

INTERIM REPORT

1 JANUARY – 31 MARCH 2017

FIRST QUARTER 2017

- Net sales increased by 7 per cent to 778.1 MEUR (724.2). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 3 per cent
- Operating earnings (EBIT1) increased by 9 per cent to 174.5 MEUR (160.5)
- Earnings before taxes, excluding non-recurring items, amounted to 169.4 MEUR (155.3)
- Net earnings, excluding non-recurring items, amounted to 138.9 MEUR (125.8)
- Earnings per share, excluding non-recurring items, increased by 9 per cent to 0.38 EUR (0.35)
- Non-recurring items amounted to -50.8 MEUR (-) and relate to a cost savings programme and the acquisition of MSC
- Operating cash flow improved by 42 per cent to 143.5 MEUR (101.1)

SUBSEQUENT EVENTS

- Hexagon completed the acquisition of MSC Software for a purchase price of 834 MUSD on a cash and debt free basis and the company will be consolidated as of 26 April

MEUR	Q1 2017	Q1 2016	Δ%
Net sales	778.1	724.2	3 ¹⁾
Gross earnings	475.0	442.3	7
Gross margin, %	61.0	61.1	-0.1
Operating earnings (EBITDA) 2)	251.1	215.3	17
EBITDA margin, %	32.3	29.7	2.6
Operating earnings (EBIT1) 2)	174.5	160.5	9
Operating margin, %	22.4	22.2	0.2
Earnings before taxes excluding non-recurring items	169.4	155.3	9
Non-recurring items 3)	-50.8	-	n.a.
Earnings before taxes	118.6	155.3	- 24
Net earnings	96.2	125.8	- 24
Net earnings, excl. non-recurring items	138.9	125.8	10
Earnings per share, EUR	0.26	0.35	- 26
Earnings per share, excl. non-recurring items, EUR	0.38	0.35	9

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

2) For definition, see page 14.

3) Non-recurring items in 2017 related to the implementation of a cost savings programme and acquisition of MSC Software.



COMMENTS FROM THE CEO

"It's full speed ahead for Hexagon in 2017! We're pleased with the results in Q1, reporting strong growth in our manufacturing, construction and positioning portfolios and good profit development in all divisions apart from PPM. We announced the acquisition of MSC in direct support of our smart connected factory strategy and launched a group-wide cost savings programme to further accelerate our margin expansion. Hexagon reported 3 per cent organic growth, if we exclude oil and gas related business, organic growth was 6 per cent. However, we are confident that the actions we've taken in PPM this quarter will generate future growth and improved margins.

We are well prepared to take advantage of the opportunities ahead of us. We will continue to accelerate our solutions-centric strategy through increased investments in R&D and solutions-focused sales resources. We will gradually improve growth and profitability through new applications, a richer mix and acquisitions."

Ola Rollén, President and CEO, Hexagon AB



GROUP BUSINESS DEVELOPMENT Q1

NET SALES

Net sales increased to 778.1 MEUR (724.2) and organic growth amounted to 3 per cent. Organic growth was 7 per cent in EMEA, 1 per cent in Asia and -1 per cent in Americas. In EMEA, all major countries reported solid organic growth. In Western Europe, the largest contributors were Germany, France, the Nordic countries and UK. The Middle East returned to growth following a few quarters of negative development. In Asia, China reported 6 per cent organic growth and good progress in all businesses. Other countries in Asia with strong growth were Japan and Australia while South Korea had a weak quarter and declined by double digit. In Americas, North America recorded slight negative organic growth primarily due to weak demand from the mining industry as well as the oil and gas market in the US. However, South America continued to improve and returned to growth for the first time in several quarters driven by strong demand from the mining industry.

EARNINGS

Operating earnings excluding non-recurring items (EBIT1), grew by 9 per cent to 174.5 MEUR (160.5), which corresponds to an operating margin of 22.4 per cent (22.2). The operating margin was positively impacted by organic growth and new high-margin products but negatively impacted by unfavourable business mix. Operating earnings (EBIT1) and earnings before taxes were positively impacted by exchange rate movements of 3.3 MEUR.

NON-RECURRING ITEMS

On 6 February 2017, Hexagon announced a group-wide cost savings programme. The programme, with focus on reducing administration costs, affects approximately 500 employees and is expected to drive cash cost savings of approximately 25 MEUR in 2017 and 44 MEUR per annum as of 2018 when fully implemented. The cash flow impact of this programme amounts to -38.3 MEUR. All of the restructuring costs have been expensed as non-recurring items in the first quarter 2017.

