Hexagon Annual Report 2002

The Year in Brief

Hexagon's transformation is showing results. Earnings per share after tax increased by 19 per cent.

Hexagon has strengthened its position in the market through the acquisition of C E Johansson, GFD Technology, Xygent Inc, Quality and Mirai Srl.

MSEK 420 was injected into the company via a fully-subscribed share issue, forming the basis for continued expansion.

The company's shareholding in the listed company Svedbergs i Dalstorp AB was sold and its shareholding in the listed company VBG AB was reduced.

Sales amounted to MSEK 6,997 (6,204), an increase of 13 per cent.

Operating earnings before amortization of intangible fixed assets (EBITA) amounted to MSEK 511 (350), a 46 per cent increase.

Earnings before tax increased by 41 per cent, amounting to MSEK 319 (227).

The Board is proposing an unchanged dividend, adjusted to take account of the new share issue, of 4.60 (4.60) per share.

	2002	2001
Sales (MSEK)	6 997	6 204
EBITDA operating earnings (MSEK)	719	531
EBITA operating earnings (MSEK)	511	350
Earnings after financial items (MSEK)	319	227
Earnings after tax (MSEK)	187	144
Operating margin (per cent)	5.7	5.0
Return on equity after full tax (per cent)	9.4	8.4
Return on capital employed (per cent)	10.1	8.8
Earnings per share after tax (SEK)	10.74	9.00
Cash flow per share (SEK)	17.64	19.38
Visible equity ratio (per cent)	36	28
Share price at year-end (SEK)	138	* 122
Dividend per share (SEK)	** 4.60	* 4.60

* Adjusted to take account of the new share issue.
** The Board's proposed dividend for 2002.

Contents

Hexagon is a precision company whose products and services increasingly hinge on how accurately we can manufacture and supply these products to our customers. Our customers are in turn dependent on our precision in the manufacture of their products.

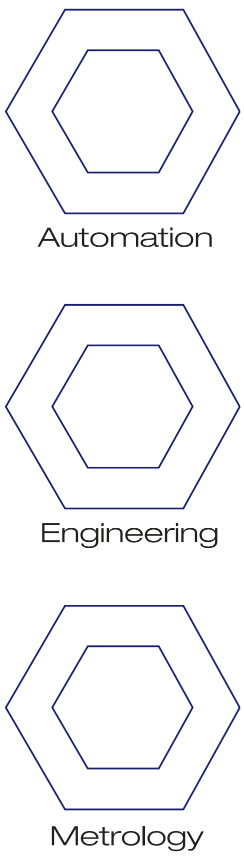
It could be the accuracy of the angle to the wind in a wind power station, a precision-ground gearwheel in a truck's gearbox, a rubber compound which must withstand severe climatic stress and wear or a metrology system which guarantees precision in the treatment of brain tumours.

2002 is the first year for which we can measure the effects of Hexagon's new structure. Since the restructuring was started in June 2000, 18 enterprises with a total turnover of around SEK 2 billion have been divested. At the same time, acquisitions have been made in hydraulics and metrology accounting for a total turnover of approximately SEK 4.5 billion.

Hexagon will continue to grow both organically and through acquisitions, by positioning itself within growth markets such as wind power and metrology software while at the same time offering outsourcing solutions within rubber, hydraulics and component metrology. Another measure taken in order to create growth is to focus both Johnson Industries and SwePart on

"Hexagon is a precision company whose products and services increasingly hinge on how accurately we can manufacture and supply these products to our customers"

HEXAGON'S STRUCTURE



To summarise the results of this restructuring I can report that Hexagon has developed very well since the restructuring was commenced (all figures are compared with year-end 1999):

- Turnover is up 50 per cent to MSEK 6,997.
- Operating earnings before amortization of intangible assets (EBITA) have increased by 111 per cent to MSEK 511.
- Earnings before tax are up 78 per cent to MSEK 319.

In the years ahead we will be able to devote all our energy to growth within our core business areas and to creating profitability which enables us to continue to achieve our financial goals. Our major financial objective is to create value for you as a shareholder. Our definition of shareholder value is to increase earnings per share after tax by at least 15 per cent per year – in 2002 earnings increased by 19 per cent.

more high-tech niche applications. In my opinion, all these areas have the growth potential required to achieve our overall objective in respect of growth in earnings.

During the year we have focused our activities on a number of measures to offset the weak demand that has prevailed. These measures can be summarised under three headings:

1. GROWTH IN MARKET SHARE

Over the past 18 months demand for industrial products and services has been weak. Hexagon has countered this with an aggressive cost rationalisation programme coupled with ambitious investment in research and development. We are well on the way to achieving our operational objectives; cost leadership and innovation. As a result of these measures, we have been able to maintain or even increase volumes in markets which in certain cases shrunk by 20 per cent in volume. This enabled us to take a great step during the year towards realising our most important operational objective, which is to be number one or number two within our strategic segments.

- Automation was able to report an increase in sales of 2 per cent over the year, despite the fact that the total market for hydraulics fell by around 8 per cent in Sweden and Finland.
- Engineering increased its market share over the year within the area of gaskets for plate heat exchangers. We also took over the production of wheels for forklift trucks for a leading American manufacturer. The acquisition of the German company GFD Technology made the Engineering business area the European leader in advanced rubber compounds.
- Metrology increased its market share in all geographical and product areas. With the launch of a number of new machines and software products during the year Metrology has taken market share within application areas traditionally belonging to our competitors.

2. GROWTH IN PRODUCTIVITY

Hexagon's productivity increased substantially over the year. We have rationalised the organisation – thereby bringing about cost savings – whilst at the same time speeding up our decision-making process, and all with no detrimental effect on quality. In the past 24 months Hexagon has reduced its workforce by 763 employees or 12 per cent with a comparable structure. We expect this rationalisation work to continue in 2003, albeit not to the extent seen in the past two years.

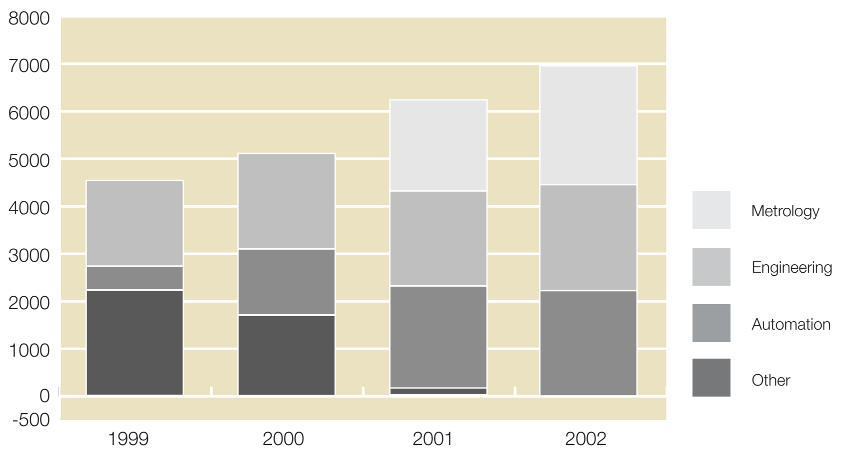
3. STRUCTURAL CHANGES

In 2002 Hexagon was able to capitalise fully on the new group structure. Among other things, it meant that we no longer had to bear the losses made by the Wireless business area and were able to consolidate the Metrology business area for a full 12 months. These changes coupled with a number of strategic acquisitions within our core business, led to a substantial improvement in earnings compared with 2001.

EARNINGS IN 2002

Demand was weak in 2002. Unfortunately, the expected economic upturn – predicted by many forecasters for the second half of the year – failed to emerge. Nonetheless, the weak economy had no appreciable effect on Hexagon's earnings thanks to our increased market shares. In the second half of the year order intake increased for all business areas. In the first half, order intake was only 98 per cent of sales, whilst in the second half, the figure was 101 per cent. This means that we have a better order backlog going into 2003, than we did at the beginning of 2002.

Net revenue by Business Area 1999 - 2002 (MSEK)



The table below shows the development in earnings from 2001 to 2002:

Earnings development		MSEK
Earnings before tax, 2001:		227
Earnings from divested units, 2001	35	
Earnings from acquired units, 2002	19	
Full-year effect, Metrology	35	
Full-year effect, funding of expansion	-34	
Structural earnings change:	55	55
Cost rationalisation measures	150	
Changes in demand and exchange rates	-105	
Change in operating earnings	45	45
Change in items affecting comparability	-8	-8
Earnings before tax, 2002:		319

The Wireless business area lost MSEK 35 in 2001. Thanks to the divestment of this area Hexagon's earnings improved by an equivalent amount. Acquisitions within Metrology and Engineering made a positive contribution of approximately MSEK 19 compared with 2001. The Metrology business area was consolidated from May 2001 inclusive. This business area contributed approximately MSEK 35 in the January – April period 2002. Net financing increased by MSEK 34 from 2001 to 2002. In total, therefore, earnings increased by MSEK 55 as a result of the structural changes implemented within the group in this period.

The weak situation in the market and disadvantageous exchange rates resulted in a MSEK -105 reduction in earnings. However, these negative effects were offset by the fact that fixed costs decreased by approx MSEK 150. If we combine these effects, earnings from operations increased by MSEK 45 compared with 2001.

The net difference between these two years in items affecting comparability is MSEK -8, which means that the total improvement from 2001 to 2002 was MSEK 92, or 41 per cent.

PROFIT ORIENTED ORGANISATION

2002 was a tough year for everyone involved with trade and industry. The problem was that there was nothing to be optimistic about in the wider world. Large parts of the global economy suffered from recession, while at the same time the slight improvement which could be discerned in the American economy remained fragile. It is therefore very pleasing to see that Hexagon developed positively nonetheless. This means that our organisation is strong and that we have competent employees. Over the year we worked on two issues in particular: Professionalism and Speed Management.

By Professionalism we mean that no other organisation or individual shall know our core business better than we do. Naturally we need to know what makes our product or process work, but knowing your business means so much more than that. It means knowing what our customers want, what they are prepared to pay for and what they consider unnecessary. At the same time, we need to know where we are earning profits and where we can improve. It also involves constant renewal. Time after time over the year we have asked ourselves what is achievable in our organisation, and time after time we have been surprised that we were actually able to do the impossible. The only way to surmount these challenges, is to really know what it is we are doing and to understand both our customers and our own situation. If we give our customers what they want whilst at the same time knowing that we are profitable when we do so, we can continue to be successful – even in a weak economy.

"By Professionalism we mean that no other organisation or individual shall know our core business better than we do"

By Speed Management we mean that most things can be implemented slightly faster than previously. In order to be able to do this you need to know your business, as mentioned previously. The second requirement is to combat unnecessary bureaucracy. We have deliberately chosen to man both our head office and our business area offices at the lowest possible levels in order to avoid bureaucracy and politics. Today there are a total of just 17 people working at group and business area level. Important staff functions such as legal assistance and recruitment services are outsourced from professional providers, which means that we always have the best advisers when we need them. The third requirement if we are to increase the speed of decision-making is to have fast decision paths within the organisation and between the organisation and our Board. Hexagon has now worked out these decision paths, enabling us to react at lightning speed to any threat or opportunity that we perceive.

We will continue our efforts to further raise the level of professionalism and to constantly speed up our decision-making on an ongoing basis.

OUTLOOK

The industrial economy is forecast to remain weak over the coming quarters. However, Hexagon's market position, product portfolio and organisation are considered very competitive, while the opportunities for strategic acquisitions and alliances have increased. Hexagon should therefore be capable of continuing to achieve its overall objective of growth in earnings per share of at least 15 per cent per year.

STOCKHOLM, MARCH 2003

OLA ROLLÉN
CHIEF EXECUTIVE OFFICER

Business Concept and Objectives

HISTORY

Hexagon was formed in 1992 when a consortium, mainly of private individuals, acquired a major shareholding in the then-quoted corporation Eken Industri & Handel AB, which later changed corporate name to Hexagon.

Hexagon expanded briskly in 1992 to 1999 through acquisitions of enterprises including Dacke Hydraulik, Gustaf Fagerberg, Johnson Metall, Gislaved Gummi AB, R Lundberg, AKA Industriprodukter, SwePart, L G Fredriksson and Nordic Brass. After this flurry of acquisitions, Hexagon was classified as a Swedish conglomerate with modest industrial synergies and slow organic growth. In 2000, Hexagon formulated a new strategy, which combined with financial and operational goals, was intended to reengender growth and shareholder value.

BUSINESS CONCEPT

Hexagon is an international engineering technology group whose ambition is to secure positioning as number one or two in its core business. Its core business consists of Hydraulics, Key Components and Metrology. Hexagon will achieve this objective by being the most cost-efficient and innovative supplier as well as by recruiting the sector's most skilled managers.

FINANCIAL OBJECTIVES

1. *A positive cash flow over a business cycle.* Strong, positive cash flows create for Hexagon the freedom to expand briskly and concentrate on the long term. Strong cash flow also enables Hexagon's shareholders to run the group with lower required equity ratios than if cash flow were uncertain.

2. *Return on capital employed of over 15 per cent over a business cycle.* This is a vital yardstick that Hexagon uses to measure the efficiency of its operations. This required rate of return reflects a risk-free interest rate of some 5 per cent and a risk premium of around 10 per cent. This objective varies with the risk-free interest rate. The treatment of goodwill will be an important issue for this key ratio. Externally we amortize goodwill over 20 years. Internally we measure the return by reversing goodwill from acquisitions as well as structural costs in order then to measure the return based on the total acquisition cost of a business.

3. *Earnings per share (EPS) after tax to increase by 15 per cent annually.* This is Hexagon's definition of growth and shareholder value. We consider it to be the absolute prime target for measuring our success. Solid EPS growth is the best guarantee that shareholders will receive healthy long-term returns from an attractive corporation.

4. *An equity ratio of between 25 and 35 per cent.* Hexagon attempts to minimise its Weighted Average Cost of Capital (WACC). In prevailing circumstances, there is no reason for Hexagon to maintain a higher equity ratio than the stated percentages. Commentators anticipate that in the next few years the global economy will maintain low inflation, and therefore looking ahead, borrowings will remain a cheaper source of funding than shareholders' equity. Like Hexagon's required rate of return, this objective may change according to the prevailing circumstances.

OPERATIONAL OBJECTIVES

To realise these financial objectives they must themselves be balanced with operational objectives relating to businesses and business practices.

Hexagon's operational objectives are:

1. *To be number one or two in its core business.* Basically all manufacturing sectors are now globalised, implying that economies of scale and relative competitiveness are more important than ever before. Hexagon considers it of great importance that its business areas are able to position themselves in such a way to realise these benefits vis-à-vis competitors. Therefore, it is vital to be the 'market leader' or the 'challenger'.

2. *To be the most cost-efficient player in its sector.* To be able to operate successfully on a long-term basis demands a competitive cost structure. Moreover, cost leadership is the best insurance against short-term demand and exchange rate fluctuations.

3. *To be the industry's innovator.* Being the innovator means taking on the responsibility of developing the sector. This is achieved both in-house, and alongside customers and suppliers. This is a major responsibility, but also means Hexagon driving progress.

4. *Possessing the most skilled managers in the sector.* None of our objectives are achievable without skilled professionals pursuing and realising our objectives in day-to-day business. Hexagon has identified the labour market as a critical factor for its long-term success. The extensive corps of manufacturing senior executives born in the 1940s and 1950s will enter pensionable age within ten years. Accordingly, there is a risk of a shortage of skilled professionals arising. Hexagon has realised that the ability to attract skilled professionals will be decisive to our future competitiveness.

5. *Speed Management.* Hexagon's in-house name for pursuing rapid change. We believe that speed of implementation enhances our organisational capacity, while also minimising risks.

SUCCESS CRITERIA

Hexagons ambition is that the business areas should feature the following qualities:

1. *Proprietary manufacture, sales and R&D.* Hexagon must run R&D-heavy businesses, where we enhance existing products, create new products or applications that are subsequently proliferated through proprietary production and distribution networks.

2. *Focus on end-users and/or OEMs.* Hexagon wants to sell solutions to problems. When we sell to end-users, we can argue in favour of the efficiency gains that our product solution provides. If we sell input goods to OEMs (original equipment manufacturers) they should be classifiable as critical key components – which in turn increases the attractiveness of the customer's own products.

3. *Global potential.* Hexagon intends to operate globally. By competing globally in a well-defined market niche, Hexagon can maintain an overview of technological progress, business threats and opportunities.

4. *Strong brands.* Industrial products are similar to consumer products inasmuch as strong brands are an asset to marketing. Hexagon intends to market its products under brands that are familiar to customers.

5. *Fragmented sectors.* Hexagon's strategy is founded on creating market leadership. If markets are fragmented, this means Hexagon can considerably advance its positioning by making add-on acquisitions, or contributing to sector restructuring.

6. *Growth.* Hexagon endeavours to create growth, pursuing all the following growth strategies:

- *Existing Products/Existing Markets*. This is Hexagon's most crucial combination. Growth is created partly through product modifications, but mainly by acquiring competitors and rationalising the resulting structure. To realise growth in this combination, the operational objective of being the cost leader is vital.

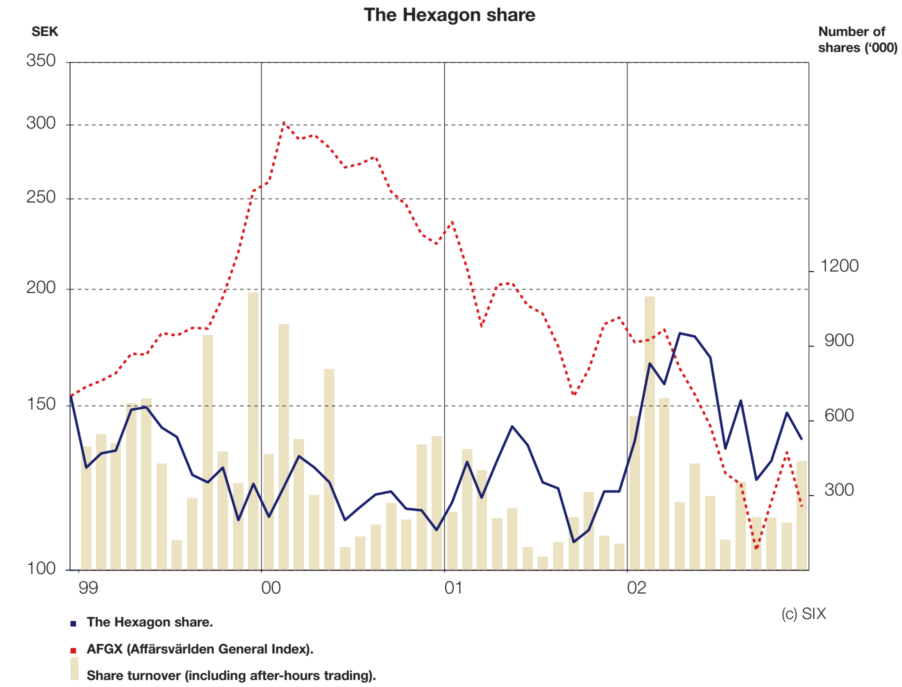
- *New Products/Existing Markets*. Having capable R&D organisational resources enables enhanced competitiveness, thereby winning market shares through a superior product offering – a vital strategy for the market leader. Our operational objective of being the sector innovator is consistent with this growth strategy.

