

# INTERIM REPORT

## 1 JANUARY – 30 JUNE 2014

### SECOND QUARTER 2014

- Net sales amounted to 635.6 MEUR (635.1)
- Using fixed exchange rates and a comparable group structure, net sales increased by 6 per cent in Measurement Technologies (MT)
- Operating earnings (EBIT1) amounted to 139.6 MEUR (131.6)
- Earnings before taxes amounted to 131.5 MEUR (122.9)
- Net earnings amounted to 105.1 MEUR (99.5)
- Earnings per share increased by 4 per cent to 0.29 EUR (0.28)

MEUR	Q2 2014	Q2 2013	Δ%	H1 2014	H1 2013	Δ%
Net sales	635.6	635.1	6 <sup>1)</sup>	1,230.4	1,221.4	6 <sup>1)</sup>
Operating earnings (EBIT1)	139.6	131.6	6	263.0	252.6	4
Operating margin, %	22.0	20.7	1.3	21.4	20.7	0.7
Earnings before taxes excl. non-recurring items	131.5	122.9	7	246.7	234.5	5
Non-recurring items 2)	-	-	n.a.	-17.4	-	n.a.
Earnings before taxes	131.5	122.9	7	229.3	234.5	-2
Net earnings	105.1	99.5	6	183.2	189.9	-4
Net earnings, excl. non-recurring items	105.1	99.5	6	197.3	189.9	4
Earnings per share, EUR	0.29	0.28	4	0.51	0.53	-4
Earnings per share, excl. non-recurring items, EUR	0.29	0.28	4	0.55	0.53	4

1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.  
 2) The non-recurring items relate to Veripos and Other Operations.



Ola Rollén, President and CEO, Hexagon AB

#### COMMENTS FROM OLA ROLLÉN, PRESIDENT AND CEO, HEXAGON AB

"Hexagon reports a strong set of numbers in the second quarter. Organic growth increased to 6 per cent, driven by accelerating growth in Metrology and Intergraph PP&M as well as increased revenue from synergy solutions. We saw improved growth in Europe across all businesses. Americas also continues to perform well, driven by the North American construction market and favourable development in South America. Growth slowed down in Asia due to lower activity in the Chinese construction sector. In terms of profitability, the group operating margin of 22 per cent is an all-time high and a sign of strength considering that FX effects reduced the margin by one percentage point. Acquisition-driven growth continues to be an area of focus. The recent acquisitions of Mintec and Vero Software are important steps in our strategy to enable customers to connect the real world with the digital world."

## BUSINESS DEVELOPMENT Q2

Organic growth was 6 per cent in the second quarter while recorded sales grew by 0 per cent due to the divestiture of Other Operations and the negative FX impact. Net sales amounted to 635.6 MEUR. Operating earnings (EBIT1) grew by 6 per cent to 139.6 MEUR, which corresponds to an operating margin of 22.0 per cent.

Geosystems recorded organic growth of 3 per cent. The division represented 36 per cent of net sales in the second quarter.

Metrology, which represented 31 per cent of net sales, recorded organic growth of 10 per cent.

Technology, which represented 33 per cent of net sales, recorded 5 per cent organic growth. Intergraph SG&I recorded slight growth in the quarter whilst PP&M recorded double digit growth. NovAtel recorded a weak quarter mainly due to the UAV (Unmanned Aerial Vehicle) market.

## SALES BRIDGE SECOND QUARTER

	Net sales
2013, MEUR	614.2*
Structure, %	2
Currency, %	-4
Organic growth, %	6
Total, %	4
2014, MEUR	635.6

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. \*Group performance numbers post divestment of Other Operations

## MARKET DEVELOPMENT

All segments in Europe saw increased activity in the quarter. Growth in the Americas was again largely driven by the ongoing recovery in the US construction sector, coupled with strong demand in South America. Demand in Asia continued to grow but the growth rate weakened sequentially (compared to the previous quarter, Q1 2014) as the Chinese construction sector slowed down.

## EMEA

EMEA recorded 7 per cent organic growth in net sales in the second quarter. All segments in EMEA saw increased activity in the quarter.

In Western Europe, Germany continued to see firm growth while France and UK recorded slightly negative growth, primarily due to the strong performance seen in Q2 2013. Spain and Italy recorded double digit growth rates in the quarter although from depressed post-crisis levels. Customer demand in Western Europe was driven by infrastructure-related activities, as well as the automotive and aerospace sectors. The public safety segment saw an improvement in demand following a longer period of weakness.

Eastern Europe, the Middle East and Russia continued to record strong growth despite turmoil in the regions.

## AMERICAS

Americas recorded 5 per cent organic growth in net sales in the second quarter.

In North America demand was driven by the construction, automotive, aerospace, power and energy segments. Geosystems' sales are benefiting from improving demand in the construction and residential housing segments. The defence segment also saw increased demand with the exception of the UAV related business (NovAtel).

In South America, activity levels in all sectors apart from mining continued to be strong. Hexagon recorded strong double digit growth in South America in the quarter.

