

INTERIM REPORT

1 JANUARY – 30 JUNE 2016

SECOND QUARTER 2016

- Net sales increased by 2 per cent to 795.8 MEUR (780.7). Using fixed exchange rates and a comparable group structure, net sales increased by 3 per cent
- Operating earnings (EBIT1) increased by 6 per cent to 187.1 MEUR (177.3)
- Earnings before taxes amounted to 182.2 MEUR (170.3)
- Net earnings amounted to 147.6 MEUR (136.2)
- Earnings per share increased by 11 per cent to 0.41 EUR (0.37)
- Operating cash flow improved by 41 per cent to 108.4 MEUR (77.0)

MEUR	Q2 2016	Q2 2015	Δ%	H1 2016	H1 2015	Δ%
Net sales	795.8	780.7	3 ¹⁾	1,520.0	1,485.8	3 ¹⁾
Gross earnings	479.5	472.6	1	921.8	893.6	3
Gross margin, %	60.3	60.5	-0.2	60.6	60.1	0.5
Operating earnings (EBITDA)	243.9	229.7	6	459.2	428.3	7
EBITDA margin, %	30.6	29.4	1.2	30.2	28.8	1.4
Operating earnings (EBIT1)	187.1	177.3	6	347.6	327.1	6
Operating margin, %	23.5	22.7	0.8	22.9	22.0	0.9
Earnings before taxes excluding non-recurring items	182.2	170.3	7	337.5	312.5	8
Non-recurring items 2)	-	-	n.a.	-	-36.6	n.a.
Earnings before taxes	182.2	170.3	7	337.5	275.9	22
Net earnings	147.6	136.2	8	273.4	220.2	24
Net earnings, excl. non-recurring items	147.6	136.2	8	273.4	250.0	9
Earnings per share, EUR	0.41	0.37	11	0.75	0.61	23
Earnings per share, excl. non-recurring items, EUR	0.41	0.37	11	0.75	0.69	9

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 savings programme.

Q2

2%

SALES GROWTH

3%

ORGANIC GROWTH

24%

OPERATING MARGIN



COMMENTS FROM THE CEO

“Global economic imbalances and political uncertainties hampered demand and Hexagon reported 3 per cent organic growth. While growth accelerated in manufacturing and remained strong in construction, the oil and gas business experienced a weaker quarter due to tough comparison numbers and postponed opportunities. We believe Q3 will produce similar results in this segment (PP&M) before turning to positive growth in Q4. If we exclude oil and gas, organic growth was 6 per cent – primarily driven by new products and applications. The operating margin continued to improve as a direct result of this broadening technology portfolio. We remain confident in our ability to generate continued growth and margin expansion through product innovation, regional initiatives and acquisitions.”

– Ola Rollén, President and CEO, Hexagon AB

GROUP BUSINESS DEVELOPMENT Q2

Q2 NET SALES

Net sales increased by 2 percent to 795.8 MEUR (780.7) and organic growth was 3 per cent. Currency movements impacted sales negatively by -4 per cent. Regionally, organic growth was 5 per cent in EMEA, 6 per cent in Asia and flat in Americas. Western Europe recorded 8 per cent organic growth with strong growth in Germany, France, Spain and the Nordic countries. The UK however, impacted by market uncertainties related to Brexit, recorded double digit negative growth. Russia continued to recover from low levels and recorded double digit growth. The Middle East recorded significant negative organic growth due to spillover effects from the oil and gas market. Organic growth rates in Asia benefited from strong performance in China, Japan, South Korea and India. Organic growth in China was 6 per cent. In the Americas, North America recorded positive organic growth while South America remained negative on the back of political and economic instability in Brazil.

Q2 EARNINGS

Operating earnings (EBIT1) grew by 6 per cent to 187.1 MEUR (177.3), which corresponds to an operating margin of 23.5 per cent (22.7). The operating margin benefited from organic growth, acquisitions and cost reductions but was adversely impacted by currency movements. Operating earnings (EBIT1) were negatively impacted by exchange rate movements of -11.6 MEUR. Earnings before taxes amounted to 182.2 MEUR (170.3) and were negatively impacted by exchange rate movements of -11.6 MEUR.