- *Existing Products/New Markets*. This type of expansion might concern an existing product in the launch of a new application or geographical expansion. The financial benefits of such an expansion strategy outweigh those of an existing product/existing market situation, but unfortunately this combination is becoming increasingly rare.

- *New Products/New Markets*. This would be an entirely new product for Hexagon, with new customers, with risk being substantially higher. This is Hexagon's lowest priority growth strategy.

7. *Continuing – step two.* Hexagon's investments are never exclusively financial. Hexagon must have an operational plan for its investment, defined in a series of phases. Typically, such phases are reorganisation, cost-cutting and expansion.

The Hexagon Share



OWNERSHIP STRUCTURE

According to VPC, Hexagon had 5,623 shareholders at year-end 2002.

Biggest Shareholders	A	B	Per Cent of Capital	Per Cent of Votes
Melker Schörling, privately and through companies	1 050 000	3 466 297	24.4	49.9
Maths O Sundqvist, privately and through companies		2 332 250	12.6	8.4
Didner & Gerge Aktiefond		685 275	3.7	2.5
AFA AB		663 950	3.6	2.4
Livförsäkringsbolaget AB Skandia		551 126	3.0	2.0
Fidelity and associated funds		539 050	2.9	1.9
Robur and associated funds		435 450	2.4	1.6
Simon Bonnier		351 250	1.9	1.3
Handelsbanken and associated funds		307 547	1.7	1.1
Svenskt Näringsliv		300 000	1.6	1.1
Stiftelsen för Kunskaps- och Kompetensutv.		281 250	1.5	1.0
Östersjöstiftelsen		255 600	1.4	0.9
Total	1 050 000	10 169 045	60.7	74.1

SHARE CAPITAL HISTORY

Year	Issue	Change in Number of Shares	Number of Shares	Share Capital, SEK '000
1985			840 000	42 000
1986	Private placement	6 800	846 800	42 340
1987	Private placement	250 000	1 096 800	54 840
1988	Split 5:1	4 387 200	5 484 000	54 840
1988	New issue, convertibles, options exercised	25 885	5 509 885	55 099
1989	New issue, convertibles, options exercised	41 598	5 551 483	55 515
1990	New issue, convertibles, options exercised	325 127	5 876 610	58 766
1991	New issue, convertibles	206 666	6 083 276	60 833
1993	New issue, preferential rights	6 083 276	12 166 552	121 666
1994	Private placement	1 408 448	13 575 000	135 750
1996	Private placement	1 218 182	14 793 182	147 932
2002	New issue, preferential rights	3 698 295	18 491 477	184 915

SHARE CAPITAL AND NUMBER OF SHARES

During the year Hexagon carried out a share issue which resulted in an MSEK 37 increase in the share capital to MSEK 184.9. The number of shares increased to a total of 18,491,477, divided between 1,050,000 class A shares and 17,441,477 class B shares. Class A shares confer ten votes and class B shares one vote.

MARKET CAPITALISATION

The market price of the Hexagon share made gains of over 13 per cent adjusted to take account of the new share issue during the year, against 43 per cent losses by the AFGX (Affärsvärlden General Index) in the same period. The market capitalisation at year-end was MSEK 2,552 (1,953).

SHARE LIQUIDITY

Total share turnover on the Stockholm Stock Exchange was 4,738,634 shares (2,410,499) including after-hours trading. The total value was MSEK 754 (321). Average daily turnover was 18,879 (9,600) shares; trading blocks comprise 100 shares.

SHAREHOLDER STRUCTURE

At 31 December 2002, Hexagon had 5,623 shareholders, against 5,735 at year-end 2001. At 31 December 2002, foreign ownership was 14 per cent (9). Institutional ownership was 25 per cent (31) of the total number of shares and 16 per cent (20) of the vote.

DIVIDEND POLICY

Consolidated earnings performance and equity ratio are decisive for future dividends. In the context of dividends, the Board's fundamental consideration is that 25–35 per cent of earnings after tax should be distributed as dividends to shareholders. The Board will propose that the Annual General Meeting resolves to pay SEK 4.60 (4.60) per share in dividends, equivalent to MSEK 85 (74). This dividend would comprise 46 per cent (51) of earnings per share after tax and 3.9 per cent (4.2) of consolidated shareholders' equity.

Parent company non-restricted reserves at 31 December 2002 were MSEK 647 after deducting the proposed dividend for the year of MSEK 85.

The dividend approved by the AGM will be paid through VPC to shareholders listed in the share register as of the record date.

This payment is scheduled for 14 May 2003, assuming the Annual General Meeting approves the Board's proposal of 9 May 2003 as the record date.

KEY FINANCIAL RATIOS

SEK/share	2002	2001	2000	1999	1998
Share price**	138	122	111	124	154
Shareholders' equity	119	110	105	101	85
Earnings per share after tax	10.74	9.00	8.69	7,63	11.94
Cash flow per share	17.64	19.38	17.13	21.13	13.56
Dividend**	4.60*	4.60	4.60	4.60	4.60
Dividend yield, per cent	3.3	3.8	4.1	3.7	3.0
Dividend pay-out ratio, per cent	46	51	53	61	39
P/E-ratio	12.8	13.6	12.8	16.2	12.9

*Board proposal. ** Adjusted to take account of the bonus issue element of the new share issue.

SHAREHOLDER STRUCTURE

Shareholding	No. of Shareholders	No. of Shares	Percentage of shares
1-200	3 040	231 812	1.3
201-1000	1 752	827 828	4.5
1001-2000	410	563 657	3.0
2001-5000	234	711 055	3.8
5001-10000	63	477 247	2.6
10001-20000	43	606 311	3.3
20001-50000	40	1 355 721	7.3
50001-100000	13	978 402	5.3
100001-	28	12 739 444	68.9
	5 623	18 491 477	100

Five-year Summary

(MSEK)	2002	2001	2000	1999	1998
Income statement					
Net sales	6 997	6 204	5 099	4 667	4 946
EBITDA operating earnings	719	531	440	387	517
EBITA operating earnings	511	350	281	242	381
EBIT1 operating earnings	421	287	234	194	333
Operating earnings	400	310	267	209	333
Earnings before tax	319	227	223	179	313
Of which non-recurring items	-21	23	33	15	19
Net earnings	187	144	139	122	191
Balance Sheet					
Current assets	3 118	3 391	2 000	1 570	1 826
Fixed assets	3 100	3 096	1 541	1 549	1 468
Non-interest bearing liabilities and provisions	1 713	1 877	975	740	964
Interest bearing liabilities and provisions	2 275	2 825	874	759	958
Minority interests	36	30	13	10	9
Shareholders' equity	2 194	1 755	1 679	1 610	1 363
Total assets	6 218	6 487	3 541	3 119	3 294

Key financial ratios	2002	2001	2000	1999	1998
Annual net sales growth (%)	13	22	9	-6	17
Return on capital employed (%)	10	9	12	10	17
Return on capital employed excluding goodwill (%)	17	13	15	14	23
Return on equity (%)	9	8	8	8	15
Return on equity excluding goodwill (%)	14	12	11	11	18
Equity ratio (%)	36	28	48	52	42
Share of risk-bearing capital (%)	37	28	48	52	47
Interest coverage ratio (multiple)	3.4	2.9	4.3	4.5	6.6
Net debt/equity ratio (multiple)	0.97	1.35	0.38	0.40	0.55
Cash flow before change in working capital (MSEK)	388	358	381	243	365
Cash flow (MSEK)	307	310	274	338	217
Investments (MSEK)	267	202	150	170	197
Earnings per share after tax (SEK)	10.74	9.00	8.69	7.63	11.94
Earnings per share after tax excluding goodwill amortization (SEK)	15.92	12.94	11.63	10.63	14.94
EBITDA operating earnings per share (SEK)	41.31	33.19	27.50	24.19	32.32
EBITA operating earnings per share (SEK)	29.36	21.88	17.56	15.13	23.81
Cash flow per share before change in working capital (SEK)	22.29	22.38	23.81	15.19	22.81
Cash flow per share after change in working capital (SEK)	17.64	19.38	17.13	21.13	13.56
Shareholders' equity per share (SEK)	119	110	105	101	85
Share price on the balance sheet date (SEK)*	138	122	111	124	154
Average number of shares ('000)*	17 404	15 998	15 998	15 998	15 998
Average number of employees	5 428	5 061	4 078	3 656	3 568

* Adjusted to take account of the bonus issue element of the new share issue.

Definitions of Key Financial Ratios

"Annual net sales growth"
Percentage change in net sales on previous year.

"Capital employed"
Total assets less non-interest-bearing liabilities.

"Capital turnover rate"
Net sales for the year divided by average capital employed.

"Cash flow"
Cash flow from ongoing operations after change in working capital.

"Cash flow per share"
Cash flow from ongoing operations after change in working capital, divided by average number of shares.

"Dividend pay-out ratio"
Dividend divided by earnings per share after tax.

"Dividend yield"
Dividend as a percentage of share price.

"EBITA operating earnings"
Operating earnings excluding capital gain on shares in group companies, items affecting comparability and depreciation/amortization of goodwill and similar fixed assets.

"EBITDA operating earnings"
Operating earnings excluding capital gain on shares in group companies, items affecting comparability and depreciation/amortization of fixed assets.

"EBIT1 operating earnings"
Operating earnings excluding capital gain on shares in group companies and items affecting comparability.

"Earnings per share after tax"
Net earnings divided by average number of shares.

"Earnings per share after tax excluding goodwill"
Net earnings excluding amortization of goodwill and similar fixed assets divided by average number of shares.

"Equity ratio"
Shareholders' equity including minority interests as a percentage of total assets.

"Interest cover 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/equity ratio"
Interest-bearing liabilities less liquid assets divided by shareholders' equity.

"Operating margin"
Operating earnings as a percentage of net sales for the year.

"P/E ratio"
Share price divided by earnings per share after tax.

"Profit margin"
Earnings after financial items as a percentage of net sales for the year.

"Return on capital employed"
Earnings after financial items plus financial expenses as a percentage of average capital employed.

"Return on capital employed excluding goodwill"
Earnings after financial items plus financial expenses and amortization of goodwill and similar fixed assets as a percentage of average capital employed minus average goodwill and similar fixed assets.

"Return on equity"
Net earnings as a percentage of average shareholders' equity.

"Return on equity excluding goodwill"
Net earnings excluding amortization of goodwill and similar fixed assets as a percentage of average shareholders' equity.

"Shareholders' equity per share"
Shareholders' equity divided by the number of shares at year-end.

"Share of risk-bearing capital"
The sum of equity, minority interests and tax provisions as a percentage of total assets.

"Share price"
Year-end closing price on the Stockholm Stock Exchange.

The Board of Directors and Chief Executive Officer of Hexagon AB (publ), corporate identity number 556190-4771, hereby submit the Annual Report and consolidated financial statements for the fiscal year 2002.

Directors' Report

OPERATIONS

Consistent with the group's strategic orientation, as resolved in 2000, the fiscal year was characterised by this extensive developmental programme. In brief, this means: growth – improved operating margin and a focusing of the business.

As a natural part of the group's development an extraordinary general meeting on 6 May resolved to effect a new share issue. The reason for the issue was to be able to take advantage of the acquisition opportunities that currently exist. The share issue, which was fully subscribed, was implemented in June - resulting in a MSEK 420 increase in equity and an increase in the number of shares from 14,793,182 to 18,491,477.

"As a natural part of the group's development an extraordinary general meeting on 6 May resolved to effect a new share issue"

During the year, Hexagon divided its business operations into three business areas: Hexagon Automation, Hexagon Engineering and Hexagon Metrology.

DIVESTMENTS

On 17 May Hexagon sold all its shares, accounting for 10.3 per cent of the capital and 6.7 per cent of votes, in the listed company Svedbergs i Dalstorp AB.

In June the listed company VBG AB implemented a repurchase scheme which involved Hexagon selling 10 per cent of its holding of class B shares in the company. In July Hexagon also sold all its class A shares in the company. Following these transactions Hexagon's shareholding in VBG AB amounts to 45 per cent of the capital and 24 per cent of shares.

ACQUISITIONS

On 1 May the metrology company C E Johansson was acquired. The acquisition strengthens Hexagon's position in Europe with another strong and well-established brand in metrology, as well as its global position in medical metrology.

On 28 June the German company GFD Technology GmbH was acquired. The acquisition forms part of the investment that Hexagon is making in the segment of advanced rubber compounds.

On 20 August the remaining majority shareholding in the US company Xygent Inc. was acquired. The acquisition adds technology and competence that will allow the development towards new application areas of Hexagon's own software PC-DMIS to take place at a quicker pace.

On 9 September Quality Ltda, Brazil's biggest distributor in the field of metrology, was acquired. The acquisition strengthens Hexagon's presence in South America both in respect of sales of new machinery and the aftermarket business, which is of great interest.

On 4 October Hexagon acquired Mirai Srl, Italy's leading metrology software company. The company's software will strengthen Hexagon in respect of design and metrology of sheet metal details, particularly for the automotive industry.

ORDER INTAKE AND INVOICED SALES

Consolidated order intake grew by 14 per cent over the year, to MSEK 6,959 (6,131).

Consolidated sales grew by 13 per cent to MSEK 6,997 (6,204). The Swedish enterprises' share of the total sales declined to 38 per cent (43).

EARNINGS

Consolidated EBITDA operating earnings before depreciation grew 35 per cent to MSEK 719 (531).

Operating earnings before depreciation of intangible assets (EBITA) amounted to MSEK 511 (350), a 46 per cent increase. The corresponding margin was 7 per cent (6).

Goodwill amortisation amounted to MSEK 90 (63).

Consolidated earnings before tax grew to MSEK 319 (227).

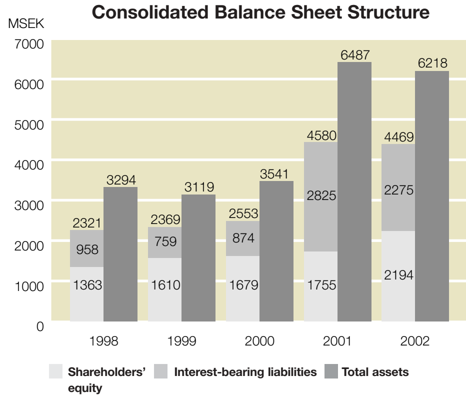
PROFITABILITY

Return on average shareholders' equity was 9.4 per cent (8.4). Consolidated capital employed, defined as total assets less non-interest bearing liabilities, was MSEK 4,505 (4,610). Return on average capital employed was 10.1 per cent (8.8). The rate of capital turnover was 1.6 times (1.6).

TAX EXPENSE

The consolidated tax cost was MSEK 122 (75), which corresponds to a tax rate of 38.2 per cent (33.0). Tax costs during the year included a one-off effect due to the fact that assets were realised for tax purposes before the assets were disposed of. This had a negative effect on tax in the year-end accounts of MSEK 22 or 6.9 per cent. Tax expenses are also affected by the fact that goodwill amortisation is not fully tax-deductible and because a significant part of earnings are generated in foreign subsidiaries in countries with higher tax rates than Sweden.

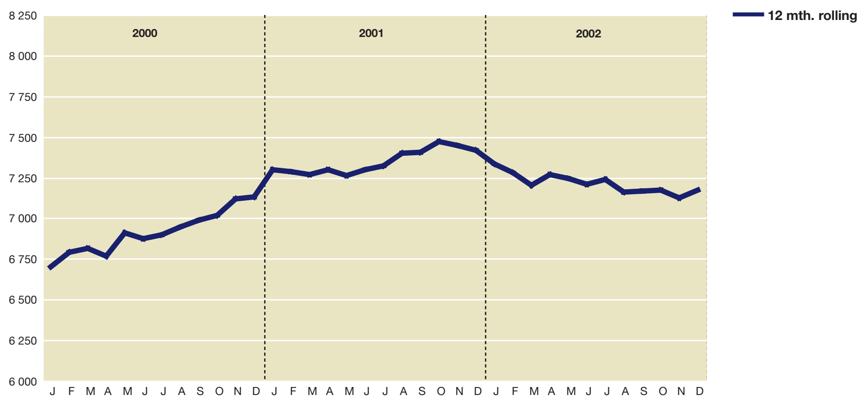
Consolidated Balance Sheet Structure



FINANCIAL RISKS

A significant proportion of Hexagon's revenues and expenses are generated in foreign currencies, implying that exchange rate fluctuations influence Hexagon's revenues, operating earnings, shareholders' equity and other items. Hexagon is also subject to bond market variations, and accordingly, currency and interest rate exposure is co-ordinated centrally in Hexagon's Treasury function, which also secures the majority of the group's external and internal funding. The Board of Directors reviews annually the guidelines for the management of financial exposure in a group-wide Finance Policy.

Order Intake (MSEK)



TRANSACTION EXPOSURE

Hexagon's transaction exposure is due to currency exposure, mainly the result of the Swedish subsidiaries' international trading. The definition of transaction exposure also extends to earnings in foreign subsidiaries. Transaction exposure is mainly hedged using currency forwards and currency clauses.

CONVERSION EXPOSURE

The group's Finance Policy states that the effect of exchange rate fluctuations on shareholders' equity should be minimised using hedging through borrowings or forward contracts in the currency of net assets.

INTEREST EXPOSURE

Hexagon's interest risk relates to the risk of an adverse influence on consolidated earnings from variations in yields. The group's interest risk is managed by the parent company. Interest risk primarily arises as a consequence of the group's borrowings. Standard derivative instruments are used to control interest exposure, by means such as extending or shortening interest fixing periods, without renegotiating the underlying funding. The interest fixing period is short within the group, being an average of five months at the end of the year.

FUNDING RISK

Hexagon's funding risk means the risk that the corporation cannot satisfy its needs for external capital, and to assure this, the group needs a secure financial position as well as active measures to ensure its access to external credits. In June 2001, Hexagon signed a five-year MUSD 255 syndicated loan. In 2002 a debenture loan of MEUR 12 was taken out. The unutilised part of all credit facilities, alongside existing liquidity, implies that Hexagon's solvency is MSEK 1,196 (1,054), equivalent to 19 per cent (16) of total assets.

FINANCIAL POSITION

The group's total assets decreased to MSEK 6,218 (6,487).

At 31 December 2002, the equity ratio was 35.9 per cent (27.5); visible shareholders' equity was MSEK 2,194 (1,755). Consolidated goodwill was MSEK 957 (967), or 15.4 per cent (14.9) of total assets and 43.6 per cent (55.1) of shareholders' equity.

