



HEXAGON

Year-End Report 2020

3 February 2021

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



Net sales and earnings

Overview Q4 2020

Recorded sales decreased by -1 per cent, organic growth of 1 per cent

- GES recorded 7 per cent organic growth
 - Geosystems recorded strong development across all business units
 - Safety & Infrastructure recorded solid development in public safety
- IES recorded -5 per cent organic growth
 - Sequential improvement in Manufacturing Intelligence and positive book-to-bill
 - PPM faced a tough comparison quarter and challenges from the oil and gas market
- China recorded 25 per cent organic growth

Record operating earnings and margin

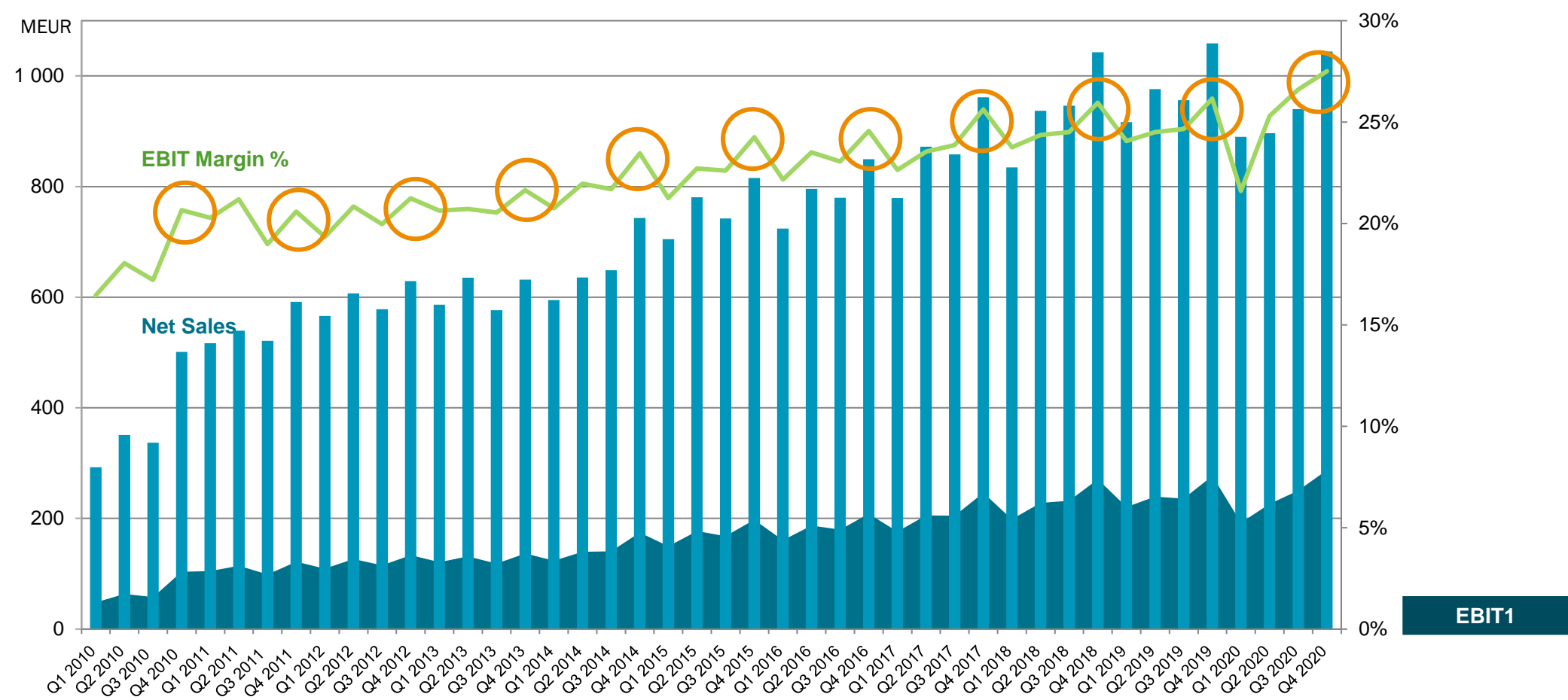
- Operating earnings amounted to 287.2 MEUR (277.0), an increase of 4 per cent
- EBIT1 margin of 27.5 per cent (26.2) and gross margin of 63.5 per cent (63.3) excluding non-recurring items
- Cost savings measures and richer product mix positively impacted earnings
- Earnings and margin heavily impacted by currency headwinds

Sales Bridge Q4

	Operating net sales
2019, MEUR	1,058.9
Structure, %	3%
Currency, %	-5%
Organic growth, %	1%
Total, %	-1%
2020, MEUR	1,044.1

Seasonality in profit

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



Key figures – Q4 2020

MEUR	Q4 2020	Q4 2019	Change %
Operating net sales	1,044.1	1,058.9	1 ¹⁾
Revenue adjustment ²⁾	-6.1	-	n.a.
Net sales	1,038.0	1,058.9	1 ¹⁾
Operating earnings (EBITDA)	414.6	374.4	11
Operating margin, (EBITDA) %	39.7	35.4	4.3
Operating earnings (EBIT1)	287.2	277.0	4
Operating margin, %	27.5	26.2	1.3
Earnings before taxes, excl. non-recurring items	279.9	271.1	3
Non-recurring items (before taxes) ³⁾	-34.2	-26.2	n.a.
Earnings before taxes	245.7	244.9	0
Net earnings	202.5	200.0	1
Net earnings, excl. non-recurring items	229.5	222.3	3
Earnings per share, EUR	0.55	0.54	2

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

2) Reduction of acquired deferred revenue (haircut) related to acquisitions

3) Non-recurring items relates to acquisitions done in Q4

Key figures – 2020

MEUR	2020	2019	Change %
Operating net sales	3,770.5	3,907.7	-4 ¹⁾
Revenue adjustment ²⁾	-6.1	-	n.a.
Net sales	3,764.4	3,907.7	-4 ¹⁾
Operating earnings (EBITDA)	1,411.6	1,339.1	5
Operating margin, (EBITDA) %	37.4	34.3	3.1
Operating earnings (EBIT1)	956.2	972.5	-2
Operating margin, %	25.4	24.9	0.5
Earnings before taxes, excl. non-recurring items	928.8	945.6	-2
Non-recurring items (before taxes) ³⁾	-169.2	-80.3	n.a.
Earnings before taxes	759.6	865.3	-12
Net earnings	624.7	708.6	-12
Net earnings, excl. non-recurring items	761.6	775.4	-2
Earnings per share, EUR	1.68	1.92	-13

