



## Interim Report, January – September 2007

Press information 26 October 2007

### A record strong third quarter 2007

- Order intake increased to 3 697 MSEK (3 151). Organic growth in order intake was 18 per cent.
- Net sales increased to 3 448 MSEK (3 196). Organic growth in net sales was 14 per cent.
- Earnings before tax increased by 38 per cent to 500 MSEK (362).
- Earnings after tax increased by 61 per cent to 437 MSEK (271).
- Earnings per share, before dilution, increased by 61 per cent to 1.64 SEK (1.02).
- Three companies within the business area Hexagon Measurement Technologies and one polymer compounding company were acquired during the quarter.

### A record strong nine months 2007

- Order intake increased to 11 128 MSEK (10 132). Organic growth in order intake was 16 per cent.
- Net sales increased to 10 463 MSEK (9 908). Organic growth in net sales was 14 per cent.
- Earnings before tax increased by 39 per cent to 1 551 MSEK (1 118).
- Earnings after tax increased by 61 per cent to 1 384 MSEK (862).
- Earnings per share, before dilution, increased by 52 per cent to 5.19 SEK (3.42).

### Comments from Hexagon's CEO Ola Rollén

”Hexagon reports yet another strong quarter. Order intake increased by 18 per cent, sales by 14 per cent, operating earnings by 37 per cent and earnings per share increased by an impressive 61 per cent during the third quarter. We are happy to see the organic growth continue to increase with high profitability and strong cash flow. For the fourth quarter of 2007 we expect the same levels in organic growth and acquisition pace as the first nine months.”

MSEK	Q3 2007	Q3 2006	Change %	Q1-3 2007	Q1-3 2006	Change %
Order intake	3 697	3 151	18 <sup>1)</sup>	11 128	10 132	16 <sup>1)</sup>
Net sales	3 448	3 196	14 <sup>1)</sup>	10 463	9 908	14 <sup>1)</sup>
Operating earnings (EBIT1)	560	408	37	1 681	1 281	31
Operating margin, %	16.2	12.8	3.4	16.1	12.9	3.2
Earnings before tax	500	362	38	1 551	1 118	39
Earnings after tax	437	271	61	1 384	862	61
Earnings per share, SEK	1.64	1.02	61	5.19	3.42	52

<sup>1)</sup> Adjusted using fixed exchange rates and a comparable group structure (organic growth).

### Third quarter sales and earnings

The third quarter shows an impressive improvement in earnings. Operating margin (EBIT1) increased by 3 percentage points to 16 per cent (13). Order intake grew to 3 697 MSEK (3 151). Net sales increased to 3 448 MSEK (3 196). Using fixed exchange rates and a comparable group structure, order intake increased by 18 per cent and net sales by 14 per cent. Unadjusted for the change in exchange rates, Hexagon's sales were affected negatively by a weaker dollar and the fact that substantial parts of the business area Hexagon Engineering were divested during the first quarter this year.

In EMEA, demand continued to be strong during the third quarter. Organic growth rate in order intake increased somewhat compared to prior quarters, and amounted to 14 per cent. Organic growth in net sales was 12 per cent. We see a continuous strong demand in EMEA throughout the rest of the year driven by extensive infrastructural investments in the region and a continuous strong demand in the engineering sector.

In Americas demand in the third quarter was positively affected by increased investments in infrastructure and increased demand from non-automotive related industries such as mining, aerospace and the electronics industry. Organic growth in order intake was 15 per cent and in net sales 14 per cent. The negative trend in the region since the second quarter 2006 and early 2007 is thereby broken.

In Asia, the strong growth rate in demand for Hexagon's products continues. Organic growth in order intake was 38 per cent and in net sales 24 per cent. The growth is benefiting from Hexagon's investments in new capacity in the region. We see a continuous strong demand in Asia for the rest of the year.

### Net sales per region

MSEK	Q3 2007	Q3 2006	Change %
EMEA	1 993	1 934	12 <sup>1)</sup>
Americas	850	759	14 <sup>1)</sup>
Asia	605	503	24 <sup>1)</sup>
<b>Total</b>	<b>3 448</b>	<b>3 196</b>	<b>14<sup>1)</sup></b>

<sup>1)</sup> Adjusted using fixed exchange rates and a comparable group structure (organic growth).

Operating earnings (EBIT1) increased by 37 per cent to 560 MSEK (408), corresponding to an operating margin of 16.2 per cent (12.8). Operating earnings (EBIT1) were negatively affected by -4 MSEK due to exchange rate fluctuations.

The financial net during the third quarter was -60 MSEK (-46).

Earnings before tax increased by 38 per cent to 500 MSEK (362). Earnings were negatively affected by -2 MSEK due to currency fluctuations.

Earnings after tax increased by 61 per cent to 437 MSEK (271), corresponding to an earnings per share of 1.64 SEK (1.02). Earnings after tax were positively affected by revaluations of deferred tax assets and tax liabilities due to the new legal and tax structure of the group.

## First nine months 2007 – sales and earnings

Order intake in the first nine months grew to 11 128 MSEK (10 132). Using fixed exchange rates and a comparable group structure, order intake increased by 16 per cent. Net sales increased to 10 463 MSEK (9 908). Using fixed exchange rates and a comparable group structure, net sales increased by 14 per cent.

