



Interim Report Q3 2019

30 October 2019

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- Market development
- Reporting segments
- Orders and product releases
- Summary



Net sales and earnings

Overview Q3 2019

Organic growth of -3 per cent, net sales growth of 1 per cent

- Solid organic growth in PPM (8 per cent) and SI returned to growth (1 per cent)
- Geosystems recorded -3 per cent organic growth
 - Negatively impacted by tough comparisons from last year's big product launch and large orders in mapping content as well as a general slowdown in construction
- Manufacturing Intelligence recorded -9 per cent organic growth
 - Largely driven by the previously communicated significant decline in the electronics business in China

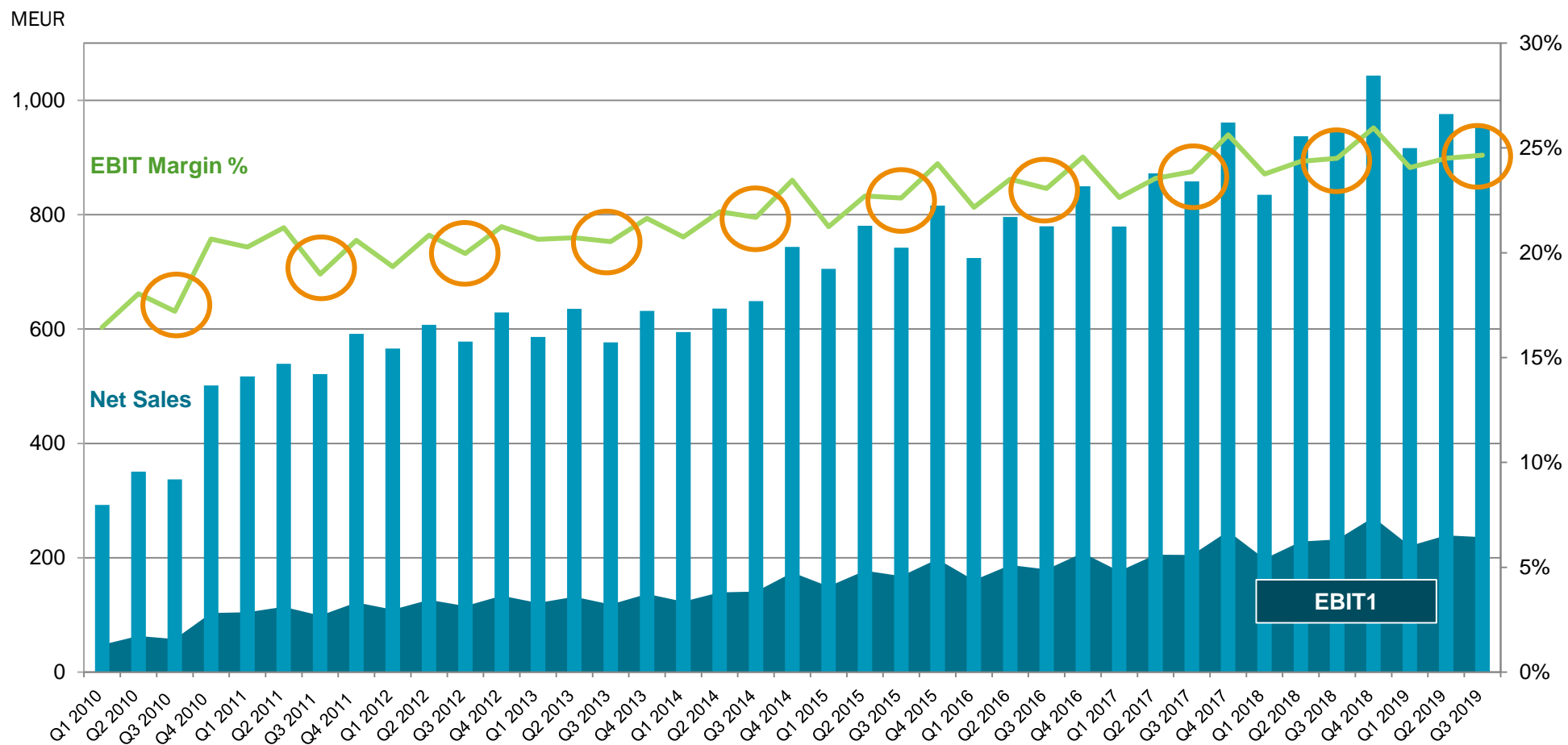
Earnings and margins

- Gross margin of 63.2 per cent (62.0) and EBIT1 margin of 24.7 per cent (24.5)
 - Benefited from a favorable product mix and cost savings



