

# INTERIM REPORT

1 JANUARY – 30 SEPTEMBER 2016

THIRD QUARTER 2016

- Net sales increased by 5 per cent to 779.7 MEUR (742.3). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 2 per cent
- Operating earnings (EBIT1) increased by 7 per cent to 179.8 MEUR (167.8)
- Earnings before taxes amounted to 174.2 MEUR (161.7)
- Net earnings amounted to 141.1 MEUR (129.4)
- Earnings per share increased by 8 per cent to 0.39 EUR (0.36)

MEUR	Q3 2016	Q3 2015	Δ%	Q1-Q3 2016	Q1-Q3 2015	Δ%
Net sales	779.7	742.3	2 <sup>1)</sup>	2,299.7	2,228.1	3 <sup>1)</sup>
Gross earnings	466.4	444.8	5	1,388.2	1,338.4	4
Gross margin, %	59.8	59.9	-0.1	60.4	60.1	0.3
Operating earnings (EBITDA) 2)	237.1	219.1	8	696.3	647.4	8
EBITDA margin, %	30.4	29.5	0.9	30.3	29.1	1.2
Operating earnings (EBIT1) 2)	179.8	167.8	7	527.4	494.9	7
Operating margin, %	23.1	22.6	0.5	22.9	22.2	0.7
Earnings before taxes excluding non-recurring items	174.2	161.7	8	511.7	474.2	8
Non-recurring items 3)	-	-	n.a.	-	-36.6	n.a.
Earnings before taxes	174.2	161.7	8	511.7	437.6	17
Net earnings	141.1	129.4	9	414.5	349.6	19
Net earnings, excl. non-recurring items	141.1	129.4	9	414.5	379.4	9
Earnings per share, EUR	0.39	0.36	8	1.14	0.96	19
Earnings per share, excl. non-recurring items, EUR	0.39	0.36	8	1.14	1.04	10

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

2) For definition, see page 19.

3) Non-recurring items in 2015 related to the implementation of a savings programme.



## COMMENTS FROM THE CEO

“Hexagon recorded 2 per cent organic growth in a mixed market characterized by economic weakness. While growth in China remained strong and the global manufacturing sector continued to accelerate, momentum in North America proved challenging. As expected the power & energy related business experienced another weak quarter facing tough comparison numbers and a declining oil & gas sector. Despite these challenges our solution-focused portfolio continued to strengthen our operating margin, exemplified with increased traction of our Smart City initiative. Looking ahead, we remain confident in our continued ability to generate profitable growth through new initiatives, technology launches, and acquisitions.”

– Ola Rollén, President and CEO, Hexagon AB

Q3

5%

SALES GROWTH

2%

ORGANIC GROWTH

23%

OPERATING MARGIN

## GROUP BUSINESS DEVELOPMENT Q3 2016

### NET SALES

Net sales increased by 5 per cent to 779.7 MEUR (742.3). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 2 per cent. Regionally, organic growth was 5 per cent in EMEA, 5 per cent in Asia and -4 per cent in Americas. In EMEA, Western Europe recorded 4 per cent organic growth. The UK returned to solid growth after a weak second quarter following the Brexit uncertainties. The Nordic countries and Spain also performed well. Russia continued to recover with double digit organic growth and demand in the Middle East was strong. Growth rates in Asia benefited from strong demand in China and Japan but were hampered by negative organic growth in South Korea and India. The organic growth in China amounted to 8 per cent, predominantly driven by the infrastructure & construction sector. Americas faced a more challenging quarter due to weak demand in the infrastructure and oil & gas markets in North America. The manufacturing sector however recorded strong organic growth in the region. In South America, organic growth declined by -8 per cent driven by continued economic turmoil in Brazil.

### EARNINGS

Operating earnings (EBIT1) grew by 7 per cent to 179.8 MEUR (167.8), which corresponds to an operating margin of 23.1 per cent (22.6). The operating margin benefited from organic growth, acquisitions and improved cost structure. Operating earnings (EBIT1) were negatively impacted by exchange rate movements of -1.1 MEUR. Earnings before taxes amounted to 174.2 MEUR (161.7). Earnings before taxes were negatively impacted by exchange rate movements of -1.0 MEUR.