### Net sales per geographical region

MSEK	Q1-3 2007	Q1-3 2006	Change %
EMEA	6 234	6 063	12 <sup>1)</sup>
Americas	2 476	2 439	11 <sup>1)</sup>
Asia	1 753	1 406	27 <sup>1)</sup>
<b>Total</b>	<b>10 463</b>	<b>9 908</b>	<b>14<sup>1)</sup></b>

<sup>1)</sup> Adjusted using fixed exchange rates and a comparable group structure (organic growth).

Operating earnings (EBIT1) increased by 31 per cent to 1 681 MSEK (1 281), corresponding to an operating margin of 16.1 per cent (12.9). Operating earnings (EBIT1) were adversely affected by -24 MSEK due to currency fluctuations.

The financial net during the first nine months was -152 MSEK (-176).

Earnings before tax increased by 39 per cent to 1 551 MSEK (1 118). These earnings were negatively affected by -16 MSEK due to currency fluctuations.

Earnings after tax increased by 61 per cent to 1 384 MSEK (862), corresponding to an earnings per share of 5.19 SEK (3.42).

### Net sales and earnings per business area

MSEK	Net sales			Earnings		
	Q1-3 2007	Q1-3 2006	Change %	Q1-3 2007	Q1-3 2006	Change %
Hexagon Measurement Technologies	7 784	6 794	15 <sup>1)</sup>	1 466	1 081	36
Hexagon Polymers	1 986	1 876	7 <sup>1)</sup>	236	171	38
Other operations	695	1 240	22 <sup>1)</sup>	21	64	n.a.
Group costs and adjustments	-2	-2		-42	-35	
<b>Operating earnings (EBIT1)</b>				<b>1 681</b>	<b>1 281</b>	<b>31</b>
Per cent of net sales				16.1	12.9	3.2
Interest income and expenses, net				-152	-176	14
<b>Earnings before non-recurring items</b>				<b>1 529</b>	<b>1 105</b>	<b>38</b>
Capital gains				120	97	n.a.
Other non-recurring items				-98	-84	n.a.
<b>Earnings before tax</b>	<b>10 463</b>	<b>9 908</b>	<b>14<sup>1)</sup></b>	<b>1 551</b>	<b>1 118</b>	<b>39</b>

<sup>1)</sup> Adjusted using fixed exchange rates and a comparable group structure (organic growth).

## **Profitability**

Capital employed, defined as total assets less non-interest bearing liabilities, increased to 16 539 MSEK (15 683). Return on average capital employed was 14.8 per cent (11.4). Return on average shareholders' equity was 20.3 per cent (15.9). The capital turnover rate was 0.9 times (0.9).

## **Financial position**

Shareholders' equity, including minority interests, increased to 9 381 MSEK (8 514). The equity ratio was 46 per cent (45). The group's total assets increased to 20 466 MSEK (19 126).

On 30 September 2007, cash and non-utilized credit limits totalled 4 889 MSEK (4 765). The group's net debt totalled 6 309 MSEK (6 688), and the net indebtedness was 0.67 times (0.79). Interest coverage ratio was 9.4 times (6.7).

## **Cash flow**

Cash flow from operations before changes in working capital increased by 35 per cent to 1 660 MSEK (1 232), corresponding to 6.26 SEK per share (4.92). Cash flow from operations increased to 1 388 MSEK (580), corresponding to 5.23 SEK per share (2.32). The operating cash flow was 823 MSEK (-8).

## **Investments and depreciation**

Hexagon's net investments, excluding acquisitions and divestitures, were 565 MSEK (588). Depreciation for the first nine months was 464 MSEK (429).

## **Tax rate**

Hexagon's tax cost for the first nine months totalled -167 MSEK (-256), corresponding to a tax rate of 11 per cent (23). The tax cost is affected by the fact that a considerable part of Hexagon's earnings is generated in foreign subsidiaries located in countries where the tax rates differ from those in Sweden as well as the fact that capital gains are essentially exempt from tax. The effective tax rate for the full year 2007 is estimated to about 15 per cent.

## **Employees**

The average number of employees in the Hexagon group during the first nine months was 8 099 (7 726). The number of employees at the end of the third quarter totalled 9 413 (8 223).

## **Share data**

Earnings per share during the first nine months increased by 52 per cent to 5.19 SEK (3.42). On 30 September 2007, equity per share was 35.20 SEK (31.94) and the share price was 131 SEK (84). Historical share related data has been recalculated considering the rights issue (with bonus issue element taken into consideration) carried out during the second quarter 2006, exercise of options, the compulsory squeeze out of the remaining minority shares in Leica Geosystems during the third quarter 2006, and the 3:1 split of the share during the second quarter 2007. At full exercise of remaining stock option programmes, the dilution effect would be 0.2 per cent of the share capital and 0.1 per cent of the number of votes.

## Hexagon Measurement Technologies (MT)

*The business area is the world leader in multidimensional measurements of the measuring and positioning market's macro and micro segments. Operations cover hand tools, fixed and portable co-ordinate measuring machines (CMMs), GPS systems, level meters, laser meters, total stations, sensors for airborne measurement, aftermarket services and software systems for one, two or three-dimensional measurements.*

The strong demand for MT continued during the third quarter. Organic growth was 21 per cent in order intake and 15 per cent in net sales. The improvement in earnings was substantial. Operating margin improved to 19 per cent (16).