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

2) Reduction of acquired deferred revenue (haircut) related to acquisitions

3) Non-recurring items relates to a cost savings programme implemented in Q2 and acquisitions in Q4

Cash flow

MEUR	Q4 2020	Q4 2019
Cash flow from operations before changes in working capital excl. taxes and interest	383.3	361.0
Taxes paid	-44.1	-35.3
Interest received and paid, net	-5.1	-5.3
Cash flow from operations before changes in working capital	334.1	320.4
Change in working capital	144.5	13.7
Cash flow from operations	478.6	334.1
Investments tangible assets	-24.2	-26.5
Investments intangible assets	-76.2	-73.2
Operating cash flow before non-recurring items	378.2	234.4
Non-recurring cash flow	-24.8	-13.3
Operating cash flow	353.4	221.1

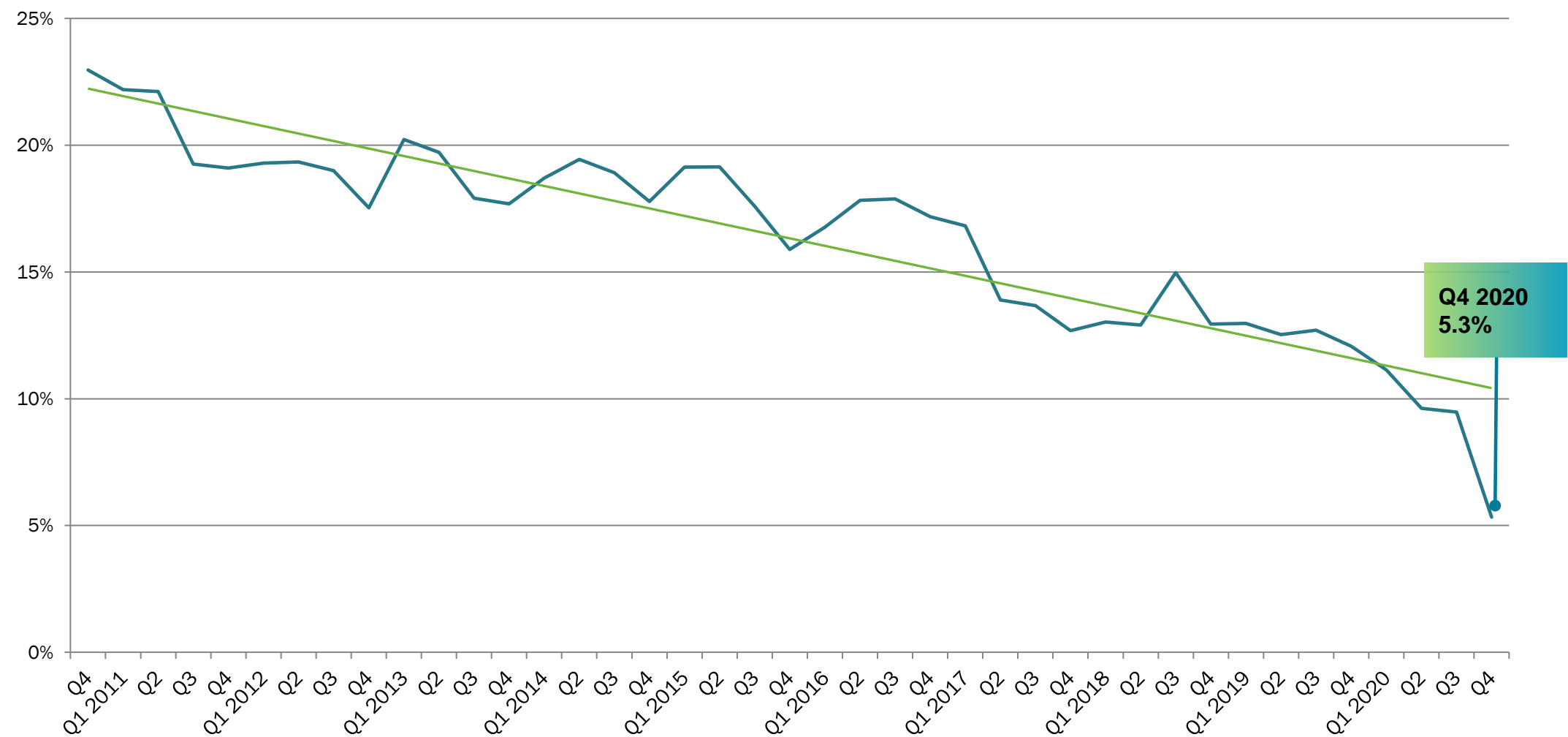
- Cash conversion of 149 per cent (99) in Q4 2020
- Cash conversion target of 80-90 per cent

Effects of FX movements – Q4 2020

MEUR	Q4 20 as reported	Impact from FX movements	Q4 20 adjusted for FX	Q4 19 as reported
Operating net sales	1,044.1	-49.6	1,093.7	1,058.9
Operating earnings (EBIT1)*	287.2	-27.0	314.2	277.0
Operating margin, %*	27.5	-1.2	28.7	26.2

