

INTERIM REPORT

1 JANUARY – 31 MARCH 2016

FIRST QUARTER 2016

- Net sales increased by 3 per cent to 724.2 MEUR (705.1). Using fixed exchange rates and a comparable group structure, net sales increased by 2 per cent
- Operating earnings (EBIT1) increased by 7 per cent to 160.5 MEUR (149.8)
- Earnings before taxes, excluding non-recurring items, amounted to 155.3 MEUR (142.2)
- Net earnings, excluding non-recurring items, amounted to 125.8 MEUR (113.8)
- Earnings per share, excluding non-recurring items, increased by 13 per cent to 0.35 EUR (0.31)
- Operating cash flow improved by 55 per cent to 101.1 MEUR (65.1)

MEUR	Q1 2016	Q1 2015	Δ%
Net sales	724.2	705.1	2 ¹⁾
Gross earnings	442.3	421.0	5
Gross margin, %	61.1	59.7	1.4
Operating earnings (EBITDA)	215.3	198.6	8
EBITDA margin, %	29.7	28.2	1.5
Operating earnings (EBIT1)	160.5	149.8	7
Operating margin, %	22.2	21.2	1.0
Earnings before taxes excluding non-recurring items	155.3	142.2	9
Non-recurring items	-	-36.6 ²⁾	n.a.
Earnings before taxes	155.3	105.6	47
Net earnings	125.8	84.0	50
Net earnings, excl. non-recurring items	125.8	113.8	11
Earnings per share, EUR	0.35	0.23	52
Earnings per share, excl. non-recurring items, EUR	0.35	0.31	13

1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.
 2) Non-recurring items in 2015 related to the implementation of a cost savings programme.



COMMENTS FROM THE CEO

“To those following the stock markets, it’s obvious the growth of the global economy faces a multitude of challenges. Yet, despite this tough environment Hexagon reported 2 per cent organic growth. We also believe this is the trough in terms of organic growth and that we will return to somewhat stronger growth rates later in the year as a result of new product launches and regional initiatives. Our operating margin has improved by one percentage point compared to the same period last year, which we attribute to our broadened technology portfolio and increased software content. Our cash flow and financial position is stronger than ever and following the acquisition of several new companies in Q1, we see further opportunities for acquired growth ahead.”

– Ola Rollén, President and CEO, Hexagon AB

Q1

3%
SALES GROWTH

2%
ORGANIC GROWTH

22%
OPERATING MARGIN

GROUP BUSINESS DEVELOPMENT

Q1 NET SALES

Net sales increased to 724.2 MEUR (705.1) and organic growth amounted to 2 per cent. Organic growth was 2 per cent in EMEA, 1 per cent in Americas and 5 per cent in Asia. In Asia, China returned to growth following a weaker quarter while Japan and South Korea continued to report solid development. In EMEA, Western Europe reported single digit organic growth while Russia reported strong growth although from low levels. The Middle East, however, recorded significant negative organic growth in the quarter due to the dependency on the oil and gas segment. In Americas, North America recorded positive organic growth, while South America continued to be weak. For more information on organic growth per geographic region, see the table below.

Q1 EARNINGS

Operating earnings (EBIT1) grew by 7 per cent to 160.5 MEUR (149.8), which corresponds to an operating margin of 22.2 per cent (21.2). The operating margin was positively impacted by organic growth, new products and good cost control. Operating earnings (EBIT1) and earnings before taxes were negatively impacted by exchange rate movements of -3.6 MEUR.

FINANCIAL SUMMARY FIRST QUARTER

MEUR	Net sales			Earnings		
	Q1 2016	Q1 2015	Δ% ¹⁾	Q1 2016	Q1 2015	Δ%
Geospatial Enterprise Solutions	369.4	354.6	4	75.7	66.3	14
Industrial Enterprise Solutions	354.8	350.5	1	89.6	89.7	-0
Net sales	724.2	705.1	2			
Group cost and eliminations				-4.8	-6.2	23
Operating earnings (EBIT1)				160.5	149.8	7
Operating margin, %				22.2	21.2	1.0
Interest income and expenses, net				-5.2	-7.6	32
Earnings before non-recurring items				155.3	142.2	9
Non-recurring items				-	-36.6	n.a.
Earnings before taxes				155.3	105.6	47
Taxes				-29.5	-21.6	-37
Net earnings				125.8	84.0	50

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

CURRENCY IMPACT – FIRST QUARTER AS COMPARED TO EUR

	Movement ¹⁾	Income less cost	Earnings impact
CHF	Weakened -2%	Positive	Positive ↗
USD	Strengthened 2%	Positive	Positive ↗
CNY	Weakened -3%	Negative	Negative ↘
EBIT1, MEUR			-3.6

¹⁾ Compared to Q1 2015

SALES BRIDGE FIRST QUARTER

	Net sales*
2015, MEUR	705.1
Structure, %	3
Currency, %	-2
Organic growth, %	2
Total, %	3
2016, MEUR	724.2

*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.