The demand in EMEA was continuously strong within all customer segments during the third quarter. The organic growth rate in order intake increased somewhat and totalled 16 per cent. Organic growth in net sales was 14 per cent. For 2007 we see a continuous strong demand with a significant activity level in the engineering sector and construction industry in Western Europe as well as in Eastern Europe and the Middle East. Hexagon is currently investing resources in expanding distribution and service within the new fast-growing segments in the region.

In Americas, demand was positively affected by increased investments in infrastructure and increased demand from non-automotive related industries such as mining, engineering, geospatial imaging, aerospace and the electronics industry. However, the competitiveness of the domestic automotive industry is continuously weak and the residential housing construction market has continued to deteriorate. Organic growth in order intake was 20 per cent and in net sales 12 per cent. For fiscal year 2007 we assume a recovery in demand compared to last year due to our focus on fast-growing market segments, investments in distribution, and a gearing up in new product launches.

Hexagon continued to expand significantly in Asia during the third quarter. Organic growth in order intake was 36 per cent and in net sales 23 per cent. During the quarter Hexagon has further expanded operations in China through acquisitions. In other Asian countries, Hexagon continued to grow at a high rate. Among projects in the region worthwhile pointing out, Hexagon is engaged in several extensive mining projects in China, India, Laos and Australia. We estimate the demand to be continuously strong during the remainder of 2007.

Order intake for the third quarter increased to 2 676 MSEK (2 104). Net sales increased to 2 607 MSEK (2 208). Using fixed exchange rates and a comparable group structure, order intake increased by 21 per cent and net sales by 15 per cent. Operating earnings (EBIT1) increased by 39 per cent to 486 MSEK (350), corresponding to an operating margin of 19 per cent (16). The number of employees was 6 531 (5 127) at the end of the third quarter. The increase is principally due to acquisitions during the year.

MSEK	Q3 2007	Q3 2006	Change %	Q1-3 2007	Q1-3 2006	Change %
Order intake	2 676	2 104	21 <sup>1)</sup>	8 187	6 866	18 <sup>1)</sup>
Net sales	2 607	2 208	15 <sup>1)</sup>	7 784	6 794	15 <sup>1)</sup>
Operating earnings (EBIT1)	486	350	39	1 466	1 081	36
Operating margin, %	18.6	15.9	2.7	18.8	15.9	2.9

<sup>1)</sup> Adjusted using fixed exchange rates and a comparable group structure (organic growth).

## Hexagon Polymers

The business area is active in three markets: Rubber compounds as semi-finished goods, gaskets for plate heat exchangers (PHE) and plastic and rubber wheels for truck and track drive applications. Customers are mainly major multinational OEM customers in the PHE, truck production, materials handling equipment and automotive industry market segments.

During the third quarter, the volume growth in the business area was continuously strong. Raw material prices have increased somewhat during the quarter. For the fourth quarter 2007 the raw material prices are estimated to continue to increase somewhat. However, this increase is estimated to be balanced off by the production of new recipes with a different composition of raw materials and selective price increases.

In EMEA, demand was continuous strong during the third quarter. A number of Hexagon Polymers' production facilities are now operating at full capacity.

In Americas, the capacity utilization of the Canadian plant continued to improve during the third quarter by continued penetration of customer segments outside the automotive sector in North East USA. The American polymer compounding company Gold Key was acquired during the quarter. Gold Key brings an additional 35 000 tonnes per year to Hexagon Polymers' total capacity. The business area's newly established production facility in Mexico started production of rubber compounds during the quarter. Americas' other production facilities have developed overall strong during the third quarter.

In Asia, demand was continuously strong. The production facility in Qingdao, China, started production of wheels during the quarter. The production facility in Sri Lanka is operating at high capacity utilization and investments in increased capacity are developing according to plan. The establishment of a production facility for PHE in China, which is estimated to double capacity for Polymers' PHE production over time, is developing according to plan and is estimated to start production during the second quarter 2008.

Order intake for the third quarter increased to 777 MSEK (605). Net sales increased to 680 MSEK (607). Using fixed exchange rates and a comparable group structure, order intake increased by 9 per cent and net sales by 10 per cent. Operating earnings (EBIT1) increased by 72 per cent to 86 MSEK (50), corresponding to an operating margin of 13 per cent (8).

The number of employees was 2 362 (2 045) at the end of the third quarter.

At the Annual General Meeting in May 2008 Hexagon's Board of Directors will propose to the shareholders a separate listing of Polymers on The Nordic Exchange. The listing is planned for June 2008. The motive for a separate listing is that the business has achieved a size and profitability that makes it attractive on its own merits. Georg Brunstam takes up the CEO position of the business in December 2007. The total cost related to the listing is estimated to approximately 25 MSEK and will be charged in the fourth quarter 2007.

MSEK	Q3 2007	Q3 2006	Change %	Q1-3 2007	Q1-3 2006	Change %
Order intake	777	605	9 <sup>1)</sup>	2 115	1 908	7 <sup>1)</sup>
Net sales	680	607	10 <sup>1)</sup>	1 986	1 876	7 <sup>1)</sup>
Operating earnings (EBIT1)	86	50	72	236	171	38
Operating margin, %	12.6	8.2	4.4	11.9	9.1	2.8

<sup>1)</sup> Adjusted using fixed exchange rates and a comparable group structure (organic growth).

