

INTERIM REPORT

1 JANUARY – 30 JUNE 2015

SECOND QUARTER 2015

- Net sales increased by 23 per cent to 780.7 MEUR (635.6). Using fixed exchange rates and a comparable group structure, net sales increased by 5 per cent
- Operating earnings (EBIT1) increased by 27 per cent to 177.3 MEUR (139.6)
- Earnings before taxes amounted to 170.3 MEUR (131.5)
- Net earnings amounted to 136.2 MEUR (105.1)
- Earnings per share increased by 28 per cent to 0.37 EUR (0.29)
- Operating cash flow improved by 16 per cent to 77.0 MEUR (66.5)

MEUR	Q2 2015	Q2 2014	Δ%	H1 2015	H1 2014	Δ%
Net sales	780.7	635.6	5 ¹⁾	1,485.8	1,230.4	5 ¹⁾
Gross earnings	472.6	364.6	30	893.6	695.4	29
Gross margin, %	60.5	57.4	3.1	60.1	56.5	3.6
Operating earnings (EBITDA)	229.7	178.2	29	428.3	338.6	26
EBITDA margin, %	29.4	28.0	1.4	28.8	27.5	1.3
Operating earnings (EBIT1)	177.3	139.6	27	327.1	263.0	24
Operating margin, %	22.7	22.0	0.7	22.0	21.4	0.6
Earnings before taxes excluding non-recurring items	170.3	131.5	30	312.5	246.7	27
Non-recurring items 2)	-	-	n.a.	-36.6	-17.4	n.a.
Earnings before taxes	170.3	131.5	30	275.9	229.3	20
Net earnings	136.2	105.1	30	220.2	183.2	20
Net earnings, excl. non-recurring items	136.2	105.1	30	250.0	197.3	27
Earnings per share, EUR	0.37	0.29	28	0.61	0.51	20
Earnings per share, excl. non-recurring items, EUR	0.37	0.29	28	0.69	0.55	25

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

2) Non-recurring items in 2015 relate to the implementation of a savings programme.

Q2

23%
SALES GROWTH

5%
ORGANIC GROWTH

23%
OPERATING MARGIN



COMMENTS FROM THE CEO

"Hexagon had a strong second quarter. The organic growth was 5 per cent. The recovery in Western Europe continues, driven by the 'Big 5' markets: UK, Germany, France, Spain and Italy. We also recorded strong performance in North America. The emerging markets, however, are performing poorly. We experienced lower growth rates in China, due to the weak construction market, and declines in Brazil and Russia. In terms of profitability, we delivered record margins for the quarter, and our underlying cash flow generation is strong. As we enter the second half of the year, we acknowledge the increased uncertainty in emerging markets but remain confident in our ability to generate organic growth and margin expansion through product innovation."

– Ola Rollén, President and CEO, Hexagon AB

GROUP BUSINESS DEVELOPMENT Q2

Net sales

Net sales increased by 23 percent to 780.7 MEUR (635.6) and organic growth was 5 per cent. Regionally, organic growth was 4 per cent in EMEA, 6 per cent in Americas and 5 per cent in Asia. Western Europe recorded 5 per cent organic growth. The positives were the 'Big 5' economies in Western Europe: UK, Germany, France, Spain and Italy. The Middle East, Africa and Eastern Europe all grew but Russia declined 36 per cent and consequently, the EMEA region only achieved 4 per cent organic growth. Americas benefited from the strong performance in North America. South America continued to show organic growth despite a decline in Brazil (-22 per cent) due to low commodity prices and political turmoil. Growth rates in Asia benefited from strong performance in markets such as Japan, Australia and Vietnam, but were impacted by China where organic growth slowed to 2 per cent.

Earnings

Operating earnings (EBIT1) grew by 27 per cent to 177.3 MEUR (139.6), which corresponds to an operating margin of 22.7 per cent (22.0). The operating margin benefited from organic growth, acquisitions and cost reductions but was adversely impacted by currency movements. Operating earnings (EBIT1) were positively impacted by exchange rate movements of 15.5 MEUR. Earnings before taxes was 170.3 MEUR (131.5). Earnings before taxes were positively impacted by exchange rate movements of 15.5 MEUR.

Update on savings programme

On March 31 2015, Hexagon announced a savings programme to mitigate the negative impact on the operating margin from recent currency movements. The programme, which aims at lowering costs primarily in USA and Switzerland, is progressing according to plan. During the second quarter, the positive impact from the savings programme amounted to 4.5 MEUR. Once implemented the savings programme is expected to generate approximately 35 MEUR of savings per annum with full effect as of 2016.

FINANCIAL SUMMARY SECOND QUARTER

MEUR	Net sales			Earnings		
	Q2 2015	Q2 2014	Δ% ¹⁾	Q2 2015	Q2 2014	Δ%
Geospatial Enterprise Solutions	385.6	338.7	1	74.6	67.0	11
Industrial Enterprise Solutions	395.1	296.9	9	109.5	77.2	42
Other Operations	-	-	n.a.	-	-	n.a.
Net sales	780.7	635.6	5			
Group cost and eliminations				-6.8	-4.6	-48
Operating earnings (EBIT1)				177.3	139.6	27
Operating margin, %				22.7	22.0	0.7
Interest income and expenses, net				-7.0	-8.1	14
Earnings before non-recurring items				170.3	131.5	30
Non-recurring items				-	-	n.a.
Earnings before taxes				170.3	131.5	30
Taxes				-34.1	-26.4	-29
Net earnings				136.2	105.1	30

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

CURRENCY IMPACT – SECOND QUARTER AS COMPARED TO EUR

	Movement ¹⁾	Income less cost	Earnings impact
CHF	Strengthened 17%	Negative	Negative
USD	Strengthened 24%	Positive	Positive
CNY	Strengthened 25%	Positive	Positive
EBIT1, MEUR			15.5

¹⁾ Compared to Q2 2014.

SALES BRIDGE SECOND QUARTER

	Net sales
2014, MEUR	635.6
Structure, %	5
Currency, %	13
Organic growth, %	5
Total, %	23
2015, MEUR	780.7

Net sales from acquisitions and divestments during the last twelve months are reported as "Structure" in the table above. Percentages are rounded to the nearest whole per cent.

