

INTERIM REPORT

1 JANUARY – 30 SEPTEMBER 2018

THIRD QUARTER 2018

- Operating net sales increased by 10 per cent to 946.1 MEUR (858.1). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 8 per cent
- Operating earnings (EBIT1) increased by 13 per cent to 231.8 MEUR (204.8)
- Earnings before taxes, excluding non-recurring items, amounted to 225.7 MEUR (199.2)
- Net earnings, excluding non-recurring items, amounted to 185.1 MEUR (163.5)
- Earnings per share, excluding non-recurring items, increased by 13 per cent to 0.51 EUR (0.45)
- Operating cash flow decreased by -74 per cent to 40.2 MEUR (152.2) due to temporary increased investments

MEUR	Q3 2018	Q3 2017	Δ%	Q1-Q3 2018	Q1-Q3 2017	Δ%
Operating net sales	946.1	858.1	8 ¹⁾	2,717.7	2,509.3	8 ¹⁾
Revenue adjustment 2)	-	-7.3	n.a.	-	-16.1	n.a.
Net sales	946.1	850.8	8 ¹⁾	2,717.7	2,493.2	8 ¹⁾
Gross earnings	586.8	517.9	13	1,688.3	1,526.6	11
Gross margin, %	62.0	60.4	1.6	62.1	60.8	1.3
Operating earnings (EBITDA) 3)	296.3	277.5	7	849.0	797.1	7
EBITDA margin, %	31.3	32.3	-1.0	31.2	31.8	-0.6
Operating earnings (EBIT1) 3)	231.8	204.8	13	658.3	586.5	12
Operating margin, %	24.5	23.9	0.6	24.2	23.4	0.8
Earnings before taxes, excluding non-recurring items	225.7	199.2	13	640.8	570.5	12
Non-recurring items (before taxes) 4)	-3.9	-7.3	n.a.	-3.9	-66.9	n.a.
Earnings before taxes	221.8	191.9	16	636.9	503.6	26
Net earnings	180.1	156.2	15	520.5	409.5	27
Net earnings, excl. non-recurring items	185.1	163.5	13	525.5	468.3	12
Earnings per share, EUR	0.49	0.43	14	1.43	1.12	28
Earnings per share, excl. non-recurring items, EUR	0.51	0.45	13	1.44	1.28	13

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 2017 related to the acquisition of MSC Software

3) For definition, see page 22

4) For further details about the non-recurring items in Q3 2018, please see page 2. Non-recurring reduction of acquired deferred revenue (haircut) in 2017 related to the acquisition of MSC Software.

From 1 January 2018 a new standard for revenue recognition (IFRS 15) has been applied, with 2017 numbers restated accordingly (where applicable)



COMMENTS FROM THE CEO

"We continue to report strong results, recording 8 per cent organic growth and further expanded the operating margin to 24.5 per cent in the third quarter. Organic growth in the Manufacturing Intelligence division accelerated to 12 per cent, driven by solid demand from the electronics and aerospace industry, continued strength in China and good growth in the software portfolio. The Geosystems division delivered another impressive quarter, with 11 per cent organic growth stemming from strength in infrastructure and construction, the content programme and new product introductions. The underlying recovery in power and energy continued, with the PPM division recording 6 per cent organic growth, supported by new perpetual license orders in construction and lifecycle management solutions. The public safety segment, Safety & Infrastructure, experienced another challenging quarter, mainly due to weak demand in US defence. Actions have been taken to ensure improvement in 2019. We continue to use our strong cash flow for future growth. We invested 75 MEUR in two brand new facilities in Canada and China. We also expanded our business opportunities with a few large strategic customers in Europe and North America which short term has resulted in a buildup in working capital. This is expected to reverse in the fourth quarter. Looking ahead, we are confident in our ability to continue to grow, both organically and through acquisitions, towards our 2021 targets."

– Ola Rollén, President and CEO, Hexagon AB

Q3

10%

OPERATING NET SALES GROWTH

8%

ORGANIC GROWTH

25%

OPERATING MARGIN

GROUP BUSINESS DEVELOPMENT Q3

NET SALES

Operating net sales increased by 10 per cent to 946.1 MEUR (858.1). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 8 per cent. Regionally, organic growth was 10 per cent in EMEA, 9 per cent in Asia and 7 per cent in Americas. In EMEA, Western Europe recorded 11 per cent organic growth with good development in all businesses. The larger countries, Germany, the UK, France, Italy and Spain, recorded double digit growth. The Middle East recorded strong growth, however Russia and Africa declined. In Asia, China recorded 13 per cent organic growth with a continued solid development in manufacturing and power and energy. Japan and South Korea recorded good growth, however India continued to be weak. In Americas, North America recorded 4 per cent organic growth mainly driven by strong growth in infrastructure and construction and manufacturing but hampered by decline in public safety solutions. South America, where Brazil is the dominant country, continued to recover and recorded double digit growth in all businesses.

EARNINGS

Operating earnings (EBIT1) grew by 13 per cent to 231.8 MEUR (204.8), which corresponds to an operating margin of 24.5 per cent (23.9). The operating margin (EBIT1) benefited from organic growth, product mix and improved cost structure. Operating earnings (EBIT1) were negatively impacted by currency translation effects of -0.3 MEUR. Earnings before taxes amounted to 221.8 MEUR (191.9). Earnings before taxes were also negatively impacted by currency translation effects of -2.4 MEUR.

NON-RECURRING ITEMS

On 27 September 2018, Hexagon announced the completion of the acquisition of AutonomouStuff, one of the world's leading suppliers of integrated autonomous vehicle solutions. The income statement during the third quarter of 2018 has been impacted by -25.6 MEUR, related to impairment of overlapping technologies, transaction costs and a reduction in work force. During the third quarter 2018 Hexagon also divested its shares in BIMobject which resulted in a capital gain of 21.7 MEUR. Overall, the net impact of one-off items on the income statement in the third quarter 2018 was -3.9 MEUR.