## FINANCIAL SUMMARY – THIRD QUARTER

MEUR	Net sales			Earnings		
	Q3 2016	Q3 2015	Δ% <sup>1)</sup>	Q3 2016	Q3 2015	Δ%
Geospatial Enterprise Solutions	390.6	371.4	2	88.7	78.6	13
Industrial Enterprise Solutions	389.1	370.9	2	96.3	95.2	1
Net sales	779.7	742.3	2			
Group cost and eliminations				-5.2	-6.0	13
Operating earnings (EBIT1)				179.8	167.8	7
Operating margin, %				23.1	22.6	0.5
Interest income and expenses, net				-5.6	-6.1	8
Earnings before taxes				174.2	161.7	8
Taxes				-33.1	-32.3	-2
Net earnings				141.1	129.4	9

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

## CURRENCY IMPACT COMPARED TO EUR – THIRD QUARTER

	Movement <sup>1)</sup>	Income less cost	Earnings impact
CHF	Weakened -1%	Negative	Positive ↗
USD	Weakened 0%	Positive	Negative ↘
CNY	Weakened -6%	Positive	Negative ↘
EBIT1, MEUR			-1.1

1) Compared to Q3 2015. □

## SALES BRIDGE – THIRD QUARTER

	Net sales
2015, MEUR	742.3
Structure, %	4
Currency, %	-1
Organic growth, %	2
Total, %	5
2016, MEUR	779.7

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 <sup>1)</sup> per geographic region		
Q3 2015	742.3	
EMEA excl. Western Europe (7% of sales)		
China (16% of sales)		
Western Europe (30% of sales)		
Asia excl. China (13% of sales)		>8%
North America (31% of sales)		0-8%
South America (3% of sales)		Negative
Q3 2016	779.7	

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



## GEOSPATIAL ENTERPRISE SOLUTIONS – Q3 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.

### NET SALES

Geospatial Enterprise Solutions (GES) sales amounted to 390.6 MEUR (371.4). Organic growth was 2 per cent. Regionally, organic growth was 12 per cent in Asia, 6 per cent in EMEA and -6 per cent in Americas.

GES benefited from strong demand in China as the infrastructure & construction market continued to recover. In EMEA, Western Europe recorded mid-single digit growth driven by solid growth in the Nordic countries, France and the UK. Russia and the Middle East reported strong organic growth, while sales in Africa declined. Americas experienced a weak quarter mainly due to declines in the infrastructure market in North America.

Regarding the business units within GES, Geosystems faced somewhat tougher comparison numbers after last year's big product release (Captivate), recording 1 per cent organic growth. The private construction-related business continued to show solid growth, however the infrastructure market was weaker. Safety & Infrastructure reported 8 per cent organic growth due to increased demand for public safety and smart city solutions. Positioning Intelligence recorded -4 per cent organic growth, positively impacted by a good growth in the GNSS related business in China but hampered by the continued weak demand in the the offshore positioning market.

### EARNINGS

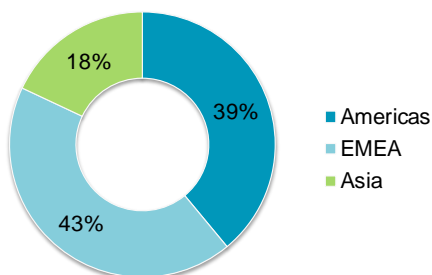
Operating earnings (EBIT1) increased by 13 per cent to 88.7 MEUR (78.6), which corresponds to an operating margin of 22.7 per cent (21.2). The operating margin was positively impacted by improved cost structure and product mix.

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

MEUR	Q3 2016	Q3 2015	Δ%	Q1-Q3 2016	Q1-Q3 2015	Δ%
Net sales	390.6	371.4	2 <sup>1)</sup>	1,159.2	1,111.6	4 <sup>1)</sup>
Operating earnings (EBIT1)	88.7	78.6	13	253.3	219.5	15
Operating margin,%	22.7	21.2	1.5	21.9	19.7	2.2
Average number of employees				7,945	7,919	0

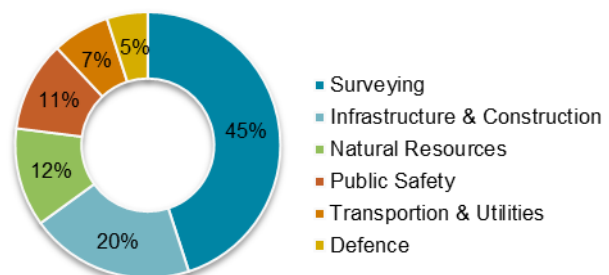
1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

### GES – NET SALES PER REGION\*



\* Q3 2016 numbers

### GES – NET SALES PER CUSTOMER SEGMENT\*\*



\*\* Full-year 2015 numbers



## INDUSTRIAL ENTERPRISE SOLUTIONS – Q3 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).

### NET SALES

Industrial Enterprise Solutions (IES) sales amounted to 389.1 MEUR (370.9). Organic growth was 2 per cent. Regionally, organic growth was 5 per cent in EMEA, 2 per cent in Asia and flat in Americas.

IES benefited from a positive development in EMEA driven by strong demand from the manufacturing segment in Spain, Germany and the UK. Eastern Europe and Russia also recorded good growth. In Asia, countries such as China, South Korea and Japan saw increased demand from the aerospace and electronics markets. In Americas, North America recorded strong organic growth due to continued solid demand from the aerospace and automotive markets. Growth was however hampered by a decline in the power & energy segment due to tough comparison numbers and a weak oil & gas market.

