



Interim Report January – September 2008

Press information 28 October 2008

Solid sales and profit growth in the third quarter 2008

- Order intake increased by 8¹⁾ per cent to 3 209 MSEK (2 920).
- Net sales increased by 12¹⁾ per cent to 3 070 MSEK (2 768).
- Operating earnings, excluding Hexpol²⁾, increased by 15 per cent to 543 MSEK (474). Earnings were adversely affected by exchange rate movements of -34 MSEK.
- Earnings before taxes, excluding Hexpol²⁾, increased by 9 per cent to 467 MSEK (427). Earnings were adversely affected by exchange rate movements of -36 MSEK.
- Net earnings, excluding Hexpol²⁾, increased by 9 per cent to 418 MSEK (385).
- Earnings per share, before dilution and excluding Hexpol²⁾, increased by 8 per cent to 1.56 SEK (1.44).

Comments from Hexagon's CEO Ola Rollén

“Our net sales grew by 12 per cent using fixed exchange rates and a comparable group structure during the third quarter. This strong growth rate is reflective of our geographical mix and industrial scope. Our operating earnings grew by a healthy 15 per cent. Even though we have only been mildly affected by the slowdown in the economy, we are preparing Hexagon for the more challenging market conditions one has to expect. These preparations include speeding up product launches, bringing down the cost level and focusing on releasing working capital. These actions will lead to increased cost in the fourth quarter amounting to approximately 50 MSEK. This will not only safeguard Hexagon's ability to deliver profit growth in the coming year, but also make sure that we have the financial ability to capitalise on the favourable acquisition situation that will prevail. We expect to meet our long term financial target of earnings per share growth of 15 per cent in 2008.”

MSEK	Q3 2008	Q3 2007		Change %	
		Incl. Hexpol ²⁾	Excl. Hexpol ²⁾	Incl. Hexpol ²⁾	Excl. Hexpol ²⁾
Order intake	3 209	3 697	2 920	-	8 ¹⁾
Net sales	3 070	3 448	2 768	-	12 ¹⁾
Operating earnings (EBIT1)	543	560	474	-3	15
Operating margin, %	17.7	16.2	17.1	1.5	0.6
Earnings before taxes	467	500	427	-7	9
Net earnings	418	437	385	-4	9
Earnings per share, SEK	1.56	1.64	1.44	-5	8

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

2) Hexpol was listed as a separate company on NASDAQ OMX Nordic Exchange and was de-consolidated from Hexagon as of 1 June 2008.

Hexagon AB is a global measurement technologies company with strong market positions. Hexagon's mission is to develop and market leading technologies and services to measure in one, two or three dimensions, to position and update objects and to time processes. The group has approximately 8 000 employees in 35 countries and net sales of approximately 13 000 MSEK. Read more at www.hexagon.se.

Hexagon's performance excluding Hexpol ¹⁾

The table below shows Hexagon's performance including non-recurring items and excluding the subsidiary Hexpol, which was spun off during the second quarter 2008 to Hexagon's shareholders.

MSEK	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Year 2007	Last 12 months
Operating earnings (EBIT1)	543	474	1 777	1 445	2 111	2 443
Operating margin, %	17.7	17.1	18.5	17.0	17.8	18.8
Interest income and expenses, net	-76	-47	-216	-122	-171	-265
Earnings before taxes excl non-recurring items	467	427	1 561	1 323	1 940	2 178
Ordinary taxes	-49	-42	-188	-146	-238	-280
Net earnings excl non-recurring items	418	385	1 373	1 177	1 702	1 898
<i>Earnings per share</i>	<i>1.56</i>	<i>1.44</i>	<i>5.14</i>	<i>4.41</i>	<i>6.37</i>	<i>7.11</i>
Capital gains	-	-	-	120	114	-6
Other non-recurring items	-	-	-	-98	-265	-167
Non-recurring tax gains	-	-	-	39	64	25
Net earnings excl Hexpol	418	385	1 373	1 238	1 615	1 750
<i>Earnings per share</i>	<i>1.56</i>	<i>1.44</i>	<i>5.14</i>	<i>4.64</i>	<i>6.05</i>	<i>6.55</i>
Hexpol net earnings ²⁾	-	52	89	146	196	139
Total net earnings	418	437	1 462	1 384	1 811	1 889
<i>Earnings per share</i>	<i>1.56</i>	<i>1.64</i>	<i>5.48</i>	<i>5.19</i>	<i>6.79</i>	<i>7.07</i>

1) Hexpol was listed as a separate company on NASDAQ OMX Nordic Exchange and was de-consolidated from Hexagon as of 1 June 2008.