CONTRIBUTORS TO ORGANIC GROWTH

Analysis of organic growth ¹⁾ per geographic region			
Q1 2015	705.1		
China (16% of sales)		↗	
Asia excl. China (13% of sales)		→	
North America (32% of sales)		→	
Western Europe (31% of sales)		→	>8% ↗
EMEA excl. Western Europe (6% of sales)		→	0-8% →
South America (2% of sales)		↘	Negative ↘
Q1 2016	724.2		

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



GEOSPATIAL ENTERPRISE SOLUTIONS – Q1 2016

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.

Q1 NET SALES

Geospatial Enterprise Solutions (GES) sales amounted to 369.4 MEUR (354.6). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 4 per cent. Organic growth was 6 per cent in Asia, 5 per cent in Americas and 3 per cent in EMEA.

Looking at the geographical development, China recorded double digit organic growth, on the back of a recovery in the infrastructure segment and customer wins from the Digital City project. In Americas, North America recorded positive organic growth while South America continued to report significant negative growth mainly due to the political and economic turmoil in Brazil. In EMEA, the Nordic countries and Germany recorded solid organic growth while the UK was weaker. Russia continued to recover with strong growth while the Middle East recorded negative organic growth.

In regard to the business units within GES, organic growth for Geosystems was 5 per cent, primarily due to the comeback in China and continued strong demand from customers in the US construction industry. Safety & Infrastructure continued to experience good customer demand and recorded 6 per cent organic growth. Positioning Intelligence recorded negative organic growth of -3 per cent and was affected by weaker demand from its off-shore related business.

Q1 EARNINGS

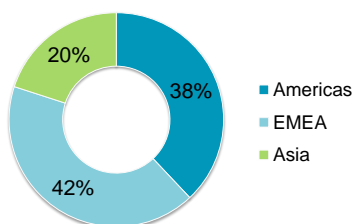
Operating earnings (EBIT1) increased by 14 per cent to 75.7 MEUR (66.3), which corresponds to an operating margin of 20.5 per cent (18.7). The operating margin was positively impacted by organic growth, new products and good cost control.

Q1 NET SALES, EBIT1 AND NUMBER OF EMPLOYEES

MEUR	Q1 2016	Q1 2015	Δ%
Net sales	369.4	354.6	4 ¹⁾
Operating earnings (EBIT1)	75.7	66.3	14
Operating margin,%	20.5	18.7	1.8
Avg. number of employees	7,891	7,979	-1

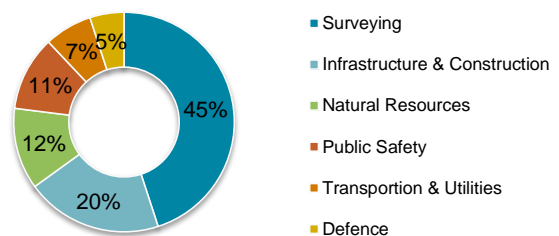
¹⁾ Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

GES – NET SALES PER GEOGRAPHY*



* Q1 2016 numbers

GES – NET SALES PER CUSTOMER SEGMENT*



* Full-year 2015 numbers



INDUSTRIAL ENTERPRISE SOLUTIONS – Q1 2016

Industrial Enterprise Solutions includes metrology systems that incorporate the latest in sensor technology for fast and accurate measurements, as well as CAD (computer-aided design) and CAM (computer-aided manufacturing) software. These solutions optimise design, processes and throughput in manufacturing facilities and create and leverage asset management information critical to the planning, construction and operation of plants and process facilities in a number of industries, such as automotive, aerospace and oil and gas. Industrial Enterprise Solutions consists of Manufacturing Intelligence and Process, Power & Marine (PP&M).

Q1 NET SALES

Industrial Enterprise Solutions (IES) sales amounted to 354.8 MEUR (350.5). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 1 per cent. Organic growth was 5 per cent in Asia, 1 per cent in EMEA and -4 per cent in Americas.

Looking at the geographical development, China and Japan recorded strong organic growth, especially in the automotive, aerospace and manufacturing industries. Demand in the Asian electronics industry was however weaker, facing tougher comparison numbers. In EMEA, Eastern Europe and Russia recorded solid organic growth while growth in Western Europe was flat. In Americas, growth in the process industries was solid while demand in the North American manufacturing industry weakened.

In regard to the business units within IES, Manufacturing Intelligence had a slower start to the year and recorded 1 per cent organic growth on the back of tough comparison numbers. However, recent order development signals a strengthening in demand and the year is expected to be back-end weighted.

PP&M recorded 1 per cent organic growth, despite the turmoil in the oil and gas sector. However, looking ahead to the second quarter, PP&M will face tougher comparison numbers due to a big project order in Q2 2015.

