

Progress



Intergraph Financial Highlights

Years Ended December 31,	2004	2003	2002
Revenue	\$551,098	\$526,003	\$501,077
Gross Profit	\$275,764	\$251,946	\$233,840
Gross Margin	50.0%	47.9%	46.7%
Operating Income	\$34,094	\$13,368	\$14,431
Operating Margin	6.2%	2.5%	2.9%
Net Income	\$158,972	\$22,288	\$377,752
Diluted Earnings Per Share	\$4.37	\$0.47	\$7.47
Diluted Average Shares Outstanding	36,417	47,583	50,536
Cash & Short-term Investments	\$292,435	\$265,782	\$506,024
Total Assets	\$650,540	\$572,443	\$835,640
Common Stock Repurchases	\$106,682	\$292,534	\$83,588
Shareholders' Equity	\$449,262	\$378,935	\$621,710
Year-End Share Price	\$26.93	\$23.93	\$17.76

(amounts in thousands, except per share data)

Strategy

To improve our financial performance by focusing on our collective strengths



Focus

To become the software and services leader in Spatial Information Management



Success

Delivered our best annual financial performance in more than 12 years



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"The progress and solid operating performance of 2004 exemplify our potential, providing the necessary momentum and confidence to accelerate change and continue our turnaround in 2005 and beyond."

R. Halsey Wise, President & Chief Executive Officer

Letter to Our Shareholders

2004 marks a year of measurable progress for Intergraph. We developed the Company's first formalized strategic plan in recent history. We began to capitalize on the revenue and cost synergy opportunities among our four divisions. We added strength to our Board and increased shareholder value. We brought all pending OEM patent cases to a successful close. With this progress came results. We delivered Intergraph's best financial performance in more than 12 years.

As I complete my first full year as President and Chief Executive Officer and reflect on the past 18 months, I am proud of our accomplishments. We are well on our way in the execution of our three-phased "NOW" – "NEXT" – "AFTER NEXT" turnaround strategy that I spoke about in our 2003 annual report. But the visible scorecard of 2004 only sets the stage for what's to come. As you might expect, we plan to accelerate the pace of change in 2005. While our mission is not an easy one, I can assure you, we are eager to face the challenges ahead.

Change Yielded Results

The people of Intergraph made significant changes in the "NOW" phase of our turnaround strategy to improve financial performance and build a platform for the future. Marked by a series of significant accomplishments, we are proud that our efforts in 2004 yielded solid results:

[Reported 155% increase in operating income, representing a 12-year record for operating performance.](#)

[Developed the Company's first formalized strategic plan in recent history.](#)

[Returned \\$100 million in capital to shareholders by repurchasing 3.8 million shares with an Accelerated Stock Buyback.](#)

[Divested Terenetix U.S., a non-core legacy hardware maintenance and services business.](#)

[Added Kevin Twomey as the seventh independent director to the Intergraph Board.](#)

[Achieved an Institutional Shareholder Services \(ISS\) Corporate Governance Quotient of 98.9 relative to the Russell 3000.](#)

The "NEXT" phase of our turnaround strategy will be characterized by continued operational focus, as we seek to reach our goal of increasing operating margins to 8 – 12%, in-line with that of our peer group. While Intergraph had operating margins of only 2.5% in 2003, I'm pleased to report that we exited 2004 with an operating margin of 6.7% in the fourth quarter. As evidenced by our progress, we remain firmly committed to reaching our goal.

We will strive to prudently and responsibly allocate capital, in-line with our strategic plan, to markets, businesses, and products that we believe support increased growth and create value for our customers and shareholders. We will also continue to focus on products and innovations that build on our technical heritage and explore potential acquisitions to expand our markets and increase shareholder value. We will continue to place emphasis on improving our sales and marketing operations worldwide, while remaining true to our values of honesty and dedication to our customers and shareholders alike.

The third and final phase of our turnaround, the "AFTER NEXT" phase, will be characterized by a focus on opportunities for expansion. During this phase, we will consider strategies for extending our businesses, adding technologies that create additional value for our current customers, building upon our installed base, and further increasing our operating margins. Additionally, we will evaluate new markets as we strive to responsibly deliver growth and value to our shareholders.

A Blueprint for Our Future

Just as "NOW" – "NEXT" – "AFTER NEXT" is the framework for our organizational turnaround, our strategic planning process is the blueprint for our future. In 2004, we evaluated and analyzed our markets, market positions, products, sales channels, cross-selling opportunities, service levels, competitors, and other economic factors. This effort represented our first formalized strategic planning process in recent history and yielded several underlying themes, both positive and negative, that I would like to share with you.

We believe Intergraph is more relevant today than five years ago.

Intergraph enables our customers to address heightened security concerns worldwide. We possess a unique offering in the marketplace with the combination of our public safety first-responder and incident command software from Intergraph Public Safety, our location-based software applications from Intergraph Mapping and Geospatial Solutions, and our high-security clearance systems integration capabilities from Intergraph Solutions Group. Additionally, we believe there's an increase in demand for oil and gas exploration and construction due to higher oil prices. This trend is positive for our Process, Power & Marine division as we provide the software and services to both design and operate plant infrastructure.

We believe our core software markets are large and growing.