Seasonality in profit

Seasonal pattern: Q1 weakest, **Q3 second weakest**, Q2 & Q4 strong



Key figures – Q3 2019

MEUR	Q3 2019	Q3 2018	Change %
Net sales	956.3	946.1	-3 ¹⁾
Operating earnings (EBITDA) ²⁾	326.3	296.3	10
Operating margin, (EBITDA) %	34.1	31.3	2.8
Operating earnings (EBIT1) ²⁾	235.8	231.8	2
Operating margin, %	24.7	24.5	0.2
Earnings before taxes, excl. non-recurring items	229.3	225.7	2
Non-recurring items (before taxes)	-	-3.9	n.a.
Earnings before taxes ²⁾	229.3	221.8	3
Net earnings	188.0	180.1	4
Net earnings, excl. non-recurring items	188.0	185.1	2
Earnings per share, EUR	0.51	0.49	4

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

2) EBITDA was improved by 19 MEUR and EBIT by 1 MEUR while Earnings before taxes was negatively impacted by -2 MEUR due to IFRS 16

Key figures – 9M 2019

MEUR	9M 2019	9M 2018	Change %
Net sales	2,848.8	2,717.7	0 ¹⁾
Operating earnings (EBITDA) ²⁾	964.7	849.0	14
Operating margin, (EBITDA) %	33.9	31.2	2.7
Operating earnings (EBIT1) ²⁾	695.5	658.3	6
Operating margin, %	24.4	24.2	0.2
Earnings before taxes, excl. non-recurring items	674.5	640.8	5
Non-recurring items (before taxes) ³⁾	-54.1	-3.9	n.a.
Earnings before taxes ²⁾	620.4	636.9	-3
Net earnings	508.6	520.5	-2
Net earnings, excl. non-recurring items	553.1	525.5	5
Earnings per share, EUR	1.38	1.43	-3

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

2) EBITDA was improved by 53 MEUR and EBIT by 3 MEUR while Earnings before taxes was negatively impacted by -4 MEUR due to IFRS 16

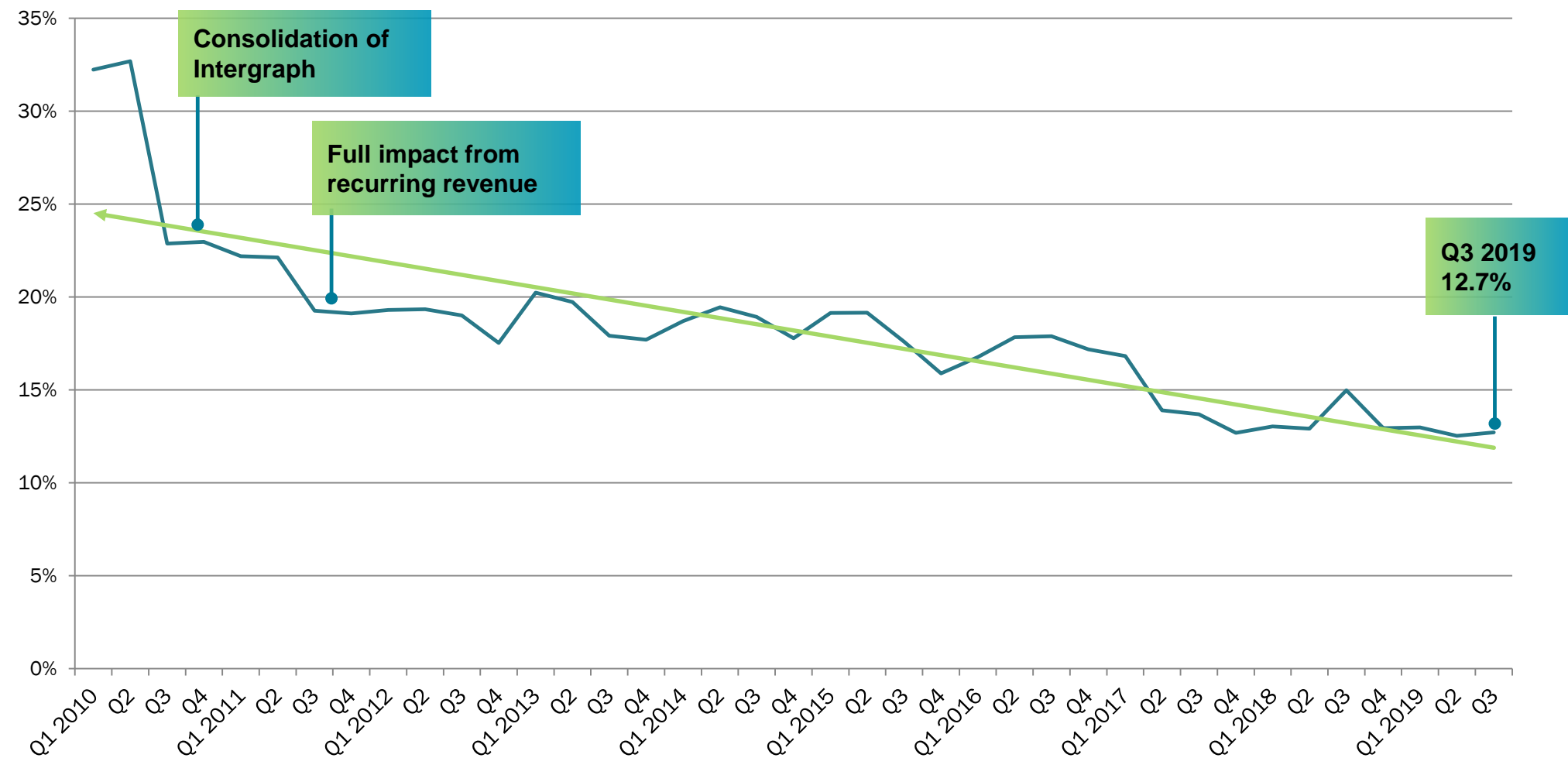
3) Non-recurring items in 9M 2019 relates to the acquisition of Thermopylae and a restructuring programme