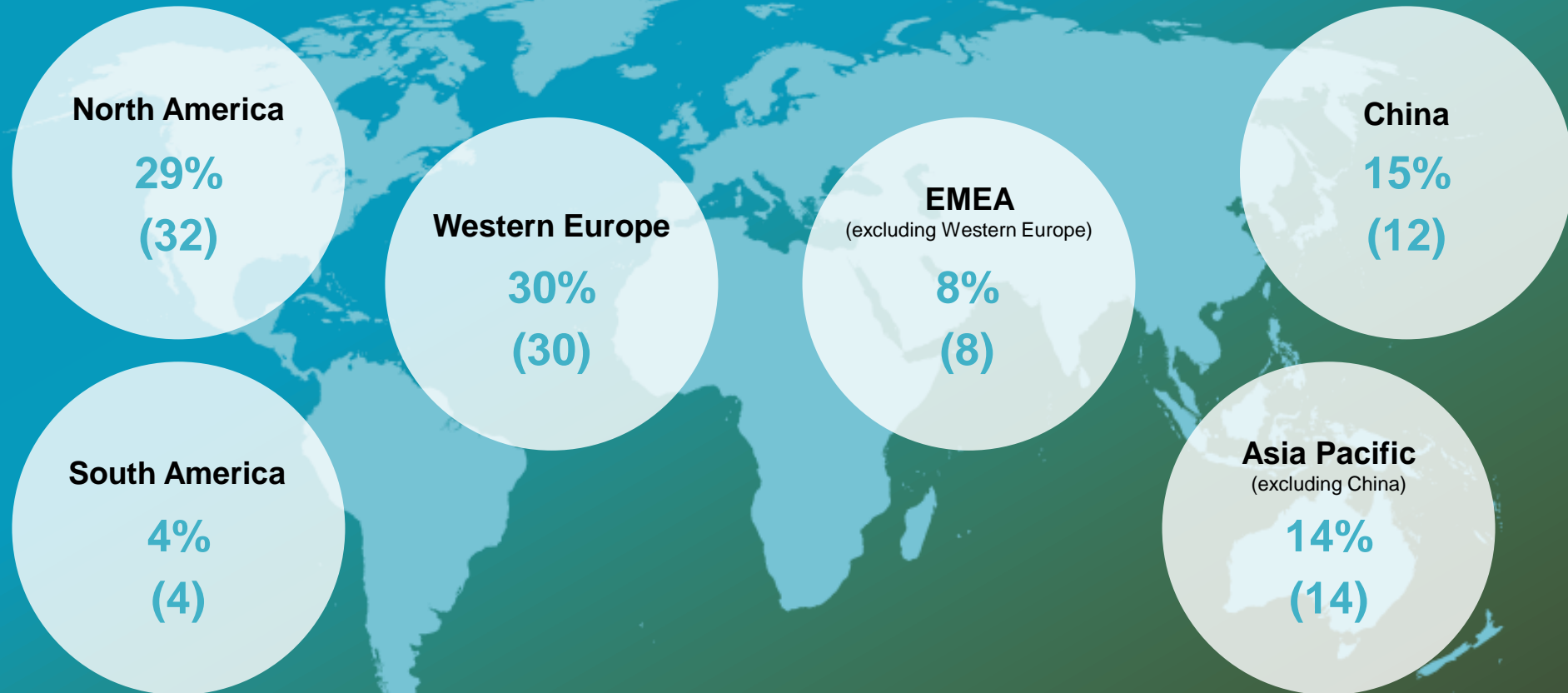
*Including translation effect of -19.7 MEUR and transaction effect of -7.3 MEUR in Q4 2020

Working capital to sales











Market development

Sales mix Hexagon Q4 2020 (Q4 2019)



Analysis of organic growth¹⁾ per geographic region

CONTRIBUTORS TO GROWTH ¹⁾ (descending order)	
Q4 2019	1,058.9
China	
South America	
Asia excl. China	
Eastern Europe, Middle East & Africa	
Western Europe	
North America	
Q4 2020	1,044.1

> 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 30%	EMEA ²⁾ 8%	NA 29%	SA 4%	CN 15%	ASIA ³⁾ 14%
Surveying	21%	➔	➔	➔	➔	➔	➔
Power, Energy & Mining	18%	➔	➔	➔	➔	➔	➔
Electronics & Manufacturing	16%	➔	➔	➔	➔	➔	➔
Infrastructure & Construction	13%	➔	➔	➔	➔	➔	➔
Automotive	10%	➔	➔	➔	➔	➔	➔
Aerospace & Defence	13%	➔	➔	➔	➔	➔	➔
Public Safety	4%	➔	➔	➔	➔	➔	➔
Other	5%						
Total	➔	➔	➔	➔	➔	➔	➔

> 8% ➔

0 to 8% ➔

Negative ➔

1) Share of sales as per Q4 2020

2) EMEA, excluding Western Europe

3) Asia, excluding China

EMEA market trends – Q4 2020

- Western Europe recorded -5 per cent organic growth
 - Hampered by a decline in automotive and aerospace in Germany and France
 - Solid growth in the surveying and public safety segments
- Russia and the Middle East recorded high single-digit organic growth



Q4 Share of sales, %	38
Q4 Organic growth, %	-2
- Organic growth, GES %	5
- Organic growth, IES %	-11

Americas market trends – Q4 2020

- North America recorded -6 per cent organic growth
 - Weakness in the manufacturing and power and energy segments
 - The defence and agriculture segments recorded robust growth in the region
- South America recorded double-digit organic growth
 - Strong development in the mining, surveying and public safety segments



Q4 Share of sales, %	33
Q4 Organic growth, %	-4
- Organic growth, GES %	3
- Organic growth, IES %	-13

Asia market trends – Q4 2020

- China recorded 25 per cent organic growth
 - Broad-based recovery in manufacturing and strong demand in infrastructure and construction
- South Korea and Japan recorded high single-digit growth fuelled by solid demand in mapping and autonomous vehicle solutions
- South-Eastern Asia and India declined



Q4 Share of sales, %	29
Q4 Organic growth, %	13
- Organic growth, GES %	21
- Organic growth, IES %	9