In total, our internal "bottoms up" market-sizing analysis estimates that our core software markets total more than \$2.5 billion in annual customer spend on software and services. In addition, annual

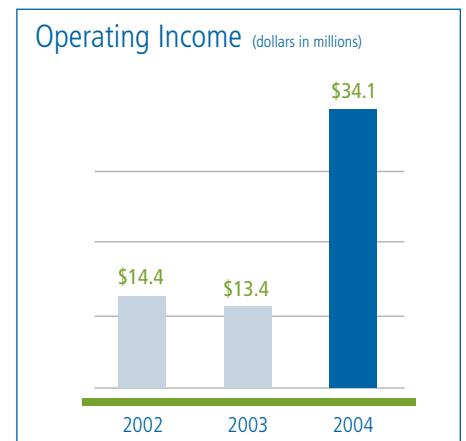
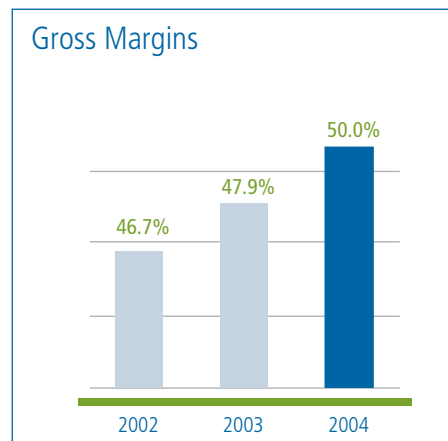
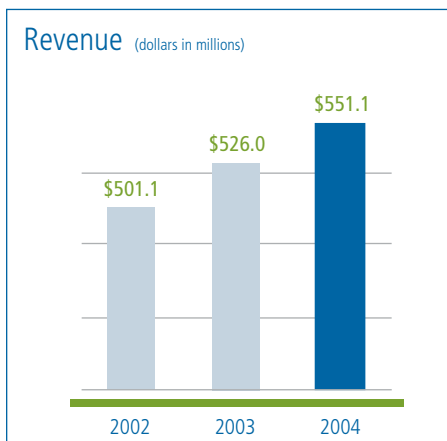
market growth rates are estimated in the 5 – 10% range.

Our commitment is recognized by our global customer base.

We believe our customers recognize the commitment our Company has made to the markets we serve. In 2004, we commissioned a third party to survey our customer base regarding our strengths and weaknesses as a company. According to the research, one of our strongest corporate attributes is our long history of commitment to our customers and their markets. We intend to leverage our customer relationships over the coming years by bringing additional products to market organically, as well as seeking to acquire new product offerings that appeal to our existing customer base.

Our operating profitability is below our peer group.

We believe an analysis of our Company's revenue mix indicates that we sell too little software for our current levels of development spend. This has been a contributing factor to our lower level of profitability relative to our peer group. We are focusing our business on



increasing software-related revenue to improve overall profitability. In addition, our cost structure remains too high and must continue to be addressed to improve our operating margins. In late 2004, we launched an internal project to evaluate our global cost structure in a number of areas. I look forward to bringing you our recommendations and action plans once that effort is complete.

The whole of Intergraph is greater than the sum of its parts.

Our current organizational structure of four separate and distinct business units can impede inter-company synergies and cross-selling opportunities that should and do exist between our divisions. Our sales and marketing efforts are disjointed and often fail to leverage the complete set of capabilities that Intergraph has to offer the marketplace. I believe that we have already made progress in this area, within both the Company and our customer base, through our global rebranding efforts and our "one-company" focus. As I travel the world, meeting with customers and shareholders, I continue to see examples of the value and potential of

a more unified Intergraph. This is an area where you will see increased focus, and we expect continued progress in 2005.

In summary, let me say that our strategic plan is intended to serve as the foundation of our turnaround strategy and is meant to drive an annual process whereby we prioritize our efforts to increase shareholder value. Our strategic plan provides our customers, employees, and shareholders a solid blueprint of our future direction and advances our three-phased "NOW" – "NEXT" – "AFTER NEXT" turnaround strategy.

Operating Results

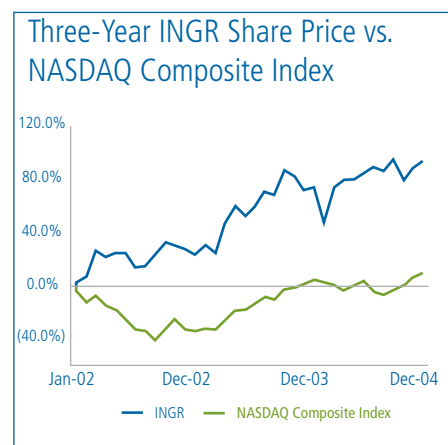
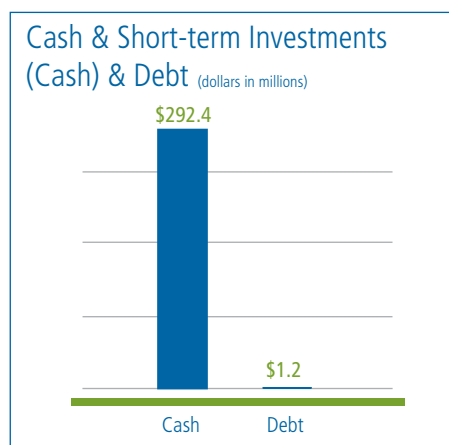
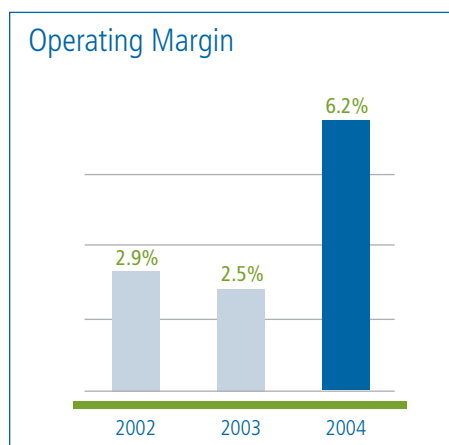
Our 2004 operating results serve as a scorecard for the progress we have made in our business and operations. Revenue for the year was \$551.1 million, an increase of 4.8% from \$526.0 million reported in 2003. Operating income grew 155% in 2004 to \$34.1 million, or 6.2% of revenue, compared to \$13.4 million, or 2.5% of revenue, reported in 2003. Net income for the year was \$159.0 million, or \$4.37 per diluted share, compared to \$22.3 million, or