Q1 EARNINGS

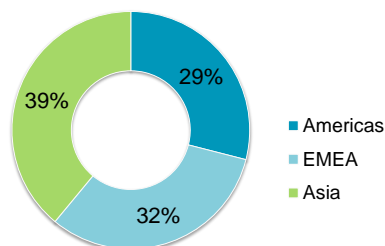
Operating earnings (EBIT1) was in line with the same period last year at 89.6 MEUR (89.7), which corresponds to an operating margin of 25.3 per cent (25.6). The operating margin (EBIT1) was negatively impacted by currency movements.

Q1 NET SALES, EBIT1 AND NUMBER OF EMPLOYEES

MEUR	Q1 2016	Q1 2015	Δ%
Net sales	354.8	350.5	1 ¹⁾
Operating earnings (EBIT1)	89.6	89.7	-0
Operating margin, %	25.3	25.6	-0.3
Avg. number of employees	8,167	7,757	5

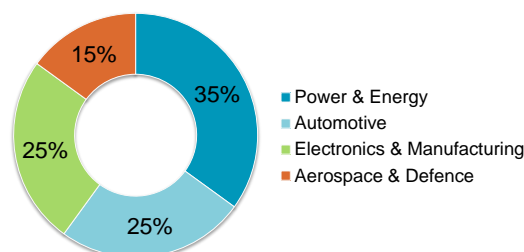
¹⁾ Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

IES – NET SALES PER GEOGRAPHY*

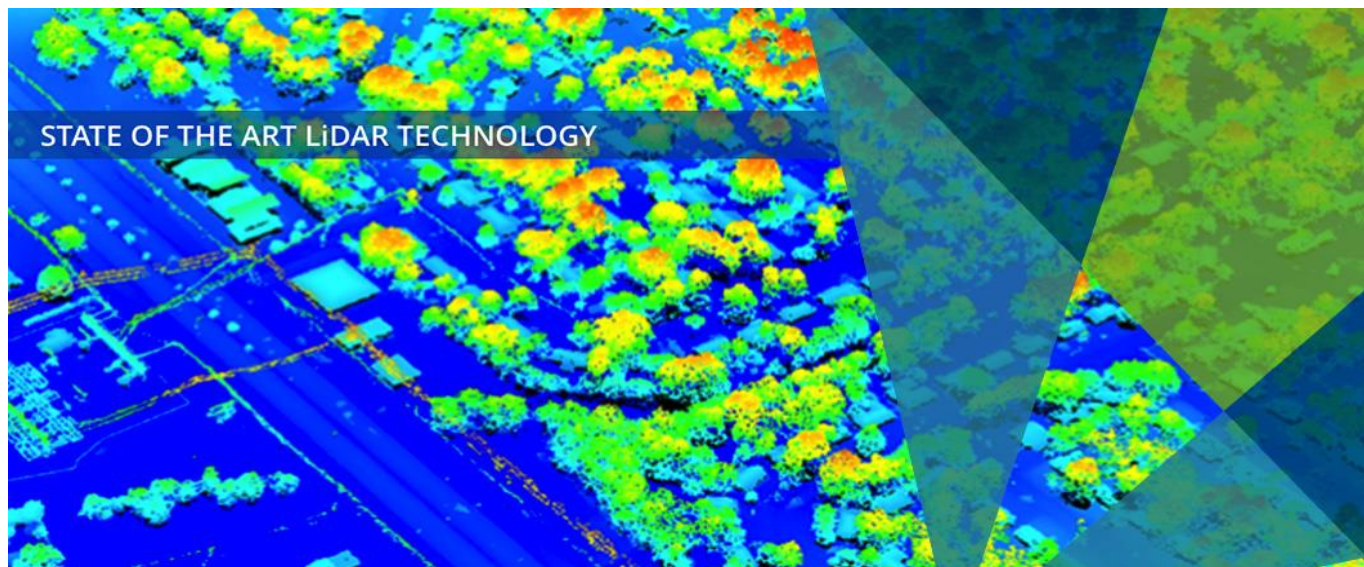


* Q1 2016 numbers

IES – NET SALES PER CUSTOMER SEGMENT*



* Full-year 2015 numbers



As of February Hexagon became the owner of SigmaSpace, a provider of next-generation technologies used to rapidly deliver high-quality 3D maps of the Earth. SigmaSpace offers a unique LiDAR technology – Single Photon LiDAR (SPL) – which enables 3D data collection at much higher speed and resolution than conventional systems. Accurate and geo-referenced 3D visualisations have become an absolute necessity in real-world situations due to the insight they can provide – from urban planning and emergency services to aviation safety and disaster response.

GROUP SUMMARY

PROFITABILITY

Capital employed increased to 6,099.3 MEUR (6,079.1). Return on average capital employed for the last twelve months was 11.7 per cent (11.4). Return on average shareholders' equity for the last twelve months was 13.8 per cent (12.5). The capital turnover rate was 0.5 times (0.5).