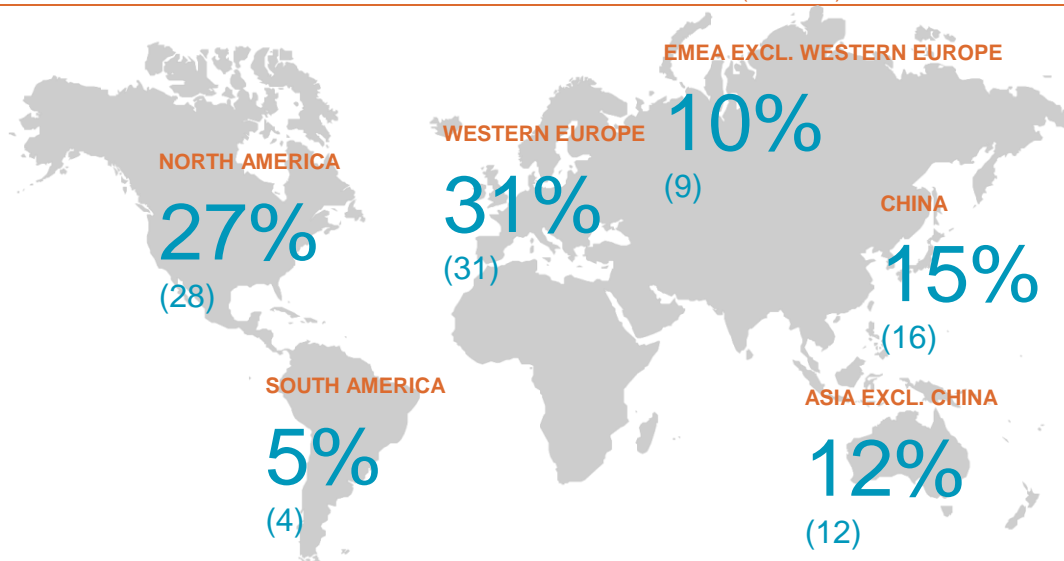
## ASIA

Asia recorded organic growth in net sales of 5 per cent in the second quarter.

Hexagon recorded a mixed quarter in China where the automotive, electronics, power and energy segments saw a favourable development. Surveying, however recorded a weak quarter due to the slowdown in construction activity. China recorded 5 per cent organic growth in the quarter.

Several other markets in the region recorded strong growth, including India, Japan and Malaysia. Australia saw another weak quarter due to continued poor demand in the mining industry.

## MEASUREMENT TECHNOLOGIES NET SALES PER REGION Q2 2014 (Q2 2013)



## FINANCIAL SUMMARY – SECOND QUARTER

MEUR	Net sales			Earnings		
	Q2 2014	Q2 2013	Δ % <sup>1)</sup>	Q2 2014	Q2 2013	Δ %
Hexagon MT	635.6	614.2	6	144.2	135.2	7
Other Operations	-	20.9	n.a.	-	1.1	n.a.
Net sales	635.6	635.1	6			
Group cost and eliminations				-4.6	-4.7	2
Operating earnings (EBIT1)				139.6	131.6	6
Operating margin, %				22.0	20.7	1.3
Interest income and expenses, net				-8.1	-8.7	7
Earnings before non-recurring items				131.5	122.9	7
Non-recurring items				-	-	n.a.
Earnings before taxes				131.5	122.9	7
Taxes				-26.4	-23.4	-13
Net earnings				105.1	99.5	6

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

## Q2 NET SALES AND EARNINGS

Net sales amounted to 635.6 MEUR (635.1) in the second quarter. Using fixed exchange rates and a comparable group structure, net sales increased by 6 per cent.

Operating earnings (EBIT1) increased by 6 per cent to 139.6 MEUR (131.6), which corresponds, to an operating margin of 22.0 per cent (20.7). Operating earnings (EBIT1) were negatively affected by exchange rate movements of -10.3 MEUR.

The financial net amounted to -8.1 MEUR (-8.7) in the second quarter.

Earnings before taxes amounted to 131.5 MEUR (122.9). Earnings were negatively affected by exchange rate movements of -10.3 MEUR.

Net earnings amounted to 105.1 MEUR (99.5), or 0.29 EUR (0.28) per share.

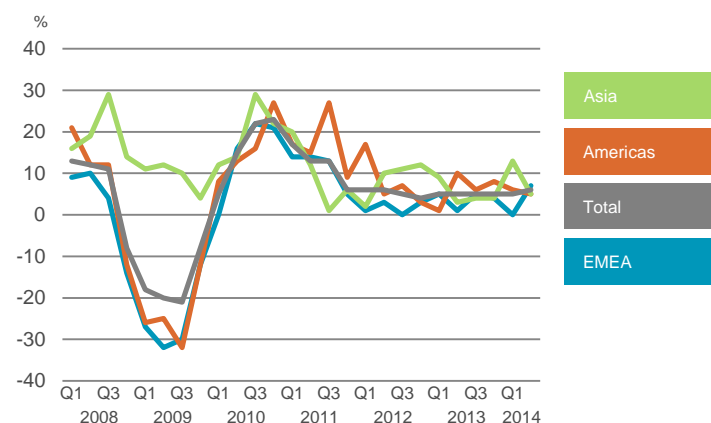
## CURRENCY IMPACT – SECOND QUARTER AS COMPARED TO EUR

	Movement <sup>1)</sup>	Income less cost	Profit impact
CHF	Strengthened 1%	Negative	Negative ↘
USD	Weakened -5%	Positive	Negative ↘
CNY	Weakened -6%	Positive	Negative ↘
EBIT1, MEUR			-10.3

<sup>1)</sup> Compared to Q2 2013.

In addition to the above, significant movements in the Brazilian Real had negative impact on net sales and profit in Q2 2014.

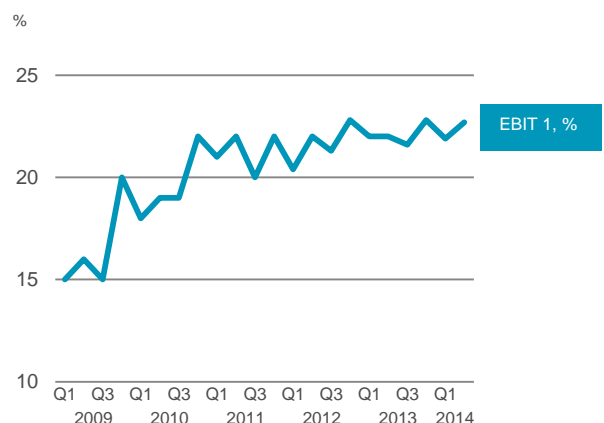
## NET SALES – ORGANIC GROWTH BY REGION (MT <sup>1)</sup>)



EMEA recorded organic growth of 7 per cent in the second quarter, whilst Americas recorded organic growth of 5 per cent. Asia recorded 5 per cent organic growth in the quarter.

<sup>1)</sup> Organic growth in net sales stemming from Intergraph has been included in the graph above as of 1 November 2010.

