# INTERIM REPORT

## 1 JANUARY – 31 MARCH 2019

### FIRST QUARTER


- Net sales increased by 10 per cent to 916.5 MEUR (834.7). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 4 per cent
- Operating earnings (EBIT1) increased by 11 per cent to 220.5 MEUR (198.3)
- Earnings before taxes, excluding non-recurring items, amounted to 212.9 MEUR (192.3)
- Net earnings, excluding non-recurring items, amounted to 174.6 MEUR (157.7)
- Earnings per share, excluding non-recurring items, increased by 12 per cent to 0.48 EUR (0.43)
- Operating cash flow, excluding non-recurring items, decreased by -1 per cent to 106.5 MEUR (108.0)

| MEUR | Q1 2019 | Q1 2018 | Δ% |
|---|---|---|---|
| Net sales | 916.5 | 834.7 | 4 [1] |
| Gross earnings | 573.3 | 517.6 | 11 |
| Gross margin, % | 62.6 | 62.0 | 0.6 |
| Operating earnings (EBITDA) [2] | 308.2 | 259.5 | 19 |
| EBITDA margin, % | 33.6 | 31.1 | 2.5 |
| Operating earnings (EBIT1) [2] | 220.5 | 198.3 | 11 |
| Operating margin, % | 24.1 | 23.8 | 0.3 |
| Earnings before taxes, excluding non-recurring items | 212.9 | 192.3 | 11 |
| Non-recurring items (before taxes) [3] | -9.7 | - | n.a. |
| Earnings before taxes | 203.2 | 192.3 | 6 |
| Net earnings | 166.5 | 157.7 | 6 |
| Net earnings, excl. non-recurring items | 174.6 | 157.7 | 11 |
| Earnings per share, EUR | 0.45 | 0.43 | 5 |
| Earnings per share, excl. non-recurring items, EUR | 0.48 | 0.43 | 12 |

[1] Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.
[2] For definition, see page 18.
[3] Non-recurring items in first quarter 2019 related to the acquisition of Thermopylae, for more information see page 2.

Summary of IFRS 16 impact for Q1 2019
- Income statement – EBITDA was improved by 17 MEUR and EBIT by 1 MEUR while Earnings before taxes was negatively impacted by -1 MEUR.
- Cash flow – Cash flow from operations was improved by 15 MEUR and the same amount negatively impacted cash flow from other financing activities.
- Balance sheet – All lease contracts have been recognised initially as right of use asset of 238 MEUR with corresponding liabilities.
- Numbers for 2018 have not been restated.

## COMMENTS FROM THE CEO

"Hexagon started 2019 with another robust quarter, reporting 4 per cent organic growth and good profit development. The Geosystems division continued to record strong organic growth, 8 per cent in the quarter, driven by solid demand in infrastructure and construction, mining and new, innovative solutions such as the RTC360. The Manufacturing Intelligence division recorded 4 per cent organic growth, driven by favourable demand in the aerospace and general manufacturing industries and strong growth in the design and production software portfolios. The PPM division recorded 7 per cent organic growth, with contributions from the traditional design portfolio as well as construction and information management solutions. As expected, the Safety & Infrastructure division continued to hinder Hexagon 's overall growth and margin expansion in the quarter, recording -17 per cent organic growth. If we exclude the public safety related business, the Hexagon organic growth was above 6 per cent. However, as previously communicated, actions have been taken to ensure improved performance in this division throughout the remainder of 2019.

Despite the uncertainties in the global economy, we're confident in our continued growth and profitability. With a strong financial position, we are well positioned to deliver upon our strategy and long-term financial objectives while taking advantage of the opportunities ahead of us to move our customers beyond IoT - to connect, automate, and ultimately 'autonomise ' entire industry ecosystems."

*– Ola Rollén, President and CEO, Hexagon AB*

# GROUP BUSINESS DEVELOPMENT Q1

## NET SALES

Net sales increased by 10 per cent to 916.5 MEUR (834.7). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 4 per cent. Regionally, organic growth was 9 per cent in Asia, 4 per cent in EMEA and flat in Americas. In Asia, China recorded 3 per cent organic growth, supported by a solid development in the infrastructure, construction and power and energy markets while hampered by decline in public safety. Japan, Indonesia and South Korea recorded double-digit growth. In EMEA, Western Europe recorded 4 per cent organic growth, driven by strong demand in infrastructure and construction and positioning solutions, primarily from Germany, Italy, UK and Spain. Russia recorded double-digit growth while the Middle East declined. In Americas, North America recorded -3 per cent organic growth hampered by decline in public safety, while power and energy continued to experience a solid development in the region. South America continued to record strong double-digit growth supported by all businesses.

## EARNINGS

Operating earnings (EBIT1) grew by 11 per cent to 220.5 MEUR (198.3), which corresponds to an operating margin of 24.1 per cent (23.8). The operating margin (EBIT1) benefited from organic growth and product mix. Operating earnings (EBIT1) were positively impacted by currency translation effects of 8.4 MEUR. Earnings before taxes amounted to 203.2 MEUR (192.3) and were positively impacted by currency translation effects of 7.9 MEUR.