Cash flow

MEUR	Q3 2019	Q3 2018
Cash flow from operations before changes in working capital excl. taxes and interest	324.3	292.7
Taxes paid	-50.1	-34.5
Interest received and paid, net	-4.0	-5.3
Cash flow from operations before changes in working capital	270.2	252.9
Change in working capital	4.2	-90.8
Cash flow from operations	274.4	162.1
Investments tangible assets	-30.8	-86.4
Investments intangible assets	-69.4	-58.5
Operating cash flow before non-recurring items	174.2	17.2
Non-recurring cash flow	-6.7	23.0
Operating cash flow	167.5	40.2

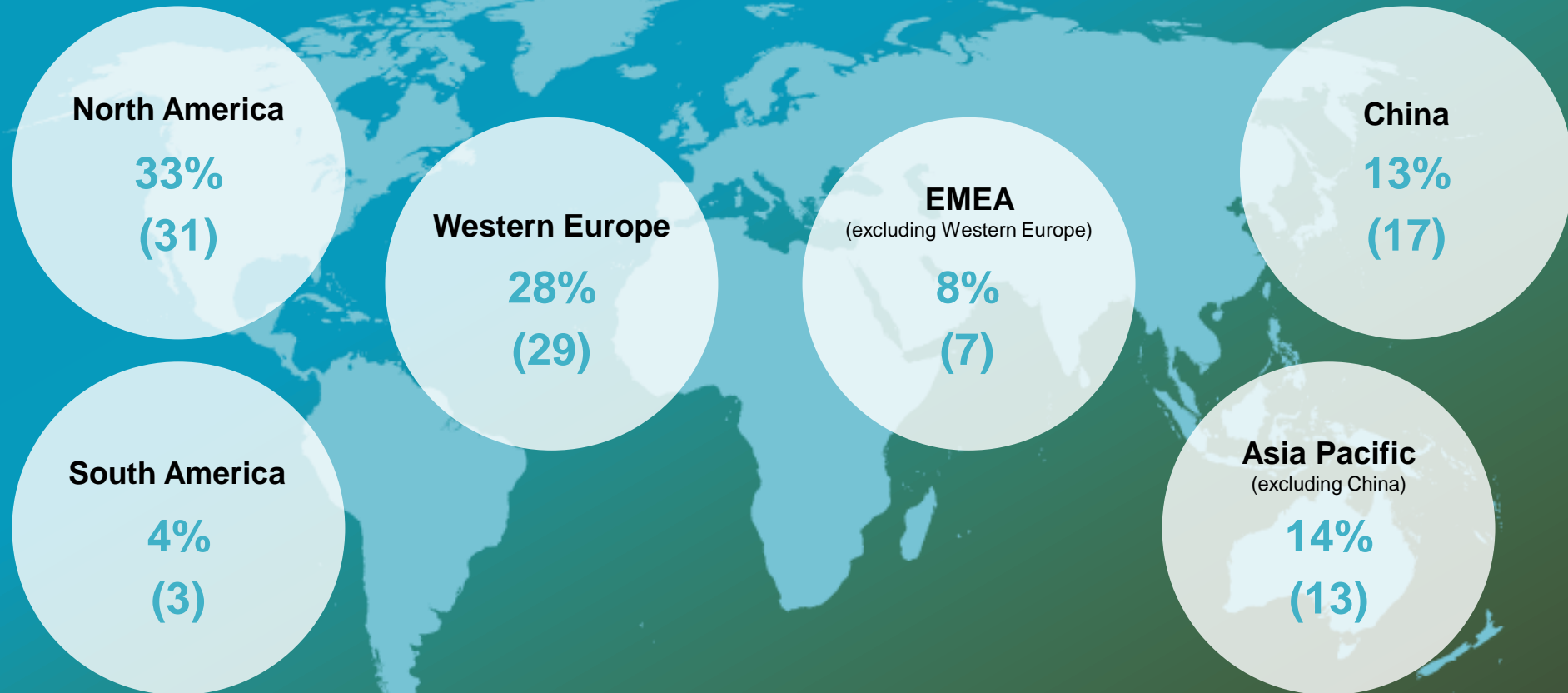
- Cash conversion of 97 per cent (25) in Q3 2019
- Cash conversion target of 80-90 per cent

Working capital to sales






Market development

Sales mix Hexagon Q3 2019 (Q3 2018)