## OPERATING MARGIN (MT) – QUARTERLY DATA



Hexagon's core business Measurement Technologies has consistently improved its profitability. In 2007 and in 2008 the EBIT margin was 20 per cent. In 2009, the margin decreased to approximately 17 per cent due to reduced volumes caused by the global economic downturn. In 2010, the margin was back to 20 per cent and since then, it has continued to expand and reached 22 per cent in 2013. In the second quarter of 2014, the margin was 22.7 per cent (22.0).

## FINANCIAL SUMMARY – FIRST SIX MONTHS

MEUR	Net sales			Earnings		
	H1 2014	H1 2013	Δ % <sup>1)</sup>	H1 2014	H1 2013	Δ %
Hexagon MT	1,217.4	1,183.3	6	271.8	260.2	4
Other Operations	13.0	38.1	n.a.	0.4	1.7	-76
Net sales	1,230.4	1,221.4	6			
Group cost and eliminations				-9.2	-9.3	1
Operating earnings (EBIT1)				263.0	252.6	4
Operating margin, %				21.4	20.7	0.7
Interest income and expenses, net				-16.3	-18.1	10
Earnings before non-recurring items				246.7	234.5	5
Non-recurring items				-17.4	-	n.a.
Earnings before taxes				229.3	234.5	-2
Taxes				-46.1	-44.6	-3
Net earnings				183.2	189.9	-4

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

## CURRENCY IMPACT – FIRST SIX MONTHS AS COMPARED TO EUR

	Movement <sup>1)</sup>	Income less cost	Profit impact
CHF	Strengthened 1%	Negative	Negative ↘
USD	Weakened -4%	Positive	Negative ↘
CNY	Weakened -4%	Positive	Negative ↘
EBIT1, MEUR			-21.0

<sup>1)</sup> Compared to H1 2013.

In addition to the above, significant movements in the Brazilian Real, the Japanese Yen and the Canadian Dollar had a negative impact on net sales and profit in H1 2014.

## H1 NET SALES AND EARNINGS

Net sales amounted to 1,230.4 MEUR (1,221.4) in the first six months of the year. Using fixed exchange rates and a comparable group structure, net sales increased by 6 per cent.

Operating earnings (EBIT1) amounted to 263.0 MEUR (252.6), which corresponds to an operating margin of 21.4 per cent (20.7). Operating earnings (EBIT1) were negatively affected by exchange rate movements of -21.0 MEUR.

In the first quarter of 2014, Hexagon posted non-recurring items of -17.4 MEUR (-) related to Veripos (write-down of overlapping technologies and assets between Hexagon and Veripos as well as transaction costs) and the divestment of Other Operations.

The financial net amounted to -16.3 MEUR (-18.1) in the first six months.

Earnings before taxes, excluding non-recurring items, amounted to 246.7 MEUR (234.5). Earnings before taxes, including these items, amounted to 229.3 MEUR (234.5). Earnings were negatively affected by exchange rate movements of -21.1 MEUR.

Net earnings, excluding non-recurring items, amounted to 197.3 MEUR (189.9), or 0.55 EUR (0.53) per share. Net earnings, including these items, amounted to 183.2 MEUR (189.9) or 0.51 EUR (0.53) per share.



Smart Asset Control from Hexagon Solutions is helping Vale manage a variety of equipment including trucks, wheel loaders and flatbeds at a major port in Brazil. Smart Asset Control provides seamless communication for large-scale construction projects by gathering mobile equipment information and delivering it quickly to operators to ensure productive decision making. Vale expects to see a 20 per cent cost reduction and improved fleet optimisation.

## PROFITABILITY

Capital employed increased to 4,801.8 MEUR (4,619.3). Return on average capital employed for the last twelve months was 11.4 per cent (11.1). Return on average shareholders' equity for the last twelve months was 12.6 per cent (13.4). The capital turnover rate was 0.5 times (0.5).

## FINANCIAL POSITION

Total shareholders' equity increased to 2,972.8 MEUR (2,810.5). The equity ratio was 51 per cent (51). Hexagon's total assets increased to 5,793.7 MEUR (5,537.8).

Hexagon's primary source of financing is a 900 MUSD and a 1,000 MEUR Term and Revolving Credit Facilities Agreement that expires in July 2015. To diversify the debt structure, Hexagon established a 8,000 MSEK Swedish Commercial Paper Programme (CP) during 2012 and a 10,000 MSEK Swedish Medium Term Note Programme (MTN) in the second quarter of 2014. The CP programme enables Hexagon to issue commercial paper with tenor up to 12 months and the MTN programme enables Hexagon to issue medium term notes with tenor ranging from 1-7 years.

On 30 June 2014, cash and unutilised credit limits totalled 204.0 MEUR (404.9). Hexagon's net debt was 1,663.2 MEUR (1,624.8). The net indebtedness was 0.52 times (0.54). Interest coverage ratio was 13.5 times (12.6).

## CASH FLOW

During the second quarter, cash flow from operations before changes in working capital amounted to 143.6 MEUR (145.2), corresponding to 0.40 EUR (0.41) per share. Cash flow from operations in the second quarter amounted to 128.9 MEUR (144.4),

corresponding to 0.36 EUR (0.41) per share. Operating cash flow in the second quarter 2014 amounted to 66.5 MEUR (90.5).

For the first six months, cash flow from operations amounted to 230.3 MEUR (206.8) corresponding to 0.65 EUR (0.59) per share and the operating cash flow amounted to 116.7 MEUR (111.7).

## INVESTMENTS, DEPRECIATION, AMORTISATION AND IMPAIRMENT

Hexagon's net investments, excluding acquisitions and divestitures, amounted to -62.4 MEUR (-53.9) in the second quarter and -113.6 MEUR (-95.1) in the first six months. The Q2 2014 investments include 12 MEUR related to the construction of the new Intergraph facility in Huntsville, Alabama, USA.

Depreciation, amortisation and impairment amounted to -38.6 MEUR (-33.6) in the second quarter and -87.5 MEUR (-64.8) during the first six months. Hexagon recorded impairment charges of -11.9 MEUR (-) in the first six months related to the first quarter of the year. The charge was recorded as a non-recurring item.