ORGANIC GROWTH

Analysis of organic growth ¹⁾ per geographic region			
Q2 2014	635.6		
North America (31% of sales)			
Western Europe (30% of sales)			
Asia excl. China (12% of sales)			
China (15% of sales)		>8%	
South America (4% of sales)		0-8%	
EMEA excl. Western Europe (8% of sales) ²⁾		Negative	
Q2 2015	780.7		

¹⁾ Adjusted to fixed exchange rates and a comparable group structure (organic growth).

²⁾ Eastern Europe, Middle East and Africa recorded organic growth, but the wider region continue to be impacted by significant weakness in Russia.



GEOSPATIAL ENTERPRISE SOLUTIONS – Q2 2015

Geospatial Enterprise Solutions includes a world-leading portfolio of sensors for capturing data from land and air as well as sensors for positioning via satellites. The sensors are complemented by software (GIS) for the 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. This segment consists of Hexagon Geosystems, Intergraph SG&I, Hexagon Positioning, Hexagon Geospatial and Hexagon Mining.

Q2 NET SALES

Geospatial Enterprise Solutions (GES) sales were 385.6 MEUR (338.7). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 1 per cent. Organically, EMEA declined 1 per cent and Asia declined 3 per cent, while America grew by 6 per cent.

GES benefited from a strong performance in North America. In EMEA, Hexagon grew in Northern Europe and UK. However, Russia saw significantly lower activity compared to the prior year, leading to a decline in the EMEA region. Asia declined as the Chinese market (-24 per cent) deteriorated further on a sequential basis. Partially offsetting it was strong performance in markets such as Australia, Vietnam and Japan.

Regarding the business units within GES, Hexagon Geosystems continued to see a positive contribution from the surveying business in regions such as North America and Western Europe. Growth was positively impacted by initiatives such as the Hexagon Imagery Programme (CaaS). However, the deteriorating construction markets in emerging markets, including Brazil, China and Russia, hampered the overall growth rate for the unit. Organic growth in Hexagon Geosystems amounted to 2 per cent. Intergraph SG&I reported 1 per cent organic growth. SG&I's order backlog has increased in recent months, which will positively impact growth rates in the coming quarters. Organically, Hexagon Positioning recorded a 1 per cent decline as the Chinese market weakened for the GNSS related business (NovAtel).

Q2 EBIT

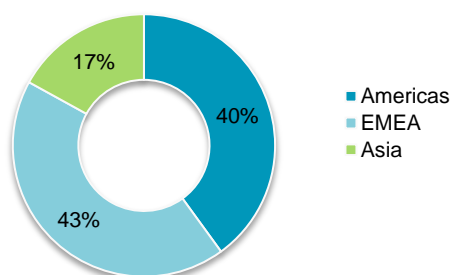
Operating earnings (EBIT1) increased by 11 per cent to 74.6 MEUR (67.0), which corresponds to an operating margin of 19.3 per cent (19.8). The operating margin saw a negative impact from a less favourable business mix and currency movements.

Q2 NET SALES, EBIT1 AND NUMBER OF EMPLOYEES

MEUR	Q2 2015	Q2 2014	Δ%	H1 2015	H1 2014	Δ%
Net sales	385.6	338.7	1 ¹⁾	740.2	646.5	1 ¹⁾
Operating earnings (EBIT1)	74.6	67.0	11	140.9	122.5	15
Operating margin,%	19.3	19.8	-0.5	19.0	18.9	0.1
Average number of employees	7,961	7,247	10	7,970	7,220	10

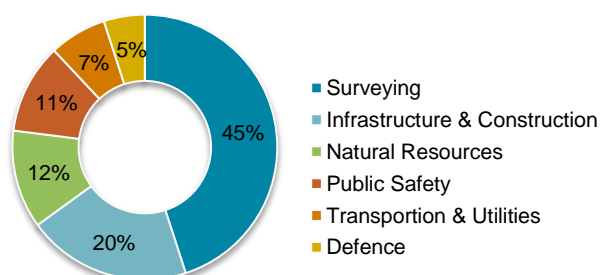
1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

GES – NET SALES PER GEOGRAPHY*



* Q2 2015 numbers

GES – NET SALES PER CUSTOMER SEGMENT**



** Full-year 2014 numbers



INDUSTRIAL ENTERPRISE SOLUTIONS – Q2 2015

Industrial Enterprise Solutions includes 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. These solutions 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. Industrial Enterprise Solutions consists of Hexagon Metrology and Intergraph PP&M.

Q2 NET SALES

Industrial Enterprise Solutions (IES) sales amounted to 395.1 MEUR (296.9). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 9 per cent. Organic growth was 12 per cent in EMEA, 6 per cent in Americas and 9 per cent in Asia.

IES benefited from strong performance in all regions except Russia. Growth rates remained firm in China, with continued growth in the electronics and aerospace segments. Automotive continued to generate growth, but order intake growth rates slowed. In Americas, demand remained robust, especially within aerospace, power and energy and the automotive segments. In EMEA, strong growth was achieved in both the manufacturing-related businesses and the power and energy segment.

Regarding the business units within IES, Hexagon Metrology recorded 8 per cent organic growth. Growth was impacted positively by recent product innovations, and continued strong performance from the portable business. Intergraph PP&M had strong performance in Western Europe and North America and recorded 10 per cent organic growth. However, adjusting for a large perpetual software order, PP&M saw mid-single digit organic growth.

Q2 EBIT

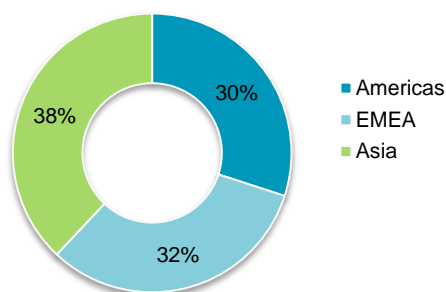
Operating earnings (EBIT1) increased by 42 per cent to 109.5 MEUR (77.2), which corresponds to an operating margin of 27.7 per cent (26.0). The operating margin (EBIT1) was positively impacted by the strong performance for PP&M and the changing business model of Metrology, where higher-value added products such as software represent an increasingly large portion of sales.