\$0.47 per diluted share, reported in 2003. 2004 net income includes \$121.6 million, or \$3.34 per share, of after-tax intellectual property income, net of all fees and expenses.

While these results are positive and we are pleased with our progress as we near the completion of the "NOW" phase, there's still much work to be done. With our operating performance still below that of our peer group, we must accelerate change and continue our momentum throughout 2005 to meet our operational goals. The people of Intergraph and I remain focused on these objectives.

Intellectual Property

In 2004, we were successful in producing \$191.5 million of pre-tax intellectual property income, net of fees and expenses. In January 2005, we were able to bring all pending OEM patent litigation to an end in a \$141 million cash settlement with Hewlett-Packard (HP). We have pursued and enforced our intellectual property in the best interest of our shareholders and I'm happy to report that our licensing and litigation efforts



generated approximately \$865 million in pre-tax earnings before expenses from 2002 through January 2005.

In addition, as part of our effort to responsibly allocate capital, we have repurchased approximately \$485 million of Intergraph shares through the combined use of a Dutch tender offer, open market buybacks, and an Accelerated Stock Buyback program.

On March 29, 2004, we settled all remaining patent litigation involving Intel. The terms of the settlement provided for Intel to tender a payment of \$125 million on April 5, 2004 and an additional \$100 million in four quarterly installments. Additionally, the settlement provided that Dell would obtain certain licenses to the Company's Clipper system patents and be dismissed from the Company's OEM Clipper litigation.

On April 9, 2004, we settled our pending patent litigation with AMD. The terms of the settlement provided for AMD to tender a payment of \$10 million on May 7, 2004 and to make additional cash payments equal to 2% of the AMD Computational Product Group's pre-tax operating profits, if any, from 2005 through 2007 (subject to a limit of \$5 million per year). Additionally, the settlement provided that AMD could license the Company's Clipper patents.

On May 10, 2004, we settled our pending patent litigation with Gateway. The terms of the settlement provided for Gateway to tender a payment of \$10 million, wherein Gateway agreed to pay \$5 million within 10

days of the settlement and an additional \$2.5 million on July 1 and October 1, 2004. Gateway also agreed to make future royalty payments of \$1.25 per unit for certain U.S. sales of Gateway and eMachines computer systems through February 2009. Additionally, the settlement provided for a license of the Company's Clipper patents for Gateway and eMachines through February 2009.

On January 20, 2005, we brought all pending OEM patent litigation to an end, entering into a global settlement of all pending patent litigation with HP. The terms of the settlement provided for HP to tender a payment of \$141 million to Intergraph by January 28, 2005 and for the granting of a cross-license to each other's patent portfolio.

As a technology company, we will continue to consider various strategies to protect and defend the Company's intellectual property. However, intellectual property enforcement is inherently risky.

In Closing

Our 2004 performance shows marked improvement across almost every metric of our organization. We believe our Company is more relevant today than ever before. Our strategy is in place and our financial results have shown remarkable improvement in a short period of time.

However, this is only the beginning of our mission. We believe our best days lie ahead, but so do some of our greatest challenges. The progress and solid operating performance

of 2004 exemplify our potential, providing the necessary momentum and confidence to accelerate change and continue our turnaround in 2005 and beyond.

As we embark on the "NEXT" phase of our turnaround strategy, we are optimistic about the future and our ability to build value on your behalf. I remind you that there's still much work to be done and some of our forward progress may not be linear. Let me assure you that the people of Intergraph are committed to the execution of our strategic plan.

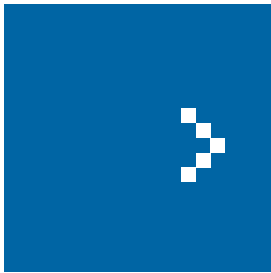
I thank all of Intergraph's customers, employees, and shareholders for your tremendous support of our mission. You provide our motivation and will be final arbiters of our success.



R. Halsey Wise, President & CEO
March 15, 2005

Our Company





Intergraph Corporation is a leading global provider of Spatial Information Management (SIM) software. Our technology enables some of the world's largest governments and businesses to ensure the safety and prosperity of the world around us.