On 2 February 2017, Hexagon announced an agreement to acquire MSC Software (MSC), a leading provider of CAE (simulation) software. Non-cash PPA adjustments of 10.4 MEUR related to impairment of overlapping technologies and cash transaction costs of 2.1 MEUR have been expensed as non-recurring items in the first quarter 2017.

FINANCIAL SUMMARY – FIRST QUARTER

MEUR	Net sales			Earnings		
	Q1 2017	Q1 2016	Δ% ¹⁾	Q1 2017	Q1 2016	Δ%
Geospatial Enterprise Solutions	403.0	369.4	4	91.0	75.7	20
Industrial Enterprise Solutions	375.1	354.8	2	89.2	89.6	-0
Net sales	778.1	724.2	3			
Group cost and eliminations				-5.7	-4.8	-19
Operating earnings (EBIT1)				174.5	160.5	9
Operating margin, %				22.4	22.2	0.2
Interest income and expenses, net				-5.1	-5.2	2
Earnings before non-recurring items				169.4	155.3	9
Non-recurring items				-50.8	-	n.a.
Earnings before taxes				118.6	155.3	-24
Taxes				-22.4	-29.5	24
Net earnings				96.2	125.8	-24

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

CURRENCY IMPACT COMPARED TO EUR – FIRST QUARTER

	Movement ¹⁾	Income less cost	Earnings impact
CHF	Strengthened	2%	Negative
USD	Strengthened	3%	Positive
CNY	Weakened	-2%	Positive
EBIT1, MEUR			3.3

¹⁾ Compared to Q1 2016

SALES BRIDGE – FIRST QUARTER

	Net sales*
2016, MEUR	724.2
Structure, %	3
Currency, %	2
Organic growth, %	3
Total, %	7
2017, MEUR	778.1

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

ORGANIC GROWTH

Analysis of organic growth ¹⁾ per geographic region			
Q1 2016	724.2		
EMEA excl. Western Europe (7% of sales)		→	
South America (3% of sales)		→	
Western Europe (31% of sales)		→	
China (15% of sales)		→	>8%
North America (31% of sales)		→	0-8%
Asia excl. China (13% of sales)		→	Negative
Q1 2017	778.1		

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



GEOSPATIAL ENTERPRISE SOLUTIONS – Q1 2017

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 403.0 MEUR (369.4). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 4 per cent. Organic growth was 8 per cent in Asia, 6 per cent in EMEA and -1 per cent in Americas.

Looking at the geographical development, demand in China continued to be solid, especially within positioning, infrastructure and construction, recording high single digit organic growth. Other countries in Asia with strong growth included Australia and Japan. In EMEA, Western Europe recorded single digit growth where the largest contributors were Germany, France, Spain and the Nordic countries. The Middle East returned to growth following a few quarters of negative development. In Americas, North America continued to experience negative growth primarily due to weak demand from the US mining industry and safety solutions within US defence. South America continued to improve and recorded strong double digit growth, driven by solid demand in the mining industry.

Regarding the divisions within GES, organic growth for Geosystems was 4 per cent, primarily due to strong demand from civil construction, machine control and mining. As in the previous quarter, Safety & Infrastructure continued to experience weak demand from US defence and recorded -2 per cent organic growth. However, the demand for Smart City and public safety solutions continued to grow. Positioning Intelligence recorded 22 per cent organic growth with strong demand from agriculture and defence.

EARNINGS

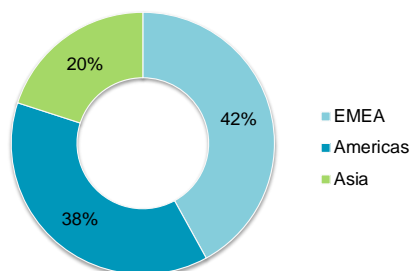
Operating earnings (EBIT1) increased by 20 per cent to 91.0 MEUR (75.7), which corresponds to an operating margin of 22.6 per cent (20.5). The operating margin was positively impacted by organic growth, new high margin products and tight cost control.

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

MEUR	Q1 2017	Q1 2016	Δ%
Net sales	403.0	369.4	4 ¹⁾
Operating earnings (EBIT1)	91.0	75.7	20
Operating margin,%	22.6	20.5	2.1
Avg. number of employees	7,788	7,891	-1

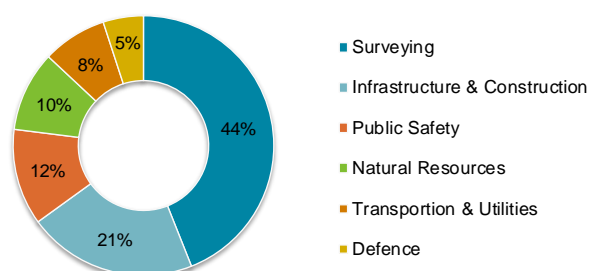
1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

GES – NET SALES PER REGION*



* Q1 2017 numbers

GES – NET SALES PER CUSTOMER SEGMENT**



** Full-year 2016 numbers



INDUSTRIAL ENTERPRISE SOLUTIONS – Q1 2017

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 PPM.