FINANCIAL SUMMARY – THIRD QUARTER

MEUR	Net sales			Earnings		
	Q3 2018	Q3 2017	Δ% ¹⁾	Q3 2018	Q3 2017	Δ%
Geospatial Enterprise Solutions	457.1	417.9	6	114.6	100.2	14
Industrial Enterprise Solutions	489.0	440.2	10	123.7	110.0	12
Operating net sales	946.1	858.1	8			
Revenue adjustment 2)	-	-7.3	n.a.			
Net sales	946.1	850.8	8			
Group cost				-6.5	-5.4	-20
Operating earnings (EBIT1)				231.8	204.8	13
Operating margin, %				24.5	23.9	0.6
Interest income and expenses, net				-6.1	-5.6	-9
Earnings before non-recurring items				225.7	199.2	13
Non-recurring items				-3.9	-7.3	n.a.
Earnings before taxes				221.8	191.9	16
Taxes				-41.7	-35.7	-17
Net earnings				180.1	156.2	15

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 2017 related to the acquisition of MSC Software.

CURRENCY TRANSLATION IMPACT COMPARED TO EUR – THIRD QUARTER

	Movement ¹⁾	Income less cost	Earnings impact
CHF	Weakened -1%	Negative	Positive ↗
USD	Strengthened 1%	Positive	Positive ↗
CNY	Weakened -1%	Positive	Negative ↘
EBIT1, MEUR			-0.3

1) Compared to Q3 2017. □

SALES BRIDGE – THIRD QUARTER

Operating net sales*	
2017, MEUR	858.1
Structure, %	3
Currency, %	-1
Organic growth, %	8
Total, %	10
2018, MEUR	946.1

*Operating 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	
Q3 2017	858.1
Western Europe (29% of sales)	↗
China (17% of sales)	↗
South America (3% of sales)	↗
North America (31% of sales)	↗ >8%
Asia excl. China (13% of sales)	↗ 0-8%
EMEA excl. Western Europe (7% of sales)	↘ Negative
Q3 2018	946.1

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



GEOSPATIAL ENTERPRISE SOLUTIONS – Q3 2018

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 457.1 MEUR (417.9). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 6 per cent. Regionally, organic growth was 11 per cent in EMEA, 4 per cent in Americas and 0 per cent in Asia.

GES benefited from solid growth in Western Europe, mainly driven by strong demand in construction and infrastructure and positioning solutions in Germany, the UK, Italy and Spain. Eastern Europe, Russia and the Middle East also recorded good growth, however, Africa declined in the quarter. In Americas, North America recorded strong growth in infrastructure and construction as well as positioning solutions. However, the region was hampered by decline in public safety solutions. Asia benefited from solid growth in Japan and South Korea but was hampered by decline in China and India.

Regarding the divisions within GES, Geosystems recorded 11 per cent organic growth, mainly driven by strong growth in infrastructure and construction, mining, the content program and new product introductions such as the RTC360 and new mining solutions. Safety & Infrastructure recorded -13 per cent organic growth and was once again hampered by continued weak demand in US defence and tough comparison numbers from last year's large safe city order in China. Actions have been taken to ensure improvement in 2019. Positioning Intelligence recorded 26 per cent organic growth, positively impacted by continued strong growth in defence, agriculture and automotive.

EARNINGS

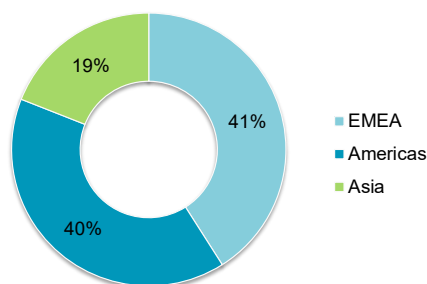
Operating earnings (EBIT1) increased by 14 per cent to 114.6 MEUR (100.2), which corresponds to an operating margin of 25.1 per cent (24.0). The operating margin (EBIT1) was positively impacted by organic growth and product mix.

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

MEUR	Q3 2018	Q3 2017	Δ%	Q1-Q3 2018	Q1-Q3 2017	Δ%
Operating net sales	457.1	417.9	6 ¹⁾	1,323.4	1,250.7	8 ¹⁾
Operating earnings (EBIT1)	114.6	100.2	14	329.7	295.1	12
Operating margin, %	25.1	24.0	1.1	24.9	23.6	1.3
Average number of employees				8,305	7,834	6

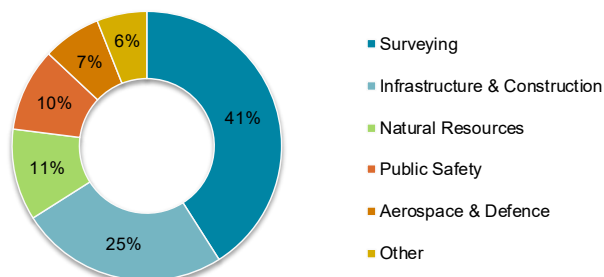
1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

GES – NET SALES PER REGION*



* Q3 2018 numbers

GES – NET SALES PER CUSTOMER SEGMENT*



* Q3 2018 numbers



INDUSTRIAL ENTERPRISE SOLUTIONS – Q3 2018

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 489.0 MEUR (440.2). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 10 per cent. Regionally, organic growth was 12 per cent in Asia, 10 per cent in Americas and 8 per cent in EMEA.

IES benefited from continued strong growth in China in all segments. Japan and South Korea recorded good growth while South-Eastern Asia was weak. In Americas, all regions recorded good growth. North America, which is the largest contributor, recorded double digit organic growth. In EMEA, Western Europe recorded high single digit organic growth driven by strong demand in Germany, Spain and the UK. The Middle East and Eastern Europe recorded double digit organic growth, however Russia declined.

Regarding the divisions within IES, Manufacturing Intelligence recorded 12 per cent organic growth, mainly driven by strong demand in the electronics and aerospace industry and good growth in the software portfolio. PPM continued to recover, recording 6 per cent organic growth, supported by several perpetual license orders in construction and lifecycle management solutions.

EARNINGS

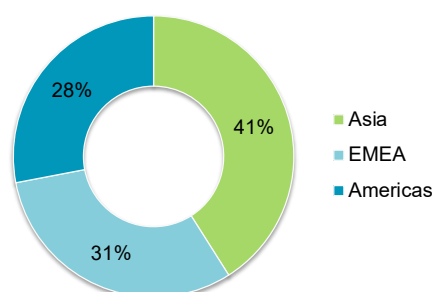
Operating earnings (EBIT1) increased by 12 per cent to 123.7 MEUR (110.0), which corresponds to an operating margin of 25.3 per cent (25.0). The operating margin (EBIT1) benefited from organic growth and an increased software mix.