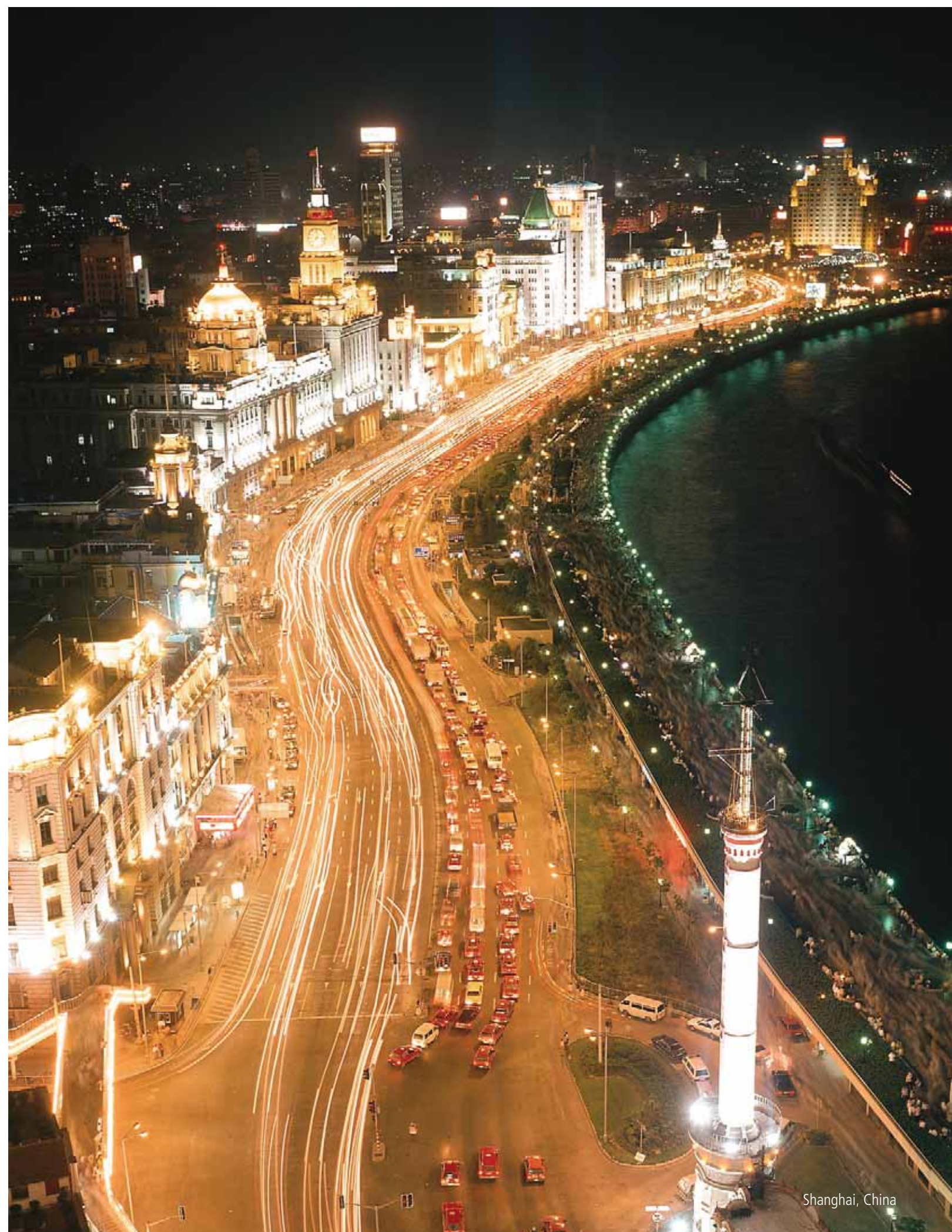
Our customers do great things. They build and manage complex systems and operations that make the world work—from oil and gas, utilities, communications, and transportation networks to homeland security and public safety systems. Our software plays a vital role in their ability to manage and understand the complex data behind these systems, offering certainty that the operational decisions they make day in and day out are the right ones.



Through our spatial technology, we transform complex data into clear and compelling actionable information—often through a visual component such as a map or 3D drawing. In turn, our customers can make faster and smarter operational decisions. Decisions that can provide lifesaving information to police, fire, emergency, military, and security forces around the world. Decisions that can improve operational excellence and safety in the manufacturing, power generation, oil and gas, and commercial shipbuilding markets. Decisions that can enable transportation, communications, and utilities companies to keep the world moving and connected, the lights on, and the water flowing.

Every day, our customers utilize intelligent maps and other spatial technologies to positively impact millions of lives—from carrying out relief operations and emergency evacuation plans to building and maintaining critical infrastructures that make the world work.





Shanghai, China

Mapping and Geospatial Solutions

Delivering a Difference

Data is a valuable asset to any organization, but how it's presented visually has a profound effect on the connections that can be made and the conclusions that can be drawn from it. The reason is simple. Most data is location specific—everything has to be somewhere. And, everything has descriptive attributes. Layering, linking, and relating spatial data in a digital, map-based environment transforms it into clear and compelling information—information that supports faster, smarter decisions.

Intergraph Mapping and Geospatial Solutions (IMGS) has been providing industry-proven mapping and geospatial technology for more than 30 years. Local, regional, and national governments, military and intelligence agencies, commercial photogrammetry and remote sensing organizations, transportation organizations, and utilities and communications companies rely on our technology to access, analyze, and manage spatial information. But the value to our customers goes beyond the technology. It comes from the concentrated focus of our solutions that are developed for the markets we serve and tailored to address the unique challenges of our customers with accuracy and precision.