NET SALES

Industrial Enterprise Solutions (IES) sales amounted to 375.1 MEUR (354.8). Using fixed exchange rates and a comparable group structure (organic growth), net sales increased by 2 per cent. Organic growth was 9 per cent in EMEA, flat in Americas and -3 per cent in Asia.

Looking at the geographical development, demand was strong in Eastern Europe (including Russia) in both manufacturing and the power and energy industry. Western Europe also had a solid quarter and reported high single digit organic growth. In Americas, demand in North America was strong in the manufacturing industry but continued to be weak in power and energy. South America experienced another weak quarter in all industrial segments. In Asia, China recorded single digit growth primarily driven by strong demand in the electronics industry. However, South Korea continued to be weak, especially within the shipbuilding market, and declined by double digit.

Regarding the divisions within IES, Manufacturing Intelligence had a solid start to the year and recorded 8 per cent organic growth. Demand within the electronics industry was strong and the aerospace industry continued to grow. PPM faced another challenging quarter and recorded -11 per cent organic growth, due to the continued weak demand from the oil and gas market. Actions have been taken to ensure future growth and increased profitability.

EARNINGS

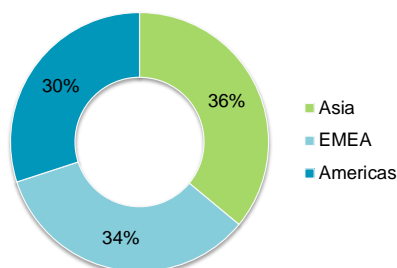
Operating earnings (EBIT1) was in line with the same period last year at 89.2 MEUR (89.6), which corresponds to an operating margin of 23.8 per cent (25.3). The operating margin (EBIT1) was negatively impacted by unfavourable business mix.

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

MEUR	Q1 2017	Q1 2016	Δ%
Net sales	375.1	354.8	2 ¹⁾
Operating earnings (EBIT1)	89.2	89.6	-0
Operating margin,%	23.8	25.3	-1.5
Avg. number of employees	8,656	8,167	6

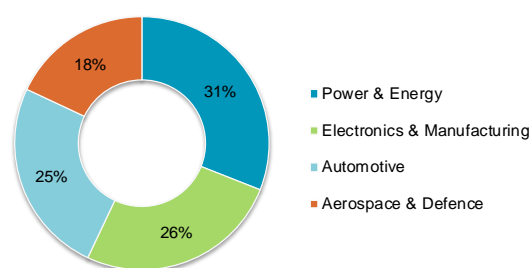
1) Adjusted to fixed exchange rates and a comparable group structure, i.e. organic growth.