Analysis of organic growth¹⁾ per geographic region

CONTRIBUTORS TO GROWTH ¹⁾ (descending order)	
Q3 2018	946.1
Eastern Europe, Middle East & Africa	
South America	
Asia excl. China	
North America	
Western Europe	
China	
Q3 2019	956.3

> 8%	
0 to 8%	
Negative	

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

Analysis of organic growth per geographic region

	Share of sales ¹⁾	W EU 28%	EMEA ²⁾ 8%	NA 33%	SA 4%	CN 13%	ASIA ³⁾ 14%
Surveying	20%						
Power, Energy & Mining	20%						
Electronics & Manufacturing	14%						
Infrastructure & Construction	14%						
Automotive	10%						
Aerospace & Defence	10%						
Public Safety	5%						
Other	7%						
Total							

> 8%

0 to 8%

Negative

1) Share of sales as per Q3 2019

2) EMEA, excluding Western Europe

3) Asia, excluding China

EMEA market trends – Q3 2019

- Western Europe recorded -4 per cent organic growth
 - Weak development in the UK and slower demand in the industrial segment in Germany
- Continued solid growth in Eastern Europe and Russia
- Africa recorded double digit growth, related to strong demand in mining



Q3 Share of sales, %	36
Q3 Organic growth, %	-2
- Organic growth, GES %	-1
- Organic growth, IES %	-4

Americas market trends – Q3 2019

- North America recorded 1 per cent organic growth
 - Solid demand in power and energy, public safety and positioning solutions
 - Growth hampered by a weak demand in surveying and mapping content
- South America recorded double-digit growth



Q3 Share of sales, %	37
Q3 Organic growth, %	1
- Organic growth, GES %	-1
- Organic growth, IES %	5

Asia market trends – Q3 2019

- China recorded -23 per cent organic growth
 - Largely impacted by the previously communicated significant decline in the electronics business
 - Infrastructure and construction and positioning solutions also declined somewhat
- Japan, Malaysia, India and South Korea continued to record solid growth



Q3 Share of sales, %	27
Q3 Organic growth, %	-11
- Organic growth, GES %	-6
- Organic growth, IES %	-13

A low-angle, upward-looking photograph of a large industrial distillation column at night. The column is illuminated by several bright yellow lights, creating a strong contrast against the dark blue sky. The structure is complex, with multiple levels of platforms, ladders, and pipes. The image is framed by large, overlapping geometric shapes in shades of teal and green, which create a modern, abstract background. The overall composition suggests a focus on industrial technology and engineering.

Reporting segments

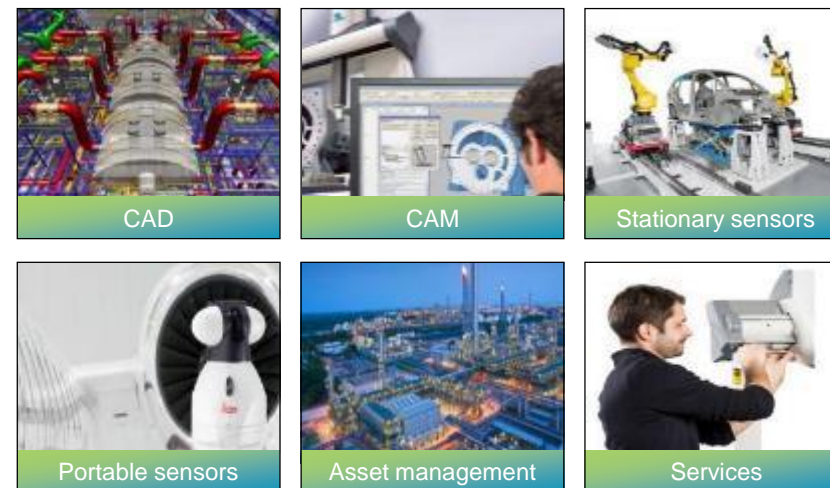
Industrial Enterprise Solutions – Q3 2019 overview

Organic growth of -5 per cent

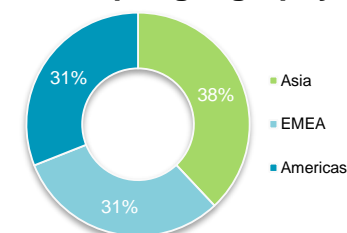
- MI: -9 per cent organic growth, largely driven by the previously communicated significant decline in the electronics business in China and weak demand in automotive which offset continued good growth in aerospace. The performance in the software portfolios remained stable
- PPM: 8 per cent organic growth, supported by strong demand in the design and construction software portfolios, especially in North America

EBIT1

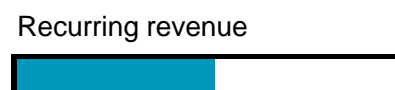
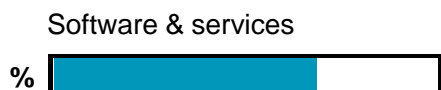
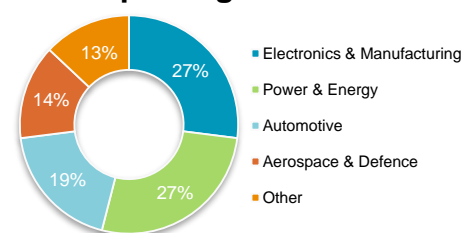
- Sales of 482.5 MEUR (489.0)
- EBIT1 of 124.0 MEUR (123.7) and operating margin of 25.7 per cent (25.3)
 - Benefited from an increased software mix and cost savings but was hampered by the organic revenue decline



