

# INTERIM REPORT

**1 JANUARY – 30 JUNE 2017**

SECOND QUARTER 2017

- Operating net sales increased by 10 per cent to 873.7 MEUR (795.8). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 3 per cent
- Operating earnings (EBIT1) increased by 11 per cent to 207.8 MEUR (187.1)
- Earnings before taxes, excluding non-recurring items, amounted to 202.5 MEUR (182.2)
- Net earnings, excluding non-recurring items, amounted to 166.2 MEUR (147.6)
- Earnings per share, excluding non-recurring items, increased by 12 per cent to 0.46 EUR (0.41)
- Operating cash flow improved by 18 per cent to 127.6 MEUR (108.4)

| MEUR   | Q2 2017 | Q2 2016 | Δ%              | H1 2017 | H1 2016 | Δ%              |
|--|---------|---------|-----------------|---------|---------|-----------------|
| Operating net sales                                  | 873.7   | 795.8   | 3 <sup>1)</sup> | 1,651.8 | 1,520.0 | 3 <sup>1)</sup> |
| Revenue adjustment 2)                                | -8.8    | -       | n.a.            | -8.8    | -       | n.a.            |
| Net sales  | 864.9   | 795.8   | 3 <sup>1)</sup> | 1,643.0 | 1,520.0 | 3 <sup>1)</sup> |
| Gross earnings                                       | 534.2   | 479.5   | 11              | 1,009.2 | 921.8   | 9               |
| Gross margin, %                                      | 61.1    | 60.3    | 0.8             | 61.1    | 60.6    | 0.5             |
| Operating earnings (EBITDA) 3)                       | 269.1   | 243.9   | 10              | 520.2   | 459.2   | 13              |
| EBITDA margin, %                                     | 30.8    | 30.6    | 0.2             | 31.5    | 30.2    | 1.3             |
| Operating earnings (EBIT1) 3)                        | 207.8   | 187.1   | 11              | 382.3   | 347.6   | 10              |
| Operating margin, %                                  | 23.8    | 23.5    | 0.3             | 23.1    | 22.9    | 0.2             |
| Earnings before taxes, excluding non-recurring items | 202.5   | 182.2   | 11              | 371.9   | 337.5   | 10              |
| Non-recurring items 2)                               | -8.8    | -       | n.a.            | -59.6   | -       | n.a.            |
| Earnings before taxes                                | 193.7   | 182.2   | 6               | 312.3   | 337.5   | -7              |
| Net earnings   | 157.4   | 147.6   | 7               | 253.6   | 273.4   | -7              |
| Net earnings, excl. non-recurring items              | 166.2   | 147.6   | 13              | 305.1   | 273.4   | 12              |
| Earnings per share, EUR                              | 0.43    | 0.41    | 5               | 0.69    | 0.75    | -8              |
| Earnings per share, excl. non-recurring items, EUR   | 0.46    | 0.41    | 12              | 0.84    | 0.75    | 12              |

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

2) Non-recurring reduction of acquired deferred revenue (haircut) in Q2 2017 related to the acquisition of MSC Software and related to the implementation of a cost savings programme and acquisition of MSC Software in Q1 2017

3) For definition, see page 17



## COMMENTS FROM THE CEO

"The second quarter was another confirmation that organic growth is continuing to recover. Manufacturing Intelligence maintained good organic growth at 6 per cent, whilst Geosystems accelerated from 4 to 5 per cent quarter over quarter. We had impressive organic growth in China, 21 per cent, where demand from the electronics segment was up and Smart City solutions continued to gain traction. PPM saw underlying improvements, especially in North America. However, its organic growth was hampered due to a one-time revenue impact of -5 MEUR following a comprehensive review of ongoing projects. Looking ahead, we expect the PPM business to continue to develop in a positive direction. We feel confident that Hexagon's growth will accelerate in the second half of 2017."

*Ola Rollén, President and CEO, Hexagon AB*

# Q2

**10%**  
OPERATING SALES GROWTH

**3%**  
ORGANIC GROWTH

**24%**  
OPERATING MARGIN

## GROUP BUSINESS DEVELOPMENT Q2

### NET SALES

Operating net sales increased by 10 per cent to 873.7 MEUR (795.8) and organic growth was 3 per cent. Regionally, organic growth was 8 per cent in Asia, 1 per cent in EMEA and flat in Americas. In Asia, China recorded 21 per cent organic growth, and benefited from strong demand from the electronics industry as well as increased traction for Smart City solutions. India, South Korea and Japan, however, experienced a weaker quarter. In EMEA, Western Europe recorded -1 per cent organic growth, negatively impacted by difficult comparatives in Germany and a weak shipbuilding industry. Eastern Europe, Russia and The Middle East continued to recover and recorded favourable growth. In the Americas, North America recorded flat organic growth, hampered by difficult comparatives in the US mining market and a decline within the Safety & Infrastructure defence business. South America recorded organic sales in line with the same period last year, hampered by continued weakness in Brazil. PPM had a one time revenue adjustment in the quarter of -5 MEUR which had a negative impact on net sales and growth.

### EARNINGS

Operating earnings (EBIT1) increased by 11 per cent to 207.8 MEUR (187.1), which corresponds to an operating margin of 23.8 per cent (23.5). The operating margin benefited from organic growth, acquisitions and cost reductions. Operating earnings (EBIT1) were positively impacted by currency translation effects of 2.6 MEUR. However, currency transaction effects negatively impacted the operating earnings (EBIT1) by -6.8 MEUR. Earnings before taxes amounted to 193.7 MEUR (182.2).

### NON-RECURRING ITEMS

On 26 April 2017, Hexagon acquired MSC Software (MSC), a leading provider of CAE (simulation) software. Approximately -24 MEUR related to a revenue recognition adjustment of deferred revenue (haircut) will impact the income statement during 2017. In the second quarter, the haircut amounted to -8.8 MEUR and is expected to be approximately -8 MEUR in the third quarter and approximately -7 MEUR in the fourth quarter.

## FINANCIAL SUMMARY – SECOND QUARTER

| MEUR                                | Net sales |         |                  | Earnings |         |      |
|-------------------------------------|-----------|---------|------------------|----------|---------|------|
|                                     | Q2 2017   | Q2 2016 | Δ% <sup>1)</sup> | Q2 2017  | Q2 2016 | Δ%   |
| Geospatial Enterprise Solutions     | 429.8     | 399.2   | 4                | 103.9    | 88.9    | 17   |
| Industrial Enterprise Solutions     | 443.9     | 396.6   | 1                | 110.5    | 103.0   | 7    |
| Operating net sales                 | 873.7     | 795.8   | 3                |          |         |      |
| Revenue adjustment 2)               | -8.8      | -       | n.a.             |          |         |      |
| Net sales                           | 864.9     | 795.8   | 3                |          |         |      |
| Group cost and eliminations         |           |         |                  | -6.6     | -4.8    | -38  |
| Operating earnings (EBIT1)          |           |         |                  | 207.8    | 187.1   | 11   |
| Operating margin, %                 |           |         |                  | 23.8     | 23.5    | 0.3  |
| Interest income and expenses, net   |           |         |                  | -5.3     | -4.9    | -8   |
| Earnings before non-recurring items |           |         |                  | 202.5    | 182.2   | -11  |
| Non-recurring items 2)              |           |         |                  | -8.8     | -       | n.a. |
| Earnings before taxes               |           |         |                  | 193.7    | 182.2   | 6    |
| Taxes                               |           |         |                  | -36.3    | -34.6   | -5   |
| Net earnings                        |           |         |                  | 157.4    | 147.6   | 7    |

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

2) Non-recurring reduction of acquired deferred revenue in Q2 2017 related to the acquisition of MSC Software.