2) Hexpol is included only the first five months of the first nine months period 2008.

Third quarter market trends

The seasonal pattern of Hexagon operations is such that the third quarter is Hexagon's weakest quarter in the year. In spite of that, and the fact that Hexagon by now is seeing a slowdown in certain markets, Hexagon continued to outperform the market growth with an organic growth rate of 12 per cent during the third quarter. The current market situation makes forecasting difficult which is why guidance for the fourth quarter is uncertain. However, Hexagon's current view is that the organic growth for the year will be around 10-12 per cent.

Hexagon has a wide product range sold to several geographic markets and customer segments such as engineering, electronics, IT, medical, defence, construction, public bodies within governments, agriculture and natural resources. Hexagon's risk exposure to a single industry is limited and the company is well prepared for the macroeconomic imbalances that currently are working their way through the global economy.

Net sales per region during the third quarter

MSEK	Q3 2008	Q3 2007	Change % ¹⁾
EMEA	1 630	1 993	5
Americas	767	850	12
Asia	673	605	29
Total	3 070	3 448	12

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

EMEA market trends

The demand for Hexagon's products in EMEA slowed down during the third quarter. The organic growth in order intake and net sales was 4 and 5 per cent, respectively.

The growth rates have come down from 2007 levels due to a significantly weaker light construction market. This market is intimately linked to the general housing market in Western Europe. Other markets are still growing at satisfactory levels. The automotive sector in the Central and Eastern European region is continuing its capacity expansion and other engineering industries are speeding up planned capacity moves from Western to Eastern Europe creating demand for Hexagon's products. We expect a similar situation in the fourth quarter as in the third where a slowdown in Western Europe is being compensated by strong growth in the Middle East, Central and Eastern Europe and Africa. Hexagon initiated activities a year ago to grow distribution and sales resources in the regions outside Western Europe. These efforts are gradually paying off and will be a cornerstone in EMEA's growth strategy for the next twelve months.

Americas market trends

Americas displayed solid growth during the third quarter. The organic growth in order intake and net sales was 10 and 12 per cent, respectively.

Hexagon has continued to experience strong demand for its measurement products in the US engineering sector in spite of the economic uncertainties in the region. Also, demand from customers involved in large infrastructural projects as well as demand from sectors such as the mining, aerospace, medical, and electronics segments was continuously strong during the third quarter. The prevailing negative trend within the residential housing and automotive segments continued during the quarter. South America is

demonstrating strong growth explained by the region's exposure to oil and gas and the agriculture markets. Hexagon expects the prevailing imbalances between segments in the region to continue throughout 2008. The weak areas will continue to perform poorly whilst the strong areas might gain momentum. Hexagon will continue to invest in local service and distribution activities throughout the region as well as launching regionally adapted products.

Asia market trends

Asia continued its strong organic growth during the third quarter. Asia recorded an organic growth in order intake and net sales of 16 and 29 per cent, respectively.

The strong growth was obtained from several geographic markets in the region. Several submarkets and industries in the region related to mining, agriculture and oil and gas exploration grew at strong double digit numbers. Hexagon also noted an increased demand from Asian automotive customers that are planning for significant capacity expansions in the region. Geographically, India, Korea, China and South East Asia displayed strong growth. Japan's negative growth came to a halt during the third quarter. China's tightening fiscal policy, launched at the beginning of the year in order to curb the inflation, is easing off. It is creating breathing room for the manufacturing industry in Southern China that has suffered from these actions.

Third quarter net sales and earnings

The third quarter reports strong growth. The prevailing trend during the past four years with strong organic growth, continued during the third quarter. Order intake amounted to 3 209 MSEK (3 697) and net sales amounted to 3 070 MSEK (3 448). Using fixed exchange rates and a comparable group structure, order intake grew by 8 per cent and net sales grew by 12 per cent.

Operating earnings (EBIT1), excluding Hexpol, grew by 15 per cent to 543 MSEK (474). This is primarily due to a favourable product mix in combination with favourable sourcing contracts for components. Including Hexpol, operating earnings was 543 MSEK (560). Earnings were adversely affected by exchange rate movements of -34 MSEK.

The operating margin, excluding Hexpol, improved by 0.6 percentage points to 17.7 per cent (17.1) compared to the corresponding quarter in 2007 in spite of the adverse exchange rate effect and the increased resources Hexagon has committed into research and development. These efforts will lead to the release of new technologies and products, starting in the first half of 2009, across almost all product areas.