## TAX RATE

The Group's tax expense for the first six months totalled -46.1 (-44.6). The reported tax rate was 20 per cent (19) for the quarter and 20 per cent (19) for the first six months.

## EMPLOYEES

The average number of employees during the first six months was 14,373 (13,830). The number of employees at the end of the quarter was 14,711 (14,299). The increase was primarily driven by acquisitions.

## SHARE DATA

Earnings per share for the second quarter amounted to 0.29 EUR (0.28). Earnings per share, excluding non-recurring items, for the first six months amounted to 0.55 EUR (0.53). Earnings per share, including non-recurring items, for the first six months amounted to 0.51 EUR (0.53).

On 30 June 2014, equity per share was 8.33 EUR (7.94) and the share price was 215.40 SEK (179.30).

Hexagon's share capital amounts to 78,955,618 EUR, represented by 355,825,337 shares, of which 15,750,000 are of series A with 10 votes each and 340,075,337 are of series B with one vote each. Hexagon AB holds no treasury shares.

In accordance with a decision by a Shareholders' General Meeting in December 2011, an incentive programme was introduced, under which a maximum of 13,665,000 warrants can be issued. At full exercise of the warrant programme, the dilutive effect would be 3.7 per cent of the share capital and 2.7 per cent of the number of votes. On 30 June 2014, 4,403,400 warrants were outstanding.

## ASSOCIATED COMPANIES

Associated companies affected Hexagon's earnings during the first six months by 0.0 MEUR (-1.7).

## PARENT COMPANY

The parent company's earnings after financial items in the second quarter amounted to 155.0 MEUR (222.4). The equity was 1,812.5 MEUR (1,713.8). The solvency ratio of the parent company was 41 per cent (42). Liquid funds including unutilised credit limits were 29.6 MEUR (234.7).

## BUSINESS AREAS

### MEASUREMENT TECHNOLOGIES – SALES AND EARNINGS

MEUR	Q2 2014	Q2 2013	Δ%	H1 2014	H1 2013	Δ%
Net sales	635.6	614.2	6 <sup>1)</sup>	1,217.4	1,183.3	6 <sup>1)</sup>
Operating earnings (EBIT1)	144.2	135.2	7	271.8	260.2	4
Operating margin,%	22.7	22.0	0.7	22.3	22.0	0.3

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

### OTHER OPERATIONS – SALES AND EARNINGS

MEUR	Q2 2014	Q2 2013	Δ%	H1 2014	H1 2013	Δ%
Net sales	-	20.9	n.a. <sup>1)</sup>	13.0	38.1	n.a. <sup>1)</sup>
Operating earnings (EBIT1)	-	1.1	n.a.	0.4	1.7	-76
Operating margin,%	n.a.	5.3	n.a.	3.1	4.5	-1.4

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

## MEASUREMENT TECHNOLOGIES

In the second quarter, net sales amounted to 635.6 MEUR (614.2). Using fixed exchange rates and a comparable group structure, net sales increased by 6 per cent.

Operating earnings (EBIT1) amounted to 144.2 MEUR (135.2), which corresponds to an operating margin of 22.7 per cent (22.0).

The number of employees by the end of the quarter was 14,693 (13,921).

## OTHER OPERATIONS

On March 17, Hexagon divested SwePart Transmission which finalized the strategy to focus on Measurement Technologies. Hence, no revenue was recorded from Other Operations in Q2 2014.

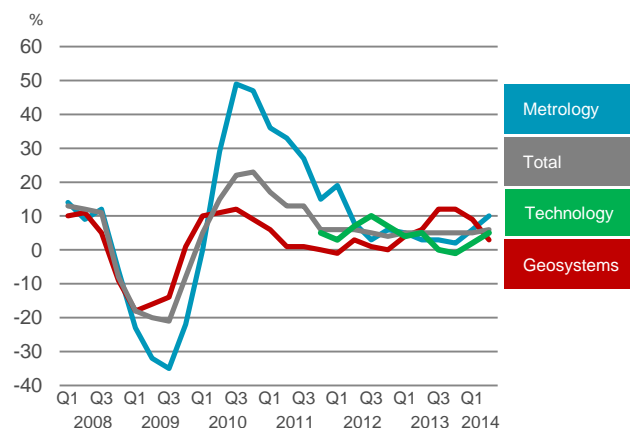
In Q2 2013, Other Operations had net sales of 20.9 MEUR and operating earnings (EBIT1) amounted to 1.1 MEUR.

### MEASUREMENT TECHNOLOGIES – APPLICATION AREAS

MEUR	Net sales			Net sales		
	Q2 2014	Q2 2013	Δ % <sup>1)</sup>	H1 2014	H1 2013	Δ % <sup>1)</sup>
Geosystems	229.6	226.7	3	437.8	421.9	6
Metrology	196.4	186.3	10	375.8	362.1	8
Technology	209.6	201.2	5	403.8	399.3	3
Total Hexagon MT	635.6	614.2	6	1,217.4	1,183.3	6

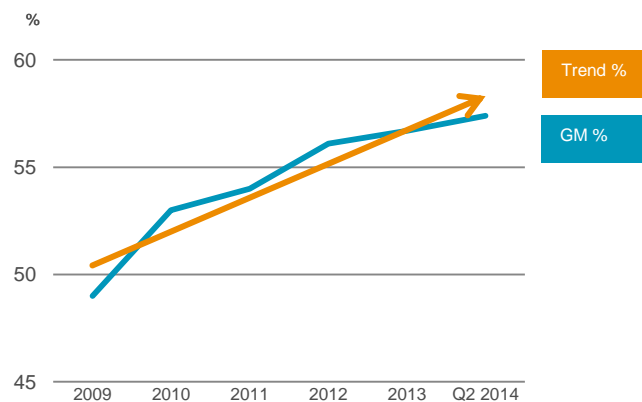
<sup>1)</sup> Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

### NET SALES – ORGANIC GROWTH BY APPLICATION AREA (MT)



Geosystems recorded 3 per cent organic growth in net sales in the second quarter. Metrology recorded organic sales growth of 10 per cent. Technology recorded 5 per cent organic growth.