FINANCIAL SUMMARY SECOND QUARTER

MEUR	Net sales			Earnings		
	Q2 2016	Q2 2015	Δ% ¹⁾	Q2 2016	Q2 2015	Δ%
Geospatial Enterprise Solutions	399.2	385.6	5	88.9	74.6	19
Industrial Enterprise Solutions	396.6	395.1	1	103.0	109.5	-6
Net sales	795.8	780.7	3			
Group cost and eliminations				-4.8	-6.8	29
Operating earnings (EBIT1)				187.1	177.3	6
Operating margin, %				23.5	22.7	0.8
Interest income and expenses, net				-4.9	-7.0	30
Earnings before taxes				182.2	170.3	7
Taxes				-34.6	-34.1	-1
Net earnings				147.6	136.2	8

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

CURRENCY IMPACT – SECOND QUARTER AS COMPARED TO EUR

	Movement ¹⁾	Income less cost	Earnings impact
CHF	Weakened -5%	Negative	Positive ↗
USD	Weakened -2%	Positive	Negative ↘
CNY	Weakened -7%	Positive	Negative ↘
EBIT1, MEUR			-11.6

¹⁾ Compared to Q2 2015.

SALES BRIDGE SECOND QUARTER

	Net sales
2015, MEUR	780.7
Structure, %	3
Currency, %	-4
Organic growth, %	3
Total, %	2
2016, MEUR	795.8

Net sales from acquisitions and divestments during the last twelve months are reported as "Structure" in the table above. Percentages are rounded to the nearest whole per cent.

ORGANIC GROWTH

Analysis of organic growth ¹⁾ per geographic region			
Q2 2015	780.7		
North America (31% of sales)			↗
Western Europe (32% of sales)			↗
Asia excl. China (13% of sales)			↗
China (15% of sales)		>8%	↗
South America (3% of sales)		0-8%	↗
EMEA excl. Western Europe (6% of sales)		Negative	↘
Q2 2016	795.8		

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



GEOSPATIAL ENTERPRISE SOLUTIONS – Q2 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.

Q2 NET SALES

Geospatial Enterprise Solutions (GES) sales amounted to 399.2 MEUR (385.6). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 5 per cent. Organic growth was 17 per cent in Asia, 5 percent in EMEA and 1 per cent in Americas.

GES delivered strong growth in China from continued recovery in the infrastructure & construction market. Western Europe continued to show favourable organic growth, especially in Germany, France and the Nordic countries. However, the UK experienced a double digit decline in organic growth on the back of Brexit uncertainties. The Middle East also recorded significant negative organic growth due to spillover effects from the oil and gas market. North America delivered positive organic growth while South America continued to be weak.

Regarding the business units within GES, Geosystems recorded 5 per cent organic growth. The infrastructure & construction segment was the strongest contributor, most notably in Western Europe and China which was positively impacted by the Digital City project. Safety & Infrastructure reported 6 per cent organic growth and order intake continued to be strong. Positioning Intelligence recorded 3 per cent organic growth, positively impacted by a pickup in the Chinese market for the GNSS related business (NovAtel) but hampered by weaker demand in the offshore segment.

Q2 EARNINGS

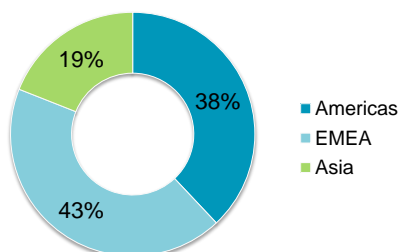
Operating earnings (EBIT1) increased by 19 per cent to 88.9 MEUR (74.6), which corresponds to an operating margin of 22.3 per cent (19.3). The operating margin was positively impacted by organic growth and improved cost control but was negatively impacted by currency movements.

Q2 NET SALES, EBIT1 AND NUMBER OF EMPLOYEES

MEUR	Q2 2016	Q2 2015	Δ%	H1 2016	H1 2015	Δ%
Net sales	399.2	385.6	5 ¹⁾	768.6	740.2	5 ¹⁾
Operating earnings (EBIT1)	88.9	74.6	19	164.6	140.9	17
Operating margin,%	22.3	19.3	3.0	21.4	19.0	2.4
Average number of employees				7,909	7,961	-1

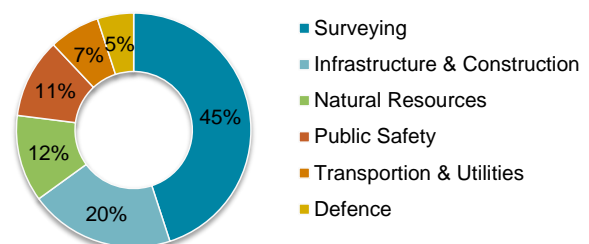
1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

GES – NET SALES PER REGION*



* Q2 2016 numbers

GES – NET SALES PER CUSTOMER SEGMENT**



** Full-year 2015 numbers



INDUSTRIAL ENTERPRISE SOLUTIONS – Q2 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).