The financial net amounted to -76 MSEK (-60) during the third quarter. The increase is explained by the numerous, externally financed, acquisitions Hexagon performed during 2007 and the first nine months in 2008.

Earnings before taxes, excluding Hexpol, increased by 9 per cent to 467 MSEK (427). Including Hexpol, earnings before taxes amounted to 467 MSEK (500). Earnings were adversely affected by exchange rate movements of -36 MSEK.

Net earnings, excluding Hexpol, increased by 9 per cent to 418 MSEK (385). This corresponds to an increase in earnings per share of 8 per cent to 1.56 SEK (1.44).

Including Hexpol, net earnings amounted to 418 MSEK (437), resulting in an earnings per share of 1.56 SEK (1.64).

Net sales and earnings per business area during the third quarter

MSEK	Net sales			Earnings		
	Q3 2008	Q3 2007	Change % ¹⁾	Q3 2008	Q3 2007	Change % ¹⁾
Hexagon MT	2 913	2 607	8	561	486	15
Hexpol ²⁾	-	680	-	-	86	-
Other operations	157	161	15	1	1	n.a.
Group costs and eliminations	-	-		-19	-13	-46
Operating earnings (EBIT1)				543	560	n.a.
Per cent of net sales				17.7	16.2	
Interest income and expenses, net				-76	-60	n.a.
Net sales	3 070	3 448	12			
Earnings before taxes				467	500	n.a.

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

2) Hexpol was listed as a separate company on NASDAQ OMX Nordic Exchange and was de-consolidated from Hexagon as of 1 June 2008.

Movements in most important currencies and profit impact during the third quarter

	Currency movement	Net exposure ¹⁾	Profit impact
CHF	Strengthened	Negative	Negative
USD	Weakened	Positive	Negative
EUR	Strengthened	Positive	Positive
Earnings before taxes, MSEK			-36

1) Income - cost.

First nine months net sales and earnings

The first nine months recorded strong growth. Order intake and net sales grew by 11 and 13 per cent, respectively, using fixed exchange rates and a comparable group structure. Operating earnings (EBIT1) increased by 14 per cent to 1 920 MSEK (1 681), which corresponds to an operating margin of 17.5 per cent (16.1). Operating earnings (EBIT1) were adversely affected by exchange rate movements of -133 MSEK.

The financial net amounted to -234 MSEK (-152) during the first nine months. The increase is explained by the numerous, externally financed, acquisitions Hexagon performed during 2007 and during the first nine months in 2008.

Earnings before taxes, excluding non-recurring items and Hexpol, increased by 18 per cent to 1 561 MSEK (1 323). Including these items, earnings before taxes increased by 9 per cent to 1 686 MSEK (1 551). Earnings were adversely affected by exchange rate movements of -139 MSEK.

Net earnings, excluding non-recurring items and Hexpol, increased by 17 per cent to 1 373 MSEK (1 177). This corresponds to an increase in earnings per share of 17 per cent to 5.14 SEK (4.41). Including non-recurring items and Hexpol, net earnings increased by 6 per cent to 1 462 MSEK (1 384), resulting in an earnings per share of 5.48 SEK (5.19).

Net sales and earnings per business area during the first nine months

MSEK	Net sales			Earnings		
	Q1-3 2008	Q1-3 2007	Change % ¹⁾	Q1-3 2008	Q1-3 2007	Change % ¹⁾
Hexagon MT	9 022	7 784	12	1 810	1 466	23
Hexpol ²⁾	1 419	1 986	n.a.	143	236	n.a.
Other operations	560	695	15	19	21	n.a.
Group costs and eliminations	-	-2		-52	-42	-24
Operating earnings (EBIT1)				1 920	1 681	14
Per cent of net sales				17.5	16.1	
Interest income and expenses, net				-234	-152	-54
Earnings before non-recurring items				1 686	1 529	10
Capital gains				-	120	n.a.
Other non-recurring items				-	-98	n.a.
Net sales	11 001	10 463	13			
Earnings before taxes				1 686	1 551	9

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

2) Hexpol is included only the first five months of the first nine months period 2008.

Net sales per region during the first nine months

MSEK	Q1-3 2008	Q1-3 2007	Change % ¹⁾
EMEA	6 209	6 234	9
Americas	2 709	2 476	14
Asia	2 083	1 753	22
Total	11 001	10 463	13

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

Profitability

Capital employed, defined as total assets less non-interest bearing liabilities, increased to 20 595 MSEK (16 539). Return on average capital employed was 12.8 per cent (14.8). Return on average shareholders' equity was 19.8 per cent (20.3). The capital turnover rate was 0.7 times (0.9).