## NON-RECURRING ITEMS

On 12 April 2019, Hexagon announced the completion of the acquisition of Thermopylae Sciences and Technology, a software provider serving both the U.S. government and private sector markets with geospatial applications, mobile frameworks and cloud computing for enhanced location intelligence. The income statement during the first quarter 2019 has been impacted by one-off items of -9.7 MEUR, related to the impairment of overlapping technologies as well as transaction and integration costs.

## FINANCIAL SUMMARY - FIRST QUARTER

| | Net sales | | | Earnings | | |
|---|---|---|---|---|---|---|
| MEUR | Q1 2019 | Q1 2018 | Δ% [1] | Q1 2019 | Q1 2018 | Δ% |
| Geospatial Enterprise Solutions | 448.7 | 411.5 | 3 | 112.4 | 101.4 | 11 |
| Industrial Enterprise Solutions | 467.8 | 423.2 | 5 | 113.9 | 101.9 | 12 |
| Net sales | 916.5 | 834.7 | 4 | | | |
| Group cost | | | | -5.8 | -5.0 | -16 |
| Operating earnings (EBIT1) | | | | 220.5 | 198.3 | 11 |
| Operating margin, % | | | | 24.1 | 23.8 | 0.3 |
| Interest income and expenses, net | | | | -7.6 | -6.0 | -27 |
| Earnings before non-recurring items | | | | 212.9 | 192.3 | 11 |
| Non-recurring items [2] | | | | -9.7 | - | n.a. |
| Earnings before taxes | | | | 203.2 | 192.3 | 6 |
| Taxes | | | | -36.7 | -34.6 | -6 |
| Net earnings | | | | 166.5 | 157.7 | 6 |

[1] Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.
[2] Non-recurring items in the first quarter 2019 related to the acquisition of Thermopylae.

## CURRENCY TRANSLATION IMPACT COMPARED TO EUR - FIRST QUARTER

| | Movement [1] | | Income less cost | Earnings impact |
|---|---|---|---|---|
| CHF | Strengthened | 3% | Negative | Negative |
| USD | Strengthened | 8% | Positive | Positive |
| CNY | Strengthened | 2% | Positive | Positive |
| EBIT1, MEUR | | | | 8.4 |

[1] Compared to Q1 2018

## SALES BRIDGE - FIRST QUARTER

| | Net sales [1] |
|---|---|
| 2018, MEUR | 834.7 |
| Structure, % | 3 |
| Currency, % | 3 |
| Organic growth, % | 4 |
| Total, % | 10 |
| 2019, MEUR | 916.5 |

[1] 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[1] PER REGION

| Region | Q1 2019 |
|---|---|
| Asia excl. China (15% of sales) | ↗ |
| South America (4% of sales) | ↗ |
| Western Europe (31% of sales) | → |
| China (15% of sales) | → |
| EMEA excl. Western Europe (6% of sales) | → |
| North America (29% of sales) | ↘ |
| Total | → |

| | |
|---|---|
| >8% | ↗ |
| 0-8% | → |
| Negative | ↘ |

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

# GEOSPATIAL ENTERPRISE SOLUTIONS – Q1 2019

*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) net sales amounted to 448.7 MEUR (411.5). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 3 per cent. Regionally, organic growth was 11 per cent in Asia, 5 per cent in EMEA and -3 per cent in Americas. In EMEA, Western Europe recorded solid growth, supported by strong demand in infrastructure and construction and positioning solutions. The largest contributing countries were Germany, Spain and France. Russia and Eastern Europe recorded double-digit organic growth while the Middle East declined. In Asia, China recorded 3 per cent organic growth with solid demand in infrastructure and construction, partly offset by decline in public safety. Indonesia, Japan and South Korea recorded strong double-digit growth while India declined. In Americas, North America had a weak quarter mainly hampered by decline in public safety. South America continued to record strong double-digit growth, driven by a strong demand in mining.

Regarding the divisions within GES, Geosystems recorded 8 per cent organic growth, mainly driven by continued strong growth in the infrastructure and construction market, mining solutions and new products such as the RTC360. As expected, Safety & Infrastructure continued to be challenging, recording -17 per cent organic growth. The technical issues related to the implementation of a new solution in North America continued in the quarter, the mitigation plan is on track and as previously communicated, actions have been taken to ensure improvement over the remainder of 2019. Positioning Intelligence recorded 18 per cent organic growth, positively impacted by continued strong growth in the agriculture and automotive markets and a continued recovery in marine.

## EARNINGS

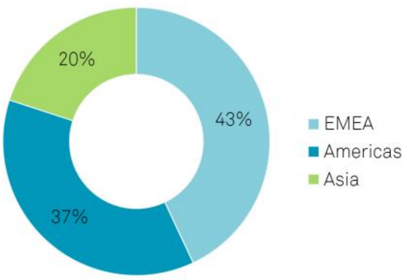
Operating earnings (EBIT1) increased by 11 per cent to 112.4 MEUR (101.4), which corresponds to an operating margin of 25.1 per cent (24.6). The operating margin (EBIT1) was positively impacted by organic growth and product mix.