Goodwill relates to the following businesses:

(MSEK)	2002	2001
Hexagon Metrology	809	808
Hexagon Engineering	93	89
Hexagon Automation	55	69
Other	0	1
Group	957	967

Consolidated net debt decreased by MSEK 233 to MSEK 2,134 (2,367), and the net debt/equity ratio was 0.97 (1.35). Hexagon's interest cover was a multiple of 3.4 (2.9).

INVESTMENTS

Consolidated net investments, excluding corporate acquisitions, were MSEK 267 (202). Depreciation was MSEK 298 (244), of which amortization of intangible assets was MSEK 90 (63).

Hexagon acquired no other shares during the year MSEK 0 (5).

PRODUCT DEVELOPMENT

Major resources have been devoted to product and process development. This is considered to be of strategic importance for the group, partly to enhance existing products, but mainly in order to find new application areas, thereby increasing the total market for our products and services.

CASH FLOW

Cash flow from ongoing operations before change in working capital was MSEK 388 (358), equivalent to SEK 22.29 per share (22.38); cash flow from ongoing operations was MSEK 307 (310), or SEK 17.64 per share (19.38). Operating cash flow was MSEK 40 (108).

During the year other investments and changes in external borrowing, including the effect of the new share issue, affected cash flow by MSEK -253 (230).

SALES BY FOREIGN CURRENCY

(MSEK)	
EUR	2 208
CHF	278
CNY	199
DKK	431
GBP	168
NOK	491
USD	889
Other	71
TOTAL	**4 735**

PURCHASING BY FOREIGN CURRENCY

(MSEK)	
EUR	1 763
CHF	107
CNY	29
DKK	186
GBP	202
NOK	187
USD	607
Other	12
TOTAL	**3 093**

NET ASSETS BY FOREIGN CURRENCY

(MSEK)		Hedging Level
USD	722	88%
EUR	945	93%
CHF	608	97%
NOK	118	109%
Other	337	71%
TOTAL	**2 730**	**91%**

Net Sales and Earnings by Business Area

	Net Sales		Earnings	
MSEK	**2002**	**2001**	**2002**	**2001**
Hexagon Automation	2 248	2 214	106	100
Hexagon Engineering	2 224	2 067	176	148
Hexagon Metrology	2 564	1 857	236	143
Other enterprises		89		-35
Earnings share, associated companies			15	15
Parent company, group adjustments	-39	-23	-22	-21
EBITA			511	350
Amortization of intangible assets			-90	-63
EBIT			421	287
Capital gains			46	66
Items affecting comparability			-31	-43
Net financial income/expense			-117	-83
Earnings before tax	6 997	6 204	319	227

Dividends to shareholders for the fiscal year 2001 amounted to MSEK 74 (74), or SEK 4.60 (4.60) per share. Consequently, cash flow for the year amounted to MSEK -287 (264).

BUSINESS AREAS

Sales in the Hexagon Automation business area amounted to MSEK 2,248 (2,214). Order intake amounted to MSEK 2,204 (2,211). Operating earnings (EBITA) amounted to MSEK 106 (100).

Sales in the Hexagon Engineering business area were MSEK 2,224 (2,067); order intake was MSEK 2,208 (2,041). EBITA operating earnings were MSEK 176 (148).

The Hexagon Metrology business area was consolidated from 1 May 2001, the date Hexagon took possession, and was thereby included for eight months only in the comparison year 2001. In 2002 its sales amounted to MSEK 2,564 (1,857) and order intake to MSEK 2,547 (1,799). EBITA operating earnings were MSEK 236 (143).

The heading Other enterprises refers to the Wireless business area, which was sold effective 31 December 2001.

Associated company VBG AB made an MSEK 12 (11) earnings contribution according to the equity method.

PARENT COMPANY

Parent company earnings after financial items were MSEK -39 (-60); the parent company equity ratio was 35 per cent (28). Visible shareholders' equity, including the equity share of untaxed reserves, was MSEK 1,701 (1,301); liquid assets including unutilised credit facilities were MSEK 867 (566). During the year, the parent company acquired MSEK 0 of shares (5).

RESTRUCTURING PROVISION

At the start of the year the restructuring provision amounted to MSEK 107. In connection with the acquisitions made during the year a further MSEK 56 was allocated for restructuring. MSEK 123 of the total provision was utilised during the year, MSEK 84 of which relates to personnel costs. The restructuring provision changed by MSEK 10 as a result of exchange rate movements, and amounted at the end of the year to MSEK 30.

HUMAN RESOURCES

The average number of employees in the group was 5,428 (5,061) in the year, with the headcount at the end of the year 5,674 (5,814). When adjusted for acquisitions and divestments the headcount reduced during the year by 406 people or 7 per cent. The proportion of employees in foreign countries increased to 63 per cent (59).

NET SALES AND EARNINGS AFTER FINANCIAL ITEMS

MSEK	Sales	Earnings
1998	4 946	313
1999	4 667	179
2000	5 099	223
2001	6 204	227
2002	6 997	319

RETURNS 1998 – 2002

	On Capital Employed	On Equity
1998	17%	15%
1999	10%	8%
2000	12%	8%
2001	9%	8%
2002	10%	9%

CASH FLOW AND INVESTMENTS

MSEK	Cash Flow	Investments
1998	217	197
1999	338	170
2000	274	150
2001	310	202
2002	307	267

The average number of employees in the parent company was 9 (10).

In 2000 Hexagon introduced a warrant scheme directed to key personnel. There are 700,000 warrants in total, of which 648,500 have been subscribed for by a total of 32 senior executives. The warrants were sold at market price. Each warrant entitles the holder to subscribe for a new series B share in the period up to 31 May 2005 at a price of SEK 184.55. The dilution effect if fully utilised is 4.0 per cent of the share capital and 2.8 per cent of votes. The dilution effect on the key ratios has not been calculated, since it is assumed to be marginal.

ENVIRONMENT

External and working environment issues are an integral element of Hexagon's activities, and decisions on operations exerting an environmental impact are guided by current legislation, what is ecologically justifiable, technically possible and economically viable. Hexagon observes the standard of its subsidiaries being environmentally accredited or registered in accordance with ISO and EMAS.

BOARD ACTIONS

Hexagon's Board of Directors has five members, including the Chief Executive Officer. Apart from the Board meeting following election, the Board met on ten occasions at which minutes were taken. For one of the meetings the Board also visited one of the group's production facilities in Germany.

The Board resolves on the group's overarching strategy, major corporate acquisitions, divestitures and investments. Otherwise, the Board of Directors is responsible for the group's organisational structure and management pursuant to the Swedish Companies Act.

In accordance with the stipulations of the Swedish Companies Act, Hexagon has procedural rules for its Board and instructions for the Chief Executive Officer, which are reviewed and adopted yearly.

The company's auditors attended the first board meeting of the year, presenting their observations from the audit of the group's internal controls and financial statements.

EVENTS AFTER THE FISCAL YEAR

On 23 January 2003 Hexagon and Boliden signed a letter of intent to form a jointly-owned company focusing on the manufacture of brass products. The two companies will contribute their respective brass businesses to the joint venture, which in Hexagon's case is the subsidiary Nordic Brass. The merger will create a strong Nordic brass company with greater competitiveness and enhanced profitability.

OUTLOOK

Our opinion is that Hexagon will continue to reach the overall financial target of an increase in earnings per share after tax by at least 15 per cent p.a.

Proposed Allocation of Earnings

Consolidated non-restricted equity, as stated in the Balance Sheet, amounted to TSEK 1,145,733 of which TSEK 187,485 comprised net earnings. The following earnings in the parent company are at the disposal of the Annual General Meeting:

	SEK '000
- Earnings brought forward from previous year	651 843
- Group contribution, net after tax	82 825
- Net earnings	-2 356
Total	**732 312**

The Board of Directors and Chief Executive Officer propose that these funds are allocated as follows:

- Dividends of SEK 4.60 per share to shareholders	85 061
- Carried forward	647 251
Total	**732 312**

Hexagon
– our customers depend on our precision for the manufacture of their products

The group carries on its activities in 80 operating companies in 20 countries. These companies are in turn organised into three business areas. Apart from exploiting Hexagon's economies of scale within infrastructure, accounting, financing and procurement, each business area runs its business autonomously, consistent with the group's over-arching strategy.

The synergies between the products of the different business areas are marginal, yet together these enterprises make up a strong group. This combined with a professional board, common values, proximity to the capital market and a common public profile provides great advantages when marketing the products of the individual companies.

HEXAGON Automation

This business area's products and services encompass everything from components and systems to after-market service in the areas of hydraulics, pneumatics, transmissions, flow systems, lubrication systems and electrical engineering. Customers are in multiple segments including the wind power, offshore, paper and pulp, mining, construction, process, engineering and automotive industries, as well as materials handling. During the year the business area generated revenues of MSEK 2,248 (2,214).

HEXAGON Engineering

This business area's activities concentrate on providing key components and systems to original equipment manufacturers (OEMs) in the automotive, construction, marine and other engineering industries. The business area comprises the corporations Gislaved Gummi, Johnson Industries and SwePart, with aggregate revenues of MSEK 2,224 (2,067).

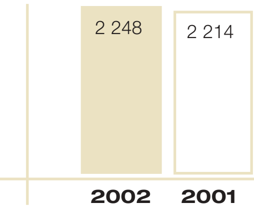
HEXAGON Metrology

This business area is the world leader in metrology and manufactures co-ordinate measuring machines and hand tools at seven manufacturing facilities on various continents. Extensive after-market business is handled by around 30 regional precision centres that carry out upgrading of machinery and software, training, contract maintenance and similar activities. Metrology's biggest customers are in the automotive industry, including its subcontractors, aerospace, defence and other engineering industries, as well as in electronics, medicine, IT and medical technology. Over the year, the business area's revenues were MSEK 2,564 (1,857).

HEXAGON Automation

BÖRJE VERNET, PRESIDENT

REVENUES, AUTOMATION



	2002	2001
EBITA operating earnings	106	100
Capital employed	1 435	1 377

The Hexagon Automation business area comprises 24 operational subsidiaries which are active in the Nordic and Baltic regions. The companies all have a local presence, with specialist technical competence, strong product ranges and proximity to the customer as the foremost strategies. The companies' products and services encompass everything from components and systems to after-market service within hydraulics, pneumatics, transmissions, flow systems, lubrication systems, as well as electrical and control systems.

Customers of the Automation business area include both Original Equipment Manufacturers (OEMs) and end-users and occupy many different sectors. Mobile applications such as trucks and forestry machinery, industrial plant for the forestry industry, steelworks and mining, offshore and marine installations, hydroelectric and wind power as well as other engineering, food, transport and defence industries are all important customer groups.

"The supply of components and the design of systems by this business area bring about automation of processes and movements with a high degree of precision and reliability"

The supply of components and the design of systems by this business area bring about automation of processes and movements with a high degree of precision and reliability. An efficient after-market organisation ensures the intended functionality, availability and efficiency. The components are manufactured in eight factories of our own or bought in from leading component manufacturers all over the world.

In addition to their home markets, a number of this business area's companies have achieved an European market position for components and systems within various applications. This applies among other things to power generation equipment, mobile machinery, electrical control systems, offshore plant, press technology, door systems and test equipment for the engineering industry. Automation is the world leader in control and management of the rotor blade angle in wind power stations.

Hexagon Automation is the market leader in automation technology in the Nordic region and enjoys strong market positions, particularly in Sweden, Finland and Norway. The business area's market position in Denmark has strengthened during the year.

SWEDEN

The market for hydraulics and adjacent products in Sweden was weaker during the year than in the previous year, with some degree of improvement noticeable in the latter part of the year. Our business concept – with its local organisation and proximity to the customers – has proved to be successful as regards business development, customer benefit and profitability. Despite a weak economy, in many cases market share has increased. Operations are carried out in 12 companies, all with their own clear business concept, orientation and independent organisation.

The production of hydraulic cylinders for mobile applications has enjoyed continued good growth over the year. The area of large hydraulic cylinders for bridges, sluice gates and other applications developed slightly less well due to the low level of investment activity during the year. However, the customer base was widened during the year, whilst at the same time a major investment was made in machinery. The manufacture of hydraulic cylinders and systems for customers within the energy sector and the materials handling industry experienced lower sales during the year, but the order intake improved again in the last quarter of 2002.

Customers for our hydraulics systems and components are found on the OEM side primarily within mobile applications as well as industrial applications for example such as packaging machinery, filtering presses, materials handling, sawmill equipment and various types of specialist machinery. A number of the applications developed less well in volume terms than in the previous year, but there is great variation. Activities within central lubrication continued to demonstrate good growth during the year.

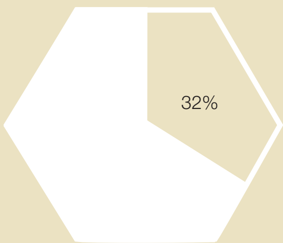
Among end-customers – representing, for example, the steel, paper, mining and engineering industries – the level of investment has been low in many areas, which had a negative effect on the business area's sales; however, in many cases there was a distinct increase in market share. Towards the end of the year a certain amount of increased activity was also noted within this customer segment.

A number of development and investment programmes were implemented within the companies forming this business area during the year. These include a product development within high-pressure and high-precision applications, installation of advanced clean-room technology for mounting of valve blocks as well as a redesign of the damping technology for hydraulic cylinders for the engineering industry and other applications.

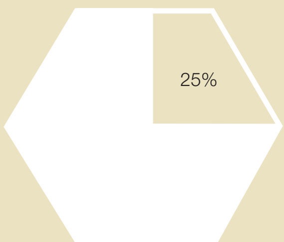
In general, the year saw good growth and development in service and maintenance activities. A number of the companies forming the Automation business area offer a wide range of different services. In parallel, a good level of development was noted for the companies specifically oriented towards filters for hydraulic plant, the process industry and laboratories.

Sales activities in respect of mobile and industrial hydraulics customers which were taken over in conjunction with the

Share of Consolidated Revenues



Share of Group Staff Headcount



acquisition of Berendsen's Swedish hydraulics activities in 2000, were restructured during the autumn. As a result, this company is now fully oriented towards sales via distributors of imported hydraulics components from worldwide leading manufacturers.

Hexagon Automation is a leading manufacturer of custom-designed worm gears. This business developed very well over the year. Substantial investment was made in machinery in order to increase production capacity whilst at the same time the development department was strengthened. As a consequence, the business is expected to continue to expand also this year.

FINLAND

The market in Finland had already experienced something of a downturn towards the end of 2001, but a certain amount of improvement was apparent by the end of 2002. The weaker market was particularly apparent in the areas of mobile and industrial hydraulics as well as pneumatics, primarily in respect of the OEM market. Sales to end-user customers developed somewhat more positively. The business area's activities are organised into two companies: Polarteknik PMC, oriented towards hydraulics and pneumatics, and IP-produkter, which primarily works with the process industry.

Hydraulic cylinders are manufactured for industrial and mobile applications. Demand from the industrial sector was clearly lower than in previous years, whilst there was an increase in deliveries for mobile applications.

The pneumatics sector was characterised by substantially weaker demand, particularly for standard components. Customised products and systems, principally for door systems, performed better. A significant cost cutting programme was implemented during the year, along with a further intensification of product development.

Within the service sector another centre was established during the year, taking the number to seven. This business – focusing on components, tubing and spare parts – developed well during the year.

Our geographical expansion within the Baltic region and Russia is continuing. Polarteknik's subsidiary in Estonia continued to enjoy profitable growth, whilst our establishment in Latvia progressed more slowly than expected. During the year a subsidiary in St. Petersburg was established.

Activities within Polarteknik's subsidiary HTR Hydraulikka developed very well during

"Despite a weak economy, in many cases market share has increased"

the year, corresponding well to expectations on its acquisition in autumn 2001.

IP-produkter specialises in the operations and maintenance of the process industry and sells a wide range of filters, flow components and seals. Its subsidiary Filtercon manufactures customised filter solutions. The trend in the different product groups varied during the year, but overall volume was virtually unchanged from last year, despite the weaker economy.

NORWAY

Over the year the market in Norway experienced weaker development than last year. Norwegian industry in general is suffering from a disadvantageous costs and currency position. The Norwegian organisation is split into two subsidiaries, Servi and Hydronic, both active within hydraulics. In addition, Servi has substantial activities within pneumatics and plane bearings.

During the year Servi received several large orders for the offshore industry and consolidated its leading position on the Norwegian market. The company concentrated its activities further during the year through the divestment of its ball and roller bearings operations. Operations and fixed assets were acquired for the production of hydraulic cylinders at Rissa. This latter activity has been organised into a subsidiary with the name Servi Cylinderservice A/S.

DENMARK

In 2002 the Danish hydraulics systems market was relatively weak outside the wind power sector. The market also held back in the area of electrical and control systems. In the wind power sector the market continued to develop positively, but not quite to the extent previously forecast. One factor was the uncertainty characterising the American market, particularly during first quarter. The Danish operations are organised into two companies. PMC Technology has three divisions oriented towards industry, wind power and pumps. The industry division works primarily within Denmark in the sectors of hydraulics, compressed air and pneumatics, while the other divisions also have significant sales outside Denmark. During the year the company turned its loss-making trend of many years' standing into a profit.

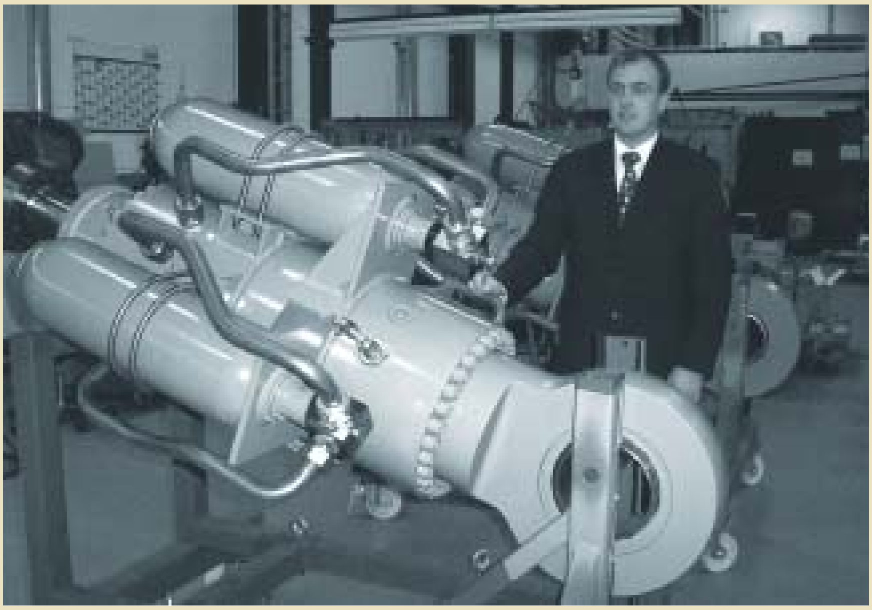
Systemteknik supplies electrical and control equipment to customers located primarily in the Nordic region. Activities in Cubic Tavleproduktion, which was acquired in 2001, developed well and during the year the companies merged and streamlined their organisation. In 2003 the businesses will relocate to shared premises in Ålborg.

