



HEXAGON

Interim Report Q3 2020

28 October 2020

- Net sales and earnings
- Market development
- Reporting segments
- M&A, orders and product releases
- Summary



Net sales and earnings

Overview Q3 2020

Recorded sales decreased by -2 per cent, organic growth of 0 per cent

- Broad-based sequential recovery; China recorded 18 per cent organic growth
- Solid organic growth in the geospatial segment
 - Geosystems and Safety & Infrastructure recorded 5 per cent and 9 per cent organic growth respectively
- Continued negative organic growth in the industrial segment
 - Manufacturing Intelligence and PPM recorded -4 per cent and -7 per cent organic growth respectively
- Software recorded organic growth whilst hardware declined

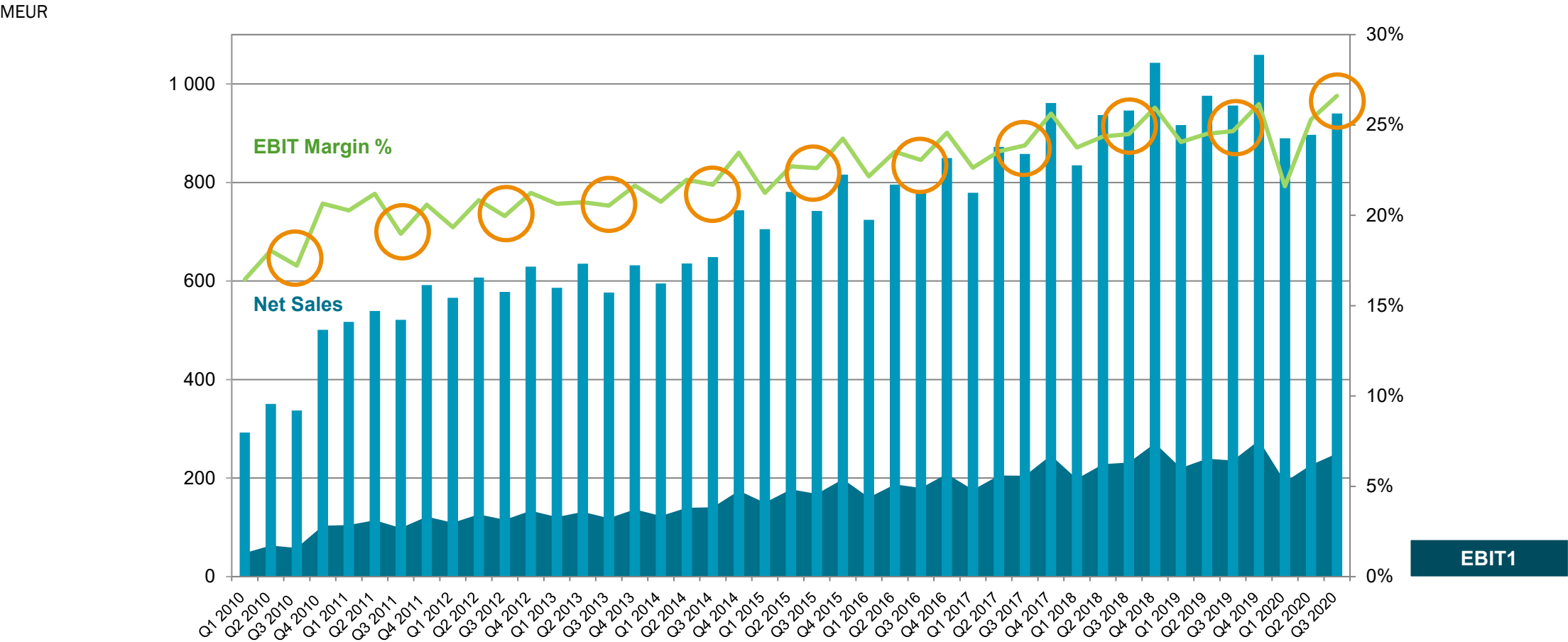
Best third quarter earnings and margin ever

- Operating earnings amounted to 250.1 MEUR (235.8), an increase of 6 per cent
- EBIT1 margin of 26.6 per cent (24.7) and gross margin of 63.8 per cent (63.2)
- Cost savings measures and richer product mix positively impacted earnings
- Earnings and margin heavily impacted by currency headwinds



Seasonality in profit

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



Key figures – Q3 2020

MEUR	Q3 2020	Q3 2019	Change %
Net sales	939.9	956.3	0 ¹⁾
Operating earnings (EBITDA)	347.2	326.3	6
Operating margin, (EBITDA) %	36.9	34.1	2.8
Operating earnings (EBIT1)	250.1	235.8	6
Operating margin, %	26.6	24.7	1.9
Earnings before taxes, excl. non-recurring items	242.2	229.3	6
Non-recurring items (before taxes) ²⁾	-	-	n.a.
Earnings before taxes	242.2	229.3	6
Net earnings	198.6	188.0	6
Net earnings, excl. non-recurring items	198.6	188.0	6
Earnings per share, EUR	0.53	0.51	4

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

Key figures – 9M 2020

MEUR	9M 2020	9M 2019	Change %
Net sales	2,726.4	2,848.8	-5 ¹⁾
Operating earnings (EBITDA)	997.0	964.7	3
Operating margin, (EBITDA) %	36.6	33.9	2.7
Operating earnings (EBIT1)	669.0	695.5	-4
Operating margin, %	24.5	24.4	0.1
Earnings before taxes, excl. non-recurring items	648.9	674.5	-4
Non-recurring items (before taxes) ²⁾	-135.0	-54.1	n.a.
Earnings before taxes	513.9	620.4	-17
Net earnings	422.2	508.6	-17
Net earnings, excl. non-recurring items	532.1	553.1	-4
Earnings per share, EUR	1.14	1.38	-17