IES – NET SALES PER REGION*

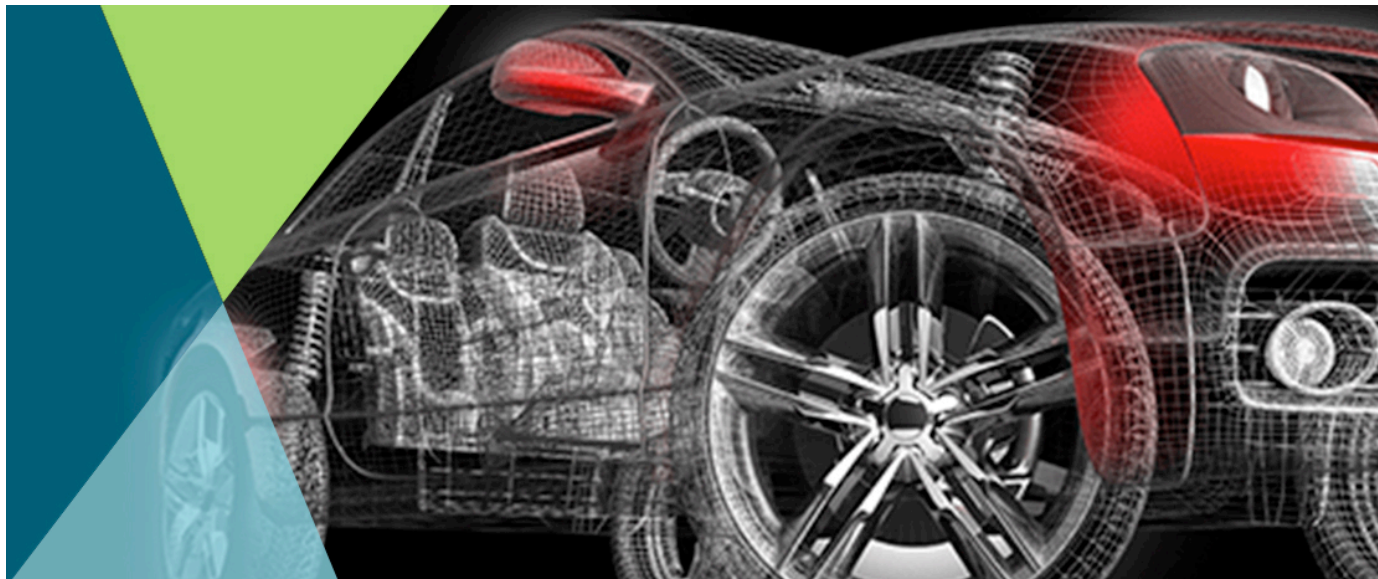


* Q1 2017 numbers

IES – NET SALES PER CUSTOMER SEGMENT**



** Full-year 2016 numbers



On 2 February 2017, Hexagon announced an agreement to acquire MSC Software (MSC), a leading provider of simulation software (CAE) for virtual product and manufacturing process development. The acquisition will strengthen Hexagon's ability to connect the traditionally separate stages of design and production – integrating real-world data generated on the production floor with simulation data to further improve a customer's ability to reveal and correct design limitations and production problems prior to manufacturing.

GROUP SUMMARY

PROFITABILITY

Capital employed increased to 6,393.3 MEUR (6,099.3). Return on average capital employed for the last twelve months was 12.0 per cent (11.7). Return on average shareholders' equity for the last twelve months was 12.6 per cent (13.8). The capital turnover rate was 0.5 times (0.5).

FINANCIAL POSITION

Total shareholders' equity increased to 4,659.8 MEUR (4,054.9). The equity ratio was 59 per cent (55). Hexagon's total assets increased to 7,845.9 MEUR (7,378.1). The increase in total assets is driven primarily by acquisitions.

Hexagon's main sources of financing consist of:

- 1) A multicurrency revolving credit facility (RCF) established during 2014. The RCF amounts to 2,000 MEUR with maturity 2021
- 2) A Swedish Medium Term Note Programme (MTN) established during 2014. The MTN programme amounts to 10,000 MSEK with tenor up to 5 years
- 3) A Swedish Commercial Paper Programme (CP) established during 2012. The CP programme amounts to 15,000 MSEK with tenor up to 12 months

On 31 March 2017, cash and unutilised credit limits totalled 1,886.9 MEUR (1,250.8). Hexagon's net debt was 1,421.3 MEUR (1,767.1). The net indebtedness was 0.27 times (0.39). Interest coverage ratio was 19.8 times (25.3).

CASH FLOW

During the first quarter, cash flow from operations before changes in working capital amounted to 209.9 MEUR (182.7), corresponding to 0.58 EUR (0.51) per share. Cash flow from operations in the first quarter amounted to 216.4 MEUR (167.9), corresponding to 0.60 EUR (0.47) per share. Operating cash flow in the first quarter, including non-recurring items, amounted to 143.5 MEUR (101.1).

INVESTMENTS, DEPRECIATION, AMORTISATION AND IMPAIRMENT

Hexagon's net investments, excluding acquisitions and divestitures, amounted to -64.8 MEUR (-63.3) in the first quarter.

Depreciation, amortisation and impairment amounted to -87.1 MEUR (-54.8) in the first quarter, whereof impairment charges amounted to -26.9 MEUR (-).

TAX RATE

The Group's tax expense for the first quarter totalled -22.4 MEUR (-29.5).

The tax rate was 18.9 per cent (19.0) for the quarter. The tax rate, excluding non-recurring items, was 18.0 (19.0) per cent for the quarter.

EMPLOYEES

The average number of employees during the first quarter was 16,515 (16,128). The increase was primarily related to acquisitions. The number of employees at the end of the quarter was 16,609 (16,331).

SHARE DATA

Earnings per share, excluding non-recurring items, for the first quarter amounted to 0.38 EUR (0.35). Earnings per share, including non-recurring items, for the first quarter amounted to 0.26 EUR (0.35).