FINANCIAL POSITION

Total shareholders' equity increased to 4,054.9 MEUR (3,918.2). The equity ratio was 55 per cent (53). Hexagon's total assets increased to 7,378.1 MEUR (7,340.3). 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 Q3 2014. The RCF amounts to 2,000 MEUR with a tenor of 5+1+1 years
- 2) A Swedish Medium Term Note Programme (MTN) established during Q2 2014. The MTN programme amounts to 10,000 MSEK with tenor up to 5 years
- 3) A Swedish Commercial Paper Programme (CP) established during 2012. The CP programme amounts to 15,000 MSEK with tenor up to 12 months

On 31 March 2016, cash and unutilised credit limits totalled 1,250.8 MEUR (1,302.9). Hexagon's net debt was 1,767.1 MEUR (1,832.6). The net indebtedness was 0.39 times (0.43). Interest coverage ratio was 25.3 times (13.0).

CASH FLOW

During the first quarter, cash flow from operations before changes in working capital amounted to 182.7 MEUR (157.8), corresponding to 0.51 EUR (0.44) per share. Cash flow from operations in the first quarter amounted to 167.9 MEUR (124.8), corresponding to 0.47 EUR (0.35) per share.

INVESTMENTS, DEPRECIATION, AMORTISATION AND IMPAIRMENT

Hexagon's net investments, excluding acquisitions and divestitures, amounted to -63.3 MEUR (-55.2) in the first quarter.

Depreciation, amortisation and impairment amounted to -54.8 MEUR (-48.8) in the first quarter. Hexagon recorded no impairment charges in the first quarter (-).

TAX RATE

The Group's tax expense for the first quarter totalled -29.5 MEUR (-21.6) corresponding to a tax rate of 19.0 per cent (20.5).

EMPLOYEES

The average number of employees during the first quarter was 16,128 (15,809). The increase was primarily related to acquisitions. The number of employees at the end of the quarter was 16,331 (16,017).

SHARE DATA

Earnings per share, excluding non-recurring items, for the first quarter amounted to 0.35 EUR (0.31). Earnings per share, including non-recurring items, for the first quarter amounted to 0.35 EUR (0.23).

On 31 March 2016, equity per share was 11.22 EUR (10.86) and the share price was 316.00 SEK (306.60).

Hexagon's share capital amounts to 79,980,283 EUR, represented by 360,443,142 shares, of which 15,750,000 are of series A with 10 votes each and 344,693,142 are of series B with one vote each. Hexagon AB holds no treasury shares.

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

ASSOCIATED COMPANIES

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

PARENT COMPANY

The parent company's earnings after financial items in the first quarter amounted to -32.5 MEUR (78.0). The equity was 4,773.0 MEUR (1,977.0). The equity ratio of the parent company was 60 per cent (39). Liquid funds including unutilised credit limits were 1,031.6 MEUR (1,045.6).



In March Hexagon acquired AICON 3D Systems, a leading provider of optical and portable non-contact 3D measuring systems for industrial manufacturing. AICON meets measurement needs of renowned automotive manufacturers and companies in the aerospace, shipbuilding, renewable energy and mechanical engineering markets.

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, 10 May 2016
Hexagon AB (publ)

Melker Schörling
Chairman of the Board

Ulrika Francke
Board Member

Gun Nilsson
Board Member

Jill Smith
Board Member

Ulrik Svensson
Board Member

Ola Rollén
President and CEO
Board Member

ACCOUNTING PRINCIPLES

Hexagon applies International Financial Reporting Standards (IFRS) as adopted by the European Union. Hexagon's report for the Group is prepared in accordance with IAS 34, "Interim Financial Reporting" and the Annual Accounts Act. Parent company accounts are prepared in accordance with the Annual Accounts Act. Accounting principles and calculation methods are unchanged from those applied in the Annual Report for 2015. New and amended standards applicable from 2016 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 2015 Annual Report.

RELATED PARTY TRANSACTIONS

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

SUBSEQUENT EVENTS

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

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

Condensed Income Statement

MEUR	Q1 2016	Q1 2015	2015
Net sales	724.2	705.1	3,043.8
Cost of goods sold	-281.9	-284.1	-1,221.9
Gross earnings	442.3	421.0	1,821.9
Sales expenses	-136.0	-143.8	-561.7
Administration expenses	-64.4	-75.0	-292.8
Research and development expenses	-80.1	-87.3	-313.1
Earnings from shares in associated companies	-0.1	0.0	0.1
Other income and expenses, net	-1.2	-1.7	1.7
Operating earnings 1)	160.5	113.2	656.1
Interest income and expenses, net	-5.2	-7.6	-26.5
Earnings before taxes	155.3	105.6	629.6
Taxes	-29.5	-21.6	-124.5
Net earnings	125.8	84.0	505.1
Attributable to:			
Parent company shareholders	124.6	82.8	499.9
Non-controlling interest	1.2	1.2	5.2
1) of which non-recurring items	-	-36.6	-36.6
Earnings include depreciation, amortisation and impairments of	-54.8	-48.8	-219.6
- of which amortization of surplus values	-8.5	-7.6	-32.3
Basic earnings per share, EUR	0.35	0.23	1.39
Earnings per share after dilution, EUR	0.35	0.23	1.39
Total shareholder's equity per share, EUR	11.22	10.86	11.36
Closing number of shares, thousands	360,443	359,532	360,337
Average number of shares, thousands	360,402	357,675	359,387
Average number of shares after dilution, thousands	360,754	358,331	359,817