Regarding the business units within IES, Manufacturing Intelligence recorded 8 per cent organic growth, driven by continued strong demand in aerospace and the fact that the electronics market returned to positive growth due to new customer wins. As expected, PP&M faced another weak quarter compared to last year's strong performance which was positively affected by a large software order from the shipbuilding industry. Organic growth for PP&M decreased by -10 per cent.

### EARNINGS

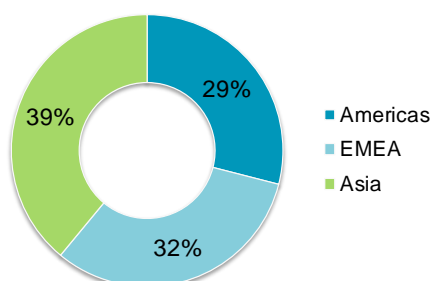
Operating earnings (EBIT1) increased by 1 per cent to 96.3 MEUR (95.2), which corresponds to an operating margin of 24.7 per cent (25.7). The operating margin (EBIT1) was negatively impacted by less favourable business mix.

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

MEUR	Q3 2016	Q3 2015	Δ%	Q1-Q3 2016	Q1-Q3 2015	Δ%
Net sales	389.1	370.9	2 <sup>1)</sup>	1,140.5	1,116.5	1 <sup>1)</sup>
Operating earnings (EBIT1)	96.3	95.2	1	288.9	294.4	-2
Operating margin,%	24.7	25.7	-1.0	25.3	26.4	-1.1
Average number of employees				8,401	7,857	7

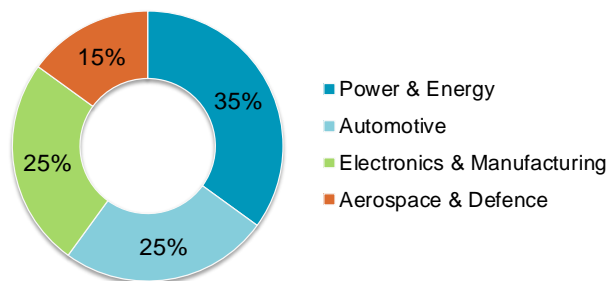
1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

### IES – NET SALES PER REGION\*



\* Q3 2016 numbers

### IES – NET SALES PER CUSTOMER SEGMENT\*\*



\*\* Full-year 2015 numbers

## FINANCIAL SUMMARY – FIRST NINE MONTHS

MEUR	Net sales			Earnings		
	Q1-Q3 2016	Q1-Q3 2015	Δ % <sup>1)</sup>	Q1-Q3 2016	Q1-Q3 2015	Δ%
Geospatial Enterprise Solutions	1,159.2	1,111.6	4	253.3	219.5	15
Industrial Enterprise Solutions	1,140.5	1,116.5	1	288.9	294.4	-2
Net sales	2,299.7	2,228.1	3			
Group cost and eliminations				-14.8	-19.0	22
Operating earnings (EBIT1)				527.4	494.9	7
Operating margin, %				22.9	22.2	0.7
Interest income and expenses, net				-15.7	-20.7	24
Earnings before non-recurring items				511.7	474.2	8
Non-recurring items 2)				-	-36.6	n.a.
Earnings before taxes				511.7	437.6	17
Taxes				-97.2	-88.0	-10
Net earnings				414.5	349.6	19

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

2) Non-recurring items during Q1-Q3 2015 related to the implementation of a savings programme.

## Q1-Q3 NET SALES AND EARNINGS

Net sales amounted to 2,299.7 MEUR (2,228.1) in the first nine 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 527.4 MEUR (494.9), which corresponds to an operating margin of 22.9 per cent (22.2). Operating earnings (EBIT1) were negatively affected by exchange rate movements of -16.2 MEUR.

The financial net amounted to -15.7 MEUR (-20.7) in the first nine months.

Earnings before taxes, excluding non-recurring items, amounted to 511.7 MEUR (474.2). Earnings before taxes, including these items, amounted to 511.7 MEUR (437.6). Earnings before taxes were negatively affected by exchange rate movements of -16.2 MEUR.

Net earnings, excluding non-recurring items, amounted to 414.5 MEUR (379.4) or 1.14 EUR (1.04) per share. Net earnings, including these items, amounted to 414.5 MEUR (349.6) or 1.14 EUR (0.96) per share.

## CURRENCY IMPACT COMPARED TO EUR – Q1-Q3 2016

	Movement <sup>1)</sup>	Income less cost	Earnings impact
CHF	Weakened -3%	Negative	Positive ↗
USD	Weakened 0%	Positive	Negative ↘
CNY	Weakened -5%	Positive	Negative ↘
EBIT1, MEUR			-16.2

<sup>1)</sup> Compared to Q1-Q3 2015.