### GROSS MARGIN (MT) – ANNUAL DATA



Product innovations including new technology, lower manufacturing costs and greater software content have enabled Hexagon to improve the gross margin over time. In the second quarter 2014, the gross margin was 57 per cent (57).



## 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 2013. New and amended standards applicable from 2014 have not had any significant impact on the financial statements.

## RISKS AND UNCERTAINTY FACTORS

As an international group, Hexagon is exposed to a number of business and financial risks. The business risks can be divided into strategic, operational and legal risks. The financial risks are related to such factors as exchange rates, interest rates, liquidity and the ability to raise funds. Risk management in Hexagon aims to identify, control and reduce risks. This work begins with an assessment of the probability of risks occurring and their potential effect on the Group. There has been no change in the risks facing the Group compared to what was reported in the 2013 Annual Report.

## RELATED PARTY TRANSACTIONS

No significant related party transactions have been incurred during the first half of 2014.

## SUBSEQUENT EVENTS

On July 21 2014, Hexagon announced an agreement to acquire Vero Software, a UK provider of Computer Aided Manufacturing (CAM) software.

In a joint venture with Daewoo and Hyundai, engineering construction company Fluor chose Intergraph's SmartPlant Cloud for the Kuwait National Petroleum Company project, an initiative aimed at upgrading and expanding refineries at Mina Abdulla and Mina Al-Ahmadi.

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

Stockholm, Sweden, 7 August 2014  
Hexagon AB (publ)

Melker Schörling  
Chairman of the Board

Ulrika Francke  
Board Member

Gun Nilsson  
Board Member

Jill Smith  
Board Member

Ulrik Svensson  
Board Member

Ola Rollén  
President and CEO  
Board Member

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

## Condensed Income Statement

MEUR	Q2 2014	Q2 2013	H1 2014	H1 2013	2013
Net sales	635.6	635.1	1,230.4	1,221.4	2,429.7
Cost of goods sold	-271.0	-282.4	-535.0	-545.1	-1,081.8
<b>Gross earnings</b>	<b>364.6</b>	<b>352.7</b>	<b>695.4</b>	<b>676.3</b>	<b>1,347.9</b>
Sales and administration costs, etc.	-225.0	-220.4	-448.3	-422.0	-847.9
Earnings from shares in associated companies	0.0	-0.7	0.0	-1.7	-2.0
Capital loss from sale of shares in Group companies	-	-	-1.5	-	-5.2
<b>Operating earnings 1)</b>	<b>139.6</b>	<b>131.6</b>	<b>245.6</b>	<b>252.6</b>	<b>492.8</b>
Interest income and expenses, net	-8.1	-8.7	-16.3	-18.1	-33.9
<b>Earnings before taxes</b>	<b>131.5</b>	<b>122.9</b>	<b>229.3</b>	<b>234.5</b>	<b>458.9</b>
Taxes	-26.4	-23.4	-46.1	-44.6	-87.7
<b>Net earnings</b>	<b>105.1</b>	<b>99.5</b>	<b>183.2</b>	<b>189.9</b>	<b>371.2</b>
Attributable to:					
Parent company shareholders	104.1	98.6	181.4	188.3	367.9
Non-controlling interest	1.0	0.9	1.8	1.6	3.3
1) of which non-recurring items	-	-	-17.4	-	-14.9
Earnings include depreciation, amortisation and impairments of	-38.6	-33.6	-87.5	-64.8	-134.5
- of which amortization of surplus values	-5.6	-5.0	-10.8	-9.4	-19.5
Basic earnings per share, EUR	0.29	0.28	0.51	0.53	1.04
Earnings per share after dilution, EUR	0.29	0.28	0.51	0.55	1.03
Total shareholder's equity per share, EUR	8.33	7.94	8.33	7.94	8.00
Closing number of shares, thousands	355,825	352,781	355,825	352,781	354,997
Average number of shares, thousands	355,551	352,781	355,317	352,754	353,226
Average number of shares after dilution, thousands	357,420	355,177	356,600	355,107	355,482

## Condensed Comprehensive Income

MEUR	Q2 2014	Q2 2013	H1 2014	H1 2013	2013
Net earnings	105.1	99.5	183.2	189.9	371.2
Other comprehensive income					
Items that will not be reclassified to income statement					
Remeasurement of pensions	-	-	-	-	7.6
Taxes on items that will not be reclassified to income statement	-	-	-	-	-1.5
<b>Total items that will not be reclassified to income statement, net of taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6.1</b>
Items that may be reclassified subsequently to income statement					
Exchange rate differences	46.6	-111.5	46.7	-42.7	-194.4
Effect of hedging of net investments in foreign operations	-2.6	5.8	-3.6	-3.7	8.2
Cash flow hedges, net	-0.5	0.3	0.0	-	-
Taxes on items that may be reclassified subsequently to income statement	-1.0	3.4	-0.2	-2.0	-29.1
<b>Total items that may be reclassified subsequently to income statement, net of taxes</b>	<b>42.5</b>	<b>-102.0</b>	<b>42.9</b>	<b>-48.4</b>	<b>-215.3</b>
<b>Other comprehensive income, net of taxes</b>	<b>42.5</b>	<b>-102.0</b>	<b>42.9</b>	<b>-48.4</b>	<b>-209.2</b>
<b>Total comprehensive income for the period</b>	<b>147.6</b>	<b>-2.5</b>	<b>226.1</b>	<b>141.5</b>	<b>162.0</b>
Attributable to:					
Parent company shareholders	146.4	-3.3	224.4	139.7	158.6
Non-controlling interest	1.2	0.8	1.7	1.8	3.4