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

MEUR	Q3 2018	Q3 2017	Δ%	Q1-Q3 2018	Q1-Q3 2017	Δ%
Operating net sales	489.0	440.2	10 ¹⁾	1,394.3	1,258.6	9 ¹⁾
Operating earnings (EBIT1)	123.7	110.0	12	347.2	309.1	12
Operating margin,%	25.3	25.0	0.3	24.9	24.6	0.3
Average number of employees				10,554	9,368	13

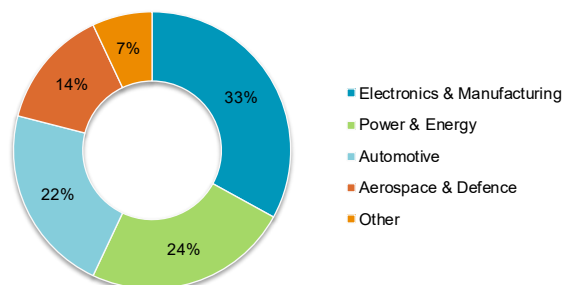
1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

IES – NET SALES PER REGION*



* Q3 2018 numbers

IES – NET SALES PER CUSTOMER SEGMENT*



* Q3 2018 numbers

FINANCIAL SUMMARY – FIRST NINE MONTHS

MEUR	Net sales			Earnings		
	Q1-Q3 2018	Q1-Q3 2017	Δ % ¹⁾	Q1-Q3 2018	Q1-Q3 2017	Δ%
Geospatial Enterprise Solutions	1,323.4	1,250.7	8	329.7	295.1	12
Industrial Enterprise Solutions	1,394.3	1,258.6	9	347.2	309.1	12
Operating net sales	2,717.7	2,509.3	8			
Revenue adjustment 2)	-	-16.1	n.a.			
Net sales	2,717.7	2,493.2	8			
Group cost				-18.6	-17.7	-5
Operating earnings (EBIT1)				658.3	586.5	12
Operating margin, %				24.2	23.4	0.8
Interest income and expenses, net				-17.5	-16.0	-9
Earnings before non-recurring items				640.8	570.5	12
Non-recurring items 3)				-3.9	-66.9	n.a.
Earnings before taxes				636.9	503.6	26
Taxes				-116.4	-94.1	-24
Net earnings				520.5	409.5	27

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 2017 related to the acquisition of MSC Software.

3) For further details about the non-recurring items in Q3 2018, please see page 2. Non-recurring items in Q1-Q3 2017 related to the implementation of a cost savings programme and the acquisition of MSC Software.

Q1-Q3 NET SALES AND EARNINGS

Operating net sales amounted to 2,717.7 MEUR (2,509.3) in the first nine months of the year. Net sales, including revenue adjustment, amounted to 2,717.7 MEUR (2,493.2). Using fixed exchange rates and a comparable group structure (organic growth), sales increased by 8 per cent.

Operating earnings (EBIT1) amounted to 658.3 MEUR (586.5), which corresponds to an operating margin of 24.2 per cent (23.4). Operating earnings (EBIT1) were negatively affected by currency translation effects of -29.5 MEUR.

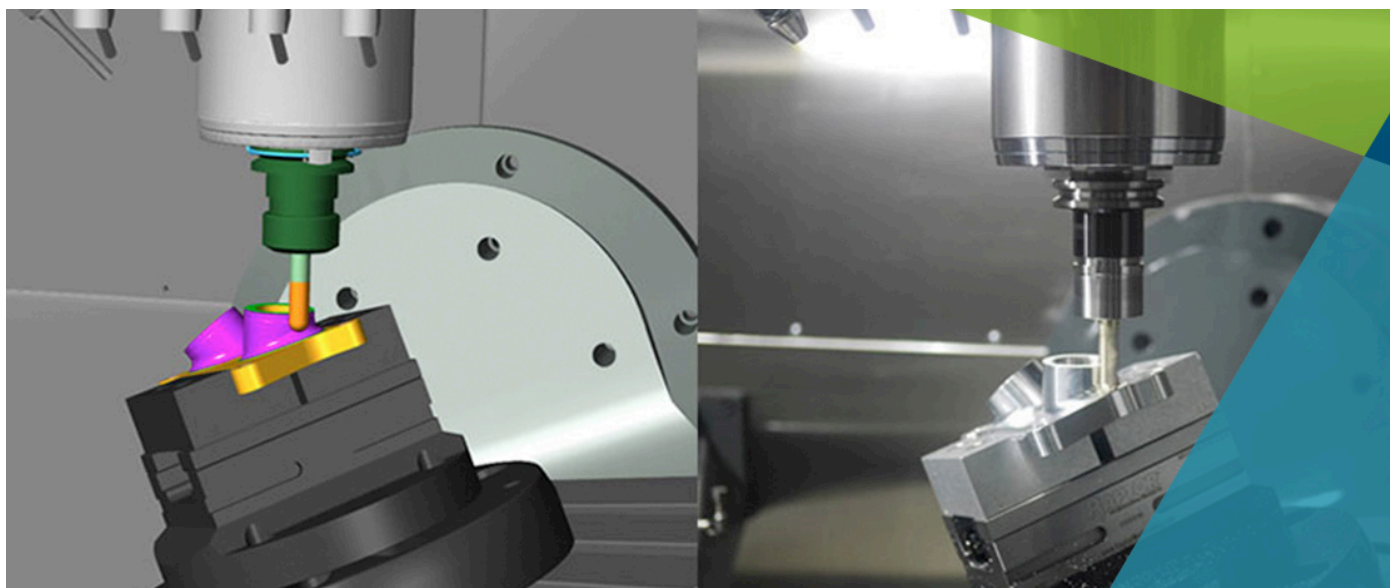
The financial net amounted to -17.5 MEUR (-16.0) in the first nine months.

Earnings before taxes, excluding non-recurring items, amounted to 640.8 MEUR (570.5). Earnings before taxes, including these items, amounted to 636.9 MEUR (503.6). Earnings before taxes were negatively impacted by currency translation effects of -31.6 MEUR. Net earnings, excluding non-recurring items, amounted to 520.5 MEUR (468.3) or 1.44 EUR (1.28) per share. Net earnings, including these items, amounted to 520.5 MEUR (409.5) or 1.43 EUR (1.12) per share.