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

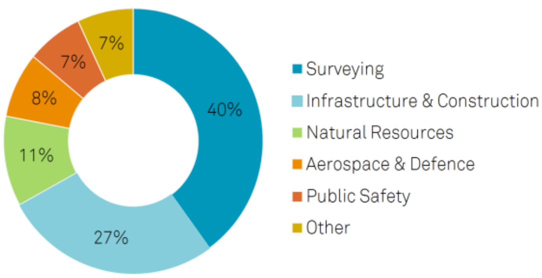
| MEUR | Q1 2019 | Q1 2018 | Δ% |
|---|---|---|---|
| Net sales | 448.7 | 411.5 | 3 [1] |
| Operating earnings (EBIT1) | 112.4 | 101.4 | 11 |
| Operating margin, % | 25.1 | 24.6 | 0.5 |
| Avg. number of employees | 8,725 | 8,099 | 8 |

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

### NET SALES PER REGION – FIRST QUARTER




### NET SALES PER CUSTOMER SEGMENT - FIRST QUARTER



# INDUSTRIAL ENTERPRISE SOLUTIONS – Q1 2019

*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) net sales amounted to 467.8 MEUR (423.2). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 5 per cent. Regionally, organic growth was 7 per cent in Asia, 5 per cent in Americas and 1 per cent in EMEA. In Asia, China recorded 3 per cent organic growth supported by a favorable development in power and energy and general manufacturing. Japan and India recorded double-digit organic growth. In Americas, North America recorded mid-single digit growth, positively impacted by strong a development in the US and Canada. South America recorded double-digit growth. In EMEA, Western Europe recorded low single-digit growth supported by a strong development in Italy and the UK while hampered by slow growth in Germany and Spain. The Middle East continued to grow, however Russia declined.

Regarding the divisions within IES, Manufacturing Intelligence recorded 4 per cent organic growth, supported by solid demand from the aerospace and general manufacturing industry. The strong growth in the design and production software portfolios continued. PPM recorded 7 per cent organic growth, with contributions from the traditional design portfolio as well as construction and information management solutions.

## EARNINGS

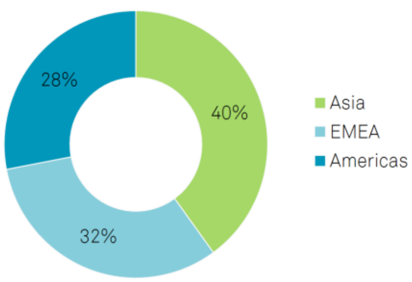
Operating earnings (EBIT1) increased by 12 per cent to 113.9 MEUR (101.9), which corresponds to an operating margin of 24.3 per cent (24.1). The operating margin (EBIT1) benefited from organic growth and an increased software mix.

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

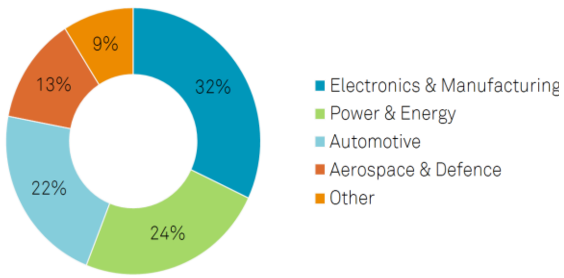
| MEUR | Q1 2019 | Q1 2018 | Δ% |
|---|---|---|---|
| Net sales | 467.8 | 423.2 | 5 [1)] |
| Operating earnings (EBIT1) | 113.9 | 101.9 | 12 |
| Operating margin, % | 24.3 | 24.1 | 0.2 |
| Avg. number of employees | 11,284 | 10,166 | 11 |

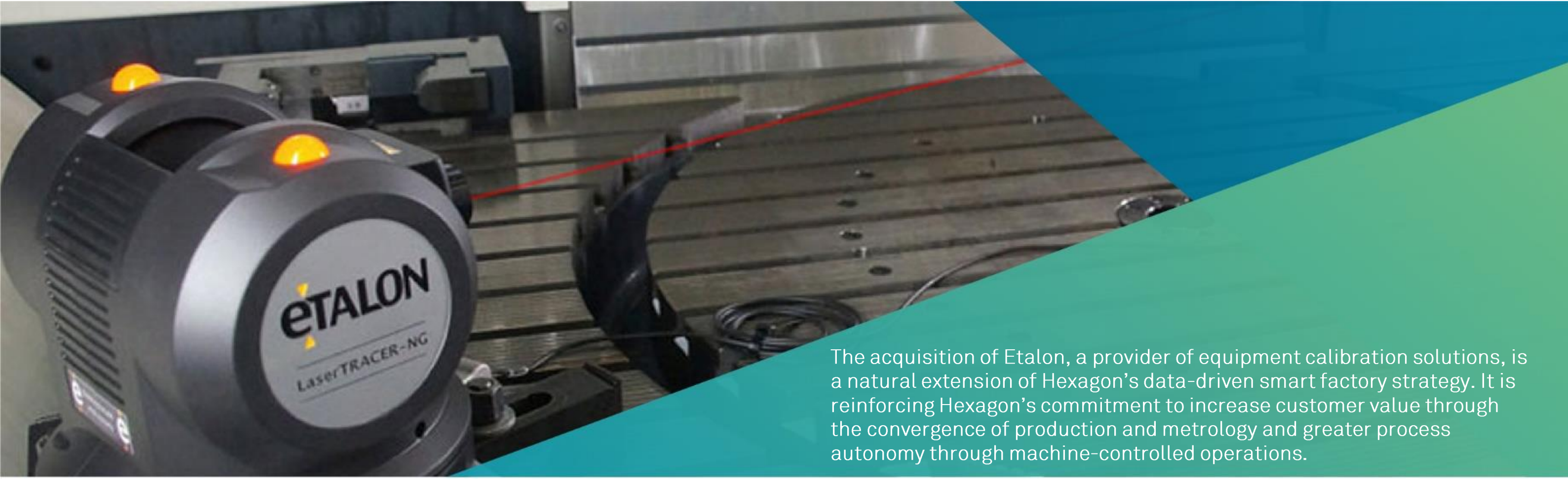
[1)] Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