Condensed Comprehensive Income

MEUR	Q1 2016	Q1 2015	2015
Net earnings	125.8	84.0	505.1
Other comprehensive income			
Items that will not be reclassified to income statement			
Remeasurement of pensions	-17.7	-5.4	-36.8
Taxes on items that will not be reclassified to income statement	1.5	0.3	5.1
Total items that will not be reclassified to income statement, net of taxes	-16.2	-5.1	-31.7
Items that may be reclassified subsequently to income statement			
Exchange rate differences	-155.5	365.5	256.2
Effect of hedging of net investments in foreign operations	-0.1	-14.1	-12.7
Taxes on items that may be reclassified subsequently to income statement	-1.4	-12.9	-9.5
Total items that may be reclassified subsequently to income statement, net of taxes	-157.0	338.5	234.0
Other comprehensive income, net of taxes	-173.2	333.4	202.3
Total comprehensive income for the period	-47.4	417.4	707.4
Attributable to:			
Parent company shareholders	-48.2	414.9	701.5
Non-controlling interest	0.8	2.5	5.9

Condensed Balance Sheet

MEUR	31/3 2016	31/3 2015	31/12 2015
Intangible fixed assets	5,528.3	5,392.3	5,567.1
Tangible fixed assets	284.5	310.5	287.9
Financial fixed assets	25.4	23.5	25.0
Deferred tax assets	58.0	74.7	59.4
Total fixed assets	5,896.2	5,801.0	5,939.4
Inventories	436.5	453.7	414.9
Accounts receivable	653.7	663.8	688.3
Other receivables	65.6	61.2	62.8
Prepaid expenses and accrued income	123.8	112.8	101.2
Total current receivables	843.1	837.8	852.3
Cash and cash equivalents	202.3	247.8	225.5
Total current assets	1,481.9	1,539.3	1,492.7
Total assets	7,378.1	7,340.3	7,432.1
Equity attributable to parent company shareholders	4,044.1	3,904.3	4,092.3
Equity attributable to non-controlling interest	10.8	13.9	10.0
Total shareholders' equity	4,054.9	3,918.2	4,102.3
Interest bearing liabilities	1,525.1	1,766.5	1,782.8
Other liabilities	6.5	4.9	3.9
Pension liabilities	141.6	97.1	124.0
Deferred tax liabilities	419.6	404.5	416.8
Other provisions	82.0	104.8	57.8
Total long-term liabilities	2,174.8	2,377.8	2,385.3
Interest bearing liabilities	296.6	204.9	57.5
Accounts payable	149.5	155.3	162.7
Other liabilities	109.1	122.6	123.4
Other provisions	82.9	50.0	92.8
Deferred income	269.1	253.2	235.7
Accrued expenses	241.2	258.3	272.4
Total short-term liabilities	1,148.4	1,044.3	944.5
Total equity and liabilities	7,378.1	7,340.3	7,432.1

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 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	Q1 2016	Q1 2015	2015
Opening shareholders' equity	4,102.3	3,470.2	3,470.2
Total comprehensive income for the period 1)	-47.4	417.4	707.4
New share issues, w warrants exercised - net of issuance costs	-	30.6	38.9
Dividend	-	-	-133.1
Warrants issued	-	-	18.9
Closing shareholders' equity 2)	4,054.9	3,918.2	4,102.3
1) Of which: Parent company shareholders	-48.2	414.9	701.5
Non-controlling interest	0.8	2.5	5.9
2) Of which: Parent company shareholders	4,044.1	3,904.3	4,092.3
Non-controlling interest	10.8	13.9	10.0

Number of Shares

	series A	series B	Total
2009-12-31 Total issued and outstanding	11,812,500	252,534,653	264,347,153
Sale of repurchased shares	-	20,070	20,070
Rights issue	3,937,500	83,845,572	87,783,072
2010-12-31 Total issued and outstanding	15,750,000	336,400,295	352,150,295
Rights issue	-	339,335	339,335
2011-12-31 Total issued and outstanding	15,750,000	336,739,630	352,489,630
Sale of repurchased shares	-	185,207	185,207
2012-12-31 Total issued and outstanding	15,750,000	336,924,837	352,674,837
Sale of repurchased shares	-	967,340	967,340
New issue, w warrants exercised	-	1,354,800	1,354,800
2013-12-31 Total issued and outstanding	15,750,000	339,246,977	354,996,977
New issue, w warrants exercised	-	2,392,236	2,392,236
2014-12-31 Total issued and outstanding	15,750,000	341,639,213	357,389,213
New issue, w warrants exercised	-	2,947,929	2,947,929
2015-12-31 Total issued and outstanding	15,750,000	344,587,142	360,337,142
New issue, w warrants exercised	-	106,000	106,000
2016-03-31 Total issued and outstanding 1)	15,750,000	344,693,142	360,443,142

¹⁾ As per 31 March 2016, there were in total 360,443,142 shares in the Company, of which 15,750,000 are of series A with ten votes each and 344,693,142 are of series B with one vote each. Hexagon AB holds no treasury shares.