Sales per geography



Sales per segment



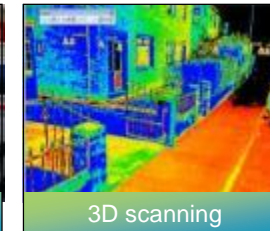
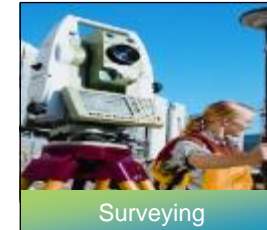
Geospatial Enterprise Solutions – Q3 2019 overview

Organic growth of -2 per cent

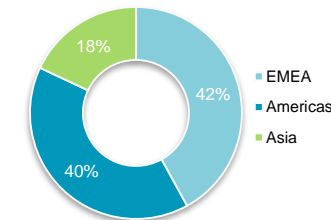
- Geosystems: -3 per cent organic growth, negatively impacted by tough comparisons from last year's big product launch and large orders in mapping content, and a slowdown in construction
- SI: Developed according to plan, recording 1 per cent organic growth
- Positioning: 0 per cent organic growth, positively impacted by strong growth in aerospace and defense and a continued recovery in marine but offset by weaker demand in automotive

EBIT1

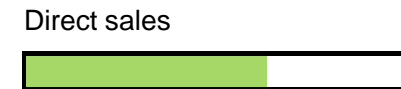
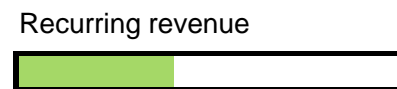
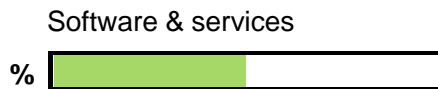
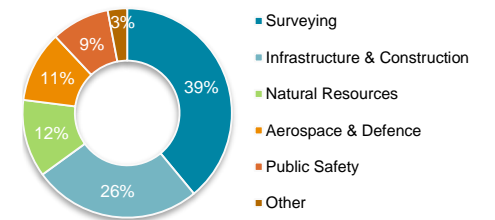
- Sales of 473.8 MEUR (457.1)
- EBIT1 of 118.4 MEUR (114.6) and operating margin of 25.0 per cent (25.1)
 - Positively impacted by cost savings but adversely impacted by the decline in organic growth