## Other operations

As a consequence of the divestments of Johnson Metall and Eurosteel during the first quarter 2007, and Hexagon's intention to divest the remaining part of the business area Hexagon Engineering, the remaining businesses have been classified as Other operations.

Order intake during the third quarter was 244 MSEK (442). Net sales were 161 MSEK (381). Using fixed exchange rates and a comparable group structure, order intake increased by 10 per cent and net sales by 18 per cent. The substantial order intake compared to net sales is due to the take over of Scania's component manufacturing that was consolidated as of 1 September 2007.

Operating earnings (EBIT1) was 1 MSEK (21).

The number of employees was 510 (1 039) at the end of the third quarter. The decrease in number of employees is explained by divestitures made during the first quarter 2007.

MSEK	Q3 2007	Q3 2006	Change %	Q1-3 2007	Q1-3 2006	Change %
Order intake	244	442	10 <sup>1)</sup>	826	1 358	19 <sup>1)</sup>
Net sales	161	381	18 <sup>1)</sup>	695	1 240	22 <sup>1)</sup>
Operating earnings (EBIT1)	1	21	n.a. <sup>2)</sup>	21	64	n.a. <sup>2)</sup>

<sup>1)</sup> Adjusted using fixed exchange rates and a comparable group structure (organic growth).

<sup>2)</sup> Not applicable due to the divestments of Johnson Metall and Eurosteel.

## **Associated companies**

Associated companies include the joint venture company Outokumpu Nordic Brass. Associated companies affect Hexagon's earnings for the period by -33 MSEK (2).

## **Parent company**

The Parent company's earnings after financial items during the nine months period were -157 MSEK (74). The equity ratio of the Parent company was 39 per cent (45). Shareholders' equity was 6 574 MSEK (7 208). Liquid assets, including unutilized credit limits, was 4 202 MSEK (4 360).

## **Accounting policies**

Hexagon applies International Financial Reporting Standards (IFRS) as adopted by the European Commission for use in the EU. Hexagon's interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting" and Swedish Financial Accounting Standards Council recommendation RR 31 "Interim reporting for consolidated entities". The applied accounting policies as well as estimates and judgements are unchanged from those applied in the Annual report for 2006. The implementation of Interpretation URA 43 "Accounting for Special Payroll tax and Tax on Investment returns" from the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council in March 2007 has not had any effect on the results or financial position of Hexagon.

## **Risks and uncertainty factors**

Hexagon as an international group with a wide geographic spread is exposed to a number of business and financial risks. The business risks can be divided into strategic, operational and legal risks. The financial risks are related to such factors as exchange rates, interest rates, liquidity, the giving of credit, raw materials and financial instruments. Risk management in Hexagon aims to identify, control and reduce risks. This work begins with an assessment of the probability of risks occurring and their potential effect on the group. For a detailed description of risks and risk management refer to the Annual Report for 2006. No significant risks other than the risks described there are judged to have occurred.

## **Significant events during the third quarter**

### **Acquisitions**

- On 24 July, 60 per cent of Jingjiang Measuring Tool Company (JMTC) was acquired, giving Hexagon a total share of the company of 90 per cent. JMTC develops, manufactures and supplies a complete range of calipers, digital and mechanical. JMTC had a turnover of 80 MSEK in 2006 and has shown an annual growth of about 20 per cent in recent years. The company is based in Jingjiang, China, and employs 500 people. JMTC is consolidated as of 1 July 2007.
- On 25 July, the operating assets and liabilities of Gesswein GmbH in Germany were acquired. Gesswein is a well-established dealer for surveying products in South Western Germany. Gesswein had a turnover of 1 MEUR in 2006 and showed consistent growth over the past years. Gesswein is consolidated as of 1 August 2007.
- On 24 August, the American rubber compounding company Gold Key Processing, Ltd was acquired. Gold Key supplies rubber compounds for the automotive, industrial, construction, pharmaceutical and aero-space industries. The capacity of the production facility in Ohio is 35 000 tons per year. Gold Key's sales in 2007 are estimated to be 75 MUSD. Sales growth in recent years has been in the level of 30 per cent per year. Gold

Key is located in Middlefield, Ohio, USA and employs approximately 160 people. Gold Key is consolidated as of 1 September 2007.

- On 3 September, CogniTens Ltd., a 3D non contact measurement technologies company, was acquired. CogniTens is built on the concept of providing manufacturers with full surface and features measurements using advanced 3D optical technology. CogniTens' sales in 2007 are estimated to be approximately 8 MUSD, and are expected to grow in double digits in the following years. CogniTens is headquartered in Israel, and employs about 50 people supporting the company's growing installed base at the world's leading automotive OEMs and suppliers. CogniTens is consolidated as of 1 September 2007.

### **Change in Board of Directors**

- On 10 August, Ms Marianne Arosenius at her own request stepped down from her assignment as non-executive director at Hexagon's Board of Directors.