### NET SALES PER REGION – FIRST QUARTER




### NET SALES PER CUSTOMER SEGMENT – FIRST QUARTER






The acquisition of Etalon, a provider of equipment calibration solutions, is a natural extension of Hexagon's data-driven smart factory strategy. It is reinforcing Hexagon's commitment to increase customer value through the convergence of production and metrology and greater process autonomy through machine-controlled operations.

# GROUP SUMMARY

## PROFITABILITY

Capital employed increased to 8,292.6 MEUR (6,972.1). Return on average capital employed for the last twelve months was 12.5 per cent (12.6). Return on average shareholders' equity for the last twelve months was 14.5 per cent (16.2). The capital turnover rate was 0.5 times (0.5).

## FINANCIAL POSITION

Total shareholders' equity increased to 5,641.6 MEUR (4,664.4). The equity ratio was 55.4 per cent (54.4). Hexagon's total assets increased to 10,187.4 MEUR (8,575.1). 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 31 March 2019, cash and unutilised credit limits totalled 1,761.8 MEUR (1,631.9). Hexagon's net debt was 2,208.1 MEUR (1,990.4). The net indebtedness was 0.36 times (0.39). Interest coverage ratio was 23.1 times (27.3).

## CASH FLOW

During the first quarter, cash flow from operations before changes in working capital amounted to 245.1 MEUR (214.8), corresponding to 0.68 EUR (0.60) per share. Cash flow from operations in the first quarter amounted to 196.5 MEUR (177.6), corresponding to 0.54 EUR (0.49) per share. Operating cash flow in the first quarter, including non-recurring items, amounted to 96.3 MEUR (103.1).

## INVESTMENTS, DEPRECIATION, AMORTISATION AND IMPAIRMENT

Hexagon's net investments, excluding acquisitions and divestitures, amounted to -90.0 MEUR (-69.6) in the first quarter.

Depreciation, amortisation and impairment amounted to -89.5 MEUR (-61.2) in the first quarter, whereof impairment charges amounted to -1.8 MEUR (-) in the first quarter.

## TAX RATE

The Group's tax expense for first quarter 2019 totalled -36.7 MEUR (-34.6). The reported tax rate was 18.1 per cent (18.0) for the quarter. The tax rate, excluding non-recurring items, was 18.0 per cent (18.0) for the quarter.

## EMPLOYEES

The average number of employees during the first quarter was 20,085 (18,343). The number of employees at the end of the quarter was 20,272 (18,567).

## SHARE DATA

Earnings per share, including non-recurring items, for the first quarter amounted to 0.45 EUR (0.43). Earnings per share, excluding non-recurring items, for the first quarter amounted to 0.48 EUR (0.43).

On 31 March 2019, equity per share was 15.50 EUR (12.90) and the share price was 485.00 SEK (496.00).

Hexagon's share capital amounts to 80,538,758 EUR, represented by 362,959,992 shares, of which 15,750,000 are of series A with ten votes each and 347,209,992 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 31 March 2019, 2,961,305 warrants were outstanding.

## PARENT COMPANY

The parent company's earnings before taxes in the first quarter amounted to 50.7 MEUR (-10.6). The equity was 4,815.5 MEUR (4,544.5). The equity ratio of the parent company was 54 per cent (54). Liquid funds including unutilised credit limits were 1,369.8 MEUR (1,297.7).

Hexagon acquired j5 International, a market-leading developer of operations management software for ensuring safe, efficient, and compliant operations of industrial sites. By combining the Hexagon and j5 software portfolios, customers now have the ability to incorporate real-time situational awareness of facility operations into their digital twin, a business imperative for continuously improving the operations and maintenance of complex facilities.

## 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 2018, see note 1 for further information.

From January 1, 2019 Hexagon applies IFRS 16 Leases. The new standard replaces all former published standards and interpretations about lease contracts. The former IAS 17 Leases required the lessee to classify their lease contracts as either finance leases or operating leases, which were accounted for differently. The operating leases did not result in recognition of assets and liabilities in the balance sheet (off balance sheet leases).