## Condensed Balance Sheet

MEUR	30/6 2014	30/6 2013	31/12 2013
Intangible fixed assets	4,174.0	3,945.6	3,906.6
Tangible fixed assets	284.1	241.9	252.6
Financial fixed assets	17.4	27.1	56.0
Deferred tax assets	76.8	86.2	65.1
<b>Total fixed assets</b>	<b>4,552.3</b>	<b>4,300.8</b>	<b>4,280.3</b>
Inventories	393.5	393.2	369.6
Accounts receivable	530.8	524.9	509.7
Other receivables	49.7	56.2	49.2
Prepaid expenses and accrued income	101.6	78.7	88.8
<b>Total current receivables</b>	<b>682.1</b>	<b>659.8</b>	<b>647.7</b>
Cash and cash equivalents	165.8	184.0	176.0
<b>Total current assets</b>	<b>1,241.4</b>	<b>1,237.0</b>	<b>1,193.3</b>
<b>Total assets</b>	<b>5,793.7</b>	<b>5,537.8</b>	<b>5,473.6</b>
Equity attributable to parent company shareholders	2,964.6	2,801.2	2,839.8
Equity attributable to non-controlling interest	8.2	9.3	6.5
<b>Total shareholders' equity</b>	<b>2,972.8</b>	<b>2,810.5</b>	<b>2,846.3</b>
Interest bearing liabilities	906.5	1,530.2	918.8
Other liabilities	3.5	8.3	8.1
Pension liabilities	55.0	63.5	53.2
Deferred tax liabilities	316.8	289.4	294.3
Other provisions	40.5	17.0	22.1
<b>Total long-term liabilities</b>	<b>1,322.3</b>	<b>1,908.4</b>	<b>1,296.5</b>
Interest bearing liabilities	818.4	206.8	680.3
Accounts payable	143.0	140.2	159.0
Other liabilities	94.6	89.7	99.2
Other provisions	60.3	29.1	48.5
Accrued expenses and deferred income	382.3	353.1	343.8
<b>Total short-term liabilities</b>	<b>1,498.6</b>	<b>818.9</b>	<b>1,330.8</b>
<b>Total equity and liabilities</b>	<b>5,793.7</b>	<b>5,537.8</b>	<b>5,473.6</b>

## Financial instruments

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

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

## Condensed Statement of Changes in Equity

MEUR	H1 2014	H1 2013	2013
Opening shareholders' equity	2,846.3	2,749.1	2,749.1
Total comprehensive income for the period 1)	226.1	141.5	162.0
New share issues - w warrants exercised, net of issuance costs	10.5	16.9	23.2
Dividend	-110.1	-98.8	-101.9
Sale of repurchased shares	-	1.6	13.8
Effect of acquisitions and divestments of subsidiaries	-	0.2	0.1
Closing shareholders' equity 2)	2,972.8	2,810.5	2,846.3
1) of which: Parent company shareholders	224.4	139.7	158.6
Non-controlling interest	1.7	1.8	3.4
2) of which: Parent company shareholders	2,964.6	2,801.2	2,839.8
Non-controlling interest	8.2	9.3	6.5

## Number of Shares

	series A	series B	Total
2009-12-31 Total issued and outstanding	11,812,500	252,534,653	264,347,153
Sale of repurchased shares	-	20,070	20,070
Rights issue	3,937,500	83,845,572	87,783,072
2010-12-31 Total issued and outstanding	15,750,000	336,400,295	352,150,295
Rights issue	-	339,335	339,335
2011-12-31 Total issued and outstanding	15,750,000	336,739,630	352,489,630
Sale of repurchased shares	-	185,207	185,207
2012-12-31 Total issued and outstanding	15,750,000	336,924,837	352,674,837
Sale of repurchased shares	-	967,340	967,340
New issue, w warrants exercised	-	1,354,800	1,354,800
2013-12-31 Total issued and outstanding	15,750,000	339,246,977	354,996,977
New issue, w warrants exercised	-	284,910	284,910
2014-03-31 Total issued and outstanding	15,750,000	339,531,887	355,281,887
New issue, w warrants exercised	-	543,450	543,450
2014-06-30 Total issued and outstanding 1)	15,750,000	340,075,337	355,825,337

<sup>1)</sup> As per 30 June 2014, there were in total 355,825,337 shares in the Company, of which 15,750,000 are of series A with ten votes each and 340,075,337 are of series B with one vote each. Hexagon AB held no treasury shares. Warrants exercised until 2014-06-30 have incurred a new share issue in progress as per 2014-06-30 of 214,405 new shares of series B. The new share issue will be finalized in the third quarter.

# Condensed Cash Flow Statement

MEUR	Q2 2014	Q2 2013	H1 2014	H1 2013	2013
Cash flow from operations before change in working capital excluding taxes and interest	176.8	167.8	337.3	314.5	628.9
Taxes paid	-26.5	-15.2	-44.1	-31.9	-62.3
Interest received and paid, net	-6.7	-7.4	-13.2	-15.5	-28.6
Cash flow from operations before change in working capital	143.6	145.2	280.0	267.1	538.0
Cash flow from change in working capital	-14.7	-0.8	-49.7	-60.3	-31.2
Cash flow from operations	128.9	144.4	230.3	206.8	506.8
Cash flow from ordinary investing activities	-62.4	-53.9	-113.6	-95.1	-216.3
Operating cash flow	66.5	90.5	116.7	111.7	290.5
Non-recurring cash flow	-	-	-3.7	-	-4.4
Operating cash flow after non-recurring items	66.5	90.5	113.0	111.7	286.1
Cash flow from other investing activities 1)	-26.4	-14.5	-143.5	-13.9	-73.1
Cash flow after other investing activities	40.1	76.0	-30.5	97.8	213.0
Dividends paid	-110.1	-98.8	-110.1	-98.8	-101.9
Sale of repurchased shares	-	-	-	1.6	13.8
New share issues - w warrants exercised, net of issuance costs	2.8	16.9	10.5	16.9	23.2
Cash flow from other financing activities	50.7	50.5	116.0	35.0	-105.8
Cash flow for the period	-16.5	44.6	-14.1	52.5	42.3
Cash and cash equivalents, beginning of period	177.3	136.4	176.0	130.7	130.7
Effect of translation differences on cash and cash equivalents	5.0	3.0	3.9	0.8	3.0
Cash flow for the period	-16.5	44.6	-14.1	52.5	42.3
Cash and cash equivalents, end of period	165.8	184.0	165.8	184.0	176.0

<sup>1)</sup>Acquisitions totalled -25.7 MEUR (-16.2) and other was -0.7 MEUR (1.7) in the second quarter of 2014.