Financial position

Shareholders' equity, including minority interests, increased to 10 391 MSEK (9 381). The equity ratio was 43 per cent (46). The group's total assets increased to 24 436 MSEK (20 466).

On 30 September 2008, cash and unutilized credit limits totalled 3 232 MSEK (4 889). Hexagon's net debt was 9 474 MSEK (6 309), and the net indebtedness was 0.91 (0.67). Interest coverage ratio was 7.4 (9.4). The net debt was adversely affected by the fact that Hexagon's prime currency for debt financing is the CHF. The currency strengthened significantly against the SEK on the final day of the period resulting in a net debt build up. Hexagon's primary source for financing the group's operations is a syndicated loan amounting to 1 billion EUR that expires in 2011.

Cash flow

During the first nine months, cash flow from operations before changes in working capital increased by 14 per cent to 1 899 MSEK (1 660), corresponding to 7.15 SEK (6.26) per share. Cash flow from operations amounted to 981 MSEK (1 388), corresponding to 3.70 SEK (5.23) per share. The operating cash flow was 328 MSEK (823). The second and third quarter displayed a significant working capital build-up related to the planned launch of new products during the first half of 2009. Hexagon expects a working capital reduction in the fourth quarter 2008.

Investments and depreciation

Hexagon's net investments, excluding acquisitions and divestitures, were -653 MSEK (-565). Depreciation and write-downs during the first nine months was -503 MSEK (464).

Tax rate

Hexagon's tax cost for the first nine months totalled -224 MSEK (-167), corresponding to an effective tax rate of 13 per cent (11). 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. Tax expenses in 2007 benefited from revaluations of deferred tax assets and liabilities due to changes in Hexagon's legal and tax structure. Corrected for these non-recurring items and tax gains, the effective tax rate during the period was 13 per cent (14).

It is expected that the Swedish Parliament in December 2008 will decide on a decrease of the income tax rate for corporations from 28.0 to 26.3 per cent. Hexagon will recognise this decrease once the decision has been taken. The impact on Hexagon's earnings and balance sheet is judged to be immaterial.

Employees

The average number of employees in Hexagon during the first nine months of the year was 9 363 (8 099). Excluding Hexpol, the average number of employees in Hexagon during the first nine months of the year was 8 098 (5 921).

The number of employees at the end of the third quarter was 8 656 (9 413). Excluding Hexpol, the number of employees at the end of the third quarter 2007 was 7 051.

The increase is mainly due to acquisitions as well as the organic expansion of the core organisation during the past 12 months.

Share data

Earnings per share during the third quarter amounted to 1.56 SEK (1.64). Excluding non-recurring items and Hexpol, earnings per share increased by 8 per cent to 1.56 SEK (1.44).

Earnings per share during the first nine months increased by 6 per cent to 5.48 SEK (5.19). Excluding non-recurring items and Hexpol, earnings per share increased by 17 per cent to 5.14 SEK (4.41).

The distribution of the shares of Hexpol entailed a decrease in equity per share of -3.31 SEK.

At full exercise of existing stock option programmes, the dilution effect would be 1.1 per cent of the share capital and 0.8 per cent of the number of votes.

Business area net sales and earnings

Measurement Technologies

Order intake grew to 3 008 MSEK (2 676) during the third quarter. Net sales grew to 2 913 MSEK (2 607). Using fixed exchange rates and a comparable structure, order intake grew by 8 per cent and net sales grew by 11 per cent. Operating earnings (EBIT1) increased by 15 per cent to 561 MSEK (486), which corresponds to an operating margin of 19.3 per cent (18.6).

The number of employees by the end of the third quarter was 8 204 (6 531).

MSEK	Q3 2008	Q3 2007	Change %	Q1-3 2008	Q1-3 2007	Change %
Order intake	3 008	2 676	8 ¹⁾	9 384	8 187	11 ¹⁾
Net sales	2 913	2 607	11 ¹⁾	9 022	7 784	12 ¹⁾
Operating earnings (EBIT1)	561	486	15	1 810	1 466	23
Operating margin, %	19.3	18.6	0.7	20.1	18.8	1.3

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

Hexpol

During the second quarter, Hexpol was distributed to the shareholders of Hexagon and listed as a separate company on NASDAQ OMX Nordic Exchange. As of June 2008, Hexpol is no longer included in the consolidated accounts of Hexagon.