Q2 NET SALES, EBIT1 AND NUMBER OF EMPLOYEES

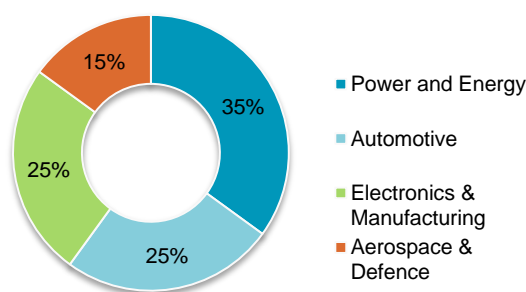
MEUR	Q2 2015	Q2 2014	Δ%	H1 2015	H1 2014	Δ%
Net sales	395.1	296.9	9 ¹⁾	745.6	570.9	8 ¹⁾
Operating earnings (EBIT1)	109.5	77.2	42	199.2	149.3	33
Operating margin, %	27.7	26.0	1.7	26.7	26.2	0.5
Average number of employees	7,825	6,974	12	7,791	6,961	12

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

IES – NET SALES PER GEOGRAPHY*



IES – NET SALES PER CUSTOMER SEGMENT**



* Q2 2015 numbers

** Full-year 2014 numbers

FINANCIAL SUMMARY – FIRST SIX MONTHS

MEUR	Net sales			Earnings		
	H1 2015	H1 2014	Δ % ¹⁾	H1 2015	H1 2014	Δ%
Geospatial Enterprise Solutions	740.2	646.5	1	140.9	122.5	15
Industrial Enterprise Solutions	745.6	570.9	8	199.2	149.3	33
Other Operations	-	13.0	n.a.	-	0.4	n.a.
Net sales	1,485.8	1,230.4	5			
Group cost and eliminations				-13.0	-9.2	-41
Operating earnings (EBIT1)				327.1	263.0	24
Operating margin, %				22.0	21.4	0.6
Interest income and expenses, net				-14.6	-16.3	10
Earnings before non-recurring items				312.5	246.7	27
Non-recurring items 2)				-36.6	-17.4	n.a.
Earnings before taxes				275.9	229.3	20
Taxes				-55.7	-46.1	-21
Net earnings				220.2	183.2	20

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

²⁾ Non-recurring items during H1 2015 relate to the implementation of a savings programme.

CURRENCY IMPACT – H1 2015 AS COMPARED TO EUR

	Movement ¹⁾		Income less cost	Earnings impact
CHF	Strengthened	16%	Negative	Negative ↘
USD	Strengthened	23%	Positive	Positive ↗
CNY	Strengthened	22%	Positive	Positive ↗
EBIT1, MEUR				28.2

¹⁾ Compared to H1 2014.

H1 NET SALES AND EARNINGS

Net sales amounted to 1,485.8 MEUR (1,230.4) in the first six months of the year. Using fixed exchange rates and a comparable group structure, net sales increased by 5 per cent.

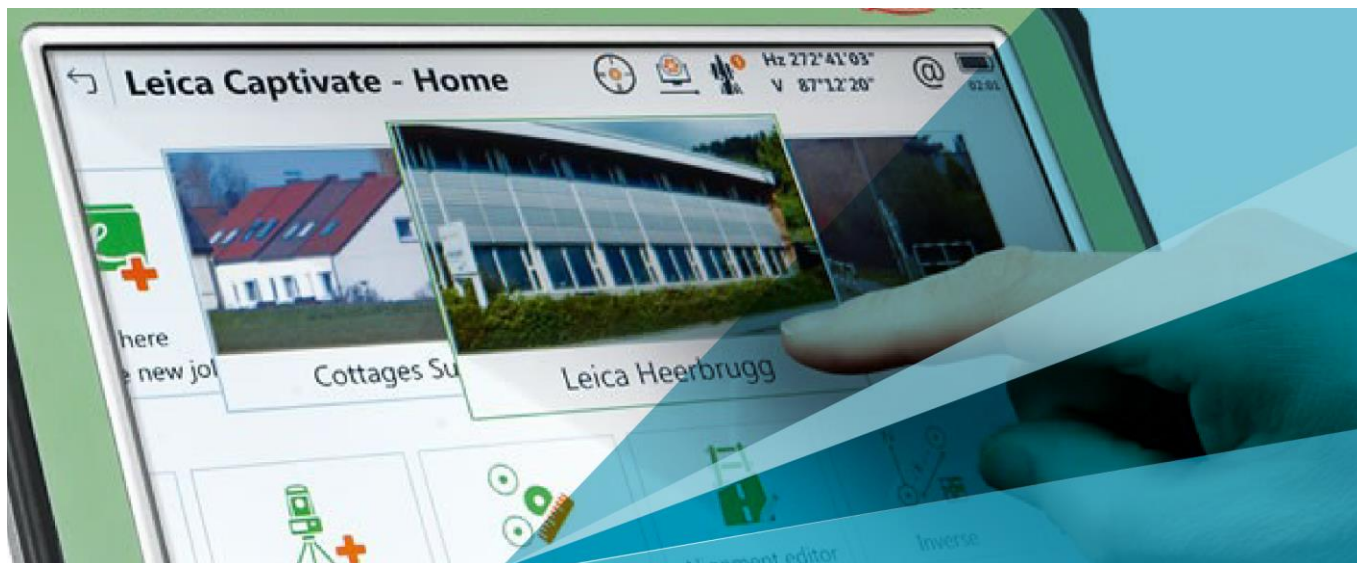
Operating earnings (EBIT1) amounted to 327.1 MEUR (263.0), which corresponds to an operating margin of 22.0 per cent (21.4). Operating earnings (EBIT1) were positively affected by exchange rate movements of 28.2 MEUR.

During H1 2015, Hexagon posted non-recurring items of -36.6 MEUR (-17.4) related to a restructuring programme aimed at lowering costs in Switzerland and USA.

The financial net amounted to -14.6 MEUR (-16.3) in the first six months.