Q2 NET SALES

Industrial Enterprise Solutions (IES) sales amounted to 396.6 MEUR (395.1). 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 EMEA, -2 per cent in Americas and flat in Asia.

IES benefited from strong performance in Germany, France, Spain and Italy but faced double digit decline in the UK. In North America, the manufacturing business delivered strong growth while the power & energy business declined primarily due to tough comparison numbers and the turmoil in the oil and gas segment. In Asia, South Korea and India recorded strong organic growth while growth in China was negative, particularly in the power & energy segment.

Regarding the business units within IES, Manufacturing Intelligence recorded 7 per cent organic growth. The aerospace segment was the greatest contributor and the automotive sector recorded favourable growth. Growth from the electronics segment was however negative due to tough comparison numbers. PP&M recorded negative growth of -10 per cent compared to last year's strong performance which was positively affected by a large perpetual software order. Looking ahead, PP&M will continue to face tough comparison numbers in the third quarter due to a large order in Q3 2015, but is expected to turn to positive growth in the end of the year.

Q2 EARNINGS

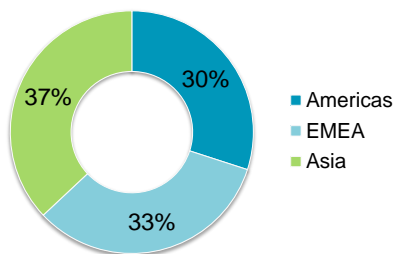
Operating earnings (EBIT1) decreased by 6 per cent to 103.0 MEUR (109.5), which corresponds to an operating margin of 26.0 per cent (27.7). The operating margin (EBIT1) was negatively impacted by less favourable business mix and currency movements.

Q2 NET SALES, EBIT1 AND NUMBER OF EMPLOYEES

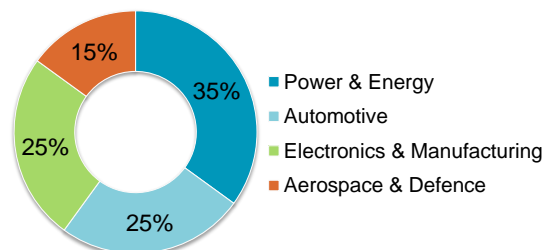
MEUR	Q2 2016	Q2 2015	Δ%	H1 2016	H1 2015	Δ%
Net sales	396.6	395.1	1 ¹⁾	751.4	745.6	1 ¹⁾
Operating earnings (EBIT1)	103.0	109.5	-6	192.6	199.2	-3
Operating margin,%	26.0	27.7	-1.7	25.6	26.7	-1.1
Average number of employees				8,335	7,825	7

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

IES – NET SALES PER REGION*



IES – NET SALES PER CUSTOMER SEGMENT**



* Q2 2016 numbers

** Full-year 2015 numbers

FINANCIAL SUMMARY – FIRST SIX MONTHS

MEUR	Net sales			Earnings		
	H1 2016	H1 2015	Δ % ¹⁾	H1 2016	H1 2015	Δ%
Geospatial Enterprise Solutions	768.6	740.2	5	164.6	140.9	17
Industrial Enterprise Solutions	751.4	745.6	1	192.6	199.2	-3
Net sales	1,520.0	1,485.8	3			
Group cost and eliminations				-9.6	-13.0	26
Operating earnings (EBIT1)				347.6	327.1	6
Operating margin, %				22.9	22.0	0.9
Interest income and expenses, net				-10.1	-14.6	31
Earnings before non-recurring items				337.5	312.5	8
Non-recurring items 2)				-	-36.6	n.a.
Earnings before taxes				337.5	275.9	22
Taxes				-64.1	-55.7	-15
Net earnings				273.4	220.2	24

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

²⁾ Non-recurring items during H1 2015 related to the implementation of a savings programme.

H1 NET SALES AND EARNINGS

Net sales amounted to 1,520.0 MEUR (1,485.8) in the first six months of the year. Using fixed exchange rates and a comparable group structure, net sales increased by 3 per cent.

Operating earnings (EBIT1) amounted to 347.6 MEUR (327.1), which corresponds to an operating margin of 22.9 per cent (22.0). Operating earnings (EBIT1) were negatively affected by exchange rate movements of -15.2 MEUR.

The financial net amounted to -10.1 MEUR (-14.6) in the first six months.