THE PAST YEAR

In general, the companies in this business area coped well with the weaker economy and increased their market shares. Sales increased by 2 per cent to MSEK 2 248 (2 214). EBITA operating earnings increased by 6 per cent to MSEK 106 (100).

The various units in this business area will undergo further fine-tuning as we await an improvement in the economy. Minor supplementary acquisitions will be made. Particular focus will be placed on the structure and expansion of the service organisation, as well as on the continued development of global applications centres such as for wind power, the offshore industry, the engineering industry and systems for the transport industry.

The dome of the Gemini 1 reflecting telescope in Hawaii. Hydraul Syd designed and supplied the hydrostatic bearing system for the telescope's movements.



Cylinders for delivery to a cement factory in Africa. The cylinders are used as hydraulic springs in stone crushing and are supplied by PMC Technology A/S in co-operation with Vaggeryds Hydraulik AB and Hällaryds Hydraulik AB.

SystemTeknik A/S has been chosen to supply radio station control equipment for the whole of Greenland. The picture shows such station, with its panels, generator and transmitter equipment.

HEXAGON

Engineering

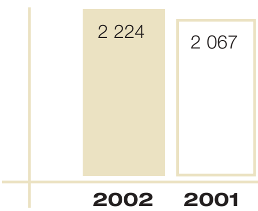
Torbjörn Wistrand, President

Johnson Industries AB
SwePart AB

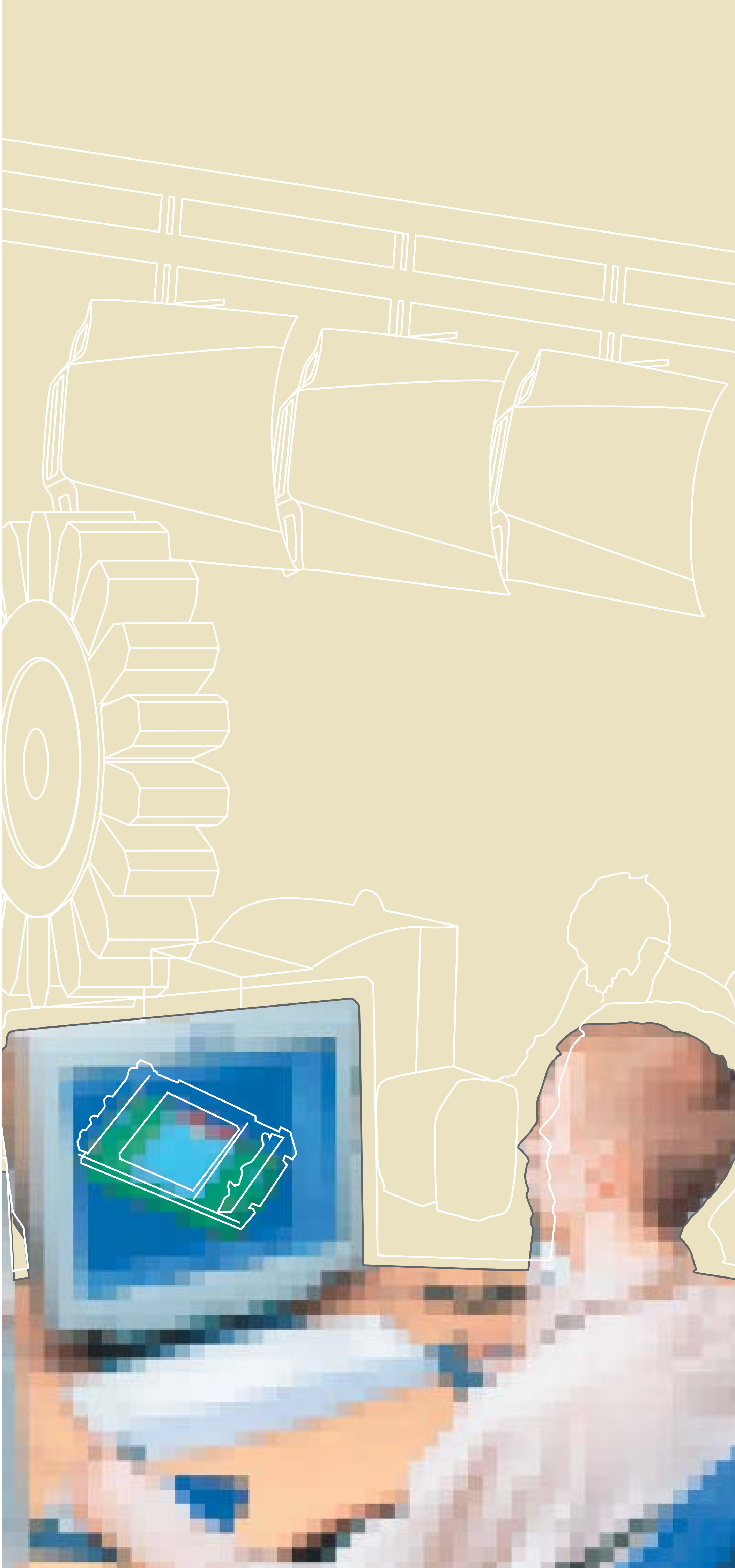
Lars Olofsson, President

Gislaved Gummi AB

Revenues, Engineering



	2002	2001
EBITA operating earnings	176	148
Capital employed	2 318	2 358



The Hexagon Engineering business area comprises three corporate groupings: Gislaved Gummi, Johnson Industries and SwePart. Each company within these groupings is responsible for its own development, production and marketing. The business area's customers are mainly in the engineering and automotive sectors – sectors with high requirements in respect of product quality, delivery reliability and precision. The majority of the businesses within this business area are specialized and enjoy a strong market position within their sector.

Over the year the market situation in different sectors varied. Sales of heavy vehicles were at a lower level than in the previous year, which had a negative effect on the business area. Within the engineering industry, businesses related to wind power and to oil and gas developed positively. The ongoing restructuring programme of recent years aimed at improving efficiency, reducing lead-times and improving the level of service has begun to bear fruit. Over the year the business area increased its market share in several product areas, leading to a strengthened market position.

"The ongoing restructuring programme of recent years aimed at improving efficiency, reducing lead-times and improving the level of service has begun to bear fruit"

GISLAVED GUMMI

Gislaved Gummi works within four product areas: gaskets for plate heat exchangers, plastic and rubber wheels for truck and track drive applications, rubber compounds as semi-products and extrusions for the construction industry.

The company has production units in Gislaved and Laxå in Sweden, as well as in Germany and Sri Lanka.

Gislaved's main customers are major international groups with high requirements of delivery reliability, quality and functionality.

Competition for the Gislaved Gummi group is fairly limited due to its high degree of specialisation. However, there are small local manufacturers in a number of countries.

Gaskets for plate heat exchangers are used in a variety of applications using the media of water, sulphuric acid, fruit juice, oil, etc. The size of the gaskets varies from very small diameters up to four metres. This imposes very high requirements in respect of the materials used – if they are to withstand the various applications – and of dimensional accuracy. The materials used are developed and manufactured in full within Gislaved Gummi.

Customers' increased demands mean that process and product development form an important part of the group's activities. The company controls production right from the raw material to the finished product. Finding new materials which cope with increasingly high temperature requirements is a continuous process. Over the year work on minimising dimensional variation led to a package of measures which will be introduced in 2003. Within the area of wheels for castor wheel applications a complete range of materials has been produced in order to be able to provide customers with the right wheel for their specific application. This has had positive results in the form of new customers and new orders.

In the area of compounds a number of interesting projects are in progress which have great potential, requiring us to develop new material concepts which cope with the high requirements set whilst at the same time giving the customer a competitively priced product. A couple of these products will produce results in the form of increased volumes already in 2003.

Within extruded sections, new materials have been developed which are cost-effective whilst maintaining high quality standards.

During the year GFD Technology GmbH was acquired. This company, which is situated south of Düsseldorf, is probably the most modern in Europe in respect of the compounding of rubber mixtures for industrial rubber applications. All its machinery and buildings date from 1997 or later. The company's sales from the three existing lines amount to around MSEK 300. The buildings are set up for a fourth production line, providing opportunity for further expansion.

There was a relatively high level of investment during the year. The transfer of production of plate heat exchanger gaskets to Sri Lanka, which had been started previously, was completed and kept the level of investment in the Sri Lankan unit high.

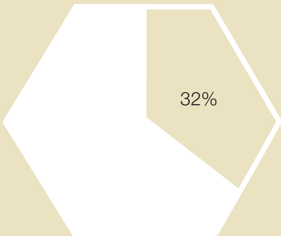
The sales volume was at a high level considering the poor economy. This means that the company took market share during the year. In addition, a significant increase in volume has been added with the acquisition of GFD.

JOHNSON INDUSTRIES

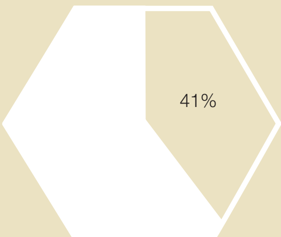
Johnson Industries processes bronze, brass and steel products. It has production units in the Swedish cities of Örebro and Västerås as well as at a number of locations in southern Sweden.

Bronze products are manufactured in a fully integrated process extending from casting to machined components. Products include slide bearings, tubing and parts for bushings and contact rings. The customers are major international corporations within the segments of contract machinery, heavy vehicles, wind power, and the wharf and offshore industries.

Share of Consolidated Revenues



Share of Group Staff Headcount



Although the economy weakened overall, volumes of bronze products remained at the same levels as in 2001. An increased volume was supplied to the Norwegian wharf and offshore industry, as well as for contract machinery. There was a reduction in the volume of standard bronze blanks, however. The sand casting area was restructured during the year. In 2002 we began supplying a completely new product to the wind power industry in the form of bronze contact rings for transferring energy within wind power plant. Increased volume is expected in 2003 as a result of a focus on marine propellers.

A new alloy, Wearless 315, was launched in the latter part of the year. This product, which is a registered trade mark, was developed by our Finnish unit and will primarily be marketed for applications within the transmission industry. In certain cases it may replace lead-bronze alloys, which is why it will be launched as a lead-free alternative. The launch of Wearless will further strengthen Hexagon Engineering as a high quality supplier. In addition, it is to be seen as a first step in our efforts to differentiate ourselves from our competitors by reinforcing our image as a company specialising in engineering technology and applications.

Brass is manufactured in the form of semi-finished products. These are supplied as ingots or drawn products. The biggest customer groups are the heating, water and sanitation industry and lock manufacturers. Excess capacity in Europe in recent years has exerted severe downward pressure on prices for brass products, but we have increased our market share nonetheless – thanks to our high quality, improved service and excellent delivery reliability. One contributory factor was our 2002 investment in a new 2-reel straightening machine for small dimensions. Investments made previously with a view to improving quality, combined with the productivity programme that has now been implemented, have resulted in a substantial improvement in our competitiveness in this area.

Our distribution business for steel products is geographically centred on southern and central Sweden. We are in a very strong position as regards working of alloy steel in various forms. The company also has a trading division, primarily for forgings, castings and various types of alloy steel. During the year this business was restructured into three business units: sheet working, bar cutting and trading. The idea is to focus even more on service, lead-times and reliability of delivery to our customers, who are primarily within the engineering and automotive industries.

The main substance of a local company in Oskarshamn was acquired during the year as part of our expansion of bar processing. We have also started expanding the premises of our bar operations in Värnamo. This investment also involves investment in new cutting equipment. We will therefore be able to increase quality and our level of service further in 2003.

“Over the year the business area increased its market share in most product areas, leading to a strong market position overall.”

Sales volumes for Johnson Industries were at a high level despite the weak economy. This means that the company took market share during the year.

SWEPART

SwePart’s operations are in two main areas:

- Tooling: producing sheet pressing and punching tools, fixtures and jigs
- Components: producing precision-ground gearwheels, components for industrial robots, steering adjustment systems for heavy vehicles as well as sheet parts for the automotive after-market.

The tooling business, which is dependent on the automotive industry, experienced lower demand compared with 2001. In order to adapt to the international competitive situation, the restructuring programme continued during the year. Our high level of flexibility and knowledge coupled with a very good reputation among customers mean that we are well equipped to face an increase in demand from both Swedish and European customers.

The component business is continuing to develop into a leading supplier of key components for the heavy automotive industry. Development work on a new steering adjustment system for a leading Swedish vehicle manufacturer is continuing. Series production will start in 2003. Other automotive manufacturers have also shown an interest in this product, which is the subject of a patent application. Our investment in precision-ground gearwheels for transmission systems continues. Hexagon has invested MSEK 60 in its plant in Liatorp in order to become the leader within this niche. The growth in earnings from this investment has been slower than expected due to the downturn in the automotive sector, but internal restructuring work is continuing – leaving us well equipped for when demand increases. Our development is stable and we have consolidated our market dominance as a supplier of original parts to Swedish automotive manufacturers. During the year pilot orders were received from European vehicle manufacturers, which may herald the start of international development.

THE PAST YEAR

Despite the low level of demand, Hexagon Engineering developed well during the year. Sales increased by 8 per cent to MSEK 2,224 (2,067). EBITA operating earnings increased by 19 per cent to MSEK 176 (148). This business area has taken important market share and strengthened its market positions during the year. In addition, productivity and efficiency programmes have been implemented, strengthening the competitiveness of the business area in the long term.

Car bonnets manufactued by EBP of Olofström, Sweden on the way to being painted at EBP's modern computerised paint-shop.

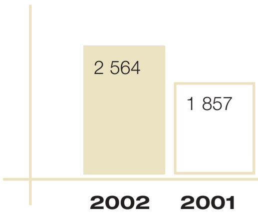
Wheels and rollers made of Vulkollan for fork-lift trucks manufactured by Stellana. A number of new variants were successfully launched during the year.

Eccentric bushing by Johnson Metall AB. The bushing is used in Sandvik SRP's stone crushers.

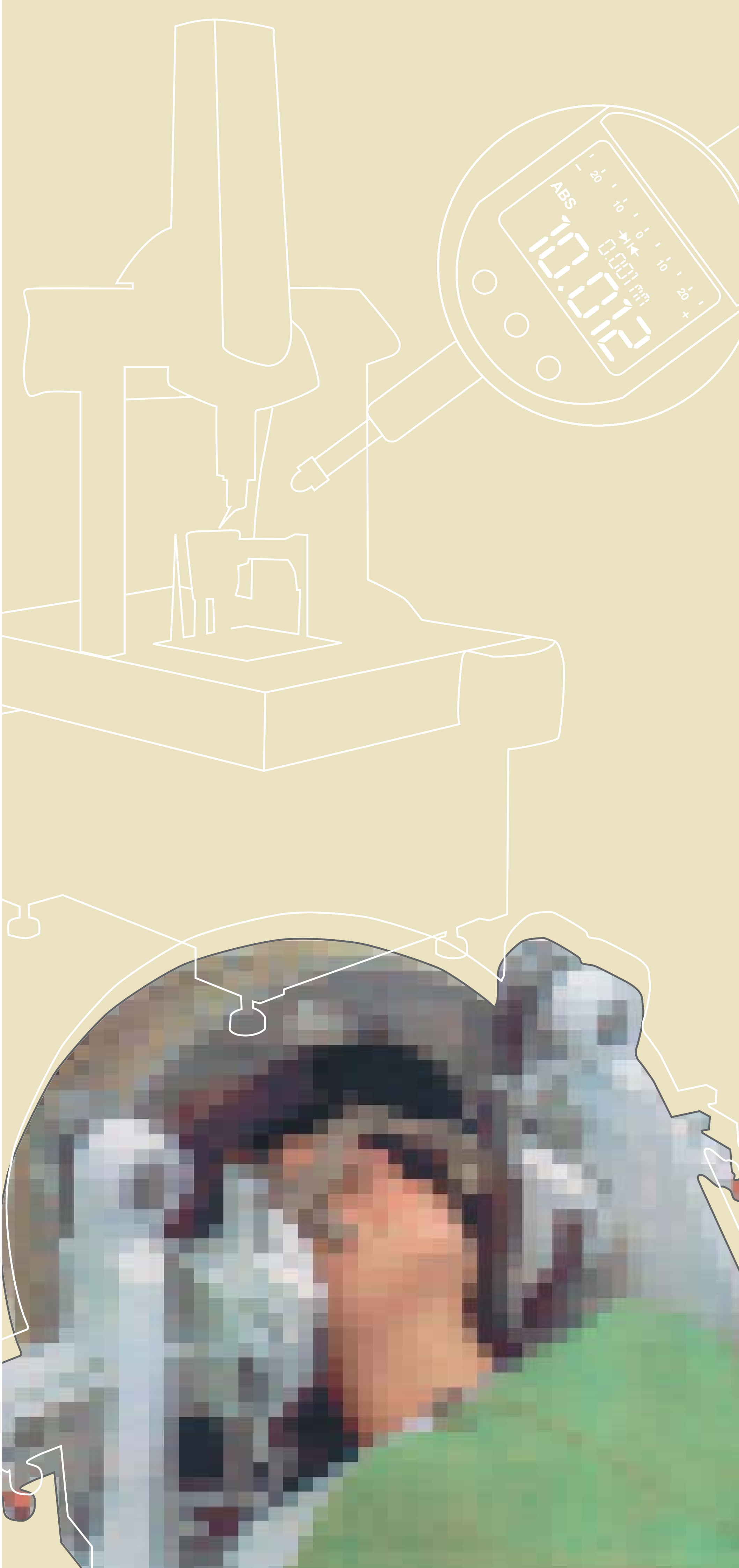
Metrology

Jack Beagley, President

Revenues, Metrology



	2002	2001
EBITA operating earnings	236	143
Capital employed	1 911	1 902



The business of the Hexagon Metrology business area consists of supplying measuring technology, which is essential for producing products consisting of more than one component. The metrology equipment measures all the components used in a product to ensure that they fit together.

Metrology allows a producer to assure the quality of his product – thus increasing the productivity of his own or his customer's process, since the components fit together better and therefore take less time to assemble. The primary users of metrology are the automotive industry including its subcontractors, the aerospace and defence industries, the engineering industry, electronics, IT and the medical sector.

Hexagon Metrology is what is known as an OEM (Original Equipment Manufacturer). This means that it sells directly to our end-customers. The products encompass everything from simple slide callipers to advanced million dollar systems for measuring jumbo jet aircraft.

PRODUCT RANGE

The product range is divided into four areas:

Hand tools and manual measuring machines are manufactured and marketed by TESA, which has its head office in Switzerland. TESA manufactures its products in Europe, the USA and Asia and markets them under the TESA, Brown & Sharpe, Roche, Ethalon and Mauser brands. TESA distributes these products via a global network of agents comprising approximately 3,000 distributors in over 80 countries.