The new standard does not require the lessees to distinguish between operating and finance lease contracts. The obligation to pay lease fees must be recognised as a lease liability in the balance sheet and the right to use the underlying asset during the lease term is recognised as an asset. Depreciation of the asset is recognised in the income statement as is an interest cost of the liability. Paid lease fees are recognised partly as a payment of the interest cost and partly as an amortisation of the liability. A change in the lease contract could lead to a remeasurement of the liability and an adjustment of the right-of-use asset. For complete accounting principles, see Hexagon's Annual Report 2018.

The transition to IFRS 16 has been implemented according to the simplified method, according to which an opening lease liability and an opening right-of-use asset have been recognised to the same amount on 1 January 2019. The practical expedients below have been applied:

• The new principles are applied on lease contracts that were identified as contracts containing a lease also under previous regulation.

• Non-lease components are not separated from lease components in the lease contracts but accounted for as one single lease component.

• Lease contracts with a lease period of less than 12 months and leases of low value assets are excluded from the accounting.

Reported assets in the balance sheet attributable to lease contracts amounted to 238 MEUR as of 1 January 2019. The obligation for operational and financial lease contract in the Annual Report for 2018 amounted to 269.1 MEUR. The difference between the obligation for future lease payments and the opening lease liability as per 1 January 2019 consists of discount effect, use of extension options, short-term lease contracts and lease contracts of low value assets.

## 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 2018.

## RELATED PARTY TRANSACTIONS

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

## SUBSEQUENT EVENTS

On April 12, Hexagon announced the completion of the previously announced acquisition of Thermopylae Sciences and Technology, a US-based software provider serving both the U.S. government and private sector markets with geospatial applications, mobile frameworks and cloud computing for enhanced location intelligence. 2018 sales amounted to 48 MUSD.

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, its financial position and performance, and describes material risks and uncertainties facing the Company and companies within the Group.

Stockholm, Sweden, 7 May 2019
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

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

# CONDENSED INCOME STATEMENT

| MEUR | Q1 2019 | Q1 2018 | 2018 |
|---|---|---|---|
| Net sales | 916.5 | 834.7 | 3,760.7 |
| Cost of goods sold | -343.2 | -317.1 | -1,423.8 |
| **Gross earnings** | **573.3** | **517.6** | **2,336.9** |
| Sales expenses | -185.1 | -159.5 | -704.3 |
| Administration expenses | -72.4 | -66.9 | -309.3 |
| Research and development expenses | -107.2 | -94.0 | -406.5 |
| Earnings from shares in associated companies | - | 0.0 | -0.1 |
| Capital gain (+) / loss (-) from sale of shares in Group companies | - | 0.7 | 0.7 |
| Other income and expenses, net | 2.2 | 0.4 | 7.7 |
| **Operating earnings [1]** | **210.8** | **198.3** | **925.1** |
| Financial income | 1.6 | 1.3 | 6.4 |
| Financial expenses | -9.2 | -7.3 | -29.2 |
| **Earnings before taxes** | **203.2** | **192.3** | **902.3** |
| Taxes | -36.7 | -34.6 | -164.2 |
| **Net earnings** | **166.5** | **157.7** | **738.1** |
| Attributable to: | | | |
| Parent company shareholders | 164.9 | 156.2 | 730.0 |
| Non-controlling interest | 1.6 | 1.5 | 8.1 |
| [1] of which non-recurring items | -9.7 | - | -3.9 |
| Earnings include depreciation, amortisation and impairments of | -89.5 | -61.2 | -284.0 |
| - of which amortisation of surplus values | -12.5 | -11.5 | -49.0 |
| Basic earnings per share, EUR | 0.45 | 0.43 | 2.02 |
| Earnings per share after dilution, EUR | 0.45 | 0.43 | 2.01 |
| Total shareholder's equity per share, EUR | 15.50 | 12.90 | 14.62 |
| Closing number of shares, thousands | 362,960 | 360,443 | 362,925 |
| Average number of shares, thousands | 362,947 | 360,443 | 360,942 |
| Average number of shares after dilution, thousands | 363,662 | 362,624 | 362,301 |

# CONDENSED COMPREHENSIVE INCOME

| MEUR | Q1 2019 | Q1 2018 | 2018 |
|---|---|---|---|
| Net earnings | 166.5 | 157.7 | 738.1 |
| Other comprehensive income | | | |
| Items that will not be reclassified to income statement | | | |
| Remeasurement of pensions | -0.4 | 2.5 | -25.3 |
| Net profit/loss on equity instruments at fair value through other comprehensive income | - | 13.1 | - |
| Taxes on items that will not be reclassified to income statement | 0.0 | -3.0 | 2.9 |
| Total items that will not be reclassified to income statement, net of taxes | -0.4 | 12.6 | -22.4 |
| Items that may be reclassified subsequently to income statement | | | |
| Exchange rate differences | 123.3 | -116.1 | 117.5 |
| Taxes on items that may be reclassified subsequently to income statement | -6.8 | 5.8 | -6.2 |
| Total items that may be reclassified subsequently to income statement, net of taxes | 116.5 | -110.3 | 111.3 |
| Other comprehensive income, net of taxes | 116.1 | -97.7 | 88.9 |
| Total comprehensive income for the period | 282.6 | 60.0 | 827.0 |
| Attributable to: | | | |
| Parent company shareholders | 280.4 | 58.4 | 819.0 |
| Non-controlling interest | 2.2 | 1.6 | 8.0 |