Hexagon acquired Multivista, a leading provider of visual, cloud-based construction documentation solutions. Multivista's construction photography and video services provide progressive, digital records of ground-up development and progress throughout the life cycle of a built asset. The acquisition strengthens Hexagon's breadth of expertise in the changing construction landscape and offers opportunities to augment Multivista's documentation portfolio with 3D reality capture solutions.

## GROUP SUMMARY

### PROFITABILITY

Capital employed increased to 6,268.9 MEUR (5,964.1). Return on average capital employed for the last twelve months was 11.9 per cent (11.5). Return on average shareholders' equity for the last twelve months was 13.9 per cent (13.0). The capital turnover rate was 0.5 times (0.5).

### FINANCIAL POSITION

Total shareholders' equity increased to 4,221.0 MEUR (3,886.7). The equity ratio was 55 per cent (54). Hexagon's total assets increased to 7,649.3 MEUR (7,194.5). The increase in total assets is driven primarily by acquisitions.

Following a refinancing in 2014, Hexagon's main sources of financing consist of:

- 1) A multicurrency revolving credit facility (RCF) established during 2014. The RCF amounts to 2,000 MEUR with maturity Q3 2021
- 2) A Swedish Medium Term Note Programme (MTN) established during 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 September 2016, cash and unutilised credit limits totalled 1,440.9 MEUR (1,246.6). Hexagon's net debt was 1,786.6 MEUR (1,769.7). The net indebtedness was 0.38 times (0.41). Interest coverage ratio was 27.4 times (18.3).

### CASH FLOW

During the third quarter, cash flow from operations before changes in working capital amounted to 197.7 MEUR (177.8), corresponding to 0.55 EUR (0.49) per share. Cash flow from operations in the third quarter amounted to 178.5 MEUR (198.5), corresponding to 0.50 EUR (0.55) per share. Operating cash flow in the third quarter, including non-recurring items, amounted to 115.1 MEUR (138.3).

For the first nine months, cash flow from operations amounted to 520.5 MEUR (469.6), corresponding to 1.44 EUR (1.31) per share. The operating cash flow, including non-recurring items, amounted to 324.6 MEUR (280.4).

### INVESTMENTS, DEPRECIATION, AMORTISATION AND IMPAIRMENT

Hexagon's net investments, excluding acquisitions and divestitures, amounted to -61.9 MEUR (-58.4) in the third quarter and -189.3 MEUR (-173.5) in the first nine months.

Depreciation, amortisation and impairment amounted to -57.3 MEUR (-51.3) in the third quarter and -168.9 MEUR (-152.5) during the first nine months. Hexagon recorded no impairment charges in the third quarter (-) or in the first nine months of 2016 (-).

### TAX RATE

The Group's tax expense for the first nine months totalled -97.2 MEUR (-88.0).

The reported tax rate was 19.0 per cent (20.0) for the quarter and 19.0 per cent (20.1) for the first nine months. The tax rate, excluding non-recurring items, was 19.0 (20.0) per cent for the quarter and 19.0 (20.0) for the first nine months.

### EMPLOYEES

The average number of employees during the first nine months was 16,416 (15,847). The number of employees at the end of the quarter was 16,704 (16,036). The increase was primarily driven by acquisitions.

### SHARE DATA

Earnings per share for the third quarter amounted to 0.39 EUR (0.36). Earnings per share, excluding non-recurring items, for the first nine months amounted to 1.14 EUR (1.04). Earnings per share, including non-recurring items, for the first nine months amounted to 1.14 EUR (0.96).

On 30 September 2016, equity per share was 11.67 EUR (10.77) and the share price was 374.60 SEK (255.30).

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 nine months by 0.3 MEUR (0.1).

### PARENT COMPANY

The parent company's earnings after financial items for the first nine months was -13.6 MEUR (2,750.3). The equity was 4,636.9 MEUR (4,570.8). The equity ratio of the parent company was 58 per cent (59). Liquid funds including unutilised credit limits were 1,223.5 MEUR (1,013.5).



Hexagon will host a Capital Markets Day on 1 December 2016 in London UK. President and CEO Ola Rollén and management will give an update on the company's growth opportunities, strategy and financial plan. The event can be followed live as well as on demand on [hexagon.com](http://hexagon.com).

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, 28 October 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.

## NOMINATION COMMITTEE PRIOR TO THE ANNUAL GENERAL MEETING

The composition of the Hexagon Nomination Committee for the Annual General Meeting 2017 is: Mikael Ekdahl, Melker Schörling AB (Chairman), Anders Oscarsson, AMF Fonder, Jan Andersson, Swedbank Robur fonder and Ossián Ekdahl, Första AP-fonden.

## SUBSEQUENT EVENTS

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

Melker Schörling announced on October 24, 2016 that he will leave his position as Chairman of the Board of Hexagon AB at the Annual General Meeting on 2 May 2017. The Nomination Committee will come back with a proposal for new Chairman during the next couple of months. Melker Schörling will continue to support and act as adviser to Hexagon's Management as well as the Board.