Co-ordinate measuring machines (CMMs) are manufactured and marketed by Brown & Sharpe in North America, DEA and C E Johansson in Europe and by Brown & Sharpe Qianshao in Asia. Leitz manufactures ultra-high accuracy laboratory CMMs for customers all over the world. DEA also supplies sheet metal machines to customers worldwide, particularly to the aircraft and automotive industries.

After-market services for CMMs represent a growing area of business. Through 30 or so Precision Centres spread over most of the world, Metrology offers everything from sales of spare parts to calibration, training and upgrading of both Hexagon's own metrology equipment and that of our competitors.

Software for co-ordinate measuring machines: software is today the most important component in an advanced metrology system. Hexagon is the world leader in this area with its subsidiaries Wilcox (WAI), Mirai and Xygent.

RESEARCH AND DEVELOPMENT

Using new and improved products Hexagon Metrology aims to expand the market that it is currently possible to work up. To make this possible, substantial resources are being invested into research and development of both hardware and software. For example, over 100 people are engaged in the development of an Enterprise Metrology System (EMS). The EMS is not only to be able to control a CMM, but also other metrology equipment such as vision, contouring, surface and shaping machines. In addition, the EMS will be able to control machine tools such as tooling machines and robots. Via an Internet reporting module EMS will at the same time be capable of gathering information from all the above machines in order to compare data and keep statistics. This will allow significantly better control over the flow of a production process, which may include several production plants within a company as well as subcontractors' processes. The EMS is being developed step-by-step. The first EMS modules will be found in version 4.0 of our software PC-DMIS, which is expected to be launched in summer 2003.

Thanks to its wide product range, global servicing organisation and advanced software, the Metrology business area is able to supply products and services to large and small customers alike. Via its subsidiary DEA, for example, Hexagon is to supply a new metrology system to Airbus in 2003. This measurement system – which is over 10 metres in length and 3 metres wide – has been specially designed for measuring the wings of the new Airbus A380 super-jumbo. Meanwhile, our subsidiary C E Johansson has produced a new mini measuring machine called Ruby. This is a simple piece of metrology equipment offered at a very competitive price to meet the measurement needs of small engineering companies.

"Through 30 or so Precision Centres spread over most of the world, Metrology offers everything from sales of spare parts to calibration, training and upgrading of both Hexagon's own metrology equipment and that of our competitors"

STRONGER MARKET POSITION

During the year the following activities have strengthened the business area's position as a leading metrology company worldwide:

- The Global (CMM) product range was fully launched in all versions and sizes. This family of machinery has enabled Hexagon to take market share in every part of the world.

- In May the Swedish metrology company C E Johansson was acquired. Over the year the company has been restructured and will focus on northern Europe as well as medical metrology.
- In June the outstanding shares in the American software company Xygent Inc. were acquired. The company has since then been merged with our own software company Wilcox, Inc. (WAI).
- In October the Italian software company Mirai Srl was acquired. Mirai will be our Precision Centre in Italy, but will also develop its Surfer NT software for sheet metal customers and the EMS.
- In September a new production facility was opened in Qingdao, China. This will act as a base for Metrology's continued expansion in Asia. Order intake for the Chinese business increased during the year by 55 per cent, making Hexagon the market leader here.

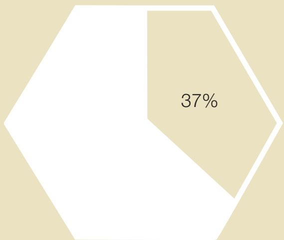
THE PAST YEAR

The overall market for metrology remained weak during the year, but a positive trend was noted during the second half of 2002. During the year the Metrology business area strengthened its market position considerably.

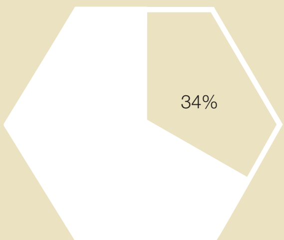
The business area has demonstrated the same seasonal pattern as in previous years in respect of earnings, with the third quarter being the weakest quarter and the fourth quarter the best. The reason for this is that our customers implement major investment projects in conjunction with the break in production over the Christmas and New Year period.

Invoiced sales amounted to MSEK 2,564 (1,857) (in the comparison year the business area was included for eight months only). The first quarter was weak, whilst a certain degree of stabilisation was noticeable in the latter part of the year. Sales of

Share of Consolidated Revenues



Share of Group Staff Headcount



"Using new and improved products Hexagon Metrology aims to expand the market that it is currently possible to work up"

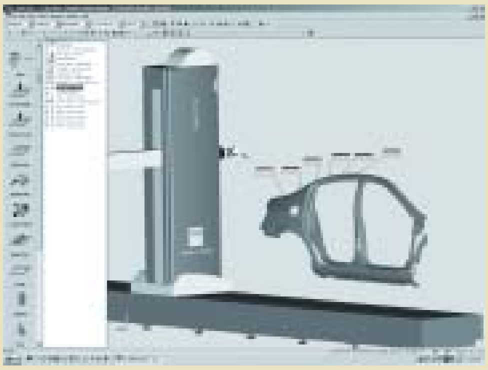
- In September the Brazilian agent Quality Ltda. was acquired. Quality will act as Metrology's South American base. The South American market is also expanding well.

In addition to the above activities, the substantial rationalisation programme which was started in 2001 continued in 2002. Cost-savings of approximately MSEK 100 on a full-year basis have been made by reducing the headcount and closing production facilities.

CMMs fell up to and including the month of May, but then picked up speed in the second half of the year. Sales for the year as a whole were up somewhat on 2001. Aftermarket sales for CMMs increased in every quarter except the first. Software sales reached new record levels and a number of major customers decided to standardise by consistently using our PC-DMIS software. Hand tools and manual CMMs had a difficult year, with a poor development in sales. EBITA operating earnings amounted to MSEK 236 (143).

Gamma Knife® Surgery is a non-invasive neurosurgical method for treating targets in the brain, e g tumors, arteriovenous malformations and functional disorders. The target in the brain is treated with highly focused gamma beams. The patient's head is fixed in a reference system and through a unique three dimensional measuring system from C E Johansson the target can be reached with extremely high precision. The measuring system for Leksell Gamma Knife® C, supplied to Elekta by C E Johansson, is called Automatic Positioning System. The technology is a further development of the scale and control systems normally used in advanced CMMs.

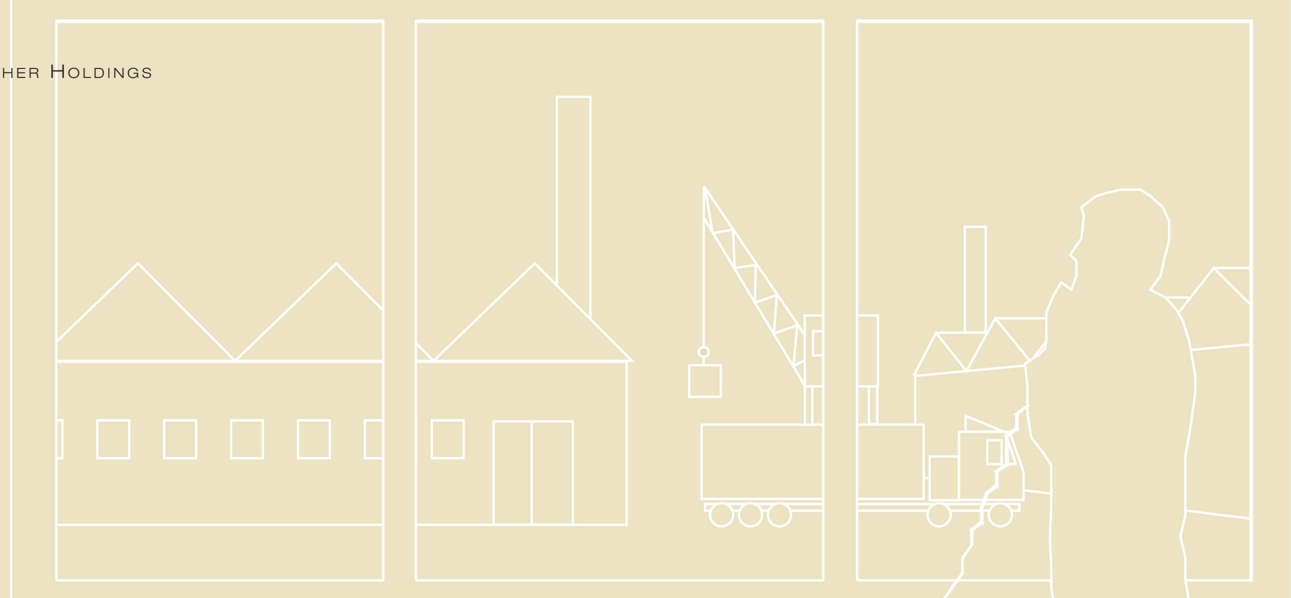
Photo: Leksell Gamma Knife® C



Using the powerful CAD interface of PC-DMIS 3.5 users can create and simulate complex programmes for components and control that the machine is meeting the performance requirements set for measurement of the various parts. PC-DMIS 3.5 is developed by Wilcox Associates, Inc. (WAI).

Hexagon's fast, high-performance GLOBAL co-ordinate measuring machines (CMMs) allow measurement of shape, dimension and position in a single machine. These flexible CMM machines can be equipped with a whole range of touch triggers and scanning sensors which allow a variety of measurement and inspection functions to be performed.

The new CMM, the Delta, equipped with PC-DMIS geometric measuring software, provides advanced dimensional inspection capabilities for the new Airbus A380, a 555 seater aircraft for the 21st Century.



Other Holdings

On 31 December 2001 the Hexagon Wireless business area was divested. Wireless is therefore included at full-year values for the comparative year 2001. Other holdings included in the figures for other comparative years are detailed below, sales and earnings being reported for the year of divestiture.

WIRELESS

This business area comprised manufacture of mobile phone antennas and development of short-wave wireless communication antenna technology for close-range applications such as Bluetooth and WLAN. Sales in 2001 amounted to MSEK 89 and earnings after depreciation were MSEK -35.

NORFOODS

Norfoods was divested with effect from 1 July 2000. The company's business concept was to meet the food and pharmaceuticals industries' needs for raw materials, ingredients and packaging from a Nordic base. Sales in the period January-June 2000 were MSEK 379, while earnings before tax in the same period were MSEK 1.

TECLA

Tecla (formerly AKA Industriprodukter) was divested with effect from 1 January 2001. The company was a manufacturer and wholesaler with business in the Nordic region, Russia and the Baltic states. Earnings before tax in 2000 were MSEK 602 from sales of MSEK 21.

GUSTAF FAGERBERG

Gustaf Fagerberg was divested effective 1 January 2001. The Fagerberg group was one of northern Europe's leaders in component sales for control and regulation technology, plus flow control. Sales in 2000 were MSEK 530; earnings before tax were MSEK 30.

VBG

In addition to earnings for Hexagon's wholly-owned enterprises, VBG's results are also included as an associated company in accordance with the equity method. VBG is quoted on the Stockholm Exchange O-list, and at 31 December 2001 Hexagon's holding was 48.6 per cent of the capital and 41.9 per cent of the votes. During the year Hexagon participated in a repurchase programme and in addition Hexagon has sold its class A shares, leaving its shareholding at year-end at 45 per cent of the capital and 24 per cent of the votes.

VBG is a world leader in truck trailer couplings. Its Nordic market share is some 90 per cent, with a market share of approximately 55 per cent in Germany. Its product range comprises the aforementioned couplings, automatic slip protection, load platform posts and machine components for the engineering industry, mainly in Germany and the US. Its customers include OEMs and automotive body builders, as well as hauliers. Its products are marketed worldwide, although sales are centred on northern Europe. Late last year a new coupling model was launched on the market. This is a lighter product and includes a remote control to promote safety. This product was extremely successful on the market, advancing VBG's positioning.

Sales during the year amounted to MSEK 533 (552); earnings before tax were MSEK 32 (-10).

Hexagon's Values

In order for a group to develop the business must be based on a platform of common values. Hexagon's values cover everything from environmental issues to how to act in various situations. An international environment also calls for common sense, so that these values can be interpreted and adapted to differences in cultural backgrounds.

Our managers must set a good example if we are to persuade all our employees to act in accordance with the group's values. Hexagon is firmly convinced that if it is to achieve its overall objectives, it must have the best managers – and that these managers must possess a strong entrepreneurial spirit.

This entrepreneurial spirit is created by letting the individual managers take overall responsibility for their part of the business. No manager with responsibility for earnings must ever feel that the development of his or her own particular area is beyond their control because the distribution of responsibility within the organisation is fragmented or unclear. We have recruited many line managers from major organisations who report that being a manager with Hexagon is "refreshingly unbureaucratic" – "you no longer feel like a small cog in a big machine". We preserve this entrepreneurial spirit by avoiding central staff units and a big head office, which would only impose irrelevant tasks on the business areas. When Hexagon has a requirement for specialist skills in fields such as human resources, the environment or the law, we buy in these services from the leading experts within those areas.

On this page we describe Hexagon's management philosophy and corporate values, along with how we attract the best managers.

What Hexagon describes as its "talent offering" comprises four components:

1. Salary: Salaries must be on market terms and competitive. As we believe that the right person can be decisive to a corporation's success, the variable element of remuneration should be linked to earnings performance.

2. Other Benefits: Hexagon does not offer any special additional benefits. We believe that a good salary is the best remuneration for good work. This enables individuals to choose what is important to them.

3. Personal Progress: Hexagon believes that personal progress and professional training are most effective when linked to the individual's situation. Therefore, Hexagon concentrates on individualised management development programmes, where we collaborate with prominent companies in the segment.

4. Culture and Values: On the market for leadership, our prime weapon is an attractive corporate culture. A Hexagon culture is now emerging, whose desired conduct can be summarised in the following points:

HEXAGON'S LEADERSHIP PHILOSOPHY

"Earnings are everything"
Hexagon only exists to generate earnings – there's no higher or nobler purpose for our business. To realise our purpose, we must market the best products and employ the most highly skilled people.

"Professionalism"
Hexagon summarises professionalism in three main points:

- Know your business. A manager that doesn't know his or her business won't be able to operate professionally.
- Have an agenda. A manager without a vision for his or her business won't be going anywhere with it.
- Never get complacent and self-satisfied. Managers must always be honest about themselves and their surroundings. When the spark and excitement fades, it's better to change job than to get stuck. Accordingly, Hexagon takes a positive view of job rotation.

"Speed management"
By making decisions and changes faster than is customary in the engineering industry, we can avoid the uncertainty extended processes generate. Moreover, we raise the capacity of our organisational resources.

"Deliver instead of planning"
We intend to reward actual measures rather than overwrought, detailed plans. We also intend to focus on businesses rather than less relevant supplementary activities.

"Image is good – prestige isn't"
Discussions and business negotiations that turn into a stubborn prestigeous battle do not create long-term relationships and are therefore damaging to the company. However, an honest and credible image can help negotiations along. We must be wary that excessive image work does not turn into an issue of prestige.

"Hard but human"
Hexagon dares to take uncomfortable but necessary decisions, never compromising on results, but rather, on the means to get there. Take every opportunity to eradicate the obstacles to improving a business, but show consideration to the affected individuals.

"No politics"
All large organisations become political, although we assert that Hexagon has created the right foundation for an apolitical environment by maintaining a compact head office without staff functions. Hexagon believes in the consistent pursuit of treating people fairly. If we reward results rather than plans, we avoid unfair treatment. We have also observed that good managers are managers that send the same signals upwards and downwards in their organisations.

"Openness"
Hexagon is aware that power is intimidating. Being a manager, finding out what staff really think about various issues is vital. This can only be achieved by creating trust, where managers stand by what they've said, and if they can't deliver on their promises, tell people why.

Board

Melker Schörling, Chairman
Born in 1947, Board member since 1999.
Chairman of Securitas AB, Karlshamns AB and Attendo Senior Care AB. Deputy Chairman of Assa Abloy AB. Board member of Hennes & Mauritz AB and Skandia AB.
Hexagon shareholdings: 1,050,000 class A shares and 3,466,297 class B shares, privately and through companies.

Maths O Sundqvist, Deputy Chairman
Born in 1950, Board member since 1991.
Board member of Investment AB Öresund, Länsförsäkringar AB, Wasa Stiftelse and Wihlborgs Fastigheter AB.
Hexagon shareholdings: 2,332,250 class B shares, privately and through companies.

Hans Nergårdh
Born in 1934, Board member since 1993.
Chairman of Schneidler-Företagen AB. Board member of FPG AMFK Kreditdelegationen, Kami Forskningsstiftelse and Nordbanken Stockholmsregionen.
Hexagon shareholdings: 13,500 class B shares.

Ola Rollén, Chief Executive Officer and President
Born in 1965, Board member since 2000.
Board member of VBG AB (publ).
Hexagon shareholdings: 4,000 class B shares. Stock options: 212,000.

Carl-Henric Svanberg
Born in 1952, Board member since 1999.
President and CEO of Ericsson. Deputy Chairman of Assa Abloy AB.
Hexagon shareholdings: 219,050 class B shares and through companies.

Senior Executives

Jack Beagley
With Hexagon since 2001.
Born in 1942. President of Hexagon Metrology. Stock options: 50,000.

Håkan Halén
With Hexagon since 2001.
Born in 1954. CFO of Hexagon. Stock options: 100,000.

Lars Olofsson
With Hexagon since 1998.
Born in 1957. President of Gislaved Gummi AB. Stock options: 5,000.

Ola Rollén
With Hexagon since 2000. Born in 1965. President and CEO.
Hexagon shareholdings: 4,000 class B shares. Stock options: 212,000.

Börje Vernet
With Hexagon since 1999.
Born in 1953. President of Hexagon Automation.
Hexagon shareholdings: 1,250 class B shares. Stock options: 5,000.

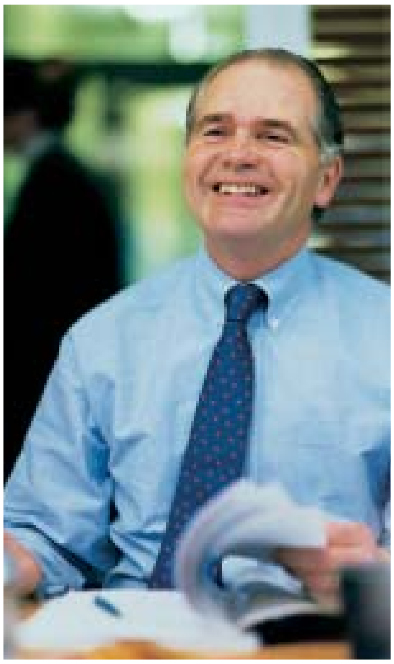
Gert Viebke
With Hexagon since 2000.
Born in 1951.
Vice President of Strategy. Stock options: 100,000.

Torbjörn Wistrand
With Hexagon since 1997.
Born in 1948. Vice President of Operations.
Hexagon shareholdings: 1,875 class B shares. Stock options: 100,000.