Condensed Cash Flow Statement

MEUR	Q1 2016	Q1 2015	2015
Cash flow from operations before change in working capital excluding taxes and interest	214.8	191.9	890.4
Taxes paid	-29.4	-28.9	-120.0
Interest received and paid, net	-2.7	-5.2	-20.5
Cash flow from operations before change in working capital	182.7	157.8	749.9
Cash flow from change in working capital	-14.8	-33.0	-27.3
Cash flow from operations	167.9	124.8	722.6
Investments tangible assets	-14.5	-7.9	-35.7
Investments intangible assets	-48.8	-47.3	-194.6
Operating cash flow	104.6	69.6	492.3
Non-recurring cash flow 1)	-3.5	-4.5	-18.6
Operating cash flow after non-recurring items	101.1	65.1	473.7
Cash flow from other investing activities 2)	-92.7	-1.3	-193.9
Cash flow after other investing activities	8.4	63.8	279.8
Dividends paid	-	-	-133.1
New share issues, warrants exercised - net of issuance costs	-	30.6	38.9
Warrants issued	-	-	18.9
Cash flow from other financing activities	-20.4	-89.1	-205.9
Cash flow for the period	-12.0	5.3	-1.4
Cash and cash equivalents, beginning of period	225.5	228.6	228.6
Effect of translation differences on cash and cash equivalents	-11.2	13.9	-1.7
Cash flow for the period	-12.0	5.3	-1.4
Cash and cash equivalents, end of period	202.3	247.8	225.5

¹⁾ Non-recurring cash flow in the first quarter of 2016 consists of restructuring and transaction cost of -3.5 MEUR (-4.5).

²⁾ Acquisitions and divestments totaled -91.4 MEUR (-3.8) and other was -1.3 MEUR (2.5) in the first quarter of 2016.

Key Ratios

	Q1 2016	Q1 2015	2015
Operating margin, %	22.2	21.2	22.8
Profit margin before taxes, %	21.4	15.0	20.7
Return on shareholders' equity, 12 month average, %	13.8	12.5	13.0
Return on capital employed, 12 month average, %	11.7	11.4	11.6
Equity ratio, %	55.0	53.4	55.2
Net indebtedness	0.39	0.43	0.38
Interest coverage ratio	25.3	13.0	20.3
Average number of shares, thousands	360,402	357,675	359,387
Basic earnings per share excl. non-recurring items, EUR	0.35	0.31	1.47
Basic earnings per share, EUR	0.35	0.23	1.39
Cash flow per share, EUR	0.47	0.35	2.01
Cash flow per share before change in working cap, EUR	0.51	0.44	2.09
Share price, SEK	316.00	306.60	314.80
Share price, translated to EUR	34.25	33.00	34.26

Supplementary Information

NET SALES PER SEGMENT

MEUR	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
Geospatial Enterprise Solutions	369.4	395.1	371.4	385.6	354.6	1,506.7
Industrial Enterprise Solutions	354.8	420.6	370.9	395.1	350.5	1,537.1
Group	724.2	815.7	742.3	780.7	705.1	3,043.8

OPERATING EARNINGS (EBIT1) PER SEGMENT

MEUR	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
Geospatial Enterprise Solutions	75.7	88.8	78.6	74.6	66.3	308.3
Industrial Enterprise Solutions	89.6	115.2	95.2	109.5	89.7	409.6
Group costs	-4.8	-6.2	-6.0	-6.8	-6.2	-25.2
Group	160.5	197.8	167.8	177.3	149.8	692.7
Margin, %	22.2	24.2	22.6	22.7	21.2	22.8

NET SALES PER REGION

MEUR	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
EMEA	270.5	320.8	273.0	291.9	261.6	1,147.2
Americas	247.5	278.6	257.7	270.5	242.3	1,049.2
Asia	206.2	216.3	211.6	218.3	201.2	847.4
Group	724.2	815.7	742.3	780.7	705.1	3,043.8