As earlier communicated, Ulrik Svensson will leave his position as CEO of Melker Schörling AB at the end of the year. He will at the same time leave his position as Board member of Hexagon AB.

## AUDITORS' REVIEW REPORT

### Introduction

We have reviewed the condensed interim report for Hexagon AB as at September 30, 2016 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

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

### Conclusion

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

Stockholm, 28 October 2016

Ernst & Young AB

Rickard Andersson  
Authorised Public Accountant



## Condensed Income Statement

MEUR	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	2015
Net sales	779.7	742.3	2,299.7	2,228.1	3,043.8
Cost of goods sold	-313.3	-297.5	-911.5	-889.7	-1,221.9
<b>Gross earnings</b>	<b>466.4</b>	<b>444.8</b>	<b>1,388.2</b>	<b>1,338.4</b>	<b>1,821.9</b>
Sales expenses	-140.9	-134.2	-423.9	-419.3	-561.7
Administration expenses	-60.5	-67.3	-193.6	-212.6	-292.8
Research and development expenses	-85.7	-71.9	-249.0	-237.6	-313.1
Earnings from shares in associated companies	0.4	0.0	0.3	0.1	0.1
Other income and expenses, net	0.1	-3.6	5.4	-10.7	1.7
<b>Operating earnings 1)</b>	<b>179.8</b>	<b>167.8</b>	<b>527.4</b>	<b>458.3</b>	<b>656.1</b>
Financial income	1.0	2.2	3.7	4.8	6.1
Financial expenses	-6.6	-8.3	-19.4	-25.5	-32.6
<b>Earnings before taxes</b>	<b>174.2</b>	<b>161.7</b>	<b>511.7</b>	<b>437.6</b>	<b>629.6</b>
Taxes	-33.1	-32.3	-97.2	-88.0	-124.5
<b>Net earnings</b>	<b>141.1</b>	<b>129.4</b>	<b>414.5</b>	<b>349.6</b>	<b>505.1</b>
Attributable to:					
Parent company shareholders	139.5	127.9	410.2	345.3	499.9
Non-controlling interest	1.6	1.5	4.3	4.3	5.2
1) of which non-recurring items	-	-	-	-36.6	-36.6
Earnings include depreciation, amortisation and impairments of	-57.3	-51.3	-168.9	-152.5	-219.6
- of which amortisation of surplus values	-8.8	-8.0	-26.2	-23.7	-32.3
Basic earnings per share, EUR	0.39	0.36	1.14	0.96	1.39
Earnings per share after dilution, EUR	0.39	0.36	1.14	0.96	1.39
Total shareholder's equity per share, EUR	11.67	10.77	11.67	10.77	11.36
Closing number of shares, thousands	360,443	360,055	360,443	360,055	360,337
Average number of shares, thousands	360,443	359,999	360,429	359,144	359,387
Average number of shares after dilution, thousands	361,657	360,222	360,955	359,536	359,817

## Condensed Comprehensive Income

MEUR	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	2015
Net earnings	141.1	129.4	414.5	349.6	505.1
Other comprehensive income					
Items that will not be reclassified to income statement					
Remeasurement of pensions	-10.1	2.7	-34.8	-4.8	-36.8
Taxes on items that will not be reclassified to income statement	1.2	-0.2	3.6	0.5	5.1
<b>Total items that will not be reclassified to income statement, net of taxes</b>	<b>-8.9</b>	<b>2.5</b>	<b>-31.2</b>	<b>-4.3</b>	<b>-31.7</b>
Items that may be reclassified subsequently to income statement					
Exchange rate differences	-38.2	-81.3	-112.8	171.1	256.2
Effect of hedging of net investments in foreign operations	-0.3	-0.4	-0.2	-12.7	-12.7
Taxes on items that may be reclassified subsequently to income statement	3.5	3.0	3.6	-8.0	-9.5
<b>Total items that may be reclassified subsequently to income statement, net of taxes</b>	<b>-35.0</b>	<b>-78.7</b>	<b>-109.4</b>	<b>150.4</b>	<b>234.0</b>
<b>Other comprehensive income, net of taxes</b>	<b>-43.9</b>	<b>-76.2</b>	<b>-140.6</b>	<b>146.1</b>	<b>202.3</b>
<b>Total comprehensive income for the period</b>	<b>97.2</b>	<b>53.2</b>	<b>273.9</b>	<b>495.7</b>	<b>707.4</b>
Attributable to:					
Parent company shareholders	95.8	51.8	270.1	490.7	701.5
Non-controlling interest	1.4	1.4	3.8	5.0	5.9