### **Significant events after the end of the quarter**

- On 8 October, an agreement with NovAtel Inc (NASDAQ:NGPS) was entered under which Hexagon has agreed to acquire all the outstanding shares of NovAtel for USD 50 per share. NovAtel is a leading provider of precision Global Navigation Satellite System (GNSS) components and subsystems. NovAtel develops quality OEM products including receivers, enclosures, antennas and firmware that are integrated into high precision positioning applications worldwide. These applications include surveying, Geographical Information Systems (GIS) mapping, precision agriculture machine guidance, port automation, mining, timing and marine industries. NovAtel recorded sales of CAD 77.6 million and a net income of CAD 21.5 million in 2006. Hexagon expects that NovAtel's organic revenue growth will be approximately 20 per cent per year. NovAtel is based in Calgary, Canada and has about 300 employees. Completion of the transactions is expected during the fourth quarter of 2007.
- On 17 October Hexagon completed a private placement transaction where Hexagon acquired shares in NovAtel Inc and a debenture convertible into NovAtel shares at a purchase price of USD 50 per share. Excluding the shares to be acquired in the tender offer and after giving effect to the shares issued and issuable to Hexagon in the private placement transaction, Hexagon will own 16.6 per cent of the issued and outstanding shares.

### **Outlook**

During the third quarter 2007, Hexagon has continued to strengthen its market position, product portfolio and structure to enable further growth in sales and earnings. The long-term financial target of an increase in earnings per share after tax by 15 per cent per annum remains. For year 2007, this financial target will be exceeded supported by operational leverage and a favourable tax rate due to the new structure of the group after the acquisition of Leica Geosystems.

**Invitation to telephone conference on 26 October at 15:00 CET**

A presentation of the report will be given on 26 October at 15:00 CET at a telephone conference. For participation, please see instructions at the Hexagon website.

**Invitation to Capital Markets Day on 4 December at 14:00 CET**

A Capital Markets Day will be held in Stockholm, Sweden, on 4 December at 14:00 CET where Hexagon will announce new financial targets. For participation, please see instructions at the Hexagon website.

**Financial information**

Hexagon gives financial information at:

Capital Markets Day 2007	4 December 2007
Year End Report 2007	5 February 2008
Interim Report Q1 2008	5 May 2008
Interim Report Q2 2008	8 August 2008
Interim Report Q3 2008	28 October 2008
Year End Report 2008	February 2009

Financial information is available in Swedish and English at the Hexagon website. Financial information can also be ordered from Hexagon AB, phone +46 8 601 26 20 or e-mail [ir@hexagon.se](mailto:ir@hexagon.se)

Hexagon AB (publ)  
Registration number: 556190-4771  
P.O Box 1112  
SE-131 26 Nacka Strand  
Phone: +46 8 601 26 20  
Fax: +46 8 601 26 21  
[www.hexagon.se](http://www.hexagon.se)

This is the type of information that Hexagon AB (publ) is obliged to disclose in accordance with the Swedish Securities Exchange and Clearing Operations Act and/or the Financial Instruments Trading Act.

The information was submitted for publication on 26 October 2007 at 8:00 CET.

The Board of Directors and the CEO and President declare that the nine-months interim report provides a true and fair overview of the company's and the group's operations, their financial position and performance, and describes material risks and uncertainties facing the company and companies within the group.

Stockholm, 26 October 2007

Melker Schörling  
*Chairman of the Board*

Maths O. Sundqvist  
*Board Member*

Mario Fontana  
*Board Member*

Ola Rollén  
*CEO and President  
Board Member*

Ulf Henriksson  
*Board Member*

## Review Report

### Introduction

We have reviewed the interim report for Hexagon AB for the period from January 1, 2007 to September 30, 2007. It is the Board of Directors and the Managing Director who are responsible for the presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### The Scope of the Review

We conducted our review in accordance with the Standard on Review Engagements, SÖG 2410, Review of the Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Federation of Authorized Public Accountants. A review of the interim report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review substantially smaller less in scope compared to an audit conducted according to Standards on Auditing in Sweden (RS) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, the conclusion expressed based on a review does not constitute the same level of assurance as a conclusion based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report, in all material respects, is not prepared for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the parent company in accordance with the Swedish Annual Accounts Act.

Stockholm, 26 October 2007

Ernst & Young AB

Hamish Mabon  
*Certified Public Accountant*

## Consolidated income statement in summary

MSEK	Q3 2007	Q3 2006	Q1-3 2007	Q1-3 2006	Year 2006	Last 12 months
Net sales	3 448	3 196	10 463	9 908	13 469	14 024
Cost of goods sold	-1 998	-1 985	-6 177	-6 149	-8 350	-8 378
<b>Gross profit</b>	<b>1 450</b>	<b>1 211</b>	<b>4 286</b>	<b>3 759</b>	<b>5 119</b>	<b>5 646</b>
Sales and administration costs, etc.	-890	-804	-2 670	-2 564	-3 378	-3 484
Earnings from shares in associated companies	0	1	-33	2	2	-33
Capital gains	-	-	120	-	-	120
<b>Operating earnings<sup>1)</sup></b>	<b>560</b>	<b>408</b>	<b>1 703</b>	<b>1 197</b>	<b>1 743</b>	<b>2 249</b>
Earnings from other securities <sup>1)</sup>	-	-	-	97	97	-
Interest income and expenses, net	-60	-46	-152	-176	-222	-198
<b>Earnings after financial items</b>	<b>500</b>	<b>362</b>	<b>1 551</b>	<b>1 118</b>	<b>1 618</b>	<b>2 051</b>
Tax	-63	-91	-167	-256	-338	-249
<b>Net earnings<sup>2)</sup></b>	<b>437</b>	<b>271</b>	<b>1 384</b>	<b>862</b>	<b>1 280</b>	<b>1 802</b>
<sup>1)</sup> of which non-recurring items	-	-	22	13	13	22
<sup>2)</sup> of which minority interest	3	2	7	5	7	9
Incl depreciation and write-downs of <sup>3)</sup>	-152	-145	-464	-429	-602	-637
<sup>3)</sup> of which amortization on excess values	-16	-10	-41	-29	-41	-53
Earnings per share, SEK	1.64	1.02	5.19	3.42	5.01	6.76
Earnings per share after dilution, SEK	1.63	1.01	5.18	3.39	4.97	6.74
Shareholder's equity per share, SEK	35.20	31.94	35.20	31.94	32.30	35.20
CB number of shares, thousand	265 350	265 176	265 350	265 176	265 176	265 350
Average number of shares, thousand	265 350	264 348	265 254	250 299	254 019	265 234
Average number of shares after dilution, thousand	266 013	265 692	266 046	253 032	256 323	266 084