# CONDENSED BALANCE SHEET

| MEUR | 31/3 2019 | 31/3 2018 | 31/12 2018 |
|---|---|---|---|
| Intangible fixed assets | 7,262.9 | 6,356.2 | 7,100.8 |
| Tangible fixed assets | 449.3 | 279.0 | 384.2 |
| Right-of-use assets | 229.8 | - | - |
| Financial fixed assets | 59.0 | 57.2 | 53.9 |
| Deferred tax assets | 104.0 | 90.0 | 83.6 |
| Total fixed assets | 8,105.0 | 6,782.4 | 7,622.5 |
| Inventories | 431.7 | 444.4 | 463.0 |
| Accounts receivable | 953.8 | 838.8 | 959.1 |
| Other receivables | 105.8 | 89.1 | 111.8 |
| Prepaid expenses and accrued income | 148.2 | 103.1 | 133.1 |
| Total current receivables | 1,207.8 | 1,031.0 | 1,204.0 |
| Cash and cash equivalents | 442.9 | 317.3 | 394.6 |
| Total current assets | 2,082.4 | 1,792.7 | 2,061.6 |
| Total assets | 10,187.4 | 8,575.1 | 9,684.1 |
| Equity attributable to parent company shareholders | 5,625.6 | 4,651.4 | 5,305.3 |
| Equity attributable to non-controlling interest | 16.0 | 13.0 | 13.9 |
| Total shareholders' equity | 5,641.6 | 4,664.4 | 5,319.2 |
| Interest bearing liabilities | 2,037.4 | 1,715.7 | 1,813.9 |
| Lease liabilities | 172.8 | - | - |
| Other liabilities | 166.6 | 43.3 | 154.3 |
| Pension liabilities | 109.7 | 79.3 | 108.2 |
| Deferred tax liabilities | 464.9 | 434.7 | 448.7 |
| Other provisions | 8.8 | 14.9 | 8.6 |
| Total long-term liabilities | 2,960.2 | 2,287.9 | 2,533.7 |
| Interest bearing liabilities | 271.9 | 515.4 | 541.8 |
| Lease liabilities | 59.2 | - | - |
| Accounts payable | 210.1 | 185.1 | 251.1 |
| Other liabilities | 281.0 | 234.8 | 279.7 |
| Other provisions | 17.8 | 17.1 | 21.5 |
| Deferred income | 454.8 | 401.0 | 405.0 |
| Accrued expenses | 290.8 | 269.4 | 332.1 |
| Total short-term liabilities | 1,585.6 | 1,622.8 | 1,831.2 |
| Total equity and liabilities | 10,187.4 | 8,575.1 | 9,684.1 |

## 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 | 31/3 2019 | 31/3 2018 | 2018 |
|---|---|---|---|
| Opening shareholders' equity | 5,319.2 | 4,604.4 | 4,604.4 |
| Total comprehensive income for the period[1)] | 282.6 | 60.0 | 827.0 |
| New share issues, warrants exercised - net of issuance costs | 1.2 | - | 83.0 |
| New share issue in progress | 38.7 | - | 1.0 |
| Dividend | -0.1 | - | -196.5 |
| Effect of acquisitions of subsidiaries | - | - | 0.3 |
| Closing shareholders' equity[2)] | 5,641.6 | 4,664.4 | 5,319.2 |
| 1) Of which: Parent company shareholders | 280.4 | 58.4 | 819.0 |
| Non-controlling interest | 2.2 | 1.6 | 8.0 |
| 2) Of which: Parent company shareholders | 5,625.6 | 4,651.4 | 5,305.3 |
| Non-controlling interest | 16.0 | 13.0 | 13.9 |

# 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 | - | 2,481,550 | 2,481,550 |
| 2018-12-31 Total issued and outstanding | 15,750,000 | 347,174,692 | 362,924,692 |
| New issue, warrants exercised | - | 35,300 | 35,300 |
| 2019-03-31 Total issued and outstanding [1)] | 15,750,000 | 347,209,992 | 362,959,992 |

[1)] As per 31 March 2019, there were in total 362,959,992 shares in the company, of which 15,750,000 are of series A with ten votes each and 347,209,992 are of series B with one vote each. Warrants exercised until 2019-04-05 have resulted in a new share issue in progress of 2,285,255 new shares of series B. The new share issue will be finalised in the second quarter of 2019.