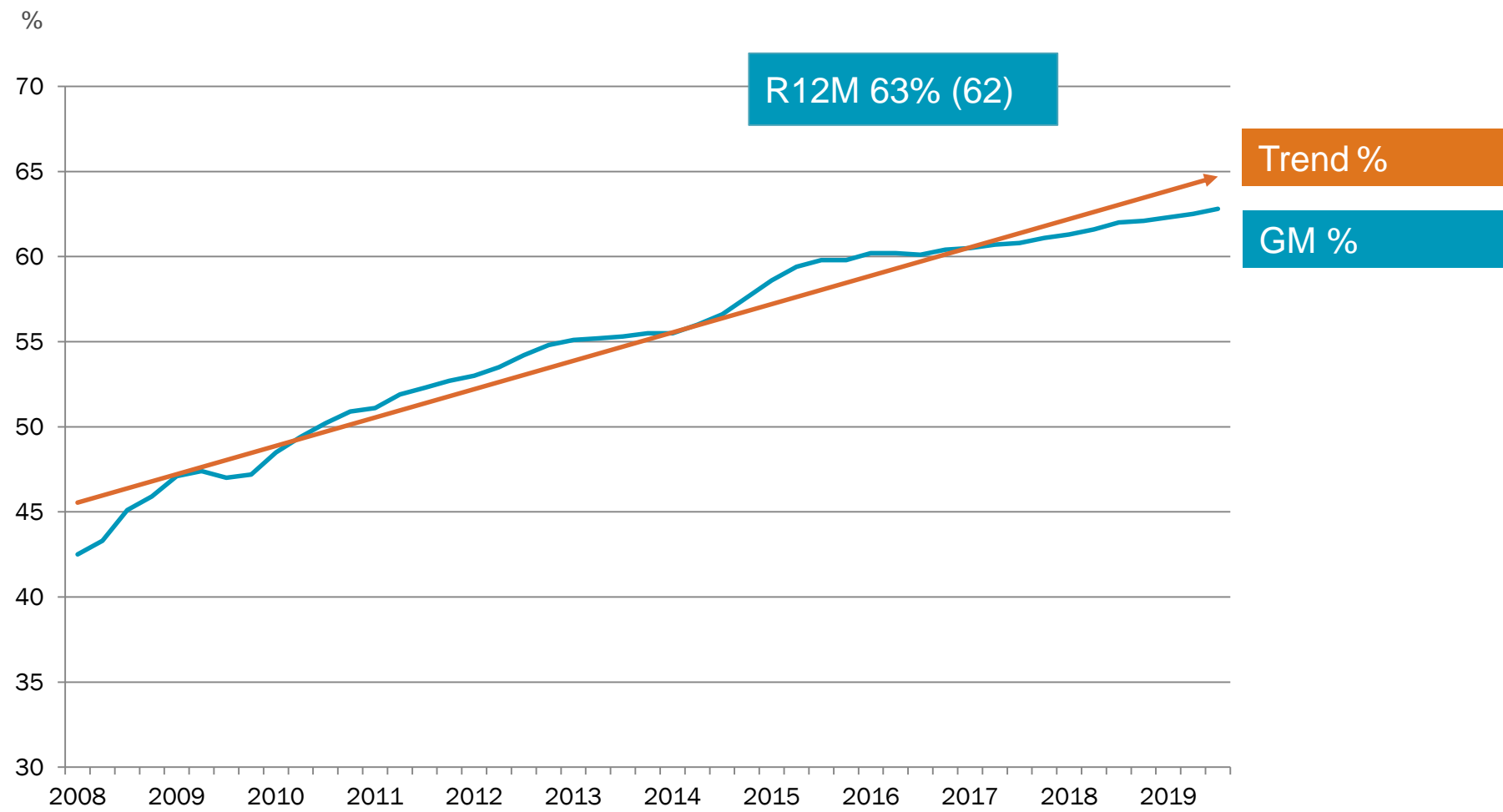
Sales per geography



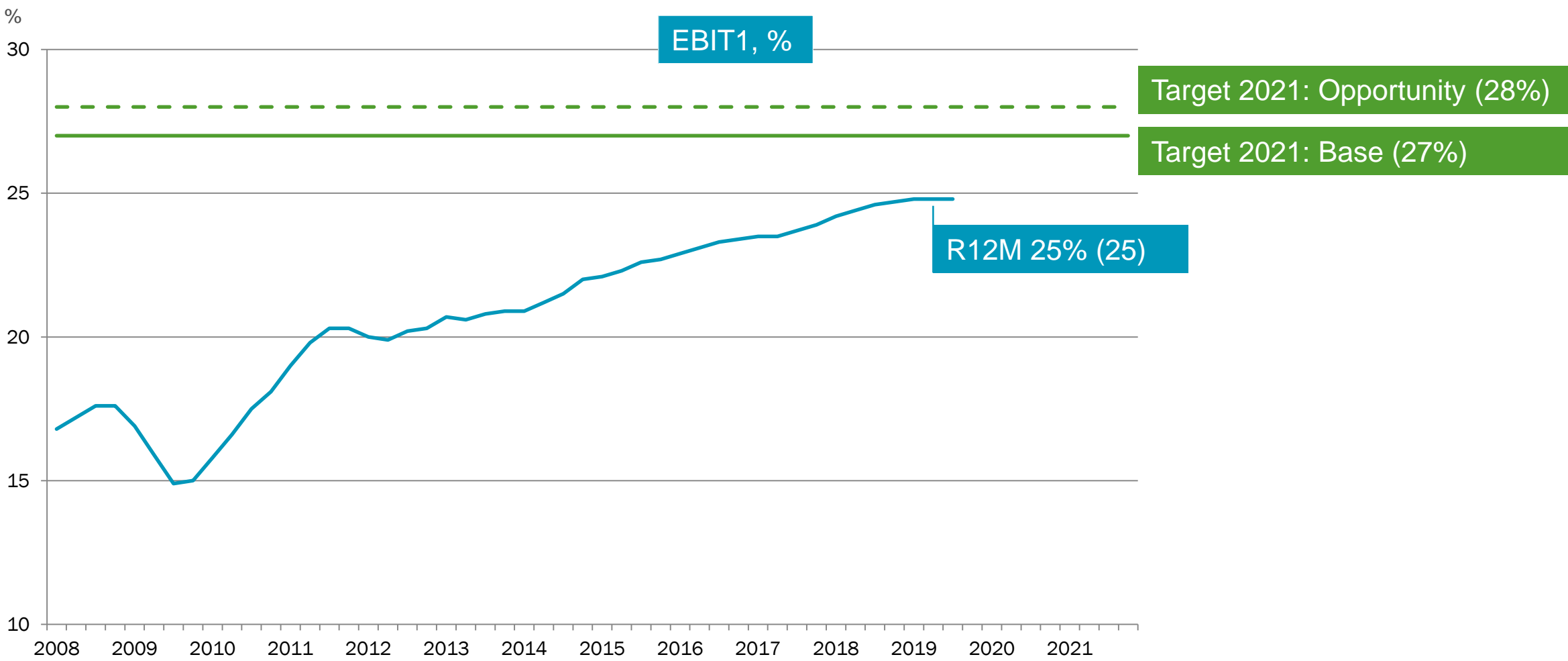
Sales per segment



Gross margin – R12M quarterly data



Operating margin – R12M quarterly data



The background of the slide is a complex digital-themed composition. It features a dark blue base color. Overlaid on this are several elements: a large, semi-transparent yellow circle in the upper left; a network of white and yellow lines with square markers, resembling a data graph, across the upper half; a background of faint binary code (0s and 1s) in a reddish-orange hue; and various geometric shapes in shades of green and blue in the lower left corner. The overall aesthetic is high-tech and data-oriented.