MSEK	Q3 2008	Q3 2007	Q1-3 2008 ¹⁾	Q1-3 2007
Order intake	-	777	1 425	2 115
Net sales	-	680	1 419	1 986
Operating earnings (EBIT1)	-	86	143	236

1) The financial outcome of Hexpol for five months.

For information regarding Hexpol activities and results during the third quarter, please refer to the Hexpol AB interim report at www.hexpol.com.

Other operations

During the third quarter, order intake amounted to 201 MSEK (244). Net sales amounted to 157 MSEK (161). Using fixed exchange rates and a comparable structure, order intake and net sales grew by 9 and 15 per cent, respectively. Operating earnings (EBIT1) amounted to 1 MSEK (1).

The number of employees by the end of the third quarter was 441 (510).

MSEK	Q3 2008	Q3 2007	Change %	Q1-3 2008	Q1-3 2007	Change %
Order intake	201	244	9 ¹⁾	573	826	8 ¹⁾
Net sales	157	161	15 ¹⁾	560	695	15 ¹⁾
Operating earnings (EBIT1)	1	1	n.a. ²⁾	19	21	n.a. ²⁾

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

2) Not applicable due to divested businesses.

Associated companies

Associated companies affected Hexagon's earnings during the first nine months by 2 MSEK (-33). During the first quarter 2007 earnings were affected by a write-down of Hexagon's investment in the joint venture company Outokumpu Nordic Brass by -35 MSEK.

Parent company

The parent company's earnings after financial items were 968 MSEK (-157). The solvency ratio of the parent company was 35 per cent (39). The equity was 6 382 MSEK (6 574). Liquid funds including unutilized credit limits was 2 535 MSEK (4 202).

Accounting principles

Hexagon applies International Financial Reporting Standards (IFRS) as adopted by the European Union. Hexagon's interim report for the group is designed in accordance with IAS 34, "Interim Financial Reporting" and the Annual Accounts Act. Parent company accounts are prepared in accordance with the Annual Accounts Act. Accounting principles and calculation methods are unchanged from those applied in the Annual Report for 2007.

Hexagon has elected to account for the distribution of Hexpol to its shareholders as a reduction of shareholders' equity. Hexpol is consequently not treated as a discontinued operation in the Hexagon consolidated accounts.

Risks and uncertainty factors

As an international group with a wide geographic scope, Hexagon 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 2007. No significant risks other than the risks described therein are deemed to be currently relevant. The credit risk might increase in the future why Hexagon is implementing further actions to control it.

Significant events during the third quarter

- On 24 July, the Chinese company Serein Metrology (Shenzhen) Co., Ltd was acquired. Serein Metrology develops and produces a wide range of advanced precision measuring instruments in the micro area of the measurement technologies market. Serein Metrology is based in Shenzhen, China, and employs today 98 people. The company had a turnover of approximately 4 MUSD in 2007 and is expected to grow at a double digit rate in the years to come. Serein Metrology is consolidated as of 1 August 2008.
- On 7 August, Hexagon announced the inauguration of a new assembly and manufacturing facility in Noida, India, that will supply locally assembled coordinate measuring machines to customers throughout the Indian subcontinent. The facility will gradually cover the full range of metrology products including articulated arms.

Significant events after the end of the third quarter

- On 7 October, Mr Maths O. Sundqvist, at his own request, stepped down from his assignment as non-executive director at Hexagon's Board of Directors.
- On 14 October, the Australian company Rinex Technology was acquired. Rinex develops and supplies hardware and software for agricultural tractor and combine guidance. The company was founded in 1995 and today employs 20 people. Rinex has recently released new products and sales in 2008 are estimated to be more than 30 MSEK. Rinex is consolidated as of 13 October 2008.

Nomination Committee prior to the Annual General Meeting 2009

The composition of the Hexagon Nomination Committee for the Hexagon Annual General Meeting 2009 is:

- Mikael Ekdahl, Melker Schörling AB (Chairman)
- Anders Algotsson, AFA Försäkring
- Marianne Nilsson, Swedbank Robur
- Fredrik Nordström, AMF Pension
- Carl Rosén, Second AP Fund

Outlook 2008

Hexagon continued to strengthen its market position, product range and structure for continuous growth in sales and earnings during the third quarter. Hexagon expects to meet its long-term financial target of an increase in earnings per share after tax by 15 per cent in 2008.

Telephone conference 28 October

The interim report for the third quarter will be presented on 28 October at 15:00 CET at a telephone conference. For participation, please see instructions at the Hexagon website.

Capital Markets Day 25 November

Hexagon Capital Markets Day 2008 will be held on 25 November in Heerbrugg, Switzerland. For participation, please see instructions at the Hexagon website.