On 31 March 2017, equity per share was 12.89 EUR (11.22) and the share price was 360.00 SEK (316.00).

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.

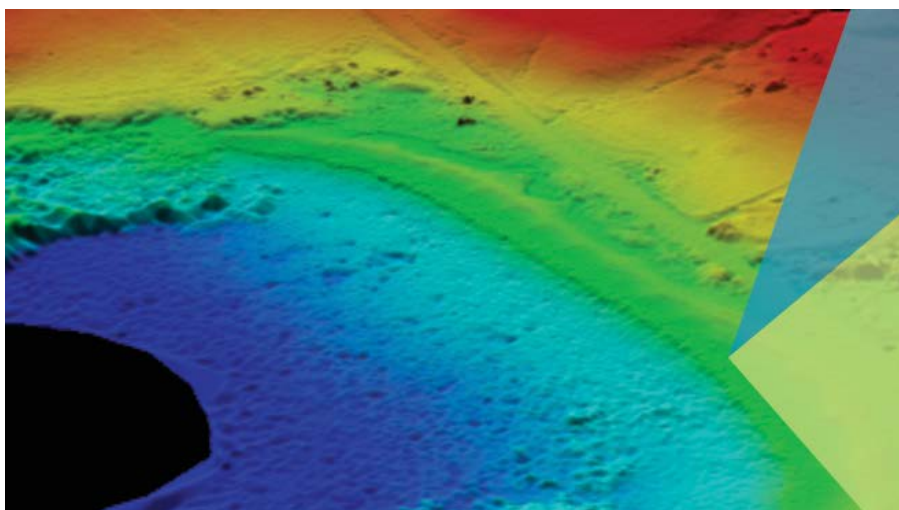
In accordance with a decision by a Shareholders' General Meeting in May 2015, an incentive programme (2015/2019) was introduced, under which a maximum of 10,000,000 warrants can be issued. The dilutive effect at full utilization of the programme will be 2.8 per cent of the share capital and 2.0 per cent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

ASSOCIATED COMPANIES

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

PARENT COMPANY

The parent company's earnings before taxes for the first quarter amounted to 6.9 MEUR (-32.5). The equity was 4,693.4 MEUR (4,773.0). The equity ratio of the parent company was 59 per cent (60). Liquid funds including unutilised credit limits were 1,584.7 MEUR (1,031.6).



Hexagon released the first commercial airborne sensor with state-of-the-art Single Photon LiDAR technology, used for reality capture up to 10 times more efficiently. The sensor is perfect for state and country wide projects, acquiring elevation data at lowest cost per data point.

Stockholm, Sweden, 2 May 2017
Hexagon AB (publ)

Ola Rollén
President and CEO
Board Member

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

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 2016. New and amended standards applicable from 2017 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 Annual Report 2016.

RELATED PARTY TRANSACTIONS

No significant related party transactions have been incurred during the first quarter 2017.

SUBSEQUENT EVENTS

On 26 April Hexagon acquired MSC Software (MSC), a US based provider of CAE (simulation) software. MSC has over 1,200 professionals in 20 countries.

Key Facts:

- Purchase price of 834 MUSD on a cash and debt free basis
- In 2016 MSC generated proforma sales of 230 MUSD, with strong profitability and a high percentage of recurring revenue
- The acquisition will further strengthen Hexagon's smart connected factory strategy to deliver enterprise solutions within manufacturing verticals
- The transaction has been fully financed via bank facilities and Hexagon's net debt to EBITDA target of 2.5 will not be exceeded
- Approximately 20-30 MEUR related to a revenue recognition adjustment of deferred revenue (haircut) will impact the income statement during 2017
- Excluding haircut, MSC is accretive to Hexagon's earnings as of closing

Condensed Income Statement

MEUR	Q1 2017	Q1 2016	2016
Net sales	778.1	724.2	3,149.2
Cost of goods sold	-303.1	-281.9	-1,247.2
Gross earnings	475.0	442.3	1,902.0
Sales expenses	-156.8	-136.0	-573.3
Administration expenses	-82.1	-64.4	-269.1
Research and development expenses	-109.5	-80.1	-333.1
Earnings from shares in associated companies	0.0	-0.1	0.4
Capital gain (+) / loss (-) from sale of shares in Group companies	-	-	0.7
Other income and expenses, net	-2.9	-1.2	8.5
Operating earnings 1)	123.7	160.5	736.1
Financial income	1.2	1.2	4.8
Financial expenses	-6.3	-6.4	-26.6
Earnings before taxes	118.6	155.3	714.3
Taxes	-22.4	-29.5	-135.7
Net earnings	96.2	125.8	578.6
Attributable to:			
Parent company shareholders	94.8	124.6	573.3
Non-controlling interest	1.4	1.2	5.3
1) of which non-recurring items	-50.8	-	-
Earnings include depreciation, amortisation and impairments of	-87.1	-54.8	-233.9
- of which amortization of surplus values	-9.6	-8.5	-35.2
Basic earnings per share, EUR	0.26	0.35	1.59
Earnings per share after dilution, EUR	0.26	0.35	1.59
Total shareholder's equity per share, EUR	12.89	11.22	12.70
Closing number of shares, thousands	360,443	360,443	360,443
Average number of shares, thousands	360,443	360,402	360,433
Average number of shares after dilution, thousands	361,206	360,754	360,879