## CURRENCY TRANSLATION IMPACT COMPARED TO EUR – SECOND QUARTER

|             | Movement <sup>1)</sup> |     | Income less cost | Earnings impact |
|-------------|------------------------|-----|------------------|-----------------|
| CHF         | Strengthened           | 1%  | Negative         | Negative ↘      |
| USD         | Strengthened           | 3%  | Positive         | Positive ↗      |
| CNY         | Weakened               | -2% | Positive         | Negative ↘      |
| EBIT1, MEUR |                        |     |                  | 2.6             |

1) Compared to Q2 2016.

## SALES BRIDGE – SECOND QUARTER

|                   | Net sales* |
|-------------------|------------|
| 2016, MEUR        | 795.8      |
| Structure, %      | 6          |
| Currency, %       | 1          |
| Organic growth, % | 3          |
| Total, %          | 10         |
| 2017, MEUR        | 873.7      |

\*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 <sup>1)</sup> per geographic region |              |
|--|--------------|
| Q2 2016  | 795.8        |
| China (16% of sales)   | ↗            |
| EMEA excl. Western Europe (7% of sales)                        | ↗            |
| North America (31% of sales)                                   | →            |
| South America (3% of sales)                                    | ↘ >8% ↗      |
| Western Europe (30% of sales)                                  | ↘ 0-8% →     |
| Asia excl. China (13% of sales)                                | ↘ Negative ↘ |
| Q2 2017  | 873.7        |

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



## GEOSPATIAL ENTERPRISE SOLUTIONS – Q2 2017

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 Geosystems, Safety & Infrastructure and Positioning Intelligence.

### NET SALES

Geospatial Enterprise Solutions (GES) operating net sales amounted to 429.8 MEUR (399.2). Using fixed exchange rates and a comparable group structure (organic growth), sales increased by 4 per cent. Organic growth was 7 percent in EMEA, 7 per cent in Asia and flat in Americas.

GES benefited from favourable growth in Eastern Europe and a recovery in the Middle East. Western Europe recorded mid-single digit growth with strong demand in Spain, Italy, France and the UK. In Asia, China reported robust growth in all businesses and a solid increase in Australia and New Zealand. North America reported slightly negative organic growth, mainly due to difficult comparatives in the US mining market and adverse weather conditions affecting the Hexagon Imagery programme.

Regarding the divisions within GES, Geosystems recorded 5 per cent organic growth. The strongest contributors were machine control, which continued to experience solid growth, and the infrastructure & construction segment, most notably in Western Europe, the Middle East and China. In North America, construction recovered and grew in the quarter. However, demand from the mining industry was weaker due to tough comparatives. Safety & Infrastructure reported 1 per cent organic growth with strong development in Smart City and safety solutions in Asia, hampered by a weak development in defence solutions in the US. Positioning Intelligence recorded 7 per cent organic growth, driven by strong demand in agriculture and defence but continued to be negatively impacted by the weak oil and gas offshore market.

### EARNINGS

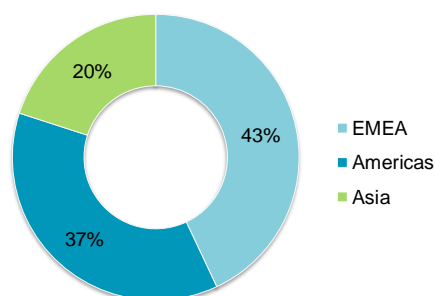
Operating earnings (EBIT1) increased by 17 per cent to 103.9 MEUR (88.9), which corresponds to an operating margin of 24.2 per cent (22.3). The operating margin was positively impacted by organic growth, high margin products and improved cost control.

## NET SALES, OPERATING EARNINGS (EBIT1) AND NUMBER OF EMPLOYEES

| MEUR                        | Q2 2017 | Q2 2016 | Δ%              | H1 2017 | H1 2016 | Δ%              |
|-----------------------------|---------|---------|-----------------|---------|---------|-----------------|
| Operating net sales         | 429.8   | 399.2   | 4 <sup>1)</sup> | 832.8   | 768.6   | 4 <sup>1)</sup> |
| Operating earnings (EBIT1)  | 103.9   | 88.9    | 17              | 194.9   | 164.6   | 18              |
| Operating margin, %         | 24.2    | 22.3    | 1.9             | 23.4    | 21.4    | 2.0             |
| Average number of employees |         |         |                 | 7,812   | 7,909   | -1              |

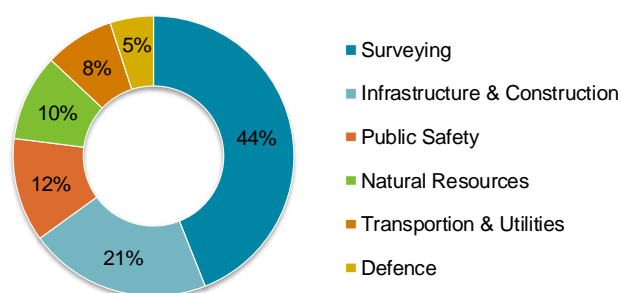
1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

### GES – NET SALES PER REGION\*



\* Q2 2017 numbers

### GES – NET SALES PER CUSTOMER SEGMENT\*\*



\*\* Full-year 2016 numbers





## INDUSTRIAL ENTERPRISE SOLUTIONS – Q2 2017

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), CAM (computer-aided manufacturing) and CAE (computer-aided engineering) 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 Manufacturing Intelligence and PPM.

### NET SALES

Industrial Enterprise Solutions (IES) operating net sales amounted to 443.9 MEUR (396.6). Using fixed exchange rates and a comparable group structure (organic growth), sales increased by 1 per cent. Organic growth was 9 per cent in Asia, -1 per cent in Americas and -6 per cent in EMEA.

IES benefited from robust growth in China driven by increased demand from the electronics industry. In North America, the manufacturing business reported mid-single digit growth and the power & energy business improved from previous quarters and reported a slight decline. In EMEA, Western Europe experienced a weak quarter, mainly due to tough comparatives for the automotive and aerospace sectors and negative growth in the power and energy related business.