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

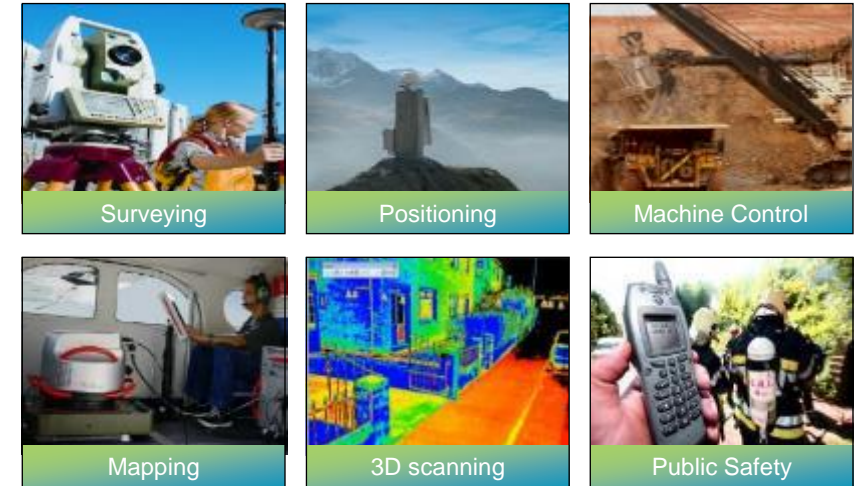
Geospatial Enterprise Solutions – Q4 2020 overview

Organic growth of 7 per cent

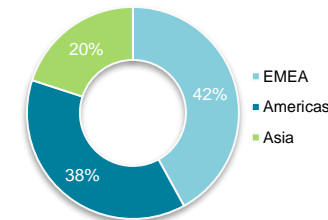
- Geosystems: 8 per cent organic growth, with strong development across all business units. The mining segment continued to record solid growth and the contribution from new products accelerated
- SI: Recorded 5 per cent organic growth, supported by a solid development in public safety and continued traction for the new OnCall platform
- Autonomy & Positioning: 11 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

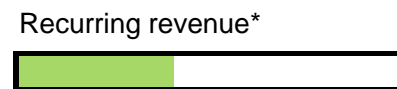
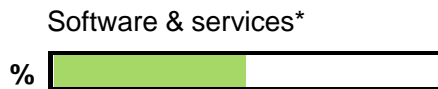
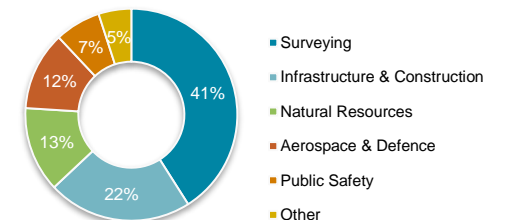
- Sales of 535.3 MEUR (514.9)
- EBIT1 of 156.3 MEUR (134.6) and operating margin of 29.2 per cent (26.1)
 - Positively impacted by volume growth and cost savings measures but adversely impacted by currency movements



Sales per geography



Sales per segment



*Full year 2019

Industrial Enterprise Solutions – Q4 2020 overview

Organic growth of -5 per cent

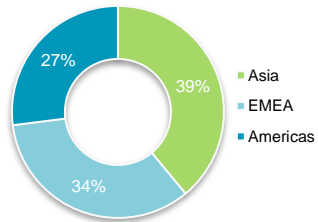
- MI: -2 per cent organic growth and a positive book-to-bill, supported by strong broad-based recovery in China and software growth but hampered by continued weakness in the automotive and aerospace markets in Europe and Americas
- PPM: -12 per cent organic growth, on the back of high year-on-year comparisons and a challenging oil and gas market. Continued solid growth in the AEC (architecture, engineering and construction) design software portfolios
- Bookings were positive in the quarter for Industrial Enterprise Solutions, and we expect a continuing improvement



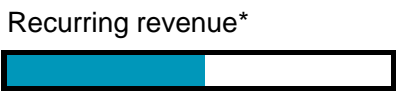
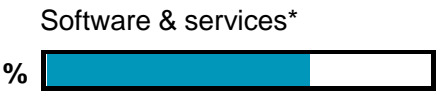
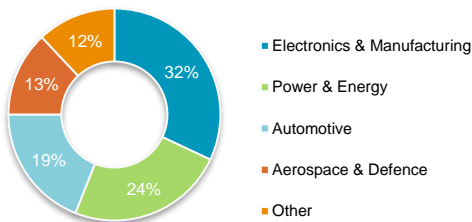
Sales and EBIT1

- Sales of 508.8 MEUR (544.0)
- EBIT1 of 137.5 MEUR (147.8) and operating margin of 27.0 per cent (27.2)
 - Positively impacted by cost savings measures but adversely impacted by lower volumes and product mix