## Key Ratios

	Q2 2014	Q2 2013	H1 2014	H1 2013	2013
Operating margin, %	22.0	20.7	21.4	20.7	20.9
Profit margin before taxes, %	20.7	19.4	18.6	19.2	18.9
Return on shareholders' equity, 12 month average, %	12.6	13.4	12.6	13.4	13.0
Return on capital employed, 12 month average, %	11.4	11.1	11.4	11.1	11.2
Equity ratio, %	51.3	50.8	51.3	50.8	52.0
Net indebtedness	0.52	0.54	0.52	0.54	0.49
Interest coverage ratio	15.5	13.5	13.5	12.6	12.7
Average number of shares, thousands	355,551	352,781	355,317	352,754	353,226
Basic earnings per share excl. non-recurring items, EUR	0.29	0.28	0.55	0.53	1.08
Basic earnings per share, EUR	0.29	0.28	0.51	0.53	1.04
Cash flow per share, EUR	0.36	0.41	0.65	0.59	1.43
Cash flow per share before change in working cap, EUR	0.40	0.41	0.79	0.76	1.52
Share price, SEK	215.40	179.30	215.40	179.30	203.30
Share price, translated to EUR	23.47	20.43	23.47	20.43	22.95

# Supplementary Information

## NET SALES

MEUR	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	2013
Hexagon MT	635.6	581.8	619.5	566.1	614.2	569.1	2,368.9
- Of which							
Geosystems	229.6	208.2	224.8	203.9	226.7	195.2	850.6
Metrology	196.4	179.4	200.4	173.3	186.3	175.8	735.8
Technology	209.6	194.2	194.3	188.9	201.2	198.1	782.5
Other Operations	-	13.0	12.2	10.5	20.9	17.2	60.8
Group	635.6	594.8	631.7	576.6	635.1	586.3	2,429.7

## OPERATING EARNINGS (EBIT1)

MEUR	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	2013
Hexagon MT	144.2	127.6	141.3	122.3	135.2	125.0	523.8
Other Operations	-	0.4	-0.1	0.2	1.1	0.6	1.8
Group costs	-4.6	-4.6	-4.5	-4.1	-4.7	-4.6	-17.9
Group	139.6	123.4	136.7	118.4	131.6	121.0	507.7
Margin, %	22.0	20.7	21.6	20.5	20.7	20.6	20.9

## NET SALES

MEUR	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	2013
EMEA	259.4	245.3	267.7	230.4	261.9	249.6	1,009.6
Americas	203.8	186.1	206.7	187.9	201.7	183.5	779.8
Asia	172.3	163.4	157.3	158.3	171.5	153.2	640.3
Group	635.6	594.8	631.7	576.6	635.1	586.3	2,429.7

## EXCHANGE RATES

Average	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	2013
SEK/EUR	0.1105	0.1129	0.1128	0.1152	0.1167	0.1177	0.1156
USD/EUR	0.7291	0.7299	0.7348	0.7550	0.7657	0.7571	0.7531
CNY/EUR	0.1170	0.1196	0.1206	0.1233	0.1244	0.1217	0.1225
CHF/EUR	0.8202	0.8173	0.8135	0.8100	0.8120	0.8139	0.8123
Closing	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	2013
SEK/EUR	0.1090	0.1118	0.1129	0.1155	0.1139	0.1197	0.1129
USD/EUR	0.7322	0.7253	0.7251	0.7405	0.7645	0.7809	0.7251
CNY/EUR	0.1180	0.1166	0.1198	0.1210	0.1246	0.1256	0.1198
CHF/EUR	0.8226	0.8201	0.8146	0.8180	0.8105	0.8200	0.8146

# Acquisitions

MEUR	Acquisitions	
	H1 2014	H1 2013
<b>Fair value of acquired assets and assumed liabilities</b>		
Intangible fixed assets	38.8	1.8
Other fixed assets	18.5	1.7
<b>Total fixed assets</b>	<b>57.3</b>	<b>3.5</b>
Total current assets	43.5	15.0
<b>Total assets</b>	<b>100.8</b>	<b>18.5</b>
Total long-term liabilities	11.4	0.5
Total current liabilities	15.0	7.2
<b>Total liabilities</b>	<b>26.4</b>	<b>7.7</b>
<b>Fair value of acquired assets and assumed liabilities, net</b>	<b>74.4</b>	<b>10.8</b>
Long-term securities holdings	-42.9	-
Shares in associated companies	-3.2	-5.4
Non-controlling interest in equity in acquired companies	-	-0.2
Goodwill	174.5	24.7
<b>Total purchase consideration transferred</b>	<b>202.8</b>	<b>29.9</b>
Less cash and cash equivalents in acquired companies	-18.3	-4.1
Adjustment for non-paid consideration and considerations paid for prior years' acquisitions	-27.8	-10.1
<b>Cash flow from acquisition of companies/businesses</b>	<b>156.7</b>	<b>15.7</b>

During the first six months of 2014, Hexagon acquired the following companies:

- GT Strudl, a US software development company
- Aibotix, a German manufacturer of advanced drones
- Veripos, a UK based provider of positioning services
- SAFEMine, a Swiss based provider of mining safety products
- Geodata, a French provider of network RTK correction services
- North West Geomatics, a Canadian provider of aerial mapping

Hexagon has also signed agreements during the second quarter to acquire the following companies:

- Arvus, a Brazil provider of precision agriculture solutions
- iLab, a Brazil provider of precision agriculture solutions
- Mintec, a US provider of mine planning software

The acquisitions of these companies are expected to be finalized during the third quarter.