Orders and product releases

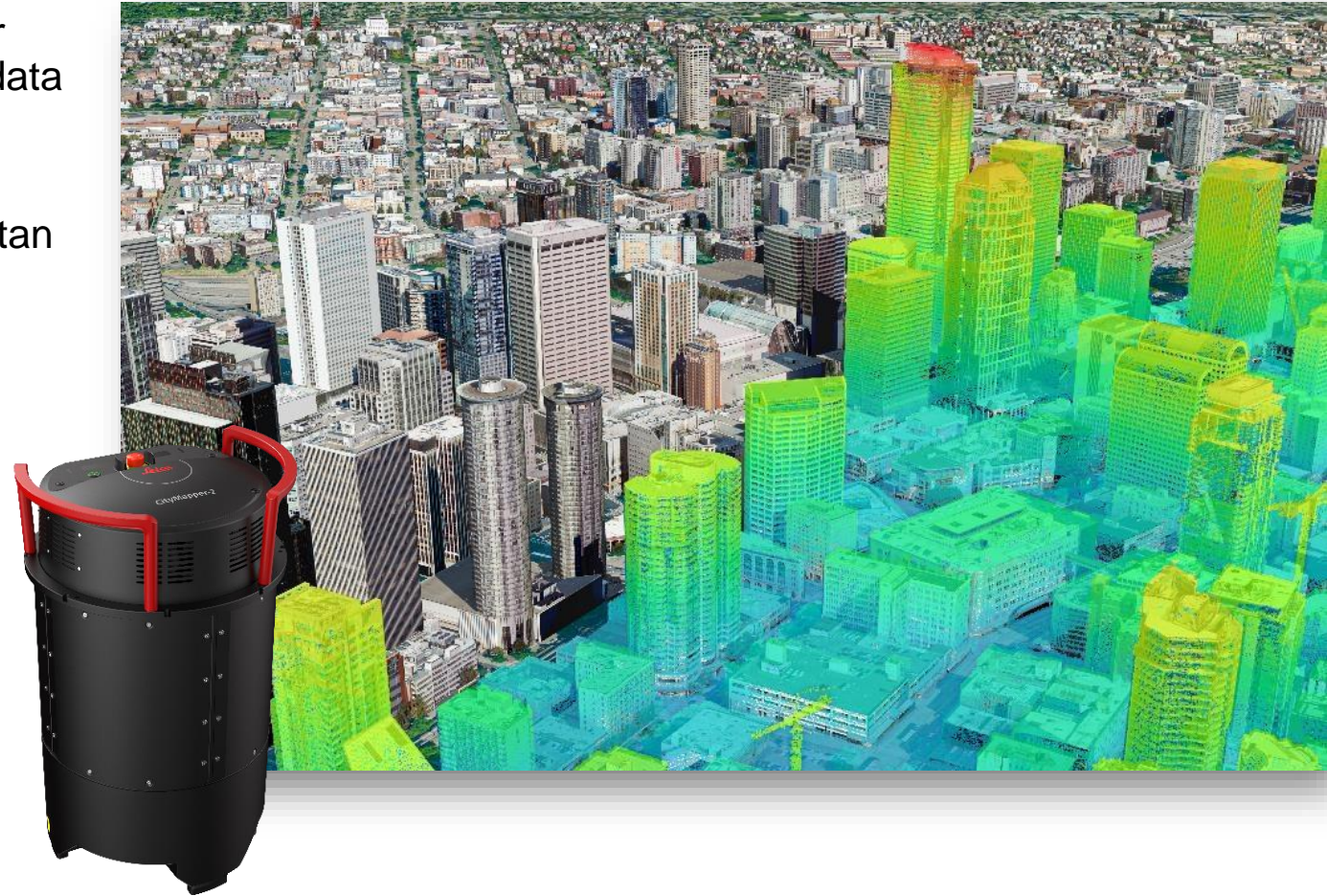
Acquisition of Melown Technologies strengthens 3D visualisation capabilities

- Prague-based **Melown Technologies** develops computer vision and advanced visualisation technology for creating **3D visualisations of urban and natural landscape models**
- Enables Hexagon to accelerate customer access to the 3D digital realities captured with its broad portfolio of aerial and terrestrial reality capture solutions



Creating a digital city twin faster and more precisely

- The new **Leica CityMapper-2** hybrid airborne sensor **increases productivity and data quality** for aerial data capture in urban environments
- Enables **digital twin** creation for cities and metropolitan areas
- Allows for **faster updates while preserving image quality** over a wide range of flying conditions