Every day, our customers positively impact millions of lives. Communications and utilities companies keep people connected, the lights on, and the water flowing, as new services are delivered, outages quickly identified, and grid disasters avoided. Transportation companies keep people moving safely and efficiently as traffic patterns are analyzed and high-crash sites rehabilitated. Military and intelligence agencies keep troops and the public safe as they work together to detect and anticipate potential threats. Governments keep up with public demands as they collaborate and share information to speed decision-making in disease intervention, disaster recovery, and other efforts to improve public welfare.

Investing in Our Customers' Futures

As a testament to our commitment and leadership in Spatial Information Management (SIM) solutions, our open spatial technology prepares customers for current and future success. As a founding and strategic member of the Open Geospatial Consortium Inc., a non-profit standards organization, we remain committed to open enterprise solutions and data interoperability.

Our solutions enable customers to capture, create, manage, analyze, and distribute

geospatial information both within and across organizations—addressing the need for interoperable, standards-based technology that integrates geospatial data from diverse sources. The standards-based technology platforms and interoperable collaboration features support faster, smarter decision making in a virtually seamless production environment.

Our solutions also address mobility, improving the management of mobile resources and making information available in the field. To ensure customers receive the highest overall value, we continually refine our solution approach so we can provide repeatable, reliable, custom solutions for our target industries. The record attendance from 56 countries and 39 states at Geospatial World—our annual user conference—reinforces the value proposition of our industry-specific solutions.

A Strong Foundation

In 2004, we improved our international presence by securing several new contracts with large, strategic customers. Hong Kong and China Gas Company Limited selected us to more efficiently manage Hong Kong's extensive transmission and distribution



network, which extends over three thousand kilometers, covers 85% of households, and serves more than 1.5 million customers. ETSA Utilities, South Australia's electricity distributor, chose us to help them improve their outage management processes, network reliability, crew dispatch, and tracking of field units. We were also selected to spatially enable the Dutch National Emergency Police Response System, which is responsible for protecting more than 16 million people.

2004 was a good year for the adoption of our utilities solutions in Europe. Several strategic customers completed site-wide implementation of our solutions, including Poland's leading water authority and the Russian Federal Grid Company, which manages the world's largest electrical grid covering three million kilometers of power line and thousands of transformer substations.

The National Geospatial-Intelligence Agency, which is part of the U.S. Defense Department, continues to rely on our technology and product innovation. The agency provides classified, timely, and accurate geospatial intelligence in support of national security objectives. Today, our close involvement with the agency continues

in the areas of product innovation, development, and adoption.

Other 2004 highlights include a high-security clearance selection by the Canadian Department of National Defense, enabling them to participate in a worldwide cooperative initiative for map production that spans 10 countries. We also experienced significant growth in the product deliveries of our digital mapping cameras throughout the world, as users sought to improve image quality and productivity. Additionally, U.S. federal government security teams used our mobile solutions to track and manage security forces at the 2005 Presidential Inauguration in Washington, D.C., and the 2004 Republican National Convention in New York City.

2004 Operating Results

2004 revenue was \$206.5 million, relatively flat from the \$206.8 million reported in 2003. However, operating income for the year increased to \$7.0 million, or 3.4% of revenue, up from breakeven in 2003.

We have improved operating performance over the past several years, with operating margins increasing from (2.1%) in 2002 to 3.4% in 2004. The improvement has been

generated by increased revenue, better gross margins due to higher software content as a percentage of total revenue, and lower operating expenses due to cost controls and the restructuring action in the fourth quarter of 2003.

Looking Forward

To seek revenue growth and strategic account wins in 2005, we will emphasize the global execution of solution centers, developing complete geospatial workflow solutions focused specifically on our target industries.

Based on our solution center business model, we will look to create efficiencies with focused operations and spending, from product development to sales and marketing. Standard disciplines for project bid and delivery performance will continue to be driven into all areas worldwide to support successful solution implementations in accordance with customer expectations.

We will seek to leverage the synergies and cross-selling opportunities across all of Intergraph's businesses, delivering the value of our open geospatial technology foundation and expertise to our worldwide customer base.

Approaching engineering information as a strategic enterprise asset leads to better design, faster construction, and intelligent asset management—while ensuring a better and safer operating environment for everyone.





Process, Power & Marine

An Intelligent Strategy

Integrating the engineering enterprise is more than just a vision for Intergraph Process, Power & Marine (PPM)—it's what we do. Whether building or operating a plant, offshore oil rig, or ship, Intergraph's life cycle solutions underscore the value of capturing and managing engineering information as a strategic asset. Data is planned and maintained with as much care as the facility itself. Engineering information can be integrated and re-used throughout the plant's life cycle—producing the knowledge needed to design and construct the facility as well as maintain engineering integrity throughout operation and maintenance.

For our customers—spanning the process manufacturing, pharmaceutical, power generation, oil and gas, and commercial shipbuilding markets—this means lower risks and higher quality results. The processing and handling of engineering information accounts for as much as 70%

of industry capital and operating expense. This presents an enormous challenge when trying to improve work processes and deliver measurable returns in reduced project costs and operational efficiencies. Our solutions manage this information as an enterprise resource. Reaching across people and technologies, it's available whenever and wherever it's needed, fully integrated with work processes and enterprise systems.

The benefits to the customer are far-reaching, releasing the hidden and, to date, unrecognized value of this major corporate asset—without a huge capital commitment. Once disparate, departmentalized, and serial work processes can now become concurrent. Design rework and repeated situation assessments are prevented. Loss of knowledge due to inadequate information management or a changing workforce is eliminated. Intellectual capital is protected.