Auditors

Regular Auditors
Gunnar Widhagen
Born in 1938, Authorized Public Accountant. Ernst & Young AB. Auditor since 1989.

Deputy Auditors
Peter Lander
Born in 1949, Authorized Public Accountant. Ernst & Young AB. Deputy Auditor since 1992.

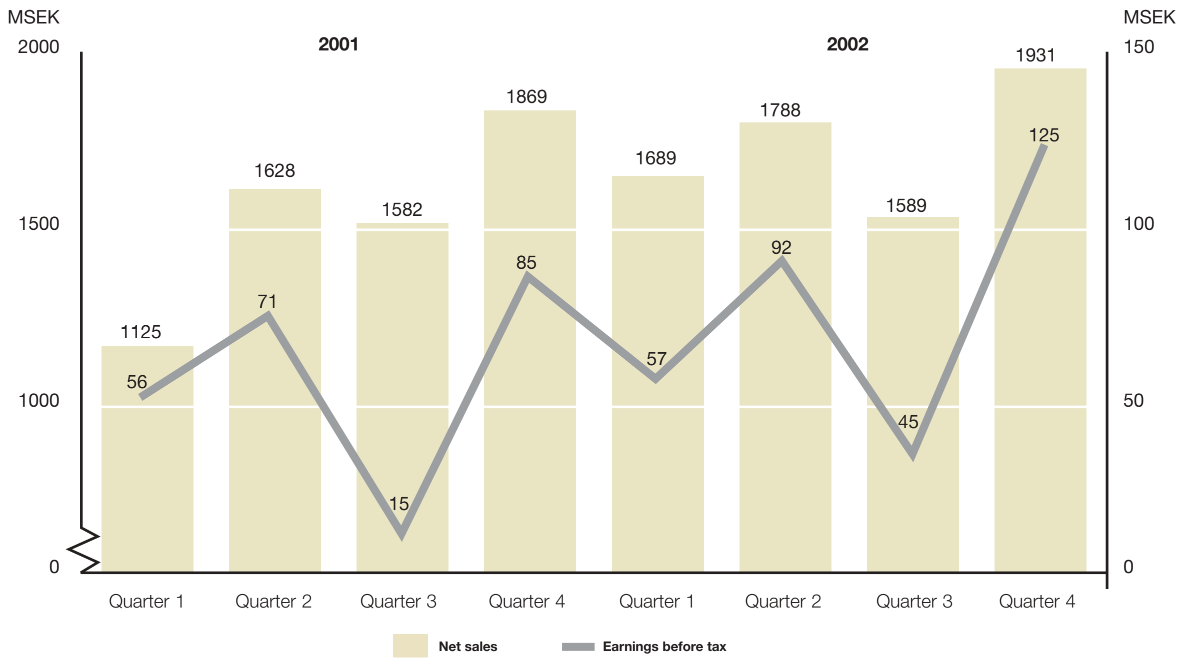


Hexagon in Figures

CONSOLIDATED INCOME STATEMENT

(MSEK)		Note	2002	2001
Net sales		1	6 997	6 204
Cost of goods sold		4,6	-5 134	-4 653
Gross earnings			**1 863**	**1 551**
Sales expenses		4,6	-803	-728
Administration expenses		4,6,13	-514	-437
Research and development expenses		4,6	-59	-65
Other operating revenues			25	32
Other operating expenses		6	-16	-18
Earnings from shares in associated companies		6,12	15	15
Amortization of intangible fixed assets		6	-90	-63
Items affecting comparability		5	-31	-43
Capital gain on shares in group companies		7	7	66
Capital gain on shares in associated companies		7	3	-
Operating earnings			**400**	**310**
Financial revenue and expenses	Earnings from other securities classified as fixed assets	7	36	4
	Other interest income	7	15	33
	Interest expenses	7	-132	-120
Earnings before tax		1	**319**	**227**
Tax on earnings for the year		8	-122	-75
Minority share in net earnings			-10	-8
Net earnings			**187**	**144**
Operating earnings excluding goodwill amortization (EBITA)			**511**	**350**
Earnings per share after tax (SEK)			**10.74**	**9.00**
Earnings per share after tax excluding goodwill (SEK)			**15.92**	**12.94**
Earnings include depreciation of			**-298**	**-244**

Net Sales and Earnings before Tax by Quarter 2001 and 2002 (see also Note 20)



CONSOLIDATED BALANCE SHEET

(MSEK)		Note	2002	2001
ASSETS				
Fixed assets				
Intangible fixed assets	Capitalised expenditure on research and development	10	61	9
	Patents and trademarks	10	244	296
	Goodwill	10	957	967
Total intangible fixed assets			1 262	1 272
Tangible fixed assets	Buildings	10	515	482
	Land and other real estate	10	142	128
	Machinery and other technical plants	10	733	659
	Equipment, tools and installations	10	171	77
	Construction in progress and supplier advances	10	13	30
Total tangible fixed assets			1 574	1 376
Financial fixed assets	Shares in associated companies	11,12	128	168
	Other long-term securities holdings	11	14	53
	Deferred tax receivables	8,11	49	66
	Other long-term receivables	11	73	161
Total financial fixed assets			264	448
Total fixed assets			**3 100**	**3 096**
Current assets				
Inventories	Raw materials and consumables		586	576
	Work in progress		242	282
	Finished goods and goods for resale		617	596
Total inventories			1 445	1 454
Current receivables	Customer receivables		1 350	1 303
	Receivables, associated companies		0	0
	Other receivables - non-interest bearing		79	101
	Prepaid expenses and accrued revenue	14	103	75
Total current receivables			1 532	1 479
Short-term investments			0	-
Cash and bank balances			141	458
Total current assets			**3 118**	**3 391**
TOTAL ASSETS			**6 218**	**6 487**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity		15		
Restricted equity	Share capital		185	148
	Restricted reserves		864	535
Total restricted equity			1 049	683
Non-restricted equity	Non-restricted reserves		958	928
	Net earnings		187	144
Total non-restricted equity			1 145	1 072
Total shareholders' equity			**2 194**	**1 755**
Minority interests			**36**	**30**
Provisions	Pension provisions - interest bearing		145	109
	Pension provisions - non-interest bearing		72	70
	Tax provisions	8	78	62
	Other provisions	16	107	211
Total provisions			**402**	**452**
Long-term liabilities	Liabilities to credit institutions	17	1 970	2 598
	Other long-term liabilities - interest bearing	17	6	-
	Other long-term liabilities - non-interest bearing		-	5
Total long-term liabilities			**1 976**	**2 603**
Current liabilities	Liabilities to credit institutions	17	128	118
	Advance payments from customers		28	63
	Accounts payable		739	738
	Tax liabilities		28	37
	Other liabilities - interest bearing	17	26	-
	Other liabilities - non-interest bearing		91	125
	Accrued expenses and deferred revenues	14	570	566
Total current liabilities			**1 610**	**1 647**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			**6 218**	**6 487**
MEMORANDUM ITEMS		19		
Pledged assets			401	202
Contingent liabilities			76	94

CONSOLIDATED CASH FLOW STATEMENT

(MSEK)		Note	2002	2001
Cash flow from ongoing operations	Net sales		6 997	6 204
	Operating expenses		-6 597	-5 894
	Operating earnings		**400**	**310**
	Adjustment for items not influencing cash flow in operating earnings			
	Depreciation		294	240
	Write-downs		9	-
	Change in provisions		-121	-15
	SPP surplus consolidation funds		-	-11
	Capital gains on divestiture of fixed assets		-2	-1
	Capital gains on shares in group companies		-7	-66
	Earnings from shares in associated companies		-13	7
	Interest received		12	21
	Dividend received		5	9
	Interest paid		-137	-90
	Tax paid		-52	-46
	Cash flow from ongoing operations before change in working capital		**388**	**358**
Cash flow from change in working capital	Change in inventories		18	-140
	Change in current receivables		-10	-60
	Change in current liabilities		-89	152
	Cash flow from change in working capital		**-81**	**-48**
	Cash flow from ongoing operations		**307**	**310**
Cash flow from ordinary investment activity	Investments in intangible fixed assets		-54	-16
	Investments in tangible fixed assets		-262	-199
	Divestitures of tangible fixed assets		49	13
	Cash flow from ordinary investment activity		**-267**	**-202**
	Operating cash flow		**40**	**108**
Cash flow from other investment activity	Investments in subsidiaries	9	-219	-1 784
	Divestitures of subsidiaries	9	5	350
	Investments in financial fixed assets		-	-5
	Divestitures of financial fixed assets		82	-
	Cash flow from other investment activity		**-132**	**-1 439**
Cash flow from financing activity	Borrowings		-	1 666
	Amortization		-541	-
	Option premiums		-	3
	New share issue		420	-
	Dividends to shareholders		-74	-74
	Cash flow from financing activity		**-195**	**1 595**
	Cash flow for the year		**-287**	**264**
	Liquid funds/assets, opening balance		**458**	**194**
	Effect of translation differences on liquid funds/assets		-30	0
	Change in liquid funds/assets excluding translation differences		-287	264
	Liquid funds/assets, closing balance		**141**	**458**
	Net debt			
	Interest-bearing provisions and liabilities		2 275	2 825
	Liquid funds/assets		-141	-458
	Net debt		**2 134**	**2 367**

PARENT COMPANY INCOME STATEMENT

(MSEK)		Note	2002	2001
Net sales		2	10	10
Operating expenses	Administration expenses	4,6,13	-35	-36
	Items affecting comparability	5	-	7
	Total operating expenses		-35	-29
Operating earnings			**-25**	**-19**
Financial revenue and expenses	Earnings from shares in group companies	7	7	157
	Earnings from shares in associated companies	7	27	5
	Other interest income	7	88	80
	Interest expenses	7	-136	-283
Earnings after financial items			**-39**	**-60**
Appropriations	Change in tax allocation reserve		36	11
	Total appropriations		36	11
Earnings before tax			**-3**	**-49**
Tax on earnings for the year		8	1	45
Net earnings			**-2**	**-4**

PARENT COMPANY BALANCE SHEET

(MSEK)		Note	2002	2001
ASSETS				
Fixed assets				
Intangible fixed assets	Patents and trademarks	10	0	0
Tangible fixed assets	Buildings	10	8	6
	Land	10	2	2
	Equipment	10	1	1
Total tangible fixed assets			11	9
Financial fixed assets	Shares in group companies	11	2 434	2 407
	Receivables, group companies	11	1 471	1 157
	Shares in associated companies	11,12	84	95
	Other long-term securities holdings	11	10	10
	Deferred tax receivable	8	7	38
Total financial fixed assets			4 006	3 707
Total fixed assets			**4 017**	**3 716**
Current assets				
Current receivables	Receivables, group companies		606	598
	Income taxes recoverable		0	0
	Other receivables		45	73
	Prepaid expenses and accrued revenue	14	7	4
Total current receivables			658	675
Cash and bank balances			19	200
Total current assets			**677**	**875**
TOTAL ASSETS			**4 694**	**4 591**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity		15		
Restricted equity	Share capital		185	148
	Share premium reserve		511	128
	Statutory reserve		220	220
Total restricted equity			916	496
Non-restricted equity	Earnings brought forward		734	730
	Net earnings		-2	-4
Total non-restricted equity			732	726
Total shareholders' equity			**1 648**	**1 222**
Untaxed reserves	Tax allocation reserves		74	110
Total untaxed reserves			**74**	**110**
Provisions	Pension provisions		1	1
Total provisions			**1**	**1**
Long-term liabilities	Liabilities to credit institutions	17	2 015	2 519
Total long-term liabilities			**2 015**	**2 519**
Current liabilities	Liabilities to credit institutions	17	2	2
	Accounts payable		2	6
	Liabilities, group companies		911	692
	Other liabilities	8	33	1
	Accrued expenses and deferred revenues	14	8	38
Total current liabilities			**956**	**739**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			**4 694**	**4 591**
MEMORANDUM ITEMS		19		
Pledged assets			None	None
Contingent liabilities			163	4

PARENT COMPANY CASH FLOW STATEMENT

(MSEK)		Note	2002	2001
Cash flow from ongoing operations	Net sales		10	10
	Operating expenses		-35	-29
	Operating earnings		**-25**	**-19**
	Adjustment for items not influencing cash flow in operating earnings			
	Depreciation		1	0
	Provisions		0	0
	SPP surplus consolidation funds		-	-7
	Interest received		87	75
	Dividend received		5	5
	Interest paid		-162	-136
	Tax paid		0	0
	Cash flow from ongoing operations before change in working capital		**-94**	**-82**
Cash flow from change in working capital	Change in current receivables		17	-312
	Change in current liabilities		242	142
	Cash flow from change in working capital		**259**	**-170**
	Cash flow from ongoing operations		**165**	**-252**
Cash flow from investment activity	Investments in intangible fixed assets		-	-1
	Investments in tangible fixed assets		-4	-
	Investments in financial fixed assets		-70	-1 417
	Divestitures of financial fixed assets		45	252
	Change in long-term receivables, group companies		-314	-188
	Group contribution received		147	89
	Group contribution paid		-31	-55
	Dividends received		90	194
	Shareholders' contribution paid		-51	-52
	Cash flow from other investment activity		**-188**	**-1 178**
Cash flow from financing activity	Borrowing		-	1 658
	Amortization		-504	-
	New share issue		420	-
	Dividends to shareholders		-74	-74
	Cash flow from financing activity		**-158**	**1 584**
	Cash flow for the year		**-181**	**154**
	Liquid assets, opening balance		200	46
	Liquid assets, closing balance		**19**	**200**

COMMENTS AND NOTES

All amounts are in millions of Swedish kronor (MSEK), unless otherwise stated. Figures in brackets are comparatives for the year 2001.

Accounting Principles

Hexagon applies RR's (the Swedish Financial Accounting Standards Council) recommendations. A number of new recommendations became effective on 1 January 2002. The application of these has not caused the reported earnings or shareholders' equity to be recalculated.

New recommendations from the Swedish Financial Accounting Standards Council effective 1 January 2003

Recommendations of the Swedish Financial Accounting Standards Council:

RR 22	Presentation of Financial Reports
RR 24	Investment Property
RR 25	Segment Reporting – Business Activities and Geographical Areas
RR 26	Events After the Balance Sheet Date
RR 27	Financial Instruments: Disclosure and Classification
RR 28	Government Assistance

Hexagon is applying these recommendations from 1 January 2003. Recommendation RR 24 Investment Property is not applicable to Hexagon. Other recommendations primarily aim to establish the information that is to be provided in interim reports and annual reports. The application of these is deemed not to have any effect on the reported earnings or shareholders' equity for 2002 or 2003.

Consolidated Accounting

The consolidated accounts comprise the parent company and those companies in which the parent company's direct or indirect shareholding represents more than 50 per cent of the votes.

The consolidated accounts are prepared according to acquisition accounting, whereby the parent company's acquisition value for shares in subsidiaries is eliminated against the subsidiaries' shareholders' equity at the point of acquisition. Shareholders' equity in acquired subsidiaries is determined on the basis of a market valuation of assets and liabilities at the point of acquisition. In those cases where the acquisition value of shares in subsidiaries exceeds the acquired shareholders' equity, as defined above, the difference is accounted for in the balance sheet as goodwill. Goodwill is depreciated over periods of 10 to 20 years on the basis of expected earnings capacity. Goodwill values, with reference to the potential need for write-downs, are reviewed at the end of each accounting period. The earnings of acquired companies are consolidated from the acquisition date onwards. The earnings of divested companies are consolidated up to and including the time of divestiture.

The current method is applied for the translation of foreign subsidiaries, whereby balance sheets are converted at the exchange rate prevailing on the balance sheet date and income statements are converted at average exchange rates. Any translation differences arising are posted to consolidated shareholders' equity.

The value of net assets in foreign subsidiaries is hedged at between 70 and 100 per cent, primarily through foreign currency loans. Currency forwards are used to a lesser extent.

As a consequence of exchange rate fluctuations, exchange rate gains or losses arise in the owning entities, which may be either positive or negative. In the consolidated accounts these exchange rate gains or losses are offset, considering any tax effect, against translation differences that have arisen, which for the foreign subsidiaries have been posted directly to shareholders' equity.

Associated Companies

Hexagon applies the equity method to associated companies. This term applies to those companies where Hexagon does not possess a voting majority, but maintains a continuous shareholding of between 20 and 50 per cent.

Any difference between the acquisition value and equity share valued at the time of acquisition is classified as goodwill, which is included in the acquisition value. The Consolidated Balance Sheet reports holdings in the associated companies at their acquisition value, adjusted for dividends, share of earnings and losses and accumulated goodwill amortisation after the acquisition date. The Consolidated Income Statement reports shares in associated companies' earnings including goodwill amortisation. Associated company taxation is posted to the group's tax expenses.

Goodwill values, and the potential need for write-downs, are reviewed at the end of each accounting period.

Revenues

Hexagon applies RR's recommendation no. 11 for accounting revenues, whereby the following principles apply:

Goods sales

Income from goods sales is posted as revenues once all the following conditions are satisfied:

- The company has transferred the essential risks and benefits associated with the ownership of the goods to the acquirer.
- The company no longer retains any commitment to the ongoing maintenance or management normally associated with ownership, nor does the company maintain any actual control over the goods sold.
- Income can be reliably calculated.
- It is probable that the financial advantages for the vendor associated with the transaction are conferred to this party.
- Those expenses that either have arisen, or are expected to arise, as a consequence of the transaction can be reliably calculated.

Sales of services/contracts and similar assignments

Revenues from sales of services are accounted as revenues, based on the degree of completion as of the balance sheet date, providing that all the following conditions are satisfied:

- Revenues attributable to the assignment can be reliably calculated.
- It is likely that the financial advantages associated with assignment for the contractor will be conferred to this party.
- The degree of completion can be reliably calculated.
- Those expenses that have either arisen, and those remaining to complete the assignment, can be reliably calculated. If it is likely that all expenses for an assignment will exceed the total revenues, the feared losses are immediately posted in full as an expense.

Research and Development Expenses

Costs for research are posted to expenses as incurred, while development expenses are capitalised if they result in future economic benefits.

Leasing

Hexagon primarily utilises operational leasing, with financial leasing used to a lesser extent, primarily for cars.

Other Operating Revenues/Expenses

Other operating revenues/expenses mainly comprise projects for the automotive industry and rentals.

Pension and Similar Commitments

All pension and similar commitments are subject to provisions consistent with prevailing custom and practice in each country.

Income Tax

Income taxes comprise:

- Current tax, the tax calculated on taxable earnings for the period and corrections for previous periods.
- Deferred tax, the tax attributable to taxable temporary differences and payable in the future, and the tax that represents a reduction of future taxation that is attributable to tax-deductible temporary differences, taxable loss carry-forwards and other tax deductions. The income tax expense for the year comprises current and deferred tax, and shares in associated companies' taxation.

Normally, group contributions paid and received are accounted for in the parent company with the corresponding tax effect, posted directly to non-restricted equity. In those cases where group contributions received are classified as dividends, however, the group contribution is accounted as financial revenue, with the tax effect posted in the income statement under income tax for the year.