## Condensed Balance Sheet

MEUR	30/9 2016	30/9 2015	31/12 2015
Intangible fixed assets	5,689.4	5,290.7	5,567.1
Tangible fixed assets	289.6	293.6	287.9
Financial fixed assets	20.7	23.7	25.0
Deferred tax assets	62.1	82.9	59.4
<b>Total fixed assets</b>	<b>6,061.8</b>	<b>5,690.9</b>	<b>5,939.4</b>
Inventories	443.9	448.1	414.9
Accounts receivable	725.5	643.5	688.3
Other receivables	95.7	67.2	62.8
Prepaid expenses and accrued income	117.6	123.3	101.2
<b>Total current receivables</b>	<b>938.8</b>	<b>834.0</b>	<b>852.3</b>
Cash and cash equivalents	204.8	221.5	225.5
<b>Total current assets</b>	<b>1,587.5</b>	<b>1,503.6</b>	<b>1,492.7</b>
<b>Total assets</b>	<b>7,649.3</b>	<b>7,194.5</b>	<b>7,432.1</b>
Equity attributable to parent company shareholders	4,207.4	3,876.9	4,092.3
Equity attributable to non-controlling interest	13.6	9.8	10.0
<b>Total shareholders' equity</b>	<b>4,221.0</b>	<b>3,886.7</b>	<b>4,102.3</b>
Interest bearing liabilities	1,548.8	1,783.5	1,782.8
Other liabilities	9.5	3.8	3.9
Pension liabilities	160.8	94.3	124.0
Deferred tax liabilities	455.2	406.0	416.8
Other provisions	66.4	46.4	57.8
<b>Total long-term liabilities</b>	<b>2,240.7</b>	<b>2,334.0</b>	<b>2,385.3</b>
Interest bearing liabilities	276.2	104.7	57.5
Accounts payable	168.8	149.7	162.7
Other liabilities	143.8	114.8	123.4
Other provisions	89.3	94.9	92.8
Deferred income	228.2	219.6	235.7
Accrued expenses	281.3	290.1	272.4
<b>Total short-term liabilities</b>	<b>1,187.6</b>	<b>973.8</b>	<b>944.5</b>
<b>Total equity and liabilities</b>	<b>7,649.3</b>	<b>7,194.5</b>	<b>7,432.1</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 13). 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-Q3 2016	Q1-Q3 2015	2015
Opening shareholders' equity	4,102.3	3,470.2	3,470.2
Total comprehensive income for the period 1)	273.9	495.7	707.4
New share issues, w warrants exercised - net of issuance costs	-	34.3	38.9
Dividend	-155.2	-132.4	-133.1
Warrants issued	-	18.9	18.9
<b>Closing shareholders' equity 2)</b>	<b>4,221.0</b>	<b>3,886.7</b>	<b>4,102.3</b>
1) Of which: Parent company shareholders	270.1	490.7	701.5
Non-controlling interest	3.8	5.0	5.9
2) Of which: Parent company shareholders	4,207.4	3,876.9	4,092.3
Non-controlling interest	13.6	9.8	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
2016-09-30 Total issued and outstanding 1)	15,750,000	344,693,142	360,443,142

<sup>1)</sup> As per 30 September 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	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	2015
Cash flow from operations before change in working capital excluding taxes and interest	227.6	221.7	681.7	642.2	890.4
Taxes paid	-22.4	-38.4	-70.6	-96.5	-120.0
Interest received and paid, net	-7.5	-5.5	-12.5	-15.4	-20.5
Cash flow from operations before change in working capital	197.7	177.8	598.6	530.3	749.9
Cash flow from change in working capital	-19.2	20.7	-78.1	-60.7	-27.3
Cash flow from operations	178.5	198.5	520.5	469.6	722.6
Investments tangible assets	-11.9	-11.1	-37.8	-30.5	-35.7
Investments intangible assets	-50.0	-47.3	-151.5	-143.0	-194.6
Operating cash flow	116.6	140.1	331.2	296.1	492.3
Non-recurring cash flow 1)	-1.5	-1.8	-6.6	-15.7	-18.6
Operating cash flow after non-recurring items	115.1	138.3	324.6	280.4	473.7
Cash flow from other investing activities 2)	-65.9	0.2	-167.2	-48.6	-193.9
Cash flow after other investing activities	49.2	138.5	157.4	231.8	279.8
Dividends paid	-	-6.5	-155.2	-132.4	-133.1
New share issues, warrants exercised - net of issuance costs	-	0.8	-	34.3	38.9
Warrants issued	-	13.8	-	13.8	18.9
Cash flow from other financing activities	-34.2	-155.4	-18.0	-149.4	-205.9
Cash flow for the period	15.0	-8.8	-15.8	-1.9	-1.4
Cash and cash equivalents, beginning of period	191.5	241.1	225.5	228.6	228.6
Effect of translation differences on cash and cash equivalents	-1.7	-10.8	-4.9	-5.2	-1.7
Cash flow for the period	15.0	-8.8	-15.8	-1.9	-1.4
Cash and cash equivalents, end of period	204.8	221.5	204.8	221.5	225.5

<sup>1)</sup> Non-recurring cash flow consists of restructuring cost.

<sup>2)</sup> Acquisitions and divestments in the third quarter of 2016 totalled -66.4 MEUR (0.0) and other was 0.5 MEUR (0.2).