CURRENCY TRANSLATION IMPACT COMPARED TO EUR – Q1-Q3 2018

	Movement ¹⁾	Income less cost	Earnings impact
CHF	Weakened -6%	Negative	Positive ↗
USD	Weakened -7%	Positive	Negative ↘
CNY	Weakened -3%	Positive	Negative ↘
EBIT1, MEUR			-29.5

1) Compared to Q1-Q3 2017. □



Hexagon acquired SPRING Technologies, a software provider specialising in integrated solutions for optimising the machining workflow through machine tool simulation, toolpath verification and optimisation, and machine tool management. Its solutions are used at major OEMs and suppliers worldwide, helping streamline the manufacturing process through the optimisation of machine tool performance and productivity. The acquisition is a vital piece in Hexagon's Smart Factory portfolio.

GROUP SUMMARY

PROFITABILITY

Capital employed increased to 7,763.8 MEUR (6,868.8). Return on average capital employed for the last twelve months was 12.6 per cent (12.2). Return on average shareholders' equity for the last twelve months was 16.5 per cent (12.6). The capital turnover rate was 0.50 times (0.50).

FINANCIAL POSITION

Total shareholders' equity increased to 5,106.5 MEUR (4,395.0). The equity ratio was 53.4 per cent (51.7). Hexagon's total assets increased to 9,571.3 MEUR (8,495.2). The increase in total assets is driven primarily 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 September 2018, cash and unutilised credit limits totalled 1,238.9 MEUR (1,433.1). Hexagon's net debt was 2,199.9 MEUR (2,148.1). The net indebtedness was 0.39 times (0.45). Interest coverage ratio was 30.9 times (25.8).

CASH FLOW

During the third quarter, cash flow from operations before changes in working capital amounted to 252.9 MEUR (204.6), corresponding to 0.70 EUR (0.57) per share. Cash flow from operations in the third quarter amounted to 162.1 MEUR (221.4), corresponding to 0.45 EUR (0.61) per share.

Operating cash flow in the third quarter, including non-recurring items, amounted to 40.2 MEUR (152.2).

For the first nine months, cash flow from operations amounted to 583.6 MEUR (643.0), corresponding to 1.62 EUR (1.78) per share. The operating cash flow, including non-recurring items, amounted to 300.3 MEUR (423.3).

INVESTMENTS, DEPRECIATION, AMORTISATION AND IMPAIRMENT

Hexagon's net investments, excluding acquisitions and divestitures, amounted to -144.9 MEUR (-64.0) in the third quarter and -296.2 MEUR (-199.2) in the first nine months.

Depreciation, amortisation and impairment amounted to -79.8 MEUR (-72.7) in the third quarter and -206.0 MEUR (-221.1) during the first nine months, whereof impairment charges amounted to -15.3 MEUR (-12.3) in the third quarter and -15.3 MEUR (-39.2) during the first nine months.

TAX RATE

The Group's tax expense for the first nine months totalled -116.4 MEUR (-94.1).

The reported tax rate was 18.8 per cent (18.6) for the quarter and 18.3 per cent (18.7) for the first nine months. The tax rate, excluding non-recurring items, was 18.0 per cent (17.9) for the quarter and 18.0 per cent (17.9) for the first nine months

EMPLOYEES

The average number of employees during the first nine months was 18,937 (17,272). The number of employees at the end of the quarter was 19,815 (18,026).

SHARE DATA

Earnings per share, including non-recurring

items, for the third quarter amounted to 0.49 EUR (0.43). Earnings per share, excluding non-recurring items, for the third quarter amounted to 0.51 EUR (0.45). Earnings per share, including non-recurring items, for the first nine months amounted to 1.43 EUR (1.12). Earnings per share, excluding non-recurring items, for the first nine months amounted to 1.44 EUR (1.28).

On 30 September 2018, equity per share was 14.09 EUR (12.14) and the share price was 521.00 SEK (403.70).

Hexagon's share capital amounts to 80,134,444 EUR, represented by 361,137,892 shares, of which 15,750,000 are of series A with ten votes each and 345,387,892 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 utilisation 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. On 30 September 2018, 4,671,110 warrants were outstanding.

PARENT COMPANY

The parent company's earnings before taxes in the third quarter amounted to 244.1 MEUR (-3.9) and to 303.0 MEUR (30.6) for the first nine months. The equity was 4,730.1 MEUR (4,546.0). The equity ratio of the parent company was 53 per cent (52). Liquid funds including unutilised credit limits were 874.3 MEUR (1,089.8).



Hexagon acquired Guardvant, a leader in operator safety solutions for the mining industry. Guardvant's fatigue monitoring and collision avoidance solutions, provide drivers with 360-degree situational awareness. The combination of safety-enhancing technologies keeps drivers safe, equipment protected and increases productivity.

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 2017, please see note 1 for further information.

From 1 January 2018 IFRS 15 Revenue From Contracts with Customers is applied. Hexagon applies the standard retrospectively and comparative figures for 2017 have been restated, see page 20. The standard provides a five-step model for revenue recognition from contracts with customers. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. This implies that for certain contracts, revenue might be recognised at another point in time. The timing of revenue recognition has also been affected by the fact that the revenue allocated to each performance obligation in the contract is recognised as each performance obligation is completed. Capitalization of sales commissions has also led to minor adjustments.

From 1 January 2018, IFRS 9 Financial Instruments is also applied. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement and provides a model for classification and measurement of financial assets and liabilities, extended

disclosure requirements for risk management and the effect of hedge accounting, and a new model for impairment of financial assets based on expected loss. Financial instruments that would affect the Hexagon financial statements if remeasured occur in limited extent and the result of the analysis performed, shows that the standard will not have any significant impact on measurement and thereby the financial statements. The analysis by IFRS 9 methodology and Hexagon's experience also shows that the standard will not have a significant impact on the group's reserve for credit loss. As there is no significant impact on Hexagon's financial statements, there has been no adjustment of opening balances.

From 1 January 2019, Hexagon will apply the new leasing standard IFRS 16, Leasing. The implementation of IFRS 16 will affect Hexagon's financial statements as both assets and interest bearing liabilities will increase since all material lease contracts will be recognised in the balance sheet. At the same time, rental expenses in the income statement will be replaced by depreciation and interest expenses, which will have a positive effect on operating earnings. The cash flow from operating activities will also be affected positively as lease payments henceforth will be allocated to interest payments and repayments of debts. IFRS 16 will be applied retrospectively without restatement of previous periods. The asset will at the time of transition be equal to the liability, which means no effect of transition will be presented in equity. A more detailed description of the implementation will be presented in the Year-End report and in the annual report 2018.