Financial information

Hexagon gives financial information at the following occasions:

Year-End Report 2008	6 February 2009
Annual General Meeting 2009	6 May 2009
Interim Report Q1 2009	6 May 2009
Interim Report Q2 2009	6 August 2009
Interim Report Q3 2009	28 October 2009

Financial information is available in Swedish and English at the Hexagon website and can be ordered via phone +46 8 601 26 20 or e-mail ir@hexagon.se

The Board of Directors and the CEO and President declare that this nine month 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, Sweden, 28 October 2008

Hexagon AB (publ)

Melker Schörling
Chairman of the Board

Mario Fontana
Board Member

Ulf Henriksson
Board Member

Gun Nilsson
Board Member

Ola Rollén
CEO and President
Board Member

This interim report is a type of information that Hexagon AB (publ) is obliged to disclose in accordance with the Swedish Securities Market Act and /or the Financial Instruments Trading Act. The information was submitted for publication on 28 October 2008 at 08:00 CET.

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Review Report

Introduction

We have reviewed the interim report for Hexagon AB for the period from 1 January 2008 to 30 September 2008. 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, Sweden, 28 October 2008

Ernst & Young AB

Hamish Mabon
Certified Public Accountant

Consolidated income statement in summary

MSEK	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Year 2007	Last 12 months
Net sales	3 070	3 448	11 001	10 463	14 587	15 125
Cost of goods sold	-1 556	-1 998	-6 028	-6 177	-8 490	-8 341
Gross profit	1 514	1 450	4 973	4 286	6 097	6 784
Sales and administration costs etc.	-971	-890	-3 055	-2 670	-3 910	-4 295
Earnings from shares in associated companies	0	0	2	-33	-31	4
Capital gains	-	-	-	120	114	-6
Operating earnings ¹⁾	543	560	1 920	1 703	2 270	2 487
Interest income and expenses, net	-76	-60	-234	-152	-214	-296
Earnings after financial items	467	500	1 686	1 551	2 056	2 191
Tax	-49	-63	-224	-167	-245	-302
Net earnings ²⁾	418	437	1 462	1 384	1 811	1 889
¹⁾ of which non-recurring items	-	-	-	22	-151	-173
²⁾ of which minority interest	3	3	8	7	11	12
Including depreciation and write-downs of ³⁾	-156	-152	-503	-464	-803	-842
³⁾ of which amortization on excess values identified at acquisition	-25	-16	-73	-41	-63	-95
Earnings per share, SEK	1.56	1.64	5.48	5.19	6.79	7.07
Earnings per share after dilution, SEK	1.56	1.63	5.47	5.18	6.77	7.06
Shareholder's equity per share, SEK	38.94	35.20	38.94	35.20	37.69	38.94
Closing number of shares, thousand	265 520	265 350	265 520	265 350	265 350	265 520
Average number of shares, thousand	265 520	265 350	265 427	265 254	265 278	265 408
Average number of shares after dilution, thousand	265 939	266 013	265 821	266 046	266 034	265 866

Consolidated balance sheet in summary

MSEK	30/9 2008	30/9 2007	31/12 2007
Intangible fixed assets	14 611	11 210	14 151
Tangible fixed assets	1 700	2 152	2 277
Financial fixed assets	109	85	76
Deferred tax assets	698	466	492
Total fixed assets	17 118	13 913	16 996
Inventories	3 013	2 444	2 586
Accounts receivable	2 964	2 727	3 075
Other receivables	448	408	465
Prepaid expenses and accrued income	244	211	206
Total current receivables	3 656	3 346	3 746
Cash and cash equivalents	649	763	1 612
Total current assets	7 318	6 553	7 944
Total assets	24 436	20 466	24 940
Attributable to the parent company's shareholders	10 340	9 340	10 002
Attributable to minority	51	41	44
Total shareholders' equity	10 391	9 381	10 046
Interest bearing liabilities	9 515	6 415	9 789
Other liabilities	16	29	17
Pension provisions	408	439	433
Tax provisions	665	378	668
Other provisions	176	214	192
Total long-term liabilities	10 780	7 475	11 099
Other provisions	222	198	208
Interest bearing liabilities	65	187	170
Accounts payable	1 025	1 234	1 473
Other liabilities	605	853	757
Accrued expenses and deferred income	1 348	1 138	1 187
Total short-term liabilities	3 265	3 610	3 795
Total equity and liabilities	24 436	20 466	24 940