Condensed Comprehensive Income

MEUR	Q1 2017	Q1 2016	2016
Net earnings	96.2	125.8	578.6
Other comprehensive income			
Items that will not be reclassified to income statement			
Remeasurement of pensions	9.0	-17.7	-9.4
Taxes on items that will not be reclassified to income statement	-1.0	1.5	1.8
Total items that will not be reclassified to income statement, net of taxes	8.0	-16.2	-7.6
Items that may be reclassified subsequently to income statement			
Exchange rate differences	-37.0	-155.5	69.8
Effect of hedging of net investments in foreign operations	-	-0.1	-0.1
Taxes on items that may be reclassified subsequently to income statement	2.1	-1.4	3.9
Total items that may be reclassified subsequently to income statement, net of taxes	-34.9	-157.0	73.6
Other comprehensive income, net of taxes	-26.9	-173.2	66.0
Total comprehensive income for the period	69.3	-47.4	644.6
Attributable to:			
Parent company shareholders	67.9	-48.2	639.5
Non-controlling interest	1.4	0.8	5.1

Condensed Balance Sheet

MEUR	31/3 2017	31/3 2016	31/12 2016
Intangible fixed assets	5,824.1	5,528.3	5,870.8
Tangible fixed assets	289.5	284.5	294.8
Financial fixed assets	22.1	25.4	21.1
Deferred tax assets	58.2	58.0	55.0
Total fixed assets	6,193.9	5,896.2	6,241.7
Inventories	444.7	436.5	426.7
Accounts receivable	741.8	653.7	788.0
Other receivables	76.4	65.6	71.0
Prepaid expenses and accrued income	106.4	123.8	102.7
Total current receivables	924.6	843.1	961.7
Cash and cash equivalents	282.7	202.3	284.0
Total current assets	1,652.0	1,481.9	1,672.4
Total assets	7,845.9	7,378.1	7,914.1
Equity attributable to parent company shareholders	4,644.7	4,044.1	4,576.8
Equity attributable to non-controlling interest	15.1	10.8	14.0
Total shareholders' equity	4,659.8	4,054.9	4,590.8
Interest bearing liabilities	1,539.1	1,526.0	1,476.2
Other liabilities	53.1	84.8	12.3
Pension liabilities	123.2	141.6	132.0
Deferred tax liabilities	467.9	419.6	472.7
Other provisions	5.0	2.8	69.4
Total long-term liabilities	2,188.3	2,174.8	2,162.6
Interest bearing liabilities	41.7	300.2	237.2
Accounts payable	164.3	149.5	175.7
Other liabilities	208.3	161.2	134.9
Other provisions	49.7	27.2	73.6
Deferred income	278.7	269.1	254.3
Accrued expenses	255.1	241.2	285.0
Total short-term liabilities	997.8	1,148.4	1,160.7
Total equity and liabilities	7,845.9	7,378.1	7,914.1

Financial instruments

In Hexagon's balance sheet derivatives and other long-term securities holdings are carried at fair value. Derivatives are measured at fair value based on valuation techniques with observable market data as input (level 2 according to definition in IFRS 13). Other long-term securities holdings amount to insignificant numbers. Liabilities for contingent considerations are measured at fair value and based on management's best estimation of the most probable outcome (level 3 according to definition in IFRS 13). Other assets and liabilities are carried at accrued cost.