Sales per geography

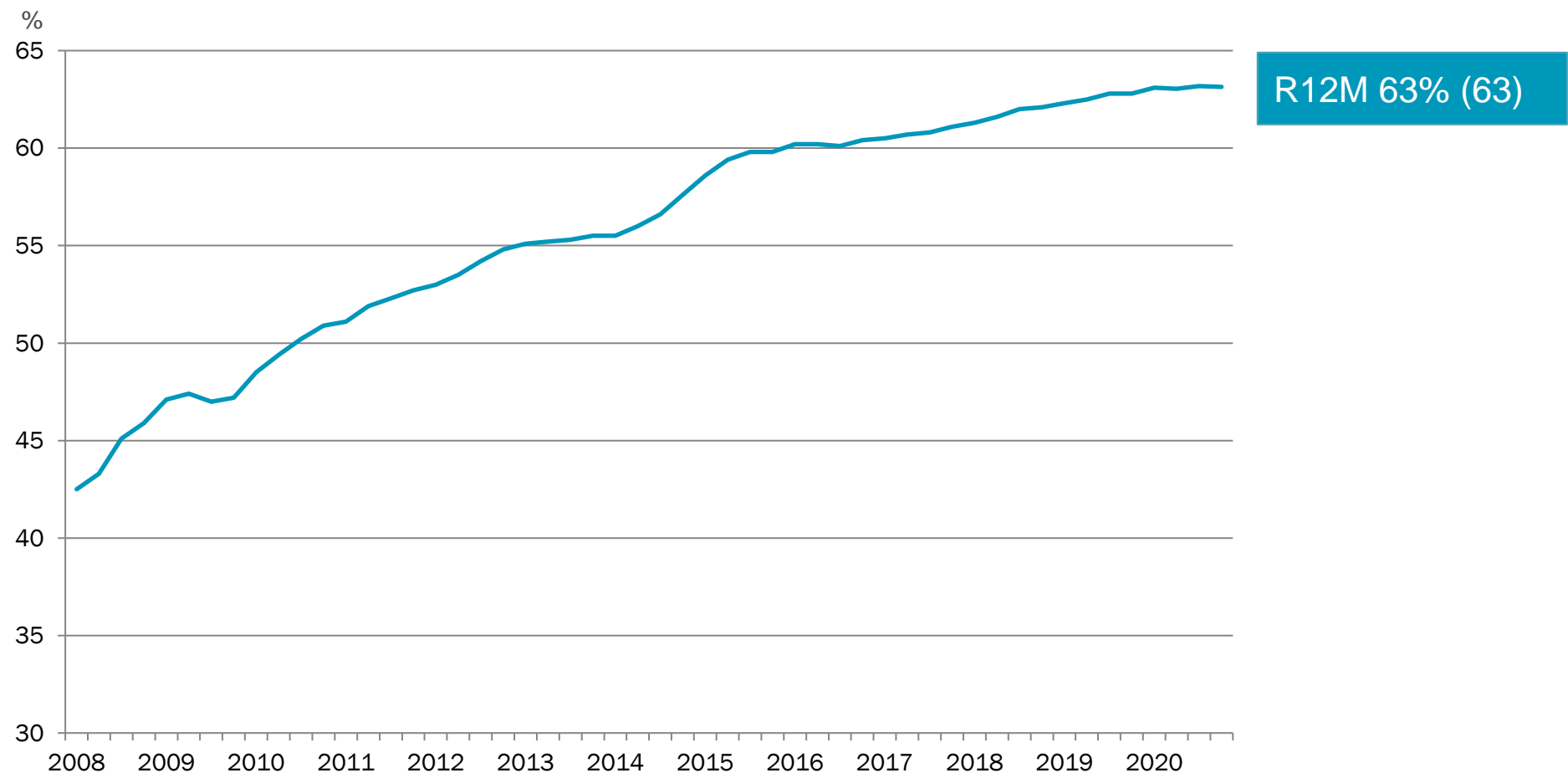


Sales per segment



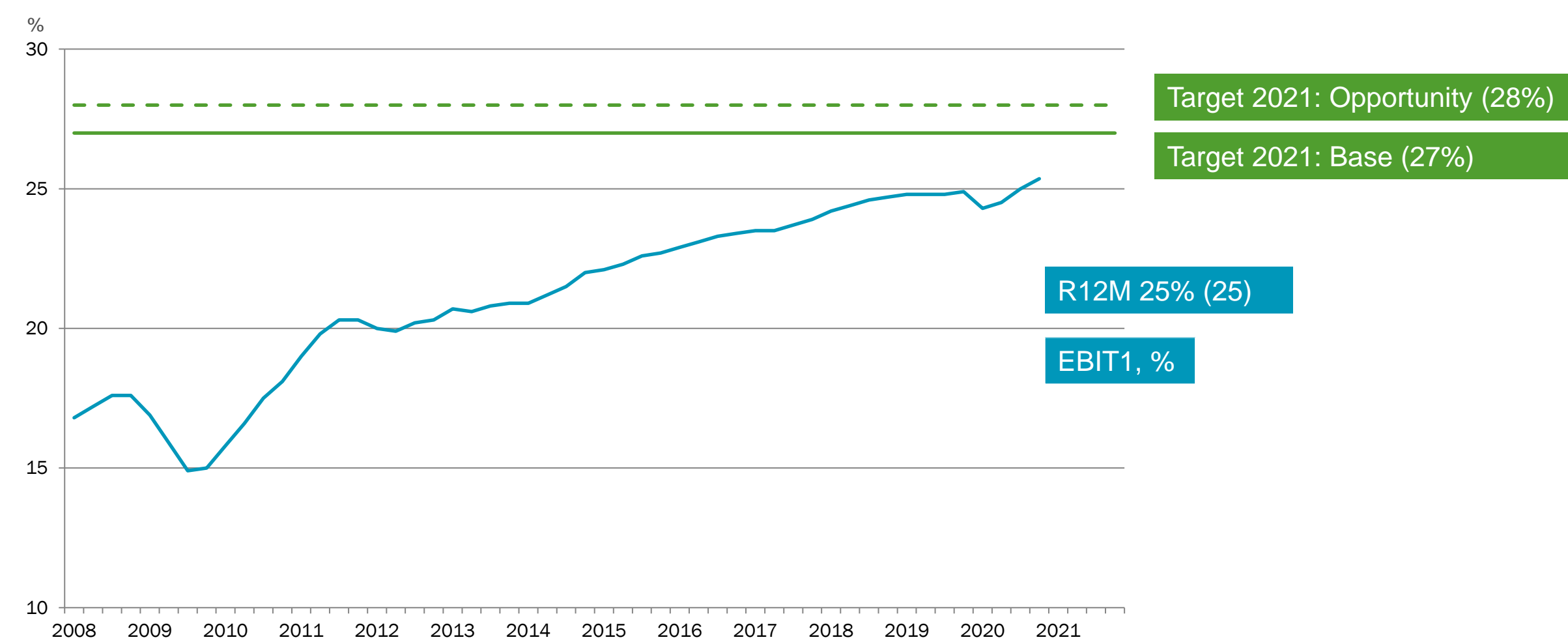
*Full year 2019

Gross margin – R12M



Gross margin excluding NRI for Q4 2020 and R12M amounted to 64%

Operating margin – R12M



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 green triangle on the left side; a large, semi-transparent blue triangle on the right side; and a central rectangular area with a dark background containing glowing orange and red binary code (0s and 1s). Within this central area, there are several line graphs with different colored markers (yellow, white, blue, green) and a large, glowing yellow sphere. The overall aesthetic is high-tech and data-driven.