EXCHANGE RATES

Average	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
SEK/EUR	0.1072	0.1075	0.1060	0.1075	0.1066	0.1069
USD/EUR	0.9069	0.9136	0.8988	0.9056	0.8888	0.9015
CNY/EUR	0.1386	0.1430	0.1426	0.1460	0.1425	0.1435
CHF/EUR	0.9122	0.9219	0.9322	0.9608	0.9337	0.9369
Closing	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
SEK/EUR	0.1084	0.1088	0.1063	0.1085	0.1076	0.1088
USD/EUR	0.8783	0.9185	0.8926	0.8937	0.9295	0.9185
CNY/EUR	0.1360	0.1416	0.1404	0.1442	0.1499	0.1416
CHF/EUR	0.9148	0.9229	0.9162	0.9603	0.9557	0.9229

Acquisitions

MEUR	Acquisitions	
	Q1 2016	Q1 2015
Fair value of acquired assets and assumed liabilities		
Intangible fixed assets	33.0	2.0
Other fixed assets	5.2	0.0
Total fixed assets	38.2	2.0
Total current assets	34.5	0.9
Total assets	72.7	2.9
Total long-term liabilities	9.8	0.6
Total current liabilities	15.4	0.3
Total liabilities	25.2	0.9
Fair value of acquired assets and assumed liabilities, net	47.5	2.0
Goodwill	65.7	2.0
Total purchase consideration transferred	113.2	4.0
Less cash and cash equivalents in acquired companies	-6.5	-0.6
Adjustment for non-paid consideration and considerations paid for prior years' acquisitions	-26.1	0.4
Adjustment for prepaid part of acquisition costs	10.8	-
Cash flow from acquisition of companies/businesses	91.4	3.8

During Q1 2016, Hexagon acquired the following companies:

- GPS Solutions Inc., an American based software company within high precision positioning
- Paul MacArthur Limited (SCCS), a British supplier of Leica Geosystems surveying equipment
- SigmaSpace Corporation, an American 3D mapping company
- M&P Survey Equipment Ltd, a British supplier of Leica Geosystems surveying equipment
- Forming Technologies Inc. (FTI), a Canadian based provider of manufacturing software solutions
- AICON 3D Systems GmbH, a German based provider of measuring systems for industrial manufacturing
- HostSure Limited, a provider of Cloud Technology and Services to the power and energy sector, based in Ireland

The acquisitions are individually assessed as immaterial from a group perspective why only aggregated information is presented. The analysis of the acquired net assets is preliminary and the fair value might be subject to change. Further information related to the acquisitions of SCCS, SigmaSpace Corporation, FTI and AICON 3D Systems is presented in the acquisition analysis on page 13 and 14.

On 21 March 2016, Hexagon announced an agreement to acquire the GeoRadar division of the Italian-based company Ingegneria dei Sistemi S.p.A. The GeoRadar division provides radar solutions for structural health monitoring and underground utility detection. The acquisition is subject to customary regulatory approvals. Closing is expected during the second quarter of 2016. IDS GeoRadar turnover for 2015 amounted to approximately 18 MEUR.

Acquisition analysis

ACQUISITION OF SCCS

As of 13 January 2016, after regulatory approvals, Hexagon became the owner of SCCS, one of the UK's leading suppliers of surveying equipment to the engineering and infrastructure market and a Leica Geosystems distributor. SCCS offer customers rent, purchase and service options.

Background and reasons for the transaction

As the UK continues to fund major infrastructure projects with more stringent processes related to Building Information Modelling (BIM), collaboration between the construction and software sectors becomes increasingly vital. SCCS's local market expertise and relationships coupled with Hexagon's digital technologies that enable new, data-enabled ways of working will strengthen adoption of Hexagon's solutions in this area.

The goodwill comprises expected synergies arising from the acquisition and the assembled workforce, which is not separately recognized. Synergies have primarily been identified to arise by increasing Hexagon's total market in excess of SCCS's own market.

From the date of acquisition, SCCS has contributed 6.9 MEUR of net sales in the first quarter 2016. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 6.9 MEUR.

ACQUISITION OF SIGMASPACE CORPORATION

As of 18 February 2016, after regulatory approvals, Hexagon became the owner of SigmaSpace, a provider of next-generation technologies used to rapidly deliver high-quality 3D maps of the Earth. SigmaSpace offers a unique LiDAR technology – Single Photon LiDAR (SPL) – which enables 3D data collection at much higher speed and resolution than conventional systems.

Background and reasons for the transaction

Today, accurate and geo-referenced 3D visualisations have become an absolute necessity in real-world situations due to the insight they can provide – from urban planning and emergency services to aviation safety and disaster response. SigmaSpace has been enabling private and government clients, including NASA and the U.S. Department of Defense, respond to the growing need for this kind of data.

The goodwill comprises 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 Geosystems and SigmaSpace's technologies and solutions ii) increasing Hexagon's total market in excess of SigmaSpace's own market.

The acquired intangible assets, were assigned to trademarks that are not subject to amortization, capitalized development expenses and customer relationships with useful lives of 12-15 years. The intangible assets have been valued using a discounted cash flow method.

From the date of acquisition, SigmaSpace has contributed 2.0 MEUR of net sales in the first quarter 2016. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 4.2 MEUR.