A Clear Advantage

In 2004, Intergraph led the global plant creation and shipbuilding software markets with a 30% revenue-based market share, according to Daratech Inc. For the twelfth consecutive year, we also led the worldwide overall plant creation market with a revenue-based market share of 31%. This sustained leadership position is based in part on revenue growth for new software licenses in the plant creation and shipbuilding markets.

Significant software deliveries in 2004 included SmartPlant 3D 5.0, SmartPlant Electrical 3.0, SmartPlant Review 5.1, MARIAN Corporate Control Module, SmartPlant Foundation 3.6.2, and SmartSketch 5.0.

Acquisitions continued to play a role in our growth strategy. 2004 acquisitions included CadView B.V., located in the Benelux region, to improve our regional distribution channel in



the market and the EYECAD 3D plant design software from Asahi Kasei Engineering, to expand our customer base within Japan, accelerate the Japanese localization of the SmartPlant suite, and serve as a gateway into the Asia-Pacific region.

Strong Customers Here and Abroad

In 2004, we signed a number of multi-year, global agreements with leading engineering, procurement, and construction (EPC) companies; owner/operators; and ship classification societies to standardize on our software and engineering enterprise integration technology.

Honeywell standardized worldwide on our instrumentation offering. ABS, a leading ship classification society, standardized on our IntelliShip offering. Other customer highlights of 2004 include Air Products and Chemicals Inc., a leading owner/operator producing specialty gases and chemicals; LG Engineering

& Construction Corp., a leading Asian EPC firm; Worley Pty. Ltd., a global engineering company based in Australia; and Vertco Aibel, a leading oil and gas EPC firm based in Norway.

2004 Operating Results

2004 revenue was \$147.0 million, an increase of 11.7% from the \$131.6 million reported in 2003. Operating income for the year grew 48.2% to \$21.9 million, or 14.9% of revenue, from the \$14.8 million reported in 2003.

In 2004, we continued our track record of profitable revenue growth in the process, power, and marine industries. We have consistently produced solid operating margins while growing revenue from \$124.1 million in 2002 to \$147.0 million in 2004. The revenue growth has been driven by customer adoption of our newer software applications, increased sales for products

acquired during the past several years, and general improvement in the demand equation for our entire suite of applications.

Forward Outlook

We began as the industry leader in plant design, and today, we lead the global plant creation and shipbuilding software market. Tomorrow, we will continue our efforts to build on our proven record of leadership. We will strive to extend our industry leadership through superior solutions and expand the adoption of our engineering enterprise integration technology.

In 2005, we plan to expand into new accounts with SmartPlant 3D and IntelliShip. And, more specifically, we intend to aggressively improve the adoption of SmartPlant in the owner/operator market, bridging the gap between design and construction to operations and maintenance.

We continue to earn trust through actions, not words—creating sustainable value for hundreds of U.S. federal, state, and local governments and public safety agencies as they defend and protect communities.





U.S. Navy photograph

Solutions Group

Building on a Proven Track Record

Building on more than three decades of Spatial Information Management (SIM) expertise and key strategic alliances, Intergraph Solutions Group (ISG) helps customers do their job better, faster, and more efficiently. We are committed to forming long-term partnerships with our customers, adding value to their enterprise through technology and services. Our services are based on intelligent deployment of best practices and information technology. Our solutions are known for providing a consistent and dependable foundation for daily operations over many evolving generations of products, platforms, and industry best practices.

A diverse portfolio of government clients around the world rely on our management consulting, technology, and integrated Intergraph solutions to make informed decisions and run their business operations more efficiently.

Our people, many of whom hold a U.S. government national security clearance, are experienced in business integration, process improvement, network and information assurance solutions, infrastructure

management, knowledge management, supply chain management, ruggedized hardware solutions, intelligent video surveillance, cartographic production, and integrated data environments, among many others.

To provide some of the industry's best software, hardware, maintenance, and services, we partner with more than 125 vendors and service providers, delivering a wealth of expertise and resources. Among our major partners are BAE Systems, Cisco, Harris Corporation, HP, Lockheed Martin, Microsoft, Northrop Grumman, Oracle, and UGS. Our large number of repeat client engagements is a testimony to our customers' high level of satisfaction.

Changing the Safety of Our World

We have created sustainable value for hundreds of government and public safety agencies including the U.S. Air Force, U.S. Army, U.S. Navy, intelligence agencies, and numerous state and local government agencies within the United States.

In 2004, we grew our homeland security and force protection business, resulting in an accelerated adoption of Intergraph

Public Safety products into Department of Defense (DoD) bases and other federal installations. This included a consolidated E.911 emergency dispatch system for the U.S. Army's Department of Public Works in Fort Bragg, North Carolina. Fort Bragg is home to the 18th Airborne Corps, which commands roughly 40% of the U.S. Army's 10-division, active-duty force. Using our systems, the Integrated Incident Management Center is able to interconnect homeland security and public safety emergency alerts, critical data, and potential incident predictions and distribute these alerts over mass-notification public safety networks.

We provided an emergency command and control system for the Los Alamos National Laboratory in New Mexico, a prominent research center for nuclear weapons and homeland security technologies, allowing first responders from different agencies to share real-time information from the same emergency operations center (EOC).

Reflecting the trend toward multi-agency, multi-jurisdictional EOCs that can better anticipate and respond to accidents, fire,



criminal activity, and potential terrorist actions, this is the United States' first EOC combining federal and local operations. And, it reinforces our position to encourage other federal, state, and local emergency response agencies to joint, inter-agency emergency response systems.