Earnings before taxes, excluding non-recurring items, amounted to 337.5 MEUR (312.5). Earnings before taxes, including these items, amounted to 337.5 MEUR (275.9). Earnings before taxes were negatively affected by exchange rate movements of -15.2 MEUR.

Net earnings, excluding non-recurring items, amounted to 273.4 MEUR (250.0) or 0.75 EUR (0.69) per share. Net earnings, including these items, amounted to 273.4 MEUR (220.2) or 0.75 EUR (0.61) per share.

CURRENCY IMPACT – H1 2016 AS COMPARED TO EUR

	Movement ¹⁾	Income less cost	Earnings impact
CHF	Weakened -4%	Negative	Positive ↗
USD	Weakened 0%	Positive	Negative ↘
CNY	Weakened -5%	Positive	Negative ↘
EBIT1, MEUR			-15.2

¹⁾ Compared to 2015.



Hexagon launched HxGN SMART Build, an enterprise construction management software solution designed to alleviate cost overruns and delays. SMART Build facilitates the convergence of construction planning and execution through real-time clarity, accountability and management of the project lifecycle. This empowers construction executives with top-down visibility of progress and deviations and field crews with automation and real-time access to the relevant and up-to-date information they need every day on the job site.

GROUP SUMMARY

PROFITABILITY

Capital employed increased to 6,209.3 MEUR (6,067.2). Return on average capital employed for the last twelve months was 11.8 per cent (11.4). Return on average shareholders' equity for the last twelve months was 13.9 per cent (12.5). The capital turnover rate was 0.5 times (0.5).

FINANCIAL POSITION

Total shareholders' equity increased to 4,123.8 MEUR (3,820.3). The equity ratio was 54.5 per cent (52.3). Hexagon's total assets increased to 7,567.3 MEUR (7,305.0). The increase in total assets was primarily driven by acquisitions.

Following a refinancing in 2014, 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 30 June 2016, cash and unutilised credit limits totalled 1,383.7 MEUR (1,200.6). Hexagon's net debt was 1,824.0 MEUR (1,915.9). The net indebtedness was 0.40 times (0.46). Interest coverage ratio was 27.4 times (17.0).

CASH FLOW

During the second quarter, cash flow from operations before changes in working capital amounted to 218.2 MEUR (194.7), corresponding to 0.61 EUR (0.54) per share. Cash flow from operations in the second quarter amounted to 174.1 MEUR (146.3), corresponding to 0.48 EUR (0.41) per share. Operating cash flow in the second quarter, including non-recurring items, amounted to 108.4 MEUR (77.0).

For the first six months, cash flow from operations amounted to 342.0 MEUR (271.1), corresponding to

0.95 EUR (0.76) per share. The operating cash flow, including non-recurring items, amounted to 209.5 MEUR (142.1).

INVESTMENTS, DEPRECIATION, AMORTISATION AND IMPAIRMENT

Hexagon's net investments, excluding acquisitions and divestitures, amounted to -64.1 MEUR (-59.9) in the second quarter and -127.4 MEUR (-115.1) in the first six months.

Depreciation, amortisation and impairment amounted to -56.8 MEUR (-52.4) in the second quarter and -111.6 MEUR (-101.2) during the first six months. Hexagon recorded no impairment charges in the first six months (-).

TAX RATE

The Group's tax expense for the first six months totalled -64.1 MEUR (-55.7).

The reported tax rate was 19.0 per cent (20.0) for the quarter and 19.0 per cent (20.2) for the first six months.

EMPLOYEES

The average number of employees during the first six months was 16,315 (15,857). The number of employees at the end of the quarter was 16,561 (16,062). The increase was primarily driven by acquisitions.

SHARE DATA

Earnings per share for the second quarter amounted to 0.41 EUR (0.37). Earnings per share, including non recurring items, for the first six months amounted to 0.75 EUR (0.61). Earnings per share, excluding non-recurring items, for the first six months amounted to 0.75 EUR (0.69).

On 30 June 2016, equity per share was 11.41 EUR (10.57) and the share price was 305.90 SEK (300.40).

Hexagon's share capital amounts to 79,980,282.91 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 would be 2.8 per cent of the share capital and 2.0 per cent of the number of votes. The number of warrants that have been issued are 7,107,660 and may be exercised during 1 June 2018 - 31 December 2019.

ASSOCIATED COMPANIES

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

PARENT COMPANY

The parent company's earnings before taxes in the second quarter amounted to 16.2 MEUR (2,667.2). The equity was 4,634.2 MEUR (4,538.4). The equity ratio of the parent company was 59 per cent (58). Liquid funds including unutilised credit limits were 1,178.0 MEUR (947.8)



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

In July 2016 Hexagon acquired the GeoRadar division of the Italian-based company Ingegneria dei Sistemi S.p.A.