ACQUISITION OF FTI

On 23 March 2016, after regulatory approvals, Hexagon acquired FTI, a provider of manufacturing software solutions designed to reduce the development time and material costs of sheet metal components. FTI serves original equipment manufacturers (OEMs) and suppliers in the automotive, aerospace, electronics, and appliance industries with sheet metal design, simulation, feasibility and costing solutions.

Background and reasons for the transaction

Sheet metal is used extensively in the production of car bodies, aircraft, electronics enclosures and many other applications. Rapid, cost-efficient design and manufacturing of sheet metal components is key to addressing the rising challenges of manufacturing efficiencies. FTI's technology portfolio coupled with its engineering services and years of expertise in the sheet metal industry, enables customers to validate designs before they go into production and immediately reduce labour and material costs.

The goodwill comprises 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 Manufacturing Intelligence's and FTI's technologies and solutions ii) increasing Hexagon's total market in excess of FTI's own market.

The acquired intangible assets, were assigned to trademarks that are not subject to amortization, capitalized development expenses and customer relationships with useful lives of 12-15 years. The intangible assets have been valued using a discounted cash flow method.

From the date of acquisition, FTI has contributed 0.0 MEUR of net sales in the first quarter 2016. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 1.2 MEUR.

ACQUISITION OF AICON 3D SYSTEMS

On 30 March 2016, after regulatory approvals, Hexagon acquired AICON 3D Systems, a leading provider of optical and portable non-contact 3D measuring systems for industrial manufacturing.

Background and reasons for the transaction

AICON meets measurement needs of renowned automotive manufacturers and companies in the aerospace, shipbuilding, renewable energy and mechanical engineering markets. Its technology portfolio includes portable coordinate measuring machines for universal applications and specialised optical 3D measuring systems that enable efficient, high-precision monitoring, quality assurance and control in manufacturing production.

The goodwill comprises 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 Manufacturing Intelligence's and AICON's technologies and solutions ii) increasing Hexagon's total market in excess of AICON's own market.

The acquired intangible assets, were assigned to trademarks that are not subject to amortization, capitalized development expenses and customer relationships with useful lives of 12-15 years. The intangible assets have been valued using a discounted cash flow method.

From the date of acquisition, AICON 3D Systems has contributed 0.0 MEUR of net sales in the first quarter 2016.

If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 3.0 MEUR.

Condensed Parent Company Income Statement

MEUR	Q1 2016	Q1 2015	2015
Net sales	2.8	2.5	12.6
Administration cost	-4.4	-7.0	-32.0
Operating earnings	-1.6	-4.5	-19.5
Earnings from shares in Group companies	-	-	2,849.1
Interest income and expenses, net	-30.9	82.5	125.4
Earnings before taxes	-32.5	78.0	2,955.1
Taxes	0.0	-17.2	0.0
Net earnings	-32.5	60.8	2,955.0

Condensed Parent Company Balance Sheet

MEUR	31/3 2016	31/3 2015	31/12 2015
Total fixed assets	7,130.5	4,096.1	7,200.8
Total current receivables	760.7	913.3	684.4
Cash and cash equivalents	2.5	11.2	24.1
Total current assets	763.2	924.5	708.5
Total assets	7,893.7	5,020.6	7,909.3
Total shareholders' equity	4,773.0	1,977.0	4,805.5
Total long-term liabilities	1,518.7	1,775.5	1,775.3
Total short-term liabilities	1,602.0	1,268.1	1,328.5
Total equity and liabilities	7,893.7	5,020.6	7,909.3

Definitions

FINANCIAL DEFINITIONS

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

BUSINESS DEFINITIONS

Americas	North, South and Central America
Asia	Asia, Australia and New Zealand
EMEA	Europe, Middle East and Africa
GES	Geospatial Enterprise Solutions
IES	Industrial Enterprise Solutions



Hexagon is a leading global provider of information technologies that drive productivity and quality across geospatial and industrial enterprise applications. Hexagon's solutions integrate sensors, software, domain knowledge and customer workflows into intelligent information ecosystems that deliver actionable information. They are used in a broad range of vital industries. Hexagon (Nasdaq Stockholm: HEXA B) has more than 16,000 employees in 46 countries and net sales of approximately 3.0bn EUR. Learn more at www.hexagon.com.

FINANCIAL REPORT DATES

Hexagon gives financial information at the following occasions:

Interim report Q2 2016	8 August 2016
Interim report Q3 2016	28 October 2016
Year-end report 2016	6 February 2017

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 2016 will be presented on 10 May at 15:00 CET at a telephone conference. Please view instructions at Hexagon's website on how to participate.

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This interim report is a type of information that Hexagon AB (publ) is obliged to disclose in accordance with the Swedish Securities Market Act and /or the Financial Instruments Trading Act. The information was submitted for publication on 10 May 2016 at 12:00 CET.

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