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

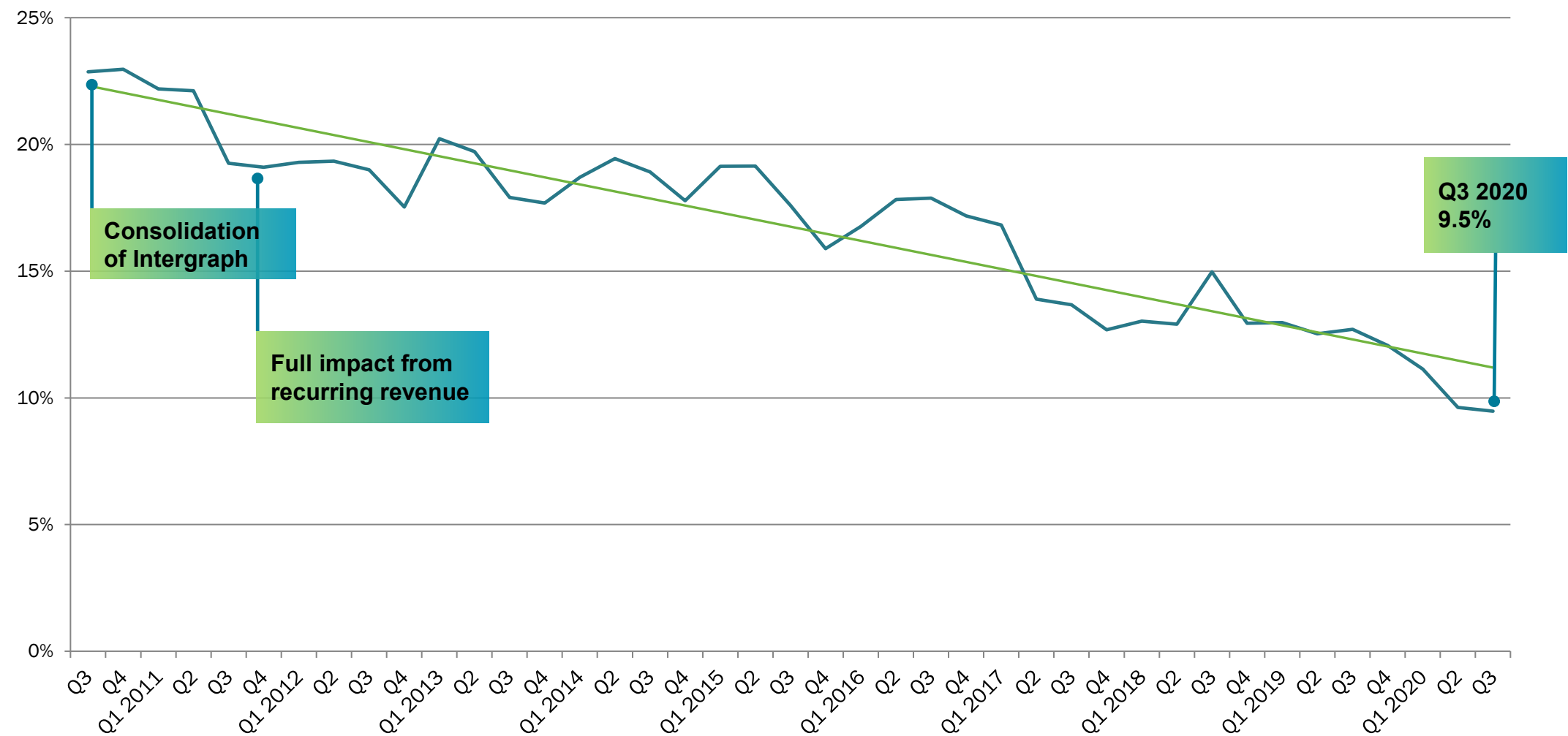
2) Non-recurring items in the second quarter 2020 of -135.0 MEUR (-54.1) related to a cost savings programme

Cash flow

MEUR	Q3 2020	Q3 2019
Cash flow from operations before changes in working capital excl. taxes and interest	352.1	324.3
Taxes paid	-36.3	-50.1
Interest received and paid, net	-7.2	-4.0
Cash flow from operations before changes in working capital	308.6	270.2
Change in working capital	-5.5	4.2
Cash flow from operations	303.1	274.4
Investments tangible assets	-21.1	-30.8
Investments intangible assets	-68.6	-69.4
Operating cash flow before non-recurring items	213.4	174.2
Non-recurring cash flow	-22.2	-6.7
Operating cash flow	191.2	167.5