Hexagon acquired NESTIX Oy, a leading provider of data-centric software solutions for managing and optimising steel fabrication used in heavy industry construction. Its software portfolio is used to control manufacturing and assembly in order to improve production, optimise machine and personnel utilisation, and minimise material waste – while improving the quality of the fabricated parts.

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, 8 August 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

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

Condensed Income Statement

MEUR	Q2 2016	Q2 2015	H1 2016	H1 2015	2015
Net sales	795.8	780.7	1,520.0	1,485.8	3,043.8
Cost of goods sold	-316.3	-308.1	-598.2	-592.2	-1,221.9
Gross earnings	479.5	472.6	921.8	893.6	1,821.9
Sales expenses	-147.0	-141.3	-283.0	-285.1	-561.7
Administration expenses	-68.7	-70.3	-133.1	-145.3	-292.8
Research and development expenses	-83.2	-78.4	-163.3	-165.7	-313.1
Earnings from shares in associated companies	0.0	0.1	-0.1	0.1	0.1
Other income and expenses, net	6.5	-5.4	5.3	-7.1	1.7
Operating earnings 1)	187.1	177.3	347.6	290.5	656.1
Financial income	1.4	1.4	2.6	2.6	6.1
Financial expenses	-6.3	-8.4	-12.7	-17.2	-32.6
Earnings before taxes	182.2	170.3	337.5	275.9	629.6
Taxes	-34.6	-34.1	-64.1	-55.7	-124.5
Net earnings	147.6	136.2	273.4	220.2	505.1
Attributable to:					
Parent company shareholders	146.1	134.6	270.7	217.4	499.9
Non-controlling interest	1.5	1.6	2.7	2.8	5.2
1) of which non-recurring items	-	-	-	-36.6	-36.6
Earnings include depreciation, amortisation and impairments of	-56.8	-52.4	-111.6	-101.2	-219.6
- of which amortisation of surplus values	-8.9	-8.1	-17.4	-15.7	-32.3
Basic earnings per share, EUR	0.41	0.37	0.75	0.61	1.39
Earnings per share after dilution, EUR	0.41	0.37	0.75	0.61	1.39
Total shareholder's equity per share, EUR	11.41	10.57	11.41	10.57	11.36
Closing number of shares, thousands	360,443	359,982	360,443	359,982	360,337
Average number of shares, thousands	360,443	359,759	360,423	358,717	359,387
Average number of shares after dilution, thousands	360,455	360,054	360,605	359,193	359,817

Condensed Comprehensive Income

MEUR	Q2 2016	Q2 2015	H1 2016	H1 2015	2015
Net earnings	147.6	136.2	273.4	220.2	505.1
Other comprehensive income					
Items that will not be reclassified to income statement					
Remeasurement of pensions	-7.0	-2.1	-24.7	-7.5	-36.8
Taxes on items that will not be reclassified to income statement	0.9	0.4	2.4	0.7	5.1
Total items that will not be reclassified to income statement, net of taxes	-6.1	-1.7	-22.3	-6.8	-31.7
Items that may be reclassified subsequently to income statement					
Exchange rate differences	80.9	-113.1	-74.6	252.4	256.2
Effect of hedging of net investments in foreign operations	0.2	1.8	0.1	-12.3	-12.7
Taxes on items that may be reclassified subsequently to income statement	1.5	1.9	0.1	-11.0	-9.5
Total items that may be reclassified subsequently to income statement, net of taxes	82.6	-109.4	-74.4	229.1	234.0
Other comprehensive income, net of taxes	76.5	-111.1	-96.7	222.3	202.3
Total comprehensive income for the period	224.1	25.1	176.7	442.5	707.4
Attributable to:					
Parent company shareholders	222.5	24.0	174.3	438.9	701.5
Non-controlling interest	1.6	1.1	2.4	3.6	5.9