Revenues and costs and change in shareholders' equity

MSEK	30/9 2008	30/9 2007	31/12 2007
Opening shareholders' equity	10 046	8 609	8 609
Change in translation reserve	1 088	-180	224
Effect of currency hedging	-959	20	-177
Change in hedging reserve	-4	3	-1
Tax attributable to items recognized directly in shareholders' equity	238	1	35
Total revenues and costs recognized directly in shareholders' equity excluding transactions involving company shareholders	363	-156	81
Net earnings for the period	1 462	1 384	1 811
Total revenues and costs excluding transactions involving company shareholders ¹⁾	1 825	1 228	1 892
Dividend	-1 512	-448	-448
Stock option payments	27	-	-
New share issue	19	21	21
Effect of acquisitions and divestments of subsidiaries	-23	-35	-36
Acquisition – minority	5	-	-
Benefit pertaining to options recognized as operating expenses	4	6	8
Closing shareholders' equity ²⁾	10 391	9 381	10 046
¹⁾ of which: Parent company shareholders	1 815	1 218	1 878
Minority in subsidiary	10	10	14
²⁾ of which: Parent company shareholders	10 340	9 340	10 002
Minority in subsidiary	51	41	44

Development of number of shares

	Nominal value, SEK	Series A	Series B	Total
2007-12-31	2	11 812 500	253 537 485	265 349 985
New issue, options exercised	2	-	169 785	169 785
2008-09-30	2	11 812 500	253 707 270	265 519 770

Consolidated cash flow analysis

MSEK	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Year 2007
Cash flow from operations before change in working capital	482	565	1 899	1 660	2 472
Cash flow from change in working capital	-181	-31	-918	-272	-445
Cash flow from operations	301	534	981	1 388	2 027
Cash flow from ordinary investing activities	-210	-222	-653	-565	-825
Operating cash flow	91	312	328	823	1 202
Cash flow from other investment activities	-108	-714	-1 012 ²⁾	-586	-3 031
Dividend	-3	-6	-632	-448	-448
Stock option payments	-	-	27	-	-
Cash flow from other financing activities	-103	390	357	490	3 374
Change in liquid assets ¹⁾	-123	-18	-932	279	1 097

1) The currency effect in liquid assets was -31 MSEK (3) during the first nine months.

2) Acquisitions -760 MSEK, cash and bank balances in distributed Hexpol -220 MSEK and other -32 MSEK.

Key ratios

	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Year 2007
Operating margin, %	17.7	16.2	17.5	16.1	16.6
Profit margin before taxes, %	15.2	14.5	15.3	14.8	14.1
Return on shareholders' equity, %	17.0	18.9	19.8	20.3	19.5
Return on capital employed, %	11.1	14.1	12.8	14.8	14.3
Solvency ratio, %	42.5	45.8	42.5	45.8	40.3
Net indebtedness	0.91	0.67	0.91	0.67	0.88
Interest coverage ratio	6.4	8.3	7.4	9.4	8.8
Average number of shares, thousands	265 520	265 350	265 427	265 254	265 278
Earnings per share, SEK	1.56	1.64	5.48	5.19	6.79
Earnings per share excl non-recurring items, SEK	1.56	1.44	5.48	4.96	7.11
Earnings per share excl non-recurring items and Hexpol, SEK	1.56	1.44	5.14	4.41	6.37
Cash flow per share, SEK	1.13	2.01	3.70	5.23	7.64
Cash flow per share before change in working capital, SEK	1.82	2.13	7.15	6.26	9.32
Share price, SEK	78	131	78	131	135

Order intake

MSEK	2008			2007				Year
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	
Hexagon MT	3 149	3 227	3 008	2 715	2 796	2 676	3 047	11 234
Hexpol ¹⁾	834	591	-	671	667	777	709	2 824
Other operations	174	198	201	127	154	210	231	722
Divested businesses ²⁾	-	-	-	267	34	34	24	359
Group	4 157	4 016	3 209	3 780	3 651	3 697	4 011	15 139

1) Hexpol was listed on NASDAQ OMX Nordic Exchange and de-consolidated from Hexagon as of 1 June 2008.

2) Johnson Metall, Eurosteel and Tidamek.

Net sales

MSEK	2008			2007				Year
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	
Hexagon MT	2 974	3 135	2 913	2 483	2 694	2 607	3 153	10 937
Hexpol ¹⁾	852	567	-	656	650	680	744	2 730
Other operations	201	202	157	145	144	135	203	627
Divested businesses ²⁾	-	-	-	216	29	26	24	295
Eliminations	-	-	-	-1	-1	-	-	-2
Group	4 027	3 904	3 070	3 499	3 516	3 448	4 124	14 587

1) Hexpol was listed on NASDAQ OMX Nordic Exchange and de-consolidated from Hexagon as of 1 June 2008.