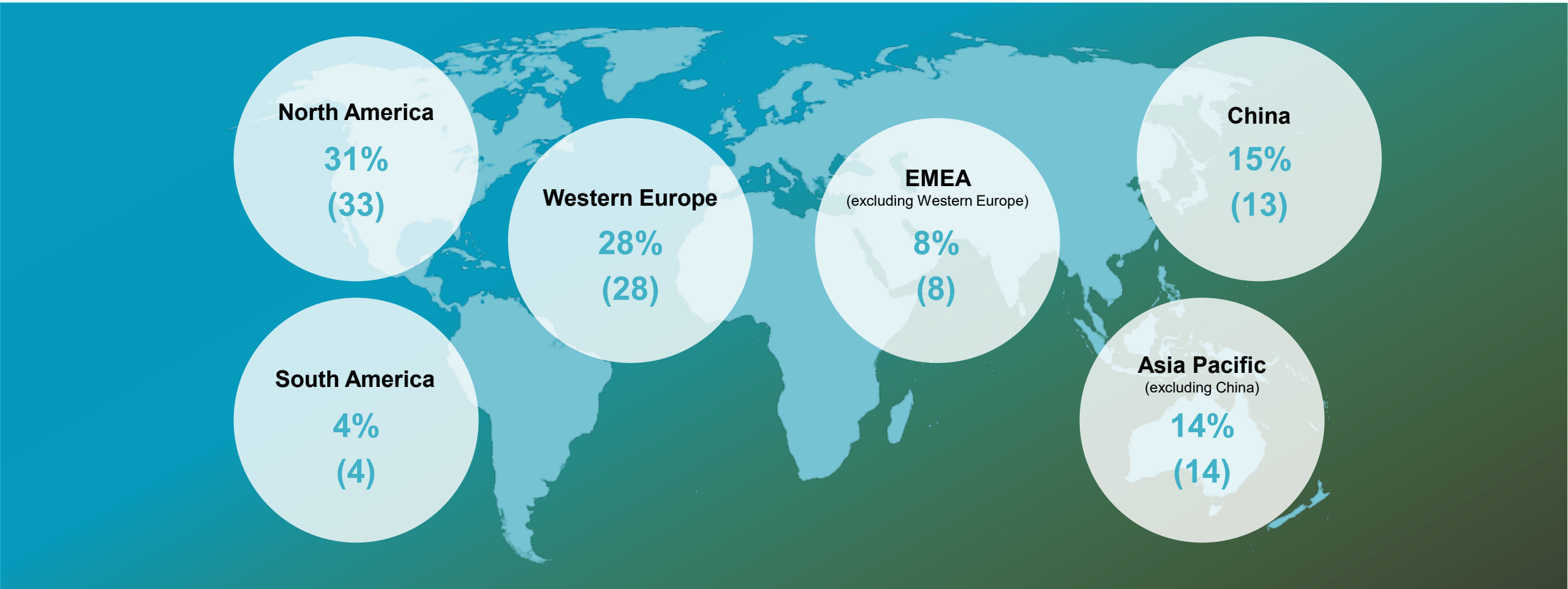
- Cash conversion of 103 per cent (97) in Q3 2020
- Cash conversion target of 80-90 per cent

Working capital to sales






Market development

Sales mix Hexagon Q3 2020 (Q3 2019)



Analysis of organic growth¹⁾ per geographic region

CONTRIBUTORS TO GROWTH ¹⁾ (descending order)	
Q3 2019	956.3
China	
South America	
Eastern Europe, Middle East & Africa	
North America	
Western Europe	
Asia Excl. China	
Q3 2020	939.9

> 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 31%	SA 4%	CN 15%	ASIA ³⁾ 14%
Surveying	20%	➔	➔	➔	➔	➔	➔
Power, Energy & Mining	20%	➔	➔	➔	➔	➔	➔
Electronics & Manufacturing	16%	➔	➔	➔	➔	➔	➔
Infrastructure & Construction	13%	➔	➔	➔	➔	➔	➔
Automotive	9%	➔	➔	➔	➔	➔	➔
Aerospace & Defence	11%	➔	➔	➔	➔	➔	➔
Public Safety	4%	➔	➔	➔	➔	➔	➔
Other	7%						
Total	➔	➔	➔	➔	➔	➔	➔

> 8% ➔

0 to 8% ➔

Negative ➔

1) Share of sales as per Q3 2020

2) EMEA, excluding Western Europe

3) Asia, excluding China

EMEA market trends – Q3 2020

- Western Europe recorded -3 per cent organic growth
 - Hampered by decline in automotive, aerospace and power and energy sectors
 - Solid growth in the surveying and public safety segments
- Russia and the Middle East recorded double digit organic growth



Q3 Share of sales, %	36
Q3 Organic growth, %	-1
- Organic growth, GES %	3
- Organic growth, IES %	-6

Americas market trends – Q3 2020

- North America recorded -5 per cent organic growth
 - Weakness in the manufacturing segment and tough comparison numbers in the power and energy segment
 - The mapping and positioning segments recorded good growth in the region
- South America recorded double-digit organic growth
 - Solid growth in the mining and public safety segments



Q3 Share of sales, %	35
Q3 Organic growth, %	-2
- Organic growth, GES %	8
- Organic growth, IES %	-14

Asia market trends – Q3 2020

- China recorded 18 per cent organic growth
 - Strong recovery in electronics, general manufacturing, infrastructure and construction
- South Korea recorded double-digit growth fuelled by a solid development in infrastructure and construction
- South-Eastern Asia and India declined, heavily impacted by the pandemic



Q3 Share of sales, %	29
Q3 Organic growth, %	5
- Organic growth, GES %	8
- Organic growth, IES %	4