Condensed Balance Sheet

MEUR	30/6 2016	30/6 2015	31/12 2015
Intangible fixed assets	5,637.0	5,360.6	5,567.1
Tangible fixed assets	285.1	301.4	287.9
Financial fixed assets	21.2	23.4	25.0
Deferred tax assets	60.3	72.6	59.4
Total fixed assets	6,003.6	5,758.0	5,939.4
Inventories	450.2	454.5	414.9
Accounts receivable	711.5	675.5	688.3
Other receivables	92.8	64.6	62.8
Prepaid expenses and accrued income	117.7	111.3	101.2
Total current receivables	922.0	851.4	852.3
Cash and cash equivalents	191.5	241.1	225.5
Total current assets	1,563.7	1,547.0	1,492.7
Total assets	7,567.3	7,305.0	7,432.1
Equity attributable to parent company shareholders	4,111.6	3,805.4	4,092.3
Equity attributable to non-controlling interest	12.2	14.9	10.0
Total shareholders' equity	4,123.8	3,820.3	4,102.3
Interest bearing liabilities	1,582.7	1,936.3	1,782.8
Other liabilities	6.5	4.5	3.9
Pension liabilities	150.0	96.8	124.0
Deferred tax liabilities	434.8	409.8	416.8
Other provisions	85.8	55.3	57.8
Total long-term liabilities	2,259.8	2,502.7	2,385.3
Interest bearing liabilities	276.3	112.7	57.5
Accounts payable	172.3	148.7	162.7
Other liabilities	129.8	110.2	123.4
Other provisions	75.1	97.8	92.8
Deferred income	260.4	235.0	235.7
Accrued expenses	269.8	277.6	272.4
Total short-term liabilities	1,183.7	982.0	944.5
Total equity and liabilities	7,567.3	7,305.0	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	H1 2016	H1 2015	2015
Opening shareholders' equity	4,102.3	3,470.2	3,470.2
Total comprehensive income for the period 1)	176.7	442.5	707.4
New share issues, w warrants exercised - net of issuance costs	-	33.5	38.9
Dividend	-155.2	-125.9	-133.1
Closing shareholders' equity 2)	4,123.8	3,820.3	4,102.3
1) Of w hich: Parent company shareholders	174.3	438.9	701.5
Non-controlling interest	2.4	3.6	5.9
2) Of w hich: Parent company shareholders	4,111.6	3,805.4	4,092.3
Non-controlling interest	12.2	14.9	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
2016-06-30 Total issued and outstanding 1)	15,750,000	344,693,142	360,443,142

¹⁾ As per 30 June 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	Q2 2016	Q2 2015	H1 2016	H1 2015	2015
Cash flow from operations before change in working capital excluding taxes and interest	239.3	228.6	454.1	420.5	890.4
Taxes paid	-18.8	-29.2	-48.2	-58.1	-120.0
Interest received and paid, net	-2.3	-4.7	-5.0	-9.9	-20.5
Cash flow from operations before change in working capital	218.2	194.7	400.9	352.5	749.9
Cash flow from change in working capital	-44.1	-48.4	-58.9	-81.4	-27.3
Cash flow from operations	174.1	146.3	342.0	271.1	722.6
Investments tangible assets	-11.4	-11.5	-25.9	-19.4	-35.7
Investments intangible assets	-52.7	-48.4	-101.5	-95.7	-194.6
Operating cash flow	110.0	86.4	214.6	156.0	492.3
Non-recurring cash flow 1)	-1.6	-9.4	-5.1	-13.9	-18.6
Operating cash flow after non-recurring items	108.4	77.0	209.5	142.1	473.7
Cash flow from other investing activities 2)	-8.6	-47.5	-101.3	-48.8	-193.9
Cash flow after other investing activities	99.8	29.5	108.2	93.3	279.8
Dividends paid	-155.2	-125.9	-155.2	-125.9	-133.1
New share issues, warrants exercised - net of issuance costs	-	2.9	-	33.5	38.9
Warrants issued	-	-	-	-	18.9
Cash flow from other financing activities	36.6	95.1	16.2	6.0	-205.9
Cash flow for the period	-18.8	1.6	-30.8	6.9	-1.4
Cash and cash equivalents, beginning of period	202.3	247.8	225.5	228.6	228.6
Effect of translation differences on cash and cash equivalents	8.0	-8.3	-3.2	5.6	-1.7
Cash flow for the period	-18.8	1.6	-30.8	6.9	-1.4
Cash and cash equivalents, end of period	191.5	241.1	191.5	241.1	225.5

¹⁾ Non-recurring cash flow consists of restructuring cost.

²⁾ Acquisitions and divestments totalled -8.5 MEUR (-47.7) and other was -0.1 MEUR (0.2) in the second quarter of 2016.