Hexagon expands autonomous vehicle research platform in Calgary

- Hexagon expanded its **autonomous vehicle research platform** in Calgary (Canada)
- **City of Calgary's Living Labs** initiative started to use Hexagon technology to do autonomous driving research and development
- First public facing autonomous vehicle pilot in Canada



Hexagon wins large offshore facility contract

- Subsea 7 switched to Hexagon's **BricsCAD Pro** and **Communicator for BricsCAD** in Africa, Asia Pacific, Brazil, Middle East, Gulf of Mexico, North Sea & Canada
- The solutions are cost-effective and productivity enhancing alternatives to support delivery of offshore projects and services for the evolving energy industry



Hexagon supports US Navy cybersecurity

- U.S. Sea Systems Command (NAVSEA) selected Hexagon as the primary contractor for a **Situational Awareness, Boundary Enforcement & Response (SABER) cyber defense contract**
- The new **indefinite-delivery / indefinite-quantity (IDIQ) contract** will provide shipboard systems and monitoring to maintain cybersecurity for U.S. Navy vessels
- Hexagon will also conduct **qualification testing activities** for various ship programs under the SABER effort



Bayer signs five-year MinePlan software and services deal

- Bayer signed a five-year deal that included **MinePlan** licenses to be used for **complicated geologic modeling and engineering**
- The solution **narrows the gap between models and actual production** with better geologic interpretation
- **Access to more engineering tools** allows the team to block model and design multiple pits more effectively



El Salvador leverages location intelligence and AI for safety

- IBN, a systems integrator that develops technology for defense, security and intelligence in El Salvador, is developing a system using **Hexagon's Luciad Portfolio**
- The system will **apply AI and Machine Learning techniques** to generate location-based situational analysis models
- Models to be used for **predictive analysis to determine risk levels for the population** from events that could threaten safety and security for Salvadorians



Reality capture solutions support global ecosystems

- China Railway First Survey and Design Institute Group Co., Ltd. (FSDI) selected the **Leica Pegasus Two Ultimate (P2U)** to **monitor the structure of China's high-speed railways** to ensure the stable operation of an EMU train
- Electra, a survey services company based in Dubai, invested in a **Leica Aibot X20 Pro UAV with Leica Infinity Software Suite** to **collect data faster and in hard-to-reach places**, increasing productivity and reducing operational costs
- Palabora Mining Company in South Africa invested in a **Leica RTC360 Scanner and Cyclone Publisher & Register Software** to **3D-visualise underground mines and for volume surveying**



Case New Holland (CNH) adds Hexagon's GNSS positioning technology

- CNH Industrial N.V., a global company that makes vehicles for agriculture and industry, has partnered with Hexagon to use **positioning intelligence technologies**
- This will introduce Hexagon's agriculture-focused **GNSS receivers and correction services** to the CNH Industrial global agricultural brands Case IH and New Holland Agriculture, together with European brand STEYR



Hexagon supports forest and agriculture projects in India

- Hexagon has started to collaborate with the states of Karnataka and Maharashtra to monitor forests and wildlife and manage land records and property, using geospatial software and receivers



Hexagon contributes to Volkswagen Group's 'India 2.0' project

- Volkswagen Group is working with Hexagon to support its 'INDIA 2.0' project – a 1B EUR investment to revive the Group's footprint and build vehicles tailored to the needs of customers in India
- Hexagon's CMM Metrology and UHA machines help Volkswagen drive quality measurement across critical car body and powertrain parts



Airbus consolidates database to reduce development lead time

- Airbus is undertaking a project across its divisions to to **reduce development lead time** by implementing an end-to-end materials management platform
- Using **MaterialCenter** – a complete solution for the current and future needs of aerospace materials data & process management – Airbus can manage the complete materials workflow via a single point of entry
- Will enable an effective and efficient use of materials and materials data to **drive innovative and high quality product development** for metallic and composite systems



Hexagon Capital Markets Day 2019

- Hexagon will host a **Capital Markets Day** on Wednesday **11 December 2019** in **Cobham, Surrey, UK** at **10:00 UKT**
- Hexagon will **present views on current market trends and business activities**. We will also provide updates on the company's growth opportunities, strategy and financial plan
- If you are interested in attending, please send your request to cmd@hexagon.com no later than 25 November



The background features a stylized world map in dark grey, overlaid with a network of white dots and connecting lines. The map is positioned in the upper left quadrant. The rest of the background is composed of large, overlapping geometric shapes in shades of teal, blue, and green, creating a modern, tech-oriented aesthetic.

Summary

Summary Q3 2019

- Reported 1 per cent sales growth (-3 per cent organic growth)
 - Solid organic growth for PPM (8 per cent) and SI returned to growth after several quarters of negative development
 - Manufacturing Intelligence recorded -9 per cent organic growth, reflecting weaker demand in China, especially in electronics
- Continued margin expansion despite headwinds affecting sales growth
 - EBIT1 margin of 24.7 per cent (24.5)

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