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 2017.

RELATED PARTY TRANSACTIONS

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

ANNUAL GENERAL MEETING AND NOMINATION COMMITTEE

The AGM will be held on 29 April 2019 at 17:00 CET at City Conference Center Stockholm (Norra Latin), Drottninggatan 71 B. The composition of the Hexagon Nomination Committee for the Annual General Meeting 2019 is: Mikael Ekdahl (Chairman), Anders Oscarsson, AMF and AMF Fonder, Jan Andersson, Swedbank Robur fonder and Ossian Ekdahl, Första AP-fonden.

SUBSEQUENT EVENTS

On 23 October, Hexagon acquired Bricsys, a developer of CAD (computer-aided design) software, based in Belgium. Bricsys turnover for 2017 amounted to approximately 13 MEUR.

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, 1 November 2018
Hexagon AB (publ)

Gun Nilsson
Chairman of the Board

Ola Rollén
President and CEO
Board Member

John Brandon
Board Member

Ulrika Francke
Board Member

Henrik Henriksson
Board Member

Märta Schörling Andreen
Board Member

Sofia Schörling Högberg
Board Member

AUDITORS' REVIEW REPORT

Introduction

We have reviewed the condensed interim report for Hexagon AB as at September 30, 2018 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the Swedish Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, 1 November 2018

Ernst & Young AB

Rickard Andersson
Authorised Public Accountant

Condensed Income Statement

MEUR	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	2017
Net sales	946.1	850.8	2,717.7	2,493.2	3,448.1
Cost of goods sold	-359.3	-332.9	-1,029.4	-966.6	-1,329.0
Gross earnings	586.8	517.9	1,688.3	1,526.6	2,119.1
Sales expenses	-177.8	-161.9	-514.7	-485.2	-656.3
Administration expenses	-76.9	-65.7	-221.0	-218.1	-303.5
Research and development expenses	-106.0	-90.6	-304.6	-294.0	-390.2
Earnings from shares in associated companies	-	-	-	-	-0.1
Capital gain (+) / loss (-) from sale of shares in Group companies	-	-	0.7	-	-
Other income and expenses, net	1.8	-2.2	5.7	-9.7	-9.4
Operating earnings 1)	227.9	197.5	654.4	519.6	759.6
Financial income	1.4	1.6	3.8	4.3	5.6
Financial expenses	-7.5	-7.2	-21.3	-20.3	-28.3
Earnings before taxes	221.8	191.9	636.9	503.6	736.9
Taxes	-41.7	-35.7	-116.4	-94.1	-65.7
Net earnings	180.1	156.2	520.5	409.5	671.2
Attributable to:					
Parent company shareholders	177.6	154.2	514.2	404.2	664.1
Non-controlling interest	2.5	2.0	6.3	5.3	7.1
1) of which non-recurring items	-3.9	-7.3	-3.9	-66.9	-73.2
Earnings include depreciation, amortisation and impairments of	-79.8	-72.7	-206.0	-221.1	-284.7
- of which amortisation of surplus values	-12.8	-11.9	-36.2	-32.8	-44.9
Basic earnings per share, EUR	0.49	0.43	1.43	1.12	1.84
Earnings per share after dilution, EUR	0.49	0.43	1.42	1.12	1.84
Total shareholder's equity per share, EUR	14.09	12.14	14.09	12.14	12.74
Closing number of shares, thousands	361,138	360,443	361,138	360,443	360,443
Average number of shares, thousands	360,851	360,443	360,579	360,443	360,443
Average number of shares after dilution, thousands	362,333	361,697	362,218	361,552	361,589

Condensed Comprehensive Income

MEUR	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	2017
Net earnings	180.1	156.2	520.5	409.5	671.2
Other comprehensive income					
Items that will not be reclassified to income statement					
Remeasurement of pensions	7.3	11.1	9.2	29.9	47.4
Net profit/loss on equity instruments at fair value through other comprehensive income	-10.6	-	-	-	-
Taxes on items that will not be reclassified to income statement	1.3	-1.0	-0.9	-3.3	-6.6
Total items that will not be reclassified to income statement, net of taxes	-2.0	10.1	8.3	26.6	40.8
Items that may be reclassified subsequently to income statement					
Exchange rate differences	-4.7	-134.0	86.9	-467.3	-528.6
Taxes on items that may be reclassified subsequently to income statement	-1.7	5.8	-4.3	21.5	24.4
Total items that may be reclassified subsequently to income statement, net of taxes	-6.4	-128.2	82.6	-445.8	-504.2
Other comprehensive income, net of taxes	-8.4	-118.1	90.9	-419.2	-463.4
Total comprehensive income for the period	171.7	38.1	611.4	-9.7	207.8
Attributable to:					
Parent company shareholders	169.8	36.4	605.5	-13.9	201.5
Non-controlling interest	1.9	1.7	5.9	4.2	6.3

Condensed Balance Sheet

MEUR	30/9 2018	30/9 2017	31/12 2017
Intangible fixed assets	6,979.8	6,369.1	6,408.3
Tangible fixed assets	372.7	280.5	281.2
Financial fixed assets	53.1	35.1	40.4
Deferred tax assets	90.7	83.8	83.7
Total fixed assets	7,496.3	6,768.5	6,813.6
Inventories	476.1	458.2	431.8
Accounts receivable	905.5	772.7	895.5
Other receivables	102.9	99.5	93.9
Prepaid expenses and accrued income	133.3	70.6	69.2
Total current receivables	1,141.7	942.8	1,058.6
Cash and cash equivalents	457.2	325.7	309.4
Total current assets	2,075.0	1,726.7	1,799.8
Total assets	9,571.3	8,495.2	8,613.4
Equity attributable to parent company shareholders	5,089.3	4,377.1	4,592.5
Equity attributable to non-controlling interest	17.2	17.9	11.9
Total shareholders' equity	5,106.5	4,395.0	4,604.4
Interest bearing liabilities	2,211.3	2,047.0	1,960.2
Other liabilities	157.3	58.1	48.6
Pension liabilities	74.4	100.7	82.3
Deferred tax liabilities	451.1	542.6	442.6
Other provisions	9.0	8.3	8.5
Total long-term liabilities	2,903.1	2,756.7	2,542.2
Interest bearing liabilities	371.4	326.1	301.8
Accounts payable	184.3	173.5	189.3
Other liabilities	278.1	178.8	255.3
Other provisions	24.7	35.8	28.1
Deferred income	367.4	324.9	369.6
Accrued expenses	335.8	304.4	322.7
Total short-term liabilities	1,561.7	1,343.5	1,466.8
Total equity and liabilities	9,571.3	8,495.2	8,613.4