Earnings before taxes, excluding non-recurring items, amounted to 312.5 MEUR (246.7). Earnings before taxes, including these items, amounted to 275.9 MEUR (229.3). Earnings before taxes were positively affected by exchange rate movements of 28.2 MEUR.

Net earnings, excluding non-recurring items, amounted to 250.0 MEUR (197.3) or 0.69 EUR (0.55) per share. Net earnings, including these items, amounted to 220.2 MEUR (183.2) or 0.61 EUR (0.51) per share.



Hexagon introduced Leica Captivate, an industry-revolutionising software for Hexagon's renowned high-precision measurement instruments. With Leica Captivate measurement professionals can capture and manage complex data easily and accurately, creating realistic 3D renderings with familiar apps and easy-to-use technology. The introduction of Leica Captivate has enabled the world's first self-learning MultiStations and Total Stations.

GROUP SUMMARY

PROFITABILITY

Capital employed increased to 6,067.2 MEUR (4,801.8). Return on average capital employed for the last twelve months was 11.4 per cent (11.4). Return on average shareholders' equity for the last twelve months was 12.5 per cent (12.6). The capital turnover rate was 0.5 times (0.5).

FINANCIAL POSITION

Total shareholders' equity increased to 3,820.3 MEUR (2,972.8). The equity ratio was 52 per cent (51). Hexagon's total assets increased to 7,305.0 MEUR (5,793.7). The increase in total assets is driven primarily by the strengthening of the USD against the EUR.

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

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

On 30 June 2015, cash and unutilised credit limits totalled 1,200.6 MEUR (204.0). Hexagon's net debt was 1,915.9 MEUR (1,663.2). The net indebtedness was 0.46 times (0.52). Interest coverage ratio was 17.0 times (13.5).

CASH FLOW

During the second quarter, cash flow from operations before changes in working capital amounted to 194.7 MEUR (143.6), corresponding to 0.54 EUR (0.40) per share. Cash flow from operations in the second quarter amounted to 146.3 MEUR (128.9), corresponding to 0.41 EUR (0.36) per share. Operating cash flow in the second quarter, including non-recurring items, amounted to 77.0 MEUR (66.5).

For the first six months, cash flow from operations amounted to 271.1 MEUR (230.3), corresponding to 0.76 EUR (0.65) per share. The operating cash flow, including non-recurring items, amounted to 142.1 MEUR (113.0).

INVESTMENTS, DEPRECIATION, AMORTISATION AND IMPAIRMENT

Hexagon's net investments, excluding acquisitions and divestitures, amounted to -59.9 MEUR (-62.4) in the second quarter and -115.1 MEUR (-113.6) in the first six months.

Depreciation, amortisation and impairment amounted to -52.4 MEUR (-38.6) in the second quarter and -101.2 MEUR (-87.5) during the first six months. Hexagon recorded no impairment charges in the first six months (-11.9 MEUR).

TAX RATE

The Group's tax expense for the first six months totalled -55.7 MEUR (-46.1).

The reported tax rate was 20.0 per cent (20.1) for the quarter and 20.2 per cent (20.1) for the first six months. The tax rate, excluding non-recurring items, was 20.0 (20.1) per cent for the quarter and 20.0 (20.0) for the first six months.

EMPLOYEES

The average number of employees during the first six months was 15,833 (14,388). The number of employees at the end of the quarter

was 16,062 (14,711). The increase was primarily driven by acquisitions.

SHARE DATA

Earnings per share for the second quarter amounted to 0.37 EUR (0.29). Earnings per share, excluding non-recurring items, for the first six months amounted to 0.69 EUR (0.55). Earnings per share, including non-recurring items, for the first six months amounted to 0.61 EUR (0.51).

On 30 June 2015, equity per share was 10.57 EUR (8.33) and the share price was 300.40 SEK (215.40).

Hexagon's share capital amounts to 79,877,928 EUR, represented by 359,981,862 shares, of which 15,750,000 are of series A with 10 votes each and 344,231,862 are of series B with one vote each. Hexagon AB holds no treasury shares.

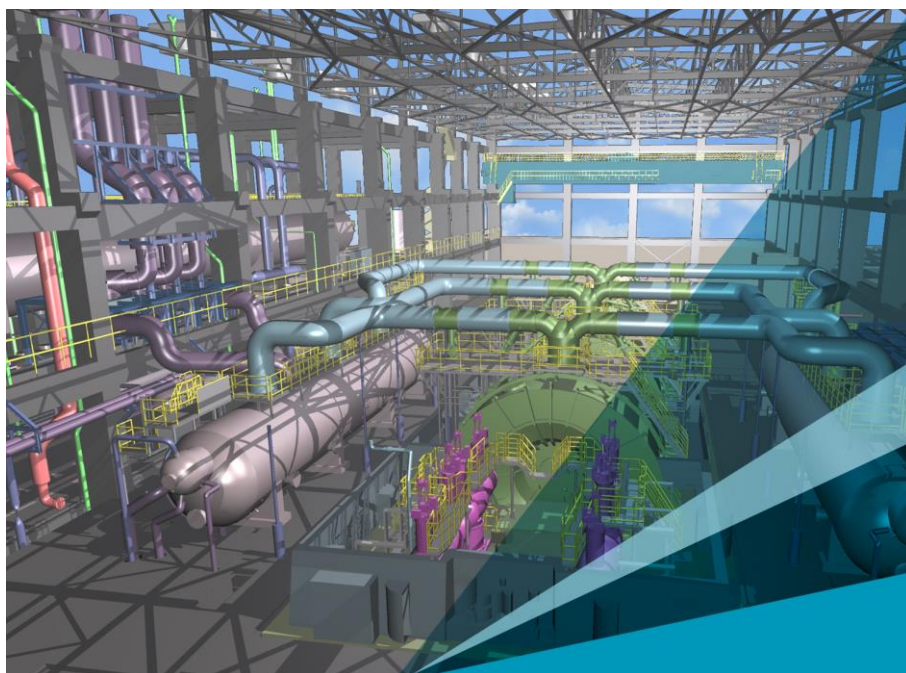
In accordance with a decision by a Shareholders' General Meeting in December 2011, an incentive programme was introduced, under which a maximum of 13,665,000 warrants can be issued. The number of warrants that have been issued are 7,953,512, and the dilutive effect will be 2.2 per cent of the share capital and 1.6 per cent of the number of votes. On 30 June 2015, 403,780 warrants were outstanding.

