Meeting on the proposal from the Nomination Committee. During 2010, the Chairman of the Board and other Board Members received remuneration totalling 2 075 000 SEK. Remuneration of the Board of Directors is presented in Note 4B on page 78.

REMUNERATION OF EXTERNAL AUDITORS

Remuneration for services in addition to auditing services primarily refers to work related to acquisitions. Remuneration of the external auditors is presented in Note 6 on page 80.

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.

These five perspectives serve as subheads below.

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 companywide 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 comprises an overall control environment in which the organisation, decision-making routes, authorities and responsibilities have been documented and communicated in control documents, such as in Hexagon's finance policy and reporting instructions and in accordance with the authorisation arrangements established by the CEO.

Hexagon's financial-control functions are integrated by means of a Group-wide reporting system. The Group'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 satisfy this need. All of Hexagon's subsidiaries report complete financial statements on a monthly basis. This reporting provides the basis for the Group'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.

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, relatively speaking, 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.

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.

INFORMATION AND COMMUNICATION

To ensure the completeness and correctness of financial reporting, the Group 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.

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 reports on the Group'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.

Comments from the Chairman of the Board

The role of the Board of Directors is to work for Hexagon's long-term development and for the best interests of the company's shareholders. We establish an overall strategy for the Group, but also take into consideration, at the earliest possible time, other circumstances that may affect the company's performance and development. Together with Hexagon's management, we establish a direction for the company and make overall decisions on how Hexagon's assets are to be used for investments, acquisitions and dividends.

On 7 July 2010, we announced our plans to acquire the US-based engineering and geospatial software provider Intergraph. The acquisition strengthens Hexagon's position as the leading global provider of measurement technology. Once fully integrated into the Group, we will be able to develop new products where the real world is interconnected with computer-simulated environments and platforms. The acquisition enables Hexagon to provide a comprehensive measurement technology service, including measurements in one up to three dimensions on ground, air and space, processing and simulation of data as well as presentation of data with CAD and GIS technologies.

The synergies of the acquisition are several-fold, and have been clearly acknowledged by the market. During the second half of 2010, our shareholders have experienced a substantial increase in the value of their investment. With the incorporation of Intergraph, the Group will develop its software



focus, paving the way for higher margins and thus potentially higher value. Hexagon is constantly seeking to maintain and enhance its position as the leading company in this sector, and increase shareholder value.

On behalf of Hexagon's Board of Directors, I am pleased to experience our shareholders' uninterrupted trust and commitment to Hexagon during the year. I am grateful to our management and our highly skilled and motivated employees - their outstanding work has driven our excellent performance. It also gives me great pleasure to welcome our new Intergraph colleagues to the Group.

Stockholm, Sweden, March 2011

Melker Schörling
Chairman of the Board

Auditor's report on the corporate governance statement

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

It is the Board of Directors who is responsible for the corporate governance statement for the year 2010 on pages 40-44 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our conclusion that the corporate governance statement has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the corporate governance statement and assessed its statutory content based on our knowledge of the company.

Our conclusion is that the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, Sweden, 25 March 2011

Ernst & Young AB

Hamish Mabon
Authorised Public Accountant