Regarding the divisions within IES, Manufacturing Intelligence recorded 6 per cent organic growth and benefitted from strong demand within electronics. However, demand from the automotive industry was weaker and the aerospace industry slowed down after several quarters of strong growth. PPM recorded -11 per cent organic growth, negatively impacted by a one-time revenue adjustment following a comprehensive review of ongoing projects and a decline in shipbuilding demand in Korea and Japan. However, PPM saw underlying improvements and North America experienced a better quarter compared to previous periods. Looking ahead, PPM will gradually recover and is expected to return to growth towards the end of the year.

### EARNINGS

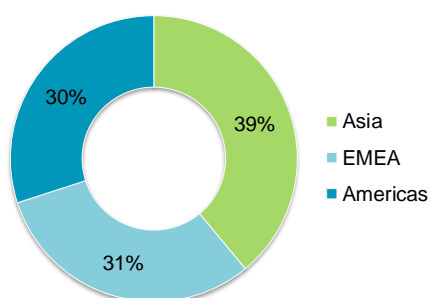
Operating earnings (EBIT1) increased by 7 per cent to 110.5 MEUR (103.0), which corresponds to an operating margin of 24.9 per cent (26.0). The operating margin (EBIT1) was negatively impacted by unfavourable business mix due to the decline in PPM. The review of PPM resulted in a net impact on operating earnings (EBIT1) of -3 MEUR.

### NET SALES, OPERATING EARNINGS (EBIT1) AND NUMBER OF EMPLOYEES

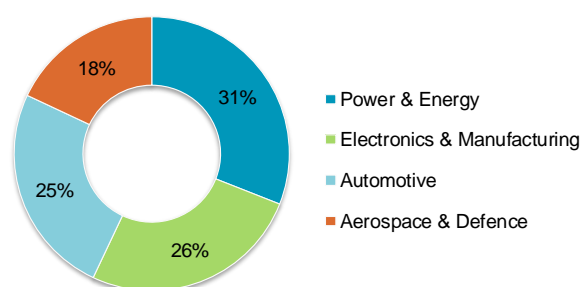
| MEUR                        | Q2 2017 | Q2 2016 | Δ%              | H1 2017 | H1 2016 | Δ%              |
|-----------------------------|---------|---------|-----------------|---------|---------|-----------------|
| Operating net sales         | 443.9   | 396.6   | 1 <sup>1)</sup> | 819.0   | 751.4   | 2 <sup>1)</sup> |
| Operating earnings (EBIT1)  | 110.5   | 103.0   | 7               | 199.7   | 192.6   | 4               |
| Operating margin,%          | 24.9    | 26.0    | -1.1            | 24.4    | 25.6    | -1.2            |
| Average number of employees |         |         |                 | 9,086   | 8,335   | 9               |

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

### IES – NET SALES PER REGION\*



### IES – NET SALES PER CUSTOMER SEGMENT\*\*



\* Q2 2017 numbers

\*\* Full-year 2016 numbers

## FINANCIAL SUMMARY – FIRST SIX MONTHS

| MEUR                                | Net sales |         |                   | Earnings |         |      |
|-------------------------------------|-----------|---------|-------------------|----------|---------|------|
|                                     | H1 2017   | H1 2016 | Δ % <sup>1)</sup> | H1 2017  | H1 2016 | Δ%   |
| Geospatial Enterprise Solutions     | 832.8     | 768.6   | 4                 | 194.9    | 164.6   | 18   |
| Industrial Enterprise Solutions     | 819.0     | 751.4   | 2                 | 199.7    | 192.6   | 4    |
| Operating net sales                 | 1,651.8   | 1,520.0 | 3                 |          |         |      |
| Revenue adjustment 2)               | -8.8      | -       | n.a.              |          |         |      |
| Net sales                           | 1,643.0   | 1,520.0 | 3                 |          |         |      |
| Group cost and eliminations         |           |         |                   | -12.3    | -9.6    | -28  |
| Operating earnings (EBIT1)          |           |         |                   | 382.3    | 347.6   | 10   |
| Operating margin, %                 |           |         |                   | 23.1     | 22.9    | 0.2  |
| Interest income and expenses, net   |           |         |                   | -10.4    | -10.1   | -3   |
| Earnings before non-recurring items |           |         |                   | 371.9    | 337.5   | 10   |
| Non-recurring items 3)              |           |         |                   | -59.6    | -       | n.a. |
| Earnings before taxes               |           |         |                   | 312.3    | 337.5   | -7   |
| Taxes                               |           |         |                   | -58.7    | -64.1   | 8    |
| Net earnings                        |           |         |                   | 253.6    | 273.4   | -7   |

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

2) Non-recurring reduction of acquired deferred revenue in Q2 2017 related to the acquisition of MSC Software.

3) Non-recurring items in H1 2017 related to the implementation of a cost savings programme and acquisition of MSC Software.

## H1 NET SALES AND EARNINGS

Operating net sales amounted to 1,651.8 MEUR (1,520.0) in the first six months of the year. Net sales, including revenue adjustment, amounted to 1,643.0 MEUR (1,520.0). Using fixed exchange rates and a comparable group structure (organic growth), sales increased by 3 per cent.

Operating earnings (EBIT1) amounted to 382.3 MEUR (347.6), which corresponds to an operating margin of 23.1 per cent (22.9). Operating earnings (EBIT1) were positively affected by currency translation effects of 5.9 MEUR.

The financial net amounted to -10.4 MEUR (-10.1) in the first six months.

Earnings before taxes, excluding non-recurring items, amounted to 371.9 MEUR (337.5). Earnings before taxes, including these items, amounted to 312.3 MEUR (337.5). Net earnings, excluding non-recurring items, amounted to 305.1 MEUR (273.4) or 0.84 EUR (0.75) per share. Net earnings, including these items, amounted to 253.6 MEUR (273.4) or 0.69 EUR (0.75) per share.

## CURRENCY TRANSLATION IMPACT COMPARED TO EUR – H1 2017

|             | Movement <sup>1)</sup> |     | Income less cost | Earnings impact |
|-------------|------------------------|-----|------------------|-----------------|
| CHF         | Strengthened           | 2%  | Negative         | Negative ↘      |
| USD         | Strengthened           | 3%  | Positive         | Positive ↗      |
| CNY         | Weakened               | -2% | Positive         | Negative ↘      |
| EBIT1, MEUR |                        |     |                  | 5.9             |

1) Compared to H1 2016.



Hexagon is investing approximately 90 million EUR in a new 52,000-square-metre, state-of-the-art production facility in Hongdao, China. The facility will produce metrology systems for the Manufacturing Intelligence division, as well as pioneer technologies to support smart manufacturing. Construction will be managed using Hexagon's own enterprise construction solution, HxGN SMART Build, and is slated to begin this year, with completion targeted for 2020.

## GROUP SUMMARY

### PROFITABILITY

Capital employed increased to 6,972.4 MEUR (6,209.3). Return on average capital employed for the last twelve months was 11.3 per cent (11.8). Return on average shareholders' equity for the last twelve months was 12.5 per cent (13.9). The capital turnover rate was 0.5 times (0.5).