# CONDENSED CASH FLOW STATEMENT

| MEUR | Q1 2019 | Q1 2018 | 2018 |
|---|---|---|---|
| Cash flow from operations before change in working capital excluding taxes and interest | 304.4 | 254.6 | 1,180.2 |
| Taxes paid | -53.5 | -33.9 | -153.3 |
| Interest received and paid, net | -5.8 | -5.9 | -22.1 |
| Cash flow from operations before change in working capital | 245.1 | 214.8 | 1,004.8 |
| Cash flow from change in working capital | -48.6 | -37.2 | -60.7 |
| Cash flow from operations | 196.5 | 177.6 | 944.1 |
| Investments tangible assets, net | -22.1 | -14.1 | -154.8 |
| Investments intangible assets | -67.9 | -55.5 | -234.3 |
| Operating cash flow before non-recurring items | 106.5 | 108.0 | 555.0 |
| Non-recurring cash flow [1) ] | -10.2 | -4.9 | 7.8 |
| Operating cash flow | 96.3 | 103.1 | 562.8 |
| Cash flow from acquisitions and divestments | -25.7 | -48.8 | -422.6 |
| Cash flow from other investing activities | -4.9 | -5.3 | -15.6 |
| Cash flow after other investing activities | 65.7 | 49.0 | 124.6 |
| Dividends paid | -0.1 | - | -196.5 |
| New share issues, warrants exercised - net of issuance costs | 39.9 | - | 84.0 |
| Cash flow from other financing activities | -61.4 | -30.6 | 93.5 |
| Cash flow for the period | 44.1 | 18.4 | 105.6 |
| Cash and cash equivalents, beginning of period | 394.6 | 309.4 | 309.4 |
| Effect of translation differences on cash and cash equivalents | 4.2 | -10.5 | -20.4 |
| Cash flow for the period | 44.1 | 18.4 | 105.6 |
| Cash and cash equivalents, end of period | 442.9 | 317.3 | 394.6 |

[1)] Non-recurring cash flow consists of restructuring costs.

# KEY RATIOS

| MEUR | Q1 2019 | Q1 2018 | 2018 |
|---|---|---|---|
| Operating margin, % | 24.1 | 23.8 | 24.7 |
| Profit margin before taxes, % | 22.2 | 23.0 | 24.0 |
| Return on shareholders' equity, 12-month average, % | 14.5 | 16.2 | 15.0 |
| Return on capital employed, 12-month average, % | 12.5 | 12.6 | 12.6 |
| Equity ratio, % | 55.4 | 54.4 | 54.9 |
| Net indebtedness | 0.36 | 0.39 | 0.35 |
| Interest coverage ratio | 23.1 | 27.3 | 31.9 |
| Average number of shares, thousands | 362,947 | 360,443 | 360.942 |
| Basic earnings per share excl. non-recurring items, EUR | 0.48 | 0.43 | 2.04 |
| Basic earnings per share, EUR | 0.45 | 0.43 | 2.02 |
| Cash flow per share, EUR | 0.54 | 0.49 | 2.62 |
| Cash flow per share before change in working cap, EUR | 0.68 | 0.60 | 2.78 |
| Share price, SEK | 485.00 | 496.00 | 408.00 |
| Share price, translated to EUR | 46.64 | 48.23 | 39.79 |

# SUPPLEMENTARY INFORMATION

## NET SALES PER SEGMENT

| MEUR | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | 2018 |
|---|---|---|---|---|---|---|
| Geospatial Enterprise Solutions | 448.7 | 496.8 | 457.1 | 454.8 | 411.5 | 1,820.2 |
| Industrial Enterprise Solutions | 467.8 | 546.2 | 489.0 | 482.1 | 423.2 | 1,940.5 |
| Group | 916.5 | 1,043.0 | 946.1 | 936.9 | 834.7 | 3,760.7 |

## OPERATING EARNINGS (EBIT1) PER SEGMENT

| MEUR | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | 2018 |
|---|---|---|---|---|---|---|
| Geospatial Enterprise Solutions | 112.4 | 129.5 | 114.6 | 113.7 | 101.4 | 459.2 |
| Industrial Enterprise Solutions | 113.9 | 148.0 | 123.7 | 121.6 | 101.9 | 495.2 |
| Group costs | -5.8 | -6.8 | -6.5 | -7.1 | -5.0 | -25.4 |
| Group | 220.5 | 270.7 | 231.8 | 228.2 | 198.3 | 929.0 |
| Margin, % | 24.1 | 26.0 | 24.5 | 24.4 | 23.8 | 24.7 |

## NET SALES BY REGION

| MEUR | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | 2018 |
|---|---|---|---|---|---|---|
| EMEA | 343.7 | 398.4 | 340.9 | 348.9 | 326.8 | 1,415.0 |
| Americas | 297.4 | 347.8 | 317.9 | 307.5 | 266.4 | 1,239.6 |
| Asia | 275.4 | 296.8 | 287.3 | 280.5 | 241.5 | 1,106.1 |
| Group | 916.5 | 1,043.0 | 946.1 | 936.9 | 834.7 | 3,760.7 |