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	Q1-Q3 2018	Q1-Q3 2017	2017
Opening shareholders' equity	4,604.4	4,590.8	4,590.8
Adjustment of opening shareholders' equity (IFRS 15)	-	-17.8	-17.8
Adjusted opening shareholders' equity	4,604.4	4,573.0	4,573.0
Total comprehensive income for the period 1)	611.4	-9.7	207.8
New share issues, warrants exercised - net of issuance costs	81.5	-	-
Effect of acquisitions of subsidiaries (IFRS 15)	-	5.0	5.0
Dividend	-191.1	-173.3	-181.4
Effect of acquisitions or divestments of subsidiaries	0.3	-	-
Closing shareholders' equity 2)	5,106.5	4,395.0	4,604.4
1) Of which: Parent company shareholders	605.5	-13.9	201.5
Non-controlling interest	5.9	4.2	6.3
2) Of which: Parent company shareholders	5,089.3	4,377.1	4,592.5
Non-controlling interest	17.2	17.9	11.9

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	-	-	-
2017-12-31 Total issued and outstanding	15,750,000	344,693,142	360,443,142
New issue, warrants exercised	-	694,750	694,750
2018-09-30 Total issued and outstanding 1)	15,750,000	345,387,892	361,137,892

¹⁾ As per 30 September 2018 there were in total 361,137,892 shares in the Company, of which 15,750,000 are of series A with ten votes each and 345,387,892 are of series B with one vote each. Hexagon AB holds no treasury shares. Warrants exercised until 2018-10-12 have resulted in a new share issue in progress of 1,786,800 new shares of series B. The new share issue will be finalised in the fourth quarter of 2018.

Condensed Cash Flow Statement

MEUR	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	2017
Cash flow from operations before change in working capital excluding taxes and interest	292.7	240.3	841.4	712.0	1,011.3
Taxes paid	-34.5	-30.6	-114.8	-78.0	-114.8
Interest received and paid, net	-5.3	-5.1	-16.8	-12.4	-16.8
Cash flow from operations before change in working capital	252.9	204.6	709.8	621.6	879.7
Cash flow from change in working capital	-90.8	16.8	-126.2	21.4	27.5
Cash flow from operations	162.1	221.4	583.6	643.0	907.2
Investments tangible assets	-86.4	-10.7	-127.2	-33.1	-48.8
Investments intangible assets	-58.5	-53.3	-169.0	-166.1	-226.8
Operating cash flow before non-recurring items	17.2	157.4	287.4	443.8	631.6
Non-recurring cash flow 1)	23.0	-5.2	12.9	-20.5	-28.6
Operating cash flow	40.2	152.2	300.3	423.3	603.0
Cash flow from other investing activities 2)	-250.5	-39.0	-347.1	-843.7	-928.9
Cash flow after other investing activities	-210.3	113.2	-46.8	-420.4	-325.9
Dividends paid	-0.1	-	-191.1	-173.3	-181.4
New share issues, warrants exercised - net of issuance costs	81.5	-	81.5	-	-
Cash flow from other financing activities	224.3	-92.6	321.3	657.3	549.9
Cash flow for the period	95.4	20.6	164.9	63.6	42.6
Cash and cash equivalents, beginning of period	391.1	313.1	309.4	284.0	284.0
Effect of translation differences on cash and cash equivalents	-29.3	-8.0	-17.1	-21.9	-17.2
Cash flow for the period	95.4	20.6	164.9	63.6	42.6
Cash and cash equivalents, end of period	457.2	325.7	457.2	325.7	309.4

¹⁾ Non-recurring cash flow consists of restructuring costs and sale of shares in BIMObject.

²⁾ Acquisitions and divestments totaled -244.7 MEUR (-36.0) and other was -5.8 MEUR (-3.0) in the third quarter of 2018.

Key Ratios

	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	2017
Operating margin, %	24.5	23.9	24.2	23.4	24.0
Profit margin before taxes, %	23.4	22.6	23.4	20.2	21.4
Return on shareholders' equity, 12 month average, %	16.5	12.6	16.5	12.6	14.8
Return on capital employed, 12 month average, %	12.6	12.2	12.6	12.2	12.6
Equity ratio, %	53.4	51.7	53.4	51.7	53.5
Net indebtedness	0.39	0.45	0.39	0.45	0.40
Interest coverage ratio	30.6	27.7	30.9	25.8	27.0
Average number of shares, thousands	360,851	360,443	360,579	360,443	360,443
Basic earnings per share excl. non-recurring items, EUR	0.51	0.45	1.44	1.28	1.82
Basic earnings per share, EUR	0.49	0.43	1.43	1.12	1.84
Cash flow per share, EUR	0.45	0.61	1.62	1.78	2.52
Cash flow per share before change in working cap, EUR	0.70	0.57	1.97	1.72	2.44
Share price, SEK	521.00	403.70	521.00	403.70	410.90
Share price, translated to EUR	50.54	41.84	50.54	41.84	41.74

Supplementary Information

NET SALES PER SEGMENT

MEUR	Q3 2018	Q2 2018	Q1 2018	Q4 2017*	Q3 2017*	Q2 2017*	Q1 2017	2017*
Geospatial Enterprise Solutions	457.1	454.8	411.5	455.6	417.9	429.8	403.0	1,706.3
Industrial Enterprise Solutions	489.0	482.1	423.2	505.6	440.2	442.2	376.2	1,764.2
Group	946.1	936.9	834.7	961.2	858.1	872.0	779.2	3,470.5