### FINANCIAL POSITION

Total shareholders' equity increased to 4,368.7 MEUR (4,123.8). The equity ratio was 50.7 per cent (54.5). Hexagon's total assets increased to 8,612.3 MEUR (7,567.3). The increase in total assets was primarily driven by acquisitions.

Hexagon's main sources of financing consist of:

- 1) A multicurrency revolving credit facility (RCF) established during 2014. The RCF amounts to 2,000 MEUR with maturity 2021
- 2) A Swedish Medium Term Note Programme (MTN) established during 2014. The MTN programme amounts to 15,000 MSEK with tenor up to 5 years
- 3) A Swedish Commercial Paper Programme (CP) established during 2012. The CP programme amounts to 15,000 MSEK with tenor up to 12 months

On 30 June 2017, cash and unutilised credit limits totalled 1,300.6 MEUR (1,383.7). Hexagon's net debt was 2,278.5 MEUR (1,824.0). The net indebtedness was 0.49 times (0.40). Interest coverage ratio was 24.8 times (27.4).

### CASH FLOW

During the second quarter, cash flow from operations before changes in working capital amounted to 207.7 MEUR (218.2), corresponding to 0.58 EUR (0.61) per share. Cash flow from operations in the second quarter amounted to 205.2 MEUR (174.1), corresponding to 0.57 EUR (0.48) per share. Operating cash flow in the second quarter, including non-recurring items, amounted to 127.6 MEUR (108.4).

For the first six months, cash flow from operations amounted to 421.6 MEUR (342.0), corresponding to

1.17 EUR (0.95) per share. The operating cash flow, including non-recurring items, amounted to 271.1 MEUR (209.5).

### INVESTMENTS, DEPRECIATION, AMORTISATION AND IMPAIRMENT

Hexagon's net investments, excluding acquisitions and divestitures, amounted to -70.4 MEUR (-64.1) in the second quarter and -135.2 MEUR (-127.4) in the first six months.

Depreciation, amortisation and impairment amounted to -61.3 MEUR (-56.8) in the second quarter and -148.4 MEUR (-111.6) during the first six months, whereof impairment charges amounted to -26.9 MEUR (-). All the impairment charges occurred in Q1 2017.

### TAX RATE

The Group's tax expense for the first six months totalled -58.7 MEUR (-64.1).

The reported tax rate was 18.7 per cent (19.0) for the quarter and 18.8 per cent (19.0) for the first six months. The tax rate, excluding non-recurring items, was 17.9 per cent (19.0) for the quarter and 18.0 per cent (19.0) for the first six months.

### EMPLOYEES

The average number of employees during the first six months was 16,968 (16,315). The number of employees at the end of the quarter was 17,990 (16,561). The increase was primarily driven by acquisitions.

### SHARE DATA

Earnings per share, including non recurring items, for the second quarter amounted to 0.43 EUR (0.41). Earnings per share, excluding non recurring items, for the second quarter amounted to 0.46 EUR (0.41). Earnings per share, including non recurring items, for the first six months amounted to 0.69 EUR (0.75). Earnings per share, excluding non-recurring

items, for the first six months amounted to 0.84 EUR (0.75).

On 30 June 2017, equity per share was 12.08 EUR (11.41) and the share price was 400.50 SEK (305.90).

Hexagon's share capital amounts to 79,980,283 EUR, represented by 360,443,142 shares, of which 15,750,000 are of series A with 10 votes each and 344,693,142 are of series B with one vote each.

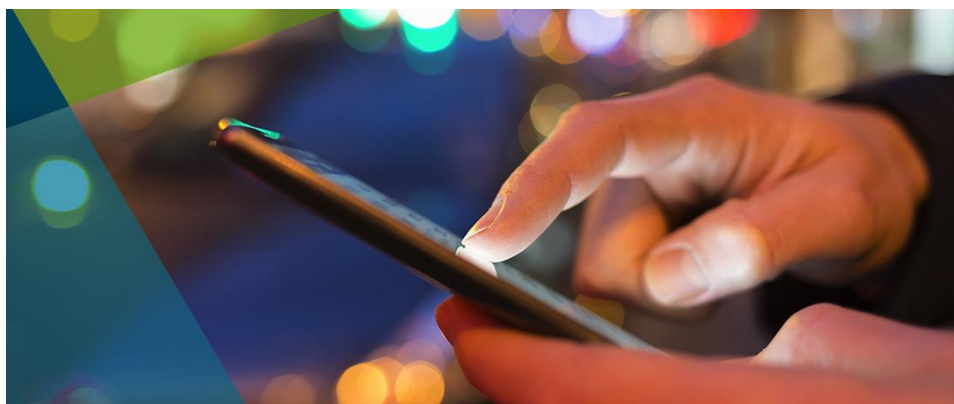
In accordance with a decision by a Shareholders' General Meeting in May 2015, an incentive programme (2015/2019) was introduced, under which a maximum of 10,000,000 warrants can be issued. The dilutive effect at full utilization of the programme would be 2.8 per cent of the share capital and 2.0 per cent of the number of votes. The number of warrants that have been issued are 7,107,660 and may be exercised during 1 June 2018 - 31 December 2019.

### ASSOCIATED COMPANIES

Associated companies did not affect Hexagon's earnings during the first six months (-0.1).

### PARENT COMPANY

The parent company's earnings before taxes in the second quarter amounted to 27.6 MEUR (16.2) and to 34.5 MEUR (-16.3) for the first six months. The equity was 4,550.2 MEUR (4,634.2). The equity ratio of the parent company was 52 per cent (59). Liquid funds including unutilised credit limits were 970.3 MEUR (1,178.0).



Hexagon acquired Catavolt, a U.S.-based mobile app platform provider that offers an end-to-end platform for mobile application development and delivery, secure cloud orchestration and edge computing (real time). Catavolt's expertise will enable Hexagon to advance its digital transformation platform, HxGN SMART Convergence, which orchestrates connectivity (IoT), intelligence (AI) and visualisation (VR/AR/MR) technologies according to industry-specific needs and user-specific workflows.

The Board of Directors and the President and CEO declare that this half-year 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, 27 July 2017  
Hexagon AB (publ)

Gun Nilsson  
Chairman of the Board

Ola Rollén  
President and CEO  
Board Member

Hans Vestberg  
Board Member

Ulrika Francke  
Board Member

Märta Schörling Andreen  
Board Member

Sofia Schörling Högberg  
Board Member

John Brandon  
Board Member

Henrik Henriksson  
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 2016. New and amended standards applicable from 2017 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 Annual Report 2016.