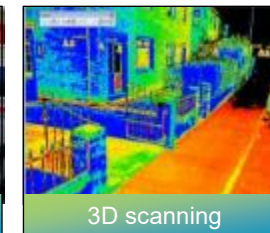
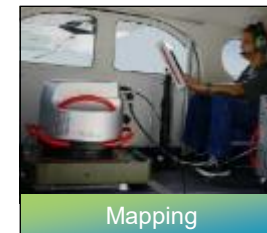
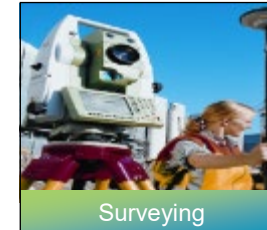
A low-angle, upward-looking photograph of a large industrial distillation column at night. The column is illuminated by several bright yellow lights, creating a strong contrast against the dark blue sky. The structure is complex, with multiple levels of platforms, ladders, and pipes. The image is framed 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

Geospatial Enterprise Solutions – Q3 2020 overview

Organic growth of 6 per cent

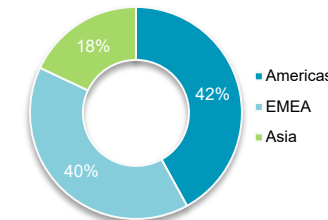
- Geosystems: 5 per cent organic growth, supported by strong demand in China and South America and a gradual improvement from new product sales. The surveying and mining segments recorded good growth.
- SI: Recorded 9 per cent organic growth, supported by a strong development in the public safety and mapping portfolios. Positive momentum for the newly launched OnCall platform continued.
- Autonomy & Positioning: 6 per cent organic growth, positively impacted by solid demand in defence and agriculture but adversely impacted by weaker demand in automotive and marine.



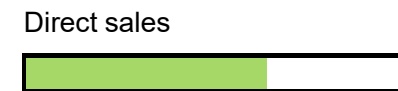
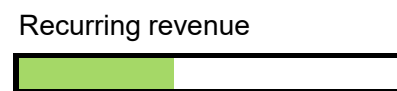
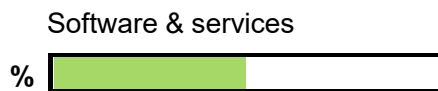
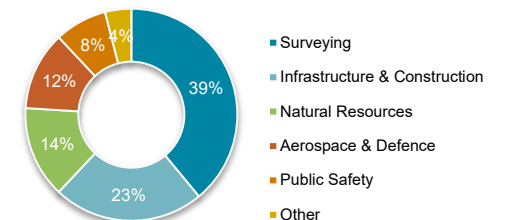
Sales and EBIT1

- Sales of 487.3 MEUR (473.8)
- EBIT1 of 138.5 MEUR (118.4) and operating margin of 28.4 per cent (25.0)
 - Positively impacted by a favorable product mix and cost savings measures but adversely impacted by currency movements.

Sales per geography



Sales per segment



Industrial Enterprise Solutions – Q3 2020 overview

Organic growth of -5 per cent

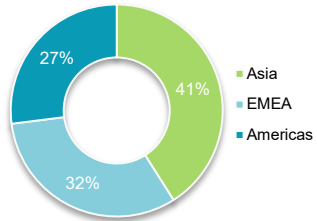
- MI: -4 per cent organic growth, hampered by weak demand in the automotive and aerospace segments. China recorded solid organic growth, mainly driven by a recovery in electronics and general manufacturing.
- PPM: -7 per cent organic growth, on the back of high year-on-year comparisons and a challenging oil and gas market. Continued solid growth in the AEC (architect, engineering and construction) design software portfolios.

Sales and EBIT1

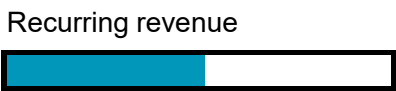
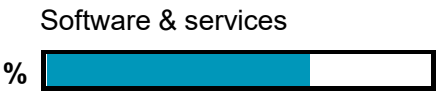
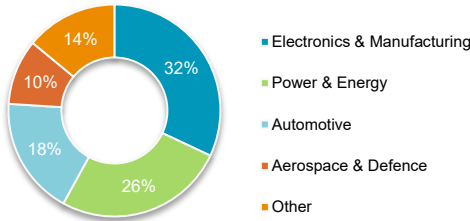
- Sales of 452.6 MEUR (482.5)
- EBIT1 of 114.8 MEUR (124.0) and operating margin of 25.4 per cent (25.7)
 - Positively impacted by cost savings measures but adversely impacted by currency movements.