In-line with Intergraph's force protection strategy, we were selected by the National Security Agency as part of a team led by Lockheed Martin to provide security systems for certain confidential sites in the Washington D.C. Metropolitan Area. We also developed and implemented an integrated shipboard digital video surveillance system for the U.S. Navy.

In 2004, we also began working with the University of Alabama at Birmingham to bring emergency medical response into the 21st century, streamlining workflow from 911 call initiation through patient arrival at the hospital. Using technology from Intergraph Public Safety, emergency responders can automatically augment patient records with up-to-date medical histories on the scene of an accident.

Additionally, the Web-based technology enables emergency room physicians to communicate with on-scene responders, review patient conditions, and provide appropriate treatment recommendations.

We were awarded the NAVSEA II (Naval Sea Systems Command) contract from the U.S. Navy, which is comprised of technical software, professional and technical services, engineering hardware systems, and maintenance and training in support of various NAVSEA Computer-Aided-Design (CAD) projects.

2004 Operating Results

2004 revenue was \$135.3 million, slightly down from the \$137.4 million reported in 2003. Operating income for the year grew 60.0% to \$18.7 million, or 13.8% of revenue, from the \$11.7 million reported in 2003.

We have increased profitability over the past several years, with operating margins reaching 13.8% in 2004. Operating income has grown from \$8.3 million in 2002 to \$18.7 million in 2004. The growth in operating income has been generated by increased core services

revenue, better consultant utilization, and higher average billable rates.

Working Toward the Future

We will continue our long tradition of providing innovative technical solutions and services to government agencies and commercial organizations in a variety of industries, with primary focus on the U.S. federal market, namely the DoD and the Department of Homeland Security (DHS). As a result, we project continued increases in the adoption of Intergraph products into DoD bases and other federal installations.

We believe significant opportunities lie in building a differentiated services practice around our Company's products and markets where we can continue to leverage our core competencies. We are well positioned to increase the percentage of Intergraph product/market-based projects, given our existing government relationships and the ongoing product intersections between our Public Safety, Mapping and Geospatial Solutions, and Process, Power, & Marine divisions at the federal level.

Around the world, our public safety solutions ensure that emergency systems continue to operate, emergency services continue to be delivered, and lives continue to be saved.





**UNITED
CAPITOL**

**STATES
POLICE**

CROWN VICTORIA

U.S. GOVERNMENT
UC11111

Public Safety

Safer Cities and Communities

Intergraph Public Safety (IPS) first-responder and incident command & prevention solutions help protect hundreds of millions of people around the world. Police, fire, emergency, military, and security forces from the Americas, Europe, and Asia Pacific rely on us to help them meet the challenges that exist when safeguarding the interests of the public.

From an act of nature to an act of terror, every detail that affects the speed and accuracy of response and recovery efforts is information that can save a life, or the lives of thousands. In order to determine the resources best equipped to take action, authorities need information regarding emergency personnel—from location and availability to equipment and skills. Incident commanders and dispatchers need information concerning routes, road conditions, and traffic congestion. Others may benefit from the spatially enabled floor plan of a burning building or known dangerous situations such as the presence of hazardous materials. When tightly woven together, the details create a powerful, location-based decision support center of lifesaving information.

We enable customers to build the public safety and security infrastructure necessary to create this decision support center. Emergency responders have immediate access to a wealth of critical information—information essential to protecting not only the public but also themselves. Timely and accurate information is shared among multiple agencies, creating a powerful, life saving network and supporting shared incident response. Actions to maintain safety or respond to threats are fast, precise, and effective.

A Secure Investment

A recognized leader in the public safety industry, we have a reputation for dedication to customer success. Not surprisingly, more than 97% of our customers worldwide who have implemented our first-responder and incident command & prevention solutions are still benefiting from Intergraph software. We are a proven partner they have come to know and trust.

This dedication to customer service extends to our customers' customers. Based on their usage of our command and control systems, RAC Motoring Services in the United Kingdom won a prestigious National Customer Service

award for the "best use of technology in customer service."

In addition to signing new customers in Asia, Canada, Europe, and the United States—including police, fire, and emergency medical services agencies—we had approximately 50 customers cutover their systems to live operations, or upgrade, in 2004.

Meeting Tough Service Objectives

Taking advantage of our long history of intelligent mapping expertise, we were the first company to offer computer-aided dispatch based on real-time digital mapping. With today's increased focus on homeland security, reliance on map intelligence takes on even greater importance. Public safety agencies are under increasing pressure to extend their safety network, working in coordination with local, state, and federal governments in emergency incident management and prevention. Making the right choices—quickly, while everything is changing—requires capturing and sharing information as it's happening, whether in the field or in the control room.

As Intergraph leads the trend toward multi-agency, multi-jurisdictional public safety



systems, many new and existing customers look to us to extend their safety networks and establish interoperable, centralized decision support centers. Through the combined efforts of our mapping, government, and public safety teams, Intergraph was awarded the emergency dispatch system contract for the first interoperable federal and local emergency operations center in the U.S. at Los Alamos National Lab.

Palm Beach County, Florida Fire and Rescue looked to us to integrate their computer-aided dispatch and intelligent traffic systems, providing continuous updates on vehicle locations and roadway conditions. The City of Zürich, Switzerland, the largest Swiss city and the country's commercial and economic center, selected us to combine its emergency dispatching centers, joining police, fire, and emergency medical services into one location.