Receivables and Liabilities

Provisions for loss risks are made after a case-by-case assessment. Foreign-currency receivables and liabilities are converted at the exchange rate prevailing at the end of the accounting period. The difference between the acquisition value and the value at the balance sheet date is posted to earnings. Where hedging with currency forwards is applied, the forward rate is used. Forward premiums are allocated to periods linearly, and accounted as interest.

Inventories
Inventories are valued as follows, applying the FIFO (first-in-first-out) principle. All intra-group transactions are on market terms. Necessary provisions are made for obsolescence and intra-group earnings.
Raw materials and purchased finished and semi-finished goods are valued at the lower of acquisition and actual values.
Manufactured finished and semi-finished goods are valued at the lower of their manufacturing costs (including a reasonable proportion of indirect manufacturing expenses) and actual values.

Depreciation According to Plan
Depreciation according to plan is calculated on original acquisition values and is based on estimated financial life-spans. The depreciation periods of various asset classes are as follows:

R & D	3-8 years
Patents and trademarks	20 years
Goodwill	10-20 years
Other intangible assets	3-10 years
Computers	3-8 years
Machinery and equipment	3-15 years
Office buildings	20-50 years
Industrial buildings	20-50 years
Land improvements	5-30 years

Options
The company has an option scheme for key personnel within the group. Option premiums paid have been added to shareholders' equity. The dilution effect on earnings per share is calculated if deemed necessary.

NOTE 1. NET SALES AND EARNINGS

By business area*	Net Sales		Earnings	
	2002	**2001**	**2002**	**2001**
Hexagon Automation	2 248	2 214	106	100
Hexagon Engineering	2 224	2 067	176	148
Hexagon Metrology	2 564	1 857	236	143
Other companies	-	89	-	-35
Shares in associated companies' earnings	-	-	15	15
Group adjustments and parent company	-39	-23	-22	-21
Operating earnings (EBITA)	**6 997**	**6 204**	**511**	**350**
Amortization of intangible fixed assets	-	-	-90	-63
Operating earnings (EBIT1)	**-**	**-**	**421**	**287**
Capital gains	-	-	46	66
Items affecting comparability	-	-	-31	-43
Net financial income/expense	-	-	-117	-83
Earnings after financial income/expense	**6 997**	**6 204**	**319**	**227**

* Business Areas are indicated in terms of operating earnings excluding items affecting comparability, capital gains and amortization of intangible fixed assets.

The divested Wireless business area is accounted under other 'companies' for the comparative year 2001.

NET SALES BY RECEIVING COUNTRY

	2002	**2001**
Sweden	2 109	2 138
Finland	674	714
Denmark	578	565
Norway	577	513
Estonia	15	23
UK	229	162
Ireland	9	7
Germany	582	322
Netherlands	25	30
Belgium	65	22
France	205	135
Switzerland	81	69
Austria	17	11
Italy	212	127
Spain	96	83
Portugal	13	10
Russia	32	34
Poland	28	30
Rest of Europe	91	68
US	814	681
Canada	37	7
Rest of North America	27	29
South America	20	46
China	219	218
Japan	106	68
Korea	21	-
Taiwan	34	-
Malaysia	6	31
Rest of Asia	63	41
Australia and New Zealand	11	9
Africa	1	11
Total net sales	**6 997**	**6 204**

NOTE 2. INTRA-GROUP TRANSACTIONS

100 per cent (100) of parent company net sales relate to other group companies, with no parent company purchasing from other group companies.

NOTE 3. AVERAGE NUMBER OF EMPLOYEES

	2002			2001		
	Men	Women	Total	Men	Women	Total
Parent company	7	2	9	8	2	10
Subsidiaries	4 477	942	5 419	4 036	1 015	5 051
Total, group	**4 484**	**944**	**5 428**	**4 044**	**1 017**	**5 061**

Average number of employees, by location in Sweden	2002			2001		
	Men	Women	Total	Men	Women	Total
Arboga	11	1	12	12	1	13
Borlänge	6	1	7	6	1	7
Eksjö	9	2	11	9	2	11
Eskilstuna	79	16	95	-	-	-
Gislaved	101	176	277	103	193	296
Gothenburg	54	12	66	57	12	69
Halmstad	9	9	18	9	2	11
Helsingborg	5	1	6	6	1	7
Hässleholm	103	8	111	133	7	140
Högsby	-	-	-	26	25	51
Järfälla	6	2	8	5	1	6
Kalmar	-	-	-	5	3	8
Karlskoga	6	1	7	7	1	8
Kungälv	18	3	21	22	3	25
Landskrona	-	-	-	1	-	1
Laxå	65	15	80	68	13	81
Lidköping	6	-	6	5	-	5
Ljungby	50	10	60	47	10	57
Luleå	5	-	5	5	-	5
Lund	-	1	1	26	5	31
Malmö	7	2	9	7	2	9
Nacka	7	2	9	7	2	9
Nybro	91	7	98	101	7	108
Olofström	105	34	139	113	34	147
Oskarshamn	52	2	54	-	-	-
Skellefteå	5	-	5	5	-	5
Stockholm	37	14	51	40	14	54
Sävsjö	49	10	59	52	10	62
Tidaholm	75	9	84	81	8	89
Tranemo	5	-	5	5	-	5
Trollhättan	34	1	35	33	1	34
Vaggeryd	78	6	84	78	6	84
Vetlanda	17	-	17	19	-	19
Värnamo	20	2	22	19	2	21
Västervik	40	3	43	41	3	44
Västerås	103	13	116	113	16	129
Ystad	41	8	49	43	7	50
Älmhult	88	13	101	126	16	142
Örebro	179	18	197	181	23	204
Örnsköldsvik	20	2	22	21	2	23
Other municipalities	6	1	7	7	1	8
Total, Sweden	**1 592**	**405**	**1 997**	**1 644**	**434**	**2 078**

NOTE 3. AVERAGE NUMBER OF EMPLOYEES (cont.)

Average number of employees by country	2002 Men	2002 Women	2002 Total	2001 Men	2001 Women	2001 Total
Sweden	1 592	405	1 997	1 644	434	2 078
Norway	174	31	205	164	28	192
Denmark	233	42	275	194	37	231
Finland	381	85	466	381	99	480
Estonia	17	-	17	17	-	17
Latvia	3	-	3	3	-	3
Nordic and Baltic regions	**2 400**	**563**	**2 963**	**2 403**	**598**	**3 001**
UK	79	14	93	67	12	79
Germany	235	27	262	119	15	134
Netherlands	1	0	1	1	-	1
Belgium	2	0	2	2	-	2
France	77	14	91	48	11	59
Switzerland	223	78	301	190	63	253
Italy	309	57	366	214	37	251
Spain	20	6	26	13	4	17
Russia	2	-	2	-	-	-
Rest of Europe	**948**	**196**	**1 144**	**654**	**142**	**796**
Total, Europe	**3 348**	**759**	**4 107**	**3 057**	**740**	**3 797**
US	372	102	474	284	83	367
Canada	1	-	1	1	-	1
Mexico	10	1	11	7	1	8
North America	**383**	**103**	**486**	**292**	**84**	**376**
Brazil	6	2	8	-	-	-
South America	**6**	**2**	**8**	**-**	**-**	**-**
China	121	39	160	87	85	172
Hong Kong	1	-	1	1	-	1
India	3	-	3	1	-	1
Japan	16	5	21	12	4	16
Malaysia	-	-	-	2	65	67
Singapore	5	-	5	13	2	15
Sri Lanka	601	36	637	579	37	616
Asia	**747**	**80**	**827**	**695**	**193**	**888**
Total, group	**4 484**	**944**	**5 428**	**4 044**	**1 017**	**5 061**

NOTE 4a. PERSONNEL EXPENSES, PENSIONS, ETC.

Salary and Remuneration	Board and CEO 2002	Board and CEO 2001	Other Employees 2002	Other Employees 2001
Parent company	4	4	9	10
(of which performance related pay and bonuses)	*(-)*	*(-)*	*(-)*	*(-)*
Subsidiaries in Sweden	23	26	517	544
Total	**27**	**30**	**526**	**554**
Belgium	-	-	0	0
Brazil	1	-	3	-
Denmark	5	5	95	83
Estonia	0	-	1	1
Finland	4	5	135	136
France	2	1	31	18
Hong Kong	-	-	0	-
India	-	-	0	-
Italy	2	2	118	81
Japan	1	1	12	12
Canada	-	-	1	0
China	1	1	6	5
Latvia	0	-	0	0
Malaysia	-	-	-	3
Mexico	-	-	3	4
Netherlands	-	-	0	-
Norway	4	4	96	82
Russia	-	-	0	-
Switzerland	4	2	146	116
Singapore	-	1	2	5
Spain	1	1	7	7
Sri Lanka	0	1	9	9
UK	2	2	44	33
Germany	2	1	108	64
US	5	2	313	221
Total	**61**	**59**	**1 656**	**1 434**
(of which performance-related pay and bonuses)	*(5)*	*(6)*	*(27)*	*(16)*

Social Security Expenses	All Employees 2002	All Employees 2001
Parent company	6	9
(of which pension expenses)	*(2)*	*(3)*
Subsidiaries	509	430
(of which pension expenses)	*(118)*	*(107)*
Total	**515**	**439**
(of which pension expenses)	*(120)*	*(110)*

Pension expenses for the Board of Directors and Chief Executive Officers of the group amounted to MSEK 9 (14). Pension commitments to the group's Board of Directors and Chief Executive Officers of the group, were MSEK 6 (11)

NOTE 4b. REMUNERATION TO SENIOR EXECUTIVES

Total Board remuneration approved by the Annual General Meeting was SEK 530,000 (530,000). The Chairman received SEK 145,000, the Deputy Chairman SEK 135,000 and other Board members SEK 125,000 each (the Chief Executive Officer of Hexagon AB received no remuneration for Board activities). No member of the Board received any other remuneration. Remuneration to the Chief Executive Officer, who is also the President, and other senior executives comprises basic pay, performance-related pay, other benefits and pension contributions. Other senior executives refers to the six people described on page 32. Performance-related pay applies only to senior executives with operational positions in any of the business areas and is based on performance relative to individual targets set.

Pension benefits and other benefits granted to the Chief Executive Officer and other senior executives form part of the overall remuneration package.

Pension

Pension expenses refer to a set-rate pension plan. Pension expenses refer to the expenses that had a bearing on net earnings. The retirement age of the Chief Executive Officer is 65. The pension premium is 15 per cent of pensionable pay. For other senior executives the retirement age varies between 60 and 65 years. The pension premium is 20 – 25 per cent of pensionable pay. Pensionable pay refers to basic salary.

Severance pay

Upon termination of employment initiated by the company, the Chief Executive Officer retains the right to severance pay equivalent to 1.5 annual salaries. The notice period for other senior executives is 12 to 18 months.

Financial instruments

In 2000 Hexagon's Annual General Meeting resolved to introduce a staff stock option plan. In conjunction with this, Hexagon issued a debenture for SEK 100,000 associated with 700,000 detachable options for subscription for new Hexagon shares. This debenture was subscribed by Hexagon Förvaltning AB. Each option entitles the holder to subscribe for one Class B share, with a nominal value of SEK 10, in the period 1 June 2002 to 31 May 2005 inclusive, for SEK 184.55.

These options have been assigned a market value consistent with what is known as the Black-Scholes equation. Upon full exercise of these options, the share capital would increase by a maximum of SEK 7,000,000. The dilution effect upon full exercise corresponds to 4.0 per cent of the share capital and 2.8 per cent of the vote. As of year-end 648,500 (644,500) options were subscribed, with the Chief Executive Officer having purchased 212,000 option rights and other senior executives 360,000. Subscription premiums paid are posted directly to consolidated shareholders' equity.

SUBSCRIPTION OPTIONS 2000/2005

	No. of options	Acquisition price
Chief Executive Officer	212 000	2 628 800
Other senior executives	360 000	3 006 000
Total	**572 000**	**5 634 800**

The acquisition price equals the market price on subscription.

DRAFTING AND DECISION MODEL

The remuneration to the Chief Executive Officer for the 2002 financial year was resolved by the Board. The remuneration to other senior executives was decided by the Chief Executive Officer following consultation with the Chairman of the Board.

Remuneration and other benefits during the year

(SEK '000)	Basic pay/ Board remuneration	Performance-related pay	Other benefits	Pension expenses	Other remun.	Total
Chairman of the Board	145					145
Chief Executive Officer	3 720		309	558		4 587
Other senior executives (six people)	11 448	85	409	1 947	197	14 086
Total	**15 313**	**85**	**718**	**2 505**	**197**	**18 818**

Other benefits' refers to company cars and, in the case of the Chief Executive Officer, a free residence.

NOTE 5. ITEMS AFFECTING COMPARABILITY

	Group		Parent company	
	2002	2001	2002	2001
SPP surplus consolidation funds	-	9	-	7
Restructuring expenses	-31	-52	-	-
Total	**-31**	**-43**	**-**	**7**

Restructuring expenses mainly relate to the restructuring of the Engineering business area's activities within the SwePart group.

NOTE 6. DEPRECIATION ACCORDING TO PLAN

Deprecation of tangible and intangible fixed assets is included in the income statement items as follows:

Depreciation for the Year	Group		Parent Company	
According to Plan	**2002**	**2001**	**2002**	**2001**
Cost of goods sold	131	125	-	-
Sales expenses	17	21	-	-
Administrative expenses	56	30	1	-
Research and development expenses	1	4	-	-
Other operating expenses	3	1	-	-
Depreciation of intangible fixed assets	90	63	-	-
Total	**298**	**244**	**1**	**-**

NOTE 7. EARNINGS FROM FINANCIAL INVESTMENTS

	Group		Parent Company	
	2002	2001	2002	2001
Earnings on shares in group companies				
Dividend	-	-	90	194
Capital gain	7	66	13	73
Capital loss	-	-	-1	-
Write-down of shares in subsidiaries	-	-	-95	-110
Total	**7**	**66**	**7**	**157**
Earnings from shares in associated companies				
Capital gain	3	-	22	-
Dividends	-	-	5	5
Total	**3**	**-**	**27**	**5**
Earnings from other securities classified as fixed assets				
Dividends	0	4	-	-
Capital gain	36	-	-	-
Total	**36**	**4**	**-**	**-**
Other interest income				
Interest income - group companies	-	-	84	69
Other interest income	15	33	4	11
Total	**15**	**33**	**88**	**80**
Interest expenses				
Interest expenses - group companies	-	-	29	25
Other interest expenses	132	120	107	258
Total	**132**	**120**	**136**	**283**

NOTE 8. TAX

	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Tax on earnings for the year				
Income tax	-54	-49	32	9
Total current tax	**-54**	**-49**	**32**	**9**
Deferred tax on earnings for the year	-61	-27	-31	36
Share of tax in associated companies	-7	1	-	-
Total tax on earnings for the year	**-122**	**-75**	**1**	**45**
Tax receivables				
Other receivables include tax receivables of	49	66	7	38
of which deferred tax receivables are	49	66	7	38
Tax provisions				
Deferred tax liability	78	62	-	-
Other tax provisions	-	-	-	-
Total tax provisions	**78**	**62**	**-**	**-**

Deferred tax liability not accounted for related to untaxed reserves in the parent company amounts to 21 MSEK (31).

Deferred tax

Deferred tax, i.e. the difference between, on the one hand, the income tax actually accounted for in this and previous income statements as current tax, and, on the other hand, the final tax burden the company will bear as a consequence of operations in the current and previous years, amounts to the following:

	Group 2002	Group 2001
Deferred tax receivables/liabilities		
Unutilised loss carry-forwards and similar deductions	361	388
Fixed assets	-126	-155
Inventories	53	58
Customer receivables	-3	10
Provisions	32	43
Other	-18	0
Less valuation reserve	-328	-340
Total	**-29**	**4**

The valuation reserve principally consists of unutilised loss carry-forwards. The previous year figures have been revised with a view to improving comparability between the two years.

Consolidated unutilised loss deductions and similar deductions mature as follows:

Year	Group 2002
2003	6
2004	6
2005	36
2006	20
2007 and beyond	93
Non time-finite	1 158
Total	**1 319**

There is no time-limit on utilisation of the parent company's loss deduction of MSEK 23.

The difference between nominal Swedish tax rates and the effective tax rate arises as follows:

Per cent	Group 2002	Group 2001
Earnings before tax	**319**	**227**
Tax, nominal Swedish rate	**-89**	**-64**
Difference in tax rates in foreign businesses	-3	-5
Losses on which deferred tax liabilities are disregarded	-8	-5
Non-deductible expenses	-30	-20
Non-taxable revenues	12	20
Tax effect, associated companies	-4	-1
Tax in Income Statement	**-122**	**-75**

In 2001 the Swedish Tax Authority decided to reduce the subsidiary Röomned AB's tax loss carry-forward by MSEK 471. In 2002 the company appealed this decision to the County Administrative Court. Later in 2002 the Swedish Tax Authority decided to write off the whole affair on the grounds that the Tax Authority which took the decision on reduction in 2001 did not have authority to do so. The Tax Authority subsequently notified the company that it was instead considering assessing the company for arrears on the same grounds and at the same level as in 2001. Supported by independent experts, the company regards the basis of the Tax Authority's considerations as being false and consequently has not reduced the accounted deferred tax receivable as a result of the Tax Authority's deliberations. A response has been submitted refuting the Tax Authority's deliberations.

NOTE 9. NET ASSETS IN ACQUIRED AND DIVESTED SUBSIDIARIES

Net assets in acquired subsidiaries, excluding acquired cash and bank balances
The market value of assets and liabilities in subsidiaries taken over, and the total cash flow from acquisitions is distributed as follows:

	2002	2001
Intangible fixed assets	224	1 100
Tangible fixed assets	139	526
Financial fixed assets	-8	182
Current receivables, inventories, etc.	147	1 451
Liquid assets	12	109
Provisions	-80	-293
Long-term liabilities	-88	-323
Current liabilities, etc.	-115	-859
Total purchase price	**231**	**1 893**
Less liquid assets in acquired group companies	-12	-109
Cash flow from acquired group companies, net	**219**	**1 784**

Net assets in divested subsidiaries, excluding divested cash and bank balances
The market value of transferred assets and liabilities in subsidiaries, and the total cash flow from divestitures is distributed as follows:

	2002	2001
Intangible fixed assets	5	152
Tangible fixed assets	-	149
Financial fixed asses	-	34
Current receivables, inventories, etc.	-	433
Liquid assets	-	60
Provisions	-	-21
Long-term liabilities	-	-79
Current liabilities, etc	-	-318
Total sales price	**5**	**410**
Less liquid assets in divested group companies	-	-60
Cash flow from divested group companies, net	**5**	**350**

NOTE 10. INTANGIBLE AND TANGIBLE FIXED ASSETS

Group

Intangible fixed assets

	Capitalised Expenditure on Research and Development	Patents and Trademarks	Goodwill	Total
Acquisition value, opening balance	12	305	1 117	1 434
Exchange rate differences	0	-53	-150	-203
Investments	52	2	-	54
Investments via acquisition of subsidiaries	6	10	211	227
Sales/disposals	-	-	-2	-2
Reclassification	-3	36	-	33
Acquisition value, closing balance	**67**	**300**	**1 176**	**1 543**
Amortization, opening balance	-3	-9	-150	-162
Exchange rate differences	-	3	7	10
Investments via acquisition of subsidiaries	0	-1	-	-1
Amortization for the year	-6	-15	-66	-87
Sales/disposals	-	-	2	2
Reclassification	3	-34	-3	-34
Amortization, closing balance	**-6**	**-56**	**-210**	**-272**
Write-downs for the year	-	-	-9	-9
Write-downs, closing balance	**0**	**0**	**-9**	**-9**
Residual value according to plan	61	244	957	1 262

Capitalised expenditure on research and development refers in the main to software offered for sale.