OPERATING EARNINGS (EBIT1) PER SEGMENT

MEUR	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	2017
Geospatial Enterprise Solutions	114.6	113.7	101.4	116.7	100.2	104.0	90.9	411.8
Industrial Enterprise Solutions	123.7	121.6	101.9	132.7	110.0	107.9	91.2	441.8
Group costs	-6.5	-7.1	-5.0	-3.1	-5.4	-6.6	-5.7	-20.8
Group	231.8	228.2	198.3	246.3	204.8	205.3	176.4	832.8
Margin, %	24.5	24.4	23.8	25.6	23.9	23.5	22.6	24.0

NET SALES PER REGION

MEUR	Q3 2018	Q2 2018	Q1 2018	Q4 2017*	Q3 2017*	Q2 2017*	Q1 2017	2017*
EMEA	340.9	348.9	326.8	375.8	312.0	322.3	293.0	1,303.1
Americas	317.9	307.5	266.4	315.9	289.6	291.7	266.2	1,163.4
Asia	287.3	280.5	241.5	269.5	256.5	258.0	220.0	1,004.0
Group	946.1	936.9	834.7	961.2	858.1	872.0	779.2	3,470.5

EXCHANGE RATES

Average	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	2017
SEK/EUR	0.0961	0.0968	0.1004	0.1021	0.1046	0.1033	0.1052	0.1038
USD/EUR	0.8599	0.8389	0.8136	0.8491	0.8517	0.9094	0.9386	0.8864
CNY/EUR	0.1264	0.1315	0.1280	0.1284	0.1277	0.1325	0.1363	0.1311
CHF/EUR	0.8744	0.8516	0.8583	0.8604	0.8848	0.9228	0.9347	0.9000
Closing	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	2017
SEK/EUR	0.0970	0.0957	0.0972	0.1016	0.1036	0.1037	0.1049	0.1016
USD/EUR	0.8639	0.8578	0.8116	0.8338	0.8470	0.8763	0.9354	0.8338
CNY/EUR	0.1255	0.1296	0.1291	0.1281	0.1273	0.1292	0.1358	0.1281
CHF/EUR	0.8837	0.8644	0.8490	0.8546	0.8728	0.9149	0.9349	0.8546

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

Acquisitions

MEUR	AutonomouStuff	Other	Acquisitions	
			Q1-Q3 2018	Q1-Q3 2017
Fair value of acquired assets and assumed liabilities				
Intangible fixed assets	31.2	49.5	80.7	245.4
Other fixed assets	1.1	2.8	3.9	32.5
Total fixed assets	32.3	52.3	84.6	277.9
Total current assets	6.4	25.9	32.3	113.0
Total assets	38.7	78.2	116.9	390.9
Total long-term liabilities	9.0	1.3	10.3	105.8
Total current liabilities	6.1	11.3	17.4	128.2
Total liabilities	15.1	12.6	27.7	234.0
Fair value of acquired assets and assumed liabilities, net	23.6	65.6	89.2	156.9
Non-controlling interest in equity	-	-0.3	-0.3	-
Goodwill	272.3	103.0	375.3	714.4
Total purchase consideration transferred	295.9	168.3	464.2	871.3
Less cash and cash equivalents in acquired companies	1.6	-8.0	-6.4	-36.2
Adjustment for non-paid consideration and considerations paid for prior years' acquisitions	-83.5	-38.5	-122.0	0.8
Cash flow from acquisition of companies/businesses	214.0	121.8	335.8	835.9

During the first nine months of 2018, Hexagon acquired the following companies:

- AGTEK, a US based software company specialising in planning and productivity solutions for the heavy civil construction industry
- Acquired business from Geosurf Corporation, a Japanese software developer of a local machine control construction solution
- ProCAM, an Italian distributor of CAD CAM solutions and complementary software
- NEXTSENSE GmbH, an Austrian based company specialising in non-contact profile measurement and surface inspection solutions
- External Array, a Chinese software company providing a local solution for CMM's in the Chinese market
- Guardvant, a US based supplier of operator safety solutions for the mining industry
- LSE, an Italian provider of software solutions for the Geomatics market
- SPRING Technologies, a French software provider specialising in integrated solutions for optimising the machining workflow
- AutonomouStuff, a US based supplier of integrated autonomous vehicle solutions

Further information related to the acquisition of AutonomouStuff is presented in the acquisition analysis on page 18. The other acquisitions are individually assessed as immaterial from a group perspective which is 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 (level 3 according to definition in IFRS 13) each reporting period and based on the latest relevant forecast for the acquired company. The valuation method is unchanged compared to the previous period. The estimated liability for contingent considerations amounted to 177.4 MEUR as of 30 September (62.7), whereof the fair value adjustment in 2018 amounted to 6.1 MEUR. In connection with the valuation of contingent considerations the assets acquired and liabilities assumed in the purchase price allocation are reviewed. Any indication of impairment due to the revaluation of contingent considerations is considered and adjustments are made to off-set the impact from revaluation.

ACQUISITION OF NEXTSENSE

In May 2018, Hexagon acquired NEXTSENSE GmbH, an Austrian based company specialised in non-contact profile measurement and surface inspection solutions. In 2017 NEXTSENSE generated sales of 12 MEUR.

Background and reasons for the transaction

NEXTSENSE's advanced manual, inline and automated solutions, with the ability to automatically compensate for tilts and rotations during scanning, complement Hexagon's approach to enabling the smart factory vision. Additionally, the acquisition extends Hexagon's breadth of capabilities in automotive fit and finish as well as in industries such as rail and steel, where Hexagon has a comparatively small footprint today. Together, the combination of sensors, software, and advanced analytics from both portfolios will bring added value to all customers while extending the global reach of NEXTSENSE's solutions to new markets and regions

From the date of acquisition, NEXTSENSE has contributed 7.2 MEUR of net sales in 2018. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 11.7 MEUR.

ACQUISITION OF AUTONOMoustUFF

In September 2018, Hexagon completed the acquisition of US based AutonomouStuff, one of the world's leading suppliers of integrated autonomous vehicle solutions. In 2017 AutonomouStuff generated sales of 45 MUSD.

Background and reasons for the transaction

AutonomouStuff's turn-key platforms, which utilise a robust portfolio of technologies, are deployed in pilot programs worldwide – representing more than 2,500 customers in the automotive and technology sectors across Silicon Valley, America, Europe, and Asia. When combined with Hexagon's positioning intelligence, mapping, simulation and sensing technology leadership, this acquisition creates a nexus of domain expertise and accelerate Hexagon's ability to be a leader in autonomous connected ecosystems (ACE).