## RELATED PARTY TRANSACTIONS

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

## SUBSEQUENT EVENTS

No significant events affecting the financial reporting 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 2017      | Q2 2016      | H1 2017        | H1 2016      | 2016           |
|--|--------------|--------------|----------------|--------------|----------------|
| Net sales  | 864.9        | 795.8        | 1,643.0        | 1,520.0      | 3,149.2        |
| Cost of goods sold   | -330.7       | -316.3       | -633.8         | -598.2       | -1,247.2       |
| <b>Gross earnings</b>  | <b>534.2</b> | <b>479.5</b> | <b>1,009.2</b> | <b>921.8</b> | <b>1,902.0</b> |
| Sales expenses   | -166.4       | -147.0       | -323.2         | -283.0       | -573.3         |
| Administration expenses  | -70.3        | -68.7        | -152.4         | -133.1       | -269.1         |
| Research and development expenses                              | -93.9        | -83.2        | -203.4         | -163.3       | -333.1         |
| Earnings from shares in associated companies                   | -            | -            | -              | -0.1         | 0.4            |
| Capital loss from sale of shares in Group companies            | -            | -            | -              | -            | 0.7            |
| Other income and expenses, net                                 | -4.6         | 6.5          | -7.5           | 5.3          | 8.5            |
| <b>Operating earnings 1)</b>                                   | <b>199.0</b> | <b>187.1</b> | <b>322.7</b>   | <b>347.6</b> | <b>736.1</b>   |
| Financial income   | 1.5          | 1.4          | 2.7            | 2.6          | 4.8            |
| Financial expenses   | -6.8         | -6.3         | -13.1          | -12.7        | -26.6          |
| <b>Earnings before taxes</b>                                   | <b>193.7</b> | <b>182.2</b> | <b>312.3</b>   | <b>337.5</b> | <b>714.3</b>   |
| Taxes  | -36.3        | -34.6        | -58.7          | -64.1        | -135.7         |
| <b>Net earnings</b>  | <b>157.4</b> | <b>147.6</b> | <b>253.6</b>   | <b>273.4</b> | <b>578.6</b>   |
| Attributable to:   |              |              |                |              |                |
| Parent company shareholders                                    | 155.5        | 146.1        | 250.3          | 270.7        | 573.3          |
| Non-controlling interest                                       | 1.9          | 1.5          | 3.3            | 2.7          | 5.3            |
| 1) of which non-recurring items                                | -8.8         | -            | -59.6          | -            | -              |
| Earnings include depreciation, amortisation and impairments of | -61.3        | -56.8        | -148.4         | -111.6       | -233.9         |
| - of which amortisation of surplus values                      | -11.3        | -8.9         | -20.9          | -17.4        | -35.2          |
| Basic earnings per share, EUR                                  | 0.43         | 0.41         | 0.69           | 0.75         | 1.59           |
| Earnings per share after dilution, EUR                         | 0.43         | 0.41         | 0.69           | 0.75         | 1.59           |
| Total shareholder's equity per share, EUR                      | 12.08        | 11.41        | 12.08          | 11.41        | 12.70          |
| Closing number of shares, thousands                            | 360,443      | 360,443      | 360,443        | 360,443      | 360,443        |
| Average number of shares, thousands                            | 360,443      | 360,443      | 360,443        | 360,423      | 360,433        |
| Average number of shares after dilution, thousands             | 361,752      | 360,455      | 361,479        | 360,605      | 360,879        |



## Condensed Comprehensive Income

| MEUR  | Q2 2017 | Q2 2016 | H1 2017 | H1 2016 | 2016  |
|---|---------|---------|---------|---------|-------|
| Net earnings  | 157.4   | 147.6   | 253.6   | 273.4   | 578.6 |
| Other comprehensive income  |         |         |         |         |       |
| Items that will not be reclassified to income statement                             |         |         |         |         |       |
| Remeasurement of pensions   | 9.8     | -7.0    | 18.8    | -24.7   | -9.4  |
| Taxes on items that will not be reclassified to income statement                    | -1.3    | 0.9     | -2.3    | 2.4     | 1.8   |
| Total items that will not be reclassified to income statement, net of taxes         | 8.5     | -6.1    | 16.5    | -22.3   | -7.6  |
| Items that may be reclassified subsequently to income statement                     |         |         |         |         |       |
| Exchange rate differences   | -297.6  | 80.9    | -334.6  | -74.6   | 69.8  |
| Effect of hedging of net investments in foreign operations                          | -       | 0.2     | -       | 0.1     | -0.1  |
| Taxes on items that may be reclassified subsequently to income statement            | 13.6    | 1.5     | 15.7    | 0.1     | 3.9   |
| Total items that may be reclassified subsequently to income statement, net of taxes | -284.0  | 82.6    | -318.9  | -74.4   | 73.6  |
| Other comprehensive income, net of taxes  | -275.5  | 76.5    | -302.4  | -96.7   | 66.0  |
| Total comprehensive income for the period   | -118.1  | 224.1   | -48.8   | 176.7   | 644.6 |
| Attributable to:  |         |         |         |         |       |
| Parent company shareholders   | -119.2  | 222.5   | -51.3   | 174.3   | 639.5 |
| Non-controlling interest  | 1.1     | 1.6     | 2.5     | 2.4     | 5.1   |

## Condensed Balance Sheet

| MEUR   | 30/6 2017      | 30/6 2016      | 31/12 2016     |
|--|----------------|----------------|----------------|
| Intangible fixed assets                            | 6,479.8        | 5,637.0        | 5,870.8        |
| Tangible fixed assets                              | 286.9          | 285.1          | 294.8          |
| Financial fixed assets                             | 32.8           | 21.2           | 21.1           |
| Deferred tax assets                                | 84.4           | 60.3           | 55.0           |
| <b>Total fixed assets</b>                          | <b>6,883.9</b> | <b>6,003.6</b> | <b>6,241.7</b> |
| Inventories  | 449.8          | 450.2          | 426.7          |
| Accounts receivable                                | 781.1          | 711.5          | 788.0          |
| Other receivables                                  | 81.6           | 92.8           | 71.0           |
| Prepaid expenses and accrued income                | 102.8          | 117.7          | 102.7          |
| <b>Total current receivables</b>                   | <b>965.5</b>   | <b>922.0</b>   | <b>961.7</b>   |
| Cash and cash equivalents                          | 313.1          | 191.5          | 284.0          |
| <b>Total current assets</b>                        | <b>1,728.4</b> | <b>1,563.7</b> | <b>1,672.4</b> |
| <b>Total assets</b>                                | <b>8,612.3</b> | <b>7,567.3</b> | <b>7,914.1</b> |
| Equity attributable to parent company shareholders | 4,352.5        | 4,111.6        | 4,576.8        |
| Equity attributable to non-controlling interest    | 16.2           | 12.2           | 14.0           |
| <b>Total shareholders' equity</b>                  | <b>4,368.7</b> | <b>4,123.8</b> | <b>4,590.8</b> |
| Interest bearing liabilities                       | 2,321.2        | 1,583.8        | 1,476.2        |
| Other liabilities                                  | 58.1           | 87.4           | 77.9           |
| Pension liabilities                                | 126.2          | 150.0          | 132.0          |
| Deferred tax liabilities                           | 529.4          | 434.8          | 472.7          |
| Other provisions                                   | 5.4            | 3.8            | 3.8            |
| <b>Total long-term liabilities</b>                 | <b>3,040.3</b> | <b>2,259.8</b> | <b>2,162.6</b> |
| Interest bearing liabilities                       | 144.2          | 280.2          | 240.6          |
| Accounts payable                                   | 176.8          | 172.3          | 175.7          |
| Other liabilities                                  | 196.7          | 177.1          | 184.3          |
| Other provisions                                   | 44.4           | 23.9           | 20.8           |
| Deferred income                                    | 344.7          | 260.4          | 254.3          |
| Accrued expenses                                   | 296.5          | 269.8          | 285.0          |
| <b>Total short-term liabilities</b>                | <b>1,203.3</b> | <b>1,183.7</b> | <b>1,160.7</b> |
| <b>Total equity and liabilities</b>                | <b>8,612.3</b> | <b>7,567.3</b> | <b>7,914.1</b> |