## Key Ratios

	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	2015
Operating margin, %	23.1	22.6	22.9	22.2	22.8
Profit margin before taxes, %	22.3	21.8	22.3	19.6	20.7
Return on shareholders' equity, 12 month average, %	13.9	13.0	13.9	13.0	13.0
Return on capital employed, 12 month average, %	11.9	11.5	11.9	11.5	11.6
Equity ratio, %	55.2	54.0	55.2	54.0	55.2
Net indebtedness	0.38	0.41	0.38	0.41	0.38
Interest coverage ratio	27.4	21.0	27.4	18.3	20.3
Average number of shares, thousands	360,443	359,999	360,429	359,144	359,387
Basic earnings per share excl. non-recurring items, EUR	0.39	0.36	1.14	1.04	1.47
Basic earnings per share, EUR	0.39	0.36	1.14	0.96	1.39
Cash flow per share, EUR	0.50	0.55	1.44	1.31	2.01
Cash flow per share before change in working cap, EUR	0.55	0.49	1.66	1.48	2.09
Share price, SEK	374.60	255.30	374.60	255.30	314.80
Share price, translated to EUR	38.94	27.14	38.94	27.14	34.26

# Supplementary Information

## NET SALES PER SEGMENT

MEUR	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
Geospatial Enterprise Solutions	390.6	399.2	369.4	395.1	371.4	385.6	354.6	1,506.7
Industrial Enterprise Solutions	389.1	396.6	354.8	420.6	370.9	395.1	350.5	1,537.1
Group	779.7	795.8	724.2	815.7	742.3	780.7	705.1	3,043.8

## OPERATING EARNINGS (EBIT1) PER SEGMENT

MEUR	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
Geospatial Enterprise Solutions	88.7	88.9	75.7	88.8	78.6	74.6	66.3	308.3
Industrial Enterprise Solutions	96.3	103.0	89.6	115.2	95.2	109.5	89.7	409.6
Group costs	-5.2	-4.8	-4.8	-6.2	-6.0	-6.8	-6.2	-25.2
Group	179.8	187.1	160.5	197.8	167.8	177.3	149.8	692.7
Margin, %	23.1	23.5	22.2	24.2	22.6	22.7	21.2	22.8

## NET SALES PER REGION

MEUR	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
EMEA	292.2	304.5	270.5	320.8	273.0	291.9	261.6	1,147.2
Americas	264.1	270.0	247.5	278.6	257.7	270.5	242.3	1,049.2
Asia	223.4	221.3	206.2	216.3	211.6	218.3	201.2	847.4
Group	779.7	795.8	724.2	815.7	742.3	780.7	705.1	3,043.8

## EXCHANGE RATES

Average	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
SEK/EUR	0.1051	0.1078	0.1072	0.1075	0.1060	0.1075	0.1066	0.1069
USD/EUR	0.8960	0.8855	0.9069	0.9136	0.8988	0.9056	0.8888	0.9015
CNY/EUR	0.1344	0.1355	0.1386	0.1430	0.1426	0.1460	0.1425	0.1435
CHF/EUR	0.9183	0.9123	0.9122	0.9219	0.9322	0.9608	0.9337	0.9369
Closing	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
SEK/EUR	0.1039	0.1061	0.1084	0.1088	0.1063	0.1085	0.1076	0.1088
USD/EUR	0.8960	0.9007	0.8783	0.9185	0.8926	0.8937	0.9295	0.9185
CNY/EUR	0.1343	0.1356	0.1360	0.1416	0.1404	0.1442	0.1499	0.1416
CHF/EUR	0.9195	0.9202	0.9148	0.9229	0.9162	0.9603	0.9557	0.9229

# Acquisitions

MEUR	Acquisitions	
	Q1-Q3 2016	Q1-Q3 2015
Fair value of acquired assets and assumed liabilities		
Intangible fixed assets	52.2	69.2
Other fixed assets	7.1	1.9
<b>Total fixed assets</b>	<b>59.3</b>	<b>71.1</b>
Total current assets	42.1	14.7
<b>Total assets</b>	<b>101.4</b>	<b>85.8</b>
Total long-term liabilities	13.6	1.9
Total current liabilities	26.8	9.1
<b>Total liabilities</b>	<b>40.4</b>	<b>11.0</b>
Fair value of acquired assets and assumed liabilities, net	61.0	74.8
Shares in associated companies	-1.9	-
Goodwill	146.4	170.6
<b>Total purchase consideration transferred</b>	<b>205.5</b>	<b>245.4</b>
Less cash and cash equivalents in acquired companies	-8.9	-3.9
Adjustment for non-paid consideration and considerations paid for prior years' acquisitions	-30.3	-47.2
<b>Cash flow from acquisition of companies/businesses</b>	<b>166.3</b>	<b>194.3</b>

During the first nine 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
- GeoRadar, a provider of radar solutions for structural health monitoring and underground utility detection, based in Italy
- Multivista, a provider of visual, cloud-based construction documentation solutions, based in Canada and USA
- Apodius GmbH, a start-up specialised in measurement solutions for fibre composite components, based in Germany
- GISquadrat GmbH, a provider of data capture and applications for infrastructure networks and public services, based in Austria

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, AICON 3D Systems, GeoRadar and Multivista is presented in the acquisition analysis on page 16 and 17.