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

Condensed Statement of Changes in Equity

MEUR	Q1 2017	Q1 2016	2016
Opening shareholders' equity	4,590.8	4,102.3	4,102.3
Total comprehensive income for the period 1)	69.3	-47.4	644.6
Dividend	-0.3	-	-156.1
Closing shareholders' equity 2)	4,659.8	4,054.9	4,590.8
1) Of which: Parent company shareholders	67.9	-48.2	639.5
Non-controlling interest	1.4	0.8	5.1
2) Of which: Parent company shareholders	4,644.7	4,044.1	4,576.8
Non-controlling interest	15.1	10.8	14.0

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, warrants exercised	-	1,354,800	1,354,800
2013-12-31 Total issued and outstanding	15,750,000	339,246,977	354,996,977
New issue, warrants exercised	-	2,392,236	2,392,236
2014-12-31 Total issued and outstanding	15,750,000	341,639,213	357,389,213
New issue, warrants exercised	-	2,947,929	2,947,929
2015-12-31 Total issued and outstanding	15,750,000	344,587,142	360,337,142
New issue, warrants exercised	-	106,000	106,000
2016-12-31 Total issued and outstanding	15,750,000	344,693,142	360,443,142
New issue, warrants exercised	-	-	-
2017-03-31 Total issued and outstanding 1)	15,750,000	344,693,142	360,443,142

¹⁾ As per 31 March 2017, 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.

Condensed Cash Flow Statement

MEUR	Q1 2017	Q1 2016	2016
Cash flow from operations before change in working capital excluding taxes and interest	229.7	214.8	941.9
Taxes paid	-17.1	-29.4	-92.1
Interest received and paid, net	-2.7	-2.7	-17.7
Cash flow from operations before change in working capital	209.9	182.7	832.1
Cash flow from change in working capital	6.5	-14.8	-50.0
Cash flow from operations	216.4	167.9	782.1
Investments tangible assets, net	-9.0	-14.5	-50.9
Investments intangible assets	-55.8	-48.8	-206.7
Operating cash flow	151.6	104.6	524.5
Non-recurring cash flow 1)	-8.1	-3.5	-7.9
Operating cash flow after non-recurring items	143.5	101.1	516.6
Cash flow from other investing activities 2)	-8.4	-92.7	-172.0
Cash flow after other investing activities	135.1	8.4	344.6
Dividends paid	-0.3	-	-156.1
Cash flow from other financing activities	-136.9	-20.4	-130.5
Cash flow for the period	-2.1	-12.0	58.0
Cash and cash equivalents, beginning of period	284.0	225.5	225.5
Effect of translation differences on cash and cash equivalents	0.8	-11.2	0.5
Cash flow for the period	-2.1	-12.0	58.0
Cash and cash equivalents, end of period	282.7	202.3	284.0

¹⁾ Non-recurring cash flow in the first quarter of 2017 consists of restructuring and transaction cost.

²⁾ Acquisitions and divestments totaled -7.3 MEUR (-91.4) and other was -1.1 MEUR (-1.3) in the first quarter of 2017.

Key Ratios

	Q1 2017	Q1 2016	2016
Operating margin, %	22.4	22.2	23.4
Profit margin before taxes, %	15.2	21.4	22.7
Return on shareholders' equity, 12 month average, %	12.6	13.8	13.7
Return on capital employed, 12 month average, %	12.0	11.7	11.9
Equity ratio, %	59.4	55.0	58.0
Net indebtedness	0.27	0.39	0.30
Interest coverage ratio	19.8	25.3	27.9
Average number of shares, thousands	360,443	360,402	360,433
Basic earnings per share excl. non-recurring items, EUR	0.38	0.35	1.59
Basic earnings per share, EUR	0.26	0.35	1.59
Cash flow per share, EUR	0.60	0.47	2.17
Cash flow per share before change in working cap, EUR	0.58	0.51	2.31
Share price, SEK	360.00	316.00	325.50
Share price, translated to EUR	37.77	34.25	34.07

Supplementary Information

NET SALES PER SEGMENT

MEUR	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	2016
Geospatial Enterprise	403.0	420.1	390.6	399.2	369.4	1,579.3
Industrial Enterprise Solutions	375.1	429.4	389.1	396.6	354.8	1,569.9
Group	778.1	849.5	779.7	795.8	724.2	3,149.2

OPERATING EARNINGS (EBIT1) PER SEGMENT

MEUR	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	2016
Geospatial Enterprise Solutions	91.0	101.5	88.7	88.9	75.7	354.8
Industrial Enterprise Solutions	89.2	110.2	96.3	103.0	89.6	399.1
Group costs	-5.7	-3.0	-5.2	-4.8	-4.8	-17.8
Group	174.5	208.7	179.8	187.1	160.5	736.1
Margin, %	22.4	24.6	23.1	23.5	22.2	23.4

NET SALES PER REGION

MEUR	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	2016
EMEA	296.0	326.5	292.2	304.5	270.5	1,193.7
Americas	265.9	294.9	264.1	270.0	247.5	1,076.5
Asia	216.2	228.1	223.4	221.3	206.2	879.0
Group	778.1	849.5	779.7	795.8	724.2	3,149.2