## 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 13). Other long-term securities holdings amount to insignificant numbers. Liabilities for contingent considerations are measured at fair value and based on management's best estimation of the most probable outcome (level 3 according to definition in IFRS 13). 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 2017 | H1 2016 | 2016    |
|--|---------|---------|---------|
| Opening shareholders' equity                 | 4,590.8 | 4,102.3 | 4,102.3 |
| Total comprehensive income for the period 1) | -48.8   | 176.7   | 644.6   |
| Dividend                                     | -173.3  | -155.2  | -156.1  |
| Closing shareholders' equity 2)              | 4,368.7 | 4,123.8 | 4,590.8 |
| 1) Of which: Parent company shareholders     | -51.3   | 174.3   | 639.5   |
| Non-controlling interest                     | 2.5     | 2.4     | 5.1     |
| 2) Of which: Parent company shareholders     | 4,352.5 | 4,111.6 | 4,576.8 |
| Non-controlling interest                     | 16.2    | 12.2    | 14.0    |

## Number of Shares

|  | series A   | series B    | Total       |
|--|------------|-------------|-------------|
| 2009-12-31 Total issued and outstanding    | 11,812,500 | 252,534,653 | 264,347,153 |
| Sale of repurchased shares                 | -          | 20,070      | 20,070      |
| Rights issue                               | 3,937,500  | 83,845,572  | 87,783,072  |
| 2010-12-31 Total issued and outstanding    | 15,750,000 | 336,400,295 | 352,150,295 |
| Rights issue                               | -          | 339,335     | 339,335     |
| 2011-12-31 Total issued and outstanding    | 15,750,000 | 336,739,630 | 352,489,630 |
| Sale of repurchased shares                 | -          | 185,207     | 185,207     |
| 2012-12-31 Total issued and outstanding    | 15,750,000 | 336,924,837 | 352,674,837 |
| Sale of repurchased shares                 | -          | 967,340     | 967,340     |
| New issue, warrants exercised              | -          | 1,354,800   | 1,354,800   |
| 2013-12-31 Total issued and outstanding    | 15,750,000 | 339,246,977 | 354,996,977 |
| New issue, warrants exercised              | -          | 2,392,236   | 2,392,236   |
| 2014-12-31 Total issued and outstanding    | 15,750,000 | 341,639,213 | 357,389,213 |
| New issue, warrants exercised              | -          | 2,947,929   | 2,947,929   |
| 2015-12-31 Total issued and outstanding    | 15,750,000 | 344,587,142 | 360,337,142 |
| New issue, warrants exercised              | -          | 106,000     | 106,000     |
| 2016-12-31 Total issued and outstanding    | 15,750,000 | 344,693,142 | 360,443,142 |
| New issue, warrants exercised              | -          | -           | -           |
| 2017-06-30 Total issued and outstanding 1) | 15,750,000 | 344,693,142 | 360,443,142 |

<sup>1)</sup> As per 30 June 2017 there were in total 360,443,142 shares in the Company, of which 15,750,000 are of series A with ten votes each and 344,693,142 are of series B with one vote each.

# Condensed Cash Flow Statement

| MEUR  | Q2 2017 | Q2 2016 | H1 2017 | H1 2016 | 2016   |
|---|---------|---------|---------|---------|--------|
| Cash flow from operations before change in working capital excluding taxes and interest | 242.6   | 239.3   | 472.3   | 454.1   | 941.9  |
| Taxes paid  | -30.3   | -18.8   | -47.4   | -48.2   | -92.1  |
| Interest received and paid, net   | -4.6    | -2.3    | -7.3    | -5.0    | -17.7  |
| Cash flow from operations before change in working capital                              | 207.7   | 218.2   | 417.6   | 400.9   | 832.1  |
| Cash flow from change in working capital  | -2.5    | -44.1   | 4.0     | -58.9   | -50.0  |
| Cash flow from operations   | 205.2   | 174.1   | 421.6   | 342.0   | 782.1  |
| Investments tangible assets   | -13.4   | -11.4   | -22.4   | -25.9   | -50.9  |
| Investments intangible assets   | -57.0   | -52.7   | -112.8  | -101.5  | -206.7 |
| Operating cash flow before non-recurring items  | 134.8   | 110.0   | 286.4   | 214.6   | 524.5  |
| Non-recurring cash flow 1)  | -7.2    | -1.6    | -15.3   | -5.1    | -7.9   |
| Operating cash flow   | 127.6   | 108.4   | 271.1   | 209.5   | 516.6  |
| Cash flow from other investing activities 2)  | -796.3  | -8.6    | -804.7  | -101.3  | -172.0 |
| Cash flow after other investing activities  | -668.7  | 99.8    | -533.6  | 108.2   | 344.6  |
| Dividends paid  | -173.0  | -155.2  | -173.3  | -155.2  | -156.1 |
| Cash flow from other financing activities   | 886.8   | 36.6    | 749.9   | 16.2    | -130.5 |
| Cash flow for the period  | 45.1    | -18.8   | 43.0    | -30.8   | 58.0   |
| Cash and cash equivalents, beginning of period  | 282.7   | 202.3   | 284.0   | 225.5   | 225.5  |
| Effect of translation differences on cash and cash equivalents                          | -14.7   | 8.0     | -13.9   | -3.2    | 0.5    |
| Cash flow for the period  | 45.1    | -18.8   | 43.0    | -30.8   | 58.0   |
| Cash and cash equivalents, end of period  | 313.1   | 191.5   | 313.1   | 191.5   | 284.0  |

<sup>1)</sup> Non-recurring cash flow consists of restructuring cost in the second quarter of 2017.

<sup>2)</sup> Acquisitions and divestments totalled -792.6 MEUR (-8.5) and other was -3.7 MEUR (-0.1) in the second quarter of 2017.