ASSOCIATED COMPANIES

Associated companies affected Hexagon's earnings during the first six months by 0.1 MEUR (0.0).

PARENT COMPANY

The parent company's earnings after financial items in the second quarter amounted to 2,667.2 MEUR (155.0). The equity was 4,538.4 MEUR (1,812.5). The equity ratio of the parent company was 58 per cent (41). Liquid funds including unutilised credit limits were 947.8 MEUR (29.6).



Toyo Engineering Corporation (TOYO), one of Japan's leading EPCs, increased investments in Hexagon's engineering solutions, adding Smart 3D design software to deliver a large-scale steam cracker complex in Malaysia. The project is part of the Refinery and Petrochemicals Integrated Development (RAPID) mega project – a 300,000-barrels-per-day refinery and petrochemical complex. The global work-sharing features of the solutions enable all of TOYO's companies to efficiently collaborate and carry out work for any client worldwide.

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

Stockholm, Sweden, 7 August 2015
Hexagon AB (publ)

Melker Schörling
Chairman of the Board

Ulrika Francke
Board Member

Gun Nilsson
Board Member

Jill Smith
Board Member

Ulrik Svensson
Board Member

Ola Rollén
President and CEO
Board Member

ACCOUNTING PRINCIPLES

Hexagon applies International Financial Reporting Standards (IFRS) as adopted by the European Union. Hexagon's report for the Group is prepared in accordance with IAS 34, "Interim Financial Reporting" and the Annual Accounts Act. Parent company accounts are prepared in accordance with the Annual Accounts Act. Accounting principles and calculation methods are unchanged from those applied in the Annual Report for 2014. New and amended standards applicable from 2015 have not had any significant impact on the financial statements.

RISKS AND UNCERTAINTY FACTORS

As an international group, Hexagon is exposed to a number of business and financial risks. The business risks can be divided into strategic, operational and legal risks. The financial risks are related to such factors as exchange rates, interest rates, liquidity and the ability to raise funds. Risk management in Hexagon aims to identify, control and reduce risks. This work begins with an assessment of the probability of risks occurring and their potential effect on the Group. There has been no change in the risks facing the Group compared to what was reported in the 2014 Annual Report.

RELATED PARTY TRANSACTIONS

No significant related party transactions have been incurred during the quarter.

SUBSEQUENT EVENTS

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

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

Condensed Income Statement

MEUR	Q2 2015	Q2 2014	H1 2015	H1 2014	2014
Net sales	780.7	635.6	1,485.8	1,230.4	2,622.4
Cost of goods sold	-308.1	-271.0	-592.2	-535.0	-1,107.9
Gross earnings	472.6	364.6	893.6	695.4	1,514.5
Sales expenses	-141.3	-111.4	-285.1	-211.8	-457.0
Administration expenses	-70.3	-57.1	-145.3	-105.6	-239.9
Research and development expenses	-78.4	-57.1	-165.7	-127.8	-280.6
Earnings from shares in associated companies	0.1	0.0	0.1	0.0	0.0
Capital loss from sale of shares in Group companies	-	-	-	-1.5	-1.5
Other income and expenses, net	-5.4	0.6	-7.1	-3.1	6.6
Operating earnings 1)	177.3	139.6	290.5	245.6	542.1
Interest income and expenses, net	-7.0	-8.1	-14.6	-16.3	-33.6
Earnings before taxes	170.3	131.5	275.9	229.3	508.5
Taxes	-34.1	-26.4	-55.7	-46.1	-102.3
Net earnings	136.2	105.1	220.2	183.2	406.2
Attributable to:					
Parent company shareholders	134.6	104.1	217.4	181.4	402.8
Non-controlling interest	1.6	1.0	2.8	1.8	3.4
1) of which non-recurring items	-	-	-36.6	-17.4	-36.0
Earnings include depreciation, amortisation and impairments of	-52.4	-38.6	-101.2	-87.5	-192.9
- of which amortisation of surplus values	-8.1	-5.6	-15.7	-10.8	-24.7
Basic earnings per share, EUR	0.37	0.29	0.61	0.51	1.13
Earnings per share after dilution, EUR	0.37	0.29	0.61	0.51	1.13
Total shareholder's equity per share, EUR	10.57	8.33	10.57	8.33	9.68
Closing number of shares, thousands	359,982	355,825	359,982	355,825	357,389
Average number of shares, thousands	359,759	355,551	358,717	355,317	355,764
Average number of shares after dilution, thousands	360,054	357,420	359,193	356,600	357,225

Condensed Comprehensive Income

MEUR	Q2 2015	Q2 2014	H1 2015	H1 2014	2014
Net earnings	136.2	105.1	220.2	183.2	406.2
Other comprehensive income					
Items that will not be reclassified to income statement					
Remeasurement of pensions	-2.1	-	-7.5	-	-39.6
Taxes on items that will not be reclassified to income statement	0.4	-	0.7	-	4.9
Total items that will not be reclassified to income statement, net of taxes	-1.7	-	-6.8	-	-34.7
Items that may be reclassified subsequently to income statement					
Exchange rate differences	-113.1	46.6	252.4	46.7	373.4
Effect of hedging of net investments in foreign operations	1.8	-2.6	-12.3	-3.6	-36.4
Cash flow hedges, net	-	-0.5	-	0.0	-
Taxes on items that may be reclassified subsequently to income statement	1.9	-1.0	-11.0	-0.2	-4.4
Total items that may be reclassified subsequently to income statement, net of taxes	-109.4	42.5	229.1	42.9	332.6
Other comprehensive income, net of taxes	-111.1	42.5	222.3	42.9	297.9
Total comprehensive income for the period	25.1	147.6	442.5	226.1	704.1
Attributable to:					
Parent company shareholders	24.0	146.4	438.9	224.4	699.6
Non-controlling interest	1.1	1.2	3.6	1.7	4.5

