HEXAGON

Press Release

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Hexagon announces actions to mitigate the negative impact of currency movements on the operating margin in support of long-term financial targets

Hexagon's current long-term financial plan targets revenues of 3.5 billion Euros with an EBIT margin of 25 per cent by 2016. Since the launch of the plan, Hexagon has delivered solid organic growth as well as improved profitability, reporting sales of 2.6 billion Euros and an EBIT margin of 22 per cent in 2014.

As stated in Hexagon's year-end 2014 report, recent currency movements will have a positive impact on Hexagon's sales and earnings in absolute terms. The strengthening of the US dollar and the Chinese yuan is beneficial, as Hexagon has more income than cost in these currencies. At the same time, the strengthening of the Swiss franc is negative for margins as Hexagon has more cost than income in the Swiss franc.

Using exchange rates valid as of March 31 2015, a pro forma calculation of Hexagon's 2014 results shows that sales would have been 325 MEUR higher and EBIT 69 MEUR higher. The EBIT margin would have been 0.1 percentage points lower however, primarily due to the negative impact from the Swiss franc.

As such, Hexagon is in the process of implementing a cost reduction programme in order to mitigate this negative impact on the margin. The programme, which primarily targets lowering costs in Switzerland and the US, will affect approximately 400 employees and is expected to drive cash cost savings of approximately 35 MEUR per annum with full effect as of 2016.

The cash flow impact of the implementation of this programme amounts to approximately -28 MEUR. Severance payments will be made primarily in the first and second quarter of 2015. Non-cash cost amounts to approximately -8 MEUR. The restructuring costs will be reported as non-recurring items of approximately -36 MEUR in total in the 2015 first quarter interim report.

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Hexagon's solutions integrate sensors, software, domain knowledge and customer workflows into intelligent information ecosystems that deliver actionable information. They are used in a broad range of vital industries.

Hexagon (Nasdaq Stockholm: HEXA B) has more than 15,000 employees in 46 countries and net sales of approximately 2.6bn EUR. Learn more at www.hexagon.com.