## Key Ratios

|   | Q2 2017 | Q2 2016 | H1 2017 | H1 2016 | 2016    |
|---|---------|---------|---------|---------|---------|
| Operating margin, %                                     | 23.8    | 23.5    | 23.1    | 22.9    | 23.4    |
| Profit margin before taxes, %                           | 22.4    | 22.9    | 19.0    | 22.2    | 22.7    |
| Return on shareholders' equity, 12 month average, %     | 12.5    | 13.9    | 12.5    | 13.9    | 13.7    |
| Return on capital employed, 12 month average, %         | 11.3    | 11.8    | 11.3    | 11.8    | 11.9    |
| Equity ratio, %   | 50.7    | 54.5    | 50.7    | 54.5    | 58.0    |
| Net indebtedness  | 0.49    | 0.40    | 0.49    | 0.40    | 0.30    |
| Interest coverage ratio                                 | 29.5    | 29.5    | 24.8    | 27.4    | 27.9    |
| Average number of shares, thousands                     | 360,443 | 360,443 | 360,443 | 360,423 | 360,443 |
| Basic earnings per share excl. non-recurring items, EUR | 0.46    | 0.41    | 0.84    | 0.75    | 1.59    |
| Basic earnings per share, EUR                           | 0.43    | 0.41    | 0.69    | 0.75    | 1.59    |
| Cash flow per share, EUR                                | 0.57    | 0.48    | 1.17    | 0.95    | 2.17    |
| Cash flow per share before change in working cap, EUR   | 0.58    | 0.61    | 1.16    | 1.11    | 2.31    |
| Share price, SEK  | 400.50  | 305.90  | 400.50  | 305.90  | 325.50  |
| Share price, translated to EUR                          | 41.55   | 32.46   | 41.55   | 32.46   | 34.07   |



# Supplementary Information

## NET SALES PER SEGMENT

| MEUR                            | Q2 2017* | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | 2016    |
|---------------------------------|----------|---------|---------|---------|---------|---------|---------|
| Geospatial Enterprise Solutions | 429.8    | 403.0   | 420.1   | 390.6   | 399.2   | 369.4   | 1,579.3 |
| Industrial Enterprise Solutions | 443.9    | 375.1   | 429.4   | 389.1   | 396.6   | 354.8   | 1,569.9 |
| Group                           | 873.7    | 778.1   | 849.5   | 779.7   | 795.8   | 724.2   | 3,149.2 |

## OPERATING EARNINGS (EBIT1) PER SEGMENT

| MEUR                            | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | 2016  |
|---------------------------------|---------|---------|---------|---------|---------|---------|-------|
| Geospatial Enterprise Solutions | 103.9   | 91.0    | 101.5   | 88.7    | 88.9    | 75.7    | 354.8 |
| Industrial Enterprise Solutions | 110.5   | 89.2    | 110.2   | 96.3    | 103.0   | 89.6    | 399.1 |
| Group costs                     | -6.6    | -5.7    | -3.0    | -5.2    | -4.8    | -4.8    | -17.8 |
| Group                           | 207.8   | 174.5   | 208.7   | 179.8   | 187.1   | 160.5   | 736.1 |
| Margin, %                       | 23.8    | 22.4    | 24.6    | 23.1    | 23.5    | 22.2    | 23.4  |

## NET SALES PER REGION

| MEUR     | Q2 2017* | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | 2016    |
|----------|----------|---------|---------|---------|---------|---------|---------|
| EMEA     | 321.8    | 296.0   | 326.5   | 292.2   | 304.5   | 270.5   | 1,193.7 |
| Americas | 293.4    | 265.9   | 294.9   | 264.1   | 270.0   | 247.5   | 1,076.5 |
| Asia     | 258.5    | 216.2   | 228.1   | 223.4   | 221.3   | 206.2   | 879.0   |
| Group    | 873.7    | 778.1   | 849.5   | 779.7   | 795.8   | 724.2   | 3,149.2 |

## EXCHANGE RATES

| Average | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | 2016   |
|---------|---------|---------|---------|---------|---------|---------|--------|
| SEK/EUR | 0.1033  | 0.1052  | 0.1025  | 0.1051  | 0.1078  | 0.1072  | 0.1056 |
| USD/EUR | 0.9094  | 0.9386  | 0.9267  | 0.8960  | 0.8855  | 0.9069  | 0.9040 |
| CNY/EUR | 0.1325  | 0.1363  | 0.1356  | 0.1344  | 0.1355  | 0.1386  | 0.1360 |
| CHF/EUR | 0.9228  | 0.9347  | 0.9260  | 0.9183  | 0.9123  | 0.9122  | 0.9174 |
| Closing | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | 2016   |
| SEK/EUR | 0.1037  | 0.1049  | 0.1047  | 0.1039  | 0.1061  | 0.1084  | 0.1047 |
| USD/EUR | 0.8763  | 0.9354  | 0.9487  | 0.8960  | 0.9007  | 0.8783  | 0.9487 |
| CNY/EUR | 0.1292  | 0.1358  | 0.1366  | 0.1343  | 0.1356  | 0.1360  | 0.1366 |
| CHF/EUR | 0.9149  | 0.9349  | 0.9312  | 0.9195  | 0.9202  | 0.9148  | 0.9312 |

\* Operating net sales, i.e. excluding revenue adjustment (haircut)

# Acquisitions

| MEUR  | MSC          | Other       | Acquisitions |              |
|---|--------------|-------------|--------------|--------------|
|   |              |             | H1 2017      | H1 2016      |
| Fair value of acquired assets and assumed liabilities                                       |              |             |              |              |
| Intangible fixed assets   | 249.1        | 1.0         | 250.1        | 33.0         |
| Other fixed assets  | 31.6         | 1.1         | 32.7         | 6.5          |
| <b>Total fixed assets</b>   | <b>280.7</b> | <b>2.1</b>  | <b>282.8</b> | <b>39.5</b>  |
| Total current assets  | 121.9        | 12.4        | 134.3        | 35.5         |
| <b>Total assets</b>   | <b>402.6</b> | <b>14.5</b> | <b>417.1</b> | <b>75.0</b>  |
| Total long-term liabilities   | 89.6         | 4.5         | 94.1         | 8.7          |
| Total current liabilities   | 129.5        | 13.0        | 142.5        | 20.3         |
| <b>Total liabilities</b>  | <b>219.1</b> | <b>17.5</b> | <b>236.6</b> | <b>29.0</b>  |
| Fair value of acquired assets and assumed liabilities, net                                  | 183.5        | -3.0        | 180.5        | 46.0         |
| Goodwill  | 629.7        | 60.9        | 690.6        | 84.8         |
| <b>Total purchase consideration transferred</b>   | <b>813.2</b> | <b>57.9</b> | <b>871.1</b> | <b>128.9</b> |
| Less cash and cash equivalents in acquired companies  |              |             | -57.9        | -7.3         |
| Adjustment for non-paid consideration and considerations paid for prior years' acquisitions |              |             | -13.3        | -21.7        |
| <b>Cash flow from acquisition of companies/businesses</b>                                   |              |             | <b>799.9</b> | <b>99.9</b>  |

During the first six months of 2017, Hexagon acquired the following companies:

- MiPlan Ltd, a provider of mobile software applications to increase productivity in mines, based in Australia
- IDS Georadar Australia, a distributor of structural health monitoring solutions
- MSC Software, a US-based provider of computer-aided engineering (CAE) solutions
- Catavolt Inc, a US-based mobile app platform provider
- VIREs GmbH, a German-based provider of simulation software solutions
- DST Computer Services S.A., a developer of piping stress analysis solutions for the nuclear industry, based in Switzerland
- FASys GmbH, a German developer of machine tools management software
- IDS Georadar North America, a distributor of structural health monitoring solutions, based in the USA
- InfraMeasure Inc, a US-based provider of measurement solutions for railroad and tunnelling applications

Further information related to the acquisition of MSC Software, is presented in the acquisition analysis on page 15. The other acquisitions are individually assessed as immaterial from a group perspective why only aggregated information is presented. The analysis of the acquired net assets is preliminary and the fair value might be subject to change. Contingent considerations are recognised to fair value each reporting period and based on the latest relevant forecast for the acquired company. Estimated liability for contingent considerations amounted to 88.8 MEUR as of 30 June, whereof the fair value adjustment amounts to 35.8 MEUR. The fair value adjustment is offset by impairment of fixed assets and other fair value adjustments of current assets, including the impact from a review of ongoing projects.