Condensed Balance Sheet

MEUR	30/6 2015	30/6 2014	31/12 2014
Intangible fixed assets	5,360.6	4,174.0	4,998.8
Tangible fixed assets	301.4	284.1	311.9
Financial fixed assets	23.4	17.4	24.6
Deferred tax assets	72.6	76.8	66.0
Total fixed assets	5,758.0	4,552.3	5,401.3
Inventories	454.5	393.5	403.9
Accounts receivable	675.5	530.8	615.4
Other receivables	64.6	49.7	60.4
Prepaid expenses and accrued income	111.3	101.6	102.4
Total current receivables	851.4	682.1	778.2
Cash and cash equivalents	241.1	165.8	228.6
Total current assets	1,547.0	1,241.4	1,410.7
Total assets	7,305.0	5,793.7	6,812.0
Equity attributable to parent company shareholders	3,805.4	2,964.6	3,458.8
Equity attributable to non-controlling interest	14.9	8.2	11.4
Total shareholders' equity	3,820.3	2,972.8	3,470.2
Interest bearing liabilities	1,936.3	906.5	1,573.3
Other liabilities	4.5	3.5	7.0
Pension liabilities	96.8	55.0	87.6
Deferred tax liabilities	409.8	316.8	361.8
Other provisions	55.3	40.5	66.0
Total long-term liabilities	2,502.7	1,322.3	2,095.7
Interest bearing liabilities	112.7	818.4	457.6
Accounts payable	148.7	143.0	166.6
Other liabilities	110.2	94.6	130.3
Other provisions	97.8	60.3	48.0
Deferred income	235.0	165.8	202.0
Accrued expenses	277.6	216.5	241.6
Total short-term liabilities	982.0	1,498.6	1,246.1
Total equity and liabilities	7,305.0	5,793.7	6,812.0

Financial instruments

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

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

Condensed Statement of Changes in Equity

MEUR	H1 2015	H1 2014	2014
Opening shareholders' equity	3,470.2	2,846.3	2,846.3
Total comprehensive income for the period 1)	442.5	226.1	704.1
New share issues, w warrants exercised - net of issuance costs	33.5	10.5	29.5
Dividend	-125.9	-110.1	-110.3
Effect of acquisitions of subsidiaries	-	-	0.6
Closing shareholders' equity 2)	3,820.3	2,972.8	3,470.2
1) Of which: Parent company shareholders	438.9	224.4	699.6
Non-controlling interest	3.6	1.7	4.5
2) Of which: Parent company shareholders	3,805.4	2,964.6	3,458.8
Non-controlling interest	14.9	8.2	11.4

Number of Shares

	series A	series B	Total
2009-12-31 Total issued and outstanding	11,812,500	252,534,653	264,347,153
Sale of repurchased shares	-	20,070	20,070
Rights issue	3,937,500	83,845,572	87,783,072
2010-12-31 Total issued and outstanding	15,750,000	336,400,295	352,150,295
Rights issue	-	339,335	339,335
2011-12-31 Total issued and outstanding	15,750,000	336,739,630	352,489,630
Sale of repurchased shares	-	185,207	185,207
2012-12-31 Total issued and outstanding	15,750,000	336,924,837	352,674,837
Sale of repurchased shares	-	967,340	967,340
New issue, w warrants exercised	-	1,354,800	1,354,800
2013-12-31 Total issued and outstanding	15,750,000	339,246,977	354,996,977
New issue, w warrants exercised	-	2,392,236	2,392,236
2014-12-31 Total issued and outstanding	15,750,000	341,639,213	357,389,213
New issue, w warrants exercised	-	2,592,649	2,592,649
2015-06-30 Total issued and outstanding 1)	15,750,000	344,231,862	359,981,862

¹⁾ As per 30 June 2015, there were in total 359,981,862 shares in the Company, of which 15,750,000 are of series A with ten votes each and 344,231,862 are of series B with one vote each. Hexagon AB holds no treasury shares. Warrants exercised until 2015-06-30 have incurred a new share issue in progress as per 2015-06-30 of 57,500 new shares of series B. The new share issue will be finalized in the third quarter of 2015.

Condensed Cash Flow Statement

MEUR	Q2 2015	Q2 2014	H1 2015	H1 2014	2014
Cash flow from operations before change in working capital excluding taxes and interest	228.6	176.8	420.5	337.3	731.9
Taxes paid	-29.2	-26.5	-58.1	-44.1	-84.5
Interest received and paid, net	-4.7	-6.7	-9.9	-13.2	-28.2
Cash flow from operations before change in working capital	194.7	143.6	352.5	280.0	619.2
Cash flow from change in working capital	-48.4	-14.7	-81.4	-49.7	-55.8
Cash flow from operations	146.3	128.9	271.1	230.3	563.4
Investments tangible assets	-11.5	-23.7	-19.4	-38.1	-69.3
Investments intangible assets	-48.4	-38.7	-95.7	-75.5	-163.2
Operating cash flow	86.4	66.5	156.0	116.7	330.9
Non-recurring cash flow 1)	-9.4	-	-13.9	-3.7	-14.2
Operating cash flow after non-recurring items	77.0	66.5	142.1	113.0	316.7
Cash flow from other investing activities 2)	-47.5	-26.4	-48.8	-143.5	-550.0
Cash flow after other investing activities	29.5	40.1	93.3	-30.5	-233.3
Dividends paid	-125.9	-110.1	-125.9	-110.1	-110.3
New share issues, warrants exercised - net of issuance costs	2.9	2.8	33.5	10.5	29.5
Cash flow from other financing activities	95.1	50.7	6.0	116.0	353.4
Cash flow for the period	1.6	-16.5	6.9	-14.1	39.3
Cash and cash equivalents, beginning of period	247.8	177.3	228.6	176.0	176.0
Effect of translation differences on cash and cash equivalents	-8.3	5.0	5.6	3.9	13.3
Cash flow for the period	1.6	-16.5	6.9	-14.1	39.3
Cash and cash equivalents, end of period	241.1	165.8	241.1	165.8	228.6

¹⁾ Non-recurring cash flow in second quarter of 2015 consists of restructuring cost of -9.4 MEUR.

²⁾ Acquisitions and divestments totalled -47.7 MEUR (-25.7) and other was 0.2 MEUR (-0.7) in the second quarter of 2015.