# Veripos acquisition

MEUR	Veripos
<b>Fair value of acquired assets and assumed liabilities</b>	
Intangible fixed assets	23.3
Other fixed assets	10.0
<b>Total fixed assets</b>	<b>33.3</b>
<b>Total current assets</b>	<b>25.3</b>
<b>Total assets</b>	<b>58.6</b>
<b>Total long-term liabilities</b>	<b>5.6</b>
<b>Total current liabilities</b>	<b>9.0</b>
<b>Total liabilities</b>	<b>14.6</b>
<b>Fair value of acquired assets and assumed liabilities, net</b>	<b>44.0</b>
Long-term securities holdings	-42.9
Goodwill	103.0
<b>Total purchase consideration transferred</b>	<b>104.1</b>

## ACQUISITION OF VERIPOS

As of March 12<sup>th</sup> 2014 Hexagon became the owner of 100 per cent of the shares in Veripos, a company headquartered in Aberdeen, Scotland employing approximately 130 people in 8 countries. Veripos operates, maintains and controls its own network of over 80 GNSS reference stations to determine, calculate and deliver a GNSS correction signal, through a satellite delivery method. Veripos' main market segment is the offshore energy market, with most of the company revenues generated in the oil & gas exploration and positioning segments.

### Background and reasons for the transaction

Hexagon has a large customer base and an extensive offering in the surveying and agriculture markets through its brands Leica Geosystems and NovAtel. In those markets satellite correction services are becoming an essential part to be able to offer customers. It is therefore a good strategic fit between Hexagon and Veripos where Hexagon will provide, state of the art, positioning technology to Veripos as well as future growth via Hexagon's onshore markets. Veripos has, in turn, built up a strong position in the offshore market and has infrastructure that Hexagon can leverage on immediately after an acquisition rather than building such infrastructure in-house.

The goodwill of 103.0 MEUR comprises the value of expected synergies arising from the acquisition and the assembled workforce, which is not separately recognised. Synergies have primarily been identified to arise by i) combining Hexagon and Veripos technologies, ii) selling Veripos correction services in Hexagons markets, iii) rationalisation of overlapping resources at Hexagon and Veripos. Goodwill is allocated entirely to the Measurement Technologies operating segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

Of the 23.3 MEUR of acquired intangible assets, 8.8 MEUR was assigned to trademarks that are not subject to amortisation. The remaining 14.5 MEUR was assigned to capitalised development expenses, patents and other assets with useful lives of 8-12 years. The intangible assets have been valued using a discounted cash flow method.

From the date of acquisition, Veripos has contributed 14.5 MEUR of net sales in H1 2014. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 17.4 MEUR.

The analysis of the acquired net assets is preliminary and the fair values might be subject to changes in 2014.

## Divestments

MEUR	Divestments	
	H1 2014	H1 2013
Carrying value of divested assets and liabilities, net		
Intangible fixed assets	0.0	-
Other fixed assets	7.8	-
Total fixed assets	7.8	-
Total current assets	22.4	-
<b>Total assets</b>	<b>30.2</b>	<b>-</b>
Total long-term liabilities	1.3	-
Total current liabilities	22.3	-
<b>Total liabilities</b>	<b>23.6</b>	<b>-</b>
Carrying value of divested assets and liabilities, net	6.6	-
Capital gain (+) / loss (-)	-1.5	-
Total purchase consideration transferred	5.1	-
Plus repayment of intercompany loan	14.0	-
<b>Cash flow from divestment of companies/businesses</b>	<b>19.1</b>	<b>-</b>

In March 2014, Hexagon divested SwePart Transmission AB that was reported within the business area Other Operations.

## Condensed Parent Company Income Statement

MEUR	Q2 2014	Q2 2013	H1 2014	H1 2013	2013
Net sales	2.8	2.8	8.8	5.6	11.2
Administration cost	-5.7	-3.8	-8.8	-7.9	-17.1
Operating earnings	-2.9	-1.0	0.0	-2.3	-5.9
Earnings from shares in Group companies	148.0	186.4	146.5	186.4	235.0
Interest income and expenses, net	9.9	0.1	11.0	38.3	33.3
Earnings before taxes	155.0	185.5	157.5	222.4	262.4
Taxes	-1.6	0.1	-2.5	-8.0	-30.2
Net earnings	153.4	185.6	155.0	214.4	232.2

## Condensed Parent Company Balance Sheet

MEUR	30/6 2014	30/6 2013	31/12 2013
Total fixed assets	4,181.6	3,927.5	3,946.1
Total current receivables	180.3	166.9	158.8
Cash and cash equivalents	7.9	31.4	16.3
Total current assets	188.2	198.3	175.1
Total assets	4,369.8	4,125.8	4,121.2
Total shareholders' equity	1,812.5	1,713.8	1,757.1
Total long-term liabilities	904.2	1,498.3	914.0
Total short-term liabilities	1,653.1	913.7	1,450.1
Total equity and liabilities	4,369.8	4,125.8	4,121.2



# Definitions

## FINANCIAL DEFINITIONS

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

## BUSINESS DEFINITIONS

Americas	North, South and Central America
Asia	Asia, Australia and New Zealand
EMEA	Europe, Middle East and Africa
MT	The core segment, Measurement Technologies



Hexagon is a leading global provider of design, measurement and visualisation technologies. Our customers can design, measure and position objects, and process and present data to stay one step ahead of a changing world. Hexagon's solutions increase productivity, enhance quality and allow for faster, better operational decisions, saving time, money and resources. Hexagon has more than 14 000 employees in more than 40 countries and net sales of about 2 400 MEUR. Our products are used in a broad range of industries including surveying, power and energy, aerospace and defence, safety and security, construction and manufacturing. Learn more at [www.hexagon.com](http://www.hexagon.com).

#### **FINANCIAL REPORT DATES**

Hexagon gives financial information at the following occasions:

Interim Report Q3 2014 22 October 2014  
Interim Report Q4 2014 6 February 2015

#### **FINANCIAL INFORMATION**

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

#### **TELEPHONE CONFERENCE**

The interim report for the second quarter 2014 will be presented on 7 August at 10:00 CET at a telephone conference. Please view instructions at Hexagon's website on how to participate.

#### **CONTACT**

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This interim report is a type of information that Hexagon AB (publ) is obliged to disclose in accordance with the Swedish Securities Market Act and /or the Financial Instruments Trading Act. The information was submitted for publication on 7 August 2014 at 08:00 CET.

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