## EXCHANGE RATES

| Average | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | 2018 |
|---|---|---|---|---|---|---|
| SEK/EUR | 0.0960 | 0.0969 | 0.0961 | 0.0968 | 0.1004 | 0.0975 |
| USD/EUR | 0.8803 | 0.8762 | 0.8599 | 0.8389 | 0.8136 | 0.8475 |
| CNY/EUR | 0.1305 | 0.1267 | 0.1264 | 0.1315 | 0.1280 | 0.1281 |
| CHF/EUR | 0.8831 | 0.8801 | 0.8744 | 0.8516 | 0.8583 | 0.8661 |

| Closing | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | 2018 |
|---|---|---|---|---|---|---|
| SEK/EUR | 0.0962 | 0.0975 | 0.0970 | 0.0957 | 0.0972 | 0.0975 |
| USD/EUR | 0.8901 | 0.8734 | 0.8639 | 0.8578 | 0.8116 | 0.8734 |
| CNY/EUR | 0.1326 | 0.1270 | 0.1255 | 0.1296 | 0.1291 | 0.1270 |
| CHF/EUR | 0.8944 | 0.8874 | 0.8837 | 0.8644 | 0.8490 | 0.8874 |

# ACQUISITIONS

| MEUR | Q1 2019 | Q1 2018 |
|---|---|---|
| **Fair value of acquired assets and assumed liabilities** | | |
| Intangible fixed assets | 3.5 | 11.9 |
| Other fixed assets | 0.5 | 1.7 |
| **Total fixed assets** | **4.0** | **13.6** |
| Total current assets | 7.0 | 4.3 |
| **Total assets** | **11.0** | **17.9** |
| Total long-term liabilities | 0.5 | -6.7 |
| Total current liabilities | -3.1 | 0.9 |
| **Total liabilities** | **-2.6** | **-5.8** |
| **Fair value of acquired assets and assumed liabilities, net** | **8.4** | **23.7** |
| Goodwill | 38.4 | 37.5 |
| **Total purchase consideration transferred** | **46.8** | **61.2** |
| Less cash and cash equivalents in acquired companies | -2.0 | -1.7 |
| Adjustment for non-paid consideration and considerations paid for prior years' acquisitions | -19.1 | -6.7 |
| **Cash flow from acquisition of companies/businesses** | **25.7** | **52.8** |

During the first quarter 2019, Hexagon acquired the following companies:

- Etalon, a provider of equipment calibration solutions that ensures the dimensional accuracy of manufactured parts
- j5 International, a market-leading developer of operations management software for ensuring safe, efficient, and compliant operations of industrial sites

The 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 186.5 MEUR as of 31 March (61.7), whereof the fair value adjustment in 2019 amounted to 3.0 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.

On February 25, Hexagon entered into an agreement to acquire Thermopylae Sciences and Technology, a software provider primarily focused on the U.S. government and defence market that specialises in geospatial applications, mobile frameworks, and cloud computing for enhanced location intelligence. Thermopylae will operate as a part of Hexagon US Federal, a company operating under a proxy agreement within Hexagon’s Geospatial division (which is reported under the Geospatial Enterprise Solutions segment). 2018 sales amounted to 48 MUSD. The acquisition closed on April 12.

# DIVESTMENTS

| MEUR | 2019 | 2018 |
|---|---|---|
| **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 |

# CONDENSED PARENT COMPANY INCOME STATEMENT

| MEUR | Q1 2019 | Q1 2018 | 2018 |
|---|---|---|---|
| Net sales | 4.5 | 3.8 | 17.9 |
| Administration cost | -5.2 | -6.6 | -24.9 |
| **Operating earnings** | **-0.7** | **-2.8** | **-7.0** |
| Earnings from shares in Group companies | - | - | 227.0 |
| Interest income and expenses, net | 51.4 | -7.8 | 111.5 |
| Appropriations | - | - | -23.7 |
| **Earnings before taxes** | **50.7** | **-10.6** | **307.8** |
| Taxes | -10.7 | 2.3 | -18.2 |
| **Net earnings** | **40.0** | **-8.3** | **289.6** |

# CONDENSED PARENT COMPANY BALANCE SHEET

| MEUR | 31/3 2019 | 31/3 2018 | 31/12 2018 |
|---|---|---|---|
| Total fixed assets | 7,635.9 | 7,395.9 | 7,587.1 |
| Total current receivables | 1,147.4 | 958.2 | 1,091.7 |
| Cash and cash equivalents | 70.1 | 5.4 | 15.5 |
| Total current assets | 1,217.5 | 963.6 | 1,107.2 |
| **Total assets** | **8,853.4** | **8,359.5** | **8,694.3** |
| | | | |
| Total shareholders' equity | 4,815.5 | 4,544.5 | 4,735.6 |
| Untaxed reserves | 18.3 | - | 18.5 |
| Total long-term liabilities | 2,031.0 | 1,711.1 | 1,807.3 |
| Total short-term liabilities | 1,988.6 | 2,103.9 | 2,132.9 |
| **Total equity and liabilities** | **8,853.4** | **8,359.5** | **8,694.3** |

# 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

| | |
|---|---|
| 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 3.8bn EUR. Learn more at hexagon.com.

## FINANCIAL REPORT DATES

Hexagon gives financial information at the following occasions:

| | |
|---|---|
| Interim report Q2 2019 | 26 July 2019 |
| Interim report Q3 2019 | 30 October 2019 |
| Year-End report 2019 | 5 February 2020 |

## 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 first quarter 2019 will be presented on 7 May 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 7 May 2019.

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

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