## Analysis of the consolidated income statement

MSEK	Q3 2007	Q3 2006	Q1-3 2007	Q1-3 2006	Year 2006	Last 12 months
<b>Operating earnings (EBIT1)</b>	<b>560</b>	<b>408</b>	<b>1 681</b>	<b>1 281</b>	<b>1 827</b>	<b>2 227</b>
Interest income and expenses, net	-60	-46	-152	-176	-222	-198
<b>Earnings before non-recurring items</b>	<b>500</b>	<b>362</b>	<b>1 529</b>	<b>1 105</b>	<b>1 605</b>	<b>2 029</b>
Capital gains	-	-	120	97	97	120
Other non-recurring items	-	-	-98	-84	-84	-98
<b>Earnings before tax</b>	<b>500</b>	<b>362</b>	<b>1 551</b>	<b>1 118</b>	<b>1 618</b>	<b>2 051</b>

**Consolidated balance sheet in summary**

MSEK	30/9 2007	30/9 2006	31/12 2006
Intangible fixed assets	11 210	10 516	10 041
Tangible fixed assets	2 152	2 124	2 101
Financial fixed assets	85	88	103
Deferred tax assets	466	342	442
<b>Total fixed assets</b>	<b>13 913</b>	<b>13 070</b>	<b>12 687</b>
<b>Inventories</b>	<b>2 444</b>	<b>2 411</b>	<b>2 311</b>
Accounts receivable	2 727	2 640	2 544
Other receivables	408	359	364
Prepaid expenses and accrued income	211	177	161
<b>Total current receivables</b>	<b>3 346</b>	<b>3 176</b>	<b>3 069</b>
Cash and cash equivalents	763	469	481
<b>Total current assets</b>	<b>6 553</b>	<b>6 056</b>	<b>5 861</b>
<b>Total assets</b>	<b>20 466</b>	<b>19 126</b>	<b>18 548</b>
Attributable to the parent company's shareholders	9 340	8 470	8 564
Attributable to minority	41	44	45
<b>Total shareholders' equity</b>	<b>9 381</b>	<b>8 514</b>	<b>8 609</b>
Interest bearing liabilities	6 415	6 588	5 689
Other liabilities	29	65	58
Pension provisions	439	503	487
Tax provisions	378	407	389
Other provisions – long-term part	214	101	101
<b>Total long-term liabilities</b>	<b>7 475</b>	<b>7 664</b>	<b>6 724</b>
Other provisions – short-term part	198	152	133
Interest bearing liabilities	187	30	392
Accounts payable	1 234	1 159	1 212
Other liabilities	853	598	531
Accrued expenses and deferred income	1 138	1 009	947
<b>Total short-term liabilities</b>	<b>3 610</b>	<b>2 948</b>	<b>3 215</b>
<b>Total equity and liabilities</b>	<b>20 466</b>	<b>19 126</b>	<b>18 548</b>

## Revenues and costs and change in shareholders' equity

MSEK	Q1-3 2007	Q1-3 2006	Year 2006
<b>Opening shareholders' equity</b>	<b>8 609</b>	<b>5 519</b>	<b>5 519</b>
Change in translation reserve	-180	-421	-895
Effect of currency hedging	20	127	339
Change in hedging reserve	3	-7	8
Tax attributable to items recognized directly in shareholders' equity	1	-21	-97
<b>Total revenues and costs recognized directly in shareholders' equity, excluding transactions involving company shareholders</b>	<b>-156</b>	<b>-322</b>	<b>-645</b>
Net earnings for the period	1 384	862	1 280
<b>Total revenues and costs excluding transactions involving company shareholders<sup>1)</sup></b>	<b>1 228</b>	<b>540</b>	<b>635</b>
Dividend	-448	-269	-269
Rights issue	-	2 807	2 807
Benefit pertaining to options recognized as operating expenses	2	5	6
Effect of acquisition of Leica Geosystems	-2	-88	-89
Effect of acquisitions and divestments of subsidiaries	-8	-	-
<b>Closing shareholders' equity<sup>2)</sup></b>	<b>9 381</b>	<b>8 514</b>	<b>8 609</b>
<sup>1)</sup> of which: Parent company shareholders	1 218	537	631
Minority in subsidiaries	10	3	4
<sup>2)</sup> of which: Parent company shareholders	9 340	8 470	8 564
Minority in subsidiaries	41	44	45