Key Ratios

	Q2 2016	Q2 2015	H1 2016	H1 2015	2015
Operating margin, %	23.5	22.7	22.9	22.0	22.8
Profit margin before taxes, %	22.9	21.8	22.2	18.6	20.7
Return on shareholders' equity, 12 month average, %	13.9	12.5	13.9	12.5	13.0
Return on capital employed, 12 month average, %	11.8	11.4	11.8	11.4	11.6
Equity ratio, %	54.5	52.3	54.5	52.3	55.2
Net indebtedness	0.40	0.46	0.40	0.46	0.38
Interest coverage ratio	29.5	21.3	27.4	17.0	20.3
Average number of shares, thousands	360,443	359,759	360,423	358,717	359,387
Basic earnings per share excl. non-recurring items, EUR	0.41	0.37	0.75	0.69	1.47
Basic earnings per share, EUR	0.41	0.37	0.75	0.61	1.39
Cash flow per share, EUR	0.48	0.41	0.95	0.76	2.01
Cash flow per share before change in working cap, EUR	0.61	0.54	1.11	0.98	2.09
Share price, SEK	305.90	300.40	305.90	300.40	314.80
Share price, translated to EUR	32.46	32.60	32.46	32.60	34.26

Supplementary Information

NET SALES PER SEGMENT

MEUR	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
Geospatial Enterprise Solutions	399.2	369.4	395.1	371.4	385.6	354.6	1,506.7
Industrial Enterprise Solutions	396.6	354.8	420.6	370.9	395.1	350.5	1,537.1
Group	795.8	724.2	815.7	742.3	780.7	705.1	3,043.8

OPERATING EARNINGS (EBIT1) PER SEGMENT

MEUR	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
Geospatial Enterprise Solutions	88.9	75.7	88.8	78.6	74.6	66.3	308.3
Industrial Enterprise Solutions	103.0	89.6	115.2	95.2	109.5	89.7	409.6
Group costs	-4.8	-4.8	-6.2	-6.0	-6.8	-6.2	-25.2
Group	187.1	160.5	197.8	167.8	177.3	149.8	692.7
Margin, %	23.5	22.2	24.2	22.6	22.7	21.2	22.8

NET SALES PER REGION

MEUR	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
EMEA	304.5	270.5	320.8	273.0	291.9	261.6	1,147.2
Americas	270.0	247.5	278.6	257.7	270.5	242.3	1,049.2
Asia	221.3	206.2	216.3	211.6	218.3	201.2	847.4
Group	795.8	724.2	815.7	742.3	780.7	705.1	3,043.8

EXCHANGE RATES

Average	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
SEK/EUR	0.1078	0.1072	0.1075	0.1060	0.1075	0.1066	0.1069
USD/EUR	0.8855	0.9069	0.9136	0.8988	0.9056	0.8888	0.9015
CNY/EUR	0.1355	0.1386	0.1430	0.1426	0.1460	0.1425	0.1435
CHF/EUR	0.9123	0.9122	0.9219	0.9322	0.9608	0.9337	0.9369
Closing	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
SEK/EUR	0.1061	0.1084	0.1088	0.1063	0.1085	0.1076	0.1088
USD/EUR	0.9007	0.8783	0.9185	0.8926	0.8937	0.9295	0.9185
CNY/EUR	0.1356	0.1360	0.1416	0.1404	0.1442	0.1499	0.1416
CHF/EUR	0.9202	0.9148	0.9229	0.9162	0.9603	0.9557	0.9229

Acquisitions

MEUR	Acquisitions	
	H1 2016	H1 2015
Fair value of acquired assets and assumed liabilities		
Intangible fixed assets	33.0	26.3
Other fixed assets	6.5	2.3
Total fixed assets	39.5	28.6
Total current assets	35.5	1.4
Total assets	75.0	30.0
Total long-term liabilities	8.7	6.7
Total current liabilities	20.3	1.3
Total liabilities	29.0	8.0
Fair value of acquired assets and assumed liabilities, net	46.0	22.0
Goodwill	84.8	39.5
Total purchase consideration transferred	128.9	61.5
Less cash and cash equivalents in acquired companies	-7.3	-0.8
Adjustment for non-paid consideration and considerations paid for prior years' acquisitions	-21.7	-9.2
Cash flow from acquisition of companies/businesses	99.9	51.5

During the first six months of 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
- NESTIX Oy, a provider of data-centric software solutions for managing and optimising steel fabrication, based in Finland

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 15 and 16.

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. Closing was in July 2016 after customary regulatory approvals were received. IDS GeoRadar turnover for 2015 amounted to approximately 18 MEUR.

Acquisition analysis

ACQUISITION OF SCCS

As of 13 January 2016, after customary regulatory approvals were received, 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 11.4 MEUR of net sales in the first six months of 2016. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 11.4 MEUR.