M&A, orders and product releases

Strengthening visualisation capabilities for key AEC segment

- Acquisition of **OxBlue**, a leader in **construction visualisation technology** designed to capture the life of a job site, strengthens Hexagon's capabilities to serve the rapidly evolving **architecture, engineering, and construction (AEC) ecosystem**
- OxBlue's **high definition time-lapse photography and live video streaming services** deliver real-time visual documentation of everything that happens on a job site, both exterior and interior
- Combining the latest **camera technology, artificial intelligence, and machine learning algorithms**, its construction visualisation solution improves the management of everything from material shipments and site visits to contractor schedules, progress updates and construction site security



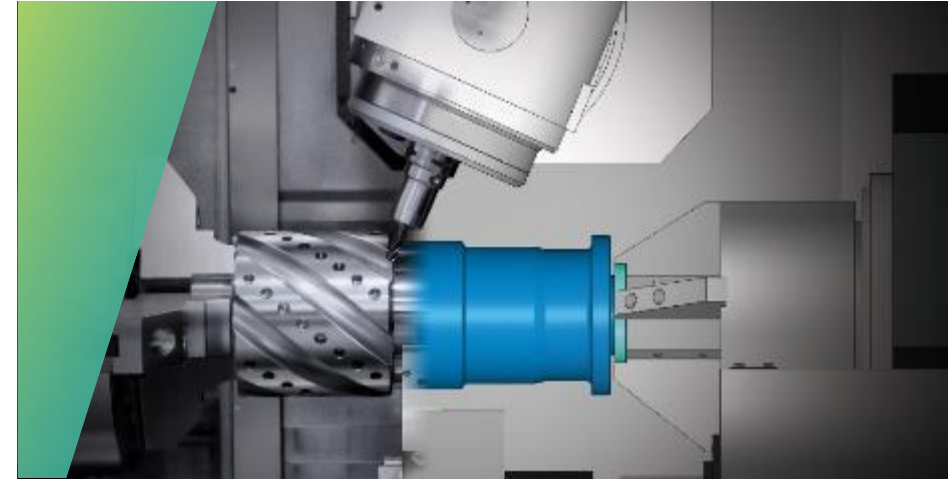
Minimising threats in industrial lifecycle management

- **PAS Global** provides Operational Technology (OT) integrity solutions used to **prevent, detect, and remediate cyber threats, reduce process safety risks, and enable trusted data** for decision-making in asset-intensive industries like manufacturing, oil & gas, utilities and more
- The **new cybersecurity-focused business segment within Hexagon's PPM division** provides new sales opportunities to other Hexagon divisions, namely Manufacturing Intelligence and Mining
- PAS serves 500+ customers across more than 1,450 sites and 70 countries



Smart manufacturing for any machining application

- Hexagon acquired **D.P. Technology**, a leading **developer and supplier of computer-aided manufacturing (CAM) technology**, based in California, USA
- **ESPRIT CAM System**, its flagship solution, is the **smart manufacturing solution for any machining application**
- Combined with Hexagon's production software portfolio, D.P. Technology **accelerates the development of Hexagon's Smart Manufacturing portfolio**
- The D.P. Technology team has built excellent working relationships with leading machine tool providers and other manufacturing technology experts, which will prove invaluable to an **open and interoperable manufacturing ecosystem approach**



Semi-automatic machine control solution reduces fatigue and operational costs

- A new **semi-automatic functionality for excavators** offer partial and/or full automation of this construction tool's machinery, offered as a licence to the **MC1 software for Leica iXE2/3 machine control solutions** for excavators
- The semi-automatic functionality is used to **perform complex excavation tasks more accurately**, such as smooth surfaces, slope creation and trenching faster.
- The solution helps the operator to work with **less fatigue, with less over digging and reduced operational costs**



Robot taxi completes first round of testing in Tokyo

- **Tier IV**, a tech startup based in Japan dedicated to sharing technology for safe intelligent vehicles, is testing a robot taxi powered by Hexagon's **PACMod drive-by-wire system**
- The taxi has **successfully completed its first round of live testing with passengers** in central Tokyo, representing the most publicly accessible product, resulting from the strategic partnership between Tier IV and Hexagon
- The vehicle is powered by **Autoware**, the **world's first open-source software for autonomous driving technology**, for which Tier IV leads development



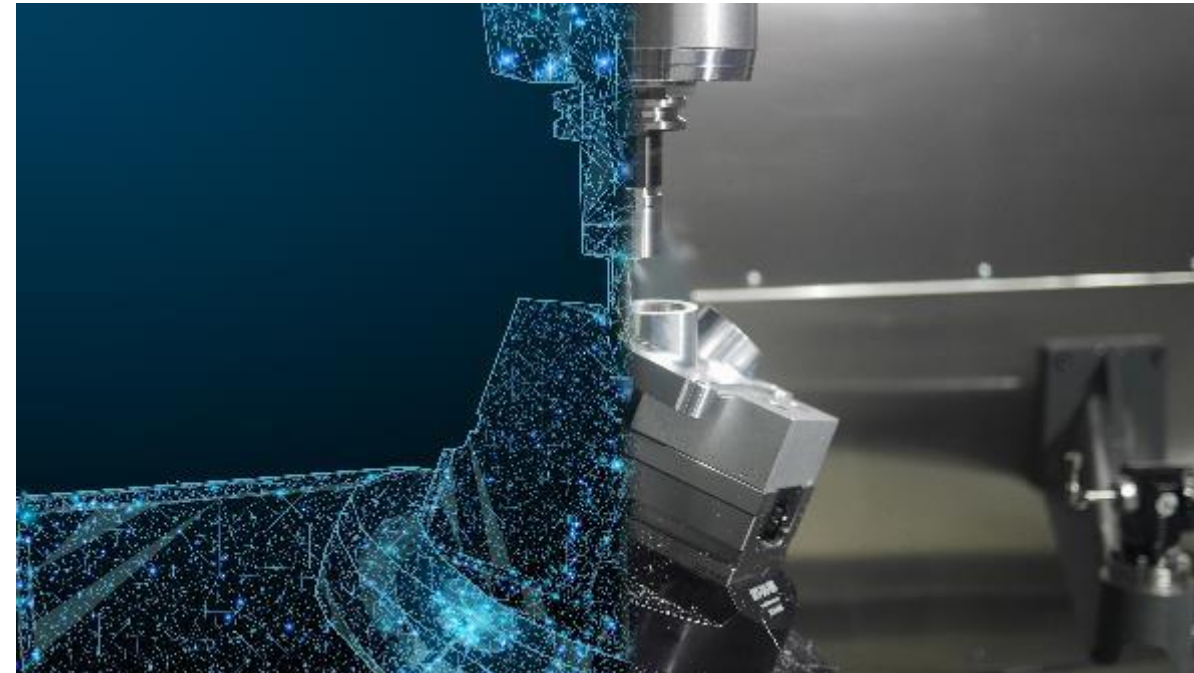
“RTK From the Sky” brings instant GNSS accuracy worldwide