## Development of number of shares

	<b>Nominal value, SEK</b>	<b>Series A</b>	<b>Series B</b>	<b>Total</b>
2006-12-31	4	3 937 500	84 454 325	88 391 825
2007-03-31	4	3 937 500	84 454 325	88 391 825
New issue, options exercised	4	-	58 170	58 170
Bonus issue	6	-	-	-
Split 3:1	2	7 875 000	169 024 990	176 899 990
2007-06-30	2	11 812 500	253 537 485	265 349 985
2007-09-30	2	11 812 500	253 537 485	265 349 985

## Consolidated cash flow analysis

MSEK	Q3 2007	Q3 2006	Q1-3 2007	Q1-3 2006	Year 2006
Cash flow from operations before change in working capital	565	393	1 660	1 232	1 737
Cash flow from change in working capital	-31	13	-272	-652	-622
<b>Cash flow from operations</b>	<b>534</b>	<b>406</b>	<b>1 388</b>	<b>580</b>	<b>1 115</b>
Cash flow from ordinary investing activities	-222	-221	-565	-588	-834
<b>Operating cash flow</b>	<b>312</b>	<b>185</b>	<b>823</b>	<b>-8</b>	<b>281</b>
Cash flow from other investment activities	-714	-200	-586	-245	-262
New share issues	-	22	-	2 755	2 755
Dividend	-6	-	-448	-269	-269
Cash flow from other financing activities	390	-43	490	-2 193	-2 443
<b>Change in liquid assets</b>	<b>-18</b>	<b>-36</b>	<b>279</b>	<b>40</b>	<b>62</b>

The currency effect in liquid assets was 3 MSEK (-10) during the first nine months.

## Key ratios

	Q3 2007	Q3 2006	Q1-3 2007	Q1-3 2006	Year 2006
Operating margin, %	16.2	12.8	16.1	12.9	13.6
Profit margin before tax, %	14.5	11.3	14.8	11.3	12.0
Return on shareholders' equity, %	18.9	13.0	20.3	15.9	16.9
Return on capital employed, %	14.1	10.7	14.8	11.4	12.2
Solvency ratio, %	45.8	44.5	45.8	44.5	46.4
Net indebtedness, multiple	0.67	0.79	0.67	0.79	0.70
Interest coverage ratio, multiple	8.3	7.7	9.4	6.7	7.4
Average number of shares, thousands	265 350	264 348	265 254	250 299	254 019
Earnings per share, SEK	1.64	1.02	5.19	3.42	5.01
Cash flow per share, SEK	2.01	1.54	5.23	2.32	4.39
Cash flow per share before change in working capital, SEK	2.13	1.49	6.26	4.92	6.84
Share price, SEK	131	84	131	84	97

### Order intake

MSEK	2007			2006				Year	Last 12 months
	Q1	Q2	Q3	Q1	Q2	Q3	Q4		
Hexagon MT	2 715	2 796	2 676	2 303	2 459	2 104	2 407	9 273	10 594
Hexagon Polymers	671	667	777	652	651	605	634	2 542	2 749
Other operations	169	188	244	136	153	157	207	653	808
Divested businesses <sup>1)</sup>	225	-	-	317	310	285	340	1 252	565
<b>Group</b>	<b>3 780</b>	<b>3 651</b>	<b>3 697</b>	<b>3 408</b>	<b>3 573</b>	<b>3 151</b>	<b>3 588</b>	<b>13 720</b>	<b>14 716</b>

<sup>1)</sup> Johnson Metall and Eurosteel.

### Net sales

MSEK	2007			2006				Year	Last 12 months
	Q1	Q2	Q3	Q1	Q2	Q3	Q4		
Hexagon MT	2 483	2 694	2 607	2 276	2 310	2 208	2 456	9 250	10 240
Hexagon Polymers	656	650	680	636	633	607	612	2 488	2 598
Other operations	177	173	161	157	153	128	162	600	673
Divested businesses <sup>1)</sup>	184	-	-	267	282	253	332	1 134	516
Adjustment	-1	-1	-	-1	-1	0	-1	-3	-3
<b>Group</b>	<b>3 499</b>	<b>3 516</b>	<b>3 448</b>	<b>3 335</b>	<b>3 377</b>	<b>3 196</b>	<b>3 561</b>	<b>13 469</b>	<b>14 024</b>

<sup>1)</sup> Johnson Metall and Eurosteel.

### Operating earnings (EBIT1)

MSEK	2007			2006				Year	Last 12 months
	Q1	Q2	Q3	Q1	Q2	Q3	Q4		
Hexagon MT	451	529	486	309	422	350	466	1 547	1 932
Hexagon Polymers	69	81	86	64	57	50	52	223	288
Other operations	2	7	1	5	0	-3	-4	-2	6
Divested businesses <sup>1)</sup>	11	-	-	18	20	24	49	111	60
Group costs and adjustments	-13	-16	-13	-8	-14	-13	-17	-52	-59
<b>Group</b>	<b>520</b>	<b>601</b>	<b>560</b>	<b>388</b>	<b>485</b>	<b>408</b>	<b>546</b>	<b>1 827</b>	<b>2 227</b>
Operating margin, %	14.9	17.1	16.2	11.6	14.4	12.8	15.3	13.6	15.9

<sup>1)</sup> Johnson Metall and Eurosteel.