EXCHANGE RATES

Average	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	2016
SEK/EUR	0.1052	0.1025	0.1051	0.1078	0.1072	0.1056
USD/EUR	0.9386	0.9267	0.8960	0.8855	0.9069	0.9040
CNY/EUR	0.1363	0.1356	0.1344	0.1355	0.1386	0.1360
CHF/EUR	0.9347	0.9260	0.9183	0.9123	0.9122	0.9174
Closing	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	2016
SEK/EUR	0.1049	0.1047	0.1039	0.1061	0.1084	0.1047
USD/EUR	0.9354	0.9487	0.8960	0.9007	0.8783	0.9487
CNY/EUR	0.1358	0.1366	0.1343	0.1356	0.1360	0.1366
CHF/EUR	0.9349	0.9312	0.9195	0.9202	0.9148	0.9312

Acquisitions

MEUR	Acquisitions	
	Q1 2017	Q1 2016
Fair value of acquired assets and assumed liabilities		
Intangible fixed assets	0.0	33.0
Other fixed assets	0.0	5.2
Total fixed assets	0.0	38.2
Total current assets	2.2	34.5
Total assets	2.2	72.7
Total long-term liabilities	0.5	9.8
Total current liabilities	0.2	15.4
Total liabilities	0.7	25.2
Fair value of acquired assets and assumed liabilities, net	1.5	47.5
Goodwill	12.3	65.7
Total purchase consideration transferred	13.8	113.2
Less cash and cash equivalents in acquired companies	-0.1	-6.5
Adjustment for non-paid consideration and considerations paid for prior years' acquisitions	-6.4	-26.1
Adjustment for prepaid part of acquisition costs	-	10.8
Cash flow from acquisition of companies/businesses	7.3	91.4

During Q1 2017, Hexagon acquired the following companies:

- MiPlan Ltd, a provider of mobile software applications to increase productivity in mines, based in Australia
- IDS Georadar, an Australian distributor of structural health monitoring solutions

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. Contingent considerations are recognised to fair value each reporting period and based on the latest relevant forecast for the acquired company. Estimated liability for contingent considerations amounted to 105.3 MEUR as of March 31, whereof the fair value adjustment during Q1 is 18.8 MEUR. The fair value adjustment is offset by impairment of fixed assets and other short-term receivables identified in the purchase price allocation analysis.

In February 2017, Hexagon announced that it entered into an agreement to acquire MSC Software (MSC), a leading provider of CAE (simulation) software. Closing was 26 April 2017 after customary regulatory approvals were received. MSC's turnover for 2016 amounted to 230 MEUR.

Condensed Parent Company Income Statement

MEUR	Q1 2017	Q1 2016	2016
Net sales	5.2	2.8	20.2
Administration cost	-5.4	-4.4	-26.9
Operating earnings	-0.2	-1.6	-6.7
Interest income and expenses, net	7.1	-30.9	43.3
Group contribution	-	-	1.8
Earnings before taxes	6.9	-32.5	38.4
Taxes	-1.3	0.0	-0.2
Net earnings	5.6	-32.5	38.2

Condensed Parent Company Balance Sheet

MEUR	31/3 2017	31/3 2016	31/12 2016
Total fixed assets	7,188.8	7,130.5	7,203.6
Total current receivables	804.2	760.7	803.3
Cash and cash equivalents	1.8	2.5	15.6
Total current assets	806.0	763.2	818.9
Total assets	7,994.8	7,893.7	8,022.5
Total shareholders' equity	4,693.4	4,773.0	4,688.7
Total long-term liabilities	1,529.7	1,518.7	1,469.4
Total short-term liabilities	1,771.7	1,602.0	1,864.4
Total equity and liabilities	7,994.8	7,893.7	8,022.5

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 approximately 18,000 employees in 50 countries and net sales of approximately 3.1bn EUR. Learn more at hexagon.com.

FINANCIAL REPORT DATES

Hexagon gives financial information at the following occasions:

Interim report Q2 2017	27 July 2017
Interim report Q3 2017	27 October 2017
Year-end report 2017	6 February 2018

FINANCIAL INFORMATION

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

TELEPHONE CONFERENCE

The interim report for the first quarter 2017 will be presented on 2 May at 15:00 CET at a telephone conference. Please view instructions at Hexagon's website on how to participate.

CONTACT

Maria Luthström, Investor Relations Manager,
Hexagon AB, +46 8 601 26 27, ir@hexagon.com

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 13:00 CET on 2 May 2017.

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.