# 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 14.6 MEUR of net sales in the first nine months of 2016. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 14.6 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 and capitalized development expenses with useful lives of 10-12 years. The intangible assets have been valued using a discounted cash flow method.

From the date of acquisition, SigmaSpace has contributed 8.4 MEUR of net sales in the first nine months of 2016. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 10.6 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 4.0 MEUR of net sales in the first nine months of 2016. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 5.2 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 11.3 MEUR of net sales in the first nine months of 2016. If the acquisition had taken place at the beginning of the year, the contribution to net sales would have been 14.3 MEUR.

## **ACQUISITION OF GEORADAR**

On 14 July 2016, after customary regulatory approvals were received, Hexagon acquired 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.

### **Background and reasons for the transaction**

GeoRadar's structural health monitoring solutions enable engineers to remotely monitor movements and vibrations of the earth. Its underground utility detection solutions provide engineers with dimensional information such as size and location of buried pipes and/or the health condition of roads and rail tracks. GeoRadar's solutions complement Hexagon's reality capture solutions, enriching the portfolio across a wide variety of segments like surveying, construction and mining.

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 Geosystem's and GeoRadar's technologies and solutions ii) increasing Hexagon's total market in excess of GeoRadar'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, GeoRadar has contributed 3.4 MEUR of net sales in the first nine 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 MULTIVISTA**

On 15 August 2016, after customary regulatory approvals were received, Hexagon acquired Multivista, a leading provider of visual, cloud-based construction documentation solutions.

### **Background and reasons for the transaction**

Multivista's visual construction documentation enables visibility of construction progress throughout the life cycle of a built asset. Its construction photography and video services provide progressive, digital records of ground-up development. The acquisition strengthens Hexagon's breadth of expertise in the changing construction landscape and offers opportunities to augment Multivista's documentation portfolio with 3D reality capture solutions.

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 Geosystem's and Multivista's technologies and solutions ii) increasing Hexagon's total market in excess of Multivista'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.

The acquisition has no significant impact on Hexagon's earnings.

## Condensed Parent Company Income Statement

MEUR	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	2015
Net sales	2.8	2.5	8.3	7.5	12.6
Administration cost	-4.2	-6.1	-12.8	-18.0	-32.0
Operating earnings	-1.4	-3.6	-4.5	-10.5	-19.5
Earnings from shares in Group companies	-	-	-	2,662.7	2,849.1
Interest income and expenses, net	4.1	8.7	-9.1	98.1	125.4
Earnings before taxes	2.7	5.1	-13.6	2,750.3	2,955.1
Taxes	0.0	0.0	0.0	0.0	0.0
Net earnings	2.7	5.1	-13.6	2,750.3	2,955.0

## Condensed Parent Company Balance Sheet

MEUR	30/9 2016	30/9 2015	31/12 2015
Total fixed assets	7,143.7	7,487.1	7,200.8
Total current receivables	818.6	229.0	684.4
Cash and cash equivalents	6.6	6.0	24.1
Total current assets	825.2	235.0	708.5
Total assets	7,968.9	7,722.1	7,909.3
Total shareholders' equity	4,636.9	4,570.8	4,805.5
Total long-term liabilities	1,542.3	1,775.7	1,775.3
Total short-term liabilities	1,789.7	1,375.6	1,328.5
Total equity and liabilities	7,968.9	7,722.1	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 coverage 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 shareholders' equity (12 month average)	Twelve months to end of period net earnings excluding non-controlling interests as a percentage of twelve months to end of period average shareholders' equity excluding non-controlling interests last twelve months. The twelve months average shareholders equity is based on quarterly average shareholders equity
Shareholders' equity per share	Shareholders' equity excluding non-controlling interests divided by the number of shares at year-end
Share price	Last settled transaction on Nasdaq Stockholm on the last business day for the period



Hexagon is a 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](http://hexagon.com).

#### FINANCIAL REPORT DATES

Hexagon gives financial information at the following occasions:

Year-end report 2016 6 February 2017  
Interim report Q1 2017 2 May 2017  
Interim report Q2 2017 27 July 2017  
Interim report Q3 2017 31 October 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](mailto:ir@hexagon.com)

#### TELEPHONE CONFERENCE

The interim report for the third quarter 2016 will be presented on 28 October at 10:00 CET at a telephone conference. Please view instructions at Hexagon's website on how to participate.

#### CONTACT

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This information is information that Hexagon AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08:00 CET on 28 October 2016.

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.