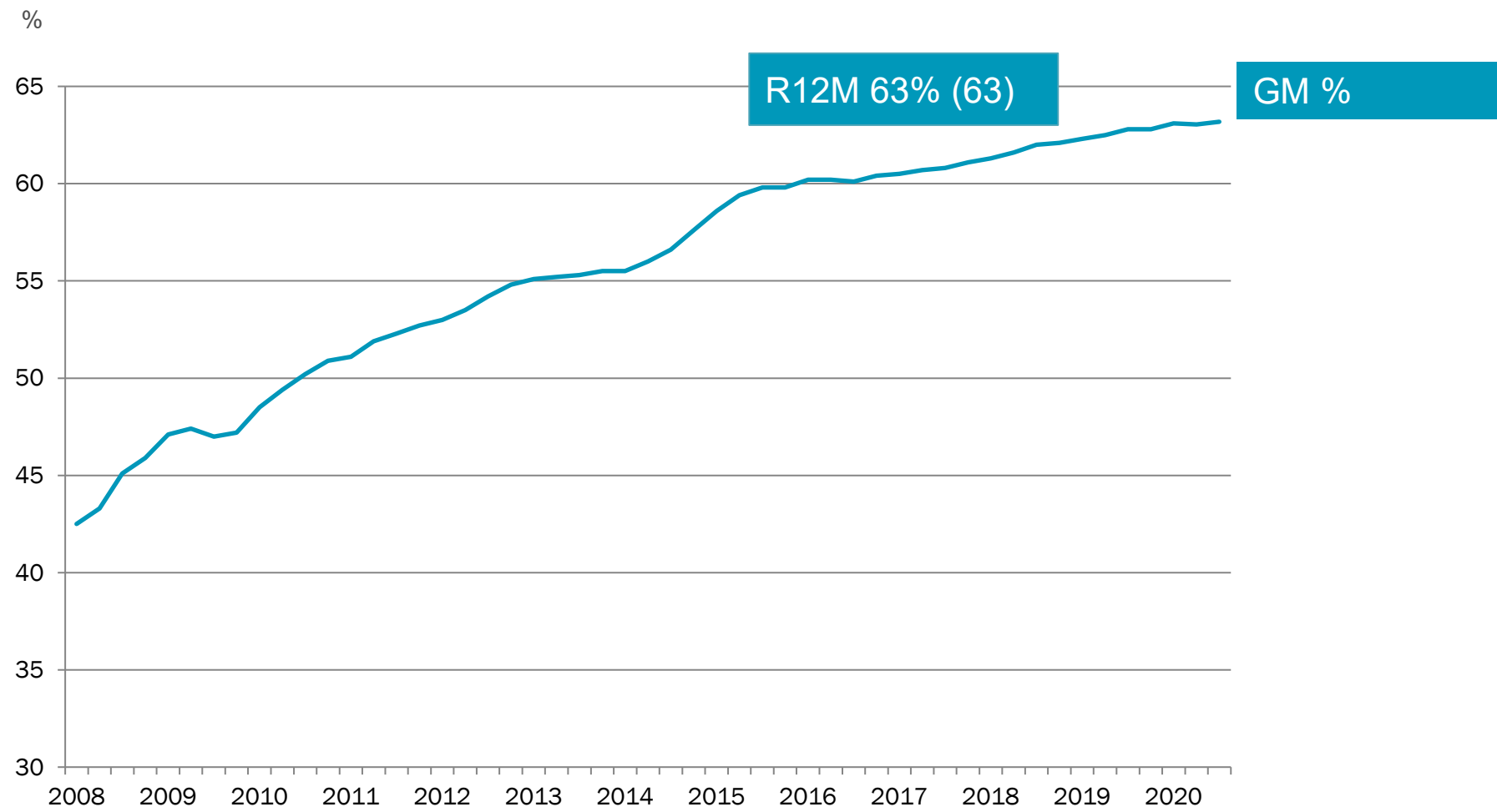
Sales per geography



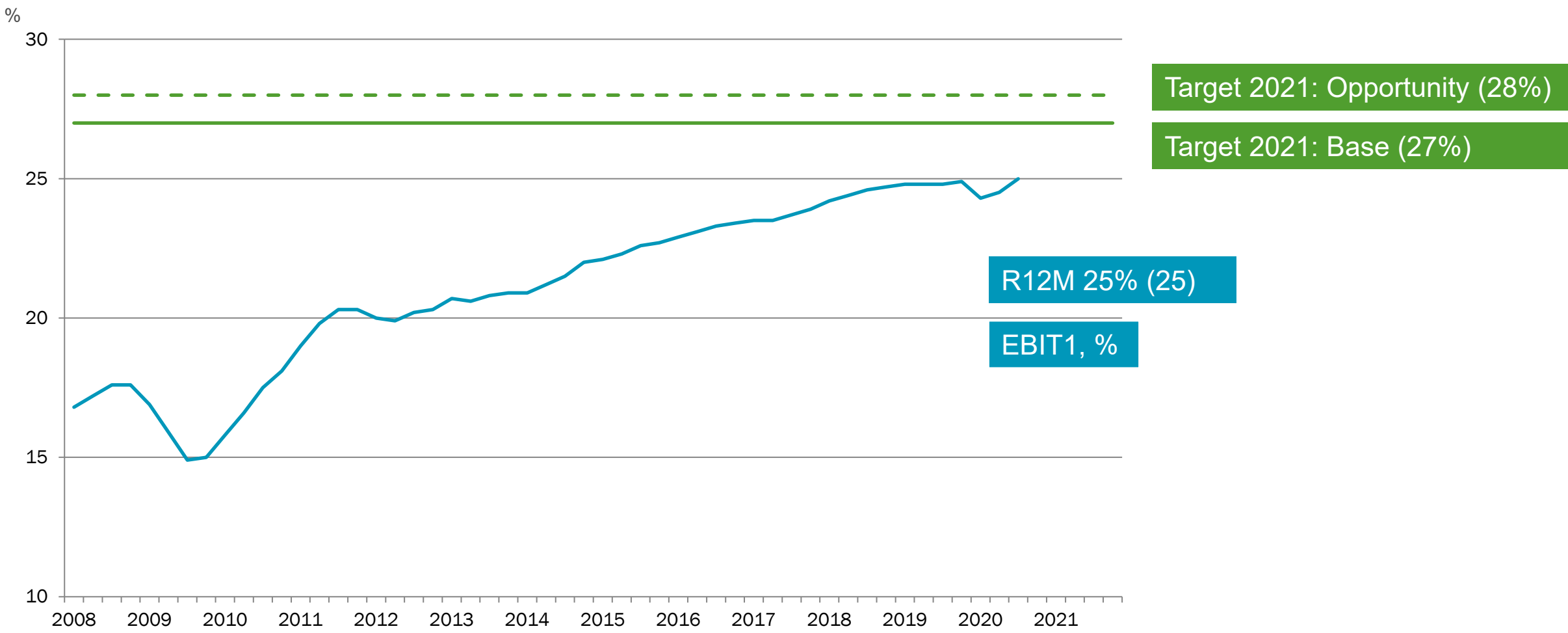
Sales per segment



Gross margin – R12M



Operating margin – R12M



The background features a complex digital theme. It includes a grid of binary digits (0s and 1s) in a light blue color. Overlaid on this are several network graphs with nodes and connecting lines in various colors like yellow, green, and blue. A large, semi-transparent yellow circle is positioned on the left side. The entire composition is set against a dark blue background with large, overlapping geometric shapes in shades of teal and green.