# Acquisition analysis

## ACQUISITION OF MSC SOFTWARE

As of 26 April 2017, after customary regulatory approvals were received, Hexagon acquired MSC Software, a US-based leading provider of computer-aided engineering (CAE) solutions, including simulation software for virtual product and manufacturing process development. MSC has over 1,200 highly-skilled professionals in 20 countries. Its strong brand and reputation in industries such as automotive, aerospace and electronics spans more than 50 years. In 2016 MSC generated proforma sales of 230 MUSD, with strong profitability and a high percentage of recurring revenue

### Background and reasons for the transaction

The acquisition strengthens Hexagon's ability to connect the traditionally separate stages of design and production – integrating real-world data generated on the production floor with simulation data to further improve a customer's ability to reveal and correct design limitations and production problems prior to manufacturing. MSC will be a fully owned subsidiary of Hexagon and operate under the division Manufacturing Intelligence.

Purchase price of MSC amounted to 834 MUSD on a cash and debt free basis (Enterprise Value). The goodwill comprises expected synergies arising from the acquisition and the assembled workforce, which is not separately recognized. Synergies have primarily been identified to arise by increasing Hexagon's total market in excess of MSC's own market and by combining Hexagon and MSC technologies to develop new customer solutions.

From the date of acquisition, MSC has contributed 39.3 MEUR of net sales in the first six months of 2017. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 99.8 MEUR.

## Condensed Parent Company Income Statement

| MEUR                                    | Q2 2017     | Q2 2016     | H1 2017     | H1 2016      | 2016        |
|---|-------------|-------------|-------------|--------------|-------------|
| Net sales                               | 5.3         | 2.7         | 10.5        | 5.5          | 20.2        |
| Administration cost                     | -7.8        | -4.2        | -13.2       | -8.6         | -26.9       |
| <b>Operating earnings</b>               | <b>-2.5</b> | <b>-1.5</b> | <b>-2.7</b> | <b>-3.1</b>  | <b>-6.7</b> |
| Earnings from shares in Group companies | 70.1        | -           | 70.1        | -            | -           |
| Interest income and expenses, net       | -40.0       | 17.7        | -32.9       | -13.2        | 43.3        |
| Group contribution                      | -           | -           | -           | -            | 1.8         |
| <b>Earnings before taxes</b>            | <b>27.6</b> | <b>16.2</b> | <b>34.5</b> | <b>-16.3</b> | <b>38.4</b> |
| Taxes                                   | 1.3         | -           | -           | -            | -0.2        |
| <b>Net earnings</b>                     | <b>28.9</b> | <b>16.2</b> | <b>34.5</b> | <b>-16.3</b> | <b>38.2</b> |

## Condensed Parent Company Balance Sheet

| MEUR                                | 30/6 2017      | 30/6 2016      | 31/12 2016     |
|-------------------------------------|----------------|----------------|----------------|
| Total fixed assets                  | 7,904.3        | 7,137.3        | 7,203.6        |
| Total current receivables           | 882.6          | 777.0          | 803.3          |
| Cash and cash equivalents           | 1.4            | 6.6            | 15.6           |
| <b>Total current assets</b>         | <b>884.0</b>   | <b>783.6</b>   | <b>818.9</b>   |
| <b>Total assets</b>                 | <b>8,788.3</b> | <b>7,920.9</b> | <b>8,022.5</b> |
| Total shareholders' equity          | 4,550.2        | 4,634.2        | 4,688.7        |
| Total long-term liabilities         | 2,315.6        | 1,575.9        | 1,469.4        |
| Total short-term liabilities        | 1,922.5        | 1,710.7        | 1,864.4        |
| <b>Total equity and liabilities</b> | <b>8,788.3</b> | <b>7,920.9</b> | <b>8,022.5</b> |

## Definitions

In addition to the financial measures as required by the financial reporting framework based on IFRS, this report also includes other measures and indicators that are used to follow-up, analyze and manage the business. These measures also provide Hexagon stakeholders with useful financial information on the Group's financial position, performance and development in a consistent way. Below is a list of definitions of measures and indicators used in this report.

### 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  |



## 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 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   |
| Gross margin                                      | Gross earnings divided by operating net sales  |
| Interest coverage ratio                           | Earnings after financial items plus financial expenses divided by financial expenses   |
| Investments                                       | Purchases less sales of tangible and intangible fixed assets, excluding those included in acquisitions and divestitures of subsidiaries  |
| Net debt  | Interest-bearing liabilities including pension liabilities and interest-bearing provisions less cash and cash equivalents  |
| 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 non-recurring items  |
| Operating earnings (EBITDA)                       | Operating earnings (EBIT 1) excluding amortisation and depreciation of fixed assets  |
| Operating margin                                  | Operating earnings (EBIT1) as a percentage of operating net sales  |
| Organic growth                                    | Net sales compared to prior period excluding acquisitions and divestments and adjusted for currency exchange movements   |
| Operating net sales                               | Net sales adjusted by the difference between fair value and book-value of deferred revenue regarding acquired businesses.  |
| 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. The twelve months average capital employed is based on average quarterly capital employed  |
| Return on shareholders' 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. The twelve months average shareholders equity is based on quarterly average shareholders equity   |
| 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   |



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 approximately 18,000 employees in 50 countries and net sales of approximately 3.1bn EUR. Learn more at [hexagon.com](http://hexagon.com).

#### FINANCIAL REPORT DATES

Hexagon gives financial information at the following occasions:

|                        |                 |
|------------------------|-----------------|
| Interim report Q3 2017 | 27 October 2017 |
| Year-end report 2017   | 6 February 2018 |

#### 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](mailto:ir@hexagon.com)

#### TELEPHONE CONFERENCE

The interim report for the second quarter 2017 will be presented on 27 July at 15:00 CEST at a telephone conference. Please view instructions at Hexagon's website on how to participate.

#### CONTACT

Maria Luthström, Investor Relations Manager,  
Hexagon AB, +46 8 601 26 27, [ir@hexagon.com](mailto:ir@hexagon.com)

---

This information is information that Hexagon AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 13.00 CEST on 27 July 2017.

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.