ACQUISITION OF SIGMASPACE CORPORATION

As of 18 February 2016, after customary regulatory approvals were received, 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 5.2 MEUR of net sales in the first six months of 2016. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 7.4 MEUR.

ACQUISITION OF FTI

On 23 March 2016, after customary regulatory approvals were received, 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 2.3 MEUR of net sales in the first six months of 2016. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 3.5 MEUR.

ACQUISITION OF AICON 3D SYSTEMS

On 30 March 2016, after customary regulatory approvals were received, 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 4.7 MEUR of net sales in the first six months of 2016. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 7.7 MEUR.

Condensed Parent Company Income Statement

MEUR	Q2 2016	Q2 2015	H1 2016	H1 2015	2015
Net sales	2.7	2.5	5.5	5.0	12.6
Administration cost	-4.2	-4.9	-8.6	-11.9	-32.0
Operating earnings	-1.5	-2.4	-3.1	-6.9	-19.5
Earnings from shares in Group companies	-	2,662.7	-	2,662.7	2,849.1
Interest income and expenses, net	17.7	6.9	-13.2	89.4	125.4
Earnings before taxes	16.2	2,667.2	-16.3	2,745.2	2,955.1
Taxes	-	17.2	-	0.0	0.0
Net earnings	16.2	2,684.4	-16.3	2,745.2	2,955.0

Condensed Parent Company Balance Sheet

MEUR	30/6 2016	30/6 2015	31/12 2015
Total fixed assets	7,137.3	7,066.2	7,200.8
Total current receivables	777.0	709.5	684.4
Cash and cash equivalents	6.6	4.5	24.1
Total current assets	783.6	714.0	708.5
Total assets	7,920.9	7,780.2	7,909.3
Total shareholders' equity	4,634.2	4,538.4	4,805.5
Total long-term liabilities	1,575.9	1,927.6	1,775.3
Total short-term liabilities	1,710.7	1,314.2	1,328.5
Total equity and liabilities	7,920.9	7,780.2	7,909.3

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

Amortization of surplus values	When a company is acquired, the purchase consideration is allocated to the identified assets and liabilities of the company. Intangible assets are most often allocated the substantial part of the purchase consideration. The amortization of surplus values is defined as the difference between the amortization of such identified intangible assets and what the amortization would have been in the acquired company had the acquisition not taken place at all.
Capital employed	Total assets less non-interest bearing liabilities
Capital turnover rate	Net sales divided by average capital employed
Cash flow per share	Cash flow from operations, after change in working capital, excluding non-recurring items divided by average number of shares
Earnings per share	Net earnings excluding non-controlling interest divided by average number of shares
Equity ratio	Shareholders' equity including non-controlling interests as a percentage of total assets
Gross margin	Gross earnings divided by net sales
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 debt	Interest-bearing liabilities including pension liabilities and interest-bearing provisions less cash and cash equivalents
Net indebtedness	Interest-bearing liabilities less interest-bearing current receivables and liquid assets divided by shareholders' equity excluding non-controlling interests
Non-recurring items	Income and expenses that are not expected to appear on a regular basis
Operating earnings (EBIT1)	Operating earnings excluding capital gains on shares in group companies and non-recurring items
Operating earnings (EBITDA)	Operating earnings (EBIT 1) excluding amortisation and depreciation of fixed assets
Operating margin	Operating earnings (EBIT1) as a percentage of net sales
Organic growth	Net sales compared to prior period excluding acquisitions and divestments and adjusted for currency exchange movements
Profit margin before taxes	Earnings after financial items as a percentage of net sales
Return on capital employed (12 month average)	Twelve months to end of period earnings after financial items, excluding non-recurring items, plus financial expenses as a percentage of twelve months to end of period average capital employed. The twelve months average capital employed is based on average quarterly capital employed.
Return on equity (12 month average)	Twelve months to end of period net earnings excluding non-controlling interests as a percentage of twelve months to end of period average shareholders' equity excluding non-controlling interests last twelve months. The twelve months average shareholders equity is based on quarterly average shareholders equity
Shareholders' equity per share	Shareholders' equity excluding non-controlling interests divided by the number of shares at year-end
Share price	Last settled transaction on Nasdaq Stockholm on the last business day for the period



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

FINANCIAL REPORT DATES

Hexagon gives financial information at the following occasions:

Interim report Q3 2016 27 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 second quarter 2016 will be presented on 8 August 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 8 August 2016 at 13:00 CET.

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.