Key Ratios

	Q2 2015	Q2 2014	H1 2015	H1 2014	2014
Operating margin, %	22.7	22.0	22.0	21.4	22.0
Profit margin before taxes, %	21.8	20.7	18.6	18.6	19.4
Return on shareholders' equity, 12 month average, %	12.5	12.6	12.5	12.6	13.1
Return on capital employed, 12 month average, %	11.4	11.4	11.4	11.4	11.6
Equity ratio, %	52.3	51.3	52.3	51.3	50.9
Net indebtedness	0.46	0.52	0.46	0.52	0.50
Interest coverage ratio	21.3	15.5	17.0	13.5	14.3
Average number of shares, thousands	359,759	355,551	358,717	355,317	355,764
Basic earnings per share excl. non-recurring items, EUR	0.37	0.29	0.69	0.55	1.21
Basic earnings per share, EUR	0.37	0.29	0.61	0.51	1.13
Cash flow per share, EUR	0.41	0.36	0.76	0.65	1.58
Cash flow per share before change in working cap, EUR	0.54	0.40	0.98	0.79	1.74
Share price, SEK	300.40	215.40	300.40	215.40	242.00
Share price, translated to EUR	32.60	23.47	32.60	23.47	25.76

Supplementary Information

NET SALES – NEW SEGMENT STRUCTURE

MEUR	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014
Geospatial Enterprise Solutions	385.6	354.6	367.4	334.7	338.7	307.8	1,348.6
Industrial Enterprise Solutions	395.1	350.5	376.0	313.9	296.9	274.0	1,260.8
Other Operations	-	-	-	-	-	13.0	13.0
Group	780.7	705.1	743.4	648.6	635.6	594.8	2,622.4

OPERATING EARNINGS (EBIT1) – NEW SEGMENT STRUCTURE

MEUR	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014
Geospatial Enterprise Solutions	74.6	66.3	80.5	67.2	67.0	55.5	270.2
Industrial Enterprise Solutions	109.5	89.7	98.5	78.1	77.2	72.1	325.9
Other Operations	-	-	-	-	-	0.4	0.4
Group costs	-6.8	-6.2	-4.6	-4.6	-4.6	-4.6	-18.4
Group	177.3	149.8	174.4	140.7	139.6	123.4	578.1
Margin, %	22.7	21.2	23.5	21.7	22.0	20.7	22.0

NET SALES – FORMER SEGMENT STRUCTURE

MEUR	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014
Hexagon MT	780.7	705.1	743.4	648.6	635.6	581.8	2,609.4
- Of which							
Geosystems	263.5	234.2	246.7	222.8	229.6	208.2	907.3
Metrology	272.1	240.1	260.9	214.1	196.4	179.4	850.8
Technology	245.1	230.8	235.8	211.7	209.6	194.2	851.3
Other Operations	-	-	-	-	-	13.0	13.0
Group	780.7	705.1	743.4	648.6	635.6	594.8	2,622.4

OPERATING EARNINGS (EBIT1) – FORMER SEGMENT STRUCTURE

MEUR	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014
Hexagon MT	184.1	156.0	179.0	145.3	144.2	127.6	596.1
Other Operations	-	-	-	-	-	0.4	0.4
Group costs	-6.8	-6.2	-4.6	-4.6	-4.6	-4.6	-18.4
Group	177.3	149.8	174.4	140.7	139.6	123.4	578.1
Margin, %	22.7	21.2	23.5	21.7	22.0	20.7	22.0

NET SALES PER GEOGRAPHY

MEUR	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014
EMEA	291.9	261.6	290.3	248.2	259.4	245.3	1,043.3
Americas	270.5	242.3	251.9	228.3	203.8	186.1	870.1
Asia	218.3	201.2	201.2	172.1	172.3	163.4	709.0
Group	780.7	705.1	743.4	648.6	635.6	594.8	2,622.4

EXCHANGE RATES

Average	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014
SEK/EUR	0.1075	0.1066	0.1079	0.1086	0.1105	0.1129	0.1099
USD/EUR	0.9056	0.8888	0.8002	0.7544	0.7291	0.7299	0.7539
CNY/EUR	0.1460	0.1425	0.1302	0.1224	0.1170	0.1196	0.1224
CHF/EUR	0.9608	0.9337	0.8303	0.8254	0.8202	0.8173	0.8234
Closing	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014
SEK/EUR	0.1085	0.1076	0.1065	0.1093	0.1090	0.1118	0.1065
USD/EUR	0.8937	0.9295	0.8237	0.7947	0.7322	0.7253	0.8237
CNY/EUR	0.1442	0.1499	0.1327	0.1294	0.1180	0.1166	0.1327
CHF/EUR	0.9603	0.9557	0.8317	0.8290	0.8226	0.8201	0.8317

Acquisitions

MEUR	Q-DAS	Other	Acquisitions	
			H1 2015	H1 2014
Fair value of acquired assets and assumed liabilities				
Intangible fixed assets	22.6	3.7	26.3	38.8
Other fixed assets	2.1	0.2	2.3	18.5
Total fixed assets	24.7	3.9	28.6	57.3
Total current assets	-	1.4	1.4	43.5
Total assets	24.7	5.3	30.0	100.8
Total long-term liabilities	5.7	1.0	6.7	11.4
Total current liabilities	0.7	0.6	1.3	15.0
Total liabilities	6.4	1.6	8.0	26.4
Fair value of acquired assets and assumed liabilities, net	18.3	3.7	22.0	74.4
Long-term securities holdings	-	-	-	-42.9
Shares in associated companies	-	-	-	-3.2
Goodwill	34.7	4.8	39.5	174.5
Total purchase consideration transferred	53.0	8.5	61.5	202.8
Less cash and cash equivalents in acquired companies			-0.8	-18.3
Adjustment for non-paid consideration and considerations paid for prior years' acquisitions			-9.2	-27.8
Cash flow from acquisition of companies/businesses			51.5	156.7

During the first six months of 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

The acquisitions included in the column "Other" are individually assessed as immaterial from a group perspective why only aggregated information are presented. The analysis of the acquired net assets is preliminary and the fair value might be subject to change. Further information related to the acquisitions of Q-DAS is presented in the acquisition analysis on page 16.