M&A, orders and product releases

TACTICAWARE acquisition enables end-to-end 3D security surveillance

- **TACTICAWARE** provides **LiDAR-based 3D surveillance software** used to monitor and protect critical infrastructure and buildings – from powerplants and airports to commercial and residential buildings and more
- Its flagship solution, Accur8vision, is a **volumetric detection security system** offering **3D surveillance** – situational awareness of an intruder's exact location, size, speed and movement trajectory – all of which can be visualised within a 3D digital reality of the area under surveillance
- Together with the **BLK247** and **HxGN OnCall**, Hexagon can offer a **fully integrated, end-to-end security surveillance solution** for 24-hour, full visibility of critical infrastructure and spaces – from call-taking, dispatch, incident planning and response and more



Measure what you see with the new Leica GS18 I

- The **Leica GS18 I** adds **powerful visual positioning technology** to Hexagon's best-in-class survey-grade GNSS RTK rover
- Through sensor fusion of satellite (GNSS), motion (IMU), and image (camera) technology, the Leica GS18 I is the **first GNSS RTK rover of its kind to enable the measurement of points from images with survey-grade accuracy**
- **Professionals can now map areas that are difficult to reach physically**, such as trenches, high power lines and busy roads, **or blocked from GNSS signals**, such as areas underneath bridges or canopies – **all safely and effortlessly from a distance**



Industry-first assistive AI solution for public safety

- **HxGN OnCall Dispatch | Smart Advisor** is the **industry's first assistive artificial intelligence (AI) technology** designed to help public safety agencies detect and respond to complex emergencies sooner
- Smart Advisor uses a set of **autonomous, analytical software agents** to give public safety call-takers and dispatchers richer, **actionable insights that would otherwise go unseen**
- By detecting patterns and anomalies sooner, agencies can **act faster and coordinate smarter** to reduce the effects on communities, resources and staff



Data enhancement in SDx for engineering and maintenance data

- Hexagon has partnered with **Utopia Global, Inc.**, a leading global data solutions company known for its end-to-end data quality, data migration and data governance software solutions
- The partnership will result in an **integrated solution that synchronises engineering and maintenance data** between the SAP Plant Maintenance system and **Hexagon's engineering design management solution, HxGN SDx**
- With a master data set and common understanding of operational assets, asset-intensive companies such as those in the **oil and gas, utilities, chemical and manufacturing industries** can make more accurate financial, operational and safety-related decisions



Supporting the world's first autonomous head-to-head race

- Hexagon will support the **Indy Autonomous Challenge** at the famed Indianapolis Motor Speedway in 2021 – the **world's first autonomous head-to-head race**
- Research teams will race their autonomous vehicles at speeds up to **200 miles per hour to advance autonomous vehicle technology and safety**
- Hexagon will **donate services, equipment, precise positioning systems and autonomous systems integration** for all race cars participating in the challenge as a part of its goal to enable, accelerate and deploy the future of mobility



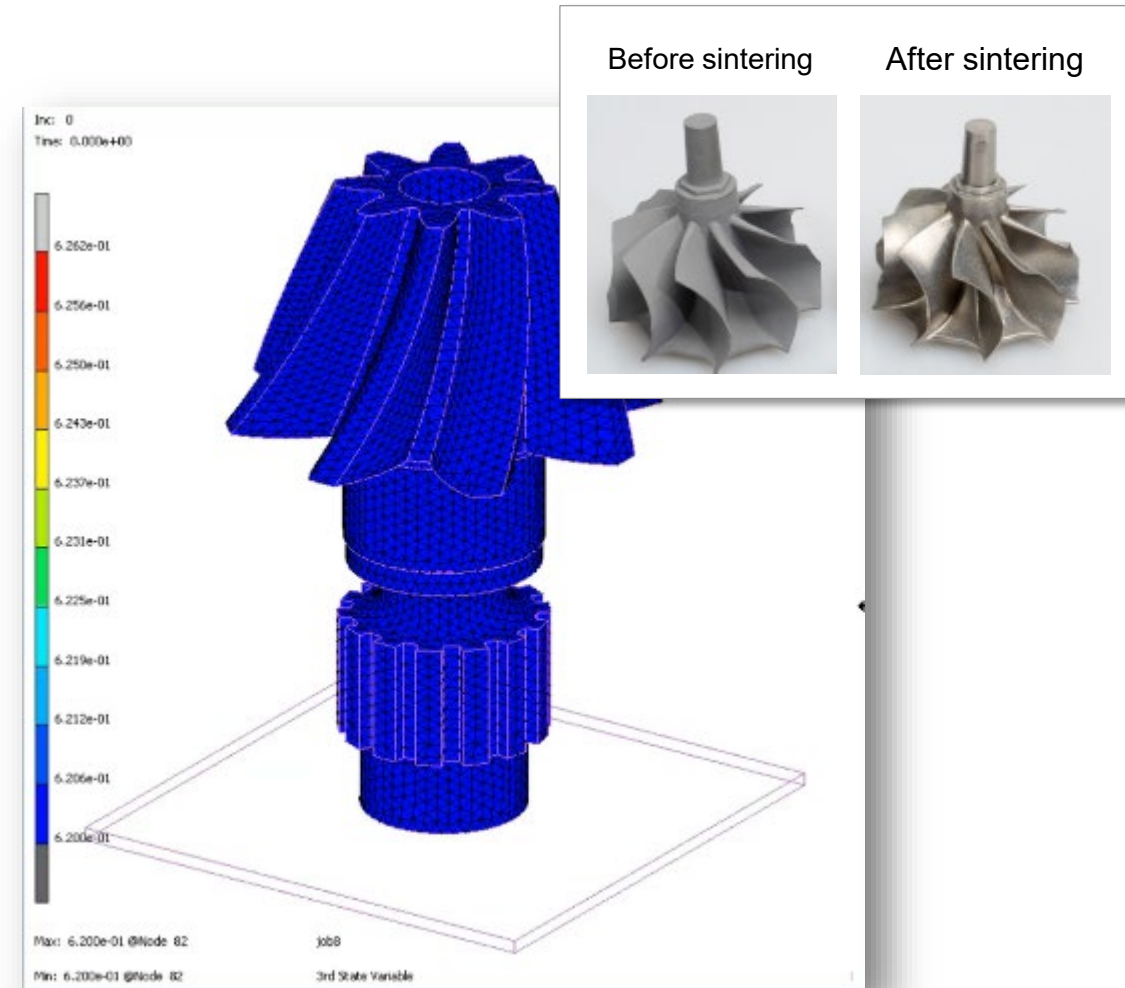
Accelerating off-road autonomy for agriculture