Opportunities for Growth

In 2004, we expanded our public safety distributor network in China to include Beijing Dingtian Software Co. Ltd.; Shanghai Fire Research Institute; CapInfo Co. Ltd.; LRC.C Technology Ltd.; and Beijing Brilliance Technology Co. Ltd. In addition, we expanded

into Argentina, Chile, Colombia, and Venezuela through our partnership with Sisgraph S.A.

In response to demand for video surveillance technologies in the homeland security and force protection markets, we added Video Analyst to our public safety product suite. Providing a critical investigative tool, Video Analyst enables law enforcement and security personnel to analyze and enhance otherwise unusable video in the collection of evidence. This technology has been used in solving a number of national and local crimes. This addition will not only benefit existing customers, but will also allow us to expand into new markets.

2004 Operating Results

2004 revenue was \$70.1 million, slightly up from the \$68.8 million reported in 2003. Operating income for the year was \$8.8 million, or 12.5% of revenue, compared to the \$14.5 million, or 21.1% of revenue, reported in 2003.

In 2004, we added new leadership, sales, implementation, and product development resources in an effort to accelerate global growth in orders. Focused on increasing business opportunities, we expect these

resources will help drive future revenue growth and improve operating performance during the next several years. As a result of these investments, we grew orders by approximately 20.0% in 2004, and backlog increased by approximately 11.7% during the year. However, the increase in operating expenses resulted in a negative impact on operating margins.

Looking to the Future

Our investment in the future is expected to improve focus on sales into core public safety markets, take advantage of Intergraph's solid position in key transportation accounts, expand coverage in Eastern Europe, shorten project implementation times, and provide improved customer support.

In 2005, we expect to increase our role as a global leader of public safety solutions, placing a greater emphasis on the homeland security and force protection markets. We will continue to seek key partnerships and evaluate strategic acquisitions that can add complementary technologies to our product suite, provide additional value to our customers, and expand our market opportunities.

Board Members



Sidney L. McDonald ⁽³⁾

Chairman of the Board.
Retired President,
Brindlee Mountain Telephone Co.,
Arab, Alabama.
Director since 1997.

R. Halsey Wise

President & Chief Executive Officer,
Intergraph Corporation.
Director since 2003.

Richard W. Cardin ^(1, 2)

Retired Office Managing Partner,
Arthur Andersen LLP,
Nashville, Tennessee.
Director since 2002.

Kevin M. Twomey ^(2, 3)

President & Chief Operating Officer,
The St. Joe Company,
Jacksonville, Florida.
Director since 2004.

Corporate Governance

Committee Memberships (1) Audit (2) Compensation (3) Nominating & Corporate Governance



Dr. Lawrence R. Greenwood ^(1, 2)
 VP of Research,
 University of Alabama in Huntsville,
 Huntsville, Alabama.
 Director since 2000.

Linda L. Green ^(1, 3)
 EVP Wealth Management,
 Colonial Bank,
 Huntsville, Alabama.
 Director since 2001.

Michael D. Bills ^(2, 3)
 Founder & President,
 Bluestem Asset Management LLC,
 Charlottesville, Virginia.
 Director since 2003.

Larry J. Laster
 EVP & Chief Financial Officer,
 Intergraph Corporation.
 Director since 1987.

Thomas J. Lee ^(1, 3)
 Founder & President,
 Lee and Associates LLC,
 New Market, Alabama.
 Director since 1997.

Corporate Officers



R. Halsey Wise

President & Chief Executive Officer

Preetha R. Pulusani

President, Intergraph Mapping
and Geospatial Solutions

Gerhard Sallinger

President, Intergraph
Process, Power & Marine

David Vance Lucas

VP & General Counsel

A Word of Thanks

Larry Laster has announced his intention to retire as our Chief Financial Officer. On behalf of all the people of Intergraph, I would like to recognize and thank him for his tremendous contributions over the past 23 years. His constant commitment to make Intergraph a better company and his financial leadership have led Intergraph through some of our most trying times, allowing us to successfully transition Intergraph back into a profitable company and defend our intellectual property. I salute and extend Larry a great degree of gratitude for what he has done for our Company. I would like to personally thank him for his friendship and all he has done for the people and shareholders of Intergraph. — *R. Halsey Wise*



Dr. William E. Salter
President, Intergraph
Solutions Group



R. Reid French, Jr.
EVP, Strategic Planning &
Corporate Development



Larry J. Laster
EVP & Chief Financial Officer



Ben Eazzetta
President, Intergraph Public Safety



Larry T. Miles
VP of Finance &
Corporate Controller

Shareholder Information

Corporate Headquarters

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Annual Meeting

The annual meeting of shareholders will be held at 5:00 p.m. Central Daylight Time on May 12, 2005 at the Intergraph campus in Huntsville, Alabama. A formal notice of the meeting, a proxy statement, and a form of proxy were mailed to each shareholder with this annual report.

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Cautionary Note Regarding Forward-Looking Statements

This report contains forward-looking statements (all statements other than those made solely with respect to historical fact) within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. These forward-looking statements are subject to known and unknown risks and uncertainties (some of which are beyond the Company's control) that could cause actual results to differ materially and adversely from those anticipated in the forward-looking statements. See our Form 10-K filing for more detailed disclosure regarding forward-looking statements and associated risks and uncertainties.

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