Acquisition analysis

ACQUISITION OF Q-DAS

As of April 14th 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, adhere to 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 of 34.7 MEUR 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.

Of the 22.6 MEUR of acquired intangible assets, 8.2 MEUR was assigned to trademarks that are not subject to amortization. The remaining 14.4 MEUR was assigned to 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 3.4 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 7.0 MEUR.

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

Divestments

MEUR	Divestments	
	H1 2015	H1 2014
Carrying value of divested assets and liabilities, net		
Intangible fixed assets	-	0.0
Other fixed assets	-	7.8
Total fixed assets	-	7.8
Total current assets	-	22.4
Total assets	-	30.2
Total long-term liabilities	-	1.3
Total current liabilities	-	22.3
Total liabilities	-	23.6
Carrying value of divested assets and liabilities, net	-	6.6
Capital gain (+) / loss (-)	-	-1.5
Total purchase consideration transferred	-	5.1
Plus repayment of intercompany loan	-	14.0
Cash flow from divestment of companies/businesses	-	19.1

In March 2014, Hexagon divested SwePart Transmission AB that was reported within the business area Other Operations. Following this divestment, Hexagon will record no further activity within the Other Operations business area.

Condensed Parent Company Income Statement

MEUR	Q2 2015	Q2 2014	H1 2015	H1 2014	2014
Net sales	2.5	2.8	5.0	8.8	16.8
Administration cost	-4.9	-5.7	-11.9	-8.8	-15.4
Operating earnings	-2.4	-2.9	-6.9	0.0	1.4
Earnings from shares in Group companies	2,662.7	148.0	2,662.7	146.5	146.6
Interest income and expenses, net	6.9	9.9	89.4	11.0	53.2
Earnings before taxes	2,667.2	155.0	2,745.2	157.5	201.2
Taxes	17.2	-1.6	0.0	-2.5	-6.2
Net earnings	2,684.4	153.4	2,745.2	155.0	195.0

Condensed Parent Company Balance Sheet

MEUR	30/6 2015	30/6 2014	31/12 2014
Total fixed assets	7,545.4	4,181.6	4,640.3
Total current receivables	230.3	180.3	223.3
Cash and cash equivalents	4.5	7.9	13.2
Total current assets	234.8	188.2	236.5
Total assets	7,780.2	4,369.8	4,876.8
Total shareholders' equity	4,538.4	1,812.5	1,885.2
Total long-term liabilities	1,927.6	904.2	1,564.6
Total short-term liabilities	1,314.2	1,653.1	1,427.0
Total equity and liabilities	7,780.2	4,369.8	4,876.8

Definitions

FINANCIAL DEFINITIONS

Amortization of surplus values	When a company is acquired, the purchase consideration is allocated to the identified assets and liabilities of the company. Intangible assets are most often allocated the substantial part of the purchase consideration. The amortization of surplus values is defined as the difference between the amortization of such identified intangible assets and what the amortization would have been in the acquired company had the acquisition not taken place at all.
Capital employed	Total assets less non-interest bearing liabilities
Capital turnover rate	Net sales divided by average capital employed
Cash flow	Cash flow from operations, after change in working capital, excluding non-recurring items
Cash flow per share	Cash flow from operations, after change in working capital, excluding non-recurring items divided by average number of shares
Earnings per share	Net earnings excluding non-controlling interest divided by average number of shares
Equity ratio	Shareholders' equity including non-controlling interests as a percentage of total assets
Interest cover ratio	Earnings after financial items plus financial expenses divided by financial expenses
Investments	Purchases less sales of tangible and intangible fixed assets, excluding those included in acquisitions and divestitures of subsidiaries
Net indebtedness	Interest-bearing liabilities less interest-bearing current receivables and liquid assets divided by shareholders' equity excluding non-controlling interests
Non-recurring items	Income and expenses that are not expected to appear on a regular basis
Operating earnings (EBIT1)	Operating earnings excluding capital gains on shares in group companies and other non-recurring items
Operating earnings (EBITDA)	Operating earnings excluding non-recurring items and amortisation and depreciation of fixed assets
Operating margin	Operating earnings (EBIT1) as a percentage of net sales
Profit margin before taxes	Earnings after financial items as a percentage of net sales
Return on capital employed (12 month average)	Twelve months to end of period earnings after financial items, excluding non-recurring items, plus financial expenses as a percentage of twelve months to end of period average capital employed
Return on equity (12 month average)	Twelve months to end of period net earnings excluding non-controlling interests as a percentage of twelve months to end of period average shareholders' equity excluding non-controlling interests last twelve months.
Shareholders' equity per share	Shareholders' equity excluding non-controlling interests divided by the number of shares at year-end
Share price	Last settled transaction on Nasdaq Stockholm on the last business day for the period

BUSINESS DEFINITIONS

Americas	North, South and Central America
Asia	Asia, Australia and New Zealand
EMEA	Europe, Middle East and Africa
GES	Geospatial Enterprise Solutions
IES	Industrial Enterprise Solutions
MT	Measurement Technologies, the former core business segment



Hexagon is a leading global provider of information technologies that drive productivity and quality across geospatial and industrial enterprise applications. Hexagon's solutions integrate sensors, software, domain knowledge and customer workflows into intelligent information ecosystems that deliver actionable information. They are used in a broad range of vital industries. Hexagon (Nasdaq Stockholm: HEXA B) has more than 16,000 employees in 46 countries and net sales of approximately 2.6bn EUR. Learn more at www.hexagon.com.

FINANCIAL REPORT DATES

Hexagon gives financial information at the following occasions:

Interim report Q3 2015 27 October 2015
Year-end report 2015 5 February 2016

FINANCIAL INFORMATION

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

TELEPHONE CONFERENCE

The interim report for the second quarter 2015 will be presented on 7 August at 10:00 CET at a telephone conference. Please view instructions at Hexagon's website on how to participate.

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This interim report is a type of information that Hexagon AB (publ) is obliged to disclose in accordance with the Swedish Securities Market Act and /or the Financial Instruments Trading Act. The information was submitted for publication on 7 August 2015 at 08:00 CET.

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



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