- Hexagon launched its first autonomy positioning and sensing kits for the agriculture market via a **new autonomous research and development tractor**
- The **autonomous tractor** features object detection and classification, simultaneous relative localisation and mapping and absolute positioning through sensor fusion
- Hexagon's autonomous tractor **incorporates safety-critical learnings** to accelerate autonomous development for the agriculture sector



Simulation enables mass-production additive manufacturing

- Hexagon has introduced a metal binder jetting (MBJ) simulation software that **enables manufacturers to predict and prevent distortions – during design –** that could result from sintering processes (fusing particles together into one solid mass by using a combination of pressure and heat without melting the materials)
- The simulation predicts mechanical stresses in the part, giving an **indication as to where defects may occur** and allowing manufacturers to achieve industrial-grade part qualities on their existing machines
- Addresses new **additive manufacturing market for the automotive industry**



Hexagon takes surface measurement to a new level

- With the **CALIPRI CB20** and patented **CaliBreeze technology** it is now possible to measure surfaces that were not measurable before
- Works the same way as cleaning glasses: 'breathing' on the object for a moment, with a layer of microscopic water droplets, as a diffuse reflection of the laser lines is created
- **Transparent materials** such as **glass** or **plastic**, **highly-reflective surfaces** such as **chrome**, as well as difficult colors or material combinations where conventional technologies reach their limits, **can be measured precisely and reproducibly**
- Will enable **automobile manufacturers to better meet the requirements of flush and gap measurement**



Enhancing maritime surveillance in India and Colombia

- **Bharat Electronics Limited (BEL) Naval Systems Division**, one of the largest defense systems integrators in India, **chose Hexagon to improve the existing surveillance system of the Indian Navy**
 - **Luciad** technology will be used to **perform time-critical analysis, simulations, and command and control** for real-time operations
- **Accesos Holográficos**, a systems integrator and supplier for government, defense, and other solutions **chose Hexagon to increase the effectiveness of the Colombian Navy's naval intelligence operations**
 - **Luciad** and **M.App Enterprise** software will be used to **integrate, visualise, and analyse vessel traffic, radar, and operations**



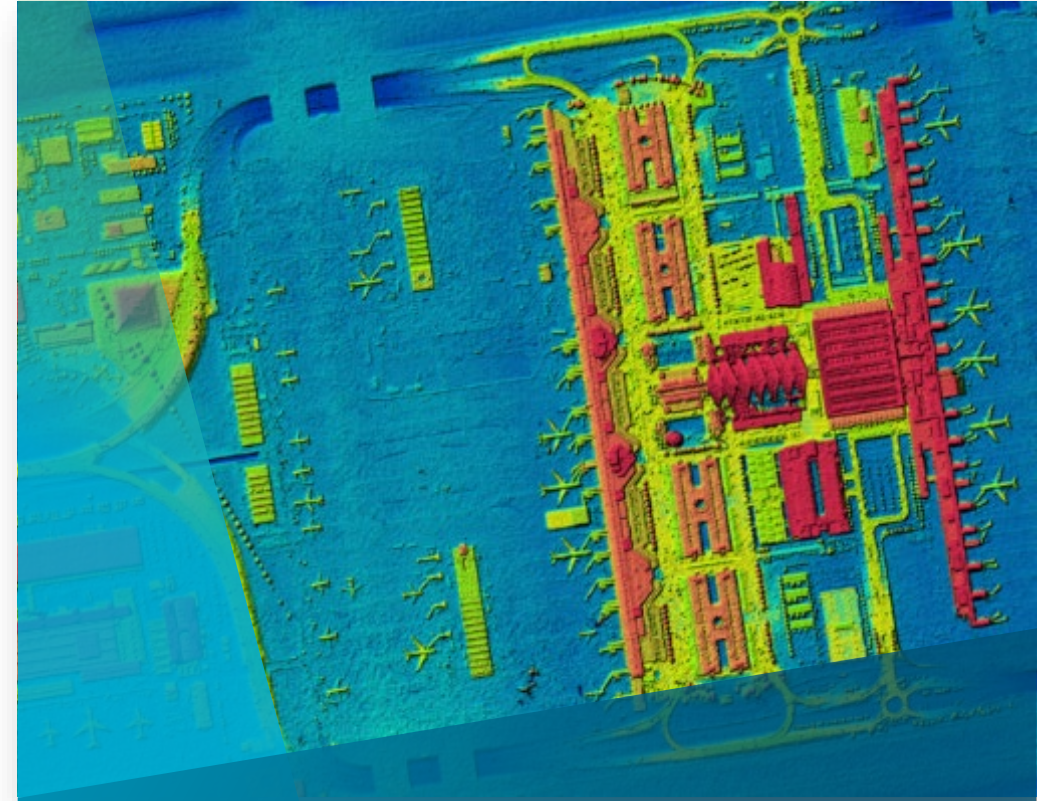
Mines globally fight operator fatigue and vehicle incidents