2) Johnson Metall, Eurosteel and Tidamek.

Operating earnings (EBIT1)

MSEK	2008			2007				Year
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	
Hexagon MT	566	683	561	451	529	486	675	2 141
Hexpol ¹⁾	83	60	-	69	81	86	74	310
Other operations	8	10	1	1	6	1	7	15
Divested businesses ²⁾	-	-	-	12	1	0	2	15
Group costs and eliminations	-14	-19	-19	-13	-16	-13	-18	-60
Group	643	734	543	520	601	560	740	2 421
Margin, %	16.0	18.8	17.7	14.9	17.1	16.2	17.9	16.6

1) Hexpol was listed on NASDAQ OMX Nordic Exchange and de-consolidated from Hexagon as of 1 June 2008.

2) Johnson Metall, Eurosteel and Tidamek.

Net sales

MSEK	2008			2007				Year
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	
EMEA	2 347	2 232	1 630	2 220	2 021	1 993	2 412	8 646
Americas	995	947	767	717	909	850	1 075	3 551
Asia	685	725	673	562	586	605	637	2 390
Group ¹⁾	4 027	3 904	3 070	3 499	3 516	3 448	4 124	14 587

1) Hexpol was listed on NASDAQ OMX Nordic Exchange and de-consolidated from Hexagon as of 1 June 2008.

Acquisitions and divestments during the first nine months

MSEK	Q1-3 2008		Q1-3 2007	
	Acquisit.	Divest.	Acquisit.	Divest.
Intangible fixed assets	758	-1 108	1 271	-15
Other fixed assets	20	-723	199	-159
Total fixed assets	778	-1 831	1 470	-174
Total current assets	284	-1 009	474	-499
Total assets	1 062	-2 840	1 944	-673
Shareholders' equity incl. minority interests	-8	-	2	-11
Total long-term liabilities	78	-1 435	360	-56
Total short-term liabilities	168	-525	366	-192
Total liabilities	238	-1 960	728	-259
Total net assets	824	-880	1 216	-414
Total acquisition cost/ divestment income	-834	-	-1 561	534
Divested net assets	-	-880	-	-414
Capital gains	-	-	-	120
Distributed to Hexagon's shareholders	-	-880	-	-
Total acquisition cost/ divestment income	-834	-	-1 561	534
Adjustment for cash and bank balances in acquired/ divested entities	65	-220	106	-2
Adjustment for non-paid part of acquisition cost/ divestment income incl. payment of items from prior year	9	-	346	-
Cash flow from acquisitions/ divestments	-760	-220	-1 109	532

Acquired entities have converted to IFRS at the acquisition date, which has entailed a change compared to the accounting standards previously applied. Due to the fact that results from operations and financial position in accordance with IFRS are not available, as well as the absence of materiality of the acquisitions, Hexagon does not present information as to how Hexagon's results would have appeared if the acquisitions were made as of the commencement of the reporting period.

Distribution and listing of Hexpol

Due to the distribution of shares in Hexpol, Hexagon's capital employed decreased by -2 397 MSEK and interest bearing provisions and liabilities decreased by -1 517 MSEK with a corresponding net effect on equity of -880 MSEK.

Parent company income statement in summary

MSEK	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Year 2007
Net sales	4	6	16	18	24
Administration cost	-14	-10	-54	-36	-51
Operating earnings	10	-4	-38	-18	-27
Earnings from shares in Group companies	1 102	-	1 283	-	-
Interest income and expenses, net	151	-103	-277	-139	-128
Earnings after financial items	1 243	-107	968	-157	-155
Tax	-40	30	88	48	48
Net earnings	1 203	-77	1 056	-109	-107

Parent company balance sheet in summary

MSEK	30/9 2008	30/9 2007	31/12 2007
Total fixed assets	17 087	15 664	18 996
Total current receivables	863	1 083	254
Cash and cash equivalents	232	297	370
Total current assets	1 095	1 380	624
Total assets	18 182	17 044	19 620
Total shareholders' equity	6 382	6 574	6 655
Total long-term liabilities	8 816	6 608	9 816
Total short-term liabilities	2 984	3 862	3 149
Total equity and liabilities	18 182	17 044	19 620

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.
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 earnings (EBIT1)	Operating earnings excluding capital gain on shares in group companies and other non-recurring items.
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 NASDAQ 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.