### Net sales

MSEK	2007			2006				Year	Last 12 months
	Q1	Q2	Q3	Q1	Q2	Q3	Q4		
EMEA	2 220	2 021	1 993	2 047	2 082	1 934	2 266	8 329	8 500
Americas	717	909	850	827	853	759	822	3 261	3 298
Asia	562	586	605	461	442	503	473	1 879	2 226
<b>Group</b>	<b>3 499</b>	<b>3 516</b>	<b>3 448</b>	<b>3 335</b>	<b>3 377</b>	<b>3 196</b>	<b>3 561</b>	<b>13 469</b>	<b>14 024</b>

**Acquisitions and divestments – first nine months 2007**

MSEK	Acquisitions	Divestments	Net
Intangible fixed assets	1 271	-15	1 256
Other fixed assets	199	-159	40
<b>Total fixed assets</b>	<b>1 470</b>	<b>-174</b>	<b>1 296</b>
<b>Total currents assets</b>	<b>474</b>	<b>-499</b>	<b>-25</b>
<b>Total assets</b>	<b>1 944</b>	<b>-673</b>	<b>1 271</b>
<b>Shareholders' equity incl. minority interests</b>	<b>2</b>	<b>-11</b>	<b>-9</b>
<b>Total long-term liabilities</b>	<b>360</b>	<b>-56</b>	<b>304</b>
<b>Total short-term liabilities</b>	<b>366</b>	<b>-192</b>	<b>174</b>
<b>Total liabilities</b>	<b>728</b>	<b>-259</b>	<b>469</b>
<b>Total net assets</b>	<b>1 216</b>	<b>-414</b>	<b>802</b>
<b>Total acquisition cost/divestment income</b>	<b>-1 561</b>	<b>534</b>	<b>-1 027</b>
Divested net assets	-	-414	-
<b>Capital gains</b>	<b>-</b>	<b>120</b>	<b>-</b>
<b>Total acquisition cost/divestment income</b>	<b>-1 561</b>	<b>534</b>	<b>-1 027</b>
Adjustment for cash and bank balances in acquired/divested entities	106	-2	104
Adjustment for non-paid part of acquisition cost/divestment income incl. payment of items from prior year	346	-	346
<b>Cash flow from acquisitions/divestments</b>	<b>-1 109</b>	<b>532</b>	<b>-577</b>

### Parent company income statement in summary

MSEK	Q3 2007	Q3 2006	Q1-3 2007	Q1-3 2006	Year 2006
Net sales	6	5	18	14	19
Administration cost	-10	-8	-36	-29	-40
<b>Operating earnings</b>	<b>-4</b>	<b>-3</b>	<b>-18</b>	<b>-15</b>	<b>-21</b>
Earnings from share in group companies	-	-	-	-	-5
Earnings from other securities	-	-	-	95	101
Interest income and expenses, net	-103	32	-139	-6	-201
<b>Earnings after financial items</b>	<b>-107</b>	<b>29</b>	<b>-157</b>	<b>74</b>	<b>-126</b>
Tax	30	-8	48	2	58
<b>Net earnings</b>	<b>-77</b>	<b>21</b>	<b>-109</b>	<b>76</b>	<b>-68</b>

### Parent company balance sheet in summary

MSEK	30/9 2007	30/9 2006	31/12 2006
<b>Total fixed assets</b>	<b>15 664</b>	<b>14 817</b>	<b>14 719</b>
<b>Total current receivables</b>	<b>1 083</b>	<b>1 072</b>	<b>1 005</b>
Cash and cash equivalents	297	210	235
<b>Total current assets</b>	<b>1 380</b>	<b>1 282</b>	<b>1 240</b>
<b>Total assets</b>	<b>17 044</b>	<b>16 099</b>	<b>14 959</b>
<b>Total shareholders' equity</b>	<b>6 574</b>	<b>7 208</b>	<b>7 103</b>
<b>Total provisions</b>	<b>7</b>	<b>8</b>	<b>8</b>
<b>Total long-term liabilities</b>	<b>6 601</b>	<b>6 395</b>	<b>5 852</b>
<b>Total short-term liabilities</b>	<b>3 862</b>	<b>2 488</b>	<b>2 996</b>
<b>Total equity and liabilities</b>	<b>17 044</b>	<b>16 099</b>	<b>15 959</b>

## Definitions

### Financial definitions

Amortization on excess values	Amortization on the difference between carrying value of intangible fixed assets in acquired subsidiaries and the value Hexagon assigned those assets upon date of acquisition.
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 operating activities after change in working capital.
Cash flow per share	Cash flow from operating activities after change in working capital, divided by average number of shares.
EBIT1 operating earnings	Operating earnings excluding capital gain on shares in group companies and other non-recurring items.
Earnings before interest net	Operating earnings plus earning from other securities classified as fixed assets.
Earnings per share	Net earnings 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 indebtedness	Interest-bearing liabilities less liquid assets divided by shareholders' equity excluding minority interests.
Operating margin	Operating earnings (EBIT1) as a percentage of net sales for the period.
Profit margin before tax	Earnings after financial items as a percentage of net sales for the period.
Return on capital employed	Earnings after financial items plus financial expenses as a percentage of average capital employed.
Return on equity	Net earnings excluding minority interests as a percentage of average shareholders' equity excluding minority interests.
Shareholders' equity per share	Shareholders' equity excluding minority interests divided by the number of shares at year-end.
Share price	Last settled transaction on the OMX Nordic Exchange on the last business day for the period.

### Business definitions

Americas	North, South and Central America.
Asia	Asia, Australia and New Zealand.
EMEA	Europe, Middle East and Africa.