- A mine in Colombia purchased **MineProtect Operator Alertness** for heavy and light vehicles to **mitigate operator fatigue and distraction**, which are leading causes of mine accidents, **improving vehicle operator safety** during 12+ hour shifts and monotonous routines
- A nickel mine in Australia has purchased **MineOperate OP Pro** (fleet management system-FMS) and **MineProtect Operator Alertness System-Heavy Vehicle** to bolster **greater productivity and improved safety** for vehicle operators
- A mining company operating in South Africa added **MineProtect Vehicle Intervention System (VIS)** to its existing, integrated mine safety systems from Hexagon to **enhance the mine's ability to reduce vehicle-related incidents**



HxGN Content Programme provides Germany's first digital surface model

- Germany's **Federal Office of Cartography and Geodesy** looked to Hexagon to create a country-wide, homogeneous digital surface model (DSM) with elevation data of less than 1-meter resolution
- Their existing data sets varied from state to state, creating problems for federal authorities operating across states
- Data from the **HxGN Content Programme** provided the solution, enabling various state government agencies to leverage high quality country-wide data for **applications such as air traffic control, disaster relief and civil protection**



Supporting historic preservation in Hungary

- **Burken Ltd.**, an engineering company that specialises in modeling and design for architecture and infrastructure, selected **Luciad** technology for a complex **3D-based solution that integrates four different Building Information Modeling (BIM) applications**
- The solution will allow Várkapitányság, a state-owned non-profit organisation, to **integrate all BIM data into a Computer-Aided Facility Management System** for the expansion and maintenance of the Budavar Palace and surroundings in Hungary



Reducing map production time for U.S. Intelligence

- Hexagon has been selected as the single prime contractor for a Cartographic Web Services (CWS) contract with the the **National Geospatial-Intelligence Agency (NGA)** in the U.S.
- The deal **ensures technology interoperability** and allows users to leverage Hexagon's products for editing and fine-tuning map content, which support the agency's mission to **collect, analyze, and distribute geospatial intelligence for national security**
- Hexagon's **highly automated, custom solution (based on GeoMedia)** reduces map production times from **months to hours** to help NGA meet mission requirements



HxGN OnCall – from education to multi-agency operations

- The public safety department for **Montgomery County**, Pennsylvania (U.S.), needed **compliant data for location verification** and selected **HxGN OnCall Dispatch**, and the agency also invested in Hexagon's **in-vehicle mobile dispatch solution** and the **HxGN OnCall Analytics** suite
- The police department at the **University of Nebraska – Lincoln** (U.S.) selected **HxGN OnCall Dispatch** and **HxGN OnCall Analytics**, along with Hexagon's integrated field mobility solutions, **to support dispatch and records management in the field**
- In a separate deal, **Gasconade County 911** in a rural region of the U.S. state of Missouri, chose **HxGN OnCall Dispatch** and Hexagon's in-vehicle mobile dispatch product as hosted solutions **to enhance its response and field operations** for police, fire and EMS



Supporting public safety integration efforts in Guayaquil, Ecuador

- Ecuador's **Corporation for Citizen Security of Guayaquil (CSCG)** selected Hexagon's industry-leading **computer-aided dispatch (CAD), physical security information management (PSIM) and analytics solutions** to support national police, fire, armed forces, traffic, health and other municipal agencies
- The new integrated technologies will help CSCG deliver better emergency services to Guayaquil's 2.7 million citizens and visitors by **streamlining response efforts to more than 5,700 calls for service per day**
- Hexagon's solution also **integrates with other systems, such as radio, video surveillance and alarm and panic buttons**, to help combat crime and provide timely assistance to those in emergency situations



The background features a stylized world map in dark grey, overlaid with a network of white dots and connecting lines, suggesting global connectivity. The map is set against a light grey background that transitions into a solid teal color on the right. A green geometric shape is visible in the bottom left corner.

Summary

Summary Q3 2020

- Record Q3 earnings and margin despite significant currency headwind
 - Supported by cost savings measures and richer product mix
- Solid sequential improvement, recording 0 per cent organic growth
 - Broad-based recovery in China and a strong development in the geospatial segment
 - Software continued to grow
 - Year-on-year decline in the industrial segment
- The Board of Directors proposes a dividend of 0.62 EUR (0.59) per share for the fiscal year 2019

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