From the date of consolidation of the acquisition, AutonomouStuff has contributed 7.0 MEUR of net sales in 2018. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 38.8 MEUR.

Divestments

MEUR	Divestments	
	Q1-Q3 2018	Q1-Q3 2017
Carrying value of divested assets and liabilities, net		
Intangible fixed assets	3.4	-
Total fixed assets	3.4	-
Total current assets	0.1	-
Total assets	3.5	-
Total current liabilities	0.1	-
Total liabilities	0.1	-
Carrying value of divested assets and liabilities, net	3.4	-
Capital gain (+) / loss (-)	0.7	-
Total purchase consideration transferred	4.1	-
Less cash and cash equivalents in divested companies	-0.1	-
Cash flow from divestment of companies/businesses	4.0	-

Restatement of 2017 – IFRS 15

MEUR	Q1-Q3 2017			2017		
	According to interim report	Adjustments	According to IFRS 15	According to annual report	Adjustments	According to IFRS 15
Assets						
Intangible fixed assets	6,369.1	-	6,369.1	6,408.3	-	6,408.3
Tangible fixed assets	280.5	-	280.5	281.2	-	281.2
Financial fixed assets	35.1	-	35.1	40.4	-	40.4
Deferred tax assets	84.1	-0.3	83.8	83.9	-0.2	83.7
Current assets	1,744.4	-17.7	1,726.7	1,815.4	-15.6	1,799.8
Total assets	8,513.2	-18.0	8,495.2	8,629.2	-15.8	8,613.4
Equity						
Retained earnings	3,996.8	-11.3	3,985.5	3,944.3	-11.1	3,933.2
Income statement						
Net sales	2,495.4	-2.2	2,493.2	3,448.4	-0.3	3,448.1
Cost of goods sold	-967.2	0.6	-966.6	-1,327.2	-1.8	-1,329.0
Gross earnings	1,528.2	-1.6	1,526.6	2,121.2	-2.1	2,119.1
Sales expenses	-485.1	-0.1	-485.2	-655.9	-0.4	-656.3
Other operating costs	-521.8	-	-521.8	-703.2	-	-703.2
Operating earnings	521.3	-1.7	519.6	762.1	-2.5	759.6
Financial income and expenses	-16.0	-	-16.0	-22.7	-	-22.7
Earnings before tax	505.3	-1.7	503.6	739.4	-2.5	736.9
Tax	-94.8	0.7	-94.1	-65.6	-0.1	-65.7
Net earnings	410.5	-1.0	409.5	673.8	-2.6	671.2
Total equity	4,407.3	-12.3	4,395.0	4,618.1	-13.7	4,604.4
Liabilities						
Interest bearing liabilities	2,047.0	-	2,047.0	1,960.2	-	1,960.2
Other liabilities	58.1	-	58.1	48.6	-	48.6
Pension liabilities	100.7	-	100.7	82.3	-	82.3
Deferred tax liability	547.2	-4.6	542.6	446.5	-3.9	442.6
Other provisions	8.3	-	8.3	8.5	-	8.5
Current liabilities	1,344.6	-1.1	1,343.5	1,465.0	1.8	1,466.8
Total liabilities	4,105.9	-5.7	4,100.2	4,011.1	-2.1	4,009.0
Total equity and liabilities	8,513.2	-18.0	8,495.2	8,629.2	-15.8	8,613.4

Condensed Parent Company Income Statement

MEUR	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	2017
Net sales	3.8	5.3	11.4	15.8	18.5
Administration cost	-5.2	-4.2	-18.0	-17.4	-28.1
Operating earnings	-1.4	1.1	-6.6	-1.6	-9.6
Earnings from shares in Group companies	213.4	-	229.0	70.1	59.0
Interest income and expenses, net	32.1	-5.0	80.6	-37.9	-40.4
Group contribution	-	-	-	-	22.7
Earnings before taxes	244.1	-3.9	303.0	30.6	31.7
Taxes	-8.4	-0.2	-16.3	-0.2	5.6
Net earnings	235.7	-4.1	286.7	30.4	37.3

Condensed Parent Company Balance Sheet

MEUR	30/9 2018	30/9 2017	31/12 2017
Total fixed assets	7,538.1	7,858.6	7,375.6
Total current receivables	1,257.4	929.5	949.4
Cash and cash equivalents	109.1	2.1	0.7
Total current assets	1,366.5	931.6	950.1
Total assets	8,904.6	8,790.2	8,325.7
Total shareholders' equity	4,730.1	4,546.0	4,553.0
Total long-term liabilities	2,205.4	2,041.8	1,955.2
Total short-term liabilities	1,969.1	2,202.4	1,817.5
Total equity and liabilities	8,904.6	8,790.2	8,325.7

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, analyse 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

Amortisation 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 amortisation of surplus values is defined as the difference between the amortisation of such identified intangible assets and what the amortisation 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 before taxes 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 and impact comparability between periods
Operating earnings (EBIT1)	Operating earnings excluding capital gains on shares in group companies and non-recurring items. Non-recurring items are excluded to facilitate the understanding of the Group's operational development and to give comparable numbers between periods
Operating earnings (EBITDA)	Operating earnings (EBIT 1) excluding amortisation, depreciation and impairment of fixed assets. The measure is presented to give depiction of the result generated by the operating activities
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 before taxes 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 global leader in digital solutions that create Autonomous Connected Ecosystems (ACE), a state where data is connected seamlessly through the convergence of the physical world with the digital, and intelligence is built-in to all processes. Hexagon's industry-specific solutions leverage domain expertise in sensor technologies, software, and data orchestration to create Smart Digital Realities™ that improve productivity and quality across manufacturing, infrastructure, safety and mobility applications. Hexagon (Nasdaq Stockholm: HEXA B) has approximately 20,000 employees in 50 countries and net sales of approximately 3.5bn EUR. Learn more at hexagon.com.

FINANCIAL REPORT DATES

Hexagon gives financial information at the following occasions:

Year-End report 2018	6 February 2019
Interim report Q1 2019	29 April 2019
Interim report Q2 2019	26 July 2019
Interim report Q3 2019	30 October 2019

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 third quarter 2018 will be presented on 1 November at 10:00 CET at a telephone conference. Please view instructions at Hexagon's website on how to participate.

CONTACT

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This information is information that Hexagon AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08:00 CET on 1 November 2018.

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.