Tangible fixed assets

	Buildings	Land and Other Real Estate	Machinery and Other Technical Plants	Equipment, Tools and Installations	Construction in Progress and Supplier Advances	Total
Acquisition value, opening balance	804	130	2 162	319	30	3 445
Exchange rate differences	-15	-1	-96	2	-	-110
Investments	26	12	139	72	13	262
Investments via acquisition of subsidiaries	50	4	111	19	-	184
Sales/disposals	-9	0	-78	-52	-	-139
Reclassification	-6	0	-178	103	-30	-111
Acquisition value, closing balance	**850**	**145**	**2 060**	**463**	**13**	**3 531**
Depreciation, opening balance	-322	-2	-1 503	-242	-	-2 069
Exchange rate differences	4	-	77	1	-	82
Investments via acquisition of subsidiaries	-1	-	-37	-8	-	-46
Depreciation for the year	-28	-1	-135	-43	-	-207
Sales/disposals	6	-	74	12	-	92
Reclassification	6	0	197	-12	-	191
Depreciation, closing balance	**-335**	**-3**	**-1 327**	**-292**	**-**	**-1 957**
Residual value according to plan	515	142	733	171	13	1 574

Rateable value of Swedish real estate is MSEK 119 (119) for buildings and MSEK 24 (25) for land.

Parent company

	Patents and Trademarks	Building	Land	Equipment	Total
Acquisition value, opening balance	2	6	2	2	12
Purchases	-	2	-	1	3
Acquisition value, closing balance	**2**	**8**	**2**	**3**	**15**
Depreciation, opening balance	-2	0	-	-1	-3
Depreciation for the year	-	0	-	-1	-1
Depreciation, closing balance	**-2**	**0**	**-**	**-2**	**-4**
Residual value according to plan	0	8	2	1	11

NOTE 11. FINANCIAL FIXED ASSETS

Group	Shares in Associated Companies 2002	2001	Other Long-term Securities Holdings 2002	2001	Other Long-term Receivables 2002	2001
Opening balance	168	171	53	22	227	136
Exchange rate differences	-7	0	-1	-	-28	10
Investments	-	17	-	33	-	162
Investments via acquisition of subsidiaries	5	-	0	-	16	-
Share in earnings, etc.	-1	-10	-	-	-	-
Write-downs	-6	-	-	-	-	-
Change in deferred tax	-	-	-	-	-33	-24
Sales	-31	-10	-11	-2	-	-21
Reclassification	-	-	-27	-	-60	-36
Closing balance	**128**	**168**	**14**	**53**	**122**	**227**

Other long-term securities holdings

	Group 2002	2001	Parent Company 2002	2001
Svedbergs i Dalstorp AB (publ)	-	11	-	-
Tradimus AB	10	10	10	10
Kiint Oy Honkakoli	1	1	-	-
Xygent, Inc.	-	27	-	-
Other	3	4	-	-
Total	**14**	**53**	**10**	**10**

Xygent Inc. became a subsidiary during the year.

Parent company	Shares in Group Companies 2002	2001	Receivables, Group Companies 2002	2001	Shares in Associated Companies 2002	2001
Opening balance	2 407	1 232	1 157	969	95	95
Capital contribution	51	52	-	-	-	-
Write-downs	-95	-110	-	-	-	-
Purchases	71	1 412	314	188	-	-
Sales	-	-179	-	-	-11	-
Closing balance	**2 434**	**2 407**	**1 471**	**1 157**	**84**	**95**

Parent company	Other Long-term Securities Holdings 2002	2001	Other Long-term Receivables 2002	2001
Opening balance	10	5	-	29
Purchases	-	5	-	-
Sales	-	-	-	-29
Closing balance	**10**	**10**	**0**	**0**

The parent company's holdings of shares in associated companies comprise VBG AB (publ).

Subsidiaries of Hexagon AB	Corporate Identity Number	Registered Office	Number of Shares	Book Value 2002	Book Value 2001
Wholly owned companies					
Hexagon Holdings, Inc.		USA	100	1 412	1 412
SwePart AB	556046-3407	Stockholm	8 662 500	218	218
Hexagon Förvaltning AB	556016-3049	Stockholm	200 000	206	206
Dacke Hydraulik AB	556207-5357	Helsingborg	2 000	160	110
Johnson Industries AB	556099-2967	Örebro	3 000	133	133
Gislaved Gummi AB	556112-2382	Gislaved	2 000	106	106
Röomned AB	556394-3678	Stockholm	1 439 200	100	100
C E Johansson AB	556601-9773	Eskilstuna	20 000	70	-
Tecla AB	556068-1602	Stockholm	160 000	14	109
Kramsten Food and Drink Suppliers AB	556083-1124	Stockholm	100 000	12	12
Hexagon Metrology AB	556365-9951	Stockholm	1 000	0	0
Other companies essentially dormant				3	1
Total				**2 434**	**2 407**

NOTE 12. SHARES IN ASSOCIATED COMPANIES

	No. of Shares	Prop. of Capital	Prop. of Votes	Prop. of Shareholders Equity, MSEK	Book Value Group 2002	Book Value Group 2001	Share of Associated Company's Earnings Before Tax 2002	Tax 2002	Before Tax 2001	Tax 2001
VBG AB (publ)	1 404 823	44.9%	24.0%	115	127	161	11	-7	-8	1
Brown & Sharpe Precizika	2 298 526	52.8%	52.8%	2	0	6	1	0	-1	-
Precisionsstål AB	1 250	25.0%	25.0%	1	1	1	0	0	0	0
Megufo AB	500	50.0%	50.0%	0	0	-	0	0	-	-
Associated companies that became subsidiaries in the year	-	-	-	-	-	-	-	-	2	-
Total				**118**	**128**	**168**	**12**	**-7**	**-7**	**1**

VBG AB (publ), corporate identity number 556069-0751, has its registered office in Vänersborg, Sweden. The quoted share price of VBG AB (publ) was SEK 90 (95).
Precisionsstål AB, corporate identity number 556096-9940, has its registered office in Stockholm, Sweden.
Megufo AB, corporate identity number 556421-2453, has its registered office in Gislaved, Sweden.
Brown & Sharpe Precizika has its registered office in Lithuania. Because of limited influence, this entity has been consolidated according to the equity method.

NOTE 13. REMUNERATION TO GROUP'S AUDITORS

(TSEK)	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Auditing				
Ernst & Young	9 099	6 763	250	225
SET Revisionsbyrå	366	1 852	123	234
KPMG	-	3 409	-	-
Other	1 391	215	-	-
Total	**10 856**	**12 239**	**373**	**459**
Assignments other than auditing				
Ernst & Young	933	1 457	105	90
SET Revisionsbyrå	576	1 294	296	526
KPMG	1	512	-	-
Other	417	76	-	-
Total	**1 927**	**3 339**	**401**	**616**

NOTE 14. ACCRUALS AND DEFERRALS

	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Pre-paid expenses and deferred revenues				
Accrued invoicing	23	16	-	-
Pre-paid rents	14	12	-	-
Accrued interest income	-	11	-	-
Pre-paid acquisition expenses	4	-	-	-
Other items	62	36	7	4
Total	**103**	**75**	**7**	**4**
Accrued expenses and deferred revenues				
Accrued personnel related expenses	266	258	3	7
Goods and services received, not invoiced	41	57	-	-
Pre-paid servicing revenues	26	34	-	-
Accrued interest expenses	3	26	3	25
Accrued sales commission	15	16	1	-
Other items	219	175	1	6
Total	**570**	**566**	**8**	**38**

NOTE 15. SHAREHOLDERS' EQUITY

GROUP

	Share-Capital	Restricted Reserves	Equity Method Reserve	Non-restricted Reserve	Net Earnings	Total
Opening balance according to previous Annual Report	148	464	71	928	144	1 755
Earnings carried forward	-	-	-	144	-144	0
Dividend	-	-	-	-74	-	-74
Option premiums	-	-	-	0	-	0
Translation differences						
- excluding effect of currency hedging of foreign subsidiaries' net assets	-	-	-	-159	-	-159
- effect of currency hedging of foreign subsidiaries' net assets	-	-	-	65	-	65
Transfer between restricted and non-restricted equity	-	-26	-28	54	-	0
New share issue	37	383	-	-	-	420
Net earnings	-	-	-	-	187	187
Closing balance	**185**	**821**	**43**	**958**	**187**	**2 194**

PARENT COMPANY

	Share Capital	Share Premium Reserve	Statutory Reserve	Earnings Brought Forward	Net Earnings	Total
Opening balance	148	128	220	730	-4	1 222
Carried forward	-	-	-	-4	4	0
Dividend	-	-	-	-74	-	-74
Group contributions paid	-	-	-	-32	-	-32
Tax attributable to group contributions paid	-	-	-	9	-	9
Group contributions received	-	-	-	146	-	146
Tax attributable to group contributions received	-	-	-	-41	-	-41
New share issue	37	383	-			420
Net earnings	-	-	-	-	-2	-2
Closing balance	**185**	**511**	**220**	**734**	**-2**	**1 648**

New Share Issue

During the year the parent company effected a new share issue with preferential rights for existing shareholders. The new share issue increased the number of Class A shares by 210,000 and the number of Class B shares by 3,488,295. This increased the share capital by MSEK 37 and the share premium reserve by MSEK 383. At year-end, the number of shares in the parent company was 18,491,477 with a nominal value of SEK 10 per share, of which 1,050,000 were Class A shares. Class A shares confer ten votes and class B shares one vote. All shares confer equal rights to the corporation's earnings and assets.

NOTE 16. OTHER PROVISIONS

	Group		Parent Company	
	2002	2001	2002	2001
Restructuring measures	30	107	-	-
Guarantee commitments	4	5	-	-
Estimated supplementary payments for acquired enterprises	73	99	-	-
Total	**107**	**211**	**-**	**-**

Supplementary payments that cannot be reliably estimated are not included in the provisions.

NOTE 17. INTEREST-BEARING LIABILITIES

Group
Maturity

Amounts due for payment in	2003	2004-2006	2007 and beyond	Total
Liabilities to credit institutions	128	39	1 931	2 098
Other interest-bearing liabilities	26	6	-	32
Total	**154**	**45**	**1 931**	**2 130**

Credit lines Amounts:		**2002**			**2001**	
	Utilised	**Unutilised**	**Approved**	**Utilised**	**Unutilised**	**Approved**
Liabilities to credit institutions	2 098	1 055	3 153	2 716	596	3 312
Other interest-bearing liabilities	-	-	-	-	-	0
Total	**2 098**	**1 055**	**3 153**	**2 716**	**596**	**3 312**

Parent company
Maturity

Amounts due for payment in	2003	2004-2006	2007 and beyond	Total
Liabilities to credit institutions	2	-	2 015	2 017
Total	**2**	**0**	**2 015**	**2 017**

Credit lines Amounts:		**2002**			**2001**	
	Utilised	**Unutilised**	**Approved**	**Utilised**	**Unutilised**	**Approved**
Liabilities to credit institutions	2 017	719	2 736	2 521	366	2 887
Total	**2 017**	**719**	**2 736**	**2 521**	**366**	**2 887**

Syndicated Loan

Coincident with the acquisition of Brown & Sharpe, the Hexagon group underwent refinancing through a new five-year MUSD 255 loan agreement. This agreement, entered into on 13 June 2001, replaced previous facilities. The terms and conditions include the fact that the Hexagon group has to achieve certain key financial ratios. Of the total nominal amount of MUSD 255, MUSD 198 had been drawn down as of 31 December 2002.

NOTE 18. RENTED ASSETS

The following operational leasing/rental agreements have been entered into:

	Group		**Parent company**	
	Machinery, Equipment, etc	**Premises**	**Machinery, Equipment, etc**	**Premises**
Expenses due for payment in				
2003	13	84	-	1
2004-2007	14	206	-	-
2008 and beyond	0	37	-	-
Total	**27**	**327**	**-**	**1**

The above refers to non-discounted, minimum contracted commitments. Expenses for leasing/rentals were MSEK 102 (104) for the financial year.

The following financial leasing/rental agreements have been entered into:

	Group		**Parent company**	
	Machinery, Equipment etc	**Premises**	**Machinery, Equipment, etc**	**Premises**
Expenses due for payment in				
2003	18	0	-	-
2004-2007	31	2	-	-
2008 and beyond	1	2	-	-
Total	**50**	**4**	**-**	**-**

The above refers to non-discounted, minimum contracted commitments.

NOTE 19. MEMORANDUM ITEMS

Assets pledged to credit institutions for loans, overdrafts and guarantees	**Group**		**Parent Company**	
	2002	**2001**	**2002**	**2001**
Real estate mortgages	65	105	-	-
Floating charges	257	54	-	-
Other	79	43	-	-
Total	**401**	**202**	**0**	**-**

	Group		**Parent Company**	
Contingent liabilities	**2002**	**2001**	**2002**	**2001**
Guarantees in favour of group companies	-	-	163	4
Letters of credit	73	88	-	-
Other contingent liabilities	3	6	-	-
Total	**76**	**94**	**163**	**4**

NOTE 20. QUARTERLY INCOME STATEMENTS

	2002				2001			
	Q 1	**Q 2**	**Q 3**	**Q 4**	**Q 1**	**Q 2**	**Q 3**	**Q 4**
Net sales	1 689	1 788	1 589	1 931	1 125	1 628	1 582	1 869
Gross earnings	**427**	**468**	**408**	**560**	**245**	**404**	**391**	**511**
Sales expenses	-219	-172	-192	-220	-102	-193	-178	-255
Administration expenses	-94	-141	-117	-162	-89	-110	-155	-83
Research and development expenses	-16	-18	-17	-8	-8	-18	-20	-19
Other operating revenues/expenses	6	4	4	-5	2	14	6	-8
Earnings share, associated companies	6	2	2	5	6	-1	5	5
Operating earnings before amortization of intangible assets	**110**	**143**	**88**	**170**	**54**	**96**	**49**	**151**
Amortization of intangible assets	-22	-22	-22	-24	-7	-13	-17	-26
Items affecting comparability	-	-31	-	0	-	0	8	-51
Capital gains, group companies	-	-	2	5	20	0	-1	47
Capital gains, associated companies	-	-3	6	0	-	-	-	-
Operating earnings	**88**	**87**	**74**	**151**	**67**	**83**	**39**	**121**
Earnings from other securities	-	36	-	-	-	4	-	0
Other financial revenue and expenses	-31	-31	-29	-26	-11	-16	-24	-36
Earnings before tax	**57**	**92**	**45**	**125**	**56**	**71**	**15**	**85**
Tax	-21	-33	-22	-46	-19	-23	-5	-28
Minority shares	-3	-2	-2	-3	-1	-1	-1	-5
Net earnings	**33**	**57**	**21**	**76**	**36**	**47**	**9**	**52**
Earnings include depreciation of	*-70*	*-71*	*-80*	*-77*	*-40*	*-56*	*-65*	*-83*
Earnings per share after tax (SEK)	**2.06**	**3.43**	**1.14**	**4.11**	**2.25**	**2.94**	**0.56**	**3.25**
Earnings per share after tax excluding goodwill (SEK)	**3.44**	**4.75**	**2.33**	**5.41**	**2.69**	**3.75**	**1.63**	**4.88**
Operating earnings (EBITDA)	**158**	**192**	**146**	**223**	**87**	**139**	**97**	**208**
Operating earnings (EBITDA) per share (SEK)	**9.88**	**11.54**	**7.90**	**12.06**	**5.44**	**8.69**	**6.06**	**13.00**
Operating earnings (EBITA)	**110**	**143**	**88**	**170**	**54**	**96**	**49**	**151**
Operating earnings (EBITA) per share (SEK)	**6.88**	**8.60**	**4.76**	**9.19**	**3.38**	**6.00**	**3.06**	**9.44**

Stockholm, 6 March 2003

Melker Schörling
Chairman

Hans Nergårdh

Maths O Sundqvist
Deputy Chairman

Carl-Henric Svanberg

Ola Rollén
Chief Executive Officer

My Audit Report was submitted on 26 March 2003

Gunnar Widhagen
Authorised Public Accountant

Audit Report

To the Annual General Meeting of Hexagon AB (publ)
Corporate identity number 556190-4771

I have examined the Annual Report, the Consolidated Financial Statements and the accounts, as well as administration by the Board of Directors and the Chief Executive Officer of Hexagon AB for 2002. It is the Board of Directors and the Chief Executive Officer who hold the responsibility for the accounts and administration. My responsibility is to issue a statement of opinion on the Annual Report, the Consolidated Financial Statements and the administration on the basis of my audit.

The audit has been conducted in accordance with accepted accounting standards in Sweden. This implies that I have planned and completed the audit in order, to a reasonable degree, to ensure that the Annual Report and the Consolidated Financial Statements do not contain any major errors. An audit entails examining a selection of the documentary basis for amounts and other information in the accounts. An audit also includes testing the accounting principles and their application by the Board of Directors and the Chief Executive Officer and also assessing the body of information in the Annual Report and the Consolidated Financial Statements. As a basis for my statement of opinion on discharge of liability, I have examined crucial decisions, measures and conditions in the company in order to be able to assess whether any Board Member or the Chief Executive Officer is liable to compensate the company. I have also examined whether any Board Member or the Chief Executive Officer has otherwise acted contrary to the provisions of the Companies Act, the Annual Reports Act or the Articles of Association. I am of the opinion that my audit gives me reasonable grounds for my pronouncements below.

The Annual Report and the Consolidated Financial Statements have been prepared in compliance with the Annual Reports Act and thereby give a true picture of the earnings and position of the Company and the Group in accordance with accepted accounting standards in Sweden.

I recommend that the Annual General Meeting adopt the Income Statement and Balance Sheet for the Parent Company and the Group, that the profits in the Parent Company be disposed of in accordance with the proposal in the Directors' Report and that the Members of the Board of Directors and the Chief Executive Officer be discharged of liability for the fiscal year.

Stockholm, 26 March 2003

Gunnar Widhagen
Authorised Public Accountant

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