- A breakthrough innovation in precise point positioning, “**RTK From the Sky**” removes the traditional barriers of long convergence times, internet/radio communication limitations, and geographic or regional infrastructure limitations
- Provides **assured positioning with no downtime** in marine, agriculture, and autonomous applications
- No matter the location or application, users can **rely on the highest availability and accuracy of corrections anywhere in the world**, instantaneously



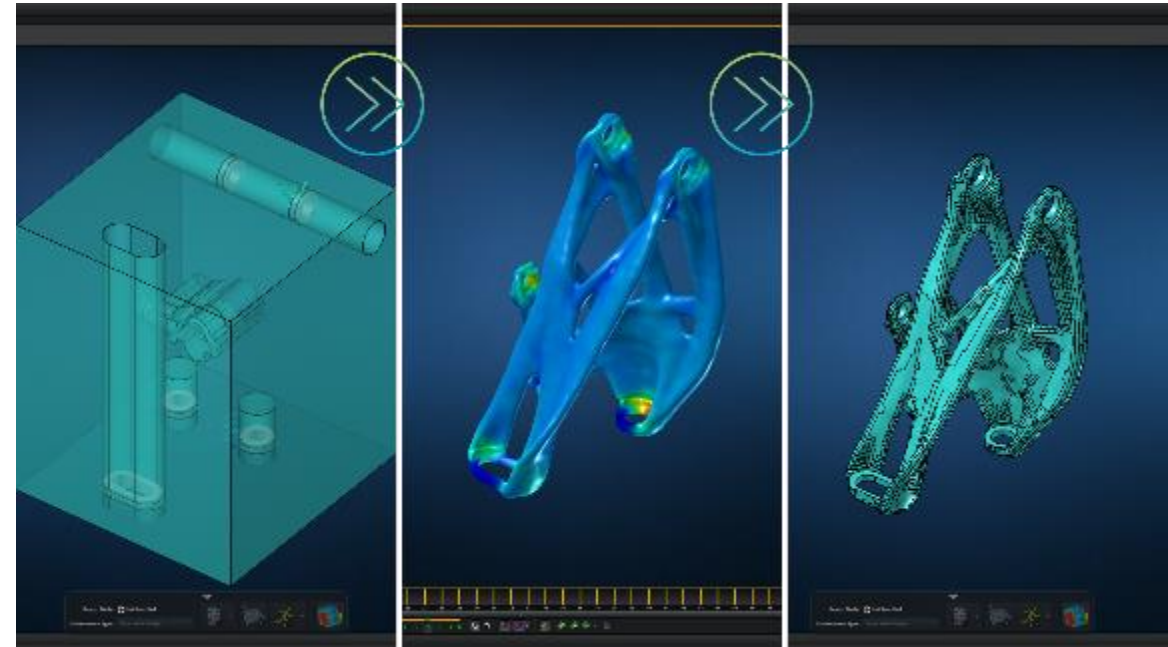
Resolving key pain points for manufacturing customers

- **NCSIMUL 2021.1**, a smart CNC machining simulation software, addresses long-suffered 5-axis machine instability so manufacturers can achieve quality without sacrificing productivity
- Enhancements to NCSIMUL serve as a digital twin of the machine to plan and optimise NC programming, making it possible to achieve the required surface quality for complex parts virtually – before going to the shop floor
- The new features **drive efficiency and productivity through setup** – providing capabilities such as predicting and mitigating machining problems and saving hours of simulation time



MSC Apex Generative Design 2021

- New enhancements to **MSC Apex Generative Design** provide an **end-to-end solution** for designers of **high-precision, metal components**
- New innovative algorithms provide **performance improvement**, enabling the creation of smooth and optimised lightweight parts **up to 85 per cent faster**
- New components allow users to go from “screen to machine” faster, with **less human intervention than any other software**
- By combining multiple steps, users have experienced **80% reductions in initial design and setup time**



Optimised lightweight designs can be converted to 3D CAD with MSC Apex Generative Design 2021

More farmers now have access to the latest precision agriculture tools

- The **HxGN AgrOn** platform has met Italian government requirements for the **adoption of precision agriculture and IoT solutions** – now already **deployed to more than 30 farms in Italy**
- Will soon roll out to other countries in Europe, allowing farmers to go beyond machine control features to **gathering detailed machine data to help manage their farming processes**
- In addition, **MP Agro**, which manufactures self-propelled equipment, tractors and agricultural trucks serving all of Brazil, purchased **HxGN AgrOn Fertilisation Control** and the **Remote Access** add-on module, to improve fertiliser distribution and enable remote access and assistance to equipment in the field



Helping Swiss Rail move and grow

- A Hexagon customer for more than 20 years, **Swiss Rail** signed a **four-year corporate license renewal** to further leverage Hexagon's software portfolio and **expand its services and continue the path of digital transformation**
- Swiss Rail is responsible for nearly all rail infrastructure and train-based public transport in Switzerland, where Hexagon's **advanced GIS solution and web and mobile components** seamlessly manage these assets and all associated construction projects
- Additionally, Swiss Rail relies on two **Hexagon computer-aided dispatch (CAD) systems** for Transport Police and Gotthard Tunnel as the central solution for managing incident response



Empowering cities to fight cyberattacks and respond to emergencies

- The city of **New Orleans, Louisiana, USA**, selected **HxGN OnCall Records** following a 2019 cyberattack that **resulted in more than \$7 million in damages**
- To mitigate future attacks, city leaders sought a **cloud-based police records management system**, choosing HxGN OnCall Records based on its proven performance and reliable access to information and tools whenever and wherever needed
- In addition, **Strathcona County Emergency Services** in central Alberta, Canada, deployed the **HxGN OnCall portfolio** to provide a faster, more efficient response to emergencies
- The agency needed **modernised dispatch, analytics and mobile solutions** for the 43 neighboring municipalities it serves



Multi-product subscription for the largest open pit mine in Finland

- **Yara**, the world's leading fertilizer company and provider of environmental solutions, **runs the the largest open pit mine in Finland** (Siilinjärvi mine) and provides apatite concentrate for production of phosphoric acid and fertilizers
- To maximise the mine's productivity, equipment utilisation and availability, Yara invested in **HxGN MineOperate OP Pro**, **HxGN MineOperate Asset Health and Operator Assistance**, **HxGN MineEnterprise**, and **HxGN MineProtect Collision Avoidance System**
- Hexagon's solutions will ensure Yara **maximises return on its investment without compromising safety, productivity or efficiency**



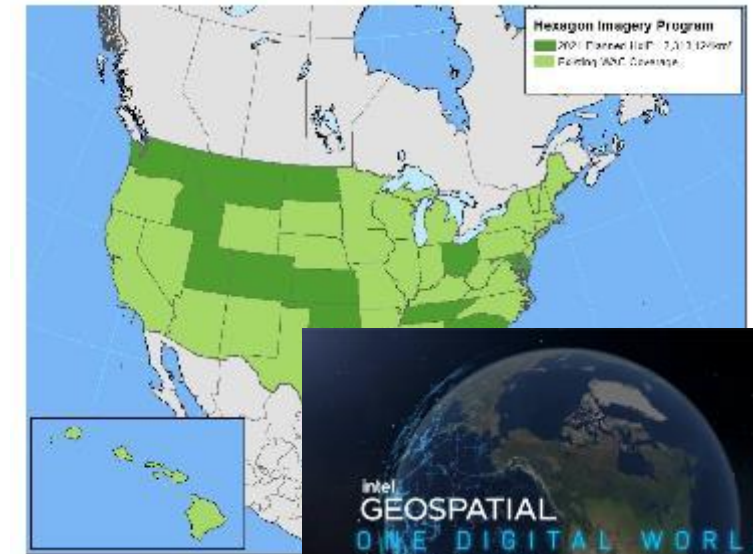
Collision avoidance system provides safety upgrade for Ghana mine

- **Gold Fields Ghana** equipped more than 200 mine vehicles with Hexagon's **MineProtect Collision Avoidance System (CAS)** at Gold Fields' Tarkwa Mine in Ghana's Western Region
- The **MineProtect Operator Alertness System and Personal Alert and Tracking Radar** were also installed



Multiple wins for HxGN Content Program

- One of the world's **largest automotive manufacturers** uses the HxGN Content Program to extract transportation features with AI and machine learning algorithms to support **autonomous vehicle navigation roll-out**
- **Intel's** new geovisual data management platform uses **HxGN Content Program** aerial imagery as a source to create **AI-powered analytics and business intelligence** to manage risks and solve complex challenges across many industries
- The **National Agricultural Imagery Program (NAIP)** of the **United States** contracted Hexagon to **refresh aerial data of 14 states (over 2.3 million km²) across the US in 2021**, to provide aerial imagery during the agricultural growing season
- The **Ontario Ministry of Natural Resources** contracted Hexagon to provide data for Ontario's Forest Resource Inventory Program in support of **forest, ecological, and land use monitoring**



Aerial data helps create digital twin of South Korea for national government

- **Shinhan Aerial Survey** purchased **Leica CityMapper-2** with **HxMap software** to create a **digital twin of South Korea** for the national government
- Hexagon's **unique hybrid airborne technology** enables efficient digitisation of cities and urban areas, allowing Shinhan Aerial Survey to establish a **complete 3D map with focus on urban areas** in a very short time frame and offers 3D imagery and LiDAR data from the same flight
- The **3D city models** will be used as base data **enabling the implementation of AI, 5G, IoT and AR/VR technology**



Brussels Airport consolidates construction and infrastructure data

- **Brussels Airport Company** chose **Bricsys 24/7** as a Document Exchange Platform (DEP) to consolidate and manage information and workflows **across all infrastructure and construction projects**
- This software solution will allow improve **document management and collaboration and coordinated approval flows** with colleagues and external parties (subcontractors, architects, drawing offices, engineers, etc.)
- Brussels Airport Company opted for Bricsys 24/7 Dedicated Server Solution with **unlimited number of projects and users**





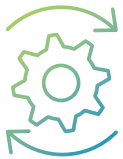
Environment, Social and Governance

Introducing new overarching ESG targets



Carbon neutrality in our scope 1 and 2 emissions – by 2030

Carbon neutrality across our entire value chain in scope 1, 2 and 3 emissions – by 2050



Sustainability supplier audits across 100 per cent of our direct suppliers, in risk areas – by 2023



At least 30 per cent of our leadership positions filled by women – by 2025

The sustainability revolution

We're also revving up plans to accelerate the *world's* transition to a greener economy

More to come... stay tuned



The background of the slide is a complex digital composition. It features a dark blue field with various geometric shapes in shades of teal and green. Overlaid on this are several data visualization elements: a line graph with multiple series in yellow, green, and blue, showing fluctuating trends; a circular pie chart in the upper left; and a background pattern of glowing binary code (0s and 1s) and horizontal light streaks. The overall aesthetic is high-tech and financial.

Dividend and share split

Dividend and share split

- The Board of Directors proposes a dividend of 0.65 EUR (0.62) per share for the fiscal year 2020, an increase of 5 per cent
 - The dividend can be paid in EUR to shareholders who wish to receive it in this currency
 - Other shareholders will receive the dividend payment in SEK
- The Board of Directors proposes a share split 7:1



The background features a stylized world map in dark grey, overlaid with a network of white dots and thin white 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 Q4 2020

- Record operating earnings and margin despite significant currency headwind
- Strong cash flow generation
- 1 per cent organic growth
 - Solid growth in China and in GES
- Expect continued sequential improvement in demand for Hexagon ahead
- The Board of Directors proposes a dividend of 0.65 EUR (0.62) per share for the fiscal year 2020, and a share split 